Easterly Government Properties, Inc.
Form 424B5
June 01, 2016
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Filed Pursuant to Rule 424(b)(5)
Registration Nos. 333-210049 and 333-210052

SUBJECT TO COMPLETION

PRELIMINARY PROSPECTUS SUPPLEMENT DATED JUNE 1, 2016

(to Prospectus dated May 3, 2016 and to Prospectus dated May 3, 2016)

6,126,967 Shares

Easterly Government Properties, Inc.

Common Stock

We are offering 3,800,000 shares of our common stock, $0.01 par value (common stock), and the selling stockholders named in this prospectus supplement are offering 826,967 shares of our common stock. We will not receive any proceeds from the sale of the shares of our common stock by the selling stockholders in this offering.

In addition, we expect to enter into separate forward sales agreements with Citigroup Global Markets Inc. and Jefferies LLC, or their affiliates, which we refer to in this capacity as the forward purchasers. Citigroup Global Markets Inc. and Jefferies LLC, either directly or as agents for their respective affiliated forward purchasers, which we refer to in this capacity as the forward sellers, are, at our request, borrowing from third parties and selling to the underwriters an aggregate of 1,500,000 shares of our common stock, in connection with the forward sales agreements. We will not initially receive any proceeds from the sale of shares by the forward sellers, except in certain circumstances described in this prospectus supplement. We expect to physically settle the forward sales agreements and receive proceeds, subject to certain adjustments, from the sale of those shares of our common stock upon one or more such physical settlements within approximately six months from the date of this prospectus supplement. Although we expect to settle the forward sales agreements entirely by the physical delivery of shares of our common stock for cash proceeds, we may also elect to cash or net-share settle all or a portion of our obligations under the forward sales agreements, in which case, we may receive, or we may owe, cash or shares of our common stock from or to the forward purchasers. See Underwriting Forward Sales Agreements in this prospectus supplement for a description of the forward sales agreements.

If any of the forward sellers determines, in its commercially reasonable judgment, that such forward seller is unable, after using commercially reasonable efforts, to borrow and sell the full number of such shares of our common stock, or if any forward purchaser, in its sole judgment, determines that such forward seller would incur a share loan cost in excess of a specified threshold to do so, we will issue and sell to the underwriters a number of shares of our common stock equal to the number of shares that such forward seller does not so borrow and sell.

To assist us in qualifying as a real estate investment trust, our charter limits ownership by any person to 7.1% of the lesser of the number or value of shares of our outstanding common stock, with certain exceptions. See Description of Common Stock Restrictions on Ownership and Transfer in the accompanying prospectus.

Our common stock is listed on the NYSE under the symbol DEA. The last reported sale price of our common stock on the NYSE on May 31, 2016 was $18.72 per share.

Investing in our common stock involves risks. You should read carefully and consider Risk Factors included in our Annual Report on Form 10-K for the year ended December 31, 2015, beginning on page S-10 of this prospectus supplement, on page 3 of the accompanying company prospectus and on page 2 of the accompanying selling stockholder prospectus before investing in our common stock.

Neither the Securities and Exchange Commission, or the SEC, nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or either of the accompanying prospectuses is truthful or complete. Any representation to the contrary is a criminal offense.

	Per Share	**Total**
Public offering price	$	$
Underwriting discount(1)	$	$
Proceeds, before expenses, to us(2)	$	$
Proceeds, before expenses, to the selling stockholders	$	$

(1) See Underwriting for a description of compensation payable to the underwriters.
(2) We expect to receive net proceeds from the sale of the shares of our common stock, before fees and estimated expenses, of $ million upon full physical settlement of the forward sales agreements, which we expect will occur within approximately six months from the date of this prospectus supplement. For the purposes of calculating the aggregate net proceeds to us, we have assumed that the forward sales agreements will be fully physically settled based on the initial forward sale price of $ per share, which is the public offering price less the underwriting discount shown above. The forward sale price is subject to adjustment pursuant to the terms of each of the forward sales agreements, and the actual proceeds, if any, to us will be calculated as described in this prospectus supplement. Unless the federal funds rate increases substantially prior to the settlement of the forward sales agreements, we expect to receive less than the initial forward sale price per share upon physical settlement of the forward sales agreements. Although we expect to settle the forward sales agreements entirely by the full physical delivery of shares of our common stock in exchange for cash proceeds, we may elect cash settlement or net share settlement for all or a portion of our obligations under any forward sales agreement. See Underwriting Forward Sales Agreements for a description of the forward sales agreements.

We have granted the underwriters a 30-day option from the date of this prospectus supplement, exercisable in whole or in part from time to time, to purchase up to an additional 919,045 shares of our common stock from us at the initial price to the public less the underwriting discount.

The underwriters expect to deliver the shares to purchasers on or about , 2016 through the book-entry facilities of The Depository Trust Company.

