

**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) **November 4, 2009**

**Gladstone Commercial Corporation**

(Exact name of registrant as specified in its charter)

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

**0-50363**  
(Commission File Number)

**020681276**  
(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**

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 November 4, 2009, Gladstone Commercial Corporation issued a press release announcing its financial results for the quarter ended September 30, 2009. 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.

<u>Exhibit No.</u>	<u>Description</u>
99.1	Press release dated November 4, 2009

**SIGNATURE**

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

(Registrant)

November 4, 2009

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(Date)

/s/ DANIELLE JONES

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Danielle Jones  
*Chief Financial Officer*

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**EXHIBIT INDEX**

**Exhibit No.   Description**

99.1      Press release dated November 4, 2009

## Gladstone Commercial Corporation Reports Results for the Third Quarter Ended September 30, 2009

\* Reported revenues for the three and nine months ended September 30, 2009 of approximately \$10.7 million and \$32.0 million, an increase of 2.2% and 6.1%, respectively, versus the same periods last year.

\* Reported funds from operations ("FFO") for the three and nine months ended September 30, 2009 of approximately \$3.4 million and \$10.1 million, respectively.

MCLEAN, Va., Nov. 4, 2009 (GLOBE NEWSWIRE) -- Gladstone Commercial Corp. (Nasdaq:GOOD) (the "Company") today reported financial results for the quarter ended September 30, 2009. A description of FFO, a 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 to fully-diluted weighted average common shares, unless otherwise noted.

FFO for the three months ended September 30, 2009 was approximately \$3.4 million, or \$0.39 per share, which remained constant as compared to the same period one year ago. FFO for the nine months ended September 30, 2009 was approximately \$10.1 million, or \$1.18 per share, which also remained constant as compared to the same period one year ago. The Company's results reflect an increase in rental revenues as a result of acquisitions completed during 2008 that were held for the full period in 2009. The amount of the incentive fee paid to the Company's external adviser, Gladstone Management Corporation (the "Adviser"), increased during the three and nine months ended September 30, 2009, as compared to the three and nine months ended September 30, 2008, as a result of the increase in revenues, coupled with a reduction in the voluntary waiver issued by the Adviser.

Net income available to common stockholders for the three and nine months ended September 30, 2009 was approximately \$256,000 and \$415,000, or \$0.03 per share and \$0.05 per share, respectively, compared to approximately \$118,000 and \$707,000, or \$0.01 per share and \$0.08 per share, respectively, for the same periods 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 September 30,		For the nine months ended September 30,	
	2009	2008	2009	2009
Net income	\$ 1,278,990	\$ 1,141,559	\$ 3,485,506	\$ 3,777,707
Less:				
Distributions attributable to preferred stock	(1,023,437)	(1,023,437)	(3,070,312)	(3,070,312)
Net income available to common stockholders	255,553	118,122	415,194	707,395
Add: Real estate depreciation and amortization, including discontinued operations	3,284,723	3,262,903	9,885,571	9,435,690
Less: Gain on sale of real estate	(160,038)	--	(160,038)	--
FFO available to common stockholders	\$ 3,380,238	\$ 3,381,025	\$10,140,727	\$10,143,085
Weighted average shares outstanding - basic & diluted	8,563,264	8,565,264	8,563,264	8,565,264
Basic & diluted net income per weighted average common share	\$ 0.03	\$ 0.01	\$ 0.05	\$ 0.08

Basic & diluted FFO per weighted average common share	\$ 0.39	\$ 0.39	\$ 1.18	\$ 1.18
Distributions declared per common share	\$ 0.375	\$ 0.375	\$ 1.125	\$ 1.125
Percentage of FFO paid per common share	95%	95%	95%	95%

At September 30, 2009, the Company owned 64 properties totaling approximately 6.3 million square feet, and had one mortgage loan outstanding for a total net investment of approximately \$396.9 million. Currently, all of the Company's properties are fully leased and all of its tenants and its borrower are current and paying as agreed.

The Company does not have any balloon principal payments due under any of its long-term mortgages until 2010, and the only mortgage that matures at that time has three annual extension options through 2013, which the Company currently intends to exercise. The Company's line of credit matures in December 2009 and it currently expects to exercise its option to extend the line of credit through December 2010.

Third quarter highlights, the Company:

- \* Sold its property located in Norfolk, Virginia for \$1.15 million, for a gain on the sale of approximately \$160,000 and an exit internal rate of return of 11.37%. The proceeds from the sale were used to pay down borrowings on its line of credit; and
- \* Paid monthly cash distributions of \$0.125 per share on the common stock, \$0.1614583 per share on the Series A Preferred Stock, and \$0.15625 per share on the Series B Preferred Stock, for each of the months of July, August and September 2009.

"We maintained a conservative acquisition pace in past years and executed thorough due diligence processes, and as a result we believe we are benefiting today, as all of our properties remain fully leased and all of our tenants and borrower are current and paying as agreed," said Chip Stelljes, President and Chief Investment Officer. "We continue to review and renegotiate existing leases and make capital improvements to certain of our properties, which we believe will add value to our portfolio. We will continue to review potential acquisitions and we are currently exploring alternatives to raise capital to allow us to grow our portfolio."

Subsequent to quarter end, the Company:

.. Declared monthly cash distributions of \$0.125 per share on the common stock, \$0.1614583 per share on the Series A Preferred Stock, and \$0.15625 per share on the Series B Preferred Stock, for each of the months of October, November and December 2009.

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 September 30, 2009, including the footnotes to the financial statements contained therein. The Company has filed the Form 10-Q today with the Securities and Exchange Commission ("SEC") and the Form 10-Q can be retrieved from the SEC's website at [www.sec.gov](http://www.sec.gov) or the Company's website at [www.GladstoneCommercial.com](http://www.GladstoneCommercial.com).

The Company will hold a conference call on Thursday, November 5, 2009 at 8:30 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 December 5, 2009. To hear the replay, please dial (877) 660-6853, access playback account 286 and use ID code 334847.

The live audio broadcast of Gladstone Commercial's quarterly conference call will be available online at [www.GladstoneCommercial.com](http://www.GladstoneCommercial.com) and [www.investorcalendar.com](http://www.investorcalendar.com). The event will be archived and available for replay on the Company's website through February 5, 2010.

Gladstone Commercial Corporation is a publicly traded real estate investment trust ("REIT") 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).

#### NON-GAAP FINANCIAL MEASURE - FFO

The National Association of Real Estate Investment Trusts ("NAREIT") developed FFO as a 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 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 September 30, 2009, as filed with the SEC today.

The statements in this press release regarding the extension of the maturity of the Company's line of credit and any of its long-term mortgages, future growth in the Company's portfolio and FFO, plans to renegotiate leases and make capital improvements to certain of the Company's properties, and the Company's ability to raise capital 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, among others, the results of appraisals of its properties at the time of extension of its line of credit, its ability to raise capital, the duration of, or further downturns in, the current economic environment, the performance of its tenants and borrower, and significant changes in interest rates. Additional factors that could cause actual results to differ materially from those stated or implied by the Company's forward-looking statements are disclosed under the caption "Risk factors" of the Company's Form 10-K for the fiscal year ended December 31, 2008, as filed with the SEC on February 25, 2009 and the Company's Form 10-Q for the quarter ended September 30, 2009 as filed with the SEC on November 4, 2009. 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.

Gladstone Commercial Corporation  
Consolidated Balance Sheets  
(unaudited)

	September 30, 2009	December 31, 2008
	-----	-----
<b>ASSETS</b>		
Real estate, at cost	\$ 389,699,961	\$ 390,562,138
Less: accumulated depreciation	31,754,201	24,757,576
	-----	-----
Total real estate, net	357,945,760	365,804,562
Lease intangibles, net	28,962,361	31,533,843
Mortgage note receivable	10,000,000	10,000,000
Cash and cash equivalents	2,787,398	4,503,578
Restricted cash	3,049,099	2,677,561
Funds held in escrow	2,697,354	2,150,919
Deferred rent receivable	8,574,415	7,228,811
Deferred financing costs, net	3,344,509	4,383,446
Due from adviser	--	108,898
Prepaid expenses and other assets	920,787	707,167
	-----	-----
<b>TOTAL ASSETS</b>	<b>\$ 418,281,683</b>	<b>\$ 429,098,785</b>
	=====	=====
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>LIABILITIES</b>		
Mortgage notes payable	\$ 253,372,911	\$ 255,111,173
Short-term loan and borrowings		
under line of credit	31,800,000	31,500,000
Deferred rent liability	2,558,299	3,147,472
Asset retirement obligation liability	2,268,997	2,190,192
Accounts payable and accrued expenses	1,417,884	2,673,787
Due to adviser	1,271,766	--
Obligation under capital lease	244,609	235,378
Rent received in advance, security deposits and funds held in escrow	4,026,157	3,745,523
	-----	-----
Total Liabilities	296,960,623	298,603,525
	-----	-----
<b>STOCKHOLDERS' EQUITY</b>		
Redeemable preferred stock, \$0.001 par value; \$25 liquidation preference; 2,300,000 shares authorized and 2,150,000 shares issued and outstanding	2,150	2,150
Common stock, \$0.001 par value, 47,700,000 shares authorized		

and 8,563,264 shares issued and outstanding	8,563	8,563
Additional paid in capital	170,622,581	170,622,581
Notes receivable - employees	(2,551,601)	(2,595,886)
Distributions in excess of accumulated earnings	(46,760,633)	(37,542,148)
	-----	-----
Total Stockholders' Equity	121,321,060	130,495,260
	-----	-----
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 418,281,683	\$ 429,098,785
	=====	=====

Gladstone Commercial Corporation  
Consolidated Statements of Operations  
(unaudited)

	For the three months ended September 30,		For the nine months ended September 30,	
	2009	2008	2009	2008
	-----	-----	-----	-----
Operating revenues				
Rental income	\$10,383,002	\$10,131,678	\$31,150,423	\$29,191,410
Interest income from mortgage note receivable	191,667	216,446	568,750	673,548
Tenant recovery revenue	82,425	83,144	247,593	253,495
	-----	-----	-----	-----
Total operating revenues	10,657,094	10,431,268	31,966,766	30,118,453
	-----	-----	-----	-----
Operating expenses				
Depreciation and amortization	3,284,723	3,256,602	9,875,156	9,416,786
Property operating expenses	219,537	222,647	687,129	665,103
Due diligence expense	--	2,158	16,433	4,282
Base management fee	342,743	404,108	1,073,041	1,255,833
Incentive fee	835,003	793,787	2,433,945	2,300,286
Administration fee	293,075	238,241	774,636	724,978
Professional fees	105,368	117,857	466,529	362,584
Insurance	50,757	43,354	147,561	126,947
Directors fees	49,459	54,702	149,547	161,202
Stockholder related expenses	32,914	42,232	204,806	271,430
Asset retirement obligation expense	36,060	34,711	106,441	97,077
General and administrative	19,643	10,079	45,647	40,582
	-----	-----	-----	-----
Total operating expenses before credit from Adviser	5,269,282	5,220,478	15,980,871	15,427,090
	-----	-----	-----	-----
Credit to incentive fee	(200,264)	(205,876)	(564,968)	(941,928)
	-----	-----	-----	-----
Total operating expenses	5,069,018	5,014,602	15,415,903	14,485,162
	-----	-----	-----	-----

