UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2022
OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from __________ to __________
Commission File Number 001-33097

GLADSTONE COMMERCIAL CORPORATION
(Exact name of registrant as specified in its charter)

Maryland	**02-0681276**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
1521 Westbranch Drive, Suite 100 McLean, Virginia	**22102**
(Address of principal executive offices)	**(Zip Code)**

(703) 287-5800
(Registrant’s telephone number, including area code)
Securities registered pursuant to Section 12(b) of the Act:

Title of each Class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value $0.001 per share	GOOD	The Nasdaq Stock Market LLC
6.625% Series E Cumulative Redeemable Preferred Stock, par value $0.001 per share	GOODN	The Nasdaq Stock Market LLC
6.00% Series G Cumulative Redeemable Preferred Stock, par value $0.001 per share	GOODO	The Nasdaq Stock Market LLC

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management’s assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12 b-2 of the Act). Yes ☐ No ☒

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

The aggregate market value of the voting common stock held by non-affiliates of the Registrant on June 30, 2022, based on the closing price on that date of $18.84 on the Nasdaq Global Select Market, was $725,471,595. For the purposes of calculating this amount only, all directors and executive officers of the Registrant and entities controlled by our directors and executive officers have been treated as affiliates. There were 39,987,248 shares of the Registrant's common stock, $0.001 par value per share, outstanding as of February 22, 2023.

Documents Incorporated by Reference: Portions of the Registrant's Proxy Statement, to be filed no later than April 30, 2023, relating to the Registrant's 2023 Annual Meeting of Stockholders, are incorporated by reference into Part III of this Annual Report on Form 10-K.

GLADSTONE COMMERCIAL CORPORATION
FORM 10-K FOR THE YEAR ENDED
DECEMBER 31, 2022

TABLE OF CONTENTS

		PAGE
PART I		
Item 1.	Business.	7
Item 1A.	Risk Factors.	16
Item 1B.	Unresolved Staff Comments.	31
Item 2.	Properties.	31
Item 3.	Legal Proceedings.	33
Item 4.	Mine Safety Disclosures.	33
PART II		
Item 5.	Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.	33
Item 6.	Reserved.	34
Item 7.	Management’s Discussion and Analysis of Financial Condition and Results of Operations.	34
Item 7A.	Quantitative and Qualitative Disclosures About Market Risk.	53
Item 8.	Financial Statements and Supplementary Data.	54
Item 9.	Changes in and Disagreements With Accountants on Accounting and Financial Disclosure.	91
Item 9A.	Controls and Procedures.	92
Item 9B.	Other Information.	92
Item 9C.	Disclosure Regarding Foreign Jurisdictions that Prevent Inspections.	92
PART III		
Item 10.	Directors, Executive Officers and Corporate Governance.	92
Item 11.	Executive Compensation.	92
Item 12.	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.	93
Item 13.	Certain Relationships and Related Transactions, and Director Independence.	94
Item 14.	Principal Accountant Fees and Services.	94
PART IV		
Item 15.	Exhibits and Financial Statement Schedules.	94
Item 16.	Form 10-K Summary.	97
SIGNATURES		97

Forward-Looking Statements

Our disclosure and analysis in this Annual Report on Form 10-K ("Form 10-K"), and the documents that are incorporated by reference herein, contain "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). We intend such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995 and include this statement for purposes of complying with these safe harbor provisions. Forward-looking statements relate to expectations, beliefs, projections, future plans and strategies, anticipated events or trends concerning matters that are not historical facts. These forward-looking statements include information about possible or assumed future events, including, among other things, discussion and analysis of our future performance and financial condition, results of operations and funds from operations ("FFO"), our strategic plans and objectives, cost management, occupancy and leasing rates and trends, liquidity and ability to refinance our indebtedness as it matures, anticipated capital expenditures (and access to capital) required to complete projects, amounts of anticipated cash distributions to our stockholders in the future, the impact of public health emergencies, and other matters. Words such as "anticipates," "expects," "intends," "plans," "will," "should," "could," "would," "believes," "seeks," "estimates," "may" "provided," "growth," "if," "possible," "likely," and variations of these words and similar expressions are intended to identify forward-looking statements, though not all forward-looking statements contain these words. These statements are not guarantees of future performance and are subject to risks, uncertainties and other factors, some of which are beyond our control, are difficult to predict and could cause actual results to differ materially from those expressed or forecasted in the forward-looking statements. Forward-looking statements speak only as of the date they are made. Statements regarding the following subjects, among others, are forward-looking by their nature:

- future re-leasing efforts;
- our business and financing strategy;
- effects of public health emergencies and pandemics on our business, results of operations, liquidity and financial condition;
- our ability to continue to implement our business plan;
- pending and future transactions;
- our projected operating results and anticipated acquisitions;
- our ability to obtain future financing arrangements;
- estimates relating to our future distributions;
- our understanding of our competition and our ability to compete effectively;
- future market and industry trends;
- future interest and insurance rates;
- estimates of our future operating expenses, including payments to our Adviser (as defined herein) under the terms of our Advisory Agreement (as defined herein);
- the impact of technology on our operations and business, including the risk of cyber-attacks, cyber-liability or potential liability for breaches of our privacy or information security systems;
- projected cash requirements, including capital expenditures; and
- future use of the proceeds of our Credit Facility (as defined herein), mortgage notes payable, future stock offerings and other future capital resources, if any.

These forward-looking statements are based on our beliefs, assumptions and expectations of our future performance, taking into account information currently available to us. Forward-looking statements involve inherent uncertainty and may ultimately prove to be incorrect or false. Although we believe that the expectations reflects in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. These beliefs, assumptions, and expectations can change as a result of many possible events or factors, not all of which are known to us. If a change occurs, our business, financial condition, liquidity and results of operations may vary materially from those expressed in our forward-looking statements. You are cautioned not to place undue reliance on forward-looking statements. Except as otherwise may be required by law, we undertake no obligation to update or revise forward-looking statements to reflect changed assumptions, the occurrence of unanticipated events or actual operating results. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including, but not limited to:

- general volatility of the capital markets and the market price of our common and preferred stock;
- inflation, rising interest rates and recessionary conditions;
- failure to maintain our qualification as a real estate investment trust ("REIT") and in the risk of changing laws that affect REITs;
- risks associated with negotiation and consummation of pending and future transactions;

- changes in our business strategy;
- the adequacy of our cash reserves and working capital;
- our failure to successfully integrate and operate acquired properties and operations;
- defaults upon, early termination of or non-renewal of leases by tenants;
- decreased rental rates or increased vacancy rates;
- the degree and nature of our competition, including other real estate investment companies;
- availability, terms and deployment of capital, including the ability to maintain and borrow under our $125.0 million unsecured revolving credit facility, $160.0 million term loan facility, $60.0 million term loan facility and $150.0 million term loan facility (together, the "Credit Facility"), arrange for long-term mortgages on our properties, secure additional long-term lines of credit and raise equity capital;
- our Adviser's ability to identify, hire and retain highly-qualified personnel;
- changes in our industry or the general economy;
- changes in real estate and zoning laws and increases in real property tax rates;
- changes in governmental regulations, tax rates and similar matters;
- the national and global political environment, including foreign relations and trading policies;
- the impact of health emergencies and pandemics, including the COVID-19 pandemic, on the economy and the capital markets, which may precipitate or exacerbate other risks and/or uncertainties;
- environmental uncertainties and risks related to natural disasters; and
- the loss of any of our key officers, such as Mr. David Gladstone, our chairman and chief executive officer, Mr. Terry Lee Brubaker, our vice chairman and chief operating officer, Mr. Arthur "Buzz" Cooper, our president, or Mr. Gary Gerson, our chief financial officer.

Summary Risk Factors

Below is a summary of the principal risk factors associated with an investment in our securities. In addition to the below, you should carefully consider the information included in "*Risk Factors*" beginning on page 16 of this Annual Report on Form 10-K together with all of the other information included in this Annual Report on Form 10-K and the other reports and documents filed or furnished by us with the SEC for a more detailed discussion of the principal risks (as well as certain other risks and uncertainties) that you should carefully consider before deciding to invest in our securities.

- *Certain of our tenants and borrowers may be unable to pay rent, which could adversely affect our cash available to make distributions to our stockholders.*
- *We may be unable to renew leases, lease vacant space or re-lease space as leases expire, which could adversely affect our business and our ability to make distributions to our stockholders.*
- *Net leases may not result in fair market lease rates over time, thereby failing to maximize income and distributions to our stockholders.*
- *Illiquidity of real estate investments may make it difficult for us to sell properties in response to market conditions and could harm our financial condition and ability to make distributions to our stockholders.*
- *Our real estate investments have a limited number of tenants and are concentrated in a limited number of industries, which subjects us to an increased risk of significant loss if any one of these tenants is unable to pay or if particular industries experience downturns.*
- *We could incur significant costs related to government regulation and private litigation over environmental matters.*
- *Capital markets and economic conditions can materially affect our financial condition and results of operations, the value of our equity securities, and our ability to sustain payment of distributions at current levels.*
- *Because our business strategy relies on external financing, we may be negatively affected by restrictions on additional borrowings, and the risks associated with leverage, including our debt service obligations.*
- *Interest rate fluctuations may adversely affect our results of operations.*
- *Our success depends on the performance of our Adviser and if our Adviser makes inadvisable investment or management decisions, our operations could be materially adversely impacted.*
- *We may have conflicts of interest with our Adviser and other affiliates.*
- *If we fail to qualify as a REIT, our operations and distributions to stockholders would be adversely impacted.*
- *Our redemption of OP Units could result in the issuance of a large number of new shares of our common stock and/or force us to expend significant cash, which may limit our funds necessary to make distributions on our common stock.*
- *Our ability to pay distributions is limited by the requirements of Maryland law.*
- *Cybersecurity risks and cyber incidents may adversely affect our business by causing a disruption to our operations, or the operations of businesses in which we invest, a compromise or corruption of our confidential information and/or*

damage to our business relationships, all of which could negatively impact our business, financial condition and operating results.

This list of risks and uncertainties, however, is only a summary of some of the most important factors to us and is not intended to be exhaustive. You should carefully review the risks set forth herein under the caption "Item 1A. Risk Factors." New factors may also emerge from time to time that could have a material adverse effect on our business.

PART I

Item 1. Business.

Overview

Gladstone Commercial Corporation (which we refer to as "we," "us," or the "Company") was incorporated under the General Corporation Law of the State of Maryland on February 14, 2003. We have elected to be taxed as a REIT for federal income tax purposes. We focus on acquiring, owning, and managing primarily industrial and office properties. Our shares of common stock, par value $0.001 per share, 6.625% Series E Cumulative Redeemable Preferred Stock, par value $0.001 per share ("Series E Preferred Stock"), and 6.00% Series G Cumulative Redeemable Preferred Stock, par value $0.001 per share ("Series G Preferred Stock"), trade on the Nasdaq Global Select Market ("Nasdaq") under the trading symbols "GOOD," "GOODN" and "GOODO," respectively. Our senior common stock, par value $0.001 per share ("Senior Common Stock") and our 6.00% Series F Cumulative Redeemable Preferred Stock, par value $0.001 per share ("Series F Preferred Stock"), are not listed or traded on any exchange or automated quotation system.

Our properties are geographically diversified and our tenants cover a broad cross section of business sectors and range in size from small to very large private and public companies, many of which are corporations that do not have publicly-rated debt. We have historically entered into, and intend in the future to enter into, purchase agreements for real estate having net leases with terms of approximately seven to 15 years with built-in rental rate increases. Under a net lease, the tenant is required to pay most or all operating, maintenance, repair and insurance costs and real estate taxes with respect to the leased property.

We actively communicate with buyout funds, real estate brokers and other third parties to locate properties for potential acquisition or to provide mortgage financing in an effort to build our portfolio. We target secondary growth markets that possess favorable economic growth trends, diversified industries, and growing population and employment.

As of February 22, 2023:

- we owned 137 properties totaling 17.2 million square feet (all references herein and throughout the Notes to Consolidated Financial Statements to the number of properties and square footage are unaudited) of rentable space, located in 27 states;
- our occupancy rate was 95.9%;
- the weighted average remaining term of our mortgage debt was 4.1 years, and the weighted average interest rate was 5.15%; and
- the average remaining lease term of the portfolio was 6.9 years.

We conduct substantially all of our business activities through an Umbrella Partnership Real Estate Investment Trust structure, by which all of our properties are held, directly or indirectly, by Gladstone Commercial Limited Partnership (the "Operating Partnership"). We control the sole general partner of the Operating Partnership and currently own, directly or indirectly, approximately 99.0% of the common units of limited partnership interest in the Operating Partnership ("OP Units"). We have in the past, and may in the future, issue OP Units in connection with the acquisition of commercial real estate, and thereby potentially expand the number of limited partners of the Operating Partnership. Limited partners who hold limited partnership units in our Operating Partnership for at least one year will generally be entitled to cause us to redeem these units for cash or, at our election, shares of our common stock on a one-for-one basis.

Our Operating Partnership is the sole member of Gladstone Commercial Lending, LLC ("Gladstone Commercial Lending"). Gladstone Commercial Lending is a Delaware limited liability company that was formed to hold any real estate mortgage loans.

Our business is managed by our external adviser, Gladstone Management Corporation (the "Adviser"). Gladstone Administration, LLC (the "Administrator"), provides administrative services to us. Both our Adviser and our Administrator are affiliates of ours and each other.

Our Investment Objectives and Our Strategy

Our principal investment objectives are to generate income from rental properties, which we use to fund our continuing operations and to pay monthly cash distributions to our stockholders. Our strategy is to invest in and own a diversified portfolio of leased properties (primarily industrial and office) that we believe will produce stable cash flow and increase in value. We may sell some of our real estate assets when our Adviser determines that doing so would be advantageous to us and our stockholders.

In addition to cash on hand and cash from operations, we use funds from various other sources to finance our acquisitions and operations, including equity, our Credit Facility, mortgage financing and other sources that may become available from time to time. We believe that moderate leverage is prudent and we aspire to become an investment grade borrower over time.

In addition to our use of leverage, we were active in the equity markets during 2022 by issuing shares of common stock under our common stock at-the-market program ("Common ATM Program"), pursuant to our At-the-Market Equity Offering Sales Agreement (the "Common Stock Sales Agreement") with Robert W. Baird & Co. Incorporated ("Baird"), Goldman Sachs & Co. LLC ("Goldman Sachs"), Stifel, Nicolaus & Company, Incorporated ("Stifel"), BTIG, LLC, and Fifth Third Securities, Inc. ("Fifth Third") (collectively, the "Common Stock Sales Agents"). We voluntarily redeemed all outstanding shares of our 7.00% Series D Cumulative Redeemable Preferred Stock, par value $0.001 per share ("Series D Preferred Stock") on June 30, 2021, through raising proceeds from an underwritten public offering of Series G Preferred Stock. We also issued shares of our Series F Preferred Stock through bimonthly closings of this registered non-traded continuous offering. Although we did not sell any shares of our Series E Preferred Stock during the year ended December 31, 2022, we also had an at-the-market program for our Series E Preferred Stock during the period. We terminated that program and the Common Stock Sales Agreement, effective February 10, 2023, in connection with the expiration of our registration statement on Form S-3 (File No. 333-236143) (the "2020 Registration Statement") on February 11, 2023.

Investment Policies

Types of Investments

Overview

We intend to continue earning substantially all of our revenues from the ownership of income-producing real property. We expect that a majority of our investments will continue to be structured as net leases that require the tenant to pay most or all of the operating costs, costs of maintenance and repair, insurance and real estate taxes on the property. However, if a net lease would have an adverse impact on a potential tenant, or we assume a lease with a different existing structure in place, we may structure our investment as either a gross or modified gross lease. Investments are not restricted to geographical areas, but we expect that most of our investments in real estate will continue to be made within the continental United States. Some of our investments may also be made through joint ventures that would permit us to own interests in large properties without restricting the diversity of our portfolio.

We anticipate that we will continue to make substantially all of our investments through our Operating Partnership. Our Operating Partnership may acquire interests in real property or mortgage loans in exchange for the issuance of common shares, OP Units, cash, or through a combination of the aforementioned. OP Units issued by our Operating Partnership generally will be redeemable for cash or, at our election, shares of our common stock on a one-for-one basis after the one-year anniversary of their issuance. We may in the future also conduct some of our business and hold some of our interests in real properties or mortgage loans through one or more wholly-owned subsidiaries that are not owned, directly or indirectly, through our Operating Partnership.

Property Acquisitions and Net Leasing

To date, we have purchased a majority of our properties from owners that have leased their properties to non-affiliated tenants, and while we have engaged in some transactions with tenants who have consummated sale-leaseback transactions, these transactions do not comprise the dominant portion of our portfolio. We expect that some of our sale-leaseback transactions will be in conjunction with acquisitions, recapitalizations or other corporate transactions affecting our tenants. In these transactions, we may act as one of several sources of financing by purchasing one or more properties from the tenant and by leasing it on a net basis to the tenant or its successor in interest.

Our portfolio consists primarily of single-tenant industrial and office real property. While we will continue to acquire select multi-tenant industrial and office properties, our primary focus is single-tenant industrial and office properties. Generally, we lease properties to tenants that our Adviser deems creditworthy under leases that will be full recourse obligations of our tenants or their affiliates. We seek to obtain lease terms of approximately seven to 15 years with built-in rental increases.

We have formed relationships with nationally recognized strategic partners to assist us with the management of our properties in each of our markets. These relationships provide local expertise to ensure that our properties are properly maintained and that our tenants have local points of contact to address property issues. This strategy improves our operating efficiencies, increases local market intelligence for the Adviser, and generally does not increase our costs as the local property managers are reimbursed by the tenants in accordance with the lease agreements.

Underwriting Criteria, Due Diligence Process and Negotiating Lease Provisions

We consider underwriting of the real estate and the tenant for the property to be the two most important aspects of evaluating a prospective investment. In analyzing potential acquisitions of properties and leases, our Adviser reviews all aspects of the potential transaction, including tenant and real estate fundamentals, to determine whether potential acquisitions and leases can be structured to satisfy our acquisition criteria. The criteria listed below provide general guideposts that our Adviser may consider when underwriting leases and mortgage loans:

- *Credit Evaluation*. Our Adviser evaluates each potential tenant or borrower for its creditworthiness, considering factors such as its rating by a national credit rating agency, if any, management experience, industry position and fundamentals, operating history and capital structure. As of December 31, 2022, 40% of our lease revenues were earned from tenants that were rated by a nationally recognized statistical rating organization. A prospective tenant or borrower that is deemed creditworthy does not necessarily mean that we will consider its property to be "investment grade." Our Adviser seeks tenants and borrowers that range from small businesses, many of which do not have publicly rated debt, to large public companies. Our Adviser's investment professionals have substantial experience in locating and underwriting these types of companies. By leasing properties to these tenants, we believe that we will generally be able to charge rent that is higher than the rent charged to tenants with low leverage ratios and recognized credit, thereby enhancing current return from these properties as compared with properties leased to companies whose credit potential has already been recognized by the market. Furthermore, if a tenant's credit improves, the value of our lease or investment will likely increase (if all other factors affecting value remain unchanged). In evaluating a possible investment, we believe that the creditworthiness of a prospective tenant can be a more significant factor than the unleased value of the property itself. While our Adviser selects tenants it believes to be creditworthy, tenants are not required to meet any minimum rating established by an independent credit rating agency. Our Adviser's standards for determining whether a particular tenant is creditworthy vary in accordance with a variety of factors relating to specific prospective tenants. The creditworthiness of a tenant or borrower is determined on a tenant-by-tenant and case-by-case basis. Therefore, general standards for creditworthiness cannot be applied.
- *Leases with Increasing Rent*. Our Adviser seeks to acquire properties with leases that include a provision in each lease that provides for annual rent escalations over the term of the lease. A majority of our leases contain fixed rental escalations; however certain of our leases are tied to increases in indices, such as the consumer price index and we have a small number of leases without rental escalations.
- *Diversification*. Our Adviser attempts to diversify our portfolio to avoid dependence on any one particular tenant, facility type, geographic location or tenant industry. By diversifying our portfolio, our Adviser intends to reduce the adverse effect of a single under-performing investment or a downturn in any particular industry or geographic region. Please see Item 2 of this Form 10-K for a summary of our portfolio by industry and geographic location.
- *Property Valuation*. The business prospects and the financial strength of the tenant are important aspects of the evaluation of any sale and leaseback of property, or acquisition of property subject to a net lease, particularly a property that is specifically suited to the needs of the tenant. We generally require quarterly unaudited and annual audited financial statements of the tenant to continuously monitor the financial performance of the tenant. Our Adviser evaluates the financial capability of the tenant and its ability to perform per the terms of the lease, including obtaining certificates of insurance and verifying payment of real estate taxes on an annual basis. Our Adviser will also examine the available operating results of prospective investment properties to determine whether or not projected rental levels are likely to be met. As further described below, our Adviser also evaluates the physical characteristics of a prospective property investment and comparable properties as well as the geographic location of the property in the particular market to ensure that the characteristics are favorable for re-leasing the property at approximately the same or higher rental rate should that necessity arise. Our Adviser then computes the value of the property based on historical and projected operating results. In addition, each property that we propose to purchase is appraised by an independent appraiser. These appraisals may take into consideration, among other things, the terms and conditions of the particular lease transaction and the conditions of the credit markets at the time the purchase is negotiated, as well as a value assessment of like properties in the market. We generally limit the purchase price of each acquisition to less than 5% of our consolidated total assets.
- *Properties Important to Tenant Operations*. Our Adviser generally seeks to acquire investment properties that are essential or important to the ongoing operations of the prospective tenant. We believe that these investment properties

provide better protection in the event a tenant files bankruptcy, as leases on properties essential or important to the operations of a bankrupt tenant are typically less likely to be rejected in bankruptcy or otherwise terminated.

- *Lease Provisions that Enhance and Protect Value*. When appropriate, our Adviser attempts to acquire properties with leases that require our consent to specified tenant activity or require the tenant to satisfy specific operating tests. These provisions may include operational or financial covenants of the tenant, as well as indemnification of us by the tenant against environmental and other contingent liabilities. We believe that these provisions serve to protect our investments from changes in the operating and financial characteristics of a tenant that may impact its ability to satisfy its obligations to us or that could reduce the value of our properties. Our Adviser generally also seeks covenants requiring tenants to receive our consent prior to any change in control of the tenant.
- *Credit Enhancement.* Our Adviser may also seek to enhance the likelihood of a tenant's lease obligations being satisfied through a cross-default with other tenant obligations, a letter of credit or a guaranty of lease obligations from each tenant's corporate parent. We believe that this type of credit enhancement, if obtained, provides us with additional financial security.

Underwriting of the Real Estate and Due Diligence Process

In addition to underwriting the tenant or borrower, our Adviser also underwrites the real estate to be acquired or secured by one of our mortgages. On our behalf, our Adviser performs a due diligence review with respect to each property, such as evaluating the physical condition of a property, zoning and site requirements to ensure the property is in compliance with all zoning regulations as well as an environmental site assessment, in an attempt to determine potential environmental liabilities associated with a property prior to its acquisition, although there can be no assurance that hazardous substances or wastes (as defined by present or future federal or state laws or regulations) will not be discovered on the property after we acquire it. We could incur significant costs related to government regulation and private litigation over environmental matters. See "*Risk Factors – We could be exposed to liability and remedial costs related to environmental matters."*

Our Adviser also reviews the structural soundness of the improvements on the property and may engage a structural engineer to review multiple aspects of the structures to determine the longevity of each building on the property. This review normally also includes the components of each building, such as the roof, the structure and configuration, the electrical wiring, the heating and air-conditioning system, the plumbing, parking lot and various other aspects such as compliance with state and federal building codes.

Our Adviser also physically inspects the real estate and surrounding real estate as part of determining its value. This aspect of our Adviser's due diligence is aimed at arriving at a valuation of the real estate under the assumption that it would not be rented to the existing tenant. As part of this process, our Adviser may consider one or more of the following items:

- The comparable value of similar real estate in the same general area of the prospective property. In this regard, comparable property is difficult to define because each piece of real estate has its own distinct characteristics. But to the extent possible, comparable property in the area that has sold or is for sale will be used to determine if the price to be paid for the property is reasonable. The question of comparable properties' sale prices is particularly relevant if a property might be sold by us at a later date.
- An assessment of the relative appropriate nature and flexibility of the building configuration and its ability to be re-leased to other users in a single or multiple tenant arrangement.
- The comparable real estate rental rates for similar properties in the same area of the prospective property.
- Alternative property uses that may offer higher value.
- The replacement cost of the property at current construction prices if it were to be sold.
- The assessed value as determined by the local real estate taxing authority.

In addition, our Adviser supplements its valuation with an independent real estate appraisal in connection with each investment that we consider. When appropriate, our Adviser may engage experts to undertake some or all of the due diligence efforts described above.

Use of Leverage

In addition to cash on hand and cash from operations, we use funds from various other sources to finance our acquisitions and operations, including common and preferred equity, our Credit Facility, mortgage financing and other sources that may become available from time to time. We believe that moderate leverage is prudent and we aspire to achieve an investment grade rating over time.

Currently, the majority of our mortgage borrowings are structured as non-recourse to us, with limited exceptions that would trigger recourse to us only upon the occurrence of certain fraud, misconduct, environmental or bankruptcy events. The use of non-recourse financing allows us to limit our exposure to the amount of equity invested in the properties pledged as collateral for our borrowings. Non-recourse financing generally restricts a lender's claim on the assets of the borrower, and as a result, the lender generally may look only to the property securing the debt for its satisfaction. We believe that this financing strategy, to the extent available, protects our other assets. However, we can provide no assurance that non-recourse financing will be available on terms acceptable to us, or at all, and consequently, there may be circumstances where lenders have recourse to our other assets. None of the $359.4 million in mortgage notes payable, net, outstanding as of December 31, 2022 have recourse to the Company.

On August 7, 2013, we procured a senior unsecured revolving credit facility ("Revolver"), with KeyBank National Association ("Keybank") (serving as a revolving lender, a letter of credit issuer and an administrative agent) and other syndicated lenders. Our Revolver was initially for $60.0 million, but was increased to $85.0 million through subsequent amendments. On October 5, 2015, we added a $25.0 million 5-year term loan facility ("Term Loan A"). On October 27, 2017, we expanded our Term Loan A to $75.0 million and extended the maturity date to October 27, 2022, and also extended the maturity date of our Revolver through October 27, 2021. On July 2, 2019, we expanded our Term Loan A from $75.0 million to $160.0 million, inclusive of a delayed draw component whereby we can incrementally borrow on the Term Loan A up to the $160.0 million commitment, and increased the Revolver from $85.0 million to $100.0 million. The Term Loan A has a five-year term, with a maturity date of July 2, 2024, and the Revolver has a four-year term, with a maturity date of July 2, 2023. The interest rate margin for each of the Term Loan A and Revolver was reduced by 10 basis points at each leverage tier. On February 11, 2021, we added a new $65.0 million term loan component, inclusive of a $15.0 million delayed funding component which was funded on July 20, 2021 ("Term Loan B"). Term Loan B has a maturity date of 60 months from the closing of the amended Credit Facility and a London Inter-bank Offered Rate ("LIBOR") floor of 25 basis points.

On August 18, 2022, we added a new $140.0 million term loan facility component ("Term Loan C"). Term Loan C has a maturity date of February 18, 2028 and a Secured Overnight Financing Rate ("SOFR") spread ranging from 125 to 195 basis points, depending on our leverage. We also increased our Revolver from $100.0 million to $120.0 million (and its term to August 2026), decreased the principal balance of Term Loan B to $60.0 million and extended the maturity date of Term Loan A to August 2027. On September 27, 2022, we further increased the Revolver to $125.0 million and Term Loan C to $150.0 million, as permitted under the terms of the Credit Facility. We entered into multiple interest rate swap agreements on Term Loan C, which swap the interest rate to fixed rates ranging from 3.15% to 3.75%. We incurred fees of approximately $4.2 million in connection with extending and upsizing our Credit Facility. As of December 31, 2022, there was $150.0 million outstanding under Term Loan C, and we used all net proceeds to repay all outstanding borrowings on the Revolver, pay off mortgage debt, and fund acquisitions. The Credit Facility's current bank syndicate is comprised of KeyBank, Fifth Third Bank, The Huntington National Bank, Bank of America, Synovus Bank, United Bank, First Financial Bank, and S&T Bank. We refer to Term Loan A, Term Loan B, Term Loan C and the Revolver, collectively, herein as the Credit Facility.

Conflict of Interest Policy

We have adopted policies to reduce potential conflicts of interest. In addition, our directors are subject to certain provisions of Maryland law that are designed to minimize conflicts. However, we cannot assure you that these policies or provisions of law will reduce or eliminate the influence of these conflicts.

Under our current conflict of interest policy, without the approval of a majority of our independent directors, we will not:

- acquire from or sell any assets or other property to any of our officers, directors or our Adviser's employees, or any entity in which any of our officers, directors or Adviser's employees has an interest of more than 5%;

- borrow from any of our directors, officers or our Adviser's employees, or any entity, in which any of our officers, directors or our Adviser's employees has an interest of more than 5%; or

- engage in any other transaction with any of our directors, officers or our Adviser’s employees, or any entity in which any of our directors, officers or our Adviser’s employees has an interest of more than 5% (except that our Adviser may lease office space in a building that we own, provided that the rental rate under the lease is determined by our independent directors to be at a fair market rate).

Our policy also prohibits us from purchasing any real property owned by or co-investing with our Adviser, any of its affiliates or any business in which our Adviser or any of its subsidiaries have invested, except that we may lease property to existing and prospective portfolio companies of current or future affiliates, such as our affiliated publicly-traded funds Gladstone Capital Corporation (“Gladstone Capital”), Gladstone Land Corporation (“Gladstone Land”), or Gladstone Investment Corporation (“Gladstone Investment”), and other entities advised by our Adviser, so long as that entity does not control the portfolio company and the transaction is approved by both companies’ board of directors. If we decide to change this policy on co-investments with our Adviser or its affiliates, we will seek our stockholders’ approval.

Future Revisions in Policies and Strategies

Our independent directors periodically review our investment policies to evaluate whether they are in the best interests of us and our stockholders. Our investment procedures, objectives and policies may vary as new investment techniques are developed or as regulatory requirements change, and except as otherwise provided in our charter or bylaws, may be altered by a majority of our directors (including a majority of our independent directors) without the approval of our stockholders, to the extent that our Board of Directors determines that such modification is in the best interest of our stockholders. Among other factors, developments in the market which affect the policies and strategies described in this report or which change our assessment of the market may cause our Board of Directors to revise our investment policies and strategies.

Code of Ethics

We have adopted a code of ethics and business conduct applicable to all personnel of our Adviser and Administrator that complies with the guidelines set forth in Item 406 of Regulation S-K of the Securities Act of 1933, as amended. This code establishes procedures for personal investments, restricts certain transactions by such personnel and requires the reporting of certain transactions and holdings by such personnel. A copy of this code is available for review, free of charge, on the investors section of our website at *www.GladstoneCommercial.com*. The information contained on or connected to our website is not incorporated by reference into this Form 10-K and should not be considered part of this or any other report that we file with or furnish to the SEC. We intend to provide any required disclosure of any amendments to or waivers of this code of ethics by posting information regarding any such amendment or waiver to our website.

Our Adviser and Administrator

Our business is managed by our Adviser. The officers, directors and employees of our Adviser have significant experience in making investments in and lending to businesses of all sizes, and investing in real estate. We have entered into an investment advisory agreement with our Adviser, as amended from time to time (including the Seventh Amended and Restated Investment Advisory Agreement dated January 10, 2023, the “Advisory Agreement”), under which our Adviser is responsible for managing our assets and liabilities, for operating our business on a day-to-day basis and for identifying, evaluating, negotiating and consummating investment transactions consistent with our investment policies as determined by our Board of Directors from time to time. The Administrator employs our chief financial officer, treasurer, chief compliance officer, and general counsel and secretary (who also serves as our Administrator’s president, general counsel, and secretary) and their respective staffs and provides administrative services for us under the administration agreement with our Administrator (the “Administration Agreement”).

David Gladstone, our chairman and chief executive officer, is also the chairman, chief executive officer and the controlling stockholder of our Adviser and our Administrator. Terry Lee Brubaker, our vice chairman and chief operating officer, also serves in the same capacities for our Adviser and our Administrator. Arthur “Buzz” Cooper, our president, is also an executive managing director of our Adviser.

Our Adviser has an investment committee that approves each of our investments. This investment committee is currently comprised of Messrs. Gladstone, Brubaker, and Cooper, Laura Gladstone, who is a managing director of our Adviser, and John Sateri, who is also a managing director of our Adviser. We believe that the review process of our investment committee gives us a unique competitive advantage over other REITs because of the substantial experience that its members possess and their unique perspective in evaluating the blend of corporate credit, real estate and lease terms that collectively provide an acceptable risk for our investments.

Our Adviser's board of directors has empowered our investment committee to authorize and approve our investments, subject to the terms of the Advisory Agreement. Before we acquire any property, the transaction is reviewed by our investment committee to ensure that, in its view, the proposed transaction satisfies our investment criteria and is within our investment policies. Approval by our investment committee is generally the final step in the property acquisition approval process, although the separate approval of our Board of Directors is required in certain circumstances described below. For further detail on this process, please see "*Investment Policies—Underwriting Criteria, Due Diligence Process and Negotiating Lease Provisions*."

Our Adviser and Administrator are headquartered in McLean, Virginia, a suburb of Washington, D.C., and our Adviser also has offices in other states. Refer to Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations - Advisory and Administration Agreements" for a detailed discussion on the Adviser and Administrator's fee structure.

Adviser Duties and Authority under the Advisory Agreement

Under the terms of the Advisory Agreement, our Adviser is required to use its best efforts to present to us investment opportunities consistent with our investment policies and objectives as adopted by our Board of Directors. In performing its duties, our Adviser, either directly or indirectly by engaging an affiliate:

- finds, evaluates and enters into contracts to purchase real estate on our behalf in compliance with our investment procedures, objectives and policies, subject to approval of our Board of Directors, where required;
- provides advice to us and acts on our behalf with respect to the negotiation, acquisition, financing, refinancing, holding, leasing and disposition of real estate investments;
- takes the actions and obtains the services necessary to effect the negotiation, acquisition, financing, refinancing, holding, leasing and disposition of real estate investments; and
- provides day-to-day management of our business activities and other administrative services for us as requested by our Board of Directors.

Our Board of Directors has authorized our Adviser to make investments in any property on our behalf without the prior approval of our Board of Directors if the following conditions are satisfied:

- our Adviser has obtained an independent appraisal for the property indicating that the total cost of the property does not exceed its appraised value; and
- our Adviser has concluded that the property, in conjunction with our other investments and proposed investments, is reasonably expected to fulfill our investment objectives and policies as established by our Board of Directors then in effect.

The actual terms and conditions of transactions involving investments in properties are determined at the sole discretion of our Adviser, subject at all times to compliance with the foregoing requirements. However, some types of transactions require the prior approval of our Board of Directors, including a majority of our independent directors, including the following:

- loans not secured or otherwise supported by real property;
- any acquisition or which at the time of investment would have a cost exceeding 20% of our total assets;
- transactions that involve conflicts of interest with our Adviser or other affiliates (other than reimbursement of expenses in accordance with the Advisory Agreement); and
- the lease of assets to our Adviser, its affiliates or any of our officers or directors.

Our Adviser and Administrator also engage in other business ventures and, as a result, their resources are not dedicated exclusively to our business. For example, our Adviser and Administrator also serve as the external adviser or administrator, respectively, to Gladstone Capital and Gladstone Investment, both publicly traded business development companies affiliated with us, and Gladstone Land, a publicly traded agricultural REIT that is also our affiliate. However, under the Advisory Agreement, our Adviser is required to devote sufficient resources to the administration of our affairs to discharge its obligations under the agreement. The Advisory Agreement is not assignable or transferable by either us or our Adviser without the consent of the other party, except that our Adviser may assign the Advisory Agreement to an affiliate for whom our Adviser agrees to guarantee its obligations to us.

Gladstone Securities

Gladstone Securities, LLC ("Gladstone Securities"), is a privately held broker dealer registered with the Financial Industry Regulatory Authority and insured by the Securities Investor Protection Corporation. Gladstone Securities is an affiliate of ours, as its parent company is controlled by David Gladstone, our chairman and chief executive officer. Mr. Gladstone also serves on the board of managers of Gladstone Securities.

Mortgage Financing Arrangement Agreement

We also entered into an agreement with Gladstone Securities, effective June 18, 2013, for it to act as our non-exclusive agent to assist us with arranging mortgage financing for properties we own. In connection with this engagement, Gladstone Securities may from time to time solicit the interest of various commercial real estate lenders or recommend to us third party lenders offering credit products or packages that are responsive to our needs. We pay Gladstone Securities a financing fee in connection with the services it provides to us for securing mortgage financing on any of our properties. The amount of these financing fees, which are payable upon closing of the financing, will be based on a percentage of the amount of the mortgage, generally ranging from 0.15% to a maximum of 1.0% of the mortgage obtained. The amount of the financing fees may be reduced or eliminated, as determined by us and Gladstone Securities, after taking into consideration various factors, including, but not limited to, the involvement of any third party brokers and market conditions. The agreement is scheduled to terminate on August 31, 2023, unless renewed and approved by our Board of Directors or earlier terminated.

Dealer Manager Agreement

On February 20, 2020 we entered into a dealer manager agreement, as amended on February 9, 2023 (together, the "Dealer Manager Agreement"), whereby Gladstone Securities acts as the exclusive dealer manager in connection with our offering (the "Offering") of up to (i) 20,000,000 shares of our Series F Preferred Stock on a "reasonable best efforts" basis (the "Primary Offering"), and (ii) 6,000,000 shares of Series F Preferred Stock pursuant to our distribution reinvestment plan (the "DRIP") to those holders of the Series F Preferred Stock who participate in such DRIP. The Series F Preferred Stock is registered with the SEC pursuant to a registration statement on Form S-3 (File No. 333-268549), as the same may be amended and/or supplemented (the "2022 Registration Statement"), under the Securities Act of 1933, as amended, and are offered and sold pursuant to a prospectus supplement, dated February 9, 2023, and a base prospectus dated November 23, 2022 relating to the 2022 Registration Statement (the "Prospectus"). During the years ended December 31, 2020, 2021 and 2022, the Series F Preferred Stock was registered with the SEC pursuant to the 2020 Registration Statement, and offered and sold pursuant to a prospectus supplement, dated February 20, 2020, and a base prospectus dated February 11, 2020.

Under the Dealer Manager Agreement, Gladstone Securities, as dealer manager, provides certain sales, promotional and marketing services to the Company in connection with the Offering, and the Company pays Gladstone Securities (i) selling commissions of 6.0% of the gross proceeds from sales of Series F Preferred Stock in the Primary Offering (the "Selling Commissions"), and (ii) a dealer manager fee of 3.0% of the gross proceeds from sales of Series F Preferred Stock in the Primary Offering (the "Dealer Manager Fee"). No Selling Commissions or Dealer Manager Fee are paid with respect to Shares sold pursuant to the DRIP. Gladstone Securities may, in its sole discretion, reallow a portion of the Dealer Manager Fee to participating broker-dealers in support of the Offering.

Human Capital Management

We do not currently have any employees and do not expect to have any employees in the foreseeable future. Currently, services necessary for our business are provided by individuals who are employees of our Adviser and our Administrator pursuant to the terms of the Advisory Agreement and the Administration Agreement, respectively. Each of our executive officers is an employee or officer, or both, of our Adviser or our Administrator. We expect that a total of 15 to 20 full time employees of our Adviser and our Administrator will spend substantially all or all of their time on our matters during calendar year 2023. Our president and CFO, accounting team, and the employees of our Adviser that manage our assets and our investments spend all of their time on our matters. To the extent that we acquire more investments, we anticipate that the number of employees of our Adviser and our Administrator who devote time to our matters will increase.

As of December 31, 2022, our Adviser and Administrator collectively had 74 full-time employees. A breakdown of these employees is summarized by functional area in the table below:

Number of Individuals	Functional Area
13	Executive Management
40	Investment Management, Asset Management, Portfolio Management and Due Diligence
21	Administration, Accounting, Compliance, Human Resources, Legal and Treasury

The Adviser and the Administrator aim to attract and retain capable advisory and administrative personnel, respectively, by offering competitive base salaries, benefits and bonus structure and by providing employees with appropriate opportunities for professional development and growth.

Competition

We compete with a number of other real estate investment companies and traditional mortgage lenders, many of whom have greater marketing and financial resources than we do. Principal factors of competition in our primary business of investing in and owning leased industrial and office real property are the quality of properties, leasing terms, attractiveness and convenience of location. Additionally, our ability to compete depends upon, among other factors, trends of the national and local economies, investment alternatives, financial condition and operating results of current and prospective tenants and borrowers, availability and cost of capital, taxes and governmental regulations.

Government Regulations

We must own, operate, manage, acquire and develop our properties in compliance with the laws and regulations of the United States, as well as state and local laws and regulations in the markets where our properties are located, which may differ among jurisdictions. In response to public health emergencies such as the recent COVID-19 pandemic, federal governmental authorities, as well as state and local governmental authorities in jurisdictions where our properties are located, have in recent years implemented laws and regulations which impacted our ability to operate our business in the ordinary course. These governmental authorities may take similar actions in the future in the event of new public health emergencies, or if a new strain of COVID-19 emerges. Such regulations may materially affect our results of operations for the year ending December 31, 2023. Otherwise, we do not expect that compliance with the various laws and regulations we are subject to will have a material effect on our capital expenditures, results of operations and competitive position for the year ending December 31,2023, as compared to prior periods.

For additional information, see "*Risk Factors - We could incur significant costs related to government regulation and private litigation over environmental matters.*", "*Risk Factors - Compliance or failure to comply with laws requiring access to our properties by disabled persons could result in substantial cost.*", and *"Risk Factors – We could be exposed to liability and remedial costs related to environmental matters."*

Available Information

Copies of our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy statements and amendments, if any, to those reports filed or furnished with the Securities and Exchange Commission (the "SEC"), pursuant to Section 13(a) or 15(d) of the Securities Exchange Act are available free of charge through the investors section of our website at *www.GladstoneCommercial.com* as soon as practicable after such reports have been filed or furnished to the SEC. Information on our website should not be considered part of this Form 10-K. A request for any of these reports may also be submitted to us by sending a written request addressed to Investor Relations, Gladstone Commercial Corporation, 1521 Westbranch Drive, Suite 100, McLean, VA 22102, or by calling our toll-free investor relations line at 1-866-366-5745. The SEC also maintains a website that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC at *www.sec.gov*.

Item 1A. Risk Factors.

An investment in our securities involves a number of significant risks and other factors relating to our structure and investment objectives. As a result, we cannot assure you that we will achieve our investment objectives. You should consider carefully the following information as an investor and/or prospective investor in our securities. The risks described below may not be the only risks we face. Additional risks not presently known to us or that we currently believe are immaterial may also significantly impact our business operations. If any of these risks occur, our business prospects, financial condition or results of operations could suffer, the market price of our capital stock could decline and you could lose all or part of your investment in our capital stock.

Risks related to our business and properties

Certain of our tenants and borrowers may be unable to pay rent or make mortgage payments, which could adversely affect our cash available to make distributions to our stockholders.

Some of our tenants and borrowers may have recently been either restructured using leverage, or acquired in a leveraged transaction. Tenants and borrowers that are subject to significant debt obligations may be unable to make their rent or mortgage payments if there are adverse changes to their businesses or because of the impact of public health emergencies like COVID-19. Rising interest rates, inflation and recessionary conditions also impact a tenant's ability to timely make their rent or mortgage payments. Tenants that have experienced leveraged restructurings or acquisitions will generally have substantially greater debt and substantially lower net worth than they had prior to the leveraged transaction. In addition, the payment of rent and debt service may reduce the working capital available to leveraged entities and prevent them from devoting the resources necessary to remain competitive in their industries.

In situations where management of the tenant or borrower will change after a transaction, it may be difficult for our Adviser to determine with reasonable certainty the likelihood of the tenant's or borrower's business success and of its ability to pay rent or make mortgage payments throughout the lease or loan term. These companies generally are more vulnerable to adverse economic and business conditions, and increases in interest rates.

We are subject to the credit risk of our tenants, which in the event of bankruptcy, could adversely affect our results of operations.

We are subject to the credit risk of our tenants. Any bankruptcy of a tenant or borrower could cause:

- the loss of lease payments to us;
- an increase in the costs we incur to carry the property occupied by such tenant;
- a reduction in the value of our securities; or
- a decrease in distributions to our stockholders.

Under bankruptcy law, a tenant who is the subject of bankruptcy proceedings has the option of continuing or terminating any unexpired lease. If a bankrupt tenant terminates a lease with us, any claim we might have for breach of the lease (excluding a claim against collateral securing the lease) will be treated as a general unsecured claim. Our claim would likely be capped at the amount the tenant owed us for unpaid rent prior to the bankruptcy unrelated to the termination, plus the greater of one year's lease payments or 15% of the remaining lease payments payable under the lease (but no more than three years' lease payments). In addition, due to the long-term nature of our leases and terms providing for the repurchase of a property by the tenant, a bankruptcy court could re-characterize a net lease transaction as a secured lending transaction. If that were to occur, we would not be treated as the owner of the property, but might have additional rights as a secured creditor.

In addition, we may enter into sale-leaseback transactions, whereby we would purchase a property and then lease the same property back to the person from whom we purchased it. In the event of the bankruptcy of a tenant, a transaction structured as a sale-leaseback may be re-characterized as either a financing or a joint venture, either of which outcomes could adversely affect our business. If the sale-leaseback were re-characterized as a financing, we might not be considered the owner of the property, and as a result would have the status of a creditor in relation to the tenant. In that event, we would no longer have the right to sell or encumber our ownership interest in the property. Instead, we would have a claim against the tenant for the amounts owed under the lease, with the claim arguably secured by the property. The tenant/debtor might have the ability to propose a plan restructuring the term, interest rate and amortization schedule of its outstanding balance. If confirmed by the bankruptcy court, we could be bound by the new terms, and prevented from foreclosing our lien on the property. If the sale-leaseback were re-characterized as a joint venture, we could be treated as a co-venturer with our lessee with regard to the property. As a result, we could be held liable, under some circumstances, for debts incurred by the lessee relating to the property. Either of these outcomes could adversely affect our cash flow and our ability to pay distributions to stockholders.

We may be unable to renew leases, lease vacant space or re-lease space as leases expire, which could adversely affect our business and our ability to make distributions to our stockholders.