Citigroup **Jefferies** **Raymond James** **RBC Capital Markets**

SunTrust Robinson Humphrey

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ABOUT THIS PROSPECTUS SUPPLEMENT

This document is in three parts. The first part is this prospectus supplement, which describes the specific terms of this offering and also adds to and updates information in the accompanying prospectuses and the documents incorporated by reference therein. The second and the third parts are the accompanying prospectuses, which provide more general information, some of which may not apply to this offering. You should read this entire document, including the prospectus supplement, the accompanying prospectuses and the documents incorporated by reference therein, and any free writing prospectus we authorize to be delivered to you. We, the selling stockholders, the underwriters and the forward purchasers have not authorized anyone else to provide you with different or additional information. If anyone provides you with different or additional information, you should not rely on it. In the event that the description of this offering varies between this prospectus supplement and the accompanying prospectuses, you should rely on the information contained in this prospectus supplement. To the extent the information included in this prospectus supplement differs or varies from the information included or incorporated by reference in the accompanying prospectuses, the information included in this prospectus supplement updates and supersedes such information. You should assume that the information appearing in this prospectus supplement and the accompanying prospectuses, including the documents incorporated by reference therein, and any authorized free writing prospectus is accurate only as of their respective dates. Our business, financial condition, results of operations and prospects may have changed since those dates.

This prospectus supplement and (i) the accompanying prospectus dated May 3, 2016, which we refer to as the accompanying company prospectus, are part of the Registration Statement (Registration No. 333-210049) that we filed with the SEC on March 9, 2016, and (ii) the accompanying prospectus, dated May 3, 2016, which we refer to as the accompanying selling stockholder prospectus, are part of the Registration Statement (Registration No. 333-210052) that we filed with the SEC on March 9, 2016, each using a shelf registration process. We refer collectively to the accompanying company prospectus and the accompanying selling stockholder prospectus as the accompanying prospectuses.

This prospectus supplement and the accompanying prospectuses contain, or incorporate by reference, forward-looking statements. Such forward-looking statements should be considered together with the cautionary statements and important factors included or referred to in this prospectus supplement, the accompanying prospectuses and the documents incorporated therein by reference. Please see Forward-Looking Statements in this prospectus supplement and Cautionary Statement Regarding Forward-Looking Statements in each of the accompanying prospectuses.

Unless otherwise indicated or the context requires otherwise, in this prospectus supplement and the accompanying prospectus, references to we, our, us, and our company refer to Easterly Government Properties, Inc. and its consolidated subsidiaries.

The distribution of this prospectus supplement, the accompanying prospectuses and any authorized free writing prospectus and the offering of the shares of our common stock may be restricted by law. If you possess this prospectus supplement, the accompanying prospectuses or any authorized free writing prospectus, you should find out about and observe these restrictions. This prospectus supplement, the accompanying prospectuses and any authorized free writing prospectus are not an offer to sell the shares and are not soliciting an offer to buy the shares in any jurisdiction where the offer or sale is not permitted or where the person making the offer or sale is not qualified to do so or to any person to whom it is not permitted to make such offer or sale. See Underwriting Selling Restrictions in this prospectus supplement.

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FORWARD-LOOKING STATEMENTS

This prospectus supplement, the accompanying prospectuses and the documents incorporated by reference herein and therein contain forward-looking statements within the meaning of the federal securities laws, including Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. We intend these 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 are including this statement for purposes of complying with those safe harbor provisions. We caution investors that any such forward-looking statements presented in this prospectus supplement, the accompanying prospectuses or any of the documents incorporated by reference herein or therein, or which management may make orally or in writing from time to time, are based on beliefs and on assumptions made by, and information currently available to, management. When used, the words anticipate, believe, estimate, expect, intend, may, might, plan, project, resul similar expressions which do not relate solely to historical matters are intended to identify forward-looking statements. Such statements are subject to risks, uncertainties and assumptions and are not guarantees of future performance, which may be affected by known and unknown risks, trends, uncertainties and factors that are beyond our control. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, estimated or projected by the forward-looking statements.

Some of the risks and uncertainties that may cause our actual results, performance or achievements to differ materially from those expressed or implied by forward-looking statements include, among others, the following:

- the factors included in our Annual Report on Form 10-K filed with the SEC on March 2, 2016, including those set forth under the headings Risk Factors and Management s Discussion and Analysis of Financial Condition and Results of Operations, the factors included in our other public filings, the factors beginning on page S-10 of this prospectus supplement, on page 3 of the accompanying company prospectus and page 2 of the accompanying selling stockholder prospectus, in each case under the heading Risk Factors ;

- risks associated with our dependence on the U.S. Government and its agencies for substantially all of our revenues, including credit risk and risk that the U.S. Government reduces its spending on real estate or that it changes its preference away from leased properties;

- risks associated with ownership and development of real estate;

- decreased rental rates or increased vacancy rates;

- loss of key personnel;

