

GLADSTONE COMMERCIAL CORP  
Form 8-K/A  
August 29, 2013

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, DC 20549**

**FORM 8-K/A**

**Amendment No. 1**

**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 9, 2013**

**Gladstone Commercial Corporation**

**(Exact name of registrant as specified in its charter)**

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

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

**02-0681276**  
**(IRS Employer**  
  
**Identification No.)**

**1521 Westbranch Drive, Suite 200**

**McLean, Virginia**  
**(Address of principal executive offices)**

**22102**  
**(Zip Code)**

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

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))

**Explanatory Note**

Gladstone Commercial Corporation previously filed a Current Report on Form 8-K on July 15, 2013 (the Original Form 8-K ), reporting the closing of its acquisition, through its wholly-owned operating partnership, Gladstone Commercial Limited Partnership (collectively with Gladstone Commercial Corporation, the Company ), of a 320,000 square-foot building, located in Austin, Texas, known as 717 East Parmer Lane. This Current Report on Form 8-K/A is being filed solely for the purposes of amending the Original Form 8-K to provide the financial information related to such acquisition on July 9, 2013, as required by Item 9.01 of Form 8-K in accordance with Rule 3-14 and Article 11 of Regulation S-X, respectively.

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

(a) Financial Statements of Businesses Acquired  
Report of Independent Auditors

Historical Summary of Revenue for the Year ended December 31, 2012

Unaudited Historical Summary of Revenue for the Six Months Ended June 30, 2013

Notes to Historical Summary of Revenue

(b) Unaudited Pro Forma Condensed Consolidated Financial Information  
Unaudited Pro Forma Condensed Consolidated Balance Sheet as of June 30, 2013

Unaudited Pro Forma Condensed Consolidated Statement of Operations for the Year Ended December 31, 2012

Unaudited Pro Forma Condensed Consolidated Statement of Operations for the Six Months Ended June 30, 2013

Notes to Unaudited Pro Forma Condensed Consolidated Financial Statements

(d) Exhibits

23.1 Consent of PricewaterhouseCoopers LLC, Independent Registered Public Accounting Firm

**Report of Independent Auditors**

To the shareholders of Gladstone Commercial Corporation

We have audited the accompanying Historical Summary of revenue of 717 East Parmer Lane (the Property ), for the year ended December 31, 2012. This Historical Summary is the responsibility of management. Our responsibility is to express an opinion on this Historical Summary based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Historical Summary is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Historical Summary. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the Historical Summary. We believe that our audit provides a reasonable basis for our opinion.

The accompanying Historical Summary was prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission (for inclusion on Form 8-K/A of Gladstone Commercial Corporation) as described in Note 2, and is not intended to be a complete presentation of the Property s revenue and expenses.

In our opinion, the Historical Summary referred to above presents fairly, in all material respects, the revenue, as described in Note 2, of the Property for the year ended December 31, 2012, in conformity with accounting principles generally accepted in the United States of America.

/s/ PricewaterhouseCoopers LLP

McLean, Virginia

August 29, 2013

717 East Parmer Lane

**Historical Summary of Revenue**

**Year Ended December 31, 2012**

| <b>Revenue</b> | <b>Year Ended December 31, 2012</b> |           |
|----------------|-------------------------------------|-----------|
| Rental Revenue | \$                                  | 1,400,000 |

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

717 East Parmer Lane

**Historical Summary of Revenue**

**Six Months Ended June 30, 2013 (unaudited)**

| <b>Revenue</b> | <b>Six Months Ended June 30, 2013</b> |           |
|----------------|---------------------------------------|-----------|
| Rental Revenue | \$                                    | 2,100,000 |

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

**717 East Parmer Lane**

**Notes to Statements of Revenue**

**1. Business**

The accompanying historical summary of revenue relates to the operations of 717 East Parmer Lane (the Property), consisting of the revenue of one office building totaling 320,000 rentable square feet located in Austin, Texas. Gladstone Commercial Corporation, through its wholly-owned operating partnership, Gladstone Commercial Limited Partnership (collectively, the Company) acquired the Property in July 2013 for total consideration of \$57.0 million.