If we cannot renew leases, we may be unable to re-lease our properties to other tenants at rates equal to or above the current market rate. Even if we can renew leases, tenants may be able to negotiate lower rates as a result of market conditions. Market conditions may also hinder our ability to lease vacant space in newly developed or redeveloped properties. In addition, we may enter into or acquire leases for properties that are suited to the needs of a particular tenant. Such properties may require renovations, tenant improvements or other concessions to lease them to other tenants if the initial leases terminate. We may be required to expend substantial funds for tenant improvements and tenant refurbishments to re-lease the vacated space and cannot assure you that we will have sufficient sources of funding available to use in the future for such purposes and therefore may have difficulty in securing a replacement tenant. We may also have challenges in leasing properties that currently have leases which make up a significant portion of our rent. Any of these factors could adversely impact our financial condition, results of operations, cash flow or our ability to pay distributions to our stockholders.

Net leases may not result in fair market lease rates over time, thereby failing to maximize income and distributions to our stockholders.

A large portion of our rental income comes from net leases, which frequently provide the tenant greater discretion in using the leased property than ordinary property leases, such as the right to sublease the property, subject to our approval, to make alterations in the leased premises and to terminate the lease prior to its expiration under specified circumstances. Further, net leases are typically for longer lease terms and, thus, there is an increased risk that contractual rental increases in future years will fail to result in fair market rental rates during those years. As a result, our income and distributions to our stockholders could be lower than they would otherwise be if we did not engage in net leases.

Multi-tenant properties expose us to additional risks.

Our multi-tenant properties could expose us to the risk that a sufficient number of suitable tenants may not be found to enable the property to operate profitably. This loss of income could cause a material adverse impact to our results of operations and business. Multi-tenant properties are also subject to tenant turnover and fluctuation in occupancy rates, which could affect our operating results. Furthermore, multi-tenant properties expose us to the risk of increased operating expenses, which may occur when the actual cost of taxes, insurance and maintenance at the property exceeds the operating expenses paid by tenants and/or the amounts budgeted.

Illiquidity of certain of our real estate investments may make it difficult for us to sell properties in response to market conditions and could harm our financial condition and ability to make distributions to our stockholders.

We focus our investments on industrial and office properties, a number of which include manufacturing facilities, special use storage or warehouse facilities and special use single or multi-tenant properties. These types of properties are relatively illiquid compared to other types of real estate and financial assets. This liquidity will limit our ability to quickly change our portfolio in response to changes in economic or other conditions. To the extent the properties are not subject to net leases, some significant expenditures, such as real estate taxes and maintenance costs, are generally not reduced when circumstances cause a reduction in income from the investment. Should these events occur, our income and funds available for distribution could be adversely affected. In addition, as a REIT, we may be subject to a 100% tax on net income derived from the sale of property considered to be held primarily for sale to customers in the ordinary course of our business. We may seek to avoid this tax by complying with certain safe harbor rules that generally limit the number of properties we may sell in a given year, the aggregate expenditures made on such properties prior to their disposition, and how long we retain such properties before disposing of them. However, we can provide no assurance that we will always be able to comply with these safe harbors. If compliance is possible, the safe harbor rules may restrict our ability to sell assets in the future and achieve liquidity that may be necessary to fund distributions.

Additionally, certain of our real estate investments may include special use and single or multi-tenant properties, which may be difficult to sell or re-lease upon tenant defaults, early lease terminations, or non-renewals. This illiquidity will limit our ability to quickly change our portfolio in response to changes in economic or other conditions. With these properties, if the current lease is terminated or not renewed or, we may be required to renovate the property or to make rent concessions to lease the property to another tenant or sell the property. In addition, in the event we are forced to sell the property, we may have difficulty selling it to a party other than the tenant or borrower due to the special purpose for which the property may have been designed.

These and other limitations may affect our ability to sell or re-lease properties without adversely affecting returns to our stockholders.

Many of our tenants are lower middle market businesses, which exposes us to additional risks unique to these entities.

Leasing real property to lower middle market businesses exposes us to a number of unique risks related to these entities, including the following:

- *Lower middle market businesses may have limited financial resources and may not be able to make their lease or mortgage payments on a timely basis, or at all.* A lower middle market tenant or borrower may be more likely to have difficulty making its lease or mortgage payments when it experiences adverse events, such as the failure to meet its business plan, a downturn in its industry or negative economic conditions because its financial resources may be more limited.

- *Lower middle market businesses typically have narrower product lines and smaller market shares than large businesses.* Because our target tenants and borrowers are typically smaller businesses that may have narrower product lines and smaller market share, they may be more vulnerable to competitors' actions and market conditions, as well as general economic downturns.

- *There is generally little or no publicly available information about our target tenants and borrowers.* Many of our tenants and borrowers are privately owned businesses, about which there is generally little or no publicly available operating and financial information. As a result, we will rely on our Adviser to perform due diligence investigations of these tenants and borrowers, their operations and their prospects. Our Adviser will perform ongoing credit assessments of our tenants by reviewing all financial disclosures required from our respective leases. We may not learn all of the material information we need to know regarding these businesses through our investigations.

- *Lower middle market businesses generally have less predictable operating results.* We expect that many of our tenants and borrowers may experience significant fluctuations in their operating results, may from time to time be parties to litigation, may be engaged in rapidly changing businesses with products subject to a substantial risk of obsolescence, may require substantial additional capital to support their operations, to finance expansion or to maintain their competitive positions, may otherwise have a weak financial position or may be adversely affected by changes in the business cycle.

- *Lower middle market businesses are more likely to be dependent on one or two persons.* Typically, the success of a lower middle market business also depends on the management talents and efforts of one or two persons or a small group of persons. The death, disability or resignation of one or more of these persons could have a material adverse impact on our tenant or borrower and, in turn, on us.

Our real estate investments have a limited number of tenants and are concentrated in a limited number of industries, which subjects us to an increased risk of significant loss if any one of these tenants is unable to pay or if particular industries experience downturns.

As of December 31, 2022, we owned 137 properties and had 137 leases on these properties, and our five largest tenants accounted for approximately 15.0% of our total lease revenue. A consequence of a limited number of tenants is that the aggregate returns we realize may be materially adversely affected by the unfavorable performance of a small number of tenants. We generally do not have fixed guidelines for industry concentration, but we are restricted from exceeding an industry concentration greater than 20% without approval of our investment committee. As of December 31, 2022, 15.1% of our total lease revenue was earned from tenants in the Telecommunications industry, 12.8% was earned from tenants in the Automotive industry, 12.0% was earned from tenants in the Diversified/Conglomerate Services industry, and 10.7% was earned from tenants in the Healthcare industry. As a result, a downturn in an industry in which we have invested a significant portion of our total assets could have a material adverse effect on us.

The inability of a tenant in a single tenant property to pay rent will reduce our revenues and increase our carrying costs of the building.

Since most of our properties are occupied by a single tenant, the success of each investment will be materially dependent on the financial stability of these tenants. If a tenant defaults, our lease revenues would be reduced and our expenses associated with carrying the property would increase, as we would be responsible for payments such as taxes and insurance. Lease payment defaults by these tenants could adversely affect our cash flows and cause us to reduce the amount of distributions to stockholders. In the event of a default by a tenant, we may experience delays in enforcing our rights as landlord and may incur substantial costs in protecting our investment and re-leasing our property. If a lease is terminated, there is no assurance that we will be able to lease the property for the rent previously received or sell the property without incurring a loss.

Liability for uninsured losses or significant increases in our insurance premiums could adversely affect our financial condition.

Losses from disaster-type occurrences (such as wars, floods or earthquakes) may be either uninsurable or not insurable on economically viable terms. Should such a loss occur, we could lose our capital investment or anticipated profits and cash flow from one or more properties. Additionally, insurance premiums are subject to significant increases and fluctuations, which can be widely outside of our control. For example, the potential impact of climate change and the increased risk of extreme weather events and natural disasters could cause a significant increase in our insurance premiums and adversely affect the availability of coverage.

We could incur significant costs related to government regulation and private litigation over environmental matters.

Under various environmental laws, including the Comprehensive Environmental Response, Compensation and Liability Act, a current or previous owner or operator of real property may be liable for contamination resulting from the release or threatened release of hazardous or toxic substances or petroleum at that property, and an entity that arranges for the disposal or treatment of a hazardous or toxic substance or petroleum at another property may be held jointly and severally liable for the cost to investigate and clean up such property or other affected property. Such parties are known as potentially responsible parties (“PRPs”). Environmental laws often impose liability without regard to whether the owner or operator knew of, or was responsible for, the presence of the contaminants, and the costs of any required investigation or cleanup of these substances can be substantial. PRPs are liable to the government as well as to other PRPs who may have claims for contribution. The liability is generally not limited under such laws and could exceed the property’s value and the aggregate assets of the liable party. The presence of contamination or the failure to remediate contamination at our properties also may expose us to third-party liability for personal injury or property damage, or adversely affect our ability to sell, lease or develop the real property or to borrow using the real property as collateral.

Environmental laws also impose ongoing compliance requirements on owners and operators of real property. Environmental laws potentially affecting us address a wide variety of matters, including, but not limited to, asbestos-containing building materials, storage tanks, storm water and wastewater discharges, lead-based paint, wetlands and hazardous wastes. Failure to comply with these laws could result in fines and penalties and/or expose us to third-party liability. Some of our properties may have conditions that are subject to these requirements, and we could be liable for such fines or penalties and/or liable to third parties for those conditions.

We could be exposed to liability and remedial costs related to environmental matters.

Certain of our properties may contain, or may have contained, asbestos-containing building materials (“ACBMs”). Environmental laws require that ACBMs be properly managed and maintained and may impose fines and penalties on building owners and operators for failure to comply with these requirements. Also, certain of our properties may contain, or may have contained, or are adjacent to or near other properties that have contained or currently contain storage tanks for the storage of petroleum products or other hazardous or toxic substances. These operations create a potential for the release of petroleum products or other hazardous or toxic substances. Certain of our properties may contain, or may have contained, elevated radon levels. Third parties may be permitted by law to seek recovery from owners or operators for property damage and/or personal injury associated with exposure to contaminants, including, but not limited to, petroleum products, hazardous or toxic substances and asbestos fibers. Also, certain of our properties may contain regulated wetlands that can delay or impede development or require costs to be incurred to mitigate the impact of any disturbance. Absent appropriate permits, we can be held responsible for restoring wetlands and be required to pay fines and penalties.

Certain of our properties may contain, or may have contained, microbial matter such as mold and mildew. The presence of microbial matter could adversely affect our results of operations. In addition, if any of our properties are not properly connected to a water or sewer system, or if the integrity of such systems are breached, or if water intrusion into our buildings otherwise occurs, microbial matter or other contamination can develop. When excessive moisture accumulates in buildings or on building materials, mold growth may occur, particularly if the moisture problem remains undiscovered or is not addressed over a period of time. Some molds may produce airborne toxins or irritants. If this were to occur, we could incur significant remedial costs and we may also be subject to material private damage claims and awards. Concern about indoor exposure to mold has been increasing, as exposure to mold may cause a variety of adverse health effects and symptoms, including allergic or other reactions. If we become subject to claims in this regard, it could materially and adversely affect us and our future insurability for such matters.

The assessments we perform on our acquisition of property may fail to reveal all environmental conditions, liabilities or compliance concerns. Material environmental conditions, liabilities or compliance concerns may have arisen after the assessments were conducted or may arise in the future, and future laws, ordinances or regulations may impose material additional environmental liability. We cannot assure you that costs of future environmental compliance will not affect our ability to make distributions or that such costs or other remedial measures will not be material to us.

Our properties may be subject to impairment charges, which could adversely affect our results of operations.

We are required to periodically evaluate our properties for impairment indicators. A property's value is considered impaired if management's estimate of the aggregate future cash flows (undiscounted and without interest charges) to be generated by the property, based upon its intended use, is less than the carrying value of the property. These estimates of cash flows are based upon factors such as expected future operating income, trends and prospects, as well as the effects of interest and capitalization rates, demand and occupancy, competition and other factors. These factors may result in uncertainty in valuation estimates and instability in the estimated value of our properties which, in turn, could result in a substantial decrease in the value of the properties and significant impairment charges.

We continually assess our properties to determine if any impairments are necessary or appropriate. No assurance can be given that we will be able to recover the current carrying amount of our properties in the future. Our failure to do so would require us to recognize additional impairment charges for the period in which we reached that conclusion, which could materially and adversely affect us and our results of operations. We recognized impairment charges of $12.1 million, $0.0 million, and $3.6 million during the years ended December 31, 2022, 2021, and 2020, respectively.

Risks related to our financing

Capital markets and economic conditions can materially affect our financial condition and results of operations, the value of our equity securities, and our ability to sustain payment of distributions at current levels.

Many factors affect the value of our equity securities and our ability to make or maintain the current levels of distributions to stockholders, including the state of the capital markets and the economy. The availability of credit has been and may in the future again be adversely affected by illiquid credit markets, which could result in financing terms that are less attractive to us and/or the unavailability of certain types of debt financing. Regulatory pressures and the burden of troubled and uncollectible loans has led some lenders and institutional investors to reduce, and in some cases, cease to provide funding to borrowers. If these market conditions recur or if interest rates continue to fluctuate significantly, they may limit our ability and the ability of our tenants to timely refinance maturing liabilities and access the capital markets to meet liquidity needs, or may cause our tenants to incur increased costs associated with issuing debt instruments, which may materially affect our financial condition and results of operations and the value of our equity securities and our ability to sustain payment of distributions to stockholders at current levels.

In addition, it is possible that our ability to access the capital and credit markets may be limited or precluded by these or other factors at a time when we would like, or need, to do so, which would adversely impact our ability to refinance maturing debt and/or react to changing economic and business conditions. Uncertainty in the credit markets could negatively impact our ability to make acquisitions and make it more difficult or not possible for us to sell properties or may adversely affect the price we receive for properties that we do sell, as prospective buyers may experience increased costs of debt financing or difficulties in obtaining debt financing. Potential continued disruptions in the financial markets could also have other unknown adverse effects on us or the economy generally and may cause the price of our securities to fluctuate significantly and/or to decline. If we issue additional equity securities to obtain additional financing, the interest of our existing stockholders could be diluted.

Our Credit Facility contains various covenants which, if not complied with, could accelerate our repayment obligations, thereby materially and adversely affecting our liquidity, financial condition, results of operations and ability to pay distributions to stockholders.

The agreement governing our Credit Facility requires us to comply with certain financial and operational covenants. These covenants require us to, among other things, maintain certain financial ratios, including fixed charge coverage, debt service coverage and a minimum net worth. We are also required to limit our distributions to stockholders to 96% of our FFO. As of

December 31, 2022, we were in compliance with these covenants. However, our continued compliance with these covenants depends on many factors, and could be impacted by current or future economic conditions, and thus there are no assurances that we will continue to comply with these covenants. Failure to comply with these covenants would result in a default which, if we were unable to obtain a waiver from the lenders, could accelerate our repayment obligations under the Credit Facility and thereby have a material adverse impact on our liquidity, financial condition, results of operations and ability to pay distributions to stockholders.

Because our business strategy relies on external financing, we may be negatively affected by restrictions on additional borrowings, and the risks associated with leverage, including our debt service obligations.

We use leverage so that we may make more investments than would otherwise be possible to maximize potential returns to stockholders. Although we have been gradually reducing our overall leverage over the past few years to lower this risk, if the income generated by our properties and other assets fails to cover our debt service, we could be forced to reduce or eliminate distributions to our stockholders and may experience losses.

Our ability to achieve our investment objectives will be affected by our ability to borrow money in sufficient amounts and on favorable terms. We expect that we will primarily borrow money that will be secured by our properties and that these financing arrangements will contain customary covenants such as those that limit our ability, without the prior consent of the lender, to further mortgage the applicable property or to discontinue insurance coverage. Accordingly, we may be unable to obtain the degree of leverage we believe to be optimal, which may cause us to have less cash for distribution to stockholders than we would have with an optimal amount of leverage. Our use of leverage could also make us more vulnerable to a downturn in our business or the economy, as it may become difficult to meet our debt service obligations if our cash flows are reduced due to tenant defaults. There is also a risk that a significant increase in the ratio of our indebtedness to the measures of asset value used by financial analysts may have an adverse effect on the market price of our securities.

We face risks related to "balloon payments" and refinancing.

Some of our debt financing arrangements may require us to make lump-sum or "balloon" payments at maturity. Our ability to make a balloon payment at maturity is uncertain and may depend upon our ability to obtain additional financing or to sell the financed property. At the time the balloon payment is due, we may not be able to refinance the balloon payment on terms as favorable as the original loan or sell the property at a price sufficient to make the balloon payment, which could adversely affect the amount of distributions to our stockholders. We have balloon payments of $58.3 million payable during the year ending December 31, 2023.

We mortgage our properties, which subjects us to the risk of foreclosure in the event of non-payment.

We intend to acquire additional properties by using our Credit Facility and by continuing to seek long-term mortgage financing, where we will borrow a portion of the purchase price of a potential acquisition and secure the loan with a mortgage on some or all of our existing real property. We look to regional banks, insurance companies and other non-bank lenders, and, to a lesser extent, the commercial mortgage backed securities ("CMBS") market to issue mortgages to finance our real estate activities. For the year ended December 31, 2022, we obtained approximately $62.9 million in long-term financing, which we used to acquire additional properties. If we are unable to make our debt payments as required, a lender could foreclose on the property securing its loan. This could cause us to lose part or all of our investment in such property which in turn could cause the value of our securities or the amount of distributions to our stockholders to be reduced.

We face a risk from the fact that certain of our properties are cross-collateralized.

As of December 31, 2022, the mortgages on certain of our properties were cross-collateralized. To the extent that any of the properties in which we have an interest are cross-collateralized, any default by the property owner subsidiary under the mortgage note relating to the one property will result in a default under the financing arrangements relating to any other property that also provides security for that mortgage note or is cross-collateralized with such mortgage note.

A change in the value of our assets could cause us to experience a cash shortfall or be in default of our loan covenants.

We borrow on an unsecured basis under the Credit Facility; however, we are required to maintain a pool of unsecured assets sufficient to draw on the Credit Facility. A significant reduction in the value of our pool of unencumbered assets could require us to pay down a portion (or significant portion) of the balance of the Credit Facility. Although we believe that we have significant excess collateral and capacity, future asset values are uncertain. If we were unable to meet a request to add collateral to the Credit Facility, this inability could have a material adverse effect on our liquidity and our ability to meet our loan covenants.

Interest rate fluctuations may adversely affect our results of operations.

We may experience interest rate volatility in connection with mortgage loans on our properties or other variable-rate debt that we may obtain from time to time. Certain of our leases contain escalations based on market interest rates and the interest rate on our Credit Facility is variable. We have no outstanding principal on variable rate mortgages as of December 31, 2022. Although we seek to mitigate this risk by structuring such provisions to contain a maximum interest rate or escalation rate, as applicable, and generally obtain rate caps and interest rate swaps to limit our exposure to interest rate risk, these features or arrangements do not eliminate this risk. We are also exposed to the effects of interest rate changes as a result of holding cash and cash equivalents in short-term, interest-bearing investments. We have entered into interest rate caps and interest rate swaps to attempt to manage our exposure to interest rate fluctuations on all our outstanding variable rate mortgages as well as the outstanding Term Loan components of our Credit Facility. Additionally, increases in interest rates, or reduced access to credit markets due, among other things, to more stringent lending requirements or a high level of leverage, may make it difficult for us to refinance our mortgage debt as it matures or limit the availability of mortgage debt, thereby limiting our acquisition and/or refinancing activities. Even in the event that we are able to secure mortgage debt on, or otherwise refinance our mortgage debt, due to increased costs associated with securing financing and other factors beyond our control, we may be unable to refinance the entire mortgage debt as it matures or be subject to unfavorable terms, including higher loan fees interest rates and periodic payments, if we do refinance the mortgage debt. A significant change in interest rates could have an adverse impact on our results of operations.

Changes relating to the LIBOR calculation process may adversely affect the value of the LIBOR-indexed, floating-rate debt in our portfolio.

LIBOR has been largely replaced by SOFR as the basic rate of interest used in lending between banks and is widely used as a reference for setting the interest rate on loans globally. LIBOR is still expected to be phased out in mid-2023, when private-sector banks are no longer required to report the information used to set the rate. Without this data, LIBOR may no longer be published, or the lack of quality and quantity of data may cause the rate to no longer be representative of the market. Also, the U.S. Federal Reserve, in combination with the Alternative Reference Rates Committee, a steering committee comprised of large U.S. financial institutions, recommended replacing U.S.-dollar LIBOR with SOFR. SOFR is a more generic measure than LIBOR and considers the cost of borrowing cash overnight, collateralized by U.S. Treasury securities.

At December 31, 2022, all of our variable rate debt was based upon SOFR, with the exception of $41.8 million of hedged variable rate mortgages still based on LIBOR, which we are planning to transition to SOFR prior to the targeted mid-2023 phase out of LIBOR.

Risks related to the real estate industry

We are subject to certain risks associated with real estate ownership and lending which could reduce the value of our investments.

Our investments include primarily industrial and office property. Our performance, and the value of our investments, is subject to risks inherent to the ownership and operation of these types of properties, including:

- changes in the general economic climate, including the credit market;
- changes in local conditions, such as an oversupply of space or reduction in demand for real estate;
- changes in interest rates and the availability of financing;
- competition from other available space;
- changes in laws and governmental regulations, including those governing real estate usage, zoning and taxes, and the related costs of compliance with laws and regulations; and

- variations in the occupancy rate of our properties.

The debt obligations of our tenants are dependent upon certain factors, which neither we nor our tenants or borrowers control, such as national, local and regional business and economic conditions, government economic policies, and the level of interest rates.

Competition for real estate may impede our ability to make acquisitions or increase the cost of these acquisitions.

We compete with many other entities to acquire properties, including financial institutions, institutional pension funds, other REITs, foreign real estate investors, other public and private real estate companies and private real estate investors. These competitors may prevent us from acquiring desirable properties, cause an increase in the price we must pay for real estate, have greater resources than we do, and be willing to pay more for certain assets or may have a more compatible operating philosophy with our acquisition targets. In particular, larger REITs may enjoy significant competitive advantages that result from, among other things, a lower cost of capital and enhanced operating efficiencies. Our competitors may also adopt transaction structures similar to ours or offer more substantial rent abatements, tenant improvements, early termination rights or below-market renewal options to retain tenants, which would decrease our competitive advantage in offering flexible transaction terms. In addition, the number of entities and the amount of funds competing for suitable investment properties may increase, resulting in increased demand and increased prices paid for these properties.

Our ownership of properties through ground leases exposes us to risks which are different than those resulting from our ownership of fee title to other properties.

We have acquired an interest in four of our properties by acquiring a leasehold interest in the land underlying the property, and we may acquire additional properties in the future that are subject to similar ground leases. In this situation, we have no economic interest in the land underlying the property and do not control this land; thus, this type of ownership interest poses potential risks for our business because (i) if the ground lease terminates for any reason, we will lose our interest in the property, including any investment that we made in the property, (ii) if our tenant defaults under the previously existing lease, we will continue to be obligated to meet the terms and conditions of the ground lease without the annual amount of ground lease payments reimbursable to us by the tenant, and (iii) if the third party owning the land under the ground lease disrupts our use either permanently or for a significant period of time, then the value of our assets could be impaired and our results of operations could be adversely affected.

Risks related to our Adviser and Administrator

We are dependent upon our key personnel, who are employed by our Adviser or Administrator, as applicable, for our future success, particularly David Gladstone, Terry Lee Brubaker, Arthur "Buzz" Cooper and Gary Gerson.

We are dependent on our senior management and other key management members to carry out our business and investment strategies. Our future success depends to a significant extent on the continued service and coordination of our senior management team, particularly David Gladstone, our chairman and chief executive officer, Terry Lee Brubaker, our vice chairman and chief operating officer, Arthur "Buzz" Cooper, our president, and Gary Gerson, our chief financial officer. The unplanned departure of any of our executive officers or key personnel could have a material adverse effect on our ability to implement our business strategy and to achieve our investment objectives.

Our success depends on the performance of our Adviser and if our Adviser makes inadvisable investment or management decisions, our operations could be materially adversely impacted.

Our ability to achieve our investment objectives and to pay distributions to our stockholders is dependent upon the performance of our Adviser in evaluating potential investments, selecting and negotiating property purchases and dispositions, selecting tenants and borrowers, setting lease terms and determining financing arrangements. Accomplishing these objectives on a cost-effective basis is largely a function of our Adviser's marketing capabilities, management of the investment process, ability to provide competent, attentive and efficient services and our access to financing sources on acceptable terms. Our stockholders have no opportunity to evaluate the terms of transactions or other economic or financial data concerning our investments and must rely entirely on the analytical and management abilities of our Adviser and the oversight of our Board of Directors. If our Adviser or our Board of Directors makes inadvisable investment or management decisions, our operations could be materially adversely impacted. As we grow, our Adviser may be required to hire, train, supervise and manage new employees. Our Adviser's failure to effectively manage our future growth could have a material adverse effect on our business, financial condition and results of operations.

We may have conflicts of interest with our Adviser and other affiliates.

Our Adviser manages our business and locates, evaluates, recommends and negotiates the acquisition of our real estate investments. At the same time, our Advisory Agreement permits our Adviser to conduct other commercial activities and provide management and advisory services to other entities, including, but not limited to, Gladstone Capital, Gladstone Investment, and Gladstone Land. Moreover, with the exception of our chief financial officer, treasurer and president, all of our executive officers and directors are also executive officers and directors of Gladstone Capital and Gladstone Investment, which actively make loans to and invest in lower middle market companies, and with the exception of our chief financial officer and president, all of our executive officers and directors are also officers and directors of Gladstone Land, an agricultural REIT. Further, our chief executive officer and chairman is on the board of managers of Gladstone Securities, an affiliated broker dealer that provides us with mortgage financing services pursuant to a contractual agreement and is the 100% indirect owner of and controls Gladstone Securities. As a result, we may from time to time have conflicts of interest with our Adviser in its management of our business, Gladstone Securities, in its provision of services to us and our other affiliated funds, and with Gladstone Capital, Gladstone Investment and Gladstone Land, which may arise primarily from the involvement of our Adviser, Gladstone Securities, Gladstone Capital, Gladstone Investment, Gladstone Land and their affiliates in other activities that may conflict with our business.

Examples of these potential conflicts include:

- our Adviser may realize substantial compensation on account of its activities on our behalf, and may, therefore, be motivated to approve acquisitions solely on the basis of increasing compensation to itself;

- Gladstone Securities acts as the dealer manager for our Series F Preferred Stock Offering, and earns fee income from Series F Preferred Stock proceeds;

- our Adviser or Gladstone Securities, may earn fee income from our borrowers or tenants; and

- our Adviser and other affiliates such as Gladstone Capital, Gladstone Investment and Gladstone Land could compete for the time and services of our officers and directors.

These and other conflicts of interest between us and our Adviser and other affiliates could have a material adverse effect on the operation of our business and the selection or management of our real estate investments.

Our Termination of the Advisory Agreement without cause would require payment of a termination fee.

Termination of the Advisory Agreement with our Adviser without cause would be difficult and costly. We may only terminate the agreement without cause (as defined therein) upon 120 days' prior written notice and after the affirmative vote of at least two-thirds of our independent directors. Furthermore, if we default under the agreement and any applicable cure period has expired, the Adviser may terminate the agreement. In each of the foregoing cases, we will be required to pay the Adviser a termination fee equal to two times the sum of the average annual base management fee and incentive fee earned by our Adviser during the 24-month period prior to such termination. This provision increases the cost to us of terminating the Advisory Agreement and adversely affects our ability to terminate our Adviser without cause. Additionally, depending on the amount of the fee, if incurred, it could adversely affect our ability to pay distributions to our common, preferred and senior common stockholders.

Our Adviser is not obligated to provide a waiver of the incentive fee, which could negatively impact our earnings and our ability to maintain our current level of, or increase, distributions to our stockholders.

The Advisory Agreement contemplates a quarterly incentive fee based on our Core FFO (as defined in the Advisory Agreement). Our Adviser has the ability to issue a full or partial waiver of the incentive fee for current and future periods; however, our Adviser is not required to issue any waiver. Any waiver issued by our Adviser is a voluntary, non-contractual, unconditional and irrevocable waiver. For the year ended December 31, 2021, our Advisor issued a waiver of the incentive fee of $0.02 million. For the years ended December 31, 2022 and 2020, our Adviser did not issue a full or partial waiver of the incentive fee. If our Adviser does not issue this waiver in future quarters, it could negatively impact our earnings and may compromise our ability to maintain our current level of, or increase, distributions to our stockholders, which could have a material adverse impact on the market price of our securities. Under the most recent amendment of the Advisory Agreement dated January 10, 2023, our Advisor will not receive an incentive fee for the quarters ending March 31, 2023 and June 30, 2023. Therefore, such six-month waiver is contractual.

Risks Related to Qualification and Operation as a REIT

If we fail to qualify as a REIT, our operations and distributions to stockholders would be adversely impacted.

We intend to continue to be organized and to operate to qualify as a REIT under the Internal Revenue Code of 1986, as amended (the “Code”). A REIT generally is not taxed at the corporate level on income it currently distributes to its stockholders. Qualification as a REIT involves the application of highly technical and complex rules for which there are only limited judicial or administrative interpretations. The determination of various factual matters and circumstances not entirely within our control may affect our ability to continue to qualify as a REIT. In addition, new legislation, new regulations, administrative interpretations or court decisions could significantly change the tax laws, possibly with retroactive effect, with respect to qualification as a REIT or the federal income tax consequences of such qualification.

If we were to fail to qualify as a REIT in any taxable year:

- we would not be allowed to deduct our distributions to stockholders when computing our taxable income;
- we would be subject to federal income tax (including any applicable alternative minimum tax) on our taxable income at regular corporate rates;
- we would be disqualified from being taxed as a REIT for the four taxable years following the year during which qualification was lost, unless entitled to relief under certain statutory provisions;
- our cash available for distributions to stockholders would be reduced; and
- we may be required to borrow additional funds or sell some of our assets to pay corporate tax obligations that we may incur as a result of our disqualification.

We may need to incur additional borrowings to meet the REIT minimum distribution requirement and to avoid excise tax.

To maintain our qualification as a REIT, we are required to distribute to our stockholders at least 90% of our annual real estate investment trust taxable income (excluding any net capital gain and before application of the distributions paid deduction). To the extent that we satisfy this distribution requirement, but distribute less than 100% of our taxable income, we will be subject to federal corporate income tax on our undistributed taxable income. In addition, we are subject to a 4% nondeductible excise tax on the amount, if any, by which certain distributions paid by us with respect to any calendar year are less than the sum of (i) 85% of our ordinary income for that year, (ii) 95% of our net capital gain for that year and (iii) 100% of our undistributed taxable income from prior years. To meet the 90% distribution requirement and to avoid the 4% excise tax, we may need to incur additional borrowings. Although we intend to pay distributions to our stockholders in a manner that allows us to meet the 90% distribution requirement and avoid this 4% excise tax, we cannot assure you that we will always be able to do so.

Complying with the REIT requirements may cause us to forgo otherwise attractive opportunities or liquidate otherwise attractive investments.

To qualify as a REIT for federal income tax purposes, we must continually satisfy tests concerning, among other things, the nature of our assets, the sources of our gross income, the amounts we distribute to our stockholders and the ownership of our capital stock. To meet these tests, we may be required to forgo investments we might otherwise make. Thus, compliance with the REIT requirements may hinder our performance.

In particular, we must ensure that at the end of each calendar quarter, at least 75% of the value of our assets consists of cash, cash items, government securities and qualified real estate assets. The remainder of our investment in securities (other than government securities, securities of taxable REIT subsidiaries (“TRSs”) and qualified real estate assets) generally cannot include more than 10% by voting power or vote of the outstanding securities of any one issuer. In addition, in general, no more than 5% of the value of our assets (other than government securities, securities of TRSs and qualified real estate assets) can consist of the securities of any one issuer, and no more than 20% (25% for taxable years beginning before January 1, 2018) of the value of our total assets can be represented by the securities of one or more TRSs.

We also must ensure that (i) at least 75% of our gross income for each taxable year consists of certain types of income that we derive, directly or indirectly, from investments relating to real property or mortgages on real property or qualified temporary investment income and (ii) at least 95% of our gross income for each taxable year consists of income that is qualifying income for purposes of the 75% gross income test, other types of interest and distributions, gain from the sale or disposition of stock or securities, or any combination of these.

In addition, we may be required to make distributions to our stockholders at disadvantageous times or when we do not have funds readily available for distribution. If we fail to comply with these requirements at the end of any calendar quarter, we must qualify for certain statutory relief provisions to avoid losing our REIT qualification and suffering adverse tax consequences. As a result, we may be required to liquidate otherwise attractive investments, and may be unable to pursue investments that would otherwise be advantageous to us to satisfy the asset and gross income requirements for qualifying as a REIT. These actions could have the effect of reducing our income and the amounts available for distribution to our stockholders. Thus, compliance with the REIT requirements may hinder our ability to make, and, in certain cases, maintain ownership of certain attractive investments.

To the extent that our distributions represent a return of capital for tax purposes, you could recognize an increased capital gain upon a subsequent sale of your stock.

Distributions in excess of our current and accumulated earnings and profits and not treated by us as a dividend will not be taxable to a U.S. stockholder to the extent such distributions do not exceed the stockholder’s adjusted tax basis in its shares of our stock but instead will constitute a return of capital and will reduce the stockholder’s adjusted tax basis in its share of our stock. If our distributions result in a reduction of a stockholder’s adjusted basis in its shares of our stock, subsequent sales by such stockholder of its shares of our stock potentially will result in recognition of an increased capital gain or reduced capital loss due to the reduction in such stockholder’s adjusted basis in its shares of our stock.

We may be subject to adverse legislative or regulatory tax changes that could reduce the market price of our securities.

At any time, the federal income tax laws governing REITs or the administrative interpretations of those laws may be amended. We cannot predict when or if any new federal income tax law, regulation, or administrative interpretation, or any amendment to any existing federal income tax law, regulation or administrative interpretation, will be adopted, promulgated or become effective and any such law, regulation, or interpretation may take effect retroactively. We and our stockholders could be adversely affected by any such change in, or any new, federal income tax law, regulation or administrative interpretation.

Complying with the REIT requirements may limit our ability to hedge effectively and may cause us to incur tax liabilities.

The REIT provisions of the Code substantially limit our ability to hedge our liabilities. Any income from a hedging transaction that we enter into to manage risk of interest rate changes, price changes or currency fluctuations with respect to borrowings made or to be made to acquire or carry real estate assets does not constitute “gross income” for purposes of the gross income requirements. To the extent that we enter into other types of hedging transactions, the income from those transactions is likely to be treated as non-qualifying income for purposes of both of the gross income tests. As a result of these rules, we may need to limit our use of advantageous hedging techniques or implement those hedges through TRSs. This could increase the cost of our hedging activities because any TRS would be subject to tax on gains or expose us to greater risks associated with changes in interest rates than we would otherwise want to bear. In addition, losses incurred by a TRS generally will not provide any tax benefit, except for being carried forward against future taxable income earned by the TRS.

Ownership limitations may restrict or prevent stockholders from engaging in certain transfers of our common stock.

Our charter contains an ownership limit which prohibits any person or group of persons from acquiring, directly or indirectly, beneficial or constructive ownership of more than 9.8% of our outstanding shares of capital stock. Shares owned by a person or a group of persons in excess of the ownership limit are deemed “excess shares.” Shares owned by a person who individually owns of record less than 9.8% of outstanding shares may nevertheless be excess shares if the person is deemed part of a group for purposes of this restriction.

If the transferee-stockholder acquires excess shares, the person is considered to have acted as our agent and holds the excess shares on behalf of the ultimate stockholder. When shares are held in this manner they do not have any voting rights and shall not be considered for purposes of any stockholder vote or determining a quorum for such vote.

Our charter stipulates that any acquisition of shares that would result in our disqualification as a REIT under the Code shall be void to the fullest extent permitted under applicable law.

The ownership limit does not apply to (i) offerors which, in accordance with applicable federal and state securities laws, make a cash tender offer, where at least 90% of the outstanding shares of our stock (not including shares or subsequently issued securities convertible into common stock which are held by the tender offeror and any "affiliates" or "associates" thereof within the meaning of the Exchange Act) are duly tendered and accepted pursuant to the cash tender offer; (ii) an underwriter in a public offering of our shares; (iii) a party initially acquiring shares in a transaction involving the issuance of our shares of capital stock, if our Board determines such party will timely distribute such shares such that, following such distribution, such shares will not be deemed excess shares; and (iv) a person or persons which our Board exempt from the ownership limit upon appropriate assurances that our qualification as a REIT is not jeopardized.

We operate as a holding company dependent upon the assets and operations of our subsidiaries, and because of our structure, we may not be able to generate the funds necessary to make dividend payments on our capital stock.

We generally operate as a holding company that conducts its businesses primarily through our Operating Partnership, which in turn is a holding company conducting its business through its subsidiaries. These subsidiaries conduct all of our operations and are our only source of income. Accordingly, we are dependent on cash flows and payments of funds to us by our subsidiaries as dividends, distributions, loans, advances, leases or other payments from our subsidiaries to generate the funds necessary to make dividend payments on our capital stock. Our subsidiaries' ability to pay such dividends and/or make such loans, advances, leases or other payments may be restricted by, among other things, applicable laws and regulations, current and future debt agreements and management agreements into which our subsidiaries may enter, which may impair our ability to make cash payments on our common stock or our preferred stock. In addition, such agreements may prohibit or limit the ability of our subsidiaries to transfer any of their property or assets to us, any of our other subsidiaries or to third parties. Our future indebtedness or our subsidiaries' future indebtedness may also include restrictions with similar effects.

In addition, because we are a holding company, stockholders' claims will be structurally subordinated to all existing and future liabilities and obligations (whether or not for borrowed money) of our Operating Partnership and its subsidiaries. Therefore, in the event of our bankruptcy, liquidation or reorganization, claims of our stockholders will be satisfied only after all of our and our Operating Partnership's and its subsidiaries' liabilities and obligations have been paid in full.

Other risks

The number of shares of preferred stock outstanding may increase as a result of bimonthly closings related to our Offering of Series F Preferred Stock, which could adversely affect our business, financial condition and results of operations.

The number of outstanding shares of preferred stock may increase as a result of bimonthly closings related to our Offering of Series F Preferred Stock. The issuance of additional shares of Preferred Stock could have significant consequences on our future operations, including:

- making it more difficult for us to meet our payment and other obligations to holders of our preferred stock and under our Credit Facility and to pay dividends on our common stock;

- reducing the availability of our cash flow to fund acquisitions and for other general corporate purposes, and limiting our ability to obtain additional financing for these purposes; and

- limiting our flexibility in planning for, or reacting to, and increasing our vulnerability to, changes in our business, and adverse changes the industry in which we operate and the general economy.

Any of the above-listed factors could have an adverse effect on our business, financial condition and results of operations and our ability to meet our payment obligations under our Credit Facility and monthly dividend obligations with respect to our preferred stock and to pay dividends on our common stock.

We are subject to restrictions that may discourage a change of control. Certain provisions contained in our articles of incorporation and Maryland law may prohibit or restrict a change of control.

- Our articles of incorporation prohibit ownership of more than 9.8% of the outstanding shares of our capital stock by one person. This restriction may discourage a change of control and may deter individuals or entities from making tender offers for our capital stock, which offers might otherwise be financially attractive to our stockholders or which might cause a change in our management.

- Our Board of Directors is divided into three classes, with the term of the directors in each class expiring every third year. At each annual meeting of stockholders, the successors to the class of directors whose term expires at such meeting will be elected to hold office for a term expiring at the annual meeting of stockholders held in the third year following the year of their election. After election, a director may only be removed by our stockholders for cause. Election of directors for staggered terms with limited rights to remove directors makes it more difficult for a hostile bidder to acquire control of us. The existence of this provision may negatively impact the price of our securities and may discourage third-party bids to acquire our securities. This provision may reduce any premiums paid to stockholders in a change in control transaction.

- Certain provisions of Maryland law applicable to us prohibit business combinations with:
  - any person who beneficially owns 10% or more of the voting power of our common stock, referred to as an "interested stockholder;"
  - an affiliate of ours who, at any time within the two-year period prior to the date in question, was an interested stockholder; or
  - an affiliate of an interested stockholder.

These prohibitions last for five years after the most recent date on which the interested stockholder became an interested stockholder. Thereafter, any business combination with the interested stockholder must be recommended by our Board of Directors and approved by the affirmative vote of at least 80% of the votes entitled to be cast by holders of our outstanding shares of common stock and two-thirds of the votes entitled to be cast by holders of our common stock other than shares held by the interested stockholder. These requirements could have the effect of inhibiting a change in control even if a change in control were in our stockholders' interest. These provisions of Maryland law do not apply, however, to business combinations that are approved or exempted by our Board of Directors prior to the time that someone becomes an interested stockholder.

Market conditions could adversely affect the market price and trading volume of our securities.

The market price of our common and preferred stock may be highly volatile and subject to wide fluctuations, and the trading volume in our common and preferred stock may fluctuate and cause significant price variations to occur. We cannot assure investors that the market price of our common and preferred stock will not fluctuate or decline further in the future. Some market conditions that could negatively affect our share price or result in fluctuations in the price or trading volume of our securities include, but are not limited to:

- price and volume fluctuations in the stock market from time to time, which are often unrelated to the operating performance of particular companies;
- significant volatility in the market price and trading volume of shares of REITs, real estate companies or other companies in our sector, which is not necessarily related to the performance of those companies;
- price and volume fluctuations in the stock market as a result of terrorist attacks, or speculation regarding future terrorist attacks, in the United States or abroad;
- actual or anticipated variations in our quarterly operating results or distributions to shareholders;
- changes in our FFO or earnings estimates or the publication of research reports about us or the real estate industry generally;
- actions by institutional stockholders;
- speculation in the press or investment community;
- the national and global political environment, including foreign relations, conflicts and trading policies;
- changes in regulatory policies or tax guidelines, particularly with respect to REITs; and
- investor confidence in the stock market.

Shares of common and preferred stock eligible for future sale may have adverse effects on the respective share price.

We cannot predict the effect, if any, of future sales of common or preferred stock, or the availability of shares for future sales, on the market price of our common or preferred stock. Sales of substantial amounts of common or preferred stock (including shares of common stock issuable upon the conversion of units of the Operating Partnership that we may issue from time to time, issuable upon conversion of our Senior Common Stock, or issuances made through our ATM Programs or otherwise), or the perception that these sales could occur, may adversely affect prevailing market prices for our common and preferred stock.

Compliance or failure to comply with laws requiring access to our properties by disabled persons could result in substantial cost.

The Americans with Disabilities Act ("ADA"), and other federal, state and local laws generally require public accommodations be made accessible to disabled persons. Noncompliance could result in the imposition of fines by the government or the award of damages to private litigants. These laws may require us to modify our existing properties. These laws may also restrict renovations by requiring improved access to such buildings by disabled persons or may require us to add other structural features which increase our construction costs. Legislation or regulations adopted in the future may impose further burdens or restrictions on us with respect to improved access by disabled persons. We may incur unanticipated expenses that may be material to our financial condition or results of operations to comply with ADA and other federal, state and local laws, or in connection with lawsuits brought by private litigants.

Our Board of Directors may change our investment policy without stockholders' approval.

Our Board of Directors will determine our investment and financing policies, growth strategy and our debt, capitalization, distribution, acquisition, disposition and operating policies. Our Board of Directors may revise or amend these strategies and policies at any time without a vote by stockholders. Accordingly, stockholders' control over changes in our strategies and policies is limited to the election of directors, and changes made by our Board of Directors may not serve the interests of stockholders and could adversely affect our financial condition or results of operations, including our ability to distribute cash to stockholders or qualify as a REIT.

Our rights and the rights of our stockholders to take action against our directors and officers are limited.

Maryland law provides that a director or officer has no liability in that capacity if he or she performs his or her duties in good faith, in a manner he or she reasonably believes to be advisable and in our best interests and with the care that an ordinarily prudent person in a like position would use under similar circumstances. In addition, our charter (i) eliminates our directors' and officers' liability to us and our stockholders for money damages except for liability resulting from actual receipt of an improper benefit in money, property or services or active and deliberate dishonesty established by a final judgment and that is material to the cause of action and (ii) requires us to indemnify directors and officers for liability resulting from actions taken by them in those capacities to the maximum extent permitted by Maryland law. As a result, our stockholders and we may have more limited rights against our directors and officers than might otherwise exist under common law. In addition, we may be obligated to fund the defense costs incurred by our directors and officers.

We may enter into tax protection agreements in the future if we issue OP Units in connection with the acquisition of properties, which could limit our ability to sell or otherwise dispose of certain properties.

Our Operating Partnership may enter into tax protection agreements in connection with issuing OP units to acquire additional properties which could provide that, if we dispose of any interest in the protected acquired property to a certain time, we will indemnify the other party for its tax liabilities attributable to the built-in gain that exists with respect to such a property. Therefore, although it otherwise may be in our stockholders' best interests that we sell one of these properties, it may be economically prohibitive for us to do so if we are a party to such a tax protection agreement. While we do not currently have any of these tax protection agreements in place, we may enter into such agreements in the future.

Our redemption of OP Units could result in the issuance of a large number of new shares of our common stock and/or force us to expend significant cash, which may limit our funds necessary to make distributions on our common stock.

As of the date of this filing, unaffiliated third parties owned approximately 1.0% of the outstanding OP Units. Following any contractual lock-up provisions, including the one-year mandatory holding period, an OP Unitholder may require us to redeem the OP Units it holds for cash. At our election, we may satisfy the redemption through the issuance of shares of our common stock on a one-for-one basis. However, the limited partners' redemption rights may not be exercised if and to the extent that the delivery of the shares upon such exercise would result in any person violating the ownership and transfer restrictions set forth in our charter. If a large number of OP Units were redeemed, it could result in the issuance of a large number of new shares of our common stock, which could dilute our existing stockholders' ownership. Alternatively, if we were to redeem a large number of

OP Units for cash, we may be required to expend significant amounts to pay the redemption price, which may limit our funds necessary to make distributions on our common stock. Further, if we do not have sufficient cash on hand at the time the OP Units are tendered for redemption, we may be forced to sell additional shares of our common stock or preferred stock to raise cash, which could cause dilution to our existing stockholders and adversely affect the market price of our common stock.

Our ability to pay distributions is limited by the requirements of Maryland law.