- general volatility of the capital and credit markets and the market price of our common stock;

the risk that the market price of our common stock may be negatively impacted by increased selling activity as a result of the recent liquidation of certain private investment funds that contributed assets in our initial public offering;

the risk we may lose one or more major tenants;

difficulties in completing and successfully integrating acquisitions, including the portfolio acquisition described in this prospectus supplement;

failure of acquisitions or development projects to yield anticipated results, including the portfolio acquisition described in this prospectus supplement;

risks associated with actual or threatened terrorist attacks;

intense competition in the real estate market that may limit our ability to attract or retain tenants or re-lease space;

insufficient amounts of insurance or exposure to events that are either uninsured or underinsured;

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- uncertainties and risks related to adverse weather conditions, natural disasters and climate change;
- exposure to liability relating to environmental and health and safety matters;
- limited ability to dispose of assets because of the relative illiquidity of real estate investments and the nature of our assets;
- exposure to litigation or other claims;
- risks associated with breaches of our data security;
- risks associated with our indebtedness;
- failure to refinance current or future indebtedness on favorable terms, or at all;
- failure to meet the restrictive covenants and requirements in our existing and new debt agreements;
- fluctuations in interest rates and increased costs to refinance or issue new debt;
- risks associated with derivatives or hedging activity; and
- risks associated with mortgage debt or unsecured financing or the unavailability thereof, which could make it difficult to finance or refinance properties and could subject us to foreclosure.

We caution you that, while forward-looking statements reflect our good faith beliefs when we make them, they are not guarantees of future performance and are impacted by actual events when they occur after we make such statements. Accordingly, investors should use caution in relying on forward-looking statements, which are based on results and trends at the time they are made, to anticipate future results or trends. We disclaim any obligation to publicly update or revise any forward-looking statement to reflect changes in underlying assumptions or factors, of new information, future events or other changes. For a further discussion of these and other factors, see the section entitled Risk Factors in this prospectus supplement, in the accompanying prospectuses and in our Annual Report on Form 10-K for the year ended December 31, 2015, as may be updated by subsequent filings with the SEC that are incorporated by reference herein and therein.

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PROSPECTUS SUPPLEMENT SUMMARY

This summary highlights selected information from this prospectus supplement, the accompanying prospectuses and the documents incorporated by reference herein or therein. It does not contain all of the information that may be important to you. We encourage you to carefully read this entire prospectus supplement, the accompanying prospectuses and the documents incorporated by reference herein or therein, especially the Risk Factors section beginning on page S-10 of this prospectus supplement, on page 3 of the accompanying company prospectus, on page 2 of the accompanying selling stockholder prospectus, in our Annual Report on Form 10-K for the fiscal year ended December 31, 2015 filed with the SEC on March 2, 2016 and in our other public filings before making an investment decision regarding our common stock.

Overview

Easterly Government Properties, Inc. is an internally managed real estate investment trust, or REIT, focused primarily on the acquisition, development and management of Class A commercial properties that are leased to U.S. Government agencies that serve essential functions. We generate substantially all of our revenue by leasing our properties to such agencies through the U.S. General Services Administration, or GSA. Our objective is to generate attractive risk-adjusted returns for our stockholders over the long term through dividends and capital appreciation. We are the sole general partner of our operating partnership, and as of May 31, 2016, we owned approximately 70.1% of the aggregate outstanding common units representing limited partnership interests in our operating partnership, or common units.

As of March 31, 2016, we wholly owned 37 properties in the United States, including 34 properties that were leased primarily to U.S. Government tenant agencies and three properties that were entirely leased to private tenants, encompassing approximately 2.7 million rentable square feet in the aggregate. We focus on acquiring, developing, and managing GSA-leased properties that are essential to supporting the mission of the tenant agency and strive to be a partner of choice for the U.S. Government, working closely with the GSA to meet the needs and objectives of the tenant agency.

We were incorporated in Maryland as a corporation on October 9, 2014 and did not have any meaningful operations until the completion of our formation transactions and our initial public offering on February 11, 2015. We intend to elect to be treated as a REIT for U.S. federal income tax purposes commencing with our taxable year ended December 31, 2015. We are an emerging growth company, as defined in the Jumpstart Our Business Startups Act of 2012 Act, and we are eligible to take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies.

Our principal executive offices are located at 2101 L Street NW, Suite 650 Washington, DC 20037, and our telephone number is 202-595-9500.

Recent Developments

Acquisition of NPS Omaha

On May 19, 2016, we acquired a 62,772-square foot National Park Service (NPS) building in Omaha, NE for a purchase price of approximately $17.9 million. The built-to-suit property was completed in 2004, and is leased to the GSA on behalf of the National Park Service with eight years remaining on a 20-year initial lease. The property houses the NPS Midwest Regional Headquarters and serves as a visitor center for the Lewis and Clark National Historic Trail.

