

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 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) August 8, 2006

Gladstone Commercial Corporation  
(Exact name of registrant as specified in its charter)

Maryland	0-50363	020681276
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

1521 Westbranch Drive, Suite 200	22102
McLean, Virginia	(Zip Code)
(Address of principal executive offices)	

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))

Item 2.02 Results of Operations and Financial Condition.

On August 8, 2006, Gladstone Commercial Corporation issued a press release announcing its financial results for the second quarter ended June 30, 2006. The text of the press release is included as an exhibit to this 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.

Exhibit No. -----	Description -----
99.1	Press release dated August 8, 2006

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.

August 8, 2006	Gladstone Commercial Corporation (Registrant) By: /s/ Harry Brill ----- (Harry Brill, Chief Financial Officer)
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Exhibit No.	Description
- - - - -	- - - - -
99.1	Press release dated August 8, 2006

## Gladstone Commercial Announces Second Quarter Results

MCLEAN, Va.--(BUSINESS WIRE)--Aug. 8, 2006--Gladstone Commercial Corp.:

- Reports Net income available to common stockholders of \$368,390 or \$0.04 per diluted weighted average common share
- Reports Funds from Operations ("FFO") of approximately \$2.4 million or \$0.31 per diluted weighted average common share
- Acquired two properties for a total investment of approximately \$22.1 million

Gladstone Commercial Corp. (NASDAQ:GOOD) (the "Company") today reported financial results for the quarter ended June 30, 2006. A description of Funds from Operations, ("FFO") a relative non-GAAP ("Generally Accepted Accounting Principles in the United States") financial measure, is located at the end of this news release. All per share references are fully diluted weighted average common shares, unless otherwise noted.

Net income available to common stockholders for the quarter ended June 30, 2006 was \$368,390, or \$0.04 per share, compared to \$1,149,531, or \$0.15 per share, for the same period one year ago. Net income available to common stockholders for the six months ended June 30, 2006 was \$870,746, or \$0.11 per share, compared to \$1,684,715, or \$0.22 per share for the same period one year ago. Net income results when compared to the same period last year were affected by increased interest expense associated with the leveraging of our properties, coupled with the dividends the Company paid on its preferred stock. The Company also recognized a net unrealized loss from foreign currency transactions of approximately \$212,000 and \$199,000, or \$0.03 per share, for the three and six months ended June 30, 2006, respectively. The unrealized loss was primarily a result of the valuation of the mortgage notes payable for the two Canadian properties, due to a decrease in the value of the U.S. dollar relative to the Canadian dollar by approximately 5% between April 1, 2006, and June 30, 2006. The Company sold both properties subsequent to the end of the quarter and the mortgage notes were assumed by the buyer; therefore, the Company will no longer recognize unrealized gains and losses from the valuation of the mortgage notes.

FFO for the quarter ended June 30, 2006 was approximately \$2.4 million, or \$0.31 per share, compared to approximately \$1.8 million, or \$0.24 per share, for the same period one year ago. FFO for the six months ended June 30, 2006 was approximately \$4.8 million or \$0.61 per share, compared to approximately \$2.9 million or \$0.38 per share for the same period one year ago. A reconciliation of net income, which the Company believes is the most directly comparable GAAP measure to FFO, is set forth below:

	For the three months ended June 30, 2006	For the three months ended June 30, 2005	For the six months ended June 30, 2006	For the six months ended June 30, 2005
Net income	\$852,765	\$1,149,531	\$1,699,565	\$1,684,715
Add: Real estate depreciation and amortization, including discontinued operations	2,081,072	696,977	3,915,819	1,234,733
FFO	2,933,837	1,846,508	5,615,384	2,919,448
Less: Dividends attributable to preferred stock	(484,375)	-	(828,819)	-
FFO available to common stockholders	2,449,462	1,846,508	4,786,565	2,919,448
Weighted average shares outstanding - basic	7,762,503	7,669,802	7,717,501	7,668,409
Weighted average shares outstanding - diluted	7,911,871	7,692,639	7,858,146	7,715,100
Basic net income per weighted average common share	\$0.05	\$0.15	\$0.11	\$0.22