Our ability to pay distributions on our stock is limited by the laws of Maryland. Under applicable Maryland law, a Maryland corporation generally may not make a distribution if, after giving effect to the distribution, the corporation would not be able to pay its debts as the debts become due in the usual course of business or the corporation's total assets would be less than the sum of its total liabilities plus, unless the corporation's charter permits otherwise, the amount that would be needed, if the corporation were dissolved at the time of the distribution, to satisfy the preferential rights upon dissolution of stockholders whose preferential rights are superior to those receiving the distribution. Accordingly, we generally may not make a distribution on our stock if, after giving effect to the distribution, we would not be able to pay our debts as they become due in the usual course of business or our total assets would be less than the sum of our total liabilities plus, unless the terms of such class or series provide otherwise, the amount that would be needed to satisfy the preferential rights upon dissolution of the holders of shares of any class or series of stock then outstanding, if any, with preferences upon dissolution senior to those of such class of stock with respect to which the distribution would be made.

Cybersecurity risks and cyber incidents may adversely affect our business by causing a disruption to our operations, or the operations of businesses in which we invest, a compromise or corruption of our confidential information and/or damage to our business relationships, all of which could negatively impact our business, financial condition and operating results.

In the normal course of business we and our service providers collect and retain certain personal information provided by our tenants, employees of our Administrator and Adviser, and vendors. We also rely extensively on computer systems to process transactions and manage our business. Despite careful security and controls design, implementation, updating and independent third party verification, our information technology systems, and those of our third party providers, could become subject to cyber incidents. A cyber incident is considered to be any adverse event that threatens the confidentiality, integrity or availability of our information resources. These incidents may be an intentional attack or an unintentional event and could involve gaining unauthorized access to our information systems or those of our third party providers for purposes of misappropriating assets, stealing confidential information, corrupting data or causing operational disruption. The result of these incidents may include disrupted operations, misstated or unreliable financial data, liability for stolen assets or information, increased cybersecurity protection and insurance costs, litigation and damage to our business relationships. As our reliance on technology has increased, so have the risks posed to our information systems, both internal and those provided to us by third-party service providers. In addition, cybersecurity risks such as those above have increased in recent years in part due to increasingly numerous and sophisticated malicious cyber actors. We have implemented processes, procedures and internal controls to help prevent, detect and mitigate cybersecurity risks and cyber intrusions, but these measures, as well as our increased awareness of the nature and extent of a risk of a cyber-incident, do not guarantee that a cyber-incident will not occur, will be timely detected and/or that our financial results, operations or confidential information will not be negatively impacted by such an incident. The development and maintenance of these measures is also costly and requires ongoing monitoring, testing and updating as technologies and processes change, and efforts to overcome security measures become increasingly sophisticated.

Legislative or regulatory tax changes related to REITs could materially and adversely affect us.

The U.S. federal income tax laws and regulations governing REITs and their stockholders, as well as the administrative interpretations of those laws and regulations, constantly are under review and may be changed at any time, possibly with retroactive effect. No assurance can be given as to whether, when, or in what form, the U.S. federal income tax laws applicable to us and our stockholders may be enacted. Changes to the U.S. federal income tax laws and interpretations of U.S. federal tax laws could adversely affect an investment in our stock.

We are exposed to the potential impacts of climate change, which may result in unanticipated losses that could affect our business and financial condition.

We are also exposed to potential physical risks from possible changes in climate. Our properties may be exposed to catastrophic weather events, such as severe storms, fires or floods. If the frequency of extreme weather events increases, our exposure to these events could increase, putting our portfolio at risk. Our business may be indirectly impacted by the effects of climate change, as well. These indirect effects may include increases to the costs of electricity, fuel, water consumption, and waste disposal, as well as increasing the cost of (or making unavailable) property insurance on terms we find acceptable. Together, these risks would require us to expend the necessary funds to adequately protect and repair our properties.

We do not currently consider ourselves to be materially exposed to regulatory risks related to climate change, because the operation of our properties typically does not generate a significant amount of greenhouse gas emissions or other regulated chemicals. However, we may be adversely impacted as a real estate owner in the future by stricter energy efficiency standards or greenhouse gas regulations for the industrial building sectors. Although such standards and regulations have not had any known material adverse effect on the Company to date, they could impact our tenants and other companies with which we do business or result in substantial costs to the Company, including compliance costs, construction costs, monitoring and reporting costs and capital expenditures for environmental control facilities and other new equipment. We cannot give any assurance that other such conditions do not exist or may not arise in the future. The potential impacts of climate change on our real estate properties could adversely affect our ability to lease, develop or sell such properties or to borrow using such properties as collateral.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

As of December 31, 2022, we wholly-owned 137 properties, comprised of 17.2 million square feet of rentable space in 27 states. Our properties were 96.8% leased with an average remaining lease term of 7.0 years. See Schedule III - Real Estate and Accumulated Depreciation included elsewhere in this Annual Report on Form 10-K for a detailed listing of the properties in our portfolio.

The following table summarizes the lease expirations by year for our properties for leases in place as of December 31, 2022 (dollars in thousands):

Year of Lease Expiration	Square Feet (1)	Number of Expiring Leases	Lease Revenue for the year ended December 31, 2022	% Expiring
2023	910,526	7	10,454	7.0 %
2024	1,251,411	8	6,576	4.4 %
2025	561,854	10	14,313	9.6 %
2026	1,795,019	13	16,717	11.2 %
2027	1,833,683	13	18,716	12.6 %
Thereafter	10,284,432	86	71,896	48.3 %
Sold/terminated leases	N/A	N/A	10,309	6.9 %
	16,636,925	137	$ 148,981	100.0 %

(1) Our vacant square footage totaled 543,026 square feet as of December 31, 2022.
N/A - Not Applicable

The following table summarizes the geographic locations of our properties as of December 31, 2022, 2021, and 2020, respectively (dollars in thousands):

State	Lease Revenue for the twelve months ended December 31, 2022	% of Lease Revenue	Number of Leases for the twelve months ended December 31, 2022	Rentable Square Feet for the twelve months ended December 31, 2022	Lease Revenue for the twelve months ended December 31, 2021	% of Lease Revenue	Number of Leases for the twelve months ended December 31, 2021	Rentable Square Feet for the twelve months ended December 31, 2021	Lease Revenue for the year ended December 31, 2020	% of Lease Revenue	Number of Leases for the year ended December 31, 2020	Rentable Square Feet for the year ended December 31, 2020
Texas	$ 21,462	14.4 %	14	1,377,568	$ 16,124	11.7 %	14	1,492,768	$ 19,021	14.3 %	14	1,474,967
Florida	16,329	11.0	9	1,045,404	16,741	12.2	9	1,038,076	16,686	12.5	11	1,038,076
Pennsylvania	14,850	10.0	10	2,224,007	15,382	11.2	10	2,224,007	13,978	10.5	10	2,224,007
Ohio	13,888	9.3	16	1,312,291	14,911	10.8	15	1,275,023	14,008	10.5	15	1,094,871
Georgia	11,674	7.8	10	1,686,986	10,778	7.8	10	1,686,986	10,360	7.8	9	1,566,986
North Carolina	8,684	5.8	10	1,539,430	6,860	5.0	8	1,113,846	6,101	4.6	8	944,943
Alabama	7,578	5.1	7	1,138,504	6,477	4.7	5	921,891	3,865	2.9	5	921,891
New Jersey	6,757	4.5	4	331,575	3,025	2.2	4	145,686	3,000	2.3	4	145,686
Michigan	6,435	4.3	6	973,638	6,374	4.6	6	973,638	6,293	4.7	6	973,638
South Carolina	5,426	3.6	2	489,683	5,559	4.0	2	424,683	4,826	3.6	2	424,683
All Other States	35,898	24.2	49	5,060,865	35,457	25.8	47	4,936,191	35,014	26.3	46	4,597,798
	$ 148,981	100.0 %	137	17,179,951	$ 137,688	100.0 %	130	16,232,795	$ 133,152	100.0 %	130	15,407,546

The following table summarizes lease revenue by tenant industries for the years ended December 31, 2022, 2021 and 2020 (dollars in thousands):

	For the year ended December 31,					
	2022		2021		2020	
Industry Classification	Lease Revenue	Percentage of Lease Revenue	Lease Revenue	Percentage of Lease Revenue	Lease Revenue	Percentage of Lease Revenue
Telecommunications	$ 22,456	15.1 %	$ 22,712	16.5 %	$ 22,222	16.9 %
Automotive	19,133	12.8	13,555	9.8	13,768	10.3
Diversified/Conglomerate Services	17,946	12.0	18,613	13.5	16,587	12.5
Healthcare	15,928	10.7	15,216	11.1	16,133	12.1
Banking	13,136	8.8	10,264	7.5	10,042	7.5
Diversified/Conglomerate Manufacturing	10,976	7.4	7,774	5.6	6,268	4.7
Buildings and Real Estate	9,319	6.3	9,582	7.0	9,050	6.8
Personal, Food & Miscellaneous Services	7,232	4.9	7,097	5.2	6,323	4.7
Beverage, Food & Tobacco	5,615	3.8	5,805	4.2	4,268	3.2
Personal & Non-Durable Consumer Products	5,531	3.7	2,495	1.8	2,450	1.8
Chemicals, Plastics & Rubber	4,838	3.2	4,703	3.4	3,647	2.7
Machinery	4,257	2.9	4,001	2.9	4,191	3.1
Containers, Packaging & Glass	3,827	2.6	2,937	2.1	1,972	1.5
Information Technology	3,515	2.4	6,657	4.8	6,899	5.2
Childcare	2,292	1.5	2,293	1.7	2,237	1.7
Printing & Publishing	917	0.6	1,668	1.2	1,377	1.0
Education	845	0.6	818	0.6	823	0.6
Electronics	725	0.5	1,013	0.7	4,412	3.3
Home & Office Furnishings	493	0.2	485	0.4	483	0.4
Total	$ 148,981	100.0 %	$ 137,688	100.0 %	$ 133,152	100.0 %

Item 3. Legal Proceedings.

We are not currently subject to any material legal proceedings, nor, to our knowledge, is any material legal proceeding threatened against us. However, from time to time we may be party to various litigation matters, typically involving ordinary course and routine claims incidental to our business, which we may not consider material.

Item 4. Mine Safety Disclosures.

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Our common stock is traded on the Nasdaq, under the symbol "GOOD." Our Board of Directors regularly evaluates our per share distribution payments as they monitor the capital markets and the impact that the economy has upon us. The decision whether to authorize and pay distributions on shares of our common stock in the future, as well as the timing, amount and composition of any such future distributions, will be at the sole and absolute discretion of our Board of Directors in light of conditions then existing, including our earnings, taxable income, FFO, financial condition, liquidity, capital requirements, debt maturities, the availability of capital, contractual prohibitions or other restrictions, applicable REIT and legal restrictions and general overall economic conditions and other factors. While the statements above concerning our distribution policy represent our current expectations, any actual distribution payable will be determined by our Board of Directors based upon the circumstances at the time of declaration and the actual number of common shares then outstanding, and any common distribution payable may vary from such expected amounts.

To qualify as a REIT, we are required to make ordinary dividend distributions to our common stockholders. The amount of these distributions must equal at least the sum of (A) 90% of our "REIT taxable income" (computed without regard to the dividends paid deduction and capital gain) and (B) 90% of the net income (after tax), if any, from foreclosure property.

For federal income tax purposes, our common distributions generally consist of ordinary income, capital gains, nontaxable return of capital or a combination of those items. Distributions that exceed our current and accumulated earnings and profits (calculated for tax purposes) constitute a return of capital rather than a dividend, which reduces a stockholder's basis in its shares of stock and will not be taxable to the extent of the stockholder's basis in its shares of our stock. To the extent a distribution exceeds the stockholder's share of both our current and accumulated earnings and profits and the stockholder's basis in its shares of our stock, that distribution will be treated as a gain from the sale or exchange of that stockholder's shares of our stock. Every year, we notify stockholders of the taxability of distributions paid to stockholders during the preceding year.

A covenant in the agreement governing our Credit Facility requires us to, among other things, limit our distributions to stockholders to 96% of our FFO, excluding extraordinary or non-routine items, and continued compliance with this covenant may require us to limit our distributions to stockholders in the future. For a discussion of our Credit Facility, including the financial and operating covenants required for us to access this source of financing, see "*Risk Factors – Our Credit Facility contains various covenants which, if not complied with, could accelerate our repayment obligations, thereby materially and adversely affecting our liquidity, financial condition, results of operations and ability to pay distributions to stockholders*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources – Credit Facility* " herein.

As of February 14, 2023, there were 56,188 beneficial owners of our common stock.

We pay distributions on shares of our Senior Common Stock in an amount equal to $1.05 per share per annum, declared daily and paid at the rate of $0.0875 per share per month. The Senior Common Stock is not traded on any exchange or automated quotation system.

As of February 14, 2023, there were 147 beneficial owners of our Senior Common Stock.

Sale of Unregistered Securities

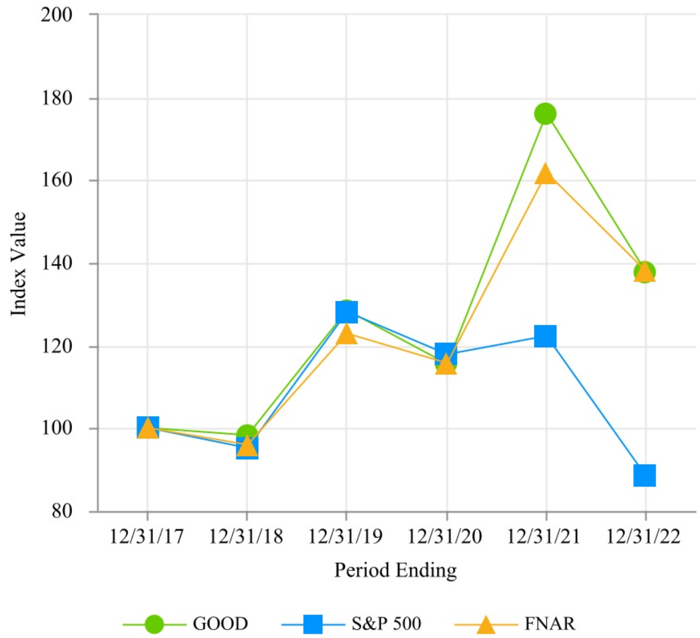
We did not sell unregistered shares of stock during the fiscal year ended December 31, 2022.

Issuer Purchaser of Equity Securities

We repurchased 8,514 shares of our Series G Preferred Stock during the fiscal year ended December 31, 2022.

Stock Performance Graph

The following graph compares the cumulative stockholder return (assuming reinvestment of distributions) of our common stock with the Standard and Poor's 500 Index ("S&P 500") and the FTSE NAREIT All REIT Index ("FNAR"), which is a market capitalization-weighted index that includes all REITs that are listed on the New York Stock Exchange, the American Stock Exchange or the Nasdaq National Market List. The stock performance graph assumes $100 was invested on December 31, 2017.



	At December 31,											
	2017		2018		2019		2020		2021		2022	
GOOD	$	100.00	$	98.21	$	128.57	$	115.60	$	176.15	$	137.74
S&P 500	$	100.00	$	95.25	$	128.15	$	117.87	$	122.21	$	88.34
FNAR	$	100.00	$	95.90	$	122.82	$	115.62	$	161.73	$	138.04

Item 6. Reserved.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following analysis of our financial condition and results of operations should be read in conjunction with our financial statements and the notes thereto contained elsewhere in this Form 10-K.

General

We are an externally-advised REIT that was incorporated under the General Corporation Law of the State of Maryland on February 14, 2003. We focus on acquiring, owning, and managing primarily industrial and office properties. Our properties are geographically diversified and our tenants cover a broad cross section of business sectors and range in size from small to very large private and public companies, many of which are corporations that do not have publicly-rated debt. We have historically entered into, and intend in the future to enter into, purchase agreements primarily for real estate having net leases with remaining terms of approximately seven to 15 years and built-in rental rate increases. Under a net lease, the tenant is required to pay most or all operating, maintenance, repair and insurance costs and real estate taxes with respect to the leased property.

We actively communicate with buyout funds, real estate brokers and other third parties to locate properties for potential acquisition or to provide mortgage financing in an effort to build our portfolio. We target secondary growth markets that possess favorable economic growth trends, diversified industries, and growing population and employment.

All references to annualized generally accepted accounting principles ("GAAP") rent are rents that each tenant pays in accordance with the terms of its respective lease reported evenly over the non-cancelable term of the lease.

As of February 22, 2023:

- we owned 137 properties totaling 17.2 million square feet of rentable space, located in 27 states;
- our occupancy rate was 95.9%;
- the weighted average remaining term of our mortgage debt was 4.1 years and the weighted average interest rate was 5.15%; and
- the average remaining lease term of the portfolio was 6.9 years.

Business Environment

The demand for industrial space has continued due to the continuing growth of e-commerce and recent trend of manufacturing onshoring, which appears to have partially rebounded from the adverse effects of COVID-19 on the commercial real estate industry in 2020, 2021, and early 2022. However, the increased cost of construction materials and product delivery delays caused by supply chain disruption and related inventory management issues, and the apparent labor shortage we are facing nationally, have resulted in inflation and higher costs for both industrial and office construction projects. Further, a tightening of available financing due primarily to higher interest rates has caused a slowdown in new construction starts throughout the fourth quarter of 2022, as compared to the record breaking third quarter of 2022, which should lead to lowered deliveries into 2024.

The industrial market recorded its strongest year in 2021, surpassing 500 million square feet in net absorption, according to research, and continued to remain strong through the third quarter of 2022 absorbing over 350 million square feet through the end of 2022. Construction activity for the industrial sector saw record amounts of groundbreakings in the third quarter of 2022, bringing the total amount under development to over 600 million square feet. Industrial markets continued to tighten, bringing the vacancy rate to an all-time low of 3.3% at the end of the third quarter of 2022. The office sector struggled less in 2022 than 2021, posting negative net absorption of 37 million square feet in 2022 compared to negative net absorption of 59 million square feet in 2021. Tenants continue to put their space up for sublease to reduce costs, with year-end sublease vacancy totaling 136 million square feet. Industry expectations are for an increase in office vacancy rates as leases roll over the next few years, which will lead to downsizing and lower renewal rates for spaces currently offered for sublease.

Interest rates remain volatile in response to competing concerns about inflationary pressures, and interest rate increases by the Federal Reserve and are expected to increase. The yield on the 10-year U.S. Treasury Note has increased significantly since the beginning of 2022 and finished 2022 at 3.88%. Global recessionary conditions may occur over the next 6-24 months as a direct result of central bank intervention to curb inflation.

As of February 22, 2023, we have collected 100% of all outstanding rent collections for calendar year 2022. In the past, we have received rent modification requests from our tenants, and we may receive additional requests in the future. However, we are unable to quantify the outcomes of the negotiation of relief packages, the success of any tenant's financial prospects or the amount of relief requests that we will ultimately receive or grant. We believe that we have a diverse tenant base, and specifically, we do not have significant exposure to tenants in the retail, hospitality, airlines, and oil and gas industries. Additionally, our properties are located across 27 states, which we believe mitigates our exposure to economic issues, including regulations or laws implemented by state and local governments in response to public health emergencies, in any one geographic market or area. We also have a cap on industry sector concentration to further diversify our portfolio and mitigate risk.

We believe we currently have adequate liquidity in the near term, and we believe the availability on our Credit Facility is sufficient to cover all near-term debt obligations and operating expenses and to continue our industrial growth strategy. We are in compliance with all of our debt covenants. We amended our Credit Facility in 2019 to increase our borrowing capacity and extend its maturity date. In addition, on August 18, 2022, we added a new $150.0 million term loan component. We have had numerous conversations with lenders, and credit continues to be available for well capitalized borrowers. We continue to monitor our portfolio and intend to maintain a reasonably conservative liquidity position for the foreseeable future.

Other Business Environment Considerations

The short-term and long-term economic implications are unknown, in relation to recent world events including inflation, supply chain disruptions and related inventory management issues, labor shortages, rising interest rates, public health emergencies such as the COVID-19 pandemic and associated governmental responses in addition to any subsequent shift in policy, new regulations or the long-term impact of social and infrastructure spending and tax reform in the U.S. Finally, the continuing uncertainty surrounding the ability of the federal government to address its fiscal condition in both the near and long term, as well as other geopolitical issues relating to the global economic slowdown has increased domestic and global instability. These developments could cause interest rates and borrowing costs to be volatile, which may adversely affect our ability to access both the equity and debt markets and could have an adverse impact on our tenants as well.

The London Inter-bank Offered Rate ("LIBOR") is anticipated to be phased out by June 2023, and LIBOR is being transitioned to a new standard rate, the Secured Overnight Financing Rate ("SOFR"). During 2022, we began transitioning our variable rate debt to SOFR, and, at December 31, 2022, all of our variable rate debt was based upon SOFR, with the exception of $41.8 million of hedged variable rate mortgages still based on LIBOR, which we are planning to transition to SOFR prior to the mid-2023 phase out of LIBOR.

We continue to focus on re-leasing vacant space, renewing upcoming lease expirations, re-financing upcoming loan maturities, and acquiring additional properties with associated long-term leases. At December 31, 2022, we only had five partially vacant buildings and three fully vacant buildings.

We believe our lease expiration schedule for 2023 is quite manageable as it equates to 7.0% of annual rental income with a majority of the expirations due to occur in the second half of the year. Property acquisitions increased during the third and fourth quarters of the year ended December 31, 2022 equating to almost $63.0 million in volume. Every acquisition was industrial in nature, reinforcing our commitment to increase our portfolio's industrial allocation.

Our ability to make new investments is highly dependent upon our ability to procure financing. Our principal sources of financing generally include the issuance of equity securities, long-term mortgage loans secured by properties, borrowings under our $125.0 million senior unsecured revolving credit facility ("Revolver"), with KeyBank, which matures in August 2026, our $160.0 million term loan facility ("Term Loan A"), which matures in August 2027, our $60.0 million term loan facility ("Term Loan B"), which matures in February 2026, and our $150.0 million term loan facility ("Term Loan C"), which matures in February 2028. We refer to the Revolver, Term Loan A, Term Loan B, and Term Loan C, collectively, herein as the Credit Facility. While lenders' credit standards have tightened, we continue to look to national and regional banks, insurance companies and non-bank lenders, in addition to the collateralized mortgage backed securities market ("CMBS"), to issue mortgages to finance our real estate activities.

Recent Developments

Sale Activity

During the year ended December 31, 2022, we continued to execute our capital recycling program, whereby we sell non-core properties and redeploy proceeds to fund property acquisitions in our target secondary growth markets, as well as repay outstanding debt. We will continue to execute our capital recycling plan and sell non-core properties as reasonable disposition opportunities become available. During the year ended December 31, 2022, we sold five non-core properties, located in Jupiter, Florida, Parsippany, New Jersey, Boston Heights, Ohio, Columbus, Ohio, and Allen, Texas, which are summarized in the table below (dollars in thousands):

Aggregate Square Footage Sold	Aggregate Sales Price	Aggregate Sales Costs	Aggregate Impairment Charge for the Twelve Months Ended December 31, 2022	Aggregate Gain on Sale of Real Estate, net
291,604	$ 41,270	$ 1,771	$ 1,374	$ 10,052

Acquisition Activity

During the year ended December 31, 2022, we acquired 13 properties, which are summarized below (dollars in thousands):

Aggregate Square Footage	Weighted Average Remaining Lease Term at Time of Acquisition	Aggregate Purchase Price	Aggregate Capitalized Acquisition Expenses	Aggregate Annualized GAAP Fixed Lease Payments	Aggregate Debt Issued
1,238,680	14.5 years	$ 115,364	$ 1,014	$ 8,138	$ 47,913

Leasing Activity

During the year ended December 31, 2022, we executed 13 lease extensions and/or modifications, which are summarized below (dollars in thousands):

Aggregate Square Footage	Weighted Average Remaining Lease Term		Aggregate Annualized GAAP Fixed Lease Payments	Aggregate Tenant Improvement	Aggregate Leasing Commissions
628,499	7.8 years	(1)	$ 7,724	$ 7,969	$ 2,488

(1) Weighted average remaining lease term is weighted according to the annualized GAAP rent earned by each lease. Our leases have remaining terms ranging from 1.9 years to 15.0 years.

During the year ended December 31, 2022, we had two lease terminations, which are aggregated below (dollars in thousands):

Aggregate Square Footage Reduced	Aggregate Accelerated Rent	Aggregate Accelerated Rent Recognized through December 31, 2022
216,095	$ 5,888	$ 5,710

Financing Activity

During the year ended December 31, 2022, we repaid 14 mortgages, collateralized by 28 properties, which are summarized below (dollars in thousands):

Aggregate Fixed Rate Debt Repaid	Weighted Average Interest Rate on Fixed Rate Debt Repaid
$ 104,906	4.64 %

Aggregate Variable Rate Debt Repaid	Weighted Average Interest Rate on Variable Rate Debt Repaid
$ 30,336	LIBOR/SOFR + 2.50%

During the year ended December 31, 2022, we issued six mortgages, collateralized by 11 properties, which are summarized below (dollars in thousands):

Aggregate Fixed Rate Debt Issued		Weighted Average Interest Rate on Fixed Rate Debt
$ 47,913	(1)	4.60 %

(1) We issued $10.0 million of fixed rate debt with a maturity date of May 4, 2027, in connection with our two-property portfolio we acquired on May 4, 2022. The interest rate is fixed at 4.00%. We issued $10.0 million of fixed rate debt with a maturity date of June 1, 2032, in connection with our three-property acquisition on May 12, 2022. The interest rate is fixed at 3.40%. We issued $16.9 million of fixed rate debt with a maturity date of August 1, 2027, in connection with our two-property acquisition on August 5, 2022. The interest rate is fixed at 4.95%. We issued $4.4 million of swapped to fixed rate debt with a maturity date of September 16, 2029, in connection with our property acquisition on September 16, 2022. The interest rate is swapped to a fixed rate of 5.39%. We issued $6.6 million of swapped to fixed rate debt with a maturity date of September 16, 2029, in connection with the property acquisition on October 26, 2022. The interest rate is swapped to a fixed rate of 5.90%.

Variable Rate Debt Issued		Interest Rate on Variable Rate Debt
$ 15,000	(1)	SOFR + 2.50%

(1) We issued $15.0 million of variable rate debt in connection with refinancing mortgage debt at two properties with a new maturity date of April 27, 2024 and interest rate of SOFR plus 2.50%. This mortgage was repaid on August 18, 2022.

During the year ended December 31, 2022, we extended the maturity date of three mortgages, collateralized by five properties, which is summarized in the table below (dollars in thousands):

Aggregate Fixed Rate Debt Extended	Weighted Average Interest Rate on Fixed Rate Debt Extended	Extension Term
$ 14,633	5.41 %	1.0 year

Variable Rate Debt Extended		Interest Rate on Variable Rate Debt Extended	Extension Term
$ 7,059	(1)	LIBOR + 2.75%	1.0 year

(1) We repaid this mortgage on August 18, 2022.

Equity Activity

Common Stock ATM Program

During the year ended December 31, 2022, we sold 2.1 million shares of common stock, raising approximately $43.2 million in net proceeds under our Common ATM Program, pursuant to which we may sell shares of our common stock in an aggregate offering price of up to $250.0 million (the “Common Stock ATM Program”). As of December 31, 2022, we had a remaining capacity to sell up to $23.9 million of common stock under the Common Stock Sales Agreement. The proceeds from these issuances were used to acquire real estate, repay outstanding debt and for other general corporate purposes. We terminated the Common Stock Sales Agreement effective February 10, 2023 in connection with the expiration of our registration statement on Form S-3 (File No. 333-236143) (the “2020 Registration Statement”) on February 11, 2023.

Amendment to Articles of Restatement

On June 23, 2021, we filed with the State Department of Assessments and Taxation of Maryland (“SDAT”) the Articles Supplementary (i) setting forth the rights, preferences and terms of our newly designated Series G Preferred Stock and (ii) reclassifying and designating 4,000,000 shares of our authorized and unissued shares of common stock as shares of Series G Preferred Stock.

Series G Preferred Stock Offering

On June 28, 2021, we completed an underwritten public offering of 4,000,000 shares of our newly designated Series G Preferred Stock at a public offering price of $25.00 per share, raising $100.0 million in gross proceeds and approximately $96.6 million in net proceeds, after payment of underwriting discounts and commissions. We used the net proceeds from this offering to voluntarily redeem all of our then outstanding shares of our Series D Preferred Stock.

Series D Preferred Stock Redemption

On June 30, 2021, we voluntarily redeemed all 3,509,555 outstanding shares of our Series D Preferred Stock at a redemption price of $25.1458333 per share, which represented the liquidation preference per share, plus accrued and unpaid dividends through June 30, 2021, for an aggregate redemption price of approximately $88.3 million. In connection with this redemption, we recognized a $2.1 million decrease to net income available to common shareholders pertaining to the original issuance costs incurred upon issuance of our Series D Preferred Stock.

Articles Supplementary Reclassifying Remaining Series D Preferred Stock

On August 5, 2021, we filed Articles Supplementary (the “Reclassification Articles Supplementary”) with the SDAT, pursuant to which our board of directors reclassified and designated the remaining 2,490,445 shares of authorized but unissued Series D Preferred Stock as additional shares of common stock. After giving effect to the filing of the Reclassification Articles

Supplementary in August 2021, our authorized capital stock consisted of 62,290,000 shares of common stock, 6,760,000 shares of Series E Preferred Stock, 26,000,000 shares of Series F Preferred Stock, 4,000,000 shares of Series G Preferred Stock, and 950,000 shares of senior common stock. The Reclassification Articles Supplementary did not increase our authorized shares of capital stock.

Series E Preferred ATM Program

During the year ended December 31, 2022, we had an At-the-Market Equity Offering Sales Agreement (the "Series E Preferred Stock Sales Agreement") with sales agents Baird, Goldman Sachs, Stifel, Fifth Third, and U.S. Bancorp Investments, Inc., pursuant to which we could, from time to time, offer to sell shares of our Series E Preferred Stock, in an aggregate offering price of up to $100.0 million (the "Series E Preferred ATM Program"). We did not sell any shares of our Series E Preferred Stock pursuant to the Series E Preferred Stock Sales Agreement during the year ended December 31, 2022. As of December 31, 2022, we had remaining capacity to sell up to $92.8 million of Series E Preferred Stock under the Series E Preferred ATM Program. We terminated the Series E Preferred Stock Sales Agreement effective February 10, 2023 in connection with the expiration of the 2020 Registration Statement on February 11, 2023.

Universal Shelf Registration Statement

On January 11, 2019, we filed a registration statement on Form S-3 (File No. 333-229209), and an amendment thereto on Form-S-3/A on January 24, 2019 (collectively referred to as the "2019 Registration Statement"). The 2019 Registration Statement became effective on February 13, 2019 and replaced our prior shelf registration statement. The 2019 Registration Statement allowed us to issue up to $500.0 million of securities and expired on February 13, 2022.

On January 29, 2020, we filed the 2020 Registration Statement. The 2020 Registration Statement was declared effective on February 11, 2020 and was in addition to the 2019 Registration Statement. The 2020 Registration Statement allowed us to issue up to an additional $800.0 million of securities. Of the $800.0 million of available capacity under our 2020 Registration Statement, approximately $636.5 million was reserved for the sale of Series F Preferred Stock. As of December 31, 2022, we had the ability to issue up to $644.0 million of securities under the 2020 Registration Statement. The 2020 Registration Statement expired on February 11, 2023.

On November 23, 2022, we filed an automatic registration statement on Form S-3 (File No. 333-268549) (the "2022 Registration Statement"). There is no limit on the aggregate amount of the securities that we may offer pursuant to the 2022 Registration Statement.

Preferred Series F Continuous Offering

On February 20, 2020, we filed with the Maryland Department of Assessments and Taxation Articles Supplementary (i) setting forth the rights, preferences and terms of the Series F Preferred Stock and (ii) reclassifying and designating 26,000,000 shares of the Company's authorized and unissued shares of common stock as shares of Series F Preferred Stock. The reclassification decreased the number of shares classified as common stock from 86,290,000 shares immediately prior to the reclassification to 60,290,000 shares immediately after the reclassification. We sold 238,100 shares of our Series F Preferred Stock, raising $5.4 million in net proceeds, during the year ended December 31, 2022. As of December 31, 2022, we had remaining capacity to sell up to $619.6 million of Series F Preferred Stock.

Amendments to Operating Partnership Agreement

In connection with the authorization of the Series F Preferred Stock in February of 2020, the Operating Partnership controlled by the Company through its ownership of GCLP Business Trust II, the general partner of the Operating Partnership, adopted the Second Amendment to its Second Amended and Restated Agreement of Limited Partnership (collectively, the "Amendment"), as amended from time to time, establishing the rights, privileges and preferences of 6.00% Series F Cumulative Redeemable Preferred Units, a newly-designated class of limited partnership interests (the "Series F Preferred Units"). The Amendment provides for the Operating Partnership's establishment and issuance of an equal number of Series F Preferred Units as are issued shares of Series F Preferred Stock by the Company in connection with the offering upon the Company's contribution to the Operating Partnership of the net proceeds of the offering. Generally, the Series F Preferred Units provided for under the Amendment have preferences, distribution rights and other provisions substantially equivalent to those of the Series F Preferred Stock.

On June 23, 2021, the Operating Partnership adopted the Third Amendment to its Second Amended and Restated Agreement of Limited Partnership, including Exhibit SGP thereto (collectively, the "Third Amendment"), establishing the rights, privileges, and preferences of 6.00% Series G Cumulative Redeemable Preferred Units, a newly-designated class of limited partnership interests (the "Series G Term Preferred Units"). The Third Amendment provides for the Operating Partnership's establishment and issuance of an equal number of Series G Term Preferred Units as are issued shares of Series G Preferred Stock by the Company in connection with the offering of Series G Preferred Stock upon the Company's contribution to the Operating Partnership of the net proceeds of the offering of Series G Preferred Stock. Generally, the Series G Preferred Units provided for under the Third Amendment have preferences, distribution rights, and other provisions substantially equivalent to those of the Series G Preferred Stock.

On August 5, 2021, the Operating Partnership adopted the Fourth Amendment to its Second Amended and Restated Agreement of Limited Partnership, including Exhibit SGP thereto, to remove all references to the 7.00% Series D Cumulative Redeemable Preferred Units of the Partnership and update the rights, privileges, and preferences accordingly.

Amendments to the Advisory Agreement

On July 14, 2020, we amended and restated our existing advisory agreement with our Advisor (as defined herein), as amended from time to time (the "Advisory Agreement"), by entering into the Sixth Amended and Restated Investment Advisory Agreement between the Company and the Adviser (the "Sixth Amended Advisory Agreement"). The Company's entrance into the Sixth Amended Advisory Agreement was approved by its Board of Directors, including, specifically, unanimously by its independent directors. The Sixth Amended Advisory Agreement revised and replaced the Fifth Amended and Restated Investment Advisory Agreement between the Company and the Adviser (the "Fifth Amended Advisory Agreement"), under which the calculation of the Base Management Fee was based on Total Equity (as was defined in the Fifth Amended Advisory Agreement), with a calculation based on Gross Tangible Real Estate (as defined in the Sixth Amended Advisory Agreement). The revised Base Management Fee is payable quarterly in arrears and calculated at an annual rate of 0.425% (0.10625% per quarter) of the prior calendar quarter's "Gross Tangible Real Estate," defined as the current gross value of the Company's property portfolio (meaning the aggregate of each property's original acquisition price plus the cost of any subsequent capital improvements thereon). The calculation of the other fees in the Advisory Agreement remained unchanged. The revised Base Management Fee calculation began with the fee calculations for the quarter ended September 30, 2020.

On January 10, 2023, we amended the Sixth Amended Advisory Agreement, by entering into the Seventh Amended and Restated Investment Advisory Agreement between the Company and the Adviser (the "Seventh Amended Advisory Agreement"), which was approved unanimously by our board of directors, including specifically, our independent directors. The Seventh Amended Advisory Agreement waived the payment of the incentive fee, as applicable, for the quarters ending March 31, 2023 and June 30, 2023. The calculation of the other fees remains unchanged.

Non-controlling Interests in Operating Partnership

As of December 31, 2022 and 2021, we owned approximately 99.0% and 99.3%, respectively, of the outstanding OP Units. On September 20, 2022, we issued 134,474 OP Units as partial consideration to acquire our 49,375 square foot property located in Fort Payne, Alabama for $5.6 million. During the year ended December 31, 2021, we redeemed 246,039 OP units for an equivalent amount of common stock.

The Operating Partnership is required to make distributions on each OP Unit in the same amount as those paid on each share of the Company's common stock, with the distributions on the OP Units held by the Company being utilized to make distributions to the Company's common stockholders.

As of December 31, 2022 and 2021, there were 391,468 and 256,994 outstanding OP Units held by Non-controlling OP Unitholders, respectively.

Personnel Activity

On January 11, 2022, the board of directors appointed Mr. Arthur "Buzz" Cooper as our co-president to serve alongside Mr. Robert Cutlip, who announced his intention to resign on or about June 30, 2022. Mr. Cutlip's resignation was in connection with his planned retirement. Mr. Cutlip resigned as of June 30, 2022, and Mr. Cooper is now our sole president.

Our Adviser and Administrator

Gladstone Management Corporation, a Delaware corporation (our "Adviser") is led by a management team with extensive experience purchasing real estate. Our Adviser and Gladstone Administration, LLC, a Delaware limited liability company (our "Administrator") are controlled by Mr. Gladstone, who is also our chairman and chief executive officer. Mr. Gladstone also serves as the chairman and chief executive officer of both our Adviser and Administrator. Mr. Brubaker, our vice chairman and chief operating officer, is also the vice chairman and chief operating officer of our Adviser and Administrator. Mr. Cooper, our president, is also an executive managing director of our Adviser. Our Administrator employs our chief financial officer, treasurer, chief compliance officer, and general counsel and secretary (who also serves as our Administrator's president, general counsel, and secretary) and their respective staffs.

Our Adviser and Administrator also provide investment advisory and administrative services, respectively, to certain of our affiliates, including, but not limited to, Gladstone Capital Corporation ("Gladstone Capital") and Gladstone Investment Corporation ("Gladstone Investment"), both publicly-traded business development companies, as well as Gladstone Land Corporation ("Gladstone Land"), a publicly-traded REIT that primarily invests in farmland. With the exception of Mr. Gerson, our chief financial officer, Jay Beckhorn, our treasurer, and Mr. Cooper, our president, all of our executive officers and all of our directors serve as either directors or executive officers, or both, of Gladstone Capital and Gladstone Investment. In addition, with the exception of Messrs. Cooper and Gerson, all of our executive officers and all of our directors, serve as either directors or executive officers, or both, of Gladstone Land. Messrs. Cooper and Gerson generally spend all of their time focused on the Company, and do not put forth any material efforts in assisting affiliated companies. In the future, our Adviser may provide investment advisory services to other companies, both public and private.

Advisory and Administration Agreements

Many of the services performed by our Adviser and Administrator in managing our day-to-day activities are summarized below. This summary is provided to illustrate the material functions which our Adviser and Administrator perform for us pursuant to the terms of the Advisory Agreement with our Advisor and an administration agreement with our Administrator (the "Administration Agreement").

Advisory Agreement

Under the terms of the Amended Advisory Agreement, we continue to be responsible for all expenses incurred for our direct benefit. Examples of these expenses include legal, accounting, interest, directors' and officers' insurance, stock transfer services, stockholder-related fees, consulting and related fees. In addition, we are also responsible for all fees charged by third parties that are directly related to our business, which include real estate brokerage fees, mortgage placement fees, lease-up fees and transaction structuring fees (although we may be able to pass some or all of such fees on to our tenants and borrowers). Our entrance into the Advisory Agreement and each amendment thereto has been approved unanimously by our Board of Directors. Our Board of Directors reviews and considers renewing the agreement with our Adviser each July. During its July 2022 meeting, our Board of Directors reviewed and renewed the Advisory Agreement and Administration Agreement for an additional year, through August 31, 2023.

Base Management Fee

Prior to entering into the Sixth Amended Advisory Agreement in July of 2020, on January 8, 2019, we entered into a Fifth Amended Advisory Agreement, effective as of October 1, 2018, to clarify that the definition of Total Equity included outstanding OP Units issued to Non-controlling OP Unitholders. Our entrance into the Advisory Agreement, and all amendments thereto, have been approved unanimously by our Board of Directors. Our Board of Directors also reviews and considers renewing the agreement with our Adviser each July.

As a result of the Fifth Amended Advisory Agreement, the calculation of the Base Management Fee equaled 1.5% of our Total Equity, which was our total stockholders' equity plus total mezzanine equity (before giving effect to the Base Management Fee and incentive fee), adjusted to exclude the effect of any unrealized gains or losses that do not affect realized net income (including impairment charges), adjusted for any one-time events and certain non-cash items (the later to occur for a given quarter only upon the approval of our Compensation Committee), and adjusted to include OP Units held by Non-controlling OP Unitholders. The fee was calculated and accrued quarterly as 0.375% per quarter of such adjusted total stockholders' equity figure. Our Adviser does not charge acquisition or disposition fees when we acquire or dispose of properties as is common in other externally managed REITs; however, our Adviser may earn fee income from our borrowers, tenants or other sources.

On July 14, 2020, the Company entered into the Sixth Amended Advisory Agreement, which replaced the previous calculation of the Base Management Fee. Under the Sixth Amended Advisory Agreement, the Base Management Fee is payable quarterly in arrears and shall be calculated at an annual rate of 0.425% (0.10625% per quarter) of the prior calendar quarter's "Gross Tangible Real Estate," defined in the agreement as the current gross value of the Company's property portfolio (meaning the aggregate of each property's original acquisition price plus the cost of any subsequent capital improvements thereon). The calculation of the other fees remained unchanged. The revised Base Management Fee calculation began with the fee calculations for the quarter ended September 30, 2020.

On January 10, 2023, we amended and restated the Sixth Amended Advisory Agreement, by entering into the Seventh Amended Advisory Agreement, which was approved unanimously by our board of directors, including specifically, our independent directors. The Seventh Amended Advisory Agreement waived the payment of the incentive fee, as applicable, for the quarters ending March 31, 2023 and June 30, 2023. The calculation of the other fees remains unchanged.

Incentive Fee

Pursuant to the Advisory Agreement, the calculation of the incentive fee rewards the Adviser in circumstances where our quarterly Core FFO (defined at the end of this paragraph), before giving effect to any incentive fee, or pre-incentive fee Core FFO, exceeds 2.0% quarterly, or 8.0% annualized, of adjusted total equity (after giving effect to the base management fee but before giving effect to the incentive fee). We refer to this as the new hurdle rate. The Adviser will receive 15.0% of the amount of our pre-incentive fee Core FFO that exceeds the new hurdle rate. However, in no event shall the incentive fee for a particular quarter exceed by 15.0% (the cap) the average quarterly incentive fee paid by us for the previous four quarters (excluding quarters for which no incentive fee was paid). Core FFO (as defined in the Advisory Agreement) is GAAP net income (loss) available to common stockholders, excluding the incentive fee, depreciation and amortization, any realized and unrealized gains, losses or other non-cash items recorded in net income (loss) available to common stockholders for the period, and one-time events pursuant to changes in GAAP.

Capital Gain Fee

Under the Advisory Agreement, we will pay to the Adviser a capital gains-based incentive fee that will be calculated and payable in arrears as of the end of each fiscal year (or upon termination of the Advisory Agreement). In determining the capital gain fee, we will calculate aggregate realized capital gains and aggregate realized capital losses for the applicable time period. For this purpose, aggregate realized capital gains and losses, if any, equals the realized gain or loss calculated by the difference between the sales price of the property, less any costs to sell the property and the all-in acquisition cost of the disposed property. At the end of the fiscal year, if this number is positive, then the capital gain fee payable for such time period shall equal 15.0% of such amount. No capital gain fee was recognized during the years ended December 31, 2022, 2021, and 2020.

Termination Fee

The Advisory Agreement includes a termination fee whereby, in the event of our termination of the agreement without cause (with 120 days' prior written notice and the vote of at least two-thirds of our independent directors), a termination fee would be payable to the Adviser equal to two times the sum of the average annual base management fee and incentive fee earned by the Adviser during the 24-month period prior to such termination. A termination fee is also payable if the Adviser terminates the Advisory Agreement after the Company has defaulted and applicable cure periods have expired. The Advisory Agreement may also be terminated for cause by us (with 30 days' prior written notice and the vote of at least two-thirds of our independent directors), with no termination fee payable. Cause is defined in the Advisory Agreement to include if the Adviser breaches any material provisions of the agreement, the bankruptcy or insolvency of the Adviser, dissolution of the Adviser and fraud or misappropriation of funds.

Administration Agreement

Under the terms of the Administration Agreement, we pay separately for our allocable portion of our Administrator's overhead expenses in performing its obligations to us including, but not limited to, rent and our allocable portion of the salaries and benefits expenses of our Administrator's employees, including, but not limited to, our chief financial officer, treasurer, chief compliance officer, general counsel and secretary (who also serves as our Administrator's president, general counsel and secretary), and their respective staffs. Our allocable portion of the Administrator's expenses are generally derived by multiplying our Administrator's total expenses by the approximate percentage of time the Administrator's employees perform services for us in relation to their time spent performing services for all companies serviced by our Administrator under contractual agreements. We believe that the methodology of allocating the Administrator's total expenses by approximate percentage of time services were performed among all companies serviced by our Administrator more closely approximates fees paid to actual services performed.

Critical Accounting Policies

The preparation of our financial statements in accordance with GAAP, requires management to make judgments that are subjective in nature to make certain estimates and assumptions. Application of these accounting policies involves the exercise of judgment regarding the use of assumptions as to future uncertainties, and as a result, actual results could materially differ from these estimates. A summary of all of our significant accounting policies is provided in Note 1, “Organization, Basis of Presentation and Significant Accounting Policies,” to our consolidated financial statements included elsewhere in this Annual Report on Form 10-K, as well as a summary of recently issued accounting pronouncements and their expected impact to our current and future financial statements. There were no material changes to our critical accounting policies during the year ended December 31, 2022.

Allocation of Purchase Price

When we acquire real estate with an existing lease, we allocate the purchase price to (i) the acquired tangible assets and liabilities, consisting of land, building, tenant improvements and long-term debt and (ii) the identified intangible assets and liabilities, consisting of the value of above-market and below-market leases, in-place leases, unamortized lease origination costs, tenant relationships and capital lease obligations. We allocate the fair values in accordance with Accounting Standard Codification 360, Property Plant and Equipment. All expenses related to the acquisition are capitalized and allocated among the identified assets.