Portfolio Acquisition

On May 27, 2016, we entered into separate definitive purchase and sale agreements, or purchase agreements, to acquire a portfolio of four built-to-suit GSA-leased properties, comprising 302,057 rentable

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square feet, from a third-party seller and its affiliates, which we refer to as the sellers, for an aggregate contractual purchase price of approximately $97.4 million. The properties under contract to be acquired are a 96,278-square foot Federal Bureau of Investigation (FBI) field office located in Birmingham, AL (FBI Birmingham), a 35,616-square foot Drug Enforcement Administration (DEA) district office located in Birmingham, AL (DEA Birmingham), a 71,979-square foot Environmental Protection Agency (EPA) laboratory located in Kansas City, MO (EPA Kansas City), and a 98,184-square foot FBI field office located in Albany, NY (FBI Albany). We refer to the four-property portfolio as the acquisition portfolio and the proposed acquisition as the portfolio acquisition. We believe the portfolio acquisition fits squarely within our strategy to invest in properties leased to U.S. Government agencies that serve mission-critical functions and are of high importance within the hierarchy of these agencies. We expect to finance the portfolio acquisition with a portion of the net proceeds that we receive from this offering.

We expect to complete the acquisition of FBI Birmingham, DEA Birmingham, and EPA Kansas City in the third quarter of 2016 and we expect to complete the acquisition of FBI Albany during the fourth quarter of 2016. The completion of the portfolio acquisition is subject to customary closing conditions and is not subject to a financing or due diligence condition or the receipt of third-party consents. There is no assurance that we or the sellers will fulfill such customary closing conditions or that we will complete the portfolio acquisition on the anticipated schedule or at all. See Risk Factors We cannot assure you that the portfolio acquisition will be completed on a timely basis or at all. The closing of this offering is not conditioned upon the closing of the portfolio acquisition. We expect to assume the rights and obligations of the sellers under the existing leases underlying the properties.

All of the information in this prospectus supplement regarding the portfolio acquisition is based on information provided by the sellers in connection with our due diligence related to the pending acquisition.

The acquisition portfolio is comprised of the following four U.S. Government-leased properties:

FBI Birmingham

FBI Birmingham, a built-to-suit property completed in 2005, is 100% leased through 2020 to the GSA on behalf of the FBI. The 96,278-square foot property is one of 56 field offices of the FBI, a bureau-level federal agency within the U.S. Department of Justice, which serves a dual role as both a federal criminal investigative body and an intelligence agency. FBI Birmingham s geographic reach spans 31 counties in the northern part of the state. FBI Birmingham is also responsible for the oversight of four FBI resident agencies located throughout the state of Alabama. The property possesses a number of security features including 100-foot setbacks, reinforced security fencing and vehicle barriers, and redundant power systems.

DEA Birmingham

DEA Birmingham, a built-to-suit property completed in 2005, is 100% leased through 2020 to the GSA on behalf of the DEA, the lead U.S. federal agency for the enforcement of controlled substance laws and regulations, and the Bureau of Alcohol, Tobacco, Firearms and Explosives (ATF), a bureau-level federal agency within the U.S. Department of Justice, whose mission is to protect the public from crimes involving firearms, explosives, arson, and the diversion of tobacco products. The 35,616-square foot property houses one of three DEA district offices within the New Orleans Division, which encompasses four states, and is responsible for the oversight of one satellite resident office in Alabama. The ATF occupancy is part of the two-state (Alabama and Tennessee) Nashville Field Division and is one of four Field Offices in the state of Alabama. The property includes 90-foot setbacks, holding cells, anti-climb perimeter fencing, and a fenced sally port area.

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EPA Kansas City

EPA Kansas City, a LEED Gold, built-to-suit laboratory completed in 2003, is 100% leased through 2023 to the GSA on behalf of the EPA. The 71,979-square foot laboratory is one of ten regional EPA laboratories which support the agency s mission to protect human health and the environment. EPA Kansas City serves as the Region 7 Science and Technology Center, a special purpose laboratory where EPA scientists, using state of the art instruments and techniques, perform chemical and biological analyses, field sampling services, and air monitoring to determine if air, water, soil, plants and animals have been contaminated.

FBI Albany

FBI Albany, a built-to-suit property completed in 1998, is 100% leased through 2018 to the GSA on behalf of the FBI. The 98,184-square foot property is one of 56 field offices of the FBI, where the agency fulfills its mission to protect and defend the United States against terrorist and foreign intelligence threats, to uphold and enforce the criminal laws of the United States, and to provide leadership and criminal justice services to federal, state, municipal, and international agencies and partners. FBI Albany is one of two field offices located in New York with a territory encompassing 32 counties in upstate New York and 14 counties in Vermont. FBI Albany is also responsible for the oversight of eight FBI resident agencies in the region. The property possesses a number of security features including 100-foot setbacks, reinforced security fencing and hydraulic vehicle barricades, blast resistant envelope and window features, and intrusion detection systems.

The table below sets forth certain information with respect to the acquisition portfolio as of March 31, 2016.