Diluted net income per weighted average common share	\$0.04	\$0.15	\$0.11	\$0.22
	=====	=====	=====	=====
Basic FFO per weighted average common share	\$0.32	\$0.24	\$0.62	\$0.38
	=====	=====	=====	=====
Diluted FFO per weighted average common share	\$0.31	\$0.24	\$0.61	\$0.38
	=====	=====	=====	=====

Second quarter highlights:

- Acquired two properties with approximately 240,000 square feet for an aggregate purchase price of approximately \$22.1 million; and
- Borrowed \$14.9 million pursuant to a long-term note payable collateralized by security interests in five of its properties, which accrues interest at a rate of 6.58% per year.

"Our second quarter results were negatively affected by a net unrealized loss from foreign currency transactions of approximately \$212,000, or \$0.03 per diluted share, resulting in reporting net income of \$0.04 per diluted share. Subsequent to quarter end, we sold our two Canadian properties with the gain to be recognized in our third quarter results," said Chip Stelljes, Executive Vice President and Chief Investment Officer. "We believe this property disposition, along with the acquisition of two properties in the second quarter, will benefit our shareholders over the long-term and will result in a stronger and more focused portfolio."

Subsequent to quarter end, the Company:

- Declared monthly cash dividends on common stock of \$0.12 per common share for each of the months of July, August and September 2006;
- Declared monthly cash dividends on Series A preferred stock of \$0.1614583 per share for the months of July, August and September 2006;
- Acquired one 12,000 square foot office building for approximately \$2.8 million; and
- Sold its two Canadian properties for approximately \$6.9 million, for a gain of approximately \$1.7 million. The Company paid approximately \$360,000 in taxes related to the gain on the sale and the mortgages associated with the Canadian properties were assumed by the buyer.

Also subsequent to June 30, 2006, the Company's Board of Directors approved an offer to the executive officers and directors of the Company and the employees of the Company's external investment adviser, Gladstone Management Corporation, who hold stock options (the "Optionees"), to amend the terms of all outstanding stock options under the Company's 2003 Equity Incentive Plan (the "Options") to accelerate the contractual expiration date of the Options to December 31, 2006. The offer is conditioned upon the acceptance by all of the Optionees, so that if the offer is accepted, 100% of the outstanding Options will be amended to expire on December 31, 2006. The offer to amend the Options is currently scheduled to expire at 5:00 p.m., Eastern Time, on August 31, 2006. If the offer is accepted by 100% of the Optionees, then, effective January 1, 2007, the Company will implement the amended and restated investment advisory agreement with Gladstone Management and the administration agreement with Gladstone Administration, LLC, as approved by the Company's stockholders on May 24, 2006. The Company filed a Schedule TO and related documentation regarding the offer with the Securities and Exchange Commission on July 12, 2006. The Company's Board of Directors also accelerated in full the vesting of all outstanding unvested options effective July 11, 2006.

The financial statements attached below are without footnotes so readers should obtain and carefully review the Company's Form 10-Q for the quarter ended June 30, 2006, including the footnotes to the financial statements contained therein. The Company has filed the Form 10-Q today with the SEC and the Form 10-Q can be retrieved from the SEC website at [www.SEC.gov](http://www.SEC.gov) or our website at [www.GladstoneCommercial.com](http://www.GladstoneCommercial.com).

The Company will hold a conference call Wednesday, August 9, 2006 at 9:30 a.m. ET to discuss its earnings results. Please call (877) 407-8031 to enter the conference. An operator will monitor the call and set a queue for the questions.

The conference call replay will be available two hours after the call and will be available through September 9, 2006. To hear the replay, please dial (877) 660-6853, access playback account 286 and use ID code 210295.

Gladstone Commercial Corporation is a publicly traded real estate investment trust that focuses on investing in and owning triple-net leased industrial and commercial real estate properties and selectively making long-term mortgage loans. Additional information can be found at [www.GladstoneCommercial.com](http://www.GladstoneCommercial.com).

For further information, contact our Investor Relations Manager, Kelly Sargent at 703-287-5835.

#### NON-GAAP FINANCIAL MEASURES

##### Funds from Operations

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, 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 (which, unlike FFO, generally reflects all cash effects of transactions and other events in the determination of net income), and should not be considered an alternative to net income as an indication of the Company's 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 a further context for evaluating the Company's financial performance and as a supplemental measure to compare the Company to other REITs; however, comparisons of the Company's 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.

To learn more about FFO please refer to the Form 10-Q for the quarter ended June 30, 2006, as filed with the Securities and Exchange Commission today.

This press release may include statements that may constitute "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, including statements with regard to the future performance of the Company and the closing of any transaction. Words such as "may," "will," "believes," "anticipates," "intends," "expects," "projects," "estimates" and "future" or similar expressions are intended to identify forward-looking statements. These forward-looking statements inherently involve certain risks and uncertainties, although they are based on the Company's current plans, expectations and beliefs that are believed to be reasonable as of the date of this press release. Factors that may cause the Company's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by such forward-looking statements include, among others, those factors listed under the caption "Risk Factors" of the Company's Annual Report on Form 10-K for the year ended, December 31, 2005, as filed with the Securities and Exchange Commission on February 28, 2006, and the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2006, as filed with the Securities and Exchange Commission today. The risk factors set forth in the Form 10-K under the caption "Risk Factors" are specifically incorporated by references into this press release. All forward-looking statements are based on current plans, expectations and beliefs and speak only as of the date of such statements. 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.

Gladstone Commercial Corporation  
Consolidated Balance Sheets  
(unaudited)

	June 30, 2006	December 31, 2005
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#### ASSETS

Real estate, net of accumulated depreciation of \$5,722,987 and \$3,408,878 respectively	\$219,373,127	\$161,634,761
Lease intangibles, net of accumulated amortization of \$2,614,455 and \$1,221,413, respectively	24,535,650	13,947,484

Real estate and related assets held for sale, net	5,458,407	-
Mortgage notes receivable	20,981,073	21,025,815
Cash and cash equivalents	931,560	1,740,159
Restricted cash	2,386,510	1,974,436
Funds held in escrow	1,697,031	1,041,292
Interest receivable - mortgage note	67,140	70,749
Interest receivable - employees	28,589	-
Deferred rent receivable	3,111,718	2,590,617
Deferred financing costs, net of accumulated amortization of \$549,399 and \$260,099, respectively	3,037,719	1,811,017
Prepaid expenses	196,852	385,043
Deposits on real estate	-	600,000
Accounts receivable	105,395	225,581
	-----	-----
TOTAL ASSETS	\$281,910,771	\$207,046,954
	=====	=====

#### LIABILITIES AND STOCKHOLDERS' EQUITY

LIABILITIES		
Mortgage notes payable	\$118,690,395	\$61,558,961
Mortgage notes payable related to assets held for sale	4,797,876	-
Borrowings under line of credit	29,660,000	43,560,000
Deferred rent liability	5,111,381	-
Asset retirement obligation liability	1,419,559	-
Accounts payable and accrued expenses	437,693	389,792
Accounts payable and other liabilities related to assets held for sale	198,381	103,210
Due to adviser	177,459	164,155
Rent received in advance, security deposits and funds held in escrow	2,897,781	2,322,300
	-----	-----
Total Liabilities	163,390,525	108,098,418
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#### STOCKHOLDERS' EQUITY

Redeemable preferred stock, \$0.001 par value; \$25 liquidation preference; 1,150,000 shares authorized and 1,000,000 shares issued and outstanding at June 30, 2006	1,000	-
Common stock, \$0.001 par value, 18,850,000 shares authorized and 7,816,972 and 7,672,000 shares issued and outstanding, respectively	7,817	7,672
Additional paid in capital	131,590,977	105,502,544
Notes receivable - employees	(2,259,036)	(432,282)
Distributions in excess of accumulated earnings	(10,820,512)	(6,129,398)
	-----	-----
Total Stockholders' Equity	118,520,246	98,948,536
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TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$281,910,771	\$207,046,954
	=====	=====

#### Gladstone Commercial Corporation Consolidated Statements of Operations (unaudited)

	For the three months ended		For the six months ended	
	June 30, 2006	June 30, 2005	June 30, 2006	June 30, 2005
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Operating revenues				
Rental income	\$6,027,830	\$2,092,231	\$10,894,906	\$3,795,831
Interest income from mortgage notes receivable	558,434	501,645	1,111,346	797,228
Tenant recovery revenue	43,798	37,300	49,420	41,600
	-----	-----	-----	-----
Total operating revenues	6,630,062	2,631,176	12,055,672	4,634,659
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Operating expenses				
Depreciation and amortization	2,064,312	664,467	3,863,519	1,169,762
Management advisory fee	719,392	483,794	1,372,134	955,655
Professional fees	232,960	11,201	431,418	340,886
Taxes and licenses	39,069	24,450	89,963	151,396
Insurance	102,845	67,021	185,842	137,404
General and administrative	306,698	95,411	452,485	229,750
Asset retirement obligation expense	24,940	-	71,641	-
Stock option compensation expense	33,602	-	79,818	-
	-----	-----	-----	-----
Total operating expenses	3,523,818	1,346,344	6,546,820	2,984,853
	-----	-----	-----	-----
Other income (expense)				
Interest income from temporary investments	4,057	13,192	11,431	107,713
Interest income - employee loans	28,589	5,236	34,137	9,921
Other income	10,400	-	10,400	-
Interest expense	(2,155,968)	(254,803)	(3,774,536)	(291,022)
	-----	-----	-----	-----
Total other expense	(2,112,922)	(236,375)	(3,718,568)	(173,388)
	-----	-----	-----	-----
Income from continuing operations	993,322	1,048,457	1,790,284	1,476,418
	-----	-----	-----	-----
Discontinued operations				
Income from discontinued operations	71,215	103,784	109,253	211,099
Net realized gain (loss) from foreign currency transactions	167	(2,590)	(649)	(2,937)
Net unrealized (loss) gain from foreign currency transactions	(211,939)	(120)	(199,323)	135
	-----	-----	-----	-----
Total discontinued operations	(140,557)	101,074	(90,719)	208,297
	-----	-----	-----	-----
Net income	852,765	1,149,531	1,699,565	1,684,715
	-----	-----	-----	-----
Dividends attributable to preferred stock	(484,375)	-	(828,819)	-
	-----	-----	-----	-----
Net income available to common stockholders	\$368,390	\$1,149,531	\$870,746	\$1,684,715
	=====	=====	=====	=====
Earnings per weighted average common share - basic				
Income from continuing operations (net of dividends attributable to preferred stock)	\$0.07	\$0.14	\$0.12	\$0.19
Discontinued operations	(0.02)	0.01	(0.01)	0.03
	-----	-----	-----	-----
Net income				

available to common stockholders	\$0.05	\$0.15	\$0.11	\$0.22
	=====	=====	=====	=====
Earnings per weighted average common share - diluted				
Income from continuing operations (net of dividends attributable to preferred stock)	\$0.06	\$0.14	\$0.12	\$0.19
Discontinued operations	(0.02)	0.01	(0.01)	0.03
	-----	-----	-----	-----
Net income available to common stockholders	\$0.04	\$0.15	\$0.11	\$0.22
	=====	=====	=====	=====
Weighted average shares outstanding				
Basic	7,762,503	7,669,802	7,717,501	7,668,409
	=====	=====	=====	=====
Diluted	7,911,871	7,692,639	7,858,146	7,715,100
	=====	=====	=====	=====

Gladstone Commercial Corporation  
Consolidated Statements of Cash Flows  
(unaudited)

	For the six months ended June 30, 2006	For the six months ended June 30, 2005
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Cash flows from operating activities:		
Net income	\$1,699,565	\$1,684,715
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization, including discontinued operations	3,915,819	1,234,731
Amortization of deferred financing costs, including discontinued operations	289,300	74,836
Amortization of deferred rent asset	126,748	93,385
Amortization of deferred rent liability	(303,478)	-
Asset retirement obligation expense, including discontinued operations	81,573	-
Stock compensation	79,818	-
Unrealized loss (gain) from foreign currency transactions	199,323	(135)
Changes in assets and liabilities:		
Decrease (increase) in mortgage interest receivable	3,609	(2,824)
Increase in employee interest receivable	(28,589)	(444)
Decrease in prepaid expenses	177,168	69,008
Decrease in other assets	120,186	59,515
Increase in deferred rent receivable	(720,712)	(206,111)
Increase in accounts payable and accrued expenses	52,302	112,530
Increase (decrease) in due to adviser	13,304	(5,060)
Increase (decrease) in rent received in advance and security deposits	725,907	(435,228)
Payments to lenders for operating reserves held in escrow	(1,452,201)	-
Increase in operating reserves from tenants	892,137	-
	-----	-----
Net cash provided by operating activities	5,871,779	2,678,918
	-----	-----
Cash flows from investing activities:		
Real estate investments	(40,506,626)	(41,116,911)
Issuance of mortgage note receivable	-	(10,000,000)
Principal repayments on mortgage notes		

receivable	44,742	42,856
Increase in restricted cash	(412,074)	-
Receipts from tenants for capital reserves	435,633	-
Payments to tenants from capital reserves	(234,518)	-
Payments to lenders for capital reserves held in escrow	(755,350)	-
Receipts from lenders for capital reserves held in escrow	308,135	-
Deposits on future acquisitions	(500,000)	(550,000)
Deposits applied against real estate investments	1,100,000	-
	-----	-----
Net cash used in investing activities	(40,520,058)	(51,624,055)
	-----	-----
Cash flows from financing activities:		
Proceeds from share issuance	25,485,010	-
Offering costs	(1,302,004)	-
Borrowings under mortgage note payable	31,900,000	3,150,000
Principal repayments on mortgage note payable	(302,410)	(12,471)
Borrowings from line of credit	60,000,400	22,010,000
Repayments on line of credit	(73,900,400)	-
Principal repayments on employee loans	-	16,211
Payments for deferred financing costs	(1,650,237)	(1,015,176)
Dividends paid for common and preferred	(6,390,679)	(4,140,980)
	-----	-----
Net cash provided by financing activities	33,839,680	20,007,584
	-----	-----
Net decrease in cash and cash equivalents	(808,599)	(28,937,553)
Cash and cash equivalents, beginning of period	1,740,159	29,153,987
	-----	-----
Cash and cash equivalents, end of period	\$931,560	\$216,434
	=====	=====
NON-CASH INVESTING ACTIVITIES		
Increase in asset retirement obligation	\$1,510,330	\$-
	-----	-----
NON-CASH FINANCING ACTIVITIES		
Fixed rate debt assumed in connection with acquisitions	\$30,129,654	\$-
	-----	-----
Notes receivable issued in exchange for common stock associated with the exercise of employee stock options	\$1,826,754	\$75,000
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CONTACT: Gladstone Commercial Corporation  
Kelly Sargent, 703-287-5835