Our Adviser estimates value using methods similar to those used by independent appraisers (e.g., discounted cash flow analysis). Factors considered by management in its analysis include an estimate of carrying costs during hypothetical expected lease-up periods, considering current market rental rates and costs to execute similar leases. Our Adviser also considers information obtained about each property as a result of our pre-acquisition due diligence, marketing and leasing activities in estimating the fair value of the tangible and intangible assets and liabilities acquired. In estimating carrying costs, management also includes real estate taxes, insurance and other operating expenses and estimates of lost rentals at market rates during the hypothetical expected lease-up periods, which primarily range from nine to 18 months, depending on specific local cap rates and discount rates. Our Adviser also estimates costs to execute similar leases, including leasing commissions, legal and other related expenses to the extent that such costs are not already incurred in connection with a new lease origination as part of the transaction. Our Adviser also considers the nature and extent of our existing business relationships with the tenant, growth prospects for developing new business with the tenant, the tenant’s credit quality and management’s expectations of lease renewals (including those existing under the terms of the lease agreement), among other factors. A change in any of the assumptions above, which are very subjective, could have a material impact on our results of operations.

The allocation of the purchase price directly affects the following in our consolidated financial statements:

- the amount of purchase price allocated to the various tangible and intangible assets and liabilities on our balance sheet;

- the amounts allocated to the value of above-market and below-market lease values are amortized to rental income over the remaining non-cancelable terms of the respective leases. The amounts allocated to all other tangible and intangible assets are amortized to depreciation or amortization expense. Thus, depending on the amounts allocated between land and other depreciable assets, changes in the purchase price allocation among our assets could have a material impact on our FFO, a metric which is used by many REIT investors to evaluate our operating performance; and

- the period of time over which tangible and intangible assets are depreciated varies greatly, and thus, changes in the amounts allocated to these assets will have a direct impact on our results of operations. Intangible assets are generally amortized over the respective life of the leases, which normally range from 10 to 15 years. Also, we depreciate our buildings over up to 39 years, but do not depreciate our land. These differences in timing could have a material impact on our results of operations.

Asset Impairment Evaluation

We periodically review the carrying value of each property to determine if circumstances that indicate impairment in the carrying value of the investment exist or that depreciation periods should be modified. In determining if impairment exists, our Adviser considers such factors as our tenants' payment histories, the financial condition of our tenants, including calculating the current leverage ratios of tenants, the likelihood of lease renewal, business conditions in the industries in which our tenants operate, whether the fair value of our real estate has decreased and whether our hold period has shortened. If any of the factors above indicate the possibility of impairment, we prepare a projection of the undiscounted future cash flows, without interest charges, of the specific property and determine if the carrying amount of such property is recoverable. In preparing the projection of undiscounted future cash flows, we estimate cap rates and market rental rates using information that we obtain from market comparability studies and other comparable sources, and apply the undiscounted cash flows against our expected holding period. If impairment were indicated, the carrying value of the property would be written down to its estimated fair value based on our best estimate of the property's discounted future cash flows using market derived cap rates, discount rates and market rental rates applied against our expected hold period. Any material changes to the estimates and assumptions used in this analysis could have a significant impact on our results of operations, as the changes would impact our determination of whether impairment is deemed to have occurred and the amount of impairment loss that we would recognize.

Using the methodology discussed above, we evaluated our entire portfolio, as of December 31, 2022, for any impairment indicators and performed an impairment analysis on select properties that had an indication of impairment.

We will continue to monitor our portfolio for any other indicators of impairment.

Results of Operations

The weighted average yield on our total portfolio, which was 7.7% and 7.9% at December 31, 2022 and 2021, respectively, is calculated by taking the annualized straight-line rents, reflected as lease revenue on our consolidated statements of operations, of each acquisition as a percentage of the acquisition cost. The weighted average yield does not account for the interest expense incurred on the mortgages placed on our properties or other types of existing indebtedness.

A comparison of our operating results for the year ended December 31, 2022 and 2021 is below (dollars in thousands, except per share amounts):

	For the year ended December 31,			
	2022	2021	$ Change	% Change
Operating revenues				
Lease revenue	$ 148,981	$ 137,688	$ 11,293	8.2 %
Total operating revenues	$ 148,981	$ 137,688	$ 11,293	8.2 %
Operating expenses				
Depreciation and amortization	$ 61,664	$ 60,311	$ 1,353	2.2 %
Property operating expenses	26,832	27,098	(266)	(1.0)%
Base management fee	6,331	5,882	449	7.6 %
Incentive fee	5,270	4,859	411	8.5 %
Administration fee	1,864	1,448	416	28.7 %
General and administrative	3,705	3,218	487	15.1 %
Impairment charge	12,092	—	12,092	100.0 %
Total operating expense before incentive fee waiver	$ 117,758	$ 102,816	$ 14,942	14.5 %
Incentive fee waiver	—	(16)	16	(100.0)%
Total operating expenses	$ 117,758	$ 102,800	$ 14,958	14.6 %
Other (expense) income				
Interest expense	$ (32,457)	$ (26,887)	$ (5,570)	20.7 %
Gain (loss) on sale of real estate, net	10,052	(1,148)	11,200	(975.6)%
Other income	454	2,880	(2,426)	(84.2)%
Total other expense, net	$ (21,951)	$ (25,155)	$ 3,204	(12.7)%
Net income	$ 9,272	$ 9,733	$ (461)	(4.7)%
Distributions attributable to Series D, E, F, and G preferred stock	(11,903)	(11,488)	(415)	3.6 %
Series D preferred stock offering costs write off	—	(2,141)	2,141	(100.0)%
Distributions attributable to senior common stock	(458)	(698)	240	(34.4)%
Loss on extinguishment of Series F preferred stock	(10)	—	(10)	100.0 %
Gain on repurchase of Series G preferred stock	37	—	37	100.0 %
Net loss attributable to common stockholders and Non-controlling OP Unitholders	$ (3,062)	$ (4,594)	$ 1,532	(33.3)%
Net loss attributable to common stockholders and Non-controlling OP Unitholders per weighted average share and unit - basic & diluted	$ (0.08)	$ (0.12)	$ 0.04	(33.3)%
FFO available to common stockholders and Non-controlling OP Unitholders - basic (1)	$ 60,642	$ 56,865	$ 3,777	6.6 %
FFO available to common stockholders and Non-controlling OP Unitholders - diluted (1)	$ 61,100	$ 57,563	$ 3,537	6.1 %
FFO available to common stockholders and Non-controlling OP Unitholders - diluted, as adjusted for comparability (1)	$ 61,100	$ 59,704	$ 1,396	2.3 %
FFO per weighted average share of common stock and Non-controlling OP Unit - basic (1)	$ 1.55	$ 1.54	$ 0.01	0.6 %
FFO per weighted average share of common stock and Non-controlling OP Unit - diluted (1)	$ 1.54	$ 1.54	$ —	— %
FFO per weighted average share of common stock and Non-controlling OP Unit - diluted, as adjusted for comparability (1)	$ 1.54	$ 1.60	$ (0.06)	(3.8)%

(1) Refer to the "Funds from Operations" section below within the Management's Discussion and Analysis section for the definition of FFO and FFO, as adjusted for comparability.

Same Store Analysis

For the purposes of the following discussion, same store properties are properties we owned as of January 1, 2021, which have not been subsequently vacated or disposed. Acquired and disposed properties are properties which were either acquired, disposed of or classified as held for sale at any point subsequent to December 31, 2020. Properties with vacancy are properties that were fully vacant or had greater than 5% vacancy, based on square footage, at any point subsequent to January 1, 2021.

Operating Revenues

	For the year ended December 31,			
	(Dollars in Thousands)			
Lease Revenues	2022	2021	$ Change	% Change
Same Store Properties	$ 110,270	$ 108,689	$ 1,581	1.5 %
Acquired & Disposed Properties	20,510	12,080	8,430	69.8 %
Properties with Vacancy	18,201	16,919	1,282	7.6 %
	$ 148,981	$ 137,688	$ 11,293	8.2 %

Lease revenues consist of rental income and operating expense recoveries earned from our tenants. Lease revenues from same store properties increased for the year ended December 31, 2022, primarily due to accelerated rent from one tenant that terminated their lease early and will remain in the building through January 2023, partially offset by less income recognized from tenant funded projects, where our tenants used their capital to improve our buildings. Lease revenues increased for acquired and disposed of properties for the year ended December 31, 2022, as compared to the year ended December 31, 2021, primarily due to accelerated rent from two lease terminations, one of which related to a property we sold. This was coupled with our acquisition of 13 properties during the year ended December 31, 2022, and the inclusion of a full year of lease revenues recorded in 2022 for 11 properties acquired during the year ended December 31, 2021, partially offset by a decrease in lease revenues from the eight properties sold during and subsequent to December 31, 2021. Lease revenues increased for properties with vacancy for the year ended December 31, 2022 due to vacant space being leased.

Operating Expenses

Depreciation and amortization increased for the year ended December 31, 2022, as compared to the year ended December 31, 2021, primarily due to recognizing a full year of depreciation for the 11 properties acquired during the year ended December 31, 2021, as well as increased depreciation expense from the 13 properties acquired during the year ended December 31, 2022, partially offset by a decrease in depreciation expense for the five properties sold during the year ended December 31, 2022.

	For the year ended December 31,			
	(Dollars in Thousands)			
Property Operating Expenses	2022	2021	$ Change	% Change
Same Store Properties	$ 16,463	$ 16,164	$ 299	1.8 %
Acquired & Disposed Properties	2,081	2,226	(145)	(6.5)%
Properties with Vacancy	8,288	8,708	(420)	(4.8)%
	$ 26,832	$ 27,098	$ (266)	(1.0)%

Property operating expenses consist of franchise taxes, management fees, insurance, ground lease payments, property maintenance and repair expenses paid on behalf of tenants at certain of our properties. Property operating expenses increased for same store properties for the year ended December 31, 2022, as compared to the year ended December 31, 2021, due to general cost increases due to the inflationary environment. The decrease in property operating expenses on acquired and disposed of properties for the year ended December 31, 2022, as compared to the year ended December 31, 2021, is a result of a decrease in property operating expenses from eight property sales during and subsequent to December 31, 2021, partially offset by increased property operating expenses on the 13 properties we acquired during the year ended December 31, 2022, coupled with a full year of property operating expenses for the 11 properties acquired during the year ended December 31, 2021. The decrease in property operating expenses for properties with vacancy for the year ended December 31, 2022, as compared to the year ended December 31, 2021, is a result of reduced real estate tax during the period, partially offset by general cost increases due to the inflationary environment.

The base management fee paid to the Adviser increased for the year ended December 31, 2022, as compared to the year ended December 31, 2021, due to an increase in gross tangible real estate, the main component of the base management fee calculation under the Sixth Amended Advisory Agreement. The calculation of the base management fee is described in detail above within *"Advisory and Administration Agreements."*

The incentive fee paid to the Adviser increased for the year ended December 31, 2022, as compared to the year ended December 31, 2021, due to an increase in pre-incentive fee Core FFO. The increase in pre-incentive fee Core FFO was primarily due to an increase in lease revenues from the 13 properties acquired during the year ended December 31, 2022, coupled with a full year of lease revenues from the 11 properties acquired during the year ended December 31, 2021. The calculation of the incentive fee is described in detail above within *"Advisory and Administration Agreements."*

The administration fee paid to the Administrator increased for the year ended December 31, 2022, as compared to the year ended December 31, 2021. The increase is a result of our Administrator incurring greater costs that are allocated to the Company. The calculation of the administration fee is described in detail above within "*Advisory and Administration Agreements."*

General and administrative expenses increased for the year ended December 31, 2022, as compared to the year ended December 31, 2021, primarily as a result of an increase in due diligence expenses for potential acquisition targets that were not completed, coupled with an increase in legal fees.

We recorded an impairment charge during the year ended December 31, 2022 on two properties, as we had determined the carrying value of these properties was in excess of the fair market value and not recoverable. Accordingly, we impaired these properties to fair market value. We did not record an impairment charge during the year ended December 31, 2021.

Other Income and Expenses

Interest expense increased for the year ended December 31, 2022, as compared to the year ended December 31, 2021. This increase is primarily a result of increased borrowing costs, as global interest rates have increased to counteract growing inflation, coupled with expensed deferred financing fees associated with mortgage repayments and the Credit Facility amendment.

The gain on sale of real estate, net, during the year ended December 31, 2022 is a result of the sale of five properties. The loss on sale of real estate, net, during the year ended December 31, 2021 was a result of the sale of three of our properties.

Other income decreased during the year ended December 31, 2022, as compared to the year ended December 31, 2021, primarily due to legal settlement income earned during the year ended December 31, 2021.

Net Loss Attributable to Common Stockholders and Non-controlling OP Unitholders

Net loss attributable to common stockholders and Non-controlling OP Unitholders decreased for the year ended December 31, 2022, as compared to the year ended December 31, 2021, primarily due to asset acquisition activity causing an increase in operating revenues during and subsequent to December 31, 2021, coupled with a gain on sale of real estate, net, from five property sales, partially offset by an increase in interest expense due to higher borrowing costs due to global interest rate expansion.

A discussion of the results of operations for the year ended December 31, 2020 is found in Item 7 of Part II of our Annual Report on Form 10-K for the year ended December 31, 2021, filed with the SEC on February 15, 2022, which is available free of charge on the SEC's website at *www.sec.gov* and on the investors section of our website at *www.GladstoneCommercial.com.*

Liquidity and Capital Resources

Overview

Our sources of liquidity include cash flows from operations, cash and cash equivalents, borrowing capacity under our Revolver and issuing additional equity securities. Our available liquidity as of December 31, 2022, was $60.0 million, including $11.7 million in cash and cash equivalents and an available borrowing capacity of $48.3 million under our Revolver. Our available borrowing capacity under the Revolver has increased to $86.4 million as of February 22, 2023.

Future Capital Needs

We actively seek conservative investments that are likely to produce income to allow us to pay distributions to our stockholders and Non-controlling OP Unitholders. We intend to use the proceeds received from future equity raised and debt capital borrowed to continue to invest in industrial and office real property, or pay down outstanding borrowings under our Revolver. Accordingly, to ensure that we are able to effectively execute our business strategy, we routinely review our liquidity requirements and continually evaluate all potential sources of liquidity. Our short-term liquidity needs include proceeds necessary to fund our distributions to stockholders, pay the debt service costs on our existing long-term mortgages, refinancing maturing debt and fund our current operating costs. Our long-term liquidity needs include proceeds necessary to grow and maintain our portfolio of investments.

We believe that our available liquidity is sufficient to fund our distributions to stockholders, pay the debt service costs on our existing long-term mortgages and fund our current operating costs in the near term. We also believe we will be able to refinance our mortgage debt as it matures. Additionally, to satisfy our short-term obligations, we may request credits to our management fees that are issued from our Adviser, although our Adviser is under no obligation to provide any such credits, either in whole or in part. We further believe that our cash flow from operations, coupled with the financing capital available to us in the future, are sufficient to fund our long-term liquidity needs.

Equity Capital

The following table summarizes net proceeds raised from our various equity sales during the year ended December 31, 2022 (dollars in thousands, except for share price):

	Net Proceeds	Number of Shares Sold	Weighted Average Share Price
Common Stock ATM Program	$ 43,170	2,130,056	$ 20.53
Series F Preferred Stock Continuous Public Offering	5,415	238,100	24.96
	$ 48,585	2,368,156	

As of February 22, 2023, there is no limit on the aggregate amount of the securities that we may offer pursuant to the 2022 Registration Statement. At December 31, 2022, we had the ability to raise up to $644.0 million of additional equity capital through the sale and issuance of securities that were registered under the 2020 Registration Statement. Of the $644.0 million of available capacity under our 2020 Registration Statement, approximately $23.9 million was reserved for additional sales under our Common Stock ATM Program, and approximately $619.6 million was reserved for the sale of our Series F Preferred Stock as of February 22, 2023.

Debt Capital

As of December 31, 2022, we had 44 mortgage notes payable in the aggregate principal amount of $362.0 million, collateralized by a total of 50 properties with a remaining weighted average maturity of 4.3 years. The weighted-average interest rate on the mortgage notes payable as of December 31, 2022 was 4.24%.

We continue to see banks and other non-bank lenders willing to issue mortgages. Consequently, we remain focused on obtaining mortgages through regional banks, non-bank lenders and, to a lesser extent, the commercial mortgage backed securities market.

As of December 31, 2022, we had mortgage debt in the aggregate principal amount of $67.3 million payable during 2023 and $20.4 million payable during 2024. The 2023 principal amounts payable include both amortizing principal payments and five balloon principal payments. We anticipate being able to refinance our mortgages that come due during 2023 and 2024 with a combination of new mortgage debt, availability under our Credit Facility and the issuance of additional equity securities. We have successfully repaid $135.2 million of debt over the past 12 months with either new mortgage debt or by generating additional availability by adding properties to our unsecured pool under our Credit Facility, as well as additional funds generated from our 2022 Credit Facility amendment, which resulted in us reducing our Term Loan B from $65.0 million to $60.0 million, increasing our Revolver from $100.0 million to $125.0 million, and adding Term Loan C, a new $150.0 million term loan component.

Operating Activities

Net cash provided by operating activities during the year ended December 31, 2022, was $69.2 million, as compared to net cash provided by operating activities of $70.1 million for the year ended December 31, 2021. This change was primarily a result of an increase in operating revenues received from the properties acquired during the past 12 months, partially offset by an increase in interest expense due to higher interest rates on variable rate debt. The majority of cash from operating activities is generated from the rental payments and operating expense recoveries that we receive from our tenants. We utilize this cash to fund our property-level operating expenses and use the excess cash primarily for debt and interest payments on our mortgage notes payable, interest payments on our Credit Facility, distributions to our stockholders, management fees to our Adviser, administration fees to our Administrator and other entity-level operating expenses.

Investing Activities

Net cash used in investing activities during the year ended December 31, 2022, was $82.5 million, which primarily consisted of the acquisition of 13 properties, coupled with the capital improvements performed at certain of our properties, partially offset by proceeds from the sale of real estate. Net cash used in investing activities during the year ended December 31, 2021, was $94.8 million, which primarily consisted of the acquisition of 11 properties, coupled with the capital improvements performed at certain of our properties, partially offset by proceeds from sale of real estate.

Financing Activities

Net cash provided by financing activities during the year ended December 31, 2022, was $16.2 million, which primarily consisted of proceeds from our common and preferred equity offerings, mortgage borrowings on new acquisitions and a net increase in Credit Facility borrowings, partially offset by the repayment of outstanding mortgage debt and distributions paid to our stockholders and Non-controlling OP Unitholders. Net cash provided by financing activities for the year ended December 31, 2021, was $21.8 million, which primarily consisted of proceeds from our common and preferred stock offerings, mortgage borrowings on new acquisitions and borrowings on our Credit Facility, partially offset by distributions paid to our stockholders and Non-controlling OP Unitholders.

Credit Facility

On July 2, 2019, we amended, extended and upsized our Credit Facility, expanding Term Loan A from $75.0 million to $160.0 million, inclusive of a delayed draw component whereby we can incrementally borrow on Term Loan A up to the $160.0 million commitment, and increasing the Revolver from $85.0 million to $100.0 million. Term Loan A has a maturity date of July 2, 2024, and the Revolver has a maturity date of July 2, 2023. The interest rate margin for the Credit Facility was reduced by 10 basis points at each of the leverage tiers. We entered into multiple interest rate cap agreements on Term Loan A, which cap LIBOR ranging from 2.50% to 2.75%, to hedge our exposure to variable interest rates. We used the net proceeds derived from the amended Credit Facility to repay all previously existing borrowings under the Revolver. We incurred fees of approximately $1.3 million in connection with the Credit Facility amendment. The bank syndicate for the Credit Facility is now comprised of KeyBank, Fifth Third Bank, U.S. Bank National Association, The Huntington National Bank, Goldman Sachs Bank USA, and Wells Fargo Bank, National Association.

On February 11, 2021, we added Term Loan B, a new $65.0 million term loan component, inclusive of a $15.0 million delayed funding component, which was subsequently funded on July 20, 2021. Term Loan B has a maturity date of 60 months from the closing of the amended Credit Facility and a LIBOR floor of 25 basis points. We entered into multiple interest rate cap agreements on Term Loan B, which cap LIBOR from 1.50% to 1.75%.

On August 18, 2022, we amended, extended and upsized our Credit Facility, increasing our Revolver from $100.0 million to $120.0 million (and its term to August 2026), adding the new $140.0 million Term Loan C, decreasing the principal balance of Term Loan B to $60.0 million and extending the maturity date of Term Loan A to August 2027. Term Loan C has a maturity date of February 18, 2028 and a SOFR spread ranging from 125 to 195 basis points, depending on our leverage. On September 27, 2022 we further increased the Revolver to $125.0 million and Term Loan C to $150.0 million, as permitted under the terms of the Credit Facility. We entered into multiple interest rate swap agreements on Term Loan C, which swap the interest rate to fixed rates ranging from 3.15% to 3.75%. We also entered into an interest rate swap agreement on Term Loan A to replace the expiring rate caps, which swaps the interest rate to a fixed rate of 3.70%. We incurred fees of approximately $4.2 million in connection with extending and upsizing our Credit Facility. As of December 31, 2022, there was $150.0 million outstanding under Term Loan C, and we used all net proceeds to repay all outstanding borrowings on the Revolver, pay off mortgage debt, and fund acquisitions. The Credit Facility's current bank syndicate is comprised of KeyBank, Fifth Third Bank, The Huntington National Bank, Bank of America, Synovus Bank, United Bank, First Financial Bank, and S&T Bank.

As of December 31, 2022, there was $393.3 million outstanding under our Credit Facility at a weighted average interest rate of approximately 5.75% and $15.6 million outstanding under letters of credit at a weighted average interest rate of 1.50%. As of February 22, 2023, the maximum additional amount we could draw under the Credit Facility was $86.4 million. We were in compliance with all covenants under the Credit Facility as of December 31, 2022.

Contractual Obligations

The following table reflects our material contractual obligations as of December 31, 2022 (in thousands):

Contractual Obligations	Payments Due by Period				
	Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
Debt Obligations (1)	$ 755,287	$ 67,296	$ 59,309	$ 380,479	$ 248,203
Interest on Debt Obligations (2)	161,865	36,473	67,481	48,837	9,074
Operating Lease Obligations (3)	8,784	492	987	1,004	6,301
Purchase Obligations (4)	8,504	2,754	3,772	1,978	—
	$ 934,440	$ 107,015	$ 131,549	$ 432,298	$ 263,578

(1) Debt obligations represent borrowings under our Revolver, which represents $23.3 million of the debt obligation due in 2026, Term Loan A, which represents $160.0 million of the debt obligation due in 2027, Term Loan B, which represents $60.0 million of the debt obligation due in 2026, Term Loan C, which represents $150.0 million of the debt obligation due in 2028 and mortgage notes payable that were outstanding as of December 31, 2022. This figure does not include $(0.1) million of premiums and (discounts), net, and $6.0 million of deferred financing costs, net, which are reflected in mortgage notes payable, net, borrowings under Revolver, and borrowings under Term Loan A, Term Loan B and Term Loan C, net, on the consolidated balance sheet.
(2) Interest on debt obligations includes estimated interest on our borrowings under our Revolver, Term Loan A, Term Loan B, Term Loan C and mortgage notes payable. The balance and interest rate on our Revolver and Term Loan A, Term Loan B, Term Loan C is variable; thus, the interest payment obligation calculated for purposes of this table was based upon rates and balances as of December 31, 2022.
(3) Operating lease obligations represent the ground lease payments due on four of our properties.
(4) Purchase obligations consist of tenant and capital improvements at 10 of our properties.

Off-Balance Sheet Arrangements

We did not have any material off-balance sheet arrangements as of December 31, 2022.

Funds from Operations

The National Association of Real Estate Investment Trusts ("NAREIT") developed FFO as a relevant non-GAAP supplemental measure of operating performance of an equity REIT to recognize that income-producing real estate historically has not depreciated on the same basis determined under GAAP. FFO, as defined by NAREIT, is net income (computed in accordance with GAAP), excluding gains or losses from sales of property and impairment losses on property, plus depreciation and amortization of real estate assets, and after adjustments for unconsolidated partnerships and joint ventures.

FFO does not represent cash flows from operating activities in accordance with GAAP, which, unlike FFO, generally reflects all cash effects of transactions and other events in the determination of net income. FFO should not be considered an alternative to net income as an indication of our performance or to cash flows from operations as a measure of liquidity or ability to make distributions. Comparison of FFO, using the NAREIT definition, to similarly titled measures for other REITs may not necessarily be meaningful due to possible differences in the application of the NAREIT definition used by such REITs.

FFO available to common stockholders and holders of Non-controlling interests in the Operating Partnership ("Non-controlling OP Unitholders") is FFO adjusted to subtract preferred share and Senior Common Stock share distributions. We believe that net loss attributable to common stockholders is the most directly comparable GAAP measure to FFO available to the aggregate of our common stockholders and Non-controlling OP Unitholders.

Basic funds from operations per share ("Basic FFO per share"), and diluted funds from operations per share ("Diluted FFO per share"), is FFO available to common stockholders and Non-controlling OP Unitholders divided by the number of weighted average shares of the aggregate of shares of common stock and OP Units held by Non-controlling OP Unitholders outstanding and FFO available to common stockholders and Non-controlling OP Unitholders divided by the number of weighted average shares of the aggregate of shares of common stock and OP Units held by Non-controlling OP Units outstanding on a diluted basis, respectively, during a period. We believe that net income is the most directly comparable GAAP measure to FFO, Basic EPS is the most directly comparable GAAP measure to Basic FFO per share, and that Diluted EPS is the most directly comparable GAAP measure to Diluted FFO per share.

We also present FFO available to our common stockholders and Non-controlling OP Unitholders as adjusted for comparability as an additional supplemental measure, as we believe it is more reflective of our core operating performance, and provides investors and analysts an additional measure to compare our performance across reporting periods on a consistent basis by excluding items that we do not believe are indicative of our core operating performance. FFO as adjusted for comparability is generally calculated as FFO available to common stockholders and Non-controlling OP Unitholders, excluding certain non-recurring and non-cash income and expense adjustments, which management believes are not reflective of the results within our operating real estate portfolio.

The following table provides a reconciliation of our FFO and FFO as adjusted for comparability for the years ended December 31, 2022 and 2021 to the most directly comparable GAAP measure, net income (loss), and a computation of basic and diluted FFO and diluted FFO as adjusted for comparability per weighted average total share:

	For the twelve months ended December 31, (Dollars in Thousands, Except for Per Share Amounts)	
	2022	2021
Calculation of basic FFO per share of common stock and Non-controlling OP Unit		
Net income	$ 9,272	$ 9,733
Less: Distributions attributable to preferred and senior common stock	(12,361)	(12,186)
Less: Series D preferred stock offering costs write off	—	(2,141)
Less: Loss on extinguishment of Series F preferred stock	(10)	—
Add: Gain on repurchase of Series G preferred stock	37	—
Net loss attributable to common stockholders and Non-controlling OP Unitholders	$ (3,062)	$ (4,594)
Adjustments:		
Add: Real estate depreciation and amortization	61,664	60,311
Add: Impairment charge	12,092	—
Add: Loss on sale of real estate, net	—	1,148
Less: Gain on sale of real estate, net	(10,052)	—
FFO available to common stockholders and Non-controlling OP Unitholders - basic	$ 60,642	$ 56,865
Weighted average common shares outstanding - basic	38,950,734	36,537,306
Weighted average Non-controlling OP Units outstanding	294,941	316,987
Total common shares and Non-controlling OP Units	39,245,675	36,854,293
Basic FFO per weighted average share of common stock and Non-controlling OP Unit	$ 1.55	$ 1.54
Calculation of diluted FFO per share of common stock and Non-controlling OP Unit		
Net income	$ 9,272	$ 9,733
Less: Distributions attributable to preferred and senior common stock	(12,361)	(12,186)
Less: Series D preferred stock offering costs write off	—	(2,141)
Less: Loss on extinguishment of Series F preferred stock	(10)	—
Add: Gain on repurchase of Series G preferred stock	37	—
Net loss attributable to common stockholders and Non-controlling OP Unitholders	$ (3,062)	$ (4,594)
Adjustments:		
Add: Real estate depreciation and amortization	61,664	60,311
Add: Impairment charge	12,092	—
Add: Income impact of assumed conversion of senior common stock	458	698
Add: Loss on sale of real estate, net	—	1,148
Less: Gain on sale of real estate, net	(10,052)	—
FFO available to common stockholders and Non-controlling OP Unitholders plus assumed conversions	$ 61,100	$ 57,563
Weighted average common shares outstanding - basic	38,950,734	36,537,306
Weighted average Non-controlling OP Units outstanding	294,941	316,987
Effect of convertible senior common stock	363,246	503,962
Weighted average common shares and Non-controlling OP Units outstanding - diluted	39,608,921	37,358,255
Diluted FFO per weighted average share of common stock and Non-controlling OP Unit	$ 1.54	$ 1.54
Calculation of diluted FFO per share of common stock and Non-controlling OP Unit, as adjusted for comparability		
FFO available to common stockholders and Non-controlling OP Unitholders plus assumed conversions	$ 61,100	$ 57,563
Add: Series D preferred stock offering costs write off	—	2,141
FFO available to common stockholders and Non-controlling OP Unitholders plus assumed conversions, as adjusted for comparability	$ 61,100	$ 59,704
Weighted average common shares and Non-controlling OP Units outstanding - diluted	39,608,921	37,358,255
Diluted FFO per weighted average share of common stock and Non-controlling OP Unit, as adjusted for comparability	$ 1.54	$ 1.60
Distributions declared per share of common stock and Non-controlling OP Unit	$ 1.504800	$ 1.502175

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

Market risk includes risks that arise from changes in interest rates, foreign currency exchange rates, commodity prices, equity prices and other market changes that affect market sensitive instruments. The primary risk that we believe we are and will be exposed to is interest rate risk. Certain of our leases contain escalations based on market indices, and the interest rate on our Credit Facility is variable. Although we seek to mitigate this risk by structuring such provisions of our loans and leases to contain a minimum interest rate or escalation rate, as applicable, these features do not eliminate this risk. To that end, we have entered into derivative contracts to cap interest rates for our variable rate notes payable, and we have entered into interest rate swaps whereby we pay a fixed interest rate to our respective counterparty, and receive SOFR in return. For details regarding our rate cap agreements and our interest rate swap agreements see *Note 6 – Mortgage Notes Payable and Credit Facility* of the accompanying consolidated financial statements.

To illustrate the potential impact of changes in interest rates on our net income for the year ended December 31, 2022, we have performed the following analysis, which assumes that our balance sheet remains constant and that no further actions beyond a minimum interest rate or escalation rate are taken to alter our existing interest rate sensitivity.

The following table summarizes the annual impact of a 1%, 2% and 3% increase, and a 1%, 2% and 3% decrease in SOFR as of December 31, 2022. As of December 31, 2022, our effective average SOFR was 4.30%. The impact of these fluctuations is presented below (dollars in thousands).

Interest Rate Change	Decrease to Interest Expense	Net increase to Net Income
3% Decrease to SOFR	$ (7,551)	$ 7,551
2% Decrease to SOFR	(3,513)	3,513
1% Decrease to SOFR	(236)	236
1% Increase to SOFR	236	(236)
2% Increase to SOFR	471	(471)
3% Increase to SOFR	707	(707)

As of December 31, 2022, the fair value of our mortgage debt outstanding was $333.1 million. Interest rate fluctuations may affect the fair value of our debt instruments. If interest rates on our debt instruments, using rates at December 31, 2022, had been one percentage point higher or lower, the fair value of those debt instruments on that date would have decreased or increased by $11.0 million and $11.7 million, respectively.

The amount outstanding under the Credit Facility approximates fair value as of December 31, 2022.

In the future, we may be exposed to additional effects of interest rate changes, primarily as a result of our Revolver, Term Loan or long-term mortgage debt, which we use to maintain liquidity and fund expansion of our real estate investment portfolio and operations. Our interest rate risk management objectives are to limit the impact of interest rate changes on earnings and cash flows and to lower overall borrowing costs. To achieve these objectives, we will borrow primarily at fixed rates or variable rates with the lowest margins available and, in some cases, with the ability to convert variable rates to fixed rates. We may also enter into derivative financial instruments, such as interest rate swaps and caps, to mitigate the interest rate risk on a related financial instrument. We will not enter into derivative or interest rate transactions for speculative purposes.

In addition to changes in interest rates, the value of our real estate is subject to fluctuations based on changes in local and regional economic conditions and changes in the creditworthiness of lessees and borrowers, all of which may affect our ability to refinance debt, if necessary.

As of December 31, 2022, approximately $362.0 million of our debt bore interest at fixed rates, as shown in the future principal debt payment table below (dollars in thousands):

	2023	2024	2025	2026	2027	Thereafter	Total
Fixed rate	$ 67,296	$ 20,420	$ 38,889	$ 42,381	$ 94,848	$ 98,203	$ 362,037
Variable rate	$ —	$ —	$ —	$ 83,250	$ 160,000	$ 150,000	$ 393,250
	$ 67,296	$ 20,420	$ 38,889	$ 125,631	$ 254,848	$ 248,203	$ 755,287

Item 8. Financial Statements and Supplementary Data.

Index to Consolidated Financial Statements

Report of Management on Internal Control over Financial Reporting	55
Report of Independent Registered Public Accounting Firm (PCAOB ID 238)	56
Consolidated Balance Sheets as of December 31, 2022 and 2021	58
Consolidated Statements of Operations and Comprehensive Income for the years ended December 31, 2022, 2021 and 2020	59
Consolidated Statements of Equity for the years ended December 31, 2022, 2021 and 2020	60
Consolidated Statements of Cash Flows for the years ended December 31, 2022, 2021 and 2020	62
Notes to Consolidated Financial Statements	64
Schedule III – Real Estate and Accumulated Depreciation as of December 31, 2022	87

Report of Management on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934. Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and include those policies and procedures that pertain to the maintenance of records that in reasonable detail accurately and fairly reflect our transactions and the dispositions of our assets, provide reasonable assurance that our transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with appropriate authorizations; and provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on our financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Under the supervision and with the participation of our management, we assessed the effectiveness of our internal control over financial reporting based on the framework in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations (COSO). Based on our assessment, management concluded that our internal control over financial reporting was effective as of December 31, 2022.

The effectiveness of our internal control over financial reporting as of December 31, 2022 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which is included herein.

February 22, 2023

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of Gladstone Commercial Corporation

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Gladstone Commercial Corporation and its subsidiaries (the "Company") as of December 31, 2022 and 2021, and the related consolidated statements of operations and comprehensive income, of equity and of cash flows for each of the three years in the period ended December 31, 2022, including the related notes and financial statement schedule listed in the accompanying index (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2022, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2022 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2022, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the COSO.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Report of Management on Internal Control over Financial Reporting. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matters

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (i) relates to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Impairment Assessment of Real Estate – Undiscounted Future Cash Flows

As described in Notes 1, 4, and 5 to the consolidated financial statements, the Company's consolidated total real estate, net balance was $1.0 billion as of December 31, 2022. During 2022, the Company recognized an impairment charge of $12.1 million. Management periodically reviews the carrying value of each property to determine if circumstances indicate impairment in the carrying value of the investment exists or that depreciation periods should be modified. If circumstances indicate the possibility of impairment, management prepares a projection of the undiscounted future cash flows, without interest charges, of the specific property and determines if the carrying amount of such property is recoverable. As disclosed by management, in preparing the projection of undiscounted future cash flows, management estimates cap rates and market rental rates using information obtained from market comparability studies and other comparable sources, and applies the undiscounted cash flows against their expected holding period. If impairment were indicated, the carrying value of the property would be written down to its estimated fair value based on management's best estimate of the property's discounted future cash flows using market derived cap rates, discount rates and market rental rates applied against the expected hold period.

The principal considerations for our determination that performing procedures relating to the undiscounted future cash flows used in the impairment assessment of real estate is a critical audit matter are the significant judgment by management when determining the projection of undiscounted future cash flows, which led to a high degree of auditor judgment, subjectivity and effort in applying procedures and evaluating audit evidence relating to the cap rates, market rental rates and expected holding period assumptions.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to management's impairment assessment of real estate, including controls over the projection of undiscounted future cash flows. These procedures also included, among others (i) testing management's process for determining the projection of undiscounted future cash flows; (ii) evaluating the appropriateness of the model; (iii) testing the completeness and accuracy of underlying data used in the model; and (iv) evaluating the reasonableness of the cap rates, market rental rates and expected holding period assumptions. Evaluating management's assumptions related to the cap rates, market rental rates and expected holding period involved evaluating whether the assumptions were reasonable considering the consistency with external market and industry data and evidence obtained in other areas of the audit.

/s/ PricewaterhouseCoopers LLP
Washington, DC
February 22, 2023
We have served as the Company's auditor since 2003.

Gladstone Commercial Corporation
Consolidated Balance Sheets
(Dollars in Thousands, Except Share and Per Share Data)

	December 31, 2022	December 31, 2021
ASSETS		
Real estate, at cost	$ 1,287,297	$ 1,225,258
Less: accumulated depreciation	286,994	266,672
Total real estate, net	1,000,303	958,586
Lease intangibles, net	111,622	114,494
Real estate and related assets held for sale	3,013	—
Cash and cash equivalents	11,653	7,956
Restricted cash	4,339	5,222
Funds held in escrow	8,818	7,304
Right-of-use assets from operating leases	5,131	5,361
Deferred rent receivable, net	38,884	39,066
Other assets	17,746	5,363
TOTAL ASSETS	$ 1,201,509	$ 1,143,352
LIABILITIES, MEZZANINE EQUITY AND EQUITY		
LIABILITIES		
Mortgage notes payable, net (1)	$ 359,389	$ 449,944
Borrowings under Revolver	23,250	33,550
Borrowings under Term Loan A, Term Loan B and Term Loan C, net	366,567	224,032
Deferred rent liability, net	39,997	26,770
Operating lease liabilities	5,308	5,509
Asset retirement obligation	4,793	3,769
Accounts payable and accrued expenses	9,606	6,736
Due to Adviser and Administrator (1)	3,356	3,431
Other liabilities	14,617	16,788
TOTAL LIABILITIES	$ 826,883	$ 770,529
Commitments and contingencies (2)		
MEZZANINE EQUITY		
Series D, E and G redeemable preferred stock, net, par value $0.001 per share; $25 per share liquidation preference; 10,751,486 and 10,760,000 shares authorized; and 7,052,934 and 7,061,448 shares issued and outstanding at December 31, 2022 and December 31, 2021, respectively (3)	$ 170,056	$ 170,261
TOTAL MEZZANINE EQUITY	$ 170,056	$ 170,261
EQUITY		
Senior common stock, par value $0.001 per share; 950,000 shares authorized; and 431,064 and 600,061 shares issued and outstanding at December 31, 2022 and December 31, 2021, respectively (3)	$ 1	$ 1
Common stock, par value $0.001 per share, 62,305,727 and 62,290,000 shares authorized and 39,744,359 and 37,473,587 shares issued and outstanding at December 31, 2022 and December 31, 2021, respectively (3)	39	37
Series F redeemable preferred stock, par value $0.001 per share; $25 per share liquidation preference; 25,992,787 and 26,000,000 shares authorized; and 670,895 and 422,920 shares issued and outstanding at December 31, 2022 and December 31, 2021, respectively (3)	1	—
Additional paid in capital	721,327	671,134
Accumulated other comprehensive income	11,640	(1,346)
Distributions in excess of accumulated earnings	(530,228)	(468,523)
TOTAL STOCKHOLDERS' EQUITY	$ 202,780	$ 201,303
OP Units held by Non-controlling OP Unitholders (3)	1,790	1,259
TOTAL EQUITY	$ 204,570	$ 202,562
TOTAL LIABILITIES, MEZZANINE EQUITY AND EQUITY	$ 1,201,509	$ 1,143,352

(1) Refer to Note 2 “Related-Party Transactions”
(2) Refer to Note 7 “Commitments and Contingencies”
(3) Refer to Note 8 “Equity and Mezzanine Equity”

The accompanying notes are an integral part of these consolidated financial statements.

Gladstone Commercial Corporation
Consolidated Statements of Operations and Comprehensive Income
(Dollars in Thousands, Except Share and Per Share Data)

	For the year ended December 31,		
	2022	2021	2020
Operating revenues			
Lease revenue	$ 148,981	$ 137,688	$ 133,152
Total operating revenues	$ 148,981	$ 137,688	$ 133,152
Operating expenses			
Depreciation and amortization	$ 61,664	$ 60,311	$ 55,424
Property operating expenses	26,832	27,098	26,004
Base management fee (1)	6,331	5,882	5,648
Incentive fee (1)	5,270	4,859	4,301
Administration fee (1)	1,864	1,448	1,598
General and administrative	3,705	3,218	3,259
Impairment charge	12,092	—	3,621
Total operating expense before incentive fee waiver	$ 117,758	$ 102,816	$ 99,855
Incentive fee waiver (1)	—	(16)	—
Total operating expenses	$ 117,758	$ 102,800	$ 99,855
Other income (expense)			
Interest expense	$ (32,457)	$ (26,887)	$ (26,803)
Gain (loss) on sale of real estate, net	10,052	(1,148)	8,096
Other income	454	2,880	395
Total other income (expense), net	$ (21,951)	$ (25,155)	$ (18,312)
Net income	$ 9,272	$ 9,733	$ 14,985
Net loss (income) attributable (available) to OP Units held by Non-controlling OP Unitholders	23	40	(47)
Net income attributable to the Company	$ 9,295	$ 9,773	$ 14,938
Distributions attributable to Series D, E, F, and G preferred stock	(11,903)	(11,488)	(10,973)
Series D preferred stock offering costs write off	—	(2,141)	—
Distributions attributable to senior common stock	(458)	(698)	(816)
Loss on extinguishment of Series F preferred stock	(10)	—	—
Gain on repurchase of Series G preferred stock	37	—	—
Net (loss) income (attributable) available to common stockholders	$ (3,039)	$ (4,554)	$ 3,149
(Loss) income per weighted average share of common stock - basic & diluted			
(Loss) income (attributable) available to common shareholders	$ (0.08)	$ (0.12)	$ 0.09
Weighted average shares of common stock outstanding			
Basic and Diluted	38,950,734	36,537,306	34,040,085
Distributions declared per common share	$ 1.504800	$ 1.502175	$ 1.501800
Earnings per weighted average share of senior common stock	$ 1.05	$ 1.05	$ 1.05
Weighted average shares of senior common stock outstanding - basic	436,667	664,898	774,658
Comprehensive income			
Change in unrealized gain related to interest rate hedging instruments, net	$ 12,115	$ 2,854	$ (2,219)
Other Comprehensive gain	12,115	2,854	(2,219)
Net income	$ 9,272	$ 9,733	$ 14,985
Comprehensive income	$ 21,387	$ 12,587	$ 12,766
Comprehensive loss (income) attributable (available) to OP Units held by Non-controlling OP Unitholders	23	40	(47)
Total comprehensive income available to the Company	$ 21,410	$ 12,627	$ 12,719

(1) Refer to Note 2 “Related-Party Transactions”

The accompanying notes are an integral part of these consolidated financial statements.

Gladstone Commercial Corporation
Consolidated Statements of Equity
(Dollars in Thousands)

	Series A and B Preferred Stock	Series F Preferred Stock	Common Stock	Senior Common Stock	Series A and B Preferred Stock	Senior Common Stock	Common Stock	Series F Preferred Stock	Additional Paid in Capital	Accumulated Other Comprehensive Income	Distributions in Excess of Accumulated Earnings	Total Stockholders' Equity	Non-Controlling Interest	Total Equity
Balance at December 31, 2019	—	—	32,593,651	806,435	$ —	$ 1	$ 32	$ —	$ 571,205	$ (2,126)	$ (360,978)	$ 208,134	$ 2,903	$ 211,037
Issuance of Series A and B preferred stock and common stock, net	—	116,674	2,691,971	—	—	—	3	—	55,485	—	—	55,488	—	55,488
Conversion of senior common stock to common stock	—	—	46,348	(56,063)	—	—	—	—	—	—	—	—	—	—
Distributions declared to common, senior common and preferred stockholders	—	—	—	—	—	—	—	—	—	—	(63,001)	(63,001)	(756)	(63,757)
Comprehensive income	—	—	—	—	—	—	—	—	—	(2,219)	—	(2,219)	—	(2,219)
Issuance of Non-controlling OP Units as consideration in real estate acquisitions, net	—	—	—	—	—	—	—	—	—	—	—	—	503	503
Adjustment to OP Units held by Non-controlling OP Unitholders resulting from changes in ownership of the Operating Partnership	—	—	—	—	—	—	—	—	(157)	—	—	(157)	157	—
Net income	—	—	—	—	—	—	—	—	—	—	14,938	14,938	47	14,985
Balance at December 31, 2020	—	116,674	35,331,970	750,372	$ —	$ 1	$ 35	$ —	$ 626,533	$ (4,345)	$ (409,041)	$ 213,183	$ 2,854	$ 216,037
Issuance of common stock and Series F preferred stock, net	—	306,246	1,771,277	—	—	—	2	—	43,525	—	—	43,527	—	43,527
Conversion of senior common stock to common stock	—	—	124,301	(150,311)	—	—	—	—	—	—	—	—	—	—
Distributions declared to common, senior common, preferred stockholders and Non-controlling OP Unit holders	—	—	—	—	—	—	—	—	—	—	(67,114)	(67,114)	(479)	(67,593)
Comprehensive income	—	—	—	—	—	—	—	—	—	2,854	—	2,854	—	2,854
Reclassification into interest expense	—	—	—	—	—	—	—	—	—	145	—	145	—	145
Redemptions of OP Units	—	—	246,039	—	—	—	—	—	4,812	—	—	4,812	(4,812)	—
Redemption of Series D preferred stock, net	—	—		—	—	—	—	—	—	—	(2,141)	(2,141)	—	(2,141)
Adjustment to OP Units held by Non-controlling OP Unitholders resulting from changes in ownership of the Operating Partnership	—	—	—	—	—	—	—	—	(3,736)	—	—	(3,736)	3,736	—
Net income	—	—	—	—	—	—	—	—	—	—	9,773	9,773	(40)	9,733
Balance at December 31, 2021	—	422,920	37,473,587	600,061	$ —	$ 1	$ 37	$ —	$ 671,134	$ (1,346)	$ (468,523)	$ 201,303	$ 1,259	$ 202,562
Issuance of common stock and Series F preferred stock, net	—	247,975	2,130,056	—	—	—	2	1	48,633	—	—	48,636	—	48,636
Conversion of senior common stock to common stock	—	—	140,716	(168,997)	—	—	—	—	—	—	—	—	—	—
Distributions declared to common, senior common, preferred stockholders and Non-controlling OP Unit holders	—	—	—	—	—	—	—	—	—	—	(71,027)	(71,027)	(454)	(71,481)
Comprehensive income	—	—	—	—	—	—	—	—	—	12,115	—	12,115	—	12,115

Reclassification into interest expense	—	—	—	—	—	—	—	—	—	871	—	871	—	871
Issuance of Non-controlling OP Units as consideration in real estate acquisitions, net	—	—	—	—	—	—	—	—	—	—	—	—	2,394	2,394
Redemption of Series F preferred stock, net	—	—	—	—	—	—	—	—	174	—	(10)	164	—	164
Repurchase of Series G preferred stock, net	—	—	—	—	—	—	—	—	—	—	37	37	—	37
Adjustment to OP Units held by Non-controlling OP Unitholders resulting from changes in ownership of the Operating Partnership	—	—	—	—	—	—	—	—	1,386	—	—	1,386	(1,386)	—
Net income	—	—	—	—	—	—	—	—	—	—	9,295	9,295	(23)	9,272
Balance at December 31, 2022	—	670,895	39,744,359	431,064	$ —	$ 1	$ 39	$ 1	$ 721,327	$ 11,640	$ (530,228)	$ 202,780	$ 1,790	$ 204,570

The accompanying notes are an integral part of these consolidated financial statements.

Gladstone Commercial Corporation
Consolidated Statements of Cash Flows
(Dollars in Thousands)

	For the year ended December 31,		
	2022	2021	2020
Cash flows from operating activities:			
Net income	$ 9,272	$ 9,733	$ 14,985
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	61,664	60,311	55,424
Impairment charge	12,092	—	3,621
(Gain) loss on sale of real estate, net	(10,052)	1,148	(8,096)
Amortization of deferred financing costs	3,482	1,583	1,531
Amortization of deferred rent asset and liability, net	(4,215)	(3,271)	(1,930)
Amortization of discount and premium on assumed debt, net	47	52	57
Asset retirement obligation expense	99	96	98
Amortization of right-of-use asset from operating leases and operating lease liabilities, net	29	43	52
Bad debt expense	—	—	56
Operating changes in assets and liabilities			
(Increase) decrease in other assets	(619)	602	2,875
Increase in deferred rent receivable	(1,330)	(2,900)	(1,899)
Increase (decrease) in accounts payable and accrued expenses	1,600	2,834	(1,680)
(Decrease) increase in amount due to Adviser and Administrator	(75)	471	56
(Decrease) increase in other liabilities	(942)	1,418	1,808
Tenant inducement payments	—	(20)	—
Leasing commissions paid	(1,875)	(1,974)	(1,464)
Net cash provided by operating activities	$ 69,177	$ 70,126	$ 65,494
Cash flows from investing activities:			
Acquisition of real estate and related intangible assets	$ (112,970)	$ (100,153)	$ (127,931)
Improvements of existing real estate	(6,822)	(5,348)	(6,360)
Proceeds from sale of real estate	39,499	8,840	35,834
Receipts from lenders for funds held in escrow	5,945	3,963	1,310
Payments to lenders for funds held in escrow	(7,459)	(2,122)	(3,229)
Receipts from tenants for reserves	1,843	3,804	2,406
Payments to tenants from reserves	(2,549)	(3,761)	(1,988)
Deposits on future acquisitions	—	—	(300)
Net cash used in investing activities	$ (82,513)	$ (94,777)	$ (100,258)
Cash flows from financing activities:			
Proceeds from issuance of equity	$ 49,676	$ 144,677	$ 63,609
Offering costs paid	(1,073)	(4,579)	(988)
Redemption of Series F preferred stock	(184)	—	—
Repurchase of Series G preferred stock	(176)	—	—
Redemption of Series D perpetual preferred stock	—	(87,739)	—
Borrowings under mortgage notes payable	62,913	21,500	52,578
Payments for deferred financing costs	(5,355)	(792)	(606)
Principal repayments on mortgage notes payable	(153,744)	(28,470)	(50,662)
Borrowings on term loan	150,000	65,000	37,700
Repayments on term loan	(5,000)	—	—
Borrowings from revolving credit facility	111,750	69,900	142,700
Repayments on revolving credit facility	(122,050)	(90,250)	(141,200)
Increase (decrease) in security deposits	485	98	(22)
Distributions paid for common, senior common, preferred stock and Non-controlling OP Unitholders	(71,092)	(67,592)	(63,757)
Net cash provided by financing activities	$ 16,150	$ 21,753	$ 39,352
Net increase (decrease) in cash, cash equivalents, and restricted cash	$ 2,814	$ (2,898)	$ 4,588
Cash, cash equivalents, and restricted cash at beginning of period	$ 13,178	$ 16,076	$ 11,488
Cash, cash equivalents, and restricted cash at end of period	$ 15,992	$ 13,178	$ 16,076
SUPPLEMENTAL AND NON-CASH INFORMATION			
Cash paid during year for interest	$ 27,844	$ 23,393	$ 26,098
Tenant funded fixed asset improvements included in deferred rent liability, net	$ 17,898	$ 9,192	$ 2,978
Acquisition of real estate and related intangible assets	$ —	$ 300	$ 1,542

Capital improvements and leasing commissions included in accounts payable and accrued expenses	$ 1,632	$ 512	$ 1,070
Unrealized gain related to interest rate hedging instruments, net	$ 12,115	$ 2,854	$ (2,219)
Increase in asset retirement obligation assumed in acquisition	$ 979	$ 600	$ —
Non-controlling OP Units issued in connection with acquisition	$ 2,394	$ —	$ 503
Series D Preferred Stock offering cost write off	$ —	$ 2,141	$ —
Dividends paid on Series F Preferred Stock via additional share issuances	$ 389	$ —	$ —

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the consolidated balance sheets that sum to the total of the same amounts shown in the consolidated statements of cash flows (dollars in thousands):

	For the year ended December 31,		
	2022	2021	2020
Cash and cash equivalents	$ 11,653	$ 7,956	$ 11,016
Restricted cash	4,339	5,222	5,060
Total cash, cash equivalents, and restricted cash shown in the consolidated statement of cash flows	$ 15,992	$ 13,178	$ 16,076

Restricted cash consists of security deposits and receipts from tenants for reserves. These funds will be released to the tenants upon completion of agreed upon tasks, as specified in the lease agreements, mainly consisting of maintenance and repairs on the buildings and upon receipt by us of evidence of insurance and tax payments.

The accompanying notes are an integral part of these consolidated financial statements.

Gladstone Commercial Corporation
Notes to Consolidated Financial Statements

1. Organization, Basis of Presentation and Significant Accounting Policies

Gladstone Commercial Corporation was incorporated under the General Corporation Law of the State of Maryland on February 14, 2003. We have elected to be taxed as a real estate investment trust ("REIT") for federal income tax purposes. We focus on acquiring, owning and managing primarily industrial and office properties. Subject to certain restrictions and limitations, our business is managed by Gladstone Management Corporation, a Delaware corporation (the "Adviser"), and administrative services are provided by Gladstone Administration, LLC, a Delaware limited liability company (the "Administrator"), each pursuant to a contractual arrangement with us. Our Adviser and Administrator collectively employ all of our personnel and pay their salaries, benefits, and general expenses directly. Gladstone Commercial Corporation conducts substantially all of its operations through a subsidiary, Gladstone Commercial Limited Partnership, a Delaware limited partnership (the "Operating Partnership").

All further references herein to "we," "our," "us" and the "Company" mean Gladstone Commercial Corporation and its consolidated subsidiaries, except where it is made clear that the term means only Gladstone Commercial Corporation. All references herein and throughout the Notes to Consolidated Financial Statements to the number of properties and square footage are unaudited.

Subsidiaries

We conduct substantially all of our operations through the Operating Partnership. We currently control the sole general partner of the Operating Partnership and own, directly or indirectly, a majority of the limited partnership interests in the Operating Partnership ("Non-controlling OP Units") through two of our subsidiaries, GCLP Business Trust I and II. The financial position and results of operations of the Operating Partnership are consolidated within our financial statements. As of December 31, 2022 and 2021, the Company owned 99.0% and 99.3%, respectively, of the outstanding OP Units (See Note 8, "Equity and Mezzanine Equity" for additional discussion regarding OP Units).

Gladstone Commercial Lending, LLC, a Delaware limited liability company ("Gladstone Commercial Lending"), a subsidiary of ours, was created to conduct all operations related to our real estate mortgage loans. As the Operating Partnership currently owns all of the membership interests of Gladstone Commercial Lending, the financial position and results of operations of Gladstone Commercial Lending are consolidated with ours.

Gladstone Commercial Advisers, Inc., a Delaware corporation ("Commercial Advisers"), and wholly-owned taxable REIT subsidiary ("TRS") of ours, was created to collect any non-qualifying income related to our real estate portfolio. There has been no such income earned to date. Since we own 100% of the voting securities of Commercial Advisers, the financial position and results of operations of Commercial Advisers are consolidated within our financial statements.

GCLP Business Trust I and GCLP Business Trust II, each a subsidiary and business trust of ours, were formed under the laws of the Commonwealth of Massachusetts on December 28, 2005. We transferred our 99% limited partnership interest in the Operating Partnership to GCLP Business Trust I in exchange for 100 shares of the trust. Gladstone Commercial Partners, LLC, a subsidiary of ours, transferred its 1% general partnership interest in the Operating Partnership to GCLP Business Trust II in exchange for 100 trust shares.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could materially differ from those estimates.

Real Estate and Lease Intangibles

We record investments in real estate at cost and capitalize improvements and replacements when they extend the useful life or improve the efficiency of the asset. We expense costs of repairs and maintenance as such costs are incurred. We compute depreciation using the straight-line method over the estimated useful life, or up to 39 years, for buildings and improvements, five to 20 years for equipment and fixtures, and the shorter of the useful life or the remaining lease term for tenant improvements and leasehold interests.

Most properties that we acquire are already being operated as rental properties, which we consider to be asset acquisitions under Accounting Standards Codification (“ASC”) 360, “Property Plant and Equipment” (“ASC 360”). When an acquisition is considered an asset acquisition, ASC 360 requires that the purchase price of real estate be allocated to the acquired tangible assets and liabilities, consisting of land, building, tenant improvements, long-term debt assumed and identified intangible assets and liabilities, typically the value of above-market and below-market leases, the value of in-place leases, the value of lease origination costs and the value of tenant relationships, based in each case on their fair values. ASC 360 allows us to capitalize all expenses related to an acquisition accounted for as an asset acquisition into the cost of the acquisition.

Management’s estimates of fair value are made using methods similar to those used by independent appraisers (e.g. discounted cash flow analysis). Factors considered by management in its analysis include an estimate of carrying costs during hypothetical expected lease-up periods considering current market conditions and costs to execute similar leases. We also consider information obtained about each property as a result of our pre-acquisition due diligence, marketing and leasing activities in estimating the fair value of the tangible and intangible assets acquired and liabilities assumed. In estimating carrying costs, management also includes lost reimbursement of real estate taxes, insurance and other operating expenses as well as estimates of lost rents at market rates during the hypothetical expected lease-up periods, which generally range from nine to 18 months, depending on specific local market conditions. Management also estimates costs to execute similar leases, including leasing commissions, legal and other related expenses to the extent that such costs are not already incurred in connection with a new lease origination as part of the transaction.

We allocate purchase price to the fair value of the tangible assets of an acquired property by valuing the property as if it were vacant. The “as-if-vacant” value is allocated to land, building and tenant improvements based on management’s determination of the relative fair values of these assets on the date of acquisition.

Above-market and below-market in-place lease fair values for acquired properties are recorded based on the present value (using an interest rate which reflects the risks associated with the leases acquired) of the difference between (i) the contractual amounts to be paid pursuant to the in-place leases and (ii) management’s estimate of fair market lease rates for the corresponding in-place leases, measured over a period equal to the remaining non-cancelable term of the lease. When determining the non-cancelable term of the lease, we evaluate which fixed-rate renewal options, if any, should be included. The capitalized above-market lease values, included in the accompanying consolidated balance sheets as part of deferred rent receivable, are amortized as a reduction of rental income over the remaining non-cancelable terms of the respective leases. Total amortization related to above-market lease values was $0.8 million, $0.8 million, and $0.8 million for the years ended December 31, 2022, 2021, and 2020, respectively. The capitalized below-market lease values, included in the accompanying consolidated balance sheets as part of deferred rent liability, are amortized as an increase to rental income over the remaining non-cancelable terms of the respective leases, including any below market renewal periods. Total amortization related to below-market lease values was $5.1 million, $4.1 million, and $2.8 million for the years ended December 31, 2022, 2021, and 2020, respectively.

The total amount of the remaining intangible assets acquired, which consists of in-place lease values, lease origination costs, and customer relationship intangible values, are allocated based on management’s evaluation of the specific characteristics of each tenant’s lease and our overall relationship with that respective tenant. Characteristics to be considered by management in determining these values include the nature and extent of our existing business relationships with the tenant, growth prospects for developing new business with the tenant, the tenant’s credit quality and our expectations of lease renewals (including those existing under the terms of the lease agreement), among other factors.

The value of in-place leases and lease origination costs are amortized to amortization expense over the remaining term of the respective leases, which generally range from seven to 15 years. The value of customer relationship intangibles, which is the benefit to us resulting from the likelihood of an existing tenant renewing its lease, are amortized to amortization expense over the remaining term and any anticipated renewal periods in the respective leases, but in no event does the amortization period for intangible assets exceed the remaining depreciable life of the building. Total amortization expense related to these intangible assets and liabilities was $19.1 million, $20.7 million, and $19.4 million for the years ended December 31, 2022, 2021, and 2020, respectively.

Should a tenant terminate its lease, the unamortized portion of the above-market and below-market lease values would be charged to rental income and the unamortized portion of in-place lease values, lease origination costs and customer relationship intangibles will be charged to amortization expense through the revised termination date.

Impairment Charges

We account for the impairment of real estate in accordance with ASC 360-10-35, “Property, Plant, and Equipment,” which requires us to periodically review the carrying value of each property to determine if circumstances indicate impairment of the carrying value of the investment exists or that depreciation periods should be modified. If circumstances indicate the possibility of impairment, we prepare a projection of the undiscounted future cash flows, without interest charges, of the specific property and determine if the carrying value of the investment in such property is recoverable. In performing the analysis, we consider such factors as each tenant’s payment history and financial condition, the likelihood of lease renewal, business conditions in the industry in which the tenants operate, whether there are indications that the fair value of the real estate has decreased or our intended holding period of the property is shortened. If the carrying amount is more than the aggregate undiscounted future cash flows, we would recognize an impairment loss to the extent the carrying amount exceeds the estimated fair value of the property. We evaluate our entire portfolio of properties each quarter for any impairment indicators and perform an impairment analysis on those select properties that have an indication of impairment.

Held for Sale Property

For properties considered held for sale, we cease depreciating and amortizing the property and value the property at the lower of depreciated and amortized cost or fair value, less costs to dispose. We present qualifying assets and liabilities and the results of operations that have been sold, or otherwise qualify as held for sale, as discontinued operations in all periods when the sale meets the definition of discontinued operations. Under GAAP, the definition of discontinued operations is the disposal of a component or group of components that is disposed or is classified as held for sale and represents a strategic shift that has (or will have) a major effect on our operations and financial results. The components of the property’s net income (loss) that are reflected as discontinued operations if classified as such include operating results, depreciation, amortization, and interest expense.

When properties are considered held for sale, but do not qualify as a discontinued operation, we present qualifying assets and liabilities as held for sale in the consolidated balance sheet in all periods that the qualifying assets and liabilities meet the held for sale criteria under ASC 360-10-49-9. The components of the held for sale property’s net income (loss) is recorded within continuing operations under the consolidated statement of operations and comprehensive income.

Cash and Cash Equivalents

We consider cash equivalents to be short-term, highly-liquid investments that are both readily convertible to cash and have a maturity of three months or less at the time of purchase, except that any such investments purchased with funds held in escrow or similar accounts are classified as restricted cash. Items classified as cash equivalents include money-market deposit accounts. At times, the balance of our cash and cash equivalents may exceed federally insurable limits.

Restricted Cash

Restricted cash consists of security deposits and receipts from tenants for reserves. These funds will be released to the tenants upon completion of agreed upon tasks, as specified in the lease agreements, mainly consisting of maintenance and repairs on the buildings and upon receipt by us of evidence of insurance and tax payments. For purposes of the consolidated statements of cash flows, changes in restricted cash caused by changes in reserves held for tenants are shown as investing activities. Changes in restricted cash caused by changes in security deposits are reflected as financing activities.

Funds Held in Escrow

Funds held in escrow consist of funds held by certain of our lenders for properties held as collateral by these lenders. These funds will be released to us upon completion of agreed upon tasks, as specified in the mortgage agreements, mainly consisting of maintenance and repairs on the buildings, and when evidence of insurance and tax payments has been submitted to the lenders. For the purposes of the consolidated statements of cash flows, changes in funds held in escrow caused by changes in lender held reserve balances are shown as investing activities.

Deferred Financing Costs

Deferred financing costs consist of costs incurred to obtain financing, including legal fees, origination fees and administrative fees. The costs are deferred and amortized using the straight-line method, which approximates the effective interest method, over the term of the secured financing. We made payments of $5.4 million, $0.8 million, and $0.6 million for deferred financing costs during the years ended December 31, 2022, 2021, and 2020, respectively. Total amortization expense related to deferred financing costs is included in interest expense and was $3.5 million, $1.6 million, and $1.5 million for the years ended December 31, 2022, 2021, and 2020, respectively.

Gains (Losses) on Sale of Real Estate, Net

Gains (losses) on sale of real estate, net, consist of the excess consideration received for a property over the property carrying value at the time of sale, or gains on real estate, offset by consideration received for a property less than the property carrying value at the time of sale, or loss on sale of real estate.

Lease Revenue

Lease revenue includes rents that each tenant pays in accordance with the terms of its respective lease reported evenly over the non-cancelable term of the lease. Most of our leases contain rental increases at specified intervals. We recognize such revenues on a straight-line basis. Deferred rent receivable in the accompanying consolidated balance sheet includes the cumulative difference between lease revenue, as recorded on a straight-line basis, and rents received from the tenants in accordance with the lease terms, along with the capitalized above-market in-place lease values of certain acquired properties. Deferred rent liability in the accompanying consolidated balance sheet includes the capitalized below-market in-place lease values of certain acquired properties. Accordingly, we determine, in our judgment, to what extent the deferred rent receivable applicable to each specific tenant is collectible. We review deferred rent receivable, as it relates to straight line rents, on a quarterly basis and take into consideration the tenant's payment history, the financial condition of the tenant, business conditions in the industry in which the tenant operates and economic conditions in the geographic area in which the property is located. In the event that the collectability of deferred rent with respect to any given tenant is in doubt, we record an allowance for uncollectible accounts or record a direct write-off of the specific rent receivable. We incurred $0.4 million, $0.4 million, and $0.2 million in deferred rent write offs during each of the years ended December 31, 2022, 2021, and 2020, respectively.

Tenant recovery revenue includes payments from tenants as reimbursements for franchise taxes, management fees, insurance, maintenance and repairs, utilities, and ground lease payments. We recognize tenant recovery revenue in the same periods that we incur the related expenses. We do not record any tenant recovery revenues or operating expenses associated with costs paid directly by our tenants for our net leased properties.

On January 1, 2020, we completed the integration of the accounting records of certain of our triple net leased third-party asset managed properties into our accounting system and paid property operating expenses out of our operating bank accounts. For periods prior to January 1, 2020, we recorded property operating expenses and offsetting lease revenues for these certain triple net leased properties on a net basis. Beginning January 1, 2020, we began to record the property operating expenses and offsetting lease revenues for these triple net leased properties on a gross basis, as we have amended our process whereby we are paying operating expenses on behalf of our tenants and receiving reimbursement, whereas, previously these tenants were paying these expenses directly, with limited insight provided to us.

Income Taxes

We have operated and intend to continue to operate in a manner that will allow us to qualify as a REIT under the Internal Revenue Code of 1986, as amended, and, accordingly, will not be subject to federal income taxes on amounts distributed to stockholders (except income from foreclosure property), provided that we distribute at least 90% of our REIT taxable income to our stockholders and meet certain other conditions. To the extent that we satisfy the distribution requirement but distribute less than 100% of our taxable income, we will be subject to federal corporate income tax on our undistributed income.

Commercial Advisers is a wholly-owned TRS that is subject to federal and state income taxes. Though Commercial Advisers has had no activity to date, we would account for any future income taxes in accordance with the provisions of ASC 740, "Income Taxes." Under ASC 740-10-25, we would account for income taxes using the asset and liability method under which deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases.

We may recognize a tax benefit from an uncertain tax position when it is more-likely-than-not (defined as a likelihood of more than 50%) that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, based on the technical merits. If a tax position does not meet the more-likely-than-not recognition threshold, despite our belief that the filing position is supportable, the benefit of that tax position is not recognized in the statements of operations. We recognize interest and penalties, as applicable, related to unrecognized tax benefits as a component of income tax expense. We recognize unrecognized tax benefits in the period that the uncertainty is eliminated by either affirmative agreement of the uncertain tax position by the applicable taxing authority, or by expiration of the applicable statute of limitation. For the years ended December 31, 2022, 2021, and 2020, we did not record any provisions for uncertain tax positions.

Asset Retirement Obligations

ASC 410, "Asset Retirement and Environmental Obligation," requires an entity to recognize a liability for a conditional asset retirement obligation when incurred if the liability can be reasonably estimated. ASC 410-20-20 clarifies that the term "Conditional Asset Retirement Obligation" refers to a legal obligation (pursuant to existing laws or by contract) to perform an asset retirement activity in which the timing and/or method of settlement are conditional on a future event that may or may not be within the control of the entity. ASC 410-20-25-6 clarifies when an entity would have sufficient information to reasonably estimate the fair value of an asset retirement obligation. We have accrued a liability at the present value of the estimated payments expected to be made and corresponding increase to the cost of the related properties for disposal related to all properties constructed prior to 1985 that have, or may have, asbestos present in the building. The liabilities are accreted to their estimated obligation over the life of the leases for the respective properties. We accrued $1.0 million and $0.6 million of liabilities in connection with acquisitions for the years ended December 31, 2022 and 2021, respectively, and no liabilities in connection with acquisitions for the year ended December 31, 2020. We recorded accretion expense of $0.1 million in each of the years ended December 31, 2022, 2021, and 2020, to general and administrative expense. Costs of future expenditures for obligations are discounted to their present value. The aggregate undiscounted obligation on all properties is $9.9 million and the discount rates used in the calculations range from 2.0% to 7.0%. We do not expect to make any material payments in conjunction with these obligations in each of the next five years.

Stock Issuance Costs

We account for stock issuance costs in accordance with SEC Staff Accounting Bulletin ("SAB") Topic 5.A, which states that incremental costs directly attributable to a proposed or actual offering of securities may properly be deferred and charged against the gross proceeds of the offering. Accordingly, we record costs incurred related to our ongoing equity offerings to other assets on our consolidated balance sheet and ratably apply these amounts to the cost of equity as stock is issued. If an equity offering is subsequently terminated and there are amounts remaining in other assets that have not been allocated to the cost of the offering, the remaining amounts are recorded as a general and administrative expense on our consolidated statements of operations.

Comprehensive Income

We record the effective portion of changes in the fair value of the interest rate cap and swap agreements that qualify as cash flow hedges to accumulated other comprehensive income. For the years ended December 31, 2022, 2021, and 2020, we reconciled net income to comprehensive income on the consolidated statements of operations and comprehensive income in the accompanying consolidated financial statements.

Segment Reporting

We manage our operations on an aggregated, single segment basis for purposes of assessing performance and making operating decisions, and, accordingly, have only one reporting and operating segment.

Recently Issued Accounting Pronouncements

In April 2020, the FASB issued a staff question-and-answer document, Topic 842 and Topic 840: Accounting for Lease Concessions related to the Effects of the COVID-19 Pandemic ("COVID-19 Q&A"), to address frequently asked questions pertaining to lease concessions arising from the effects of the COVID-19 pandemic. Existing lease guidance requires entities to determine if a lease concession was a result of a new arrangement reached with the tenant, which would be addressed under the lease modification accounting framework, or if a lease concession was under the enforceable rights and obligations within the existing lease agreement, which would not fall under the lease modification accounting framework. The COVID-19 Q&A clarifies that entities may elect to not evaluate whether lease-related relief granted in light of the effects of COVID-19 is a lease modification, as long as the concession does not result in a substantial increase in rights of the lessor or obligations of the lessee. This election is available for concessions that result in the total payments required by the modified contract being substantially the same as or less than the total payments required by the original contract.

2. Related-Party Transactions

Gladstone Management Corporation and Gladstone Administration, LLC

We are externally managed pursuant to contractual arrangements with our Adviser and our Administrator, which collectively employ all of our personnel and pay their salaries, benefits, and general expenses directly. Both our Adviser and Administrator are affiliates of ours, as their parent company is owned and controlled by Mr. Gladstone, our chairman and chief executive officer. Two of our executive officers, Mr. Gladstone and Mr. Brubaker (our vice chairman and chief operating officer) serve as directors and executive officers of our Adviser and our Administrator. Our president, Mr. Cooper, is also an executive managing director of our Adviser. Michael LiCalsi, our general counsel and secretary, also serves as our Administrator's president, general counsel and secretary. We have entered into an advisory agreement with our Adviser, as amended from time to time (the "Advisory Agreement"), and an administration agreement with our Administrator (the "Administration Agreement"). The services and fees under the Advisory Agreement and Administration Agreement are described below. At December 31, 2022 and December 31, 2021, $3.4 million and $3.4 million, respectively, was collectively due to our Adviser and Administrator.

Base Management Fee

On January 8, 2019, we entered into a Fifth Amended and Restated Investment Advisory Agreement (the "Fifth Amended Advisory Agreement") with the Adviser, effective as of October 1, 2018, to clarify that the agreement's definition of Total Equity includes outstanding OP Units issued to Non-controlling OP Unitholders. Our entrance into the Advisory Agreement (and each amendment thereto) has been approved unanimously by our Board of Directors. Our Board of Directors also reviews and considers renewing the agreement with our Adviser each July.

Under the Fifth Amended Advisory Agreement, the calculation of the annual base management fee equaled 1.5% of our Total Equity, which was our total stockholders' equity plus total mezzanine equity (before giving effect to the base management fee and incentive fee), adjusted to exclude the effect of any unrealized gains or losses that did not affect realized net income (including impairment charges), adjusted for any one-time events and certain non-cash items (the later to occur for a given quarter only upon the approval of our Compensation Committee), and adjusted to include OP Units held by Non-controlling OP Unitholders. The fee was calculated and accrued quarterly as 0.375% per quarter of such Total Equity figure. Our Adviser does not charge acquisition or disposition fees when we acquire or dispose of properties as is common in other externally managed REITs; however, our Adviser may earn fee income from our borrowers, tenants or other sources.

On July 14, 2020, the Company amended and restated the Fifth Amended Advisory Agreement by entering into the Sixth Amended and Restated Investment Advisory Agreement between the Company and the Adviser (the "Sixth Amended Advisory Agreement"). The Sixth Amended Advisory Agreement replaced the Fifth Amended Advisory Agreement's previous calculation of the base management fee with a calculation based on Gross Tangible Real Estate. The revised Base Management Fee is payable quarterly in arrears and is calculated at an annual rate of 0.425% (0.10625% per quarter) of the prior calendar quarter's "Gross Tangible Real Estate," defined in the Sixth Amended Advisory Agreement as the current gross value of the Company's property portfolio (meaning the aggregate of each property's original acquisition price plus the cost of any subsequent capital improvements thereon). The calculation of the other fees in the agreement remained unchanged. The revised Base Management Fee calculation began with the fee calculations for the quarter ended September 30, 2020.

On January 10, 2023, the Company amended and restated the Sixth Amended Advisory Agreement by entering into the Seventh Amended and Restated Investment Advisory Agreement between the Company and the Adviser (the "Seventh Amended Advisory Agreement"). The Company's entrance into the Amended Agreement was approved unanimously by our board of directors, including specifically, our independent directors. The Seventh Amended Advisory Agreement waived the payment of the incentive fee, as applicable, for the quarters ending March 31, 2023 and June 30, 2023. The calculation of the other fees remains unchanged.

For the years ended December 31, 2022, 2021, and 2020, we recorded a base management fee of $6.3 million, $5.9 million, and $5.6 million, respectively.

Incentive Fee

Pursuant to the Advisory Agreement, the calculation of the incentive fee rewards the Adviser in circumstances where our quarterly Core FFO (defined at the end of this paragraph), before giving effect to any incentive fee, or pre-incentive fee Core FFO, exceeds 2.0% quarterly, or 8.0% annualized, of adjusted total stockholders' equity (after giving effect to the base management fee but before giving effect to the incentive fee). We refer to this as the new hurdle rate. The Adviser will receive 15.0% of the amount of our pre-incentive fee Core FFO that exceeds the new hurdle rate. However, in no event shall the incentive fee for a particular quarter exceed by 15.0% (the cap) the average quarterly incentive fee paid by us for the previous four quarters (excluding quarters for which no incentive fee was paid). Core FFO (as defined in the Advisory Agreement) is GAAP net income (loss) available to common stockholders, excluding the incentive fee, depreciation and amortization, any realized and unrealized gains, losses or other non-cash items recorded in net income (loss) available to common stockholders for the period, and one-time events pursuant to changes in GAAP.

For the years ended December 31, 2022, 2021, and 2020, we recorded an incentive fee of $5.3 million, $4.9 million, and $4.3 million, respectively. Our Advisor issued a waiver of the incentive fee of $0.02 million during the year ended December 31, 2021. Our Adviser did not waive any portion of the incentive fee for the years ended December 31, 2022 and 2020. The Seventh Amended Advisory Agreement waived the payment of the incentive fee, as applicable, for the quarters ending March 31, 2023 and June 30, 2023. Waivers are non-contractual, unconditional, and irrevocable and cannot be recouped by the Adviser in the future.

Capital Gain Fee

Under the Advisory Agreement, we will pay to the Adviser a capital gains-based incentive fee that will be calculated and payable in arrears as of the end of each fiscal year (or upon termination of the Advisory Agreement). In determining the capital gain fee, we will calculate aggregate realized capital gains and aggregate realized capital losses for the applicable time period. For this purpose, aggregate realized capital gains and losses, if any, equals the realized gain or loss calculated by the difference between the sales price of the property, less any costs to sell the property and the all-in acquisition cost of the disposed property. At the end of the fiscal year, if this number is positive, then the capital gain fee payable for such time period shall equal 15.0% of such amount. No capital gain fee was recognized during the years ended December 31, 2022, 2021, and 2020.

Termination Fee

The Advisory Agreement includes a termination fee whereby, in the event of our termination of the agreement without cause (with 120 days' prior written notice and the vote of at least two-thirds of our independent directors), a termination fee would be payable to the Adviser equal to two times the sum of the average annual base management fee and incentive fee earned by the Adviser during the 24-month period prior to such termination. A termination fee is also payable if the Adviser terminates the Advisory Agreement after we have defaulted and applicable cure periods have expired. The Advisory Agreement may also be terminated for cause by us (with 30 days' prior written notice and the vote of at least two-thirds of our independent directors), with no termination fee payable. Cause is defined in the agreement to include if the Adviser breaches any material provisions thereof, the bankruptcy or insolvency of the Adviser, dissolution of the Adviser and fraud or misappropriation of funds.

Administration Agreement

Under the terms of the Administration Agreement, we pay separately for our allocable portion of our Administrator's overhead expenses in performing its obligations to us including, but not limited to, rent and our allocable portion of the salaries and benefits expenses of our Administrator's employees, including, but not limited to, our chief financial officer, treasurer, chief compliance officer, general counsel and secretary (who also serves as our Administrator's president, general counsel and secretary), and their respective staffs. Our allocable portion of the Administrator's expenses are generally derived by multiplying our Administrator's total expenses by the approximate percentage of time the Administrator's employees perform services for us in relation to their time spent performing services for all companies serviced by our Administrator under contractual agreements. We believe that the methodology of allocating the Administrator's total expenses by approximate percentage of time services were performed among all companies serviced by our Administrator more closely approximates fees paid to actual services performed. For the years ended December 31, 2022, 2021, and 2020, we recorded an administration fee of $1.9 million, $1.4 million, and $1.6 million, respectively. Our Board of Directors reviews and considers approving or renewing the Administration Agreement each July.

Gladstone Securities, LLC

Gladstone Securities, LLC ("Gladstone Securities"), is a privately held broker dealer registered with the Financial Industry Regulatory Authority and insured by the Securities Investor Protection Corporation. Gladstone Securities is an affiliate of ours, as its parent company is owned and controlled by David Gladstone, our chairman and chief executive officer. Mr. Gladstone also serves on the board of managers of Gladstone Securities.

Mortgage Financing Arrangement Agreement

We entered into an agreement with Gladstone Securities, effective June 18, 2013, for it to act as our non-exclusive agent to assist us with arranging mortgage financing for properties we own. In connection with this engagement, Gladstone Securities will, from time to time, continue to solicit the interest of various commercial real estate lenders or recommend to us third party lenders offering credit products or packages that are responsive to our needs. We pay Gladstone Securities a financing fee in connection with the services it provides to us for securing mortgage financing on any of our properties. The amount of these financing fees, which are payable upon closing of the financing, are based on a percentage of the amount of the mortgage, generally ranging from 0.15% to a maximum of 1.0% of the mortgage obtained. The amount of the financing fees may be reduced or eliminated, as determined by us and Gladstone Securities, after taking into consideration various factors, including, but not limited to, the involvement of any third party brokers and market conditions. We paid financing fees to Gladstone Securities of $0.3 million, $0.1 million, and $0.1 million during the years ended December 31, 2022, 2021, and 2020, respectively, which are included in mortgage notes payable, net, in the consolidated balance sheets, or 0.33%, 0.33%, and 0.25% of total mortgage principal secured or extended during the respective periods. Our Board of Directors renewed the agreement for an additional year, through August 31, 2023, at its July 2022 meeting.

Dealer Manager Agreement

On February 20, 2020 we entered into a dealer manager agreement, as amended by that certain First Amendment on February 9, 2023 (the “Dealer Manager Agreement”), whereby Gladstone Securities will act as the exclusive dealer manager in connection with our offering (the “Offering”) of up to (i) 20,000,000 shares of our 6.00% Series F Cumulative Redeemable Preferred Stock of the Company, par value $0.001 per share (the “Series F Preferred Stock”), on a “reasonable best efforts” basis (the “Primary Offering”), and (ii) 6,000,000 shares of Series F Preferred Stock pursuant to our distribution reinvestment plan (the “DRIP”) to those holders of the Series F Preferred Stock who participate in such DRIP. The Series F Preferred Stock is registered with the SEC pursuant to a registration statement on Form S-3 (File No. 333-268549), as the same may be amended and/or supplemented (the “2022 Registration Statement”), under the Securities Act of 1933, as amended, and will be offered and sold pursuant to a prospectus supplement, dated February 9, 2023, and a base prospectus dated November 23, 2022 relating to the 2022 Registration Statement (the “Prospectus”). During the years ended December 31, 2020, 2021 and 2022, the Series F Preferred Stock was registered with the SEC pursuant to a registration statement on Form S-3 (File No. 333-236143), and offered and sold pursuant to a prospectus supplement, dated February 20, 2020, and a base prospectus dated February 11, 2020.

Under the Dealer Manager Agreement, Gladstone Securities, as dealer manager, will provide certain sales, promotional and marketing services to the Company in connection with the Offering, and the Company will pay Gladstone Securities (i) selling commissions of 6.0% of the gross proceeds from sales of Series F Preferred Stock in the Primary Offering (the “Selling Commissions”), and (ii) a dealer manager fee of 3.0% of the gross proceeds from sales of Series F Preferred Stock in the Primary Offering (the “Dealer Manager Fee”). No Selling Commissions or Dealer Manager Fee shall be paid with respect to Shares sold pursuant to the DRIP. Gladstone Securities may, in its sole discretion, reallow a portion of the Dealer Manager Fee to participating broker-dealers in support of the Offering. We paid fees of $0.5 million, $0.7 million, and $0.2 million to Gladstone Securities during the years ended December 31, 2022, 2021 and 2020, respectively, in connection with the Offering.

3. (Loss) Earnings per Share of Common Stock

The following tables set forth the computation of basic and diluted (loss) earnings per share of common stock for the years ended December 31, 2022, 2021 and 2020, respectively. The OP Units held by Non-controlling OP Unitholders (which may be redeemed for shares of common stock) have been excluded from the diluted earnings per share calculation, as there would be no effect on the amounts since the Non-controlling OP Unitholders’ share of income would also be added back to net income. Net income figures are presented net of such non-controlling interests in the earnings per share calculation.

We computed basic (loss) earnings per share for the years ended December 31, 2022, 2021 and 2020, respectively, using the weighted average number of shares outstanding during the periods. Diluted (loss) earnings per share for the years ended December 31, 2022, 2021 and 2020, reflects additional shares of common stock related to our convertible Senior Common Stock, if the effect would be dilutive, that would have been outstanding if dilutive potential shares of common stock had been issued, as well as an adjustment to net (loss) income (attributable) available to common stockholders as applicable to common stockholders that would result from their assumed issuance (dollars in thousands, except per share amounts).

	For the year ended December 31,		
	2022	2021	2020
Calculation of basic (loss) earnings per share of common stock:			
Net (loss) income (attributable) available to common stockholders	$ (3,039)	$ (4,554)	$ 3,149
Denominator for basic weighted average shares of common stock (1)	38,950,734	36,537,306	34,040,085
Basic (loss) earnings per share of common stock	$ (0.08)	$ (0.12)	$ 0.09
Calculation of diluted (loss) earnings per share of common stock:			
Net (loss) income (attributable) available to common stockholders	$ (3,039)	$ (4,554)	$ 3,149
Net (loss) income (attributable) available to common stockholders plus assumed conversions (2)	$ (3,039)	$ (4,554)	$ 3,149
Denominator for basic weighted average shares of common stock (1)	38,950,734	36,537,306	34,040,085
Effect of convertible Senior Common Stock (2)	—	—	—
Denominator for diluted weighted average shares of common stock (2)	38,950,734	36,537,306	34,040,085
Diluted (loss) earnings per share of common stock	$ (0.08)	$ (0.12)	$ 0.09

(1) The weighted average number of OP Units held by Non-controlling OP Unitholders was 294,941, 316,987, and 502,586 for the years ended December 31, 2022, 2021, and 2020, respectively.

(2) We excluded convertible shares of Senior Common Stock of 363,246, 503,962 and 628,263 from the calculation of diluted earnings per share for the years ended December 31, 2022, 2021 and 2020, respectively, because it was anti-dilutive.

4. Real Estate and Intangible Assets

Real Estate

The following table sets forth the components of our investments in real estate as of December 31, 2022 and 2021, respectively, excluding real estate held for sale as of December 31, 2022 (dollars in thousands):

	December 31, 2022	December 31, 2021
Real estate:		
Land (1)	$ 152,916	$ 149,773
Building and improvements	1,069,407	1,004,362
Tenant improvements	64,974	71,123
Accumulated depreciation	(286,994)	(266,672)
Real estate, net	$ 1,000,303	$ 958,586

(1) This amount includes $4,436 of land value subject to land lease agreements which we may purchase at our option for a nominal fee.

Real estate depreciation expense on building and tenant improvements was $42.6 million, $39.6 million, and $36.0 million for the years ended December 31, 2022, 2021, and 2020, respectively.

Acquisitions

During the year ended December 31, 2022 and 2021 we acquired 13 and 11 properties, respectively, which are summarized below (dollars in thousands):

Year Ended		Aggregate Square Footage	Weighted Average Lease Term	Aggregate Purchase Price	Aggregate Capitalized Acquisition Costs
December 31, 2022	(1)	1,238,680	14.5 years	$ 115,364	$ 1,014
December 31, 2021	(2)	949,174	13.4 years	$ 100,453	$ 798

(1) On February 24, 2022, we acquired an 80,000 square foot property in Wilkesboro, North Carolina for $7.5 million. The property is fully leased to one tenant and had 12.7 years of remaining lease term at the time we acquired the property. On March 11, 2022, we acquired a 56,000 square foot property in Oklahoma City, Oklahoma for $6.0 million. The property is fully leased to one tenant and had 7.0 years of remaining lease term at the time we acquired the property. On May 4, 2022, we acquired a 260,719 square foot, two-property portfolio in Cleveland, Ohio and Fort Payne, Alabama for $19.5 million. These properties are fully leased to one tenant and had 11.4 years of remaining lease term at the time we acquired the portfolio. On May 12, 2022, we acquired a 345,584 square foot, three-property portfolio in Wilmington, North Carolina for

$18.9 million. These properties are fully leased to one tenant and had 13.1 years of remaining lease term at the time we acquired the portfolio. On August 5, 2022, we acquired a 246,000 square foot, two-property portfolio in Bridgeton, New Jersey and Vineland, New Jersey for $32.7 million. These properties are fully leased to one tenant and had 15.1 years of remaining lease term at the time we acquired the portfolio. On September 16, 2022, we acquired a 67,328 square foot property in Jacksonville, Florida for $8.1 million. This property is fully leased to one tenant and had 20.0 years of remaining lease term at the time we acquired the property. On September 20, 2022, we acquired a 49,375 square foot property in Fort Payne, Alabama for $5.6 million. This property is fully leased to one tenant and had 14.8 years of remaining lease term at the time we acquired the property. On October 26, 2022, we acquired a 68,674 square foot property in Denver, Colorado for $12.1 million. This property is fully leased to one tenant and had 20.0 years of remaining lease term at the time we acquired the property. On December 21, 2022, we acquired a 65,000 square foot property in Greenville, South Carolina for $5.0 million. The property is fully leased to one tenant and had 12.0 years of remaining lease term at the time we acquired the property.

(2) On January 22, 2021, we acquired a 180,152 square foot property in Findlay, Ohio for $11.1 million. The property is fully leased to one tenant and had 14.2 years of remaining lease term at the time we acquired the property. On June 17, 2021, we acquired a 25,200 square foot property portfolio in Baytown, Texas for $8.2 million. The property is fully leased to one tenant and had 12.6 years of remaining lease term at the time we acquired the portfolio. On July 21, 2021, we acquired an 80,604 square foot, four-property portfolio in Pacific, Missouri for $22.1 million. These properties are fully leased to one tenant and had 17.4 years of remaining lease term at the time we acquired the portfolio. On August 20, 2021, we acquired an 81,760 square foot, two-property portfolio in Peru, Illinois, for $4.8 million. These properties are fully leased to one tenant and had 15.0 years of remaining lease term at the time we acquired the portfolio. On November 3, 2021, we acquired a 161,458 square foot property in Charlotte, North Carolina, for $12.9 million. The property is fully leased to one tenant and had 7.9 years of remaining lease term at the time we acquired the property. On December 21, 2021, we acquired a 120,000 square foot property in Atlanta, Georgia for $12.1 million. The property is fully leased to one tenant and had 15.0 years of remaining lease term at the time we acquired the property. On December 21, 2021, we acquired a 300,000 square foot property in Crossville, Tennessee, for $29.2 million. The property is fully leased to one tenant and had 11.0 years of remaining lease term at the time we acquired the property.

We determined the fair value of assets acquired and liabilities assumed related to the properties acquired during the year ended December 31, 2022 and 2021, respectively, as follows (dollars in thousands):

	Year ended December 31, 2022	Year ended December 31, 2021
Acquired assets and liabilities	Purchase price	Purchase price
Land	$ 11,587	$ 7,205
Building	85,774	76,611
Tenant Improvements	1,939	1,353
In-place Leases	5,927	6,431
Leasing Costs	6,888	5,779
Customer Relationships	3,352	3,364
Above Market Leases	500 (1)	777 (1)
Below Market Leases	(603) (2)	(1,067)
Total Purchase Price	$ 115,364	$ 100,453

(1) This amount includes $181 and $336 of loans receivable included in Other assets on the consolidated balance sheets, respectively.
(2) This amount includes $32 of prepaid rent included in Other liabilities on the consolidated balance sheets.

Future Lease Payments

Future operating lease payments from tenants under non-cancelable leases, excluding tenant reimbursement of expenses, for each of the five succeeding fiscal years and thereafter is as follows (dollars in thousands):

Year		Tenant Lease Payments
2023	$	116,756
2024		112,119
2025		109,068
2026		101,879
2027		85,085
Thereafter		368,613
	$	893,520

In accordance with the lease terms, substantially all operating expenses are required to be paid by the tenant; however, we would be required to pay operating expenses on the respective properties in the event the tenants fail to pay them.

Lease Revenue Reconciliation

The table below sets forth the allocation of lease revenue between fixed contractual payments and variable lease payments for the years ended December 31, 2022, 2021, and 2020, respectively (dollars in thousands):

	For the twelve months ended December 31, (Dollars in Thousands)					
Lease revenue reconciliation	2022		2021		2020	
Fixed lease payments	$	132,032	$	121,303	$	117,248
Variable lease payments		16,949		16,385		15,904
	$	148,981	$	137,688	$	133,152

At December 31, 2022 and 2021, accounts receivable from tenants totaled $1.1 million and $1.4 million, respectively, included in other assets on the consolidated balance sheets.

Legal Settlements

In August 2021, we reached separate legal settlements through which we recognized $2.4 million, net, recorded in other income on the consolidated statement of operations and comprehensive income.

Intangible Assets

The following table summarizes the carrying value of intangible assets, liabilities and the accumulated amortization for each intangible asset and liability class as of December 31, 2022 and 2021, excluding real estate held for sale as of December 31, 2022 (dollars in thousands):

	December 31, 2022				December 31, 2021			
	Lease Intangibles		Accumulated Amortization		Lease Intangibles		Accumulated Amortization	
In-place leases	$	104,394	$	(63,240)	$	105,891	$	(62,604)
Leasing costs		85,038		(45,501)		81,487		(43,982)
Customer relationships		69,586		(38,655)		71,922		(38,220)
	$	259,018	$	(147,396)	$	259,300	$	(144,806)
	Deferred Rent Receivable/(Liability)		Accumulated (Amortization)/Accretion		Deferred Rent Receivable/(Liability)		Accumulated (Amortization)/Accretion	
Above market leases	$	15,371	$	(11,909)	$	15,538	$	(11,520)
Below market leases and deferred revenue		(66,138)		26,141		(48,241)		21,471

Total amortization expense related to in-place leases, leasing costs and customer relationship lease intangible assets was $19.1 million, $20.7 million, and $19.4 million for the years ended December 31, 2022, 2021, and 2020, respectively, and is included in depreciation and amortization expense in the consolidated statement of operations and comprehensive income.