Other income

(expense)				
Interest income from temporary investments	524	4,559	17,989	20,796
Interest income - employee loans	48,130	49,624	145,878	152,620
Other income	--	7,500	11,320	56,493
Interest expense	(4,521,848)	(4,354,381)	(13,443,405)	(12,106,885)
Total other expense	(4,473,194)	(4,292,698)	(13,268,218)	(11,876,976)
Income from continuing operations	1,114,882	1,123,968	3,282,645	3,756,315
Discontinued operations				
Income from discontinued operations	4,070	17,591	42,823	21,392
Gain on sale of real estate	160,038	--	160,038	--
Total discontinued operations	164,108	17,591	202,861	21,392
Net income	1,278,990	1,141,559	3,485,506	3,777,707
Distributions attributable to preferred stock	(1,023,437)	(1,023,437)	(3,070,312)	(3,070,312)
Net income available to common stockholders	\$ 255,553	\$ 118,122	\$ 415,194	\$ 707,395
Earnings per weighted average common share - basic & diluted				
Income from continuing operations (net of distributions attributable to preferred stock)	\$ 0.01	\$ 0.01	\$ 0.03	\$ 0.08
Discontinued operations	0.02	0.00	0.02	0.00
Net income available to common stockholders	\$ 0.03	\$ 0.01	\$ 0.05	\$ 0.08
Weighted average shares outstanding - basic & diluted	8,563,264	8,565,264	8,563,264	8,565,264

Gladstone Commercial Corporation  
Consolidated Statements of Cash Flows  
(unaudited)

For the nine months ended  
September 30,

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2009	2008
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Cash flows from operating activities:		
Net income	\$ 3,485,506	\$ 3,777,707
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization, including discontinued operations	9,885,571	9,435,690
Amortization of deferred financing costs	1,144,991	806,075
Amortization of deferred rent asset and liability	(399,052)	(399,049)
Accretion of obligation under capital lease	9,232	7,234
Asset retirement obligation expense, including discontinued operations	106,902	98,394
Gain on sale of real estate	(160,038)	--
Increase in prepaid expenses and other assets	(413,620)	(110,382)
Increase in deferred rent receivable	(1,564,298)	(1,763,153)
Increase in accounts payable, accrued expenses, and amount due adviser	124,761	182,694
(Decrease) increase in rent received in advance	(90,904)	171,191
	-----	-----
Net cash provided by operating activities	12,129,051	12,206,401
	-----	-----
Cash flows from investing activities:		
Real estate investments	(85,534)	(48,935,032)
Leasing commissions paid	(298,270)	--
Proceeds from sale of real estate	1,089,031	--
Receipts from lenders for reserves held in escrow	853,264	630,033
Payments to lenders for reserves held in escrow	(1,399,699)	(1,216,896)
Increase in restricted cash	(371,538)	(723,464)
Deposits on future acquisitions	--	(1,650,000)
Deposits refunded or applied against real estate investments	200,000	1,750,000
	-----	-----
Net cash used in investing activities	(12,746)	(50,145,359)
	-----	-----
Cash flows from financing activities:		
Borrowings under mortgage notes payable	--	48,015,000
Principal repayments on mortgage notes payable	(1,738,262)	(1,171,849)
Principal repayments on employee notes receivable	44,285	140,077
Borrowings from line of credit	49,700,000	62,600,000
Repayments on line of credit	(29,400,000)	(56,800,000)
Repayment of short-term loan	(20,000,000)	--
Receipts from tenants for reserves	2,541,657	1,746,804
Payments to tenants from reserves	(2,197,535)	(1,555,146)
Increase in security deposits	27,415	531,806
Payments for deferred financing costs	(106,054)	(1,153,228)
Distributions paid for common and preferred	(12,703,991)	(12,706,239)
	-----	-----
Net cash (used in) provided by financing activities	(13,832,485)	39,647,225
	-----	-----
Net (decrease) increase in cash and cash equivalents	(1,716,180)	1,708,267
Cash and cash equivalents, beginning of period	4,503,578	1,356,408
	-----	-----
Cash and cash equivalents, end of period	\$ 2,787,398	\$ 3,064,675
	=====	=====
NON-CASH INVESTING ACTIVITIES		
Increase in asset retirement obligation	\$ --	\$ 245,195
	-----	-----
Fixed rate debt assumed in connection with acquisitions	\$ --	\$ 6,461,603
	-----	-----