**2. Summary of Significant Accounting Policies**

The accompanying historical summary of revenue was prepared for the purpose of complying with Rule 3-14 of Regulation S-X as promulgated by the Securities and Exchange Commission in connection with the Company's acquisition of the Property. The historical summary is not representative of the actual operations of the Property for the period presented nor indicative of future operations; however, the Company is not aware of any material factors relating to the Property that would cause the reported financial information not to necessarily be indicative of future operating results. In addition, certain expenses, primarily amortization and interest expense, which may not be comparable to the expenses to be incurred by the Company in future operations of the Property, have been excluded. Additionally, the Company's lease with the tenant is structured in such a way that the tenant is responsible for substantially all of the Property's operating expenses. As the Company does not expect to incur any operating expenses in the future operations of the Property, they have been excluded from this historical summary. However, the Company would be required to pay property taxes on the Property in the event the tenant fails to pay them. The total estimated property taxes for the year ended December 31, 2012, and the six months ended June 30, 2013, were \$554,615 and \$298,400, respectively.

**Revenue Recognition**

The lease is accounted for as an operating lease and revenue is recognized on a straight-line basis in accordance with the terms of the related lease.

**Use of Estimates**

The preparation of this historical summary in conformity with generally accepted accounting principles in the United States requires management to make estimates and assumptions that affect the reported amounts of revenue during the reporting period. Actual results may differ from these estimates.

**Major Tenant**

During the year ended December 31, 2012, and for the six months ended June 30, 2013 (unaudited), the Property's total rental revenue of \$1.4 million and \$2.1 million, respectively, was attributable to only one tenant.

**3. Lease**

On July 31, 2012, the Property entered into a lease agreement with General Motors LLC for the entire office building, with an effective date of September 1, 2012. The lease had an initial term of eight years with three three-year options. Future minimum rentals as of December 31, 2012 to be received under this tenant lease are as follows:

| Year | Tenant<br>Lease Payments |
|------|--------------------------|
| 2013 | \$ 2,426,667             |
| 2014 | 4,293,333                |
| 2015 | 4,373,333                |
| 2016 | 4,533,333                |
| 2017 | 4,693,333                |
| 2018 | 4,853,333                |
| 2019 | 5,013,333                |
| 2020 | 3,413,333                |

**4. Unaudited Interim Statements**

The historical summary of revenue for the six months ended June 30, 2013, is unaudited. As a result, this interim historical summary should be read in conjunction with the historical summary and notes included in the December 31, 2012, historical summary of revenue. The interim historical summary reflects all adjustments which management believes are necessary for the fair presentation of the historical summary of revenue for the interim period presented. These adjustments are of a normal recurring nature. The historical summary of revenue for such interim period is not necessarily indicative of the results of the entire year.

**5. Subsequent Events**

The Company evaluated all events that have occurred subsequent to December 31, 2012, through August 29, 2013, the date the financial statements were issued.



**GLADSTONE COMMERCIAL CORPORATION**

**UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

On July 9, 2013, through its wholly-owned operating partnership, Gladstone Commercial Limited Partnership (collectively with Gladstone Commercial Corporation, the Company), acquired a 320,000 square-foot office building located in Austin, Texas, known as 717 East Parmer Lane, (the Property). The property was acquired for \$57.0 million, excluding related acquisition expenses of \$0.2 million. The Company funded this acquisition with a combination of availability under its line of credit and the issuance of \$35.3 million of mortgage debt on the Property. In evaluating the Property as a potential acquisition and determining the appropriate amount of consideration to be paid, the Company considered a variety of factors, including: location, credit quality of the tenant, duration of the in-place lease, rental market occupancy rates and historical and current competition in the rental market and comparative rents. The tenant has leased the Property for 7 years and has 3 options to renew the lease for additional periods of 3 years each. The lease provides for prescribed rent escalations over the life of the lease, with annualized straight line rents of \$4.7 million.

The pro-forma condensed consolidated statements of operations for the year ended December 31, 2012 and for the six months ended June 30, 2013, have been prepared to comply with Rule 3-14 of Regulation S-X, as promulgated by the Securities and Exchange Commission. The pro forma condensed consolidated balance sheet as of June 30, 2013, and the pro forma condensed consolidated statements of operations for the year ended December 31, 2012 and for the six months ended June 30, 2013 are not necessarily indicative of what the actual financial position and operating results would have been had the properties acquired in the current year been acquired on January 1, 2012 nor do they purport to represent the Company's future financial position or operating results.

The unaudited pro forma condensed consolidated financial statements should be read in conjunction with the consolidated financial statements of Gladstone Commercial Corporation and the accompanying notes thereto filed on Form 10-K for the year ended December 31, 2012 and on Form 10-Q for the six months ended June 30, 2013 and the statements of revenue, filed in accordance with Rule 3-14 of Regulation S-X, of 717 East Parmer Lane for the period from January 1, 2013 through June 30, 2013 and for the year ended December 31, 2012. In the Company's opinion, all adjustments necessary to reflect the effect of the Property acquired and the respective debt have been made.

## GLADSTONE COMMERCIAL CORPORATION

## PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET

AS OF JUNE 30, 2013

(DOLLARS IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

(UNAUDITED)

|  | Historical        | Pro forma<br>Adjustments for<br>the Property |   | Pro Forma         |
|--|-------------------|--|---|-------------------|
| <b>ASSETS</b>  |                   |  |   |                   |
| Real estate, at cost   | \$ 564,952        | \$ 46,351                                    | A | \$ 611,303        |
| Less: accumulated depreciation   | 72,712            |  |   | 72,712            |
| Total real estate, net   | 492,240           | 46,351                                       | A | 538,591           |
| Lease intangibles, net   | 60,797            | 11,816                                       | A | 72,613            |
| Cash and cash equivalents  | 4,023             |  |   | 4,023             |
| Restricted cash  | 4,037             |  |   | 4,037             |
| Funds held in escrow   | 7,708             |  |   | 7,708             |
| Deferred rent receivable, net  | 16,695            |  |   | 16,695            |
| Deferred financing costs, net  | 5,961             | 341  | B | 6,302             |
| Other assets   | 2,679             | (1,008)                                      | C | 1,671             |
| <b>TOTAL ASSETS</b>  | <b>\$ 594,140</b> | <b>\$ 57,500</b>                             |   | <b>\$ 651,640</b> |
| <b>LIABILITIES AND STOCKHOLDERS EQUITY</b>   |                   |  |   |                   |
| <b>LIABILITIES</b>   |                   |  |   |                   |
| Mortgage notes payable   | \$ 359,240        | \$ 35,300                                    | D | \$ 394,540        |
| Borrowings under line of credit  | 11,200            | 21,032                                       | E | 32,232            |
| Series C mandatorily redeemable preferred stock, par value<br>\$0.001 per share;<br>\$25 per share liquidation preference; 1,700,000 shares<br>authorized; and 1,540,000 shares issued and outstanding at<br>June 30, 2013 and December 31, 2012, respectively | 38,500            |  |   | 38,500            |
| Deferred rent liability, net   | 5,104             | 1,168  | A | 6,272             |
| Asset retirement obligation liability  | 3,819             |  |   | 3,819             |
| Accounts payable and accrued expenses  | 3,359             | 154  | F | 3,513             |
| Due to Adviser and Administrator   | 848               |  |   | 848               |
| Other liabilities  | 5,688             |  |   | 5,688             |
| <b>Total Liabilities</b>   | <b>\$ 427,758</b> | <b>\$ 57,654</b>                             |   | <b>\$ 485,412</b> |
| <b>STOCKHOLDERS EQUITY</b>   |                   |  |   |                   |
| Series A and B redeemable preferred stock, par value \$0.001<br>per share;   | \$ 2              | \$   |   | \$ 2              |

\$25 per share liquidation preference; 2,300,000 shares authorized and 2,150,000 shares issued and outstanding at June 30, 2013 and December 31, 2012, respectively

Senior common stock, par value \$0.001 per share; 7,500,000 shares authorized and 306,053 and 179,511 shares issued and outstanding at June 30, 2013 and December 31, 2012, respectively

Common stock, par value \$0.001 per share, 38,500,000 shares authorized and 14,017,648 and 11,083,584 shares issued and outstanding at June 30, 2013 and December 31, 2012, respectively

|   |                   |                  |                   |
|---|-------------------|------------------|-------------------|
|   | 14                |                  | 14                |
| Additional paid in capital                        | 269,554           |                  | 269,554           |
| Notes receivable - employee                       | (375)             |                  | (375)             |
| Distributions in excess of accumulated earnings   | (102,813)         | (154)            | F (102,967)       |
| <b>Total Stockholders' Equity</b>                 | <b>166,382</b>    | <b>(154)</b>     | <b>166,228</b>    |
| <b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b> | <b>\$ 594,140</b> | <b>\$ 57,500</b> | <b>\$ 651,640</b> |

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

**GLADSTONE COMMERCIAL CORPORATION**

**PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS**

**YEAR ENDED DECEMBER 31, 2012**

**(DOLLARS IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)**

**(UNAUDITED)**

|   | Historical      | Pro forma<br>Adjustments for<br>the Property |   | Pro Forma       |
|---|-----------------|--|---|-----------------|
| <b>Operating revenues</b>   |                 |  |   |                 |
| Rental income   | \$ 50,915       | \$ 4,346                                     | A | \$ 55,261       |
| Tenant recovery revenue   | 355             |  |   | 355             |
| <b>Total operating revenues</b>   | <b>51,270</b>   | <b>4,346</b>                                 |   | <b>55,616</b>   |
| <b>Operating expenses</b>   |                 |  |   |                 |
| Depreciation and amortization   | 16,831          | 3,184  | B | 20,015          |
| Property operating expenses   | 1,588           |  |   | 1,588           |
| Acquisitions related expense  | 949             |  |   | 949             |
| Base management fee   | 1,467           |  |   | 1,467           |
| Incentive fee   | 3,569           |  |   | 3,569           |
| Administration fee  | 1,118           |  |   | 1,118           |
| General and administrative  | 1,594           |  |   | 1,594           |
| <b>Total operating expenses before credit to incentive fee</b>                | <b>27,116</b>   | <b>3,184</b>                                 |   | <b>30,300</b>   |
| Credit to incentive fee   | (2,221)         |  |   | (2,221)         |
| <b>Total operating expenses</b>   | <b>24,895</b>   | <b>3,184</b>                                 |   | <b>28,079</b>   |
| <b>Other income (expense)</b>   |                 |  |   |                 |
| Interest expense  | (20,226)        | (2,375)                                      | C | (22,601)        |
| Distributions attributable to Series C mandatorily redeemable preferred stock | (2,515)         |  |   | (2,515)         |
| Other income  | 127             |  |   | 127             |
| <b>Total other expense</b>  | <b>(22,614)</b> | <b>(2,375)</b>                               |   | <b>(24,989)</b> |
| <b>Net income (loss)</b>  | <b>3,761</b>    | <b>(1,213)</b>                               |   | <b>2,548</b>    |
| <b>Distributions attributable to Series A and B preferred stock</b>           |                 |  |   |                 |
|   | (4,093)         |  |   | (4,093)         |
| <b>Distributions attributable to senior common stock</b>                      | <b>(113)</b>    |  |   | <b>(113)</b>    |

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|   |            |            |            |
|---|------------|------------|------------|
| Net (loss) income available to common stockholders  | \$ (445)   | \$ (1,213) | \$ (1,658) |
| <b>Earnings per weighted average share of common stock basic &amp; diluted</b>              |            |            |            |
| (Loss) income from continuing operations (net of dividends attributable to preferred stock) | \$ (0.04)  |            | \$ (0.15)  |
| Net (loss) income available to common stockholders  | \$ (0.04)  |            | \$ (0.15)  |
| Dividends declared per share of common stock  | \$ 1.50    |            | \$ 1.50    |
| <b>Weighted average shares of common stock outstanding</b>                                  |            |            |            |
| Basic   | 10,953,325 |            | 10,953,325 |
| Diluted   | 10,953,325 |            | 10,953,325 |
| <b>Earnings per weighted average share of senior common stock</b>                           |            |            |            |
|   | \$ 1.06    |            | \$ 1.06    |
| <b>Weighted average shares of senior common stock outstanding basic</b>                     |            |            |            |
|   | 107,000    |            | 107,000    |

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

**GLADSTONE COMMERCIAL CORPORATION**

**PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS**

**SIX MONTHS ENDED JUNE 30, 2013**

**(DOLLARS IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)**

**(UNAUDITED)**

|   | Historical      | Pro forma<br>Adjustments for<br>the Property |   | Pro Forma       |
|---|-----------------|--|---|-----------------|
| <b>Operating revenues</b>   |                 |  |   |                 |
| Rental income   | \$ 27,856       | \$ 2,173                                     | A | \$ 30,029       |
| Tenant recovery revenue   | 437             |  |   | 437             |
| <b>Total operating revenues</b>   | <b>28,293</b>   | <b>2,173</b>                                 |   | <b>30,466</b>   |
| <b>Operating expenses</b>   |                 |  |   |                 |
| Depreciation and amortization   | 10,121          | 1,592  | B | 11,713          |
| Property operating expenses   | 1,300           |  |   | 1,300           |
| Acquisitions related expense  | 459             |  |   | 459             |
| Base management fee   | 804             |  |   | 804             |
| Incentive fee   | 1,864           |  |   | 1,864           |
| Administration fee  | 730             |  |   | 730             |
| General and administrative  | 866             |  |   | 866             |
| <b>Total operating expenses before credit to incentive fee</b>                | <b>16,144</b>   | <b>1,592</b>                                 |   | <b>17,736</b>   |
| Credit to incentive fee   | (1,502)         |  |   | (1,502)         |
| <b>Total operating expenses</b>   | <b>14,642</b>   | <b>1,592</b>                                 |   | <b>16,234</b>   |
| <b>Other income (expense)</b>   |                 |  |   |                 |
| Interest expense  | (11,425)        | (1,185)                                      | C | (12,610)        |
| Distributions attributable to Series C mandatorily redeemable preferred stock | (1,372)         |  |   | (1,372)         |
| Other income  | 29              |  |   | 29              |
| <b>Total other expense</b>  | <b>(12,768)</b> | <b>(1,185)</b>                               |   | <b>(13,953)</b> |
| <b>Net income (loss)</b>  | <b>883</b>      | <b>(604)</b>                                 |   | <b>279</b>      |
| <b>Distributions attributable to Series A and B preferred stock</b>           |                 |  |   |                 |
|   | (2,047)         |  |   | (2,047)         |
| <b>Distributions attributable to senior common stock</b>                      | <b>(122)</b>    |  |   | <b>(122)</b>    |

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|   |            |          |            |
|---|------------|----------|------------|
| Net (loss) income available to common stockholders  | \$ (1,286) | \$ (604) | \$ (1,890) |
| <b>Earnings per weighted average share of common stock basic &amp; diluted</b>              |            |          |            |
| (Loss) income from continuing operations (net of dividends attributable to preferred stock) | \$ (0.11)  |          | \$ (0.16)  |
| Net (loss) income available to common stockholders  | \$ (0.11)  |          | \$ (0.16)  |
| Dividends declared per share of common stock  | \$ 0.75    |          | \$ 0.75    |
| <b>Weighted average shares of common stock outstanding</b>                                  |            |          |            |
| Basic   | 11,808,701 |          | 11,808,701 |
| Diluted   | 11,808,701 |          | 11,808,701 |
| <b>Earnings per weighted average share of senior common stock</b>                           |            |          |            |
|   | \$ 0.52    |          | \$ 0.52    |
| <b>Weighted average shares of senior common stock outstanding basic</b>                     |            |          |            |
|   | 233,633    |          | 233,633    |

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

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**GLADSTONE COMMERCIAL CORPORATION**
**NOTES TO UNAUDITED PRO FORMA****CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

On July 9, 2013, through its wholly-owned operating partnership, Gladstone Commercial Limited Partnership (collectively with Gladstone Commercial Corporation, the Company), acquired a 320,000 square-foot office building located in Austin, Texas, known as 717 East Parmer Lane, (the Property). The property was acquired for \$57.0 million, excluding related acquisition expenses of \$0.2 million. The Company funded this acquisition with a combination of availability under its line of credit and the issuance of \$35.3 million of mortgage debt on the Property. The tenant has leased the Property for 7 years and has 3 options to renew the lease for additional periods of 3 years each. The lease provides for prescribed rent escalations over the life of the lease, with annualized straight line rents of \$4.7 million.

**Adjustments to Unaudited Pro Forma Condensed Consolidated Balance Sheet**

The unaudited pro forma condensed consolidated balance sheet as of June 30, 2013 reflects the following adjustments:

- (A) The acquisition of the 717 East Parmer Lane property is reflected in the unaudited pro forma condensed consolidated balance sheet of the Company at fair market value. The below table is a preliminary estimate of the allocated values. Real estate, lease intangibles and deferred rent liability are comprised of the following:

|                              |           |
|------------------------------|-----------|
| Land                         | \$ 2,330  |
| Building and improvements    | 37,207    |
| Tenant improvements          | 6,814     |
| Real estate, net             | \$ 46,351 |
| In-place leases              | \$ 6,117  |
| Leasing costs                | 1,906     |
| Customer relationships       | 3,793     |
| Lease intangibles, net       | \$ 11,816 |
| Deferred rent liability, net | \$ 1,168  |

The value allocated to building and improvements is depreciated and tenant improvements are amortized on a straight-line basis over an estimated useful life. The building is depreciated over a 39 year useful life and tenant improvements, in-place leases and leasing costs are amortized over the shorter of the estimated useful life and remaining contractual, non-cancelable term of the in-place lease. Customer relationships are amortized over the shorter of the estimated useful life and remaining contractual, non-cancelable term of the in-place lease plus any anticipated renewal periods. The value of below-market leases are amortized over the remaining contractual, non-cancelable term of the in-place lease and recorded as an increase to rental



income.

- (B) Deferred financing costs totaled \$0.3 million, consisting of various lender and legal fees, which were capitalized. This amount reflects the net amount, after amortization, assuming the debt was acquired on January 1, 2012.
- (C) Good faith deposits on this Property were \$1.0 million and were deposited into escrow for the benefit of the seller, pursuant to the purchase and sale agreement. At closing, this deposit was applied against the purchase price.
- (D) In connection with the acquisition of the Property, the Company issued \$35.3 million of mortgage debt.
- (E) In connection with the acquisition of the Property, the Company drew \$21.0 million from its \$75.0 million line of credit with Capital One Bank, N.A.
- (F) In connection with the acquisition of the Property, the Company incurred transaction costs of \$0.2 million.

### **Adjustments to Unaudited Pro Forma Condensed Consolidated Statements of Operations**

The adjustments to the pro forma condensed consolidated statements of operations for the year ended December 31, 2012 and the six months ended June 30, 2013, are as follows:

- (A) The pro forma adjustment for rental income for the year ended December 31, 2012 consists of two parts:
  - (a) \$4.2 million to reflect the terms of the acquired leases as if they had been in place for the full year 2012 and
  - (b) \$0.2 million for an adjustment attributable to the effect of acquiring a below market lease.

The pro forma adjustment for rental income for the six months ended June 30, 2013 consists of two parts:

- (a) \$2.1 million to reflect the terms of the acquired leases as if they had been in place for the six months ended June 30, 2013 and
- (b) \$0.1 million for an adjustment attributable to the effect of acquiring a below market lease.

- (B) The pro forma adjustments for depreciation and amortization expense are the Company's estimate of the depreciation charges that would have been recorded assuming the Property was acquired effective January 1, 2012.
- (C) The pro forma adjustment to interest expense is the Company's estimate of expense incurred on the mortgage debt and line of credit financings used to acquire the Property. The debt was assumed to have been issued as of January 1, 2012.

**SIGNATURES**

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.

Gladstone Commercial Corporation

*August 29, 2013*

*By: /s/ Danielle Jones*

*Name: Danielle Jones*

*Title: Chief Financial Officer & Treasurer*