Total amortization related to above-market lease values was $0.8 million, $0.8 million, and $0.8 million for the years ended December 31, 2022, 2021, and 2020, respectively, and is included in lease revenue in the consolidated statement of operations and comprehensive income.

Total amortization related to below-market lease values was $5.1 million, $4.1 million, and $2.8 million for the years ended December 31, 2022, 2021, and 2020, respectively, and is included in lease revenue in the consolidated statement of operations and comprehensive income.

The weighted average amortization periods in years for the intangible assets acquired and liabilities assumed during the years ended December 31, 2022 and 2021, respectively, were as follows:

Intangible Assets & Liabilities	2022	2021
In-place leases	14.8	14.0
Leasing costs	14.8	14.0
Customer relationships	20.5	19.5
Above market leases	16.3	13.8
Below market leases	13.0	14.4
All intangible assets & liabilities	16.2	15.3

The estimated aggregate amortization expense to be recorded for in-place leases, leasing costs and customer relationships for each of the five succeeding fiscal years and thereafter is as follows, excluding real estate held for sale as of December 31, 2022 (dollars in thousands):

Year		Estimated Amortization Expense of In-Place Leases, Leasing Costs and Customer Relationships
2023	$	18,191
2024		15,251
2025		14,164
2026		12,356
2027		10,544
Thereafter		41,116
	$	111,622

The estimated aggregate rental income to be recorded for the amortization of both above and below market leases for each of the five succeeding fiscal years and thereafter is as follows, excluding real estate held for sale as of December 31, 2022 (dollars in thousands):

Year		Net Increase to Rental Income Related to Above and Below Market Leases (1)
2023	$	7,117
2024		7,243
2025		6,870
2026		4,405
2027		2,772
Thereafter		7,975
	$	36,382

(1) Does not include ground lease amortization of $153.

5. Real Estate Dispositions, Held for Sale, and Impairment Charges

Real Estate Dispositions

During the year ended December 31, 2022, we continued to execute our capital recycling program, whereby we sold properties outside of our core markets and redeployed proceeds to either fund property acquisitions in our target secondary growth markets, or repay outstanding debt. We expect to continue to execute our capital recycling plan and sell non-core properties as reasonable disposition opportunities become available. During the year ended December 31, 2022, we sold five non-core properties, located in Jupiter, Florida, Parsippany, New Jersey, Boston Heights, Ohio, Columbus, Ohio, and Allen, Texas which are summarized in the table below (dollars in thousands):

Aggregate Square Footage Sold	Aggregate Sales Price	Aggregate Sales Costs	Aggregate Impairment Charge for the Twelve Months Ended December 31, 2022	Aggregate Gain on Sale of Real Estate, net
291,604	$ 41,270	$ 1,771	$ 1,374	$ 10,052

Our 2022 dispositions were not classified as discontinued operations because they did not represent a strategic shift in operations, nor will they have a major effect on our operations and financial results. Accordingly, the operating results of these properties are included within continuing operations for all periods reported.

The table below summarizes the components of operating income from the real estate and related assets disposed of during the years ended December 31, 2022, 2021, and 2020, respectively (dollars in thousands):

	For the year ended December 31,		
	2022	2021	2020
Operating revenue	$ 5,732	$ 5,211	$ 6,494
Operating expense	3,740 (1)	4,412	4,015
Other income (expense), net	9,766 (2)	(244)	(740)
Income from real estate and related assets sold	$ 11,758	$ 555	$ 1,739

(1) Includes a $1.4 million impairment charge.
(2) Includes a $10.1 million gain on sale of real estate, net, from five property sales.

Real Estate Held for Sale

At December 31, 2022, we had one property classified as held for sale, located in Columbia, South Carolina. We consider this asset to be non-core to our long term strategy.

At December 31, 2021, we had no properties classified as held for sale.

The table below summarizes the components of the assets held for sale at December 31, 2022 reflected on the accompanying consolidated balance sheet (dollars in thousands):

	December 31, 2022
Assets Held for Sale	
Total real estate held for sale	$ 3,013
Total Assets Held for Sale	$ 3,013

Impairment Charges

We evaluated our portfolio for triggering events to determine if any of our held and used assets were impaired during the year ended December 31, 2022 and identified one held and used asset, located in Columbia, South Carolina, which was impaired by $10.7 million during the three months ended September 30, 2022. In performing our impairment testing, the undiscounted cash flow for this asset was below the carrying value. As the undiscounted cash flows for this asset was below the carrying value, we evaluated the fair value of the asset using a third-party expert to determine the fair value for this asset, which resulted in us recognizing an impairment charge.

We evaluated our held for sale assets to determine if any of these assets were impaired during the year ended December 31, 2022 and identified one held for sale asset, located in Parsippany, New Jersey, which was impaired by $1.4 million during the three months ended June 30, 2022. In performing our held for sale assessment, the carrying value of this asset was above the fair value, less costs of sale. As a result, we impaired this property to equal the fair market value less costs of sale. The property was sold during the year ended December 31, 2022.

We did not recognize an impairment charge during the year ended December 31, 2021.

Fair market value for this asset was calculated using Level 3 inputs (defined in Note 6 "Mortgage Notes Payable and Credit Facility"), which were determined using a negotiated sales price from an executed purchase and sale agreement with a third party. We continue to evaluate our properties on a quarterly basis for changes that could create the need to record impairment. Future impairment losses may result, and could be significant, should market conditions deteriorate in the markets in which we hold our assets or we are unable to secure leases at terms that are favorable to us, which could impact the estimated cash flow of our properties over the period in which we plan to hold our properties. Additionally, changes in management's decisions to either own and lease long-term or sell a particular asset will have an impact on this analysis.

The fair values for the above properties were calculated using Level 3 inputs which were calculated using an estimated sales price, less estimated costs to sell. The estimated sales price was determined using executed purchase and sale agreements.

6. Mortgage Notes Payable and Credit Facility

Our $125.0 million unsecured revolving credit facility ("Revolver"), $160.0 million term loan facility ("Term Loan A"), $60.0 million term loan facility ("Term Loan B"), and $150.0 million term loan facility ("Term Loan C") are collectively referred to herein as the Credit Facility.

Our mortgage notes payable and Credit Facility as of December 31, 2022 and December 31, 2021 are summarized below (dollars in thousands):

	Encumbered properties at December 31, 2022		Carrying Value at December 31, 2022	Carrying Value at December 31, 2021	Stated Interest Rates at December 31, 2022		Scheduled Maturity Dates at December 31, 2022
Mortgage and other secured loans:							
Fixed rate mortgage loans	50		$ 362,037	$ 436,530	(1)		(2)
Variable rate mortgage loans	—		—	16,338	N/A		(2)
Premiums and discounts, net	—		(83)	(130)	N/A		N/A
Deferred financing costs, mortgage loans, net	—		(2,565)	(2,794)	N/A		N/A
Total mortgage notes payable, net	50		$ 359,389	$ 449,944	(3)		
Variable rate revolving credit facility	83	(6)	$ 23,250	$ 33,550	SOFR + 1.50%	(4)	8/18/2026
Total revolver	83		$ 23,250	$ 33,550			
Variable rate term loan facility A	—		160,000	160,000	SOFR + 1.45%	(4)	8/18/2027
Variable rate term loan facility B	—		60,000	65,000	SOFR + 1.45%	(4)	2/11/2026
Variable rate term loan facility C	—		150,000	—	SOFR + 1.45%	(4)	2/18/2028
Deferred financing costs, term loan facility	—		(3,433)	(968)	N/A		N/A
Total term loan, net	N/A		$ 366,567	$ 224,032			
Total mortgage notes payable and credit facility	133		$ 749,206	$ 707,526	(5)		

(1) Interest rates on our fixed rate mortgage notes payable vary from 2.80% to 6.63%.
(2) We have 44 mortgage notes payable with maturity dates ranging from April 6, 2023 through August 1, 2037.
(3) The weighted average interest rate on the mortgage notes outstanding at December 31, 2022, was approximately 4.24%.
(4) As of December 31, 2022, SOFR was approximately 4.30%.
(5) The weighted average interest rate on all debt outstanding at December 31, 2022, was approximately 5.03%.
(6) The amount we may draw under our Credit Facility is based on a percentage of the fair value of a combined pool of 83 unencumbered properties as of December 31, 2022.
N/A - Not Applicable

Mortgage Notes Payable

As of December 31, 2022, we had 44 mortgage notes payable, collateralized by a total of 50 properties with a net book value of $555.9 million. We have limited recourse liabilities that could result from any one or more of the following circumstances: a borrower voluntarily filing for bankruptcy, improper conveyance of a property, fraud or material misrepresentation, misapplication or misappropriation of rents, security deposits, insurance proceeds or condemnation proceeds, or physical waste or damage to the property resulting from a borrower's gross negligence or willful misconduct. As of December 31, 2022, we did not have any recourse mortgages. We will also indemnify lenders against claims resulting from the presence of hazardous substances or activity involving hazardous substances in violation of environmental laws on a property.

During the year ended December 31, 2022, we repaid 14 mortgages collateralized by 28 properties, which are summarized below (dollars in thousands):

Aggregate Fixed Rate Debt Repaid	Weighted Average Interest Rate on Fixed Rate Debt Repaid
$ 104,906	4.64 %

Aggregate Variable Rate Debt Repaid	Weighted Average Interest Rate on Variable Rate Debt Repaid	
$ 30,336	LIBOR/SOFR + 2.50%	(1)

(1) As of December 31, 2022, SOFR was approximately 4.30% and LIBOR was approximately 4.39%.

During the year ended December 31, 2022, we issued six mortgages, collateralized by 11 properties, which are summarized below (dollars in thousands):

Aggregate Fixed Rate Debt Issued		Weighted Average Interest Rate on Fixed Rate Debt
$ 47,913	(1)	4.60 %

(1) We issued $10.0 million of fixed rate debt with a maturity date of May 4, 2027, in connection with the two-property portfolio acquired on May 4, 2022. The interest rate is fixed at 4.00%. We issued $10.0 million of fixed rate debt with a maturity date of June 1, 2032, in connection with the three-property acquisition on May 12, 2022. The interest rate is fixed at 3.40%. We issued $16.9 million of fixed rate debt with a maturity date of August 1, 2027, in connection with the two-property acquisition on August 5, 2022. The interest rate is fixed at 4.95%. We issued $4.4 million of swapped to fixed rate debt with a maturity date of September 16, 2029, in connection with the property acquisition on September 16, 2022. The interest rate is swapped to a fixed rate of 5.39%. We issued $6.6 million of swapped to fixed rate debt with a maturity date of September 16, 2029, in connection with the property acquisition on October 26, 2022. The interest rate is swapped to a fixed rate of 5.90%.

Variable Rate Debt Issued		Interest Rate on Variable Rate Debt
$ 15,000	(1)	SOFR + 2.50%

(1) We issued $15.0 million of variable rate debt in connection with refinancing mortgage debt at two properties with a new maturity date of April 27, 2024 and interest rate of SOFR plus 2.50%. This mortgage was repaid on August 18, 2022.

During the year ended December 31, 2022, we extended the maturity date of three mortgages, collateralized by five properties, which is summarized in the table below (dollars in thousands):

Aggregate Fixed Rate Debt Extended	Weighted Average Interest Rate on Fixed Rate Debt Extended	Extension Term
$ 14,633	5.41 %	1.0 year

Variable Rate Debt Extended		Interest Rate on Variable Rate Debt Extended	Extension Term
$ 7,059	(1)	LIBOR + 2.75%	1.0 year

(1) We repaid this mortgage on August 18, 2022.

Scheduled principal payments of mortgage notes payable for each of the five succeeding fiscal years and thereafter are as follows (dollars in thousands):

Year	Scheduled Principal Payments	
2023	$ 67,296	
2024	20,420	
2025	38,889	
2026	42,381	
2027	94,848	
Thereafter	98,203	
	$ 362,037	(1)

(1) This figure does not include $(0.1) million premiums and (discounts), net, and $2.6 million of deferred financing costs, which are reflected in mortgage notes payable on the consolidated balance sheets.

We believe we will be able to address all mortgage notes payable maturing over the next 12 months through a combination of refinancing our existing indebtedness, cash from operations, proceeds from one or more equity offerings and availability on our Credit Facility.

Interest Rate Caps and Swaps

We have entered into interest rate cap agreements that cap the interest rate on certain of our variable-rate debt and we have assumed or entered into interest rate swap agreements in which we hedged our exposure to variable interest rates by agreeing to pay fixed interest rates to our respective counterparty. We have adopted the fair value measurement provisions for our financial instruments recorded at fair value. The fair value guidance establishes a three-tier value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions. Generally, we will estimate the fair value of our interest rate caps and interest rate swaps, in the absence of observable market data, using estimates of value including estimated remaining life, counterparty credit risk, current market yield and interest rate spreads of similar securities as of the measurement date. At December 31, 2022 and 2021, our interest rate cap and interest rate swap agreements were valued using Level 2 inputs.

The fair value of the interest rate cap agreements is recorded in other assets on our accompanying consolidated balance sheets. We record changes in the fair value of the interest rate cap agreements quarterly based on the current market valuations at quarter end. If the interest rate cap qualifies for hedge accounting, the change in the estimated fair value is recorded to accumulated other comprehensive income to the extent that it is effective, with any ineffective portion recorded to interest expense in our consolidated statements of operations and comprehensive income. If the interest rate cap does not qualify for hedge accounting, or if it is determined the hedge is ineffective, any change in the fair value is recognized in interest expense in our consolidated statements of operations and comprehensive income. The following table summarizes the interest rate caps at December 31, 2022 and 2021 (dollars in thousands):

	December 31, 2022		December 31, 2021	
Aggregate Cost	Aggregate Notional Amount	Aggregate Fair Value	Aggregate Notional Amount	Aggregate Fair Value
$ 620 (1)	$ 225,000	$ 4,629	$ 233,632	$ 324

(1) We have entered into various interest rate cap agreements on new variable rate debt with LIBOR caps ranging from 1.50% to 2.50%.

We have entered into interest rate swap agreements in connection with certain of our acquisitions, whereby we will pay our counterparty a fixed interest rate on a monthly basis, and receive payments from our counterparty equivalent to the stipulated floating rate. The fair value of our interest rate swap agreements are recorded in other liabilities on our accompanying consolidated balance sheets. We have designated our interest rate swaps as cash flow hedges, and we record changes in the fair value of the respective interest rate swap agreement to accumulated other comprehensive income on the consolidated balance sheets. We record changes in fair value on a quarterly basis, using current market valuations at quarter end. The following table summarizes our interest rate swaps at December 31, 2022 and 2021 (dollars in thousands):

December 31, 2022			December 31, 2021		
Aggregate Notional Amount	Aggregate Fair Value Asset	Aggregate Fair Value Liability	Aggregate Notional Amount	Aggregate Fair Value Asset	Aggregate Fair Value Liability
$ 362,832	$ 8,264	$ (897)	$ 73,212	$ 841	$ (1,217)

The following tables present the impact of our derivative instruments in the consolidated financial statements (dollars in thousands):

	Amount of gain (loss), net, recognized in Comprehensive Income		
	2022	2021	2020
Derivatives in cash flow hedging relationships			
Interest rate caps	$ 4,301	$ 174	$ (337)
Interest rate swaps	7,814	2,680	(1,882)
Total	$ 12,115	$ 2,854	$ (2,219)

The following table presents the reclassifications of our derivative instruments out of accumulated other comprehensive income into interest expense in the consolidated financial statements (dollars in thousands):

	Amount reclassified out of Accumulated Other Comprehensive Income		
	2022	2021	2020
Derivatives in cash flow hedging relationships			
Interest rate caps	$ (871)	$ (145)	$ —
Total	$ (871)	$ (145)	$ —

The following table sets forth certain information regarding our derivative instruments (dollars in thousands):

		Asset (Liability) Derivatives Fair Value at	
Derivatives Designated as Hedging Instruments	Balance Sheet Location	December 31, 2022	December 31, 2021
Interest rate caps	Other assets	$ 4,629	$ 324
Interest rate swaps	Other assets	8,264	841
Interest rate swaps	Other liabilities	(897)	(1,217)
Total derivative liabilities, net		$ 11,996	$ (52)

The fair value of all mortgage notes payable outstanding as of December 31, 2022 was $333.1 million, as compared to the carrying value stated above of $359.4 million. The fair value is calculated based on a discounted cash flow analysis, using management's estimate of market interest rates on long-term debt with comparable terms and loan to value ratios. The fair value was calculated using Level 3 inputs of the hierarchy established by ASC 820, "Fair Value Measurements and Disclosures."

Reference Rate Reform

Accounting Standards Update 2020-04, Reference Rate Reform (Topic 848) ("ASU 2020-04") contains practical expedients for reference rate reform-related activities that impact debt, leases, derivatives, and other contracts. The guidance in ASU 2020-04 is optional and may be elected over time as reference rate reform activities occur. As of December 31, 2022, we elected to apply the hedge accounting expedients related to probability and the assessment of effectiveness for future LIBOR-indexed cash flows to assume that the index upon which future hedged transactions will be based matches the index on the corresponding derivatives. We also elected the option to not reassess a previous accounting determination, and the option to not de-designate a hedging relationship due to a change in a critical term. Application of these expedients preserves the presentation of derivatives consistent with past presentation. The Company continues to evaluate the impact of the guidance and may apply other elections as applicable as additional changes in our hedging activities occur.

Credit Facility

On August 7, 2013, we procured our Revolver with KeyBank National Association ("KeyBank") (serving as revolving lender, a letter of credit issuer and an administrative agent). In October 2015, we expanded our Revolver to $85.0 million and entered into Term Loan A whereby we added a $25.0 million, five-year Term Loan subject to the same leverage tiers as the Revolver, with the interest rate at each leverage tier being five basis points lower than that of the Revolver. We have the option to repay Term Loan A in full, or in part, at any time without penalty or premium prior to the maturity date.

On October 27, 2017, we amended this Credit Facility, increasing Term Loan A from $25.0 million, to $75.0 million, with the Revolver commitment remaining at $85.0 million. Term Loan A's maturity date was extended to October 27, 2022, and the Revolver maturity date was extended to October 27, 2021. In connection with the amendment, the interest rate for the Credit Facility was reduced by 25 basis points at each of the leverage tiers. At the time of amendment, we entered into multiple interest rate cap agreements on Term Loan A, which cap LIBOR at 2.75% to hedge our exposure to variable interest rates.

On July 2, 2019, we amended, extended and upsized our Credit Facility, expanding Term Loan A from $75.0 million to $160.0 million, inclusive of a delayed draw component whereby we can incrementally borrow on the Term Loan up to the $160.0 million commitment, and increasing the Revolver from $85.0 million to $100.0 million. Term Loan A has a new five-year term, with a maturity date of July 2, 2024, and the Revolver has a new four-year term, with a maturity date of July 2, 2023. The interest rate margin for the Credit Facility was reduced by 10 basis points at each of the leverage tiers. We entered into multiple interest rate cap agreements on Term Loan A, which cap LIBOR ranging from 2.50% to 2.75%, to hedge our exposure to variable interest rates. We used the net proceeds derived from the amended Credit Facility to repay all previously existing borrowings under the Revolver. We incurred fees of approximately $1.3 million in connection with the Credit Facility amendment. The bank syndicate for the Credit Facility is now comprised of KeyBank, Fifth Third Bank, U.S. Bank National Association, The Huntington National Bank, Goldman Sachs Bank USA, and Wells Fargo Bank, National Association.

On February 11, 2021, we added a new $65.0 million Term Loan B, inclusive of a $15.0 million delayed funding component, which was funded on July 20, 2021. Term Loan B has a maturity date of February 11, 2026 and a LIBOR floor of 25 basis points, plus a spread ranging from 140 to 225 basis points, depending on leverage. We entered into multiple interest rate cap agreements on Term Loan B, which cap LIBOR from 1.50% to 1.75%. We incurred fees of approximately $0.5 million in connection with issuing Term Loan B. As of December 31, 2022, there was $60.0 million outstanding under Term Loan B.

On August 18, 2022, we amended, extended and upsized our Credit Facility, increasing our Revolver from $100.0 million to $120.0 million (and its term to August 2026), adding the new $140.0 million Term Loan C, decreasing the principal balance of Term Loan B to $60.0 million and extending the maturity date of Term Loan A to August 2027. Term Loan C has a maturity date of February 18, 2028 and a SOFR spread ranging from 125 to 195 basis points, depending on our leverage. On September 27, 2022 we further increased the Revolver to $125.0 million and Term Loan C to $150.0 million, as permitted under the terms of the Credit Facility. We entered into multiple interest rate swap agreements on Term Loan C, which swap the interest rate to fixed rates ranging from 3.15% to 3.75%. We also entered into an interest rate swap agreement on Term Loan A to replace the expiring rate caps, which swaps the interest rate to a fixed rate of 3.70%. We incurred fees of approximately $4.2 million in connection with extending and upsizing our Credit Facility. As of December 31, 2022, there was $150.0 million outstanding under Term Loan C, and we used all net proceeds to repay all outstanding borrowings on the Revolver, pay off mortgage debt, and fund acquisitions. The Credit Facility's current bank syndicate is comprised of KeyBank, Fifth Third Bank, The Huntington National Bank, Bank of America, Synovus Bank, United Bank, First Financial Bank, and S&T Bank.

As of December 31, 2022, there was $393.3 million outstanding under our Credit Facility, at a weighted average interest rate of approximately 5.75% and $15.6 million outstanding under letters of credit, at a weighted average interest rate of 1.50%. As of December 31, 2022, the maximum additional amount we could draw under the Credit Facility was $48.3 million. We were in compliance with all covenants under the Credit Facility as of December 31, 2022.

The amount outstanding under the Credit Facility approximates fair value as of December 31, 2022.

7. Commitments and Contingencies

Ground Leases

We are obligated as lessee under four ground leases. Future minimum rental payments due under the terms of these leases as of December 31, 2022, are as follows (dollars in thousands):

Year	Future Lease Payments Due Under Operating Leases	
2023	$	492
2024		493
2025		494
2026		498
2027		506
Thereafter		6,301
Total anticipated lease payments	$	8,784
Less: amount representing interest		(3,476)
Present value of lease payments	$	5,308

Rental expense incurred for properties with ground lease obligations was $0.4 million, $0.5 million, and $0.5 million for the years ended December 31, 2022, 2021 and 2020, respectively. Our ground leases are treated as operating leases and rental expenses are reflected in property operating expenses on the consolidated statements of operations and comprehensive income. Our ground leases have a weighted average remaining lease term of 18.5 years and weighted average discount rate of 5.33%.

Letters of Credit

As of December 31, 2022, there was $15.6 million outstanding under letters of credit. These letters of credit are not reflected on our consolidated balance sheet.

8. Equity and Mezzanine Equity

Distributions

We paid the following distributions per share for the years ended December 31, 2022, 2021, and 2020:

	For the year ended December 31,							
	2022		2021			2020		
Common Stock and Non-controlling OP Units	$	1.504800	$	1.502175		$	1.501800	
Senior Common Stock		1.05		1.05			1.05	
Series D Preferred Stock		—		0.8749998	(1)		1.7500	
Series E Preferred Stock		1.656252		1.656252			1.656252	
Series F Preferred Stock		1.50		1.50			0.75	(2)
Series G Preferred Stock		1.50		0.75	(3)		—	

(1) We redeemed all outstanding shares of our Series D Preferred Stock on June 30, 2021.
(2) Prior to July 1, 2020, Series F Preferred Stock distributions were declared, but not paid, as there were no Series F Preferred Stock shares outstanding on the applicable dividend record dates.
(3) Series G Preferred Stock was issued on June 28, 2021.

For federal income tax purposes, distributions paid to stockholders may be characterized as ordinary income, capital gains, return of capital or a combination of the foregoing. The characterization of distributions during each of the last three years is reflected in the table below:

	Ordinary Income	Return of Capital	Long-Term Capital Gains
Common Stock and OP Units			
For the year ended December 31, 2020	37.28754 %	62.71246 %	— %
For the year ended December 31, 2021	28.14778 %	71.85222 %	— %
For the year ended December 31, 2022	29.60044 %	70.39956 %	— %
Senior Common Stock			
For the year ended December 31, 2020	100.00000 %	— %	— %
For the year ended December 31, 2021	100.00000 %	— %	— %
For the year ended December 31, 2022	100.00000 %	— %	— %
Series D Preferred Stock			
For the year ended December 31, 2020	100.00000 %	— %	— %
For the year ended December 31, 2021	100.00000 %	— %	— %
For the year ended December 31, 2022	— %	— %	— %
Series E Preferred Stock			
For the year ended December 31, 2020	100.00000 %	— %	— %
For the year ended December 31, 2021	100.00000 %	— %	— %
For the year ended December 31, 2022	100.00000 %	— %	— %
Series F Preferred Stock			
For the year ended December 31, 2020	100.00000 %	— %	— %
For the year ended December 31, 2021	100.00000 %	— %	— %
For the year ended December 31, 2022	100.00000 %	— %	— %
Series G Preferred Stock			
For the year ended December 31, 2020	— %	— %	— %
For the year ended December 31, 2021	100.00000 %	— %	— %
For the year ended December 31, 2022	100.00000 %	— %	— %

Recent Activity

Common Stock ATM Program

On December 3, 2019, we entered into an At-the-Market Equity Offering Sales Agreement (the "Common Stock Sales Agreement"), with Robert W. Baird & Co. Incorporated ("Baird"), Goldman Sachs & Co. LLC ("Goldman Sachs"), Stifel, Nicolaus & Company, Incorporated ("Stifel"), BTIG, LLC, and Fifth Third Securities, Inc. ("Fifth Third") (collectively the "Common Stock Sales Agents"), pursuant to which we sold shares of our common stock in an aggregate offering price of up to $250.0 million (the "Common Stock ATM Program"). During the year ended December 31, 2022, we sold 2.1 million shares of common stock, raising $43.2 million in net proceeds under the Common Stock ATM Program. As of December 31, 2022, we had a remaining capacity to sell up to $23.9 million of common stock under the Common Stock Sales Agreement. The proceeds from these issuances were used to acquire real estate, repay outstanding debt and for other general corporate purposes. We terminated the Common Stock Sales Agreement effective February 10, 2023 in connection with the expiration of the 2020 Registration Statement on February 11, 2023. We intend to have a new common stock ATM program in place during the first quarter ending 2023.

Mezzanine Equity

Our 7.00% Series D Cumulative Redeemable Preferred Stock ("Series D Preferred Stock"), 6.625% Series E Cumulative Redeemable Preferred Stock ("Series E Preferred Stock") and 6.00% Series G Cumulative Redeemable Preferred Stock ("Series G Preferred Stock"), are classified as mezzanine equity in our consolidated balance sheet because all three are redeemable at the option of the shareholder upon a change of control of greater than 50% in accordance with ASC 480-10-S99 "Distinguishing Liabilities from Equity," which requires mezzanine equity classification for preferred stock issuances with redemption features which are outside of the control of the issuer. A change in control of the Company, outside of our control, is only possible if a tender offer is accepted by over 90% of our shareholders. All other change in control situations would require input from our Board of Directors. In addition, our Series E Preferred Stock and Series G Preferred Stock are redeemable at the option of the shareholder in the event a delisting event occurs. We will periodically evaluate the likelihood that a change of control or delisting event of greater than 50% will take place, and if we deem this probable, we would adjust the Series E Preferred Stock and Series G Preferred Stock presented in mezzanine equity to their redemption value, with the offset to gain (loss) on extinguishment. We currently believe the likelihood of a change of control of greater than 50% is remote.

Series G Preferred Stock Offering

On June 28, 2021, we completed an underwritten public offering of 4,000,000 shares of our newly designated Series G Preferred Stock at a public offering price of $25.00 per share, raising $100.0 million in gross proceeds and approximately $96.6 million in net proceeds, after payment of underwriting discounts and commissions. We used the net proceeds from this offering to voluntarily redeem all outstanding shares of our Series D Preferred Stock.

Series D Preferred Stock Redemption

On June 30, 2021, we voluntarily redeemed all 3,509,555 outstanding shares of our Series D Preferred Stock at a redemption price of $25.1458333 per share, which represented the liquidation preference per share, plus accrued and unpaid dividends through June 30, 2021, for an aggregate redemption price of approximately $88.3 million. In connection with this redemption, we recognized a $2.1 million decrease to net income available to common shareholders pertaining to the original issuance costs incurred upon issuance of our Series D Preferred Stock.

Articles Supplementary Reclassifying Remaining Series D Preferred Stock

On August 5, 2021, we filed Articles Supplementary (the “Reclassification Articles Supplementary”) with the State Department of Assessments and Taxation of Maryland (“SDAT”), pursuant to which our board of directors reclassified and designated the remaining 2,490,445 shares of authorized but unissued Series D Preferred Stock as additional shares of common stock. After giving effect to the filing of the Reclassification Articles Supplementary, our authorized capital stock consists of 62,290,000 shares of common stock, 6,760,000 shares of Series E Preferred Stock, 26,000,000 shares of Series F Preferred Stock, 4,000,000 shares of Series G Preferred Stock, and 950,000 shares of senior common stock. The Reclassification Articles Supplementary did not increase our authorized shares of capital stock.

Series E Preferred Stock ATM Program

We had an At-the-Market Equity Offering Sales Agreement (the “Series E Preferred Stock Sales Agreement”), with sales agents Baird, Goldman Sachs, Stifel, Fifth Third, and U.S. Bancorp Investments, Inc., pursuant to which we may, from time to time, offer to sell shares of our Series E Preferred Stock in an aggregate offering price of up to $100.0 million. We did not sell any shares of our Series E Preferred Stock pursuant to the Series E Preferred Stock Sales Agreement during the year ended December 31, 2022. As of December 31, 2022, we had remaining capacity to sell up to $92.8 million of Series E Preferred Stock under the program. We terminated the Series E Preferred Stock Sales Agreement effective February 10, 2023 in connection with the expiration of the 2020 Registration Statement on February 11, 2023.

Universal Shelf Registration Statement

On January 11, 2019, we filed a registration statement on Form S-3 (File No. 333-229209), and an amendment thereto on Form-S-3/A on January 24, 2019 (collectively referred to as the “2019 Registration Statement”). The 2019 Registration Statement became effective on February 13, 2019 and replaced our prior registration statement. The 2019 Registration allowed us to issue up to $500.0 million of securities and expired on February 13, 2022.

On January 29, 2020, we filed the 2020 Registration Statement. The 2020 Registration Statement was declared effective on February 11, 2020 and was in addition to the 2019 Registration Statement. The 2020 Registration Statement allowed us to issue up to an additional $800.0 million of securities. Of the $800.0 million of available capacity under our 2020 Registration Statement, approximately $636.5 million was reserved for the sale of our Series F Preferred Stock. As of December 31, 2022, we had the ability to issue up to $644.0 million of securities under the 2020 Registration Statement.

On November 23, 2022, we filed an automatic registration statement on Form S-3 (File No. 333-268549) (the “2022 Registration Statement”). There is no limit on the aggregate amount of the securities that we may offer pursuant to the 2022 Registration Statement.

Preferred Series F Continuous Offering

On February 20, 2020, we filed with the Maryland Department of Assessments and Taxation Articles Supplementary (i) setting forth the rights, preferences and terms of the Series F Preferred Stock and (ii) reclassifying and designating 26,000,000 shares of the Company’s authorized and unissued shares of common stock as shares of Series F Preferred Stock. The reclassification decreased the number of shares classified as common stock from 86,290,000 shares immediately prior to the reclassification to 60,290,000 shares immediately after the reclassification. We sold 0.2 million shares of our Series F Preferred Stock, raising

$5.4 million in net proceeds during the year ended December 31, 2022. As of December 31, 2022, we had remaining capacity to sell up to $619.6 million of Series F Preferred Stock.

Amendment to Articles of Restatement

On June 23, 2021, we filed with the SDAT the Articles Supplementary (i) setting forth the rights, preferences and terms of our newly designated Series G Preferred Stock and (ii) reclassifying and designating 4,000,000 shares of our authorized and unissued shares of common stock as shares of Series G Preferred Stock.

Amendments to Operating Partnership Agreement

In connection with the authorization of the Series F Preferred Stock in February of 2020, the Operating Partnership controlled by the Company through its ownership of GCLP Business Trust II, the general partner of the Operating Partnership, adopted the Second Amendment to its Second Amended and Restated Agreement of Limited Partnership (collectively, the “Second Amendment”), as amended from time to time, establishing the rights, privileges and preferences of 6.00% Series F Cumulative Redeemable Preferred Units, a newly-designated class of limited partnership interests (the “Series F Preferred Units”). The Second Amendment provides for the Operating Partnership’s establishment and issuance of an equal number of Series F Preferred Units as are issued shares of Series F Preferred Stock by the Company in connection with the offering upon the Company’s contribution to the Operating Partnership of the net proceeds of the offering. Generally, the Series F Preferred Units provided for under the Second Amendment have preferences, distribution rights and other provisions substantially equivalent to those of the Series F Preferred Stock.

On June 23, 2021, the Operating Partnership adopted the Third Amendment to its Second Amended and Restated Agreement of Limited Partnership, including Exhibit SGP thereto (collectively, the “Third Amendment”), establishing the rights, privileges, and preferences of 6.00% Series G Cumulative Redeemable Preferred Units, a newly-designated class of limited partnership interests (the “Series G Term Preferred Units”). The Third Amendment provides for the Operating Partnership’s establishment and issuance of an equal number of Series G Term Preferred Units as are issued shares of Series G Preferred Stock by the Company in connection with the offering of Series G Preferred Stock upon the Company’s contribution to the Operating Partnership of the net proceeds of the offering of Series G Preferred Stock. Generally, the Series G Preferred Units provided for under the Third Amendment have preferences, distribution rights, and other provisions substantially equivalent to those of the Series G Preferred Stock.

On August 5, 2021, the Operating Partnership adopted the Fourth Amendment to its Second Amended and Restated Agreement of Limited Partnership, including Exhibit SGP thereto, to remove all references to the 7.00% Series D Cumulative Redeemable Preferred Units of the Partnership and update the rights, privileges, and preferences accordingly.

Non-controlling Interests in Operating Partnership

As of December 31, 2022 and 2021, we owned approximately 99.0% and 99.3%, respectively, of the outstanding OP Units. On September 20, 2022, we issued 134,474 OP Units as partial consideration to acquire our 49,375 square foot property located in Fort Payne, Alabama for $5.6 million. During the year ended December 31, 2021, we redeemed 246,039 OP units for an equivalent amount of common stock.

The Operating Partnership is required to make distributions on each OP Unit in the same amount as those paid on each share of the Company’s common stock, with the distributions on the OP Units held by the Company being utilized to make distributions to the Company’s common stockholders.

As of December 31, 2022 and 2021, there were 391,468 and 256,994 outstanding OP Units held by Non-controlling OP Unitholders, respectively.

9. Subsequent Events

Distributions

On January 10, 2023, our Board of Directors declared the following monthly distributions for the months of January, February, and March of 2023:

Record Date	Payment Date	Common Stock and Non-controlling OP Unit Distributions per Share	Series E Preferred Distributions per Share	Series G Preferred Distributions per Share
January 20, 2023	January 31, 2023	$ 0.10	$ 0.138021	$ 0.125
February 17, 2023	February 28, 2023	0.10	0.138021	0.125
March 17, 2023	March 31, 2023	0.10	0.138021	0.125
		$ 0.30	$ 0.414063	$ 0.375

Series F Preferred Stock Distributions		
Record Date	Payment Date	Distribution per Share
January 26, 2023	February 6, 2023	$ 0.125
February 23, 2023	March 6, 2023	0.125
March 29, 2023	April 6, 2023	0.125
		$ 0.375

Senior Common Stock Distributions		
Payable to the Holders of Record During the Month of:	Payment Date	Distribution per Share
January	February 6, 2023	$ 0.0875
February	March 6, 2023	0.0875
March	April 6, 2023	0.0875
		$ 0.2625

Equity Activity

Subsequent to December 31, 2022 and through February 22, 2023, we raised $4.0 million in net proceeds from the sale of 0.2 million shares of common stock under our Common Stock ATM Program and $0.3 million in net proceeds from the sale of 13,360 sales of Series F Preferred Stock. We made no sales under our Series E Preferred ATM Program subsequent to December 31, 2022 and through February 22, 2023.

GLADSTONE COMMERCIAL CORPORATION
SCHEDULE III—REAL ESTATE AND ACCUMULATED DEPRECIATION
DECEMBER 31, 2022 (Dollars in Thousands)

		Initial Cost			Total Cost						
Location of Property	Encumbrances	Land	Buildings & Improvements	Improvement Costs Capitalized Subsequent to Acquisition	Land	Buildings & Improvements	Total (1)	Accumulated Depreciation (2)	Net Real Estate	Year Construction/ Improvements	Date Acquired
Raleigh, North Carolina (3)											
Office Building	$ —	$ 960	$ 4,481	$ 1,345	$ 960	$ 5,826	$ 6,786	$ 3,128	$ 3,658	1997	12/23/2003
Canton, Ohio (3)											
Office Building	—	186	3,083	500	187	3,582	3,769	1,869	1,900	1994	1/30/2004
Akron, Ohio (3)											
Office Building	—	1,973	6,771	4,042	1,974	10,812	12,786	4,529	8,257	1968/1999	4/29/2004
Canton, North Carolina (3)											
Industrial Building	—	150	5,050	7,285	150	12,335	12,485	3,931	8,554	1998/2014	7/6/2004
Crenshaw, Pennsylvania (3)											
Industrial Building	—	100	6,574	269	100	6,843	6,943	3,254	3,689	1991	8/5/2004
Lexington, North Carolina (3)											
Industrial Building	—	820	2,107	69	820	2,176	2,996	1,062	1,934	1986	8/5/2004
Mt. Pocono, Pennsylvania (3)											
Industrial Building	—	350	5,819	18	350	5,837	6,187	2,762	3,425	1995/1999	10/15/2004
San Antonio, Texas (3)											
Office Building	—	843	7,514	3,007	843	10,521	11,364	4,651	6,713	1999	2/10/2005
Big Flats, New York (3)											
Industrial Building	—	275	6,459	515	275	6,974	7,249	3,013	4,236	2001	4/15/2005
Wichita, Kansas (3)											
Office Building	—	1,525	9,703	674	1,525	10,377	11,902	4,829	7,073	2000	5/18/2005
Eatontown, New Jersey (3)											
Office Building	—	1,351	3,520	534	1,351	4,054	5,405	1,920	3,485	1991	7/7/2005
Duncan, South Carolina (3)											
Industrial Building	—	783	10,790	1,889	783	12,679	13,462	5,582	7,880	1984/2001/2007	7/14/2005
Duncan, South Carolina (3)											
Industrial Building	—	195	2,682	470	195	3,152	3,347	1,387	1,960	1984/2001/2007	7/14/2005
Clintonville, Wisconsin (3)											
Industrial Building	—	55	4,717	3,250	55	7,967	8,022	3,114	4,908	1992/2013	10/31/2005
Burnsville, Minnesota (3)											
Office Building	—	3,511	8,746	7,736	3,511	16,482	19,993	8,207	11,786	1984	5/10/2006
Menomonee Falls, Wisconsin (3)											
Industrial Building	—	625	6,911	686	625	7,597	8,222	3,401	4,821	1986/2000	6/30/2006
Baytown, Texas											
Medical Office Building	—	221	2,443	2,563	221	5,006	5,227	3,523	1,704	1997	7/11/2006
Mason, Ohio											
Office Building	—	797	6,258	848	797	7,106	7,903	3,228	4,675	2002	1/5/2007
Raleigh, North Carolina (3)											
Industrial Building	—	1,606	5,513	4,700	1,606	10,213	11,819	4,574	7,245	1994	2/16/2007
Tulsa, Oklahoma (3)											
Industrial Building	—	—	14,057	687	—	14,744	14,744	6,774	7,970	2004	3/1/2007
Hialeah, Florida (3)											
Industrial Building	—	3,562	6,672	1,310	3,562	7,982	11,544	3,109	8,435	1956/1992	3/9/2007
Mason, Ohio (3)											
Retail Building	—	1,201	4,961	—	1,201	4,961	6,162	2,009	4,153	2007	7/1/2007
Cicero, New York (3)											
Industrial Building	—	299	5,019	150	299	5,169	5,468	1,973	3,495	2005	9/6/2007
Grand Rapids, Michigan (3)											
Office Building	—	1,629	10,500	308	1,629	10,808	12,437	4,423	8,014	2001	9/28/2007
Bolingbrook, Illinois (3)											
Industrial Building	—	1,272	5,003	996	1,272	5,999	7,271	2,746	4,525	2002	9/28/2007
Decatur, Georgia (3)											
Medical Office Building	—	783	3,241	—	783	3,241	4,024	1,315	2,709	1989	12/13/2007
Decatur, Georgia (3)											
Medical Office Building	—	205	847	—	205	847	1,052	344	708	1989	12/13/2007
Decatur, Georgia (3)											
Medical Office Building	—	257	1,062	—	257	1,062	1,319	431	888	1989	12/13/2007
Lawrenceville, Georgia (3)											
Medical Office Building	—	678	2,807	—	678	2,807	3,485	1,139	2,346	2005	12/13/2007
Snellville, Georgia (3)											
Medical Office Building	—	176	727	—	176	727	903	295	608	1986	12/13/2007
Covington, Georgia (3)											

		Initial Cost			Total Cost						
Location of Property	Encumbrances	Land	Buildings & Improvements	Improvement Costs Capitalized Subsequent to Acquisition	Land	Buildings & Improvements	Total (1)	Accumulated Depreciation (2)	Net Real Estate	Year Construction/ Improvements	Date Acquired
Medical Office Building	—	232	959	—	232	959	1,191	389	802	2000	12/13/2007
Conyers, Georgia (3)											
Medical Office Building	—	296	1,228	—	296	1,228	1,524	498	1,026	1994	12/13/2007
Cumming, Georgia (3)											
Medical Office Building	—	738	3,055	2,524	741	5,576	6,317	1,915	4,402	2004	12/13/2007
Reading, Pennsylvania (3)											
Industrial Building	—	491	6,202	357	491	6,559	7,050	2,396	4,654	2007	1/29/2008
Fridley, Minnesota											
Office Building	—	1,354	8,074	1,824	1,383	9,869	11,252	4,176	7,076	1985/2006	2/26/2008
Pineville, North Carolina (3)											
Industrial Building	—	669	3,028	293	669	3,321	3,990	1,315	2,675	1985	4/30/2008
Marietta, Ohio (3)											
Industrial Building	—	829	6,607	529	829	7,136	7,965	2,678	5,287	1992/2007	8/29/2008
Chalfont, Pennsylvania (3)											
Industrial Building	—	1,249	6,420	1,024	1,249	7,444	8,693	2,877	5,816	1987	8/29/2008
Orange City, Iowa											
Industrial Building	3,772	258	5,861	6	258	5,867	6,125	2,210	3,915	1990	12/15/2010
Hickory, North Carolina (3)											
Office Building	—	1,163	6,605	357	1,163	6,962	8,125	3,414	4,711	2008	4/4/2011
Springfield, Missouri (3)											
Office Building	—	1,700	12,038	924	1,845	12,817	14,662	4,408	10,254	2006	6/20/2011
Dartmouth, Massachusetts (3)											
Retail Location	—	—	4,236	—	—	4,236	4,236	1,315	2,921	2011	11/18/2011
Springfield, Missouri											
Retail Location	991	—	2,275	—	—	2,275	2,275	848	1,427	2005	12/13/2011
Pittsburgh, Pennsylvania (3)											
Office Building	—	281	3,205	743	281	3,948	4,229	1,599	2,630	1968	12/28/2011
Ashburn, Virginia (3)											
Office Building	—	706	7,858	—	705	7,859	8,564	2,824	5,740	2002	1/25/2012
Ottumwa, Iowa											
Industrial Building	1,969	212	5,072	310	212	5,382	5,594	1,825	3,769	1970	5/30/2012
New Albany, Ohio											
Office Building	—	1,658	8,746	130	1,658	8,876	10,534	3,396	7,138	2007	6/5/2012
Columbus, Georgia (3)											
Office Building	—	1,378	4,520	—	1,378	4,520	5,898	1,966	3,932	2012	6/21/2012
Fort Worth, Texas											
Industrial Building	8,867	963	15,647	—	963	15,647	16,610	4,819	11,791	2005	11/8/2012
Columbia, South Carolina											
Office Building	9,015	1,905	20,648	(10,280)	428	11,845	12,273	9,260	3,013	2010	11/21/2012
Egg Harbor, New Jersey											
Office Building	2,712	1,627	3,017	315	1,627	3,332	4,959	1,205	3,754	1985	3/28/2013
Vance, Alabama (3)											
Industrial Building	—	457	10,529	6,692	457	17,221	17,678	4,519	13,159	2013	5/9/2013
Blaine, Minnesota											
Office Building	6,849	1,060	10,518	1,178	842	11,914	12,756	4,128	8,628	2009	5/10/2013
Austin, Texas											
Office Building	29,314	2,330	44,021	3,120	2,330	47,141	49,471	19,800	29,671	1999	7/9/2013
Englewood, Colorado (3)											
Office Building	—	1,503	11,739	280	1,503	12,019	13,522	4,454	9,068	2008	12/11/2013
Novi, Michigan											
Industrial Building	3,453	352	5,626	—	352	5,626	5,978	1,751	4,227	1988	12/27/2013
Allen, Texas (3)											
Retail Building	—	874	3,634	—	874	3,634	4,508	1,100	3,408	2004	3/27/2014
Colleyville, Texas (3)											
Retail Building	—	1,277	2,424	—	1,277	2,424	3,701	721	2,980	2000	3/27/2014
Coppell, Texas (3)											
Retail Building	—	1,448	3,349	—	1,448	3,349	4,797	996	3,801	2005	5/8/2014
Columbus, Ohio (3)											
Office Building	—	990	8,017	2,797	990	10,814	11,804	4,033	7,771	1986	5/13/2014
Taylor, Pennsylvania (3)											
Industrial Building	—	3,101	25,405	1,248	3,101	26,653	29,754	7,606	22,148	2000/2006	6/9/2014
Aurora, Colorado (3)											
Industrial Building	—	2,882	3,917	96	2,882	4,013	6,895	1,220	5,675	1983	7/1/2014
Indianapolis, Indiana (3)											
Office Building	—	502	6,422	1,894	498	8,320	8,818	2,993	5,825	1981/2014	9/3/2014
Denver, Colorado (3)											
Industrial Building	—	1,621	7,071	11,878	1,621	18,949	20,570	3,233	17,337	1985	10/31/2014
Monroe, Michigan											

Table of Contents

		Initial Cost			Total Cost						
Location of Property	Encumbrances	Land	Buildings & Improvements	Improvement Costs Capitalized Subsequent to Acquisition	Land	Buildings & Improvements	Total (1)	Accumulated Depreciation (2)	Net Real Estate	Year Construction/ Improvements	Date Acquired
Industrial Building	9,164	658	14,607	195	658	14,802	15,460	3,713	11,747	2004	12/23/2014
Monroe, Michigan											
Industrial Building	6,395	460	10,225	(20)	459	10,206	10,665	2,574	8,091	2004	12/23/2014
Richardson, Texas											
Office Building	12,342	2,728	15,372	1,135	2,728	16,507	19,235	6,071	13,164	1985/2008	3/6/2015
Birmingham, Alabama (3)											
Office Building	—	650	2,034	103	650	2,137	2,787	746	2,041	1982/2010	3/20/2015
Dublin, Ohio (3)											
Office Building	—	1,338	5,058	1,086	1,338	6,144	7,482	1,926	5,556	1980/Various	5/28/2015
Draper, Utah											
Office Building	10,410	3,248	13,129	74	3,248	13,203	16,451	3,868	12,583	2008	5/29/2015
Hapeville, Georgia (3)											
Office Building	—	2,272	8,778	263	2,272	9,041	11,313	2,445	8,868	1999/2007	7/15/2015
Villa Rica, Georgia											
Industrial Building	3,327	293	5,277	18	293	5,295	5,588	1,421	4,167	2000/2014	10/20/2015
Taylorsville, Utah											
Office Building	8,340	3,008	10,659	501	3,008	11,160	14,168	3,759	10,409	1997	5/26/2016
Fort Lauderdale, Florida											
Office Building	11,867	4,117	15,516	4,247	4,117	19,763	23,880	5,618	18,262	1984	9/12/2016
King of Prussia, Pennsylvania											
Office Building	13,939	3,681	15,739	473	3,681	16,212	19,893	4,432	15,461	2001	12/14/2016
Conshohocken, Pennsylvania											
Office Building	9,456	1,996	10,880	—	1,996	10,880	12,876	2,400	10,476	1996	6/22/2017
Philadelphia, Pennsylvania											
Industrial Building	14,803	5,896	16,282	62	5,906	16,334	22,240	4,204	18,036	1994/2011	7/7/2017
Maitland, Florida											
Office Building	14,434	3,073	19,661	849	3,091	20,492	23,583	5,874	17,709	1998	7/31/2017
Maitland, Florida											
Office Building	7,237	2,095	9,339	9	2,095	9,348	11,443	2,106	9,337	1999	7/31/2017
Columbus, Ohio (3)											
Office Building	—	1,926	11,410	332	1,925	11,743	13,668	2,700	10,968	2007	12/1/2017
Salt Lake City, Utah (3)											
Office Building	—	4,446	9,938	801	4,446	10,739	15,185	2,773	12,412	2007	12/1/2017
Vance, Alabama (3)											
Industrial Building	—	459	12,224	44	469	12,258	12,727	2,158	10,569	2018	3/9/2018
Columbus, Ohio											
Industrial Building	4,315	681	6,401	—	681	6,401	7,082	1,418	5,664	1990	9/20/2018
Detroit, Michigan											
Industrial Building	5,875	1,458	10,092	10	1,468	10,092	11,560	1,524	10,036	1997	10/30/2018
Detroit, Michigan (3)											
Industrial Building	—	662	6,681	10	672	6,681	7,353	1,026	6,327	2002/2016	10/30/2018
Lake Mary, Florida											
Office Building	9,961	3,018	11,756	161	3,020	11,915	14,935	2,060	12,875	1997/2018	12/27/2018
Moorestown, New Jersey (3)											
Industrial Building	—	471	1,825	—	471	1,825	2,296	437	1,859	1991	2/8/2019
Indianapolis, Indiana (3)											
Industrial Building	—	255	2,809	—	255	2,809	3,064	423	2,641	1989/2019	2/28/2019
Ocala, Florida (3)											
Industrial Building	—	1,286	8,535	—	1,286	8,535	9,821	1,085	8,736	2001	4/5/2019
Ocala, Florida (3)											
Industrial Building	—	725	4,814	849	724	5,664	6,388	685	5,703	1965/2007	4/5/2019
Delaware, Ohio (3)											
Industrial Building	—	316	2,355	—	316	2,355	2,671	363	2,308	2005	4/30/2019
Tifton, Georgia											
Industrial Building	7,856	—	15,190	1,725	1,725	15,190	16,915	1,807	15,108	1995/2003	6/18/2019
Denton, Texas (3)											
Industrial Building	—	1,497	4,151	—	1,496	4,152	5,648	630	5,018	2012	7/30/2019
Temple, Texas (3)											
Industrial Building	—	200	4,335	65	200	4,400	4,600	581	4,019	1973/2006	9/26/2019
Temple, Texas (3)											
Industrial Building	—	296	6,425	99	296	6,524	6,820	861	5,959	1978/2006	9/26/2019
Indianapolis, Indiana (3)											
Industrial Building	—	1,158	5,162	4	1,162	5,162	6,324	979	5,345	1967/1998	11/14/2019
Jackson, Tennessee											
Industrial Building	4,421	311	7,199	—	311	7,199	7,510	729	6,781	2019	12/16/2019
Carrollton, Georgia											
Industrial Building	3,929	291	6,720	—	292	6,719	7,011	658	6,353	2015/2019	12/17/2019
New Orleans, Louisiana											

		Initial Cost			Total Cost						
Location of Property	**Encumbrances**	**Land**	**Buildings & Improvements**	**Improvement Costs Capitalized Subsequent to Acquisition**	**Land**	**Buildings & Improvements**	**Total (1)**	**Accumulated Depreciation (2)**	**Net Real Estate**	**Year Construction/ Improvements**	**Date Acquired**
Industrial Building	3,517	2,168	4,667	25	2,166	4,694	6,860	751	6,109	1975	12/17/2019
San Antonio, Texas											
Industrial Building	3,610	775	6,877	815	773	7,694	8,467	790	7,677	1985	12/17/2019
Port Allen, Louisiana											
Industrial Building	2,675	292	3,411	349	291	3,761	4,052	491	3,561	1983/2005	12/17/2019
Albuquerque, New Mexico											
Industrial Building	1,731	673	2,291	(3)	671	2,290	2,961	271	2,690	1998/2017	12/17/2019
Tucson, Arizona											
Industrial Building	3,239	819	4,636	161	817	4,799	5,616	523	5,093	1987/1995/2005	12/17/2019
Albuquerque, New Mexico											
Industrial Building	3,276	818	5,219	234	815	5,456	6,271	571	5,700	2000/2018	12/17/2019
Indianapolis, Indiana (3)											
Industrial Building	—	489	3,956	223	493	4,175	4,668	454	4,214	1987	1/8/2020
Houston, Texas											
Industrial Building	9,350	1,714	14,170	3	1,717	14,170	15,887	1,214	14,673	2000/2018	1/27/2020
Charlotte, North Carolina											
Industrial Building	5,051	1,458	6,778	4	1,461	6,779	8,240	738	7,502	1995/1999/2006	1/27/2020
St. Charles, Missouri											
Industrial Building	2,794	924	3,749	4	928	3,749	4,677	332	4,345	2012	1/27/2020
Crandall, Georgia											
Industrial Building	16,475	2,711	26,632	172	2,711	26,804	29,515	2,246	27,269	2020	3/9/2020
Terre Haute, Indiana (3)											
Industrial Building	—	502	8,076	—	502	8,076	8,578	564	8,014	2010	9/1/2020
Montgomery, Alabama (3)											
Industrial Building	—	599	11,290	3	602	11,290	11,892	994	10,898	1990/1997	10/14/2020
Huntsville, Alabama											
Industrial Building	9,799	1,445	15,040	11,158	1,445	26,198	27,643	1,565	26,078	2001	12/18/2020
Pittsburgh, Pennsylvania											
Industrial Building	6,375	1,422	10,094	150	1,422	10,244	11,666	941	10,725	1994	12/21/2020
Findlay, Ohio											
Industrial Building	5,219	258	8,847	—	258	8,847	9,105	614	8,491	1992/2008	1/22/2021
Baytown, Texas (3)											
Industrial Building	—	1,604	5,533	3	1,607	5,533	7,140	415	6,725	2018	6/17/2021
Pacific, Missouri (3)											
Industrial Building	—	926	7,294	—	926	7,294	8,220	346	7,874	2019/2021	7/21/2021
Pacific, Missouri (3)											
Industrial Building	—	235	1,852	—	235	1,852	2,087	88	1,999	2019/2021	7/21/2021
Pacific, Missouri (3)											
Industrial Building	—	607	4,782	—	607	4,782	5,389	227	5,162	2019/2021	7/21/2021
Pacific, Missouri (3)											
Industrial Building	—	257	2,027	—	257	2,027	2,284	96	2,188	2019/2021	7/21/2021
Peru, Illinois (3)											
Industrial Building	—	89	1,413	147	89	1,560	1,649	87	1,562	1987/1998	8/20/2021
Peru, Illinois (3)											
Industrial Building	—	140	2,225	230	140	2,455	2,595	138	2,457	1987/1998	8/20/2021
Charlotte, North Carolina (3)											
Industrial Building	—	1,400	10,615	—	1,400	10,615	12,015	514	11,501	1972/2018	11/3/2021
Atlanta, Georgia (3)											
Industrial Building	—	1,255	8,787	1,503	1,255	10,290	11,545	371	11,174	1974	12/21/2021
Crossville, Tennessee											
Industrial Building	16,000	434	24,589	—	434	24,589	25,023	690	24,333	2020	12/21/2021
Wilkesboro, North Carolina (3)											
Industrial Building	—	346	5,758	—	346	5,758	6,104	192	5,912	2014	2/24/2022
Oklahoma City, Oklahoma (3)											
Industrial Building	—	470	4,688	1	470	4,689	5,159	128	5,031	1999/2004	3/11/2022
Cleveland, Ohio											
Industrial Building	3,593	628	5,252	495	628	5,747	6,375	204	6,171	1966/1972/2000/2013	5/4/2022
Fort Payne, Alabama											
Industrial Building	6,443	217	10,778	—	217	10,778	10,995	247	10,748	2013	5/4/2022
Wilmington, North Carolina											
Industrial Building	6,401	1,104	9,730	—	1,104	9,730	10,834	274	10,560	2000/2020	5/12/2022
Wilmington, North Carolina											
Industrial Building	3,309	571	5,031	1	571	5,032	5,603	142	5,461	2000/2020	5/12/2022
Wilmington, North Carolina											
Industrial Building	254	44	386	1	44	387	431	11	420	2000/2020	5/12/2022
Bridgeton, New Jersey											
Industrial Building	1,945	571	2,753	3	574	2,753	3,327	59	3,268	2017	8/5/2022
Vineland, New Jersey											

Location of Property	Encumbrances	Initial Cost: Land	Initial Cost: Buildings & Improvements	Improvement Costs Capitalized Subsequent to Acquisition	Total Cost: Land	Total Cost: Buildings & Improvements	Total (1)	Accumulated Depreciation (2)	Net Real Estate	Year Construction/ Improvements	Date Acquired
Industrial Building	14,968	860	24,634	4	864	24,634	25,498	354	25,144	2003/2009	8/5/2022
Jacksonville, Florida											
Industrial Building	4,400	1,099	5,587	222	1,099	5,809	6,908	65	6,843	1978	9/16/2022
Fort Payne, Alabama (3)											
Industrial Building	—	39	4,774	—	39	4,774	4,813	43	4,770	2022	9/20/2022
Denver, Colorado											
Industrial Building	6,600	5,227	4,649	157	5,228	4,805	10,033	37	9,996	1978	10/26/2022
Greenville, South Carolina (3)											
Industrial Building	—	411	3,693	105	410	3,799	4,209	4	4,205	1964	12/21/2022
	$ 362,037	$ 153,064	$ 1,045,151	$ 101,355	$ 153,344	$ 1,146,226	$ 1,299,570	$ 296,254	$ 1,003,316		

(1) The aggregate cost for land and building improvements for federal income tax purposes is the same as the total gross cost of land, building improvements and acquisition costs capitalized for asset acquisitions under ASC 360, which is $1,299.6 million.
(2) Depreciable life of all buildings is the shorter of the useful life of the asset or 39 years. Depreciable life of all improvements is the shorter of the useful life of the assets or the life of the respective leases on each building, which range from 5-20 years.
(3) These properties are in our unencumbered pool of assets on our Credit Facility.

The following table reconciles the change in the balance of real estate during the years ended December 31, 2022, 2021 and 2020, respectively (in thousands):

	2022	2021	2020
Balance at beginning of period	$ 1,225,258	$ 1,140,205	$ 1,064,389
Additions:			
Acquisitions during period	99,300	85,169	111,049
Improvements	26,670	14,495	11,696
Deductions:			
Dispositions during period	(39,823)	(14,611)	(43,383)
Impairments during period	(11,835)	—	(3,546)
Balance at end of period	$ 1,299,570 (1)	$ 1,225,258	$ 1,140,205 (2)

(1) The real estate figure includes $12.3 million of real estate held for sale as of December 31, 2022.
(2) The real estate figure includes $11.5 million of real estate held for sale as of December 31, 2020.

The following table reconciles the change in the balance of accumulated depreciation during the years ended December 31, 2022, 2021 and 2020, respectively (in thousands):

	2022	2021	2020
Balance at beginning of period	$ 266,672	$ 231,876	$ 210,944
Additions during period	42,584	39,612	36,034
Dispositions during period	(13,002)	(4,816)	(15,102)
Balance at end of period	$ 296,254 (1)	$ 266,672	$ 231,876 (2)

(1) The accumulated depreciation figure includes $9.3 million of real estate held for sale as of December 31, 2022.
(2) The accumulated depreciation figure includes $3.4 million of real estate held for sale as of December 31, 2020.

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures.

a) Evaluation of Disclosure Controls and Procedures

As of December 31, 2022, our management, including our chief executive officer and chief financial officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures. Based on that evaluation, the chief executive officer and chief financial officer, concluded that our disclosure controls and procedures were effective as of December 31, 2022 in providing a reasonable level of assurance that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in applicable SEC rules and forms, including providing a reasonable level of assurance that information required to be disclosed by us in such reports is accumulated and communicated to our management, including our chief executive officer and our chief financial officer, as appropriate to allow timely decisions regarding required disclosure. However, in evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated can provide only reasonable assurance of necessarily achieving the desired control objectives, and management was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

b) Management's Annual Report on Internal Control Over Financial Reporting

Refer to Management's Report on Internal Controls over Financial Reporting located in Item 8 of this Annual Report on Form 10-K.

c) Attestation Report of the Registered Public Accounting Firm

Refer to the Report of Independent Registered Public Accounting Firm located in Item 8 of this Annual Report on Form 10-K.

d) Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the quarter ended December 31, 2022 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information.

None.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections.

Not applicable.

PART III

We will file a definitive Proxy Statement for our 2023 Annual Meeting of Stockholders (the "2023 Proxy Statement") with the SEC, pursuant to Regulation 14A, not later than 120 days after December 31, 2022. Accordingly, certain information required by Part III has been omitted under General Instruction G(3) to Form 10-K. Only those sections of the 2023 Proxy Statement that specifically address the items set forth herein are incorporated by reference.

Item 10. Directors, Executive Officers and Corporate Governance.

The information required by Item 10 is hereby incorporated by reference from our 2023 Proxy Statement under the captions "*Election of Directors to Class of 2026,*" "*Information Regarding the Board of Directors and Corporate Governance,*" "*Compensation Committee Report,*" "*Executive Officers*," and sub-caption "*Code of Business Conduct and Ethics,*" as well as from the information disclosed under the caption "Code of Ethics" included in Part I, Item 1 of this Annual Report on Form 10-K.

Item 11. Executive Compensation.

The information required by Item 11 is hereby incorporated by reference from our 2023 Proxy Statement under the captions "*Executive Compensation,*" "*Director Compensation,*" and "*Compensation Committee Report,*" and sub-caption "*Compensation Committee Interlocks and Insider Participation.*"

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The information required by Item 12 is hereby incorporated by reference from our 2023 Proxy Statement under the caption "*Security Ownership of Certain Beneficial Owners and Management.*"

Item 13. Certain Relationships and Related Transactions, and Director Independence.

The information required by Item 13 is hereby incorporated by reference from our 2023 Proxy Statement under the captions "*Transactions with Related Persons*" and "*Information Regarding the Board of Directors and Corporate Governance.*"

Item 14. Principal Accountant Fees and Services.

The information required by Item 14 is hereby incorporated by reference from our 2023 Proxy Statement under the sub-captions "*Independent Registered Public Accounting Firm Fees*" and "*Pre-Approval Policy and Procedures*" under the caption "*Ratification of Selection of Independent Registered Public Accounting Firm.*"

PART IV

Item 15. Exhibits and Financial Statement Schedules.

a. DOCUMENTS FILED AS PART OF THIS REPORT

1 The following financial statements are filed herewith:

Report of Management on Internal Controls over Financial Reporting
Report of Independent Registered Public Accounting Firm
Consolidated Balance Sheets as of December 31, 2022 and 2021
Consolidated Statements of Operations and Comprehensive Income for the years ended December 31, 2022, 2021 and 2020
Consolidated Statements of Stockholders' Equity for the years ended December 31, 2022, 2021 and 2020
Consolidated Statements of Cash Flows for the years ended December 31, 2022, 2021 and 2020
Notes to Consolidated Financial Statements

2 Financial statement schedules

Schedule III – Real Estate and Accumulated Depreciation is filed herewith.
All other schedules are omitted because they are not applicable, or because the required information is included in the financial statements or notes thereto.

3 Exhibits

The following exhibits are filed as part of this report or hereby incorporated by reference to exhibits previously filed with the SEC:

Exhibit Index

Exhibit Number	Exhibit Description
3.1	Articles of Restatement, incorporated by reference to Exhibit 3.2 to the Registrant's Current Report on Form 8-K (File No. 001-33097), filed January 12, 2017.
3.2	Bylaws of the Registrant, incorporated by reference to Exhibit 3.2 to the Registrant's Registration Statement on Form S-11 (File No. 333-106024), filed June 11, 2003.
3.3	First Amendment to Bylaws of the Registrant, incorporated by reference to Exhibit 99.1 to the Registrant's Current Report on Form 8-K (File No. 001-33097), filed July 10, 2007.
3.4	Second Amendment to Bylaws of the Registrant, incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K (File No. 001-33097), filed December 1, 2016.
3.5	Articles Supplementary, incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K (File No. 001-33097), filed April 12, 2018.

3.6	Articles of Amendment, incorporated by reference to Exhibit 3.2 to the Registrant's Current Report on Form 8-K (File No. 001-33097), filed April 12, 2018.
3.7	Articles Supplementary for 6.625% Series E Cumulative Redeemable Preferred Stock, incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K (File No. 001-33097), filed on September 27, 2019.
3.8	Articles Supplementary, incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K (File No. 001-33097), filed December 3, 2019.
3.9	Articles Supplementary for 6.00% Series F Cumulative Redeemable Preferred Stock, incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K (File No. 001-33097), filed February 20, 2020.
3.10	Articles Supplementary for 6.00% Series G Cumulative Redeemable Preferred Stock, incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K (File No. 001-33097), filed June 24, 2021.
3.11	Articles Supplementary, incorporated by reference to Exhibit 3.8 to the Registrant's Quarterly Report on Form 10-Q (File No. 001-33097), filed August 9, 2021.
4.1	Form of Certificate for Common Stock of the Registrant, incorporated by reference to Exhibit 4.1 to Pre-Effective Amendment No. 2 to the Registrant's Registration Statement on Form S-11 (File No. 333-106024), filed August 8, 2003.
4.2	Form of Certificate for 6.625% Series E Cumulative Redeemable Preferred Stock of the Registrant, incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K (File No. 001-33097), filed September 27, 2019.
4.3	Form of Certificate for 6.00% Series F Cumulative Redeemable Preferred Stock of the Registrant, incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K (File No. 001-33097), filed February 20, 2020.
4.4	Form of Certificate for 6.00% Series G Cumulative Redeemable Preferred Stock, incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K (File No. 001-33097), filed June 24, 2021.
4.5	Form of Indenture, incorporated by reference to Exhibit 4.5 to the Registrant's Registration Statement on Form S-3 (File No. 333-268549), filed November 23, 2022.
4.6	Description of the Registrant's securities registered pursuant to Section 12 of the Exchange Act (filed herewith).
10.1	Administration Agreement between the Registrant and Gladstone Administration, LLC, dated January 1, 2007, incorporated by reference to Exhibit 99.2 to the Registrant's Current Report on Form 8-K (File No. 001-33097), filed January 3, 2007.
10.2	Escrow Agreement, dated as of February 20, 2020, by and between Gladstone Commercial Corporation and UMB Bank, National Association, incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Escrow Agreement, dated as of February 20, 2020, by and between Gladstone Commercial Corporation and UMB Bank, National Association, incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K (File No. 001-33097), filed February 20, 2020.
10.3	Second Amended and Restated Agreement of Limited Partnership of Gladstone Commercial Limited Partnership, incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K (File No. 001-33097), filed July 11, 2018.
10.4	Exhibit SEP to Second Amended and Restated Agreement of Limited Partnership of Gladstone Commercial Limited Partnership: Designation of 6.625% Series E Cumulative Redeemable Preferred Units, incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K (File No. 001-33097), filed September 27, 2019.
10.5	First Amendment to Second Amended and Restated Agreement of Limited Partnership of Gladstone Commercial Operating Partnership, dated December 2, 2019, incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K (File No. 001-33097), filed December 3, 2019.
10.6	Second Amendment to the Second Amended and Restated Agreement of Limited Partnership of Gladstone Commercial Limited Partnership, including Exhibit SFP thereto, incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K (File No. 001-33097), filed February 20, 2020.
10.7	Third Amendment to the Second Amended and Restated Agreement of Limited Partnership of Gladstone Commercial Limited Partnership, including Exhibit SGP thereto, incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K (File No. 001-33097), filed June 24, 2021.
10.8	Fourth Amendment to the Second Amended and Restated Agreement of Limited Partnership of Gladstone Commercial Limited Partnership, incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q (File No. 001-33097), filed August 9, 2021.

10.9	Third Amended and Restated Credit Agreement and Other Loan Documents, dated as of February 11, 2021, by and among Gladstone Commercial Limited Partnership, as borrower, Gladstone Commercial Corporation and certain of its wholly owned subsidiaries, as guarantors, each of the financial institutions initially a signatory thereto together with their successors and assignees, as lenders, and KeyBank National Association, as lender and agent, incorporated by reference to Exhibit 10.18 to the Registrant's Annual Report on Form 10-K (File No. 001-33097), filed February 16, 2021.
10.10	Fourth Amended and Restated Credit Agreement and Other Loan Documents, dated as of August 18, 2022 by and among Gladstone Commercial Limited Partnership, as borrower, Gladstone Commercial Corporation and certain of its wholly owned subsidiaries, as guarantors, each of the financial institutions initially a signatory thereto together with their successors and assignees, as lenders, and KeyBank National Association, as lender and agent, incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K (File No. 001-33097), filed August 19, 2022.
10.11	Sixth Amended and Restated Investment Advisory Agreement, dated as of July 14, 2020, by and between the Registrant and Gladstone Management Corporation. incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q (File No. 001-33097), filed July 27, 2020.
10.12	Seventh Amended and Restated Investment Advisory Agreement by and between the Registrant and Gladstone Management Corporation (filed herewith).
10.13	Dealer Manager Agreement, dated as of February 20, 2020, by and between the Registrant and Gladstone Securities, LLC, incorporated by reference to Exhibit 1.1 to the Registrant's Current Report on Form 8-K (File No. 001-33097), filed February 20, 2020.
10.14	First Amendment to Dealer Manager Agreement, dated as of February 9, 2023, by and between the Registrant and Gladstone Securities, LLC, incorporated by reference to Exhibit 1.1 to the Registrant's Current Report on Form 8-K (File No. 001-33097), filed February 9, 2023.
21	List of Subsidiaries of the Registrant (filed herewith).
23	Consent of PricewaterhouseCoopers LLP (filed herewith).
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
32.1	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).
32.2	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).
99.1	Estimated Value Methodology for Series F Cumulative Redeemable Preferred Stock as of December 31, 2022.
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF*	XBRL Definition Linkbase
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

* Attached as Exhibit 101 to this Annual Report on Form 10-K are the following materials, formatted in XBRL (eXtensible Business Reporting Language): (i) the Consolidated Balance Sheets as of December 31, 2022 and December 31, 2021, (ii) the Consolidated Statements of Operations and Comprehensive Income for the years ended December 31, 2022, 2021 and 2020, (iii) the Consolidated Statements of Stockholders' Equity for the years ended December 31, 2022, 2021 and 2020, (iv) the Consolidated Statements of Cash Flows for the years ended December 31, 2022, 2021 and 2020 and (v) the Notes to Consolidated Financial Statements.

Item 16. Form 10-K Summary.

Not applicable.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

		Gladstone Commercial Corporation	
Date:	February 22, 2023	By:	/s/ Gary Gerson
			Gary Gerson Chief Financial Officer
Date:	February 22, 2023	By:	/s/ David Gladstone
			David Gladstone Chief Executive Officer and Chairman of the Board of Directors

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Date:	February 22, 2023	By:	/s/ David Gladstone David Gladstone Chief Executive Officer and Chairman of the Board of Directors (principal executive officer)
Date:	February 22, 2023	By:	/s/ Terry Lee Brubaker Terry Lee Brubaker Vice Chairman, Chief Operating Officer and Director
Date:	February 22, 2023	By:	/s/ Gary Gerson Gary Gerson Chief Financial Officer (principal financial and accounting officer)
Date:	February 22, 2023	By:	/s/ Anthony W. Parker Anthony W. Parker Director
Date:	February 22, 2023	By:	/s/ Michela A. English Michela A. English Director
Date:	February 22, 2023	By:	/s/ Paul Adelgren Paul Adelgren Director
Date:	February 22, 2023	By:	/s/ John Outland John Outland Director
Date:	February 22, 2023	By:	/s/ Walter H. Wilkinson, Jr. Walter H. Wilkinson, Jr. Director
Date:	February 22, 2023	By:	/s/ Paula Novara Paula Novara Director

Exhibit 4.6

DESCRIPTION OF THE REGISTRANT'S SECURITIES REGISTERED PURSUANT TO SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934

Gladstone Commercial Corporation (which we refer to as "we," "us," or the "Company") has three classes of securities registered under Section 12 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"): our common stock, par value $0.001 per share ("common stock"), our 6.625% Series E Cumulative Redeemable Preferred Stock, par value $0.001 per share ("Series E Preferred Stock") and our 6.00% Series G Cumulative Redeemable Preferred Stock, par value $0.001 per share ("Series G Preferred Stock"). Our senior common stock, par value $0.001 per share ("Senior Common Stock") and our 6.00% Series F Cumulative Redeemable Preferred Stock, par value $0.001 per share ("Series F Preferred Stock") are not registered under Section 12 of the Exchange Act.

DESCRIPTION OF CAPITAL STOCK

General

Our authorized capital stock consists of 100,000,000 shares of capital stock, par value $0.001 per share, 62,305,727 of which are classified as common stock, 6,760,000 of which are classified as Series E Preferred Stock, 950,000 of which are classified as Senior Common Stock, 25,992,787 of which are classified as Series F Preferred Stock and 3,991,486 of which are classified as Series G Preferred Stock. Under our charter, our board of directors is authorized to classify and reclassify any unissued shares of capital stock by setting or changing in any one or more respects, from time to time before issuance of such stock, the preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends or other distributions, qualifications and terms and conditions of redemption of such stock. Our board of directors may also, without stockholder approval, amend our charter from time to time to increase or decrease the aggregate number of shares of stock or the number of shares of stock of any class that we have authority to issue.

For purposes of this Exhibit 4.6, we refer to our common stock which is listed on Nasdaq Global Select Market under the symbol "GOOD" as our "Listed Common Stock" and we refer to our non-listed Senior Common Stock as our "Senior Common Stock." We collectively refer to our Series E Preferred Stock, our Series F Preferred Stock and our Series G Preferred Stock as our "Preferred Stock," where appropriate.

The following summary description of our capital stock is not necessarily complete and is qualified in its entirety by reference to our charter and bylaws, as amended, each of which has been filed with the Securities and Exchange Commission, as well as applicable provisions of the General Corporation Law of the State of Maryland (the "MGCL").

Meetings and Special Voting Requirements

An annual meeting of the stockholders will be held each year for the purpose of electing the class of directors whose term is up for election and to conduct other business that may be properly brought before the stockholders. Special meetings of stockholders may be called only upon the request of a majority of our directors, a majority of our independent directors, our chairman, our chief executive officer or our president and must be called by our secretary upon the written request of stockholders entitled to cast at least a majority of all the votes entitled to be cast at a meeting. In general, the presence in person or by proxy of a majority of the outstanding shares, exclusive of excess shares (described in "*Certain Provisions of Maryland Law and of Our Charter and Bylaws — Restrictions on Ownership and Transfer*," below), shall constitute a quorum. Generally, the affirmative vote of a majority of the votes cast at a meeting at which a quorum is present is necessary to take stockholder action, except that a plurality of all votes cast at such a meeting is sufficient to elect any director.

Under Maryland law, a Maryland corporation generally cannot dissolve, amend its charter, merge, convert, sell all or substantially all of its assets, engage in a share exchange or engage in similar transactions outside the ordinary course of business, unless approved by the affirmative vote of stockholders entitled to cast at least two-thirds of the votes entitled to be cast on the matter. However, a Maryland corporation may provide in its charter for approval of these matters by a lesser percentage, but not less than a majority of all of the votes entitled to be cast on the matter. Except for a conversion, our charter provides for approval of these matters by a majority of all the votes entitled to be cast on the matter.

Stockholders may, by the affirmative vote of at least two-thirds of all votes entitled to be cast generally in the election of directors, elect to remove a director for cause.

Repurchases of Excess Shares

We have the authority to redeem "excess shares" (as defined in our charter) immediately upon becoming aware of the existence of excess shares or after giving the holder of the excess shares 30 days to transfer the excess shares to a person whose ownership of such shares would not exceed the ownership limit, and therefore such shares would no longer be considered excess shares. The price paid upon redemption by us shall be the lesser of the price paid for such excess shares by the stockholder holding the excess shares or the fair market value of the excess shares, see "*Certain Provisions of Maryland Law and of Our Charter and Bylaws — Restrictions on Ownership and Transfer*."

Common Stock

Certificates

Generally, we will not issue stock certificates. Shares of common stock will be held in "uncertificated" form, which will eliminate the physical handling and safekeeping responsibilities inherent in owning transferable stock certificates and eliminate the need to return a duly executed stock certificate to the transfer agent to effect a transfer. Transfers can be effected simply by mailing to us a duly executed transfer form. Upon the issuance of shares of common stock, we will send on request to each stockholder a written statement which will include all information that is required to be written upon stock certificates pursuant to the MGCL.

Other Matters

The transfer and distribution paying agent and registrar for our common stock is Computershare, Inc.

Listed Common Stock

Voting Rights

Each share of Listed Common Stock is entitled to one vote on each matter to be voted upon by our stockholders, including the election of directors, and, except as provided with respect to any other class or series of capital stock, the holders of the Listed Common Stock possess exclusive voting power. There is no cumulative voting in the election of directors which means that the holders of a majority of the outstanding Listed Common Stock can elect all of the directors then standing for election and that the holders of the remaining shares are not able to elect any directors.

Dividends, Liquidations and Other Rights

Holders of Listed Common Stock are entitled to receive distributions, when authorized by our board of directors and declared by us, out of assets legally available for the payment of distributions. We currently pay distributions on the Listed Common Stock on a monthly basis. They also are entitled to share ratably in our assets legally available for distribution to our stockholders in the event of our liquidation, dissolution or winding up, after payment of or adequate provision for all of our known debts and liabilities. These rights are subject to the preferential rights of any other class or series of our shares, including the Senior Common Stock and our Preferred Stock, and the provisions of our charter regarding restrictions on transfer and ownership of shares of our capital stock.

Holders of our Listed Common Stock have no preference, conversion, exchange, sinking fund, redemption or appraisal rights and have no preemptive rights to subscribe for any of our securities. Subject to the restrictions on transfer and ownership of shares of our capital stock contained in our charter, all shares of Listed Common Stock have equal distribution, liquidation and other rights.

Preferred Stock

General

Subject to limitations prescribed by the MGCL and our charter, our board of directors is authorized to issue, from the authorized but unissued shares of stock, shares of preferred stock in class or series and to establish from time to time the number of shares of preferred stock to be included in the class or series and to fix the designation and any preferences, conversion and other rights, voting powers, restrictions, limitations as to dividends and other distributions, qualifications and terms and conditions of redemption of the shares of each class or series. Our board may also increase the number of shares in any existing class or series.

Existing Series of Preferred Stock

As of December 31, 2022, the Company had the following series of preferred stock classified:

- 6,760,000 shares of Series E Preferred Stock;
- 25,992,787 shares of Series F Preferred Stock; and
- 3,991,486 shares of Series G Preferred Stock.

Series E Preferred Stock

Voting Rights

Holders of Series E Preferred Stock generally have no voting rights. However, if dividends on any shares of the Series E Preferred Stock are in arrears for 18 or more consecutive months, holders of the Series E Preferred Stock (voting together as a single class with holders of shares of any series of our preferred stock equal in rank with the Series E Preferred Stock upon which like voting rights have been conferred and are exercisable) will have the right to elect two additional directors to serve on our board of directors until all dividends for the past dividend periods are fully paid or declared and set apart for payment. In addition, we may not amend the charter, including the designations, rights, preferences, privileges or limitations in respect of the Series E Preferred Stock, whether by merger, consolidation or otherwise, in a manner that would materially and adversely affect the rights, preferences, privileges or voting powers of the Series E Preferred Stock without the affirmative vote of the holders of at least two-thirds of the shares of Series E Preferred Stock then outstanding.

Dividends, Liquidation Preference and Other Rights

Holders of Series E Preferred Stock are entitled to receive, when and as authorized by our board of directors and declared by us, preferential cumulative cash dividends on the Series E Preferred Stock at a rate of 6.625% per annum of the $25.00 per share liquidation preference (equivalent to $1.65625 per annum per share). Beginning on the date of issuance, dividends on the Series E Preferred Stock are payable monthly in arrears and are cumulative.

If we liquidate, dissolve or wind up, holders of the Series E Preferred Stock will have the right to receive the $25.00 per share liquidation preference, plus an amount equal to any accrued and unpaid dividends to and including the date of payment, but without interest, before any payment is made to the holders of our common stock (including our Listed Common Stock and Senior Common Stock) or any other class or series of our capital stock ranking junior to the Series E Preferred Stock as to liquidation rights.

With respect to the payment of dividends and amounts upon liquidation, dissolution or winding up, the Series E Preferred Stock will be equal in rank with our Series F Preferred Stock, Series G Preferred Stock and all other equity securities we issue, the terms of which specifically provide that such equity securities rank on a parity with the Series E Preferred Stock with respect to dividend rights or rights upon our liquidation, dissolution or winding up; senior to our common stock (including our Listed Common Stock and Senior Common Stock); and junior to all our existing and future indebtedness.

Generally, we are not permitted to redeem the Series E Preferred Stock prior to October 4, 2024, except in limited circumstances relating to our ability to qualify as a REIT and pursuant to the special optional redemption provision described below. On and after October 4, 2024, we may, at our option, redeem the Series E Preferred Stock, in whole or in part, at any time or from time to time, for cash at a redemption price of $25.00 per share, plus an amount equal to any accrued and unpaid dividends (whether or not authorized or declared) to, but not including, the date fixed for redemption, without interest, to the extent we have funds legally available for that purpose.

In addition, upon the occurrence of a change of control or delisting event, as a result of which neither our common stock nor the common securities of the acquiring or surviving entity (or American Depositary Receipts representing such securities) is listed on the New York Stock Exchange, the NYSE American or Nasdaq, or listed or quoted on a successor exchange or quotation system, we may, at our option, redeem the Series E Preferred Stock, in whole or in part, within 120 days after the first date on which such change of control or delisting event occurred, by paying $25.00 per share, plus an amount equal to any accrued and unpaid dividends to, but not including, the date of redemption. Should a change of control or delisting event occur, each holder of Series E Preferred Stock may, at its sole option, elect to cause us to redeem any or all of such holder's shares of Series E Preferred Stock in cash at a redemption price of $25.00 per share, plus an amount equal to all accrued but unpaid dividends, to, but not including, the redemption date, no earlier than 30 days and no later than 60 days following the date we notify holders of the change of control or delisting event.

Shares of Series E Preferred Stock are not convertible into or exchangeable for any other securities or property. The Series E Preferred Stock has no stated maturity and is not subject to mandatory redemption or any sinking fund.

Series F Preferred Stock

Voting Rights

Holders of Series F Preferred Stock generally have no voting rights. However, if dividends on any shares of the Series F Preferred Stock are in arrears for 18 or more consecutive months, holders of the Series F Preferred Stock (voting together as a single class with holders of shares of any series of our preferred stock equal in rank with the Series F Preferred Stock upon which like voting rights have been conferred and are exercisable) will have the right to elect two additional directors to serve on our board of directors until all dividends for the past dividend periods are fully paid or declared and set apart for payment. In addition, we may not amend the charter, including the designations, rights, preferences, privileges or limitations in respect of the Series F Preferred Stock, whether by merger, consolidation or otherwise, in a manner that would materially and adversely affect the rights, preferences, privileges or voting powers of the Series F Preferred Stock without the affirmative vote of the holders of at least two-thirds of the shares of Series F Preferred Stock then outstanding.

Dividends and Liquidation Preference

Holders of shares of the Series F Preferred Stock will be entitled to receive, when, as and if authorized by our Board of Directors (or a duly authorized committee of the board) and declared by us, out of funds legally available for the payment of dividends, preferential cumulative cash dividends at the rate of 6.00% per annum of the liquidation preference of $25.00 per share (equivalent to a fixed annual amount of $1.50 per share). Beginning on the date of issuance, dividends on the Series F Preferred Stock are payable monthly in arrears and are cumulative.

In the event of our voluntary or involuntary liquidation, dissolution or winding up, the holders of shares of Series F Preferred Stock will be entitled to be paid, out of our assets legally available for distribution to our stockholders, a liquidation preference of $25.00 per share, plus an amount equal to any accumulated and unpaid dividends on such shares to, but excluding, the date of payment, but without interest, before any distribution of assets is made to holders of our common stock or any other class or series of our capital stock that ranks junior to the Series F Preferred Stock as to liquidation rights.

With respect to the payment of dividends and amounts upon liquidation, dissolution or winding up, the Series F Preferred Stock will be equal in rank with our Series E Preferred Stock, Series G Preferred Stock and all other equity securities we issue, the terms of which specifically provide that such equity securities rank on a parity with the Series F Preferred Stock with respect to dividend rights or rights upon our liquidation, dissolution or winding up; senior to our common stock (including our Listed Common Stock and Senior Common Stock); and junior to all our existing and future indebtedness.

Redemption

Optional Redemption Following Death of a Holder

Subject to the restrictions described under "-Stockholder Redemption Option," and the terms and procedures described below under "-Redemption Procedures," commencing on the date of original issuance and terminating upon the listing of the Series F Preferred Stock on Nasdaq or another national securities exchange, shares of Series F Preferred Stock held by a natural person upon his or her death will be redeemed at the written request of the holder's estate for a cash payment of $25.00 per share of Series F Preferred Stock on the Death Redemption Date, which is the tenth calendar day following delivery of such holder's estate's request to redeem shares of the Series F Preferred Stock, or if such tenth calendar day is not a business day, on the next succeeding business day.

Stockholder Redemption Option

Subject to the restrictions described herein, and the terms and procedures described below under "-Redemption Procedures," commencing on the date of original issuance (or, if after the date of original issuance our Board of Directors suspends the redemption program of the holders of the Series F Preferred Stock, on the date our Board of Directors reinstates such program) and terminating on the earlier to occur of (1) the date upon which our Board of

Directors, by resolution, suspends or terminates the redemption program, and (2) the date on which shares of the Series F Preferred Stock are listed on Nasdaq or another national securities exchange, holders of the Series F Preferred Stock may, at their option, require us to redeem any or all of their shares of Series F Preferred Stock for a cash payment of $22.50 per share of Series F Preferred Stock on the Stockholder Redemption Date, which is the tenth calendar day following delivery of such holder's request to redeem shares of the Series F Preferred Stock, or if such tenth calendar day is not a business day, on the next succeeding business day. The maximum dollar amount that we will make available each calendar year to redeem shares of Series F Preferred Stock will not be subject to an annual limit; provided, that our obligation to redeem shares of Series F Preferred Stock is limited to the extent that our Board of Directors determines, in its sole and absolute discretion, that we do not have sufficient funds available to fund any such redemption or we are restricted by applicable law from making such redemption; and is also limited to the extent our Board of Directors suspends or terminates the optional redemption right at any time or for any reason, including after delivery of a Stockholder Redemption Notice but prior to the corresponding Stockholder Redemption Date.

Redemption Procedures

To require us to redeem shares of Series F Preferred Stock, a holder or estate of a holder, as applicable, must deliver a notice of redemption, by overnight delivery or by first class mail, postage prepaid to us at our principal executive offices. Each such notice must be an original, notarized copy and must state: (1) the name and address of the stockholder whose shares of Series F Preferred Stock are requested to be redeemed, (2) the number of shares of Series F Preferred Stock requested to be redeemed, (3) the name of the broker dealer who holds the shares of Series F Preferred Stock requested to be redeemed, the stockholder's account number with such broker dealer and such broker dealer's participant number for DTC and (4) in the case of a notice to redeem upon the death of a holder, a certified copy of the death certificate (and such other evidence that is satisfactory to us in our sole discretion) for the natural person who previously held the shares to be redeemed.

If, as a result of the limitations described under "-Stockholder Redemption Option," the optional redemption right has not been suspended or terminated but fewer than all shares for which a notice of redemption was delivered to us are to be redeemed, the number of shares to be redeemed will be pro rata based on the number of shares of Series F Preferred Stock for which each holder timely submitted a notice of redemption. If a Stockholder Redemption Date is also a Death Redemption Date, the limitations described under "-Stockholder Redemption Option" shall first be applied to any redemption requested upon the death of the holder and then to shares to be redeemed pursuant to the Stockholder Redemption Option.

Upon any redemption of shares of Series F Preferred Stock, the holder thereof will also be entitled to receive a sum equal to all accumulated and unpaid dividends on such shares to, but excluding, the applicable Stockholder Redemption Date or Death Redemption Date (unless such Stockholder Redemption Date or Death Redemption Date falls after a dividend record date and on or prior to the corresponding dividend payment date, in which case each holder of shares of Series F Preferred Stock on such dividend record date will be entitled to the dividend payable on such shares on the corresponding dividend payment date, notwithstanding the redemption of such shares on or prior to such dividend payment date, and each holder of shares of Series F Preferred Stock that are redeemed on such Stockholder Redemption Date or Death Redemption Date will be entitled to the dividends, if any, occurring after the end of the dividend period to which such dividend payment date relates up to, but excluding, the Stockholder Redemption Date or Death Redemption Date, as the case may be). Upon the redemption of any shares of Series F Preferred Stock, such shares of Series F Preferred Stock will cease to be outstanding, dividends with respect to such shares of Series F Preferred Stock will cease to accumulate and all rights whatsoever with respect to such shares (except the right to receive the per share cash payment for the redeeming shares) will terminate.

We may suspend or terminate the redemption program at any time in our sole discretion.

Optional Redemption by the Company

Except in certain limited circumstances relating to maintaining our qualification as a REIT as described in "Restrictions on Ownership and Transfer," we cannot redeem the Series F Preferred Stock prior to the later of (1) first anniversary of the Termination Date and (2) June 1, 2024.

On and after the later of (1) first anniversary of the Termination Date and (2) June 1, 2024, at our sole option upon not less than 30 nor more than 60 days' written notice, we may redeem shares of the Series F Preferred Stock, in whole or in part, at any time or from time to time, for cash at a redemption price of $25.00 per share, plus an amount equal to all accumulated and unpaid dividends on such shares to, but excluding, the date fixed for redemption, without interest. Holders of Series F Preferred Stock to be redeemed must then surrender such Series F Preferred Stock at the place designated in the notice. Upon surrender of the Series F Preferred Stock, the holders will be entitled to the redemption price. If notice of redemption of any shares of Series F Preferred Stock has been given and if we have deposited the funds necessary for such redemption with the paying agent for the benefit of the holders of any of the shares of Series F Preferred Stock to be redeemed, then from and after the redemption date, dividends will cease to accumulate on those shares of Series F Preferred Stock, those shares of Series F Preferred Stock will no longer be deemed outstanding and all rights of the holders of such shares will terminate, except the right to receive the redemption price. If less than all of the outstanding Series F Preferred Stock is to be redeemed, the Series F Preferred Stock to be redeemed will be selected (1) pro rata, (2) by lot or (3) by any other fair and equitable method that our Board of Directors may choose.

Unless full cumulative dividends for all applicable past dividend periods on all shares of Series F Preferred Stock and any shares of stock that rank on parity with regards to dividends and upon liquidation have been or contemporaneously are declared and paid (or declared and a sum sufficient for payment set apart for payment), no shares of Series F Preferred Stock will be redeemed. In such event, we also will not purchase or otherwise acquire directly or indirectly any shares of Series F Preferred Stock (except by exchange for our capital stock ranking junior to the Series F Preferred Stock as to dividends and upon liquidation). However, the foregoing will not prevent us from purchasing shares pursuant to our charter, in order to ensure that we continue to meet the requirements for qualification as a REIT, or from acquiring shares of Series F Preferred Stock pursuant to a purchase or exchange offer made on the same terms to holders of all outstanding shares of Series F Preferred Stock and any shares of stock that rank on parity with regards to dividends and upon liquidation. Upon listing, if any, of the Series F Preferred Stock on Nasdaq or another national securities exchange, so long as no dividends are in arrears, we will be entitled at any time and from time to time to repurchase shares of Series F Preferred Stock in open-market transactions duly authorized by the Board of Directors and effected in compliance with applicable laws.

We will deliver a notice of redemption, by overnight delivery, by first class mail, postage prepaid or electronically to holders thereof, or request our agent, on behalf of us, to promptly do so by overnight delivery, by first class mail, postage prepaid or electronically. The notice will be provided not less than 30 nor more than 60 days prior to the date fixed for redemption in such notice. Each such notice will state: (1) the date for redemption; (2) the number of Series F Preferred Stock to be redeemed; (3) the CUSIP number for the Series F Preferred Stock; (4) the applicable redemption price on a per share basis; (5) if applicable, the place or places where the certificate(s) for such shares are to be surrendered for payment of the price for redemption; (6) that dividends on the Series F Preferred Stock to be redeemed will cease to accumulate from and after such date of redemption; and (7) the applicable provisions of our charter under which such redemption is made. If fewer than all shares held by any holder are to be redeemed, the notice delivered to such holder will also specify the number of Series F Preferred Stock to be redeemed from such holder or the method of determining such number. We may provide in any such notice that such redemption is subject to one or more conditions precedent and that we will not be required to effect such redemption unless each such condition has been satisfied at the time or times and in the manner specified in such notice. No defect in the notice or delivery thereof will affect the validity of redemption proceedings, except as required by applicable law. If a redemption date falls after a record date and on or prior to the corresponding dividend payment date, each holder of Series F Preferred Stock at the close of business on that record date will be entitled to the dividend payable on such shares on the corresponding dividend payment date notwithstanding the redemption of such shares before the dividend payment date, and the redemption price received by the holder on the redemption date will be $25.00 per share.

Series G Preferred Stock

Voting Rights

Holders of Series G Preferred Stock generally have no voting rights. However, if dividends on any shares of the Series G Preferred Stock are in arrears for 18 or more consecutive months, holders of the Series G Preferred Stock (voting together as a single class with holders of shares of any series of our preferred stock equal in rank with the Series G Preferred Stock upon which like voting rights have been conferred and are exercisable) will have the right to elect two additional directors to serve on our board of directors until all dividends for the past dividend periods are fully paid or declared and set apart for payment. In addition, we may not amend the charter, including the designations, rights, preferences, privileges or limitations in respect of the Series G Preferred Stock, whether by merger, consolidation or otherwise, in a manner that would materially and adversely affect the rights, preferences, privileges or voting powers of the Series G Preferred Stock without the affirmative vote of the holders of at least two-thirds of the shares of Series G Preferred Stock then outstanding.

Dividends, Liquidation Preference and Other Rights

Holders of Series G Preferred Stock are entitled to receive, when and as authorized by our board of directors and declared by us, preferential cumulative cash dividends on the Series G Preferred Stock at a rate of 6.00% per annum of the $25.00 per share liquidation preference (equivalent to $1.50 per annum per share). Beginning on the date of issuance, dividends on the Series G Preferred Stock are payable monthly in arrears and are cumulative.

If we liquidate, dissolve or wind up, holders of the Series G Preferred Stock will have the right to receive the $25.00 per share liquidation preference, plus an amount equal to any accrued and unpaid dividends to and including the date of payment, but without interest, before any payment is made to the holders of our common stock (including our Listed Common Stock and Senior Common Stock) or any other class or series of our capital stock ranking junior to the Series G Preferred Stock as to liquidation rights.

With respect to the payment of dividends and amounts upon liquidation, dissolution or winding up, the Series G Preferred Stock will be equal in rank with our Series E Preferred Stock and Series F Preferred Stock, and any future class or series of our capital stock expressly designated as ranking on parity with the Series G Preferred Stock with respect to dividend rights or rights upon our liquidation, dissolution or winding up; senior to our common stock (including our Listed Common Stock and Senior Common Stock); and junior to all our existing and future indebtedness.

Generally, we are not permitted to redeem the Series G Preferred Stock prior to June 28, 2026, except in limited circumstances relating to our ability to qualify as a REIT and pursuant to the special optional redemption provision described below. On and after June 28, 2026, we may, at our option, redeem the Series G Preferred Stock, in whole or in part, at any time or from time to time, for cash at a redemption price of $25.00 per share, plus an amount equal to any accrued and unpaid dividends (whether or not authorized or declared) to, but not including, the date fixed for redemption, without interest, to the extent we have funds legally available for that purpose.

In addition, upon the occurrence of a change of control or delisting event, as a result of which neither our common stock nor the common securities of the acquiring or surviving entity (or American Depositary Receipts representing such securities) is listed on the New York Stock Exchange, the NYSE American or Nasdaq, or listed or quoted on a successor exchange or quotation system, we may, at our option, redeem the Series G Preferred Stock, in whole or in part, within 120 days after the first date on which such change of control or delisting event occurred, by paying $25.00 per share, plus an amount equal to any accrued and unpaid dividends to, but not including, the date of redemption. Should a change of control or delisting event occur, each holder of Series G Preferred Stock may, at its sole option, elect to cause us to redeem any or all of such holder's shares of Series G Preferred Stock in cash at a redemption price of $25.00 per share, plus an amount equal to all accrued but unpaid dividends, to, but not including, the redemption date, no earlier than 30 days and no later than 60 days following the date we notify holders of the change of control or delisting event.

Shares of Series G Preferred Stock are not convertible into or exchangeable for any other securities or property. The Series G Preferred Stock has no stated maturity and is not subject to mandatory redemption or any sinking fund.

CERTAIN PROVISIONS OF MARYLAND LAW AND OF OUR CHARTER AND BYLAWS

Classification of our Board of Directors

Our board of directors is currently comprised of eight members. Our board is divided into three classes of directors. Directors of each class are elected for a term expiring at the annual meeting of stockholders held in the third year following their election and until their respective successor is duly elected and qualifies, and each year one class of directors will be elected by the stockholders. Any director elected to fill a vacancy shall serve for the remainder of the full term of the class in which the vacancy occurred and until a successor is elected and qualifies. We believe that classification of our board of directors helps to assure the continuity and stability of our business strategies and policies as determined by our directors. Holders of shares of our capital stock have no right to cumulative voting in the election of directors. Consequently, at each annual meeting of stockholders, the holders of a majority of the capital stock entitled to vote are able to elect all of the successors of the class of directors whose terms expire at that meeting.

Our classified board could have the effect of making the replacement of incumbent directors more time consuming and difficult. At least two annual meetings of stockholders, instead of one, will generally be required to effect a change in a majority of our board of directors. Thus, our classified board could increase the likelihood that incumbent directors will retain their positions. The classified terms of directors may delay, defer or prevent a tender offer or an attempt to change control of us or another transaction that might involve a premium price for our common stock that might be in the best interest of our stockholders.

Removal of Directors

Any director may be removed only for cause by the stockholders upon the affirmative vote of at least two-thirds of all the votes entitled to be cast generally in the election of directors.

Restrictions on Ownership and Transfer

In order for us to qualify as a REIT, not more than 50% (by value) of our outstanding shares may be owned by any five or fewer individuals (including some tax-exempt entities) during the last half of each taxable year, and the outstanding shares must be owned by 100 or more persons independent of us and each other during at least 335 days of a 12-month taxable year or during a proportionate part of a shorter taxable year for which an election to be treated as a REIT is made. We may prohibit certain acquisitions and transfers of shares to maintain our qualification as a REIT under the Code. However, no assurance can be given that this prohibition will be effective.

In order to assist our board of directors in preserving our status as a REIT, among other purposes, our charter contains an ownership limit which prohibits any person or group of persons from acquiring, directly or indirectly, beneficial or constructive ownership of more than 9.8% of our outstanding shares of capital stock (which includes our common stock and preferred stock). Shares owned by a person or a group of persons in excess of the ownership limit are deemed “excess shares.” Shares owned by a person who individually owns of record less than 9.8% of outstanding shares may nevertheless be excess shares if the person is deemed part of a group for purposes of this restriction.

Our charter stipulates that any purported issuance or transfer of shares shall be valid only with respect to those shares that do not result in the transferee-stockholder owning shares in excess of the ownership limit or in our disqualification as a REIT under the Code. If the transferee-stockholder acquires excess shares, the person is considered to have acted as our agent and holds the excess shares on behalf of the ultimate stockholder.

The ownership limit does not apply to offerors which, in accordance with applicable federal and state securities laws, make a cash tender offer, where at least 90% of the outstanding shares of our stock (not including shares or subsequently issued securities convertible into common stock which are held by the tender offeror and any “affiliates” or “associates” thereof within the meaning of the Exchange Act) are duly tendered and accepted pursuant to the cash tender offer. The ownership limit also does not apply to the underwriter in a public offering of our shares. The ownership limit also does not apply to a person or persons which our directors exempt from the ownership limit upon appropriate assurances that our qualification as a REIT is not jeopardized.

We have the authority to (a) redeem excess shares upon becoming aware of the existence of excess shares after giving the holder of the excess shares written notice of the redemption not less than one week prior to the redemption date, or (b) grant the holder 30 days to transfer the excess shares to any person or group of persons whose ownership of such shares would not exceed the ownership limit, and therefore such shares would no longer be considered excess shares. The price paid upon redemption by us shall be the lesser of the price paid for such excess shares by the stockholder holding the excess shares or the fair market value of the excess shares.

Distributions

Distributions will be paid to stockholders as of the close of business on the applicable record date selected by our board of directors. We are required to make distributions to our stockholders sufficient to satisfy the REIT requirements. If we satisfy the REIT requirements, we generally will not be subject to federal corporate income tax on any income that we distribute to our stockholders.

Unless otherwise specified in the governing instrument of the capital stock, distributions will be paid at the discretion of our board of directors based upon our earnings, cash flow, general financial condition and applicable law. Because we may receive income from interest or rents at various times during our fiscal year, distributions may not reflect our income earned in that particular distribution period but may be made in anticipation of cash flow, which we expect to receive during a later period of the year and may be made in advance of actual receipt in an attempt to make distributions relatively uniform. We may borrow to make distributions if the borrowing is necessary to maintain our REIT status, or if the borrowing is part of a liquidation strategy whereby the borrowing is done in anticipation of the sale of properties and the proceeds will be used to repay the loan.

Information Rights

Any stockholder, or his or her agent, upon written request, may, during usual business hours and for any lawful and proper purpose, inspect and copy our bylaws, minutes of the proceedings of our stockholders, our annual financial statements and any voting trust agreement that is on file at our principal office. In addition, one or more stockholders who together are, and for at least six months have been, record holders of 5% of any class of our stock are entitled to inspect and copy our stockholder list and books of account upon written request. The list will include the name and address of, and the number of shares owned by, each stockholder and will be available at our principal office within 20 days of the stockholder's request. A 5% stockholder may also request in writing a statement of our affairs.

The rights of stockholders described herein are in addition to, and do not adversely affect rights provided to investors under, Rule 14a-7 promulgated under the Exchange Act, which provides that, upon request of investors and the payment of the expenses of the distribution, we are required to distribute specific materials to stockholders in the context of the solicitation of proxies for voting on matters presented to stockholders, or, at our option, provide requesting stockholders with a copy of the list of stockholders so that the requesting stockholders may make the distribution themselves.

Business Combinations

The MGCL prohibits "business combinations" between a corporation and an interested stockholder or an affiliate of an interested stockholder for five years after the most recent date on which the interested stockholder becomes an interested stockholder. These business combinations include a merger, consolidation, statutory share exchange, or, in circumstances specified in the statute, certain transfers of assets, certain stock issuances and transfers, liquidation plans and reclassifications involving interested stockholders and their affiliates. The MGCL defines an interested stockholder as:

- any person who beneficially owns, directly or indirectly, 10% or more of the voting power of the corporation's outstanding voting stock; or
- an affiliate or associate of the corporation who, at any time within the two-year period immediately prior to the date in question, was the beneficial owner, directly or indirectly, of 10% or more of the voting power of the then-outstanding stock of the corporation.

A person is not an interested stockholder if the board of directors approves in advance the transaction by which the person otherwise would have become an interested stockholder. However, in approving the transaction, the board of directors may provide that its approval is subject to compliance, at or after the time of approval, with any terms and conditions determined by the board of directors.

After the five-year prohibition, any business combination between a corporation and an interested stockholder generally must be recommended by the board of directors and approved by the affirmative vote of at least:
These super-majority vote requirements do not apply if the common stockholders receive a minimum price, as defined under Maryland law, for their shares in the form of cash or other consideration in the same form as previously paid by the interested stockholder for its shares.

- 80% of the votes entitled to be cast by holders of the then outstanding shares of voting stock; and
- two-thirds of the votes entitled to be cast by holders of the voting stock other than shares held by the interested stockholder with whom or with whose affiliate the business combination is to be effected or shares held by an affiliate or associate of the interested stockholder.

The statute permits various exemptions from its provisions, including business combinations that are approved by the board of directors before the time that the interested stockholder becomes an interested stockholder.

Our board of directors has by resolution exempted any business combination between the corporation and our officers and directors from these provisions of the MGCL and, consequently, the five-year prohibition and the super-majority vote requirements will not apply to business combinations between us and any of our officers and directors unless our board later resolves otherwise.

Subtitle 8

Subtitle 8 of Title 3 of the MGCL permits a Maryland corporation with a class of equity securities registered under the Exchange Act and at least three independent directors to elect to be subject, by provision in its charter or bylaws or a resolution of its board of directors and notwithstanding any contrary provision in the charter or bylaws, to any or all of five provisions:

- a classified board of directors;
- a two-thirds vote requirement for removing a director;
- a requirement that the number of directors be fixed only by vote of the directors;

- a requirement that a vacancy on the board be filled only by the remaining directors and for the remainder of the full term of the class of directors in which the vacancy occurred; and
- a majority requirement for the calling by stockholders of a stockholder-requested special meeting of stockholders.

We have elected to be subject to each of the above provisions of Title 3, Subtitle 8 of the MGCL.

Amendments to Our Charter and Bylaws

Our charter generally may be amended only if the amendment is declared advisable by our board of directors and approved by the affirmative vote of stockholders entitled to cast a majority of all of the votes entitled to be cast on the matter. Our board of directors, with the approval of a majority of the entire board, and without any action by our stockholders, may also amend our charter from time to time to increase or decrease the aggregate number of shares of stock or the number of shares of stock of any class or series we are authorized to issue.

Each of our board of directors and stockholders has the power to adopt, alter or repeal any provision of our bylaws and to make new bylaws.

Extraordinary Transactions

Under the MGCL, a Maryland corporation generally cannot dissolve, merge, convert, sell all or substantially all of its assets, engage in a statutory share exchange or engage in similar transactions outside the ordinary course of business unless approved by the affirmative vote of stockholders entitled to cast at least two-thirds of the votes entitled to be cast on the matter unless a lesser percentage (but not less than a majority of all of the votes entitled to be cast on the matter) is set forth in the corporation's charter. As permitted by the MGCL, except for a conversion, our charter provides that any of these actions may be approved by the affirmative vote of stockholders entitled to cast a majority of all of the votes entitled to be cast on the matter.

Operations

We generally are prohibited from engaging in certain activities, including acquiring or holding property or engaging in any activity that would cause us to fail to qualify as a REIT.

Term and Termination

Our charter provides for us to have a perpetual existence. Pursuant to our charter, and subject to the provisions of any of our classes or series of stock then outstanding and upon the approval by a majority of the entire board of directors, our stockholders by the affirmative vote of a majority of all of the votes entitled to be cast on the matter, may approve a plan of liquidation and dissolution.

Advance Notice of Director Nominations and New Business

Our bylaws provide that, with respect to an annual meeting of stockholders, nominations of persons for election to our board of directors and the proposal of business to be considered by stockholders at the annual meeting may be made only:

- pursuant to our notice of the meeting;
- by or at the direction of our board of directors; or
- by a stockholder who was a stockholder of record at the time of the provision of notice, who is entitled to vote at the meeting and who has complied with the advance notice procedures set forth in our bylaws.

With respect to special meetings of stockholders, only the business specified in our notice of meeting may be brought before the meeting of stockholders and nominations of persons for election to our board of directors at which directors are to be elected pursuant to our notice of the meeting may be made only:

- by or at the direction of our board of directors; or
- by a stockholder who was a stockholder of record at the time of the provision of notice, who is entitled to vote at the meeting and who has complied with the advance notice provisions set forth in our bylaws.

Power to Issue Additional Shares

In the future, we may issue additional securities, including upon the redemption of limited partnership interests that we may issue in connection with acquisitions of real property. We believe that the power to issue additional shares of stock and to classify or reclassify unissued shares of common stock or preferred stock and thereafter to issue the classified or reclassified shares provides us with increased flexibility in structuring possible future financings and acquisitions and in meeting other needs which might arise. These actions can be taken without stockholder approval, unless stockholder approval is required by applicable law or the rules of any stock exchange or automated quotation system on which our securities may be listed or traded. Although we have no present intention of doing so, we could issue a class or series of shares that could delay, defer or prevent a transaction or a change in control that might involve a premium price for holders of common stock or otherwise be in their best interest.

Control Share Acquisitions

The MGCL provides that a holder of “control shares” of a Maryland corporation acquired in a “control share acquisition” has no voting rights with respect to such shares except to the extent approved at a special meeting by the affirmative vote of two-thirds of the votes entitled to be cast on the matter, excluding shares of stock in a corporation in respect of which any of the following persons is entitled to exercise or direct the exercise of the voting power of shares of stock of the corporation in the election of directors: (i) a person who makes or proposes to make a control share acquisition, (ii) an officer of the corporation or (iii) an employee of the corporation who is also a director of the corporation. “Control shares” are voting shares of stock which, if aggregated with all other such shares of stock previously acquired by the acquiror or in respect of which the acquiror is able to exercise or direct the exercise of voting power (except solely by virtue of a revocable proxy), would entitle the acquiror to exercise voting power in electing directors within one of the following ranges of voting power: (i) one-tenth or more but less than one-third, (ii) one-third or more but less than a majority, or (iii) a majority or more of all voting power. Control shares do not include shares that the acquiring person is then entitled to vote as a result of having previously obtained stockholder approval. A “control share acquisition” means the acquisition of issued and outstanding control shares, subject to certain exceptions.

A person who has made or proposes to make a control share acquisition, upon satisfaction of certain conditions (including an undertaking to pay expenses), may compel our board of directors to call a special meeting of stockholders to be held within 50 days of demand to consider the voting rights of the shares. If no request for a meeting is made, the corporation may itself present the question at any stockholders meeting.

If voting rights are not approved at the meeting or if the acquiring person does not deliver an acquiring person statement as required by the statute, then, subject to certain conditions and limitations, the corporation may redeem any or all of the control shares (except those for which voting rights have previously been approved) for fair value determined, without regard to the absence of voting rights for the control shares, as of the date of or, if no such meeting is held, as of the date of the last control share acquisition by the acquirer, any meeting of stockholders at which the voting rights of such shares are considered and not approved. If voting rights for control shares are approved at a stockholders meeting and the acquiror becomes entitled to vote a majority of the shares entitled to vote, all other stockholders may exercise appraisal rights. The fair value of the shares as determined for purposes of such appraisal rights may not be less than the highest price per share paid by the acquiror in the control share acquisition.

The control share acquisition statute does not apply (a) to shares acquired in a merger, consolidation or share exchange if the corporation is a party to the transaction or (b) to acquisitions approved or exempted by the charter or bylaws of the corporation.

We have not opted out of the control share acquisition statute.

Possible Anti-Takeover Effect of Certain Provisions of Maryland Law and of Our Charter and Bylaws

The business combination provisions and the control share acquisition provisions of the MGCL, the classification of our board of directors, the restrictions on the transfer and ownership of stock and the advance notice provisions of our bylaws could have the effect of delaying, deferring or preventing a transaction or a change in control that might involve a premium price for holders of common stock or otherwise be in their best interests.

SEVENTH AMENDED AND RESTATED INVESTMENT ADVISORY AGREEMENT BETWEEN GLADSTONE COMMERCIAL CORPORATION AND GLADSTONE MANAGEMENT CORPORATION

This SEVENTH Amended and Restated Investment Advisory Agreement Between Gladstone Commercial Corporation and Gladstone Management Corporation (this "***Agreement***") is made this 10th day of January 2023, by and between Gladstone Commercial Corporation, a Maryland corporation (the "***Company***"), and Gladstone Management Corporation, a Delaware corporation (the "***Adviser***").

Whereas, this Agreement shall amend and restate that certain Sixth Amended and Restated Investment Advisory Agreement between the Company and the Adviser, dated July 14, 2020.

Whereas, the Company is a real estate investment trust organized primarily for the purpose of investing in and owning net leased industrial and commercial rental property and selectively making long-term mortgage loans collateralized by industrial and commercial property;

Whereas, the Adviser is an investment adviser that has registered under the Investment Advisers Act of 1940; and

Whereas, the Company desires to retain the Adviser to furnish investment advisory services to the Company on the terms and conditions hereinafter set forth, and the Adviser wishes to be retained to provide such services.

Now, therefore, in consideration of the premises and for other good and valuable consideration, the parties hereby agree as follows:

1. Duties of the Adviser.

(a) The Company hereby employs the Adviser to act as the investment adviser to the Company and to manage the investment and reinvestment of the assets of the Company, subject to the supervision of the Board of Directors of the Company, for the period and upon the terms herein set forth, (i) in accordance with the investment objective, policies and restrictions that are set forth in the Company's Annual Reports on Form 10-K, filed with the Securities and Exchange Commission from year to year, pursuant to Section 13 of the Securities and Exchange Act of 1934 and (ii) during the term of this Agreement in accordance with all applicable federal and state laws, rules and regulations, and the Company's charter and by-laws. Without limiting the generality of the foregoing, the Adviser shall, during the term and subject to the provisions of this Agreement, (i) determine the composition of the portfolio of the Company, the nature and timing of the changes therein and the manner of implementing such changes; (ii) identify, evaluate and negotiate the structure of the investments made by the Company; (iii) close and monitor the Company's investments; (iv) determine the real property, securities and other assets that the Company will purchase, retain, or sell; (v) perform due diligence on prospective portfolio companies; and (vi) provide the Company with such other investment advisory, research and related services as the Company may, from time to time, reasonably require for the investment of its funds. The Adviser shall have the discretion, power and authority on behalf of the Company to effectuate its investment decisions for the Company, including the execution and delivery of all documents relating to the Company's investments and the placing of orders for other purchase or sale transactions on behalf of the Company. In the event that the Company determines to acquire debt financing, the Adviser will arrange for such financing on the Company's behalf, subject to the oversight and approval of the Company's Board of Directors. If it is necessary for the Adviser to make investments on behalf of the Company through a special purpose vehicle, the Adviser shall have authority to create or arrange for the creation of such special purpose vehicle and to make such investments through such special purpose vehicle.

(b) The Adviser hereby accepts such employment and agrees during the term hereof to render the services described herein for the compensation provided herein.

(c) The Adviser is hereby authorized to enter into one or more sub-advisory agreements with other advisers (each, a "***Sub-Adviser***") pursuant to which the Adviser may obtain the services of the Sub-Adviser(s) to assist the Adviser in fulfilling its responsibilities hereunder. Specifically, the Adviser may retain a Sub-Adviser to recommend specific investments based upon the Company's investment objective and policies, and work, along with the Adviser, in structuring, negotiating, arranging or effecting the acquisition or disposition of such investments and monitoring investments on behalf of the Company, subject to the oversight of the Adviser and the Company. The Adviser, and not the Company, shall be responsible for any compensation payable to any Sub-Adviser. Any sub-advisory agreement entered into by the Adviser shall be in accordance with the requirements of applicable federal and state law.

(d) The Adviser shall for all purposes herein provided be deemed to be an independent contractor and, except as expressly provided or authorized herein, shall have no authority to act for or represent the Company in any way or otherwise be deemed an agent of the Company.

(e) The Adviser shall keep and preserve for a reasonable period any books and records relevant to the provision of its investment advisory services to the Company and shall specifically maintain all books and records with respect to the Company's portfolio transactions and shall render to the Company's Board of Directors such periodic and special reports as the Board may reasonably request. The Adviser agrees that all records that it maintains for the Company are the property of the Company and will surrender promptly to the Company any such records upon the Company's request, provided that the Adviser may retain a copy of such records.

(f) The Adviser has adopted and implemented written policies and procedures reasonably designed to prevent violation of the Federal Securities laws by the Adviser. The Adviser has provided the Company, and shall provide the Company at such times in the future as the Company shall reasonably request, with a copy of such policies and procedures.

2. Company's Responsibilities and Expenses Payable by the Company.

All investment professionals of the Adviser and their respective staffs, when and to the extent engaged in providing investment advisory and management services hereunder, and the compensation and routine overhead expenses of such personnel allocable to such services, will be provided and paid for by the Adviser and not by the Company. The Company will bear all

other costs and expenses of its operations and transactions, including (without limitation) those relating to: organization and offering; expenses incurred by the Adviser payable to third parties, including agents, consultants or other advisors (such as independent valuation firms, accountants and legal counsel), in monitoring financial and legal affairs for the Company and in monitoring the Company's investments and performing due diligence on its real estate or prospective portfolio companies; interest payable on debt, if any, incurred to finance the Company's investments; offerings of the Company's common or preferred stock and other securities; investment advisory and management fees; administration fees, if any, payable under the existing administration agreement between the Company and Gladstone Administration, LLC (the "***Administrator***"), dated January 1, 2007 (the "***Administration Agreement***"); fees payable to third parties, including agents, consultants or other advisors, relating to, or associated with, evaluating and making investments; transfer agent and custodial fees; federal and state registration fees; all costs of registration and listing the Company's shares on any securities exchange; federal, state and local taxes; independent Directors' fees and expenses; costs of preparing and filing reports or other documents required by the Securities and Exchange Commission; costs of any reports, proxy statements or other notices to stockholders, including printing costs; the Company's allocable portion of the fidelity bond, directors and officers and errors and omissions liability insurance, and any other insurance premiums; direct costs and expenses of administration, including printing, mailing, long distance telephone, copying, secretarial and other staff, independent auditors and outside legal costs; and all other expenses incurred by the Company or the Administrator in connection with administering the Company's business, including payments under the Administration Agreement between the Company and the Administrator based upon the Company's allocable portion of the Administrator's overhead in performing its obligations under the Administration Agreement, including rent and the allocable portion of the cost of certain of the Company's personnel, including, but not limited to, its chief compliance officer, treasurer, chief financial officer, general counsel, secretary, chief valuation officer, and their respective staffs.

3. Compensation of the Adviser.

The Company agrees to pay, and the Adviser agrees to accept, as compensation for the services provided by the Adviser hereunder, a base management fee ("***Base Management Fee***") and an incentive fee ("***Incentive Fee***") as hereinafter set forth. The Company shall make any payments due hereunder to the Adviser or to the Adviser's designee as the Adviser may otherwise direct.

(a) Base Management Fee.

The Base Management Fee shall equal 0.425% per annum (thus, 0.10625% per quarter) of the Company's average Gross Tangible Real Estate, which shall be calculated and payable quarterly in arrears in cash. "***Gross Tangible Real Estate***" shall equal the current gross value of the Company's property portfolio (meaning the aggregate of each property's original acquisition price plus the cost of any subsequent capital improvements thereon). For the purposes of this calculation, the quarterly Base Management Fee calculation will be based upon the average Gross Tangible Real Estate for the quarter.

(b) Incentive Fee.

The Incentive Fee is an amount, not less than zero, equal to the product of 15% and:

(i) the Company's Core FFO (defined below) for the quarter, minus

(ii) the product of 8.0% (thus, 2.0% per quarter) multiplied by Total Equity (as defined below).

In the event that the calculation delineated in Section 3(b) yields an Incentive Fee for a particular quarter that exceeds by greater than 15% the average quarterly Incentive Fee paid during the trailing four quarters (averaged over the number of quarters any Incentive Fee was paid), then such Incentive Fee shall equal 115% of such trailing average quarterly Incentive Fee. Notwithstanding anything in this Agreement to the contrary, the Incentive Fee shall not be paid for the quarters ending March 31, 2023 and June 30, 2023.

(c) "***Core FFO***", a non - Generally Accepted Accounting Principles in the United States ("***GAAP***") measure, shall be defined as GAAP net income (loss) available to common stockholders, computed in accordance with GAAP, excluding the Incentive Fee, depreciation and amortization, any realized and unrealized gains, losses or other non-cash items recorded in net income (loss) available to common stockholders for the period, and one-time events pursuant to changes in GAAP. "***Total Equity***" shall equal total stockholders' equity plus total mezzanine equity ("***Reported Equity***"), as reported on the Company's balance sheet for the quarter, before the Base Management Fee and Incentive Fee have been recorded, adjusted to exclude (i) any unrealized gains and losses that have impacted Reported Equity, and also adjusted to exclude (ii) any one-time events and certain non-cash items; provided that, with respect to subsection (ii) each item shall be approved by the Company's Compensation Committee. For the avoidance of doubt, the Total Equity may be greater or less than the Reported Equity. Furthermore, for the avoidance of doubt, Total Equity shall include equity interests in the Company's operating partnership that are not owned by the Company.

(d) Capital Gain Fee.

The Capital Gain Fee is a capital gains-based incentive fee that shall be determined and payable in arrears as of the end of each fiscal year (or, for an abbreviated time period as of the effective date of any termination of this Agreement). The Capital Gain Fee shall for any applicable time period shall equal: (i) 15% of the cumulative aggregate realized capital gains minus the cumulative aggregate realized capital losses, minus (ii) the aggregate Capital Gains Fees paid in previous time periods. Realized capital gains and realized capital losses are calculated by subtracting from the sales price of a property: (a) any costs incurred to sell such property, and (b) the current gross value of the property (meaning the property's original acquisition price plus any subsequent capital improvements thereon). A Capital Gain Fee shall only be paid for an applicable time period to the extent that doing so would not violate any distribution payment covenant in a then-existing line of credit to the Company. For avoidance of doubt, the Capital Gain Fee shall only be payable for applicable time periods when the cumulative aggregate realized capital gains exceeded the cumulative aggregate realized capital losses.

4. Limitations on the Employment of the Adviser.

The services of the Adviser to the Company are not exclusive, and the Adviser may engage in any other business or render similar or different services to others including, without limitation, the direct or indirect sponsorship or management of other investment based accounts or commingled pools of capital, however structured, having investment objectives similar to those of the Company, so long as its services to the Company hereunder are not impaired thereby, and nothing in this Agreement shall limit or restrict the right of any manager, partner, officer or employee of the Adviser to engage in any other business or to devote his or her time and attention in part to any other business, whether of a similar or dissimilar nature, or to receive any fees or compensation in connection therewith (including fees for serving as a director of, or providing consulting services to, one or more of the Company's portfolio companies, subject to applicable law). So long as this Agreement or any extension, renewal or amendment remains in effect, the Adviser shall be the only investment adviser for the Company, subject to the Adviser's right to enter into sub-advisory agreements. The Adviser assumes no responsibility under this Agreement other than to render the services called for hereunder. It is understood that directors, officers, employees and stockholders of the Company are or may become interested in the Adviser and its affiliates, as directors, officers, employees, partners, stockholders, members, managers or otherwise, and that the Adviser and directors, officers, employees, partners, stockholders, members and managers of the Adviser and its affiliates are or may become similarly interested in the Company as stockholders or otherwise.

5. Responsibility of Dual Directors, Officers or Employees.

If any person who is a manager, partner, officer or employee of the Adviser or the Administrator is or becomes a director, officer or employee of the Company and acts as such in any business of the Company, then such manager, partner, officer or employee of the Adviser or the Administrator shall be deemed to be acting in such capacity solely for the Company, and not as a manager, partner, officer or employee of the Adviser or the Administrator or under the control or direction of the Adviser or the Administrator, even if employed by the Adviser or the Administrator.

6. Limitation of Liability of the Adviser: Indemnification.

The Adviser (and its officers, managers, partners, agents, employees, controlling persons, members and any other person or entity affiliated with the Adviser, including without limitation the Administrator) shall not be liable to the Company for any action taken or omitted to be taken by the Adviser in connection with the performance of any of its duties or obligations under this Agreement or otherwise as an investment adviser of the Company, and the Company shall indemnify, defend and protect the Adviser (and its officers, managers, partners, agents, employees, controlling persons, members and any other person or entity affiliated with the Adviser, including without limitation its general partner and the Administrator, each of whom shall be deemed a third party beneficiary hereof) (collectively, the "***Indemnified Parties***") and hold them harmless from and against all damages, liabilities, costs and expenses (including reasonable attorneys' fees and amounts reasonably paid in settlement) incurred by the Indemnified Parties in or by reason of any pending, threatened or completed action, suit, investigation or other proceeding (including an action or suit by or in the right of the Company or its security holders) arising out of or otherwise based upon the performance of any of the

Adviser's duties or obligations under this Agreement or otherwise as an investment adviser of the Company. Notwithstanding the preceding sentence of this Section 6 to the contrary, nothing contained herein shall protect or be deemed to protect the Indemnified Parties against or entitle or be deemed to entitle the Indemnified Parties to indemnification in respect of, any liability to the Company or its security holders to which the Indemnified Parties would otherwise be subject by reason of willful misfeasance, bad faith or gross negligence in the performance of the Adviser's duties or by reason of the reckless disregard of the Adviser's duties and obligations under this Agreement.

7. Termination of Agreement.

This Agreement may be terminated at any time upon 120 days' prior written notice, after the vote of at least two-thirds of the independent directors of the Company for any reason ("***Termination Without Cause***"). In the event of Termination Without Cause, a termination fee equal to two times the sum of the average annual Base Management Fee and Incentive Fee earned by the Adviser during the 24-month period prior to the effective date of such termination (the "***Termination Fee***").

This Agreement may be terminated effective upon 30 days prior written notice by the vote of at least two-thirds of the independent directors of the Company without payment of the Termination Fee if the termination is for Cause. "Cause" shall occur if (i) the Adviser breaches any material provision of this Agreement and such breach shall continue for a period of 30 days after written notice thereof specifying such breach and requesting that the same be remedied in the such 30-day period, (ii) there is a commencement of any proceeding relating to the Adviser's bankruptcy or insolvency, including an order for relief in an involuntary bankruptcy case or the Advisor authorizing or filing a voluntary bankruptcy petition (iii) the Adviser dissolves, (iv) the Adviser commits fraud against the Company or misappropriates or embezzles funds of the Company and in each case a court of competent jurisdiction enters a judgement against the Adviser; *provided, however,* that if any of the actions or omissions described in this clause (iv) are caused by an employee, personnel and/or officer of the Adviser and the Adviser commences action against such person to cure the damage caused by such actions or omissions within 90 days of the Adviser's actual knowledge of its commission or omission, the Company shall not have the right to terminate this Agreement for Cause.

The Adviser may terminate this Agreement effective upon 60 days prior written notice of termination to the Company in the event that the Company shall default in the performance or observance of any material term, condition or covenant contained in this Agreement and such default shall continue for a period of 30 days after written notice thereof specifying such default and requesting that the same be remedied in such 30-day period. The Company is required to pay to the Adviser the Termination Fee if the termination of this Agreement is made pursuant to this paragraph.

The provisions of Section 6 of this Agreement shall remain in full force and effect, and the Adviser and its representatives shall remain entitled to the benefits thereof, notwithstanding any termination or expiration of this Agreement. Further, notwithstanding any termination or expiration of this Agreement as aforesaid, the Adviser shall be entitled to any amounts owed under Section 3 through the effective date of termination or expiration.

8. Assignment.

This Agreement is not assignable or transferable by either party hereto without the prior written consent of the other party.

9. Amendments.

This Agreement may be amended by mutual consent.

10. Notices.

Any notice under this Agreement shall be given in writing, addressed and delivered or mailed, postage prepaid, to the other party at its principal office.

11. Entire Agreement; Governing Law.

This Agreement contains the entire agreement of the parties and supersedes all prior agreements, understandings and arrangements with respect to the subject matter hereof. This Agreement shall be construed in accordance with the laws of the State of Delaware.

[The remainder of this page has been left blank intentionally. Signature page follows.]

In Witness Whereof, the parties hereto have caused this Agreement to be duly executed on the date above written.

Gladstone Commercial Corporation

By: Arthur S. Cooper
Arthur "Buzz" Cooper
President

Gladstone Management Corporation

By: David Gladstone
David Gladstone
Chairman and Chief Executive Officer

Exhibit 21

SUBSIDIARIES OF GLADSTONE COMMERCIAL CORPORATION

Delaware

2525 N Woodlawn Vstrm Wichita KS, LLC
260 Springside Drive Akron OH LLC
ABC12 Ottumwa IA LLC
ACI06 Champaign IL LLC
AFL05 Duncan SC LLC
AFL05 Duncan SC Member LLC
AFR11 Parsippany NJ LLC
AL13 Brookwood LLC
AL15 Birmingham LLC
ALFTPI01 GOOD 403 Airport Road West LLC
ALFTPI02 GOOD 1202 Echols Drive West LLC
ALHSVI01 GOOD 130 Vintage Drive LLC
ALMGMI01 GOOD 111 Folmar Parkway LLC
ALVANI02 GOOD 11198 Will Walker Road LLC
APML07 Hialeah FL LLC
AZTUC901 GOOD 3381 East Global Loop LLC
C08 Fridley MN LLC
CA14 Rancho Cordova GP LLC
CA14 Rancho Cordova LP
CBP11 Green Tree PA GP LLC
CBP11 Green Tree PA, L.P.
CDLCI07 Mason OH LLC
CI05 Clintonville WI LLC
CMI04 Canton NC LLC
CO13 Englewood LLC
CO14 Aurora LLC
CO14 Denver LLC
COCO04 Austin TX, L.P.
COCO04 Austin TX GP LLC
CODENI02 4900 Kingston Street LLC
Corning Big Flats LLC
Corning Big Flats Two LLC
CVG12 New Albany OH LLC
D08 Marietta OH LLC
DBPI07 Bolingbrook IL LLC
EE 208 South Rogers Lane Raleigh NC LLC
EE07 Raleigh NC, L.P.
EE07 Raleigh NC GP LLC
EI07 Tewksbury MA LLC
First Park Ten COCO San Antonio, L.P.
First Park Ten COCO San Antonio GP LLC
FL16 Fort Lauderdale LLC
FL17 Eatonville-1 LLC
FL17 Eatonville-2 LLC
FL17 Eatonville-3 LLC
FLJAXI01 GOOD 10520 Busch Drive North LLC
FLLKMO01 GOOD 1000 Business Center LLC
FLOCAI01 GOOD 1900 Southwest 38TH Avenue LLC
FLOCAI02 GOOD 808 Southwest 12TH Street LLC
FMCT08 Chalfont PA GP LLC
FMCT08 Chalfont PA LP
FS11 Hickory NC GP LLC
FS11 Hickory NC, LP
FTCHI07 Grand Rapids MI LLC

GA15 Hapeville LLC
GA15 Villa Rica LLC
GAATLI01 GOOD 1550 Roadhaven Drive, LLC
GACARI01 GOOD 1050 Columbia Drive LLC
GACHAI01 GOOD 6900 Highway 411 North LLC
GATIFI01 GOOD 260 Jordan Road LLC
GBI07 Syracuse NY LLC
GCC1302 Egg Harbor NJ LLC
GCC Acquisition Holdings, LLC
GCO12 Jupiter FL LLC
Gladstone Commercial Advisers, Inc.
Gladstone Commercial Corporation
Gladstone Commercial Limited Partnership
Gladstone Commercial Partners LLC
Gladstone Commercial Lending LLC
GSM LLC
HMBF05 Newburyport MA LLC
ILPERI01 GOOD 4444 Hollerich Drive LLC
IN14 Indianapolis LLC
ININDI01 GOOD 5225 W 81ST LLC
ININDI02 GOOD 5600 W Raymond, LLC
ININDI03 GOOD 5610 W 82, LLC
ININDI04 GOOD 4780 E Margaret LLC
IPA12 Ashburn VA LLC
IPA12 Ashburn VA SPE LLC
LANORI02 GOOD 900 Distributors Row LLC
LAPALI01 GOOD 1274 Commercial Drive LLC
LittleArch04 Charlotte NC Member LLC
Little Arch Charlotte NC LLC
MI13 Novi LLC
MI14 Monroe Frenchtown LLC
MI14 Monroe Revard LLC
MIDETI04 GOOD 4440 N Atlantic LLC
MIDETI05 GOOD 7026 Sterling LLC
MN13 Blaine, LLC
MOPACI01 GOOD 18777 US Highway 66, LLC
MOSTCI01 GOOD 2931 Elm Point Industrial Drive LLC
MPI06 Mason OH LLC
NARA12 Fort Worth TX, L.P.
NARA12 Fort Worth TX GP LLC
NCCLTI01 GOOD 2925 Stewart Blvd LLC
NCH12 Columbus OH LLC
NCWILI01 GOOD 100 Quality Drive LLC
NCWKBI01 GOOD 251 Industrial Drive LLC
NH10 Cumming GA LLC
NJBGTI01 GOOD 319 Landis Ave LLC
NJPHII02 GOOD 5 Twosome LLC
NJVINI01 GOOD 2720 Industrial Way LLC
NMABQI01 GOOD 555 Gallatin Place NW LLC
NMABQI02 GOOD 7500 Los Volcanes NW LLC
NW05 Richmond VA LLC
OB Crenshaw GCC, L.P.
OB Crenshaw SPE GP LLC
OB Midway NC Gladstone Commercial LLC
OH04 North Canton LLC
OH14 Columbus LLC
OH15 Dublin LLC
OHCLEI01 GOOD 3000 West 121 Street LLC
OHCOLI01 GOOD 759 Pittsburgh LLC

OHCOLI02 GOOD 1932 Pittsburgh Drive LLC
OHCOLO05 GOOD 4343 Easton Commons LLC
OHFINI01 GOOD 2040 Production LLC
OKOKCI01 GOOD 3100 South Meridian Avenue LLC
PA14 Taylor LLC
PA16 Prussia LLC
PA17 Conshohocken LLC
PAPITI01 GOOD 106 Gamma LLC
PA17 Philadelphia LLC
PNA11 Boston Heights OH LLC
Pocono PA GCC GP LLC
Pocono PA GCC, L.P.
PZ05 Maple Heights OH LLC
RC06 Menomonee Falls WI LLC
RCOG07 Georgia LLC
Richardson TX15 LLC
RPT08 Pineville NC GP LLC
RPT08 Pineville NC LP
SCC10 Orange City IA LLC
SCGVLI01 GOOD 8 North Kings Road LLC
SJMH06 Baytown TX GP LLC
SJMH06 Baytown TX L.P.
SLEE Grand Prairie, L.P.
SRFF08 Reading PA GP LLC
SRFF08 Reading PA LP
TCI06 Burnsville MN LLC
TMC11 Springfield MO LLC
TNCVLI01 GOOD 135 Cox Avenue, LLC
TNIJACI01 GOOD 961 Lower Brownsville Road LLC
TUP12 Columbus GA LLC
TX13 Allen LLC
TX13 Austin LLC
TX14 Allen II LLC
TX14 Colleyville LLC
TX14 Coppell LLC
TNBAYI01 GOOD 1650 East Freeway, LLC
TXDENI01 GOOD 5450 Dakota Lane LLC
TXHOUI01 GOOD 9400 Telge Road LLC
TXSNTI01 GOOD 929 South Medina Street LLC
TXTEMI01 GOOD 3120 AND 3410 Range Road LLC
UT15 Draper LLC
UT16 Taylorsville LLC
UTSLCO03 GOOD 680 West Shields Lane LLC
VW12 Columbia SC LLC
WC11 Springfield MO LLC
WEC11 Dartmouth MA LLC
WPI07 Tulsa OK LLC
YCC06 South Hadley MA LLC
YorkTC05 Eatontown NJ LLC

Ohio

Hemingway at Boston Heights, LLC

Massachusetts

GCLP Business Trust I
GCLP Business Trust II

Exhibit 23

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statement on Form S-3 (No. 333-268549) of Gladstone Commercial Corporation of our report dated February 22, 2023 relating to the financial statements, financial statement schedule and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP
Washington, DC
February 22, 2023

Exhibit 31.1

CERTIFICATION
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, David Gladstone, certify that:

1. I have reviewed this annual report on Form 10-K of Gladstone Commercial Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a–15(f) and 15d–15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 22, 2023

/s/ David Gladstone

David Gladstone
Chief Executive Officer and
Chairman of the Board of Directors

Exhibit 31.2

CERTIFICATION
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Gary Gerson, certify that:

1. I have reviewed this annual report on Form 10-K of Gladstone Commercial Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a–15(f) and 15d–15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 22, 2023

/s/ Gary Gerson

Gary Gerson
Chief Financial Officer

Exhibit 32.1

CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

The undersigned, the Chief Executive Officer of Gladstone Commercial Corporation (the “Company”), hereby certifies on the date hereof, pursuant to 18 U.S.C. §1350(a), as adopted pursuant to Section 906 of The Sarbanes-Oxley Act of 2002, that the Annual Report on Form 10-K for the period ended December 31, 2022 (“Form 10-K”), filed concurrently herewith by the Company, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and that the information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Dated: February 22, 2023

/s/ David Gladstone
David Gladstone
Chief Executive Officer

Exhibit 32.2

CERTIFICATION OF THE CHIEF FINANCIAL OFFICER PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

The undersigned, the Chief Financial Officer of Gladstone Commercial Corporation (the “Company”), hereby certifies on the date hereof, pursuant to 18 U.S.C. §1350(a), as adopted pursuant to Section 906 of The Sarbanes-Oxley Act of 2002, that the Annual Report on Form 10-K for the period ended December 31, 2022 (“Form 10-K”), filed concurrently herewith by the Company, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and that the information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Dated: February 22, 2023

/s/ Gary Gerson

Gary Gerson
Chief Financial Officer

Exhibit 99.1

Pursuant to FINRA Rules 2310(b)(5) and 2231(c), Gladstone Commercial Corporation (the "Company") determined the estimated value as of December 31, 2022, of its 6.00% Series F Cumulative Redeemable Preferred Stock (the "Series F Preferred Stock"), $25.00 stated value per share, with the assistance of a third-party valuation service. In particular, the third-party valuation service reviewed the amount resulting from the consolidated undepreciated book value of the Company's assets less its contractual liabilities, divided by the number of shares of the Company's Series E, F, and G Preferred Stock outstanding, all as reflected in the Company's consolidated financial statements included in Item 8 of the Company's Annual Report on Form 10-K for the year ended December 31, 2022 to which this exhibit is attached, which were prepared in conformity with accounting principles generally accepted in the United States of America. Based on this methodology and because the result from the calculation above is greater than the $25.00 per share stated value of the Company's Series F Preferred Stock, the Company has determined that the estimated value of its Series F Preferred Stock as of December 31, 2022, is $25.00 per share.