Property Name	Location	Property Type	Tenant(s)	Tenant Lease Expiration Year	Year Built / Renovated	Rentable Square Feet
FBI Birmingham	Birmingham, AL	Office	FBI	2020	2005	96,278
DEA Birmingham	Birmingham, AL	Office	DEA / ATF	2020	2005	35,616
EPA Kansas City	Kansas City, MO	Laboratory	EPA	2023	2003	71,979
FBI Albany	Albany, NY	Office	FBI	2018	1998	98,184
Total						**302,057**

Our Competitive Strengths

We believe that we distinguish ourselves from other owners and operators of office and other commercial properties, including properties leased to the U.S. Government, through the following competitive strengths:

High Quality Portfolio Leased to Mission-Critical U.S. Government Agencies. We are the only internally managed public REIT that focuses primarily on the acquisition, development and management of Class A commercial properties that are leased to U.S. Government agencies, primarily through the GSA. As of March 31, 2016, we wholly owned 37 high quality properties in the United States that were 100% leased, including 34 properties leased primarily to U.S. Government tenant agencies. As of March 31, 2016, the weighted average age of our properties was approximately 11.6 years, and the weighted average remaining lease term was approximately 6.9 years. A majority of our properties are leased to U.S. Government agencies that serve mission-critical functions and are of high importance within the hierarchy of these agencies. These properties generally meet our investment criteria, which target major federal buildings of Class A construction that are less than 20 years old, are at least 85% leased to a single U.S. Government agency, are in excess of 40,000 rentable square feet with expansion potential, are in strategic locations to facilitate the tenant agency s mission, include build-to-suit features and are focused on environmental sustainability.

U.S. Government Tenant Base with Strong History of Renewal. Our GSA leases are backed by the full faith and credit of the U.S. Government, are paid for through the Federal Buildings Fund and are not subject to direct federal appropriations. Furthermore, the GSA has never experienced a financial default. In addition to stable rent payments, our GSA leases typically have initial total terms of ten to 20 years with renewal leases typically having terms of five to ten years. GSA leases governing properties similar to the properties that we target have historically had high renewal rates, which limit operational risk. We believe that the strong credit quality of our U.S. Government tenant base, our long-term leases, the likelihood of lease renewal and the high tenant recovery rate for our property-related operating expenses contribute to the stability of our operating cash flows and expected distributions.

Experienced and Aligned Management Team. Our senior management team has a proven track record of sourcing, underwriting, acquiring, developing and managing properties leased to U.S. Government agencies, primarily through the GSA. Our multidisciplinary team possesses complementary skills and experience that we expect will drive our business and growth strategies and includes the co-founders of our predecessor and the founder and president of a company specializing in the development of build-to-suit properties for the GSA. Collectively, our senior management team has been responsible for the acquisition of an aggregate of approximately 2.1 million square feet of GSA-leased properties and the development of approximately 1.1 million aggregate square feet of such properties. We believe that our management expertise provides us with a significant advantage over our competitors when pursuing acquisition opportunities and engaging the GSA in property development opportunities and by providing us with superior property management and tenant service capabilities.

Access to Acquisition Opportunities with an Active Pipeline. Our senior management team has an extensive network of longstanding relationships with owners, specialized developers, leasing brokers, lenders and other participants in the GSA-leased property market. Our team has been able to leverage these relationships to access a wide variety of sourcing opportunities, frequently resulting in the acquisition of properties that were not broadly marketed. In addition, we maintain a proprietary database that tracks approximately 8,300 leases totaling approximately 200 million rentable square feet and includes substantially every major U.S. Government-leased property that meets our investment criteria as well as information about the ownership of such properties. We believe that our longstanding industry relationships, coupled with our proprietary database, improve our ability to source and execute attractive acquisition opportunities. Further, these factors enable us to effectively initiate transactions with property owners who may not currently be seeking to sell their property, which we believe gives us a competitive advantage over others bidding in broadly marketed transactions.

Extensive Development Experience with U.S. Government-Leased Properties. Our senior management team has developed projects comprising approximately 4.2 million square feet, including 37 build-to-suit projects for the GSA as well as other corporate and government tenants. In the aggregate, our senior management team has developed 20 projects for the GSA. Development of government projects, particularly build-to-suit projects, requires expertise in GSA requirements and the needs of tenant agencies. Since 1994, members of our senior management team have developed an average of approximately 49,000 square feet per year of GSA-leased build-to-suit properties. We believe that our thorough understanding of the U.S. Government s procurement processes and standards, our longstanding relationships with the GSA and other agencies of the U.S. Government, and our differentiated capabilities enable us to continue to compete effectively for U.S. Government development opportunities.

***Value-Enhancing Asset Management*.** Our management team focuses on the efficient management of our properties and on improvements to our properties that enhance their value for a tenant agency and improve the likelihood of lease renewal. We work in close partnership with the GSA and tenant agencies to manage the construction of specialized, agency-specific design enhancements. These highly tailored build-outs substantially increase the likelihood of the tenant agency s renewal and also

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typically generate a construction management fee paid by the tenant agency to us in the amount of approximately 15% of the actual cost of construction. We also seek to reduce operating costs at all of our properties, often by implementing energy efficiency programs that help the U.S. Government achieve its conservation and efficiency goals. Our asset management team also conducts frequent audits of each of our properties in concert with the GSA and the tenant agency so as to keep each facility in optimal condition, allowing the tenant agency to better perform its stated mission and helping to position us as a GSA partner of choice.

Growth-Oriented Capital Structure. As of March 31, 2016, we had approximately $83.0 million of mortgage indebtedness and $184.4 million outstanding under our senior unsecured revolving credit facility for a debt to total enterprise value ratio of 27%. None of our outstanding indebtedness is scheduled to mature until 2019.

Business and Growth Strategies

Our objective is to generate attractive risk-adjusted returns for our stockholders over the long term through dividends and capital appreciation. We pursue the following strategies to achieve these goals:

Pursue Attractive Acquisition Opportunities. We seek to engage in strategic and disciplined acquisitions of properties that we believe are essential to the mission of select U.S. Government agencies and that, in many cases, contain agency-specific design enhancements that allow each tenant agency to better satisfy its mission. We target for acquisition primarily major federal buildings of Class A construction that are less than 20 years old, are at least 85% leased to a single U.S. Government agency, are in excess of 40,000 rentable square feet with expansion potential, are in strategic locations to facilitate the tenant agency s mission, include build-to-suit features and are focused on environmental sustainability.

Develop Build-to-Suit U.S. Government Properties. We seek to pursue attractive opportunities to develop build-to-suit properties for use by certain U.S. Government agencies. As U.S. Government agencies expand, they often require additional space tailored specifically to their needs, which may not be available in the agency s target market and therefore require new construction. The GSA typically solicits proposals from private companies to develop and lease such properties to the agency, rather than developing and owning the property itself. We typically bid for those property development opportunities published by the GSA that suit our investment criteria.

Renew Existing Leases at Positive Spreads. We seek to renew leases at our GSA-leased properties at positive spreads upon expiration. Upon lease renewal, GSA rental rates are typically reset based on a number of factors, including inflation, the replacement cost of the building at the time of renewal and enhancements to the property since the date of the prior lease. During the term of a GSA lease, we work in close partnership with the GSA to implement improvements at our properties to enhance the U.S. Government tenant agency s ability to perform its stated mission, thereby increasing the importance of the building to the tenant agency and the probability of an increase in rent upon lease renewal.

Reduce Property-Level Operating Expenses. We seek to manage our properties to increase our income by continuing to reduce property-level operating costs. We manage our properties in a cost efficient manner so as to eliminate any excess spending and streamline our operating costs. When we acquire a property, we review all property-level operating expenditures to determine whether and how the property can be managed more efficiently.

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The Offering

The offering terms are summarized below solely for convenience. For a more complete description of the terms of shares of our common stock offered by us and the selling stockholders, see the section entitled Description of Common Stock of Easterly Government Properties, Inc. in the accompanying company prospectus and the section entitled Description of Common Stock in the accompanying selling stockholder prospectus.

Issuer	Easterly Government Properties, Inc., a Maryland corporation
Shares of Our Common Stock Offered by Us	3,800,000 shares of our common stock (or 4,719,045 shares of our common stock if the underwriters option to purchase additional shares is exercised in full).
Shares of Our Common Stock Offered by the Forward Sellers	1,500,000 shares of our common stock.(1)(2)
Shares of Our Common Stock Offered by the Selling Stockholders	826,967 shares of our common stock.
Shares of Our Common Stock to Be Outstanding after this Offering, but Excluding the Settlement of the Forward Sales Agreements Assuming Full Physical Settlement	31,643,763 shares of common stock (or 32,562,808 shares of our common stock if the underwriters option to purchase additional shares is exercised in full).
Shares of Our Common Stock to Be Outstanding after Settlement of the Forward Sales Agreements Assuming Full Physical Settlement	33,143,763 shares of our common stock (or 34,062,808 shares of our common stock if the underwriters option to purchase additional shares is exercised in full).(1)(2)
Use of Proceeds	We will receive approximately $ million in net proceeds from the sale of shares offered by us in this offering (or $ million if the underwriters option to purchase additional shares is exercised in full), after deducting underwriting discounts and commissions and our estimated offering expenses.

We will not initially receive any proceeds from the sale of shares of our common stock by the forward sellers or their affiliates. We expect to receive net proceeds of approximately $ million (after deducting fees and estimated expenses related to the forward sales agreements and this offering), subject to certain adjustments pursuant to the forward sales agreements, only upon full physical settlement of the forward sales agreements, which we expect will occur within approximately six months from the date of this prospectus supplement.(3)

We intend to contribute the net proceeds from this offering and the net proceeds, if any, received upon the settlement of the forward sales agreements (and from the sale of any shares of our common stock that we may sell to the underwriters in lieu of the forward sellers selling our common stock to the underwriters) to our operating partnership, which will subsequently use a portion of such net proceeds to fund the portfolio acquisition. Our operating partnership intends to use the balance of such net proceeds, if any, to repay borrowings outstanding under our senior unsecured revolving credit facility, to fund other potential acquisition opportunities, for general corporate purposes, or a combination of the foregoing. See Use of Proceeds and Risk Factors for certain considerations relevant to an investment in our common stock.

We will not receive any proceeds from the sale of shares of our common stock to be offered by the selling stockholders. We will pay our expenses and the expenses of the selling stockholders in connection with this offering other than underwriting discounts and commissions and certain other expenses associated with the sale of shares by the selling stockholders. See Selling Stockholders.

Accounting Treatment of the Forward Sales Agreements

Before the issuance of shares of our common stock, if any, upon physical or net share settlement of the forward sales agreements, we expect that the shares issuable upon settlement of the forward sales agreements will be reflected in our diluted earnings per share calculations using the treasury stock method. Under this method, the number of shares of our common stock used in calculating diluted earnings per share is deemed to be increased by the excess, if any, of the number of shares of our common stock that would be issued upon full physical settlement of the forward sales agreements over the number of shares of our common stock that could be purchased by us in the market (based on the average market price during the period) using the proceeds receivable upon full physical settlement (based on the adjusted forward sale price at the end of the reporting period). Consequently, prior to physical or net share settlement of the forward sales agreements and subject to the occurrence of certain events, we anticipate there will be no dilutive effect on our earnings per share except during periods when the average market price of shares of our common stock is above the applicable adjusted forward sale price, which is initially $ per share (which is the price at which the underwriters have agreed to buy the shares of common stock offered hereby), subject to increase or decrease on a daily basis based on a floating interest rate factor equal to the federal funds rate less a spread, and subject to decrease on each of certain dates by amounts related to expected dividends on shares of our common stock during the term of the forward sales agreements. However, if we physically or net share settle any forward sales agreement, the delivery of shares of our common stock would result in an increase in the number of shares outstanding and dilution to our earnings per share and return on equity.

Conflicts of Interest	All of the proceeds to us from the sale of shares of our common stock by the forward sellers (excluding proceeds paid to us with respect to any shares of our common stock that we may sell to the underwriters in lieu of the forward sellers selling our common stock to the underwriters) will be paid to the forward purchasers. See Use of Proceeds. As a result, Citigroup Global Markets Inc. and Jefferies LLC or their affiliates will receive such net proceeds of this offering, not including underwriting compensation.
	We may use the net proceeds from the sale of shares or our common stock offered by us, or if we elect to physically settle the forward sales agreements, we may use the proceeds from such settlement(s) to repay borrowings outstanding under our senior unsecured revolving credit facility. Certain of our underwriters and/or their affiliates are lenders, joint lead arrangers and joint book running managers, co-syndication agents, issuing banks and an administrative agent under our senior unsecured revolving credit facility and would receive a pro rata portion from the net proceeds in this offering to us or from the physical settlement of the forward sales agreements to the extent that we use any such proceeds to reduce the outstanding balance under such facility. See Underwriting Other Relationships/Conflicts of Interest.
NYSE Symbol	DEA
Risk Factors	You should read carefully the Risk Factors beginning on page S-10 of this prospectus supplement, on page 3 of the accompanying company prospectus and on page 2 of the accompanying selling stockholder prospectus supplement as well as the risk factors included in our Annual Report on Form 10-K for the year ended December 31, 2015, which is incorporated by reference herein, before making a decision to invest in our common stock.
Restrictions on Ownership	To assist us in maintaining our qualification as a REIT, our charter provides that no person or entity may actually own or be deemed to own by virtue of the applicable constructive ownership provisions, more than 7.1% (in value or in number of shares, whichever is more restrictive) of the outstanding shares of each class or series of our stock, or 7.1% in value of the aggregate of the outstanding shares of all classes and series of our stock, in each case excluding any shares of our stock that are not treated as outstanding for U.S. federal income tax purposes. For more information, see Description of Common Stock of Easterly Government Properties, Inc. Restrictions on Ownership and Transfer beginning on page 8 of the accompanying company prospectus and Description of Common Stock Restrictions on Ownership and Transfer beginning on

page 10 of the accompanying selling stockholder prospectus.

(1) The forward sellers have advised us that they (or their relevant affiliates) intend to acquire shares of our common stock to be sold under this prospectus supplement through borrowings from third-party share lenders. Subject to the occurrence of certain events, we will not be obligated to deliver shares of our common stock, if any, under a forward sales agreement until final settlement of such forward sales

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agreement, which we expect will occur within approximately six months from the date of this prospectus supplement. Except in certain circumstances, we have the right to elect cash settlement or net share settlement under the forward sales agreements. See Underwriting Forward Sales Agreement in this prospectus supplement for a description of the terms of the forward sales agreements.

(2) Based on 27,843,763 shares of our common stock outstanding as of May 31, 2016. Excludes (i) 2,231,164 shares of our common stock available for future issuance as of May 31, 2016 under our 2015 equity incentive plan, and (ii) any additional shares that may be issued from and after May 31, 2016 through final settlement of the forward sales agreement. We provide these numbers assuming no event occurs that would require us to sell shares of our common stock to the underwriters in lieu of any forward seller selling shares of our common stock to the underwriters. If such an event occurs, then (a) the number of shares of our common stock to be outstanding immediately after the offering would be increased by such number of shares and (b) the number of shares of our common stock issuable pursuant to physical settlement of the forward sales agreement would be reduced by such number of shares.

(3) Calculated as of , 2016, assuming that each of the forward sales agreements is fully physically settled based on the initial forward sale price of $ per share by the delivery of 1,500,000 shares of our common stock. The forward sale price is subject to adjustment pursuant to the terms of the forward sales agreements, and any net proceeds to us are subject to settlement of the forward sales agreements. Unless the federal funds rate increases substantially prior to the settlement of the forward sales agreements, we expect to receive less than the initial forward sale price per share upon physical settlement of the forward sales agreements. If we elect to cash settle the forward sales agreements, we would expect to receive an amount of net proceeds that is significantly lower than the estimate included above, and we may not receive any net proceeds (or may owe cash to the forward purchasers). If we elect to net share settle the forward sales agreements in full, we would not receive any proceeds from the forward purchasers.

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RISK FACTORS

An investment in our common stock involves various risks, including those set forth below as well as the risk factors included in our Annual Report on Form 10-K for the year ended December 31, 2015, which is incorporated herein by reference herein. You should carefully consider these risk factors, together with the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectuses, before making an investment in shares of our common stock. These risks are not the only ones we face. Additional risks not presently known to us or that we currently deem immaterial may also adversely affect our business operations.

Risks Related to the Portfolio Acquisition

We cannot assure you that the portfolio acquisition will be completed on a timely basis or at all.

There are a number of risks and uncertainties relating to the portfolio acquisition. For example, the portfolio acquisition may not be completed, or may not be completed in the time frame, on the terms or in the manner currently anticipated, as a result of a number of factors, including the failure of the parties to satisfy one or more of the conditions to closing. There can be no assurance that the conditions to closing of the portfolio acquisition will be satisfied or waived or that other events will not intervene to delay or result in the failure to close the acquisition. The purchase agreements may be terminated by the parties thereto under certain circumstances. Delays in closing the portfolio acquisition or the failure to close the portfolio acquisition at all may result in our incurring significant additional costs in connection with such delay or termination of the purchase and sale agreements and/or failing to achieve the anticipated benefits of the portfolio acquisition. Any delay in closing or a failure to close the portfolio acquisition could have a negative impact on our business and the trading price of our common stock.

If completed, the portfolio acquisition may not achieve its intended benefits.

There can be no assurance that we will be able to successfully integrate the portfolio of properties with our business or otherwise realize the expected benefits of the portfolio acquisition. Our ability to realize the anticipated benefits of the portfolio acquisition will depend, to a large extent, on our ability to integrate the acquired properties with our business. The integration process may require significant time and focus from our management team following the acquisition and may divert attention from the day-to-day operations of the combined business, which could delay the achievement of our strategic objectives. In addition, the portfolio acquisition may result in material unanticipated problems, including:

- we may have underestimated the costs to manage the portfolio and to make any necessary improvements to the portfolio;
- the portfolio may be subject to unknown or contingent liabilities for which we may have no or limited recourse against the sellers, including for liabilities for clean-up or remediation of environmental conditions, claims of vendors or other persons dealing with the acquired entities, tax liabilities and other liabilities whether incurred in the ordinary course of business or otherwise; and
- we may be unable to renew leases or lease vacating space with respect to the portfolio properties on favorable terms or at all as leases expire.

Many of these risks will be outside of our control and any one of them could result in increased costs, decreases in the amount of expected revenue, disruptions in our current plans and operations and diversion of our management s time and energy, which could have a material adverse effect on our business, financial condition, results of operations and/or cash flows. In addition, even if the portfolio is integrated successfully with our operations, we may not realize the full benefits of the portfolio acquisition within the anticipated time frame or at all. All of these factors could cause dilution to our earnings per share, decrease or delay the expected accretive effect of the portfolio acquisition, and/or negatively impact the price of our common stock.

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If we do not complete the portfolio acquisition, we will have incurred substantial expenses without our stockholders realizing the expected benefits.

If we are unable to complete the portfolio acquisition, we will have incurred significant due diligence, legal, accounting and other transaction costs in connection with the portfolio acquisition without our stockholders realizing the anticipated benefits. We cannot assure you that we will acquire the acquisition portfolio because the proposed portfolio acquisition is subject to a variety of factors, including the satisfaction of customary closing conditions.

We may incur additional debt in order to consummate the portfolio acquisition and may incur additional debt in the future, which may have a material adverse effect on our financial condition and results of operations, and our ability to make distributions to our stockholders.

We intend to finance the portfolio acquisition with a portion of the net proceeds of this offering and may require additional borrowings under our senior unsecured revolving credit facility. As of May 31, 2016, we had approximately $204.2 million outstanding under our senior unsecured revolving credit facility. In the future, we may incur additional debt to finance future acquisition activities, which could have significant adverse consequences on our business, such as:

- require us to dedicate a substantial portion of cash flow from operations to the payment of principal, and interest on, indebtedness, thereