

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

---

**FORM 8-K**

---

**CURRENT REPORT**

**Pursuant to Section 13 or 15(d) of  
The Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported) **July 29, 2014**

---

**Gladstone Commercial Corporation**

(Exact name of registrant as specified in its charter)

**Maryland**  
(State or other jurisdiction  
of incorporation)

**001-33097**  
(Commission File Number)

**020681276**  
(IRS Employer Identification No.)

**1521 Westbranch Drive, Suite 100, McLean, Virginia**  
(Address of principal executive offices)

**22102**  
(Zip Code)

Registrant's telephone number, including area code: **(703) 287-5800**

Not Applicable  
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
-

## **Item 2.02. Results of Operations and Financial Condition.**

On July 29, 2014, Gladstone Commercial Corporation issued a press release announcing its financial results for the second quarter ended June 30, 2014. The text of the press release is included as an exhibit to this Current Report on Form 8-K. Pursuant to the rules and regulations of the Securities and Exchange Commission, such exhibit and the information set forth therein and herein are deemed to be furnished and shall not be deemed to be filed.

## **Item 9.01. Financial Statements and Exhibits.**

- (a) Not applicable.
- (b) Not applicable.
- (c) Not applicable.
- (d) Exhibits.

<u>Exhibit No.</u>	<u>Description</u>
99.1	Press release dated July 29, 2014.

---

**SIGNATURE**

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

**July 29, 2014**

(Date)

**Gladstone Commercial Corporation**

(Registrant)

/s/ **DANIELLE JONES**

Danielle Jones  
*Chief Financial Officer*

---

## EXHIBIT INDEX

Exhibit No.

Description

99.1

Press release dated July 29, 2014.

## Gladstone Commercial Corporation Reports Results for the Second Quarter Ended June 30, 2014

Please Note That the Limited Information That Follows in This Press Release is Not Adequate to Make an Informed Investment Judgment.

MCLEAN, Va., July 29, 2014 (GLOBE NEWSWIRE) -- Gladstone Commercial Corporation (Nasdaq:GOOD), or the Company, today reported financial results for the second quarter ended June 30, 2014. A description of funds from operations, or FFO, and Core FFO, both non-GAAP (generally accepted accounting principles in the United States) financial measures, are located at the end of this press release. All per share references are to fully-diluted weighted average shares of common stock, unless otherwise noted. Please read the Company's Quarterly Report on Form 10-Q, filed today with the U.S. Securities and Exchange Commission, or the SEC, which can be retrieved from the SEC's website at [www.sec.gov](http://www.sec.gov) or from the Company's website at [www.GladstoneCommercial.com](http://www.GladstoneCommercial.com).

**Summary Information** (dollars in thousands, except per share data):

	As of and for the three months ended June 30, 2014	As of and for the three months ended March 31, 2014	Change	% Change
<b>Operating Data:</b>				
Total operating revenue	\$ 18,390	\$ 17,136	\$ 1,254	7.3%
Total operating expenses	(11,243)	(23,736)	12,493	-52.6%
Other expense	(5,928)	(6,914)	986	-14.3%
Net income (loss)	\$ 1,219	\$ (13,514)	\$ 14,733	-109.0%
Dividends attributable to preferred stock	(1,023)	(1,023)	--	0.0%
Dividends attributable to senior common stock	(110)	(100)	(10)	10.0%
Net income (loss) available (attributable) to common stockholders	\$ 86	\$ (14,637)	\$ 14,723	-100.6%
Real estate depreciation and amortization	6,871	6,720	151	2.2%
Impairment charge	--	13,958	(13,958)	NM (2)
Gain on sale of real estate	(1,240)	--	(1,240)	NM (2)
Funds from operations available to common stockholders	\$ 5,717	\$ 6,041	\$ (324)	-5.4%
Acquisition related expenses	859	110	749	680.9%
Core funds from operations available to common stockholders	\$ 6,576	\$ 6,151	\$ 425	6.9%

### Share and Per Share Data:

Net income (loss) available (attributable) to common stockholders - basic and diluted	\$ 0.01	\$ (0.93)	\$ 0.94	-101.1%
FFO available to common stockholders - basic	\$ 0.35	\$ 0.38	\$ (0.03)	-7.9%
FFO available to common stockholders - diluted	\$ 0.34	\$ 0.38	\$ (0.04)	-10.5%
Core FFO available to common stockholders - basic	\$ 0.40	\$ 0.39	\$ 0.01	2.6%
Core FFO available to common stockholders - diluted	\$ 0.39	\$ 0.38	\$ 0.01	2.6%
Weighted average shares outstanding-basic	16,547,793	15,746,714	801,079	5.1%
Weighted average shares outstanding-diluted	16,894,973	16,063,693	831,280	5.2%
Cash dividends declared per common share	\$ 0.375	\$ 0.375	\$ --	0.0%

### Financial Position:

Real estate, before accumulated depreciation	\$ 684,001	\$ 627,993	\$ 56,008	8.9%
Total assets	\$ 735,530	\$ 678,882	\$ 56,648	8.3%
Mortgage notes payable, term preferred stock and borrowings under the line of credit	\$ 520,387	\$ 489,447	\$ 30,940	6.3%
Total stockholders' equity	\$ 190,550	\$ 169,850	\$ 20,700	12.2%
Properties owned	92	89	3	3.4%
Square feet owned	9,919,528	9,298,288	621,240	6.7%
Square feet leased	97.0%	96.8%	0.2%	0.2%

(1) Does not include real estate held for sale as of March 31, 2014.

(2) NM = Not meaningful

### Second Quarter Activity:

- **Acquired and Developed Properties:** Invested a total of \$66.9 million at a weighted average cap rate of 9.1%. Acquired 4 properties

consisting of 1.2 million square feet for an aggregate purchase price of \$64.9 million at a weighted average cap rate of 9.1%. Ongoing development includes the \$5.5 million commitment for a 150,000 square foot expansion of an existing property, of which \$2.0 million was expended during the quarter at an average cap rate of 9.8%;

- **Sold Property:** Sold property located in Sterling Heights, Michigan for \$11.4 million, resulting in a gain of \$1.2 million;
- **Assumed and Issued Debt:** Assumed or issued mortgage debt for \$31.4 million, which is collateralized by 3 properties acquired this quarter at a weighted average fixed interest rate of 4.6%;
- **Issued Common Stock:** Issued 1,610,000 shares of common stock through an overnight offering, resulting in net proceeds of \$26.0 million;
- **Extended Leases:** Extended the term of 2 leases that were set to expire in 2015; and
- **Paid Distributions:** Paid monthly cash distributions for the quarter totaling \$0.375 per share on the common stock, \$0.4843749 per share on the Series A Preferred Stock, \$0.46875 per share on the Series B Preferred Stock, \$0.4453125 per share on the Series C Term Preferred Stock and \$0.2625 per share on the senior common stock.

**Q2 2014 Results:** Core FFO available to common stockholders for the three months ended June 30, 2014, was \$6.6 million, or \$0.39 per share, a 2.6% increase when compared to the three months ended March 31, 2014. Core FFO increased primarily due to the increase in operating revenues derived from the four properties acquired this quarter coupled with a full quarter of earnings from the two properties acquired during the first quarter of 2014, which was partially offset by a slight increase in interest expense, general and administrative expenses and our base management fee.

Net income available to common stockholders for the three months ended June 30, 2014, was \$0.09 million, or \$0.01 per share, compared to net loss attributable to common stockholders for the three months ended March 31, 2014, of \$14.6 million, or \$0.93 per share. A reconciliation of Core FFO to net income (loss) for the three months ended June 30, 2014 and March 31, 2014, which the Company believes is the most directly comparable GAAP measure to Core FFO, and a computation of basic and diluted Core FFO per weighted average share of common stock and basic and diluted net income per weighted average share of common stock is set forth in the Summary Information table above.

**Comments from the Company's President, Bob Cutlip:** "Our financial results for the quarter reflect an increase in revenues from our real estate investments made during the past two quarters. We have consistently increased our total assets for 11 consecutive quarters. We also sold a non-core asset during the quarter at a nice profit. Additionally, we have a very strong pipeline today and expect to close several additional deals during the remainder of 2014. We also continue to focus on our portfolio, working with our existing tenants to extend leases scheduled to expire in 2015 and to re-lease our space that remains vacant. We are looking forward to an active 2014."

#### **Subsequent to the end of the quarter:**

- **Acquired Property:** Purchased a 124,800 square foot office property for \$8.3 million at an average cap rate of 9.3%;
- **Issued Loan:** Issued a \$5.6 million construction loan for a build-to-suit property, at a fixed interest rate of 9.0%; and
- **Declared Distributions:** Declared monthly cash distributions for July, August and September 2014 totaling \$0.375 per share on the common stock, \$0.4843749 per share on the Series A Preferred Stock, \$0.46875 per share on the Series B Preferred Stock, \$0.4453125 per share on the Series C Term Preferred Stock and \$0.2625 per share on the senior common stock.

**Conference Call:** The Company will hold a conference call on Wednesday, July 30, 2014, at 8:30 a.m. EDT to discuss its earnings results. Please call (888) 734-0328 to enter the conference call. An operator will monitor the call and set a queue for any questions. A conference call replay will be available beginning one hour after the call and will be accessible through August 30, 2014. To hear the replay, please dial (855) 859-2056 and use conference number 61572701. The live audio broadcast of the Company's quarterly conference call will also be available online at the Company's website, [www.GladstoneCommercial.com](http://www.GladstoneCommercial.com). The event will also be archived and available for replay on the Company's website through September 30, 2014.

**About Gladstone Commercial:** Gladstone Commercial Corporation is a real estate investment trust that invests in and owns net leased industrial, commercial and retail real property and selectively makes long-term industrial and commercial mortgage loans. Including payments through July 2014, the Company has paid 114 consecutive monthly cash distributions on its common stock. Prior to paying distributions on a monthly basis, the Company paid 5 consecutive quarterly cash distributions. The Company has also paid 102 consecutive monthly cash distributions on its Series A Preferred Stock, 93 consecutive monthly cash distributions on its Series B Preferred Stock, 29 consecutive monthly cash distributions on its Series C Term Preferred Stock and 51 consecutive monthly cash distributions on its senior common stock. The Company has never skipped, reduced or deferred a distribution since inception, over 11 years ago. Further information on the Company can be found at [www.gladstonecommercial.com](http://www.gladstonecommercial.com).

**About the Gladstone Companies:** Information on the business activities of all the Gladstone funds can be found at [www.gladstonecompanies.com](http://www.gladstonecompanies.com).

**Investor Relations:** For Investor Relations inquiries related to any of the monthly dividend paying Gladstone funds, please visit [www.gladstone.com](http://www.gladstone.com).

#### **Non-GAAP Financial Measures:**

**FFO:** The National Association of Real Estate Investment Trusts ("NAREIT") developed FFO as a relative non-GAAP supplemental measure of operating performance of an equity REIT in order to recognize that income-producing real estate historically has not depreciated on the 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 determined in accordance with

GAAP and should not be considered an alternative to net income as an indication of its performance or to cash flow from operations as a measure of liquidity or ability to make distributions. The Company believes that FFO per share provides investors with an additional context for evaluating its financial performance and as a supplemental measure to compare it to other REITs; however, comparisons of its FFO to the FFO of other REITs may not necessarily be meaningful due to potential differences in the application of the NAREIT definition used by such other REITs.

**Core FFO:** Core FFO is FFO adjusted for certain items that are not indicative of the results provided by the Company's operating portfolio and affect the comparability of the Company's period-over-period performance. These items include, but are not limited to the adjustment for property acquisitions costs, loss from early extinguishment of debt and any other non-core non-recurring expense adjustments. Although the Company's calculation of Core FFO differs from NAREIT's definition of FFO and may not be comparable to that of other REITs, the Company believes it is a meaningful supplemental measure of its operating performance. Accordingly, Core FFO should be considered a supplement to net income computed in accordance with GAAP as a measure of our performance.

The Company's presentation of FFO, as defined by NAREIT, or presentation of Core FFO, does not represent cash flows from operating activities determined in accordance with GAAP and should not be considered an alternative to net income as an indication of its performance or to cash flow from operations as a measure of liquidity or ability to make distributions.

*The statements in this press release regarding the Company's ability, plans or prospects to re-lease its unoccupied properties, grow its portfolio, and negotiate to extend leases are "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements inherently involve certain risks and uncertainties, although they are based on the Company's current plans that are believed to be reasonable as of the date of this press release. Factors that may cause actual results to differ materially from these forward-looking statements include, but are not limited to, the Company's ability to raise additional capital; availability and terms of capital and financing, both to fund its operations and to refinance its indebtedness as it matures; downturns in the current economic environment; the performance of its tenants; the impact of competition on its efforts to renew existing leases or re-lease space; and significant changes in interest rates. Additional factors that could cause actual results to differ materially from those stated or implied by its forward-looking statements are disclosed under the caption "Risk factors" of its Form 10-K for the fiscal year ended December 31, 2013, as filed with the SEC on February 18, 2014. The Company cautions readers not to place undue reliance on any such forward-looking statements, which speak only as of the date made. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.*

CONTACT: Gladstone Commercial Corporation, +1-703-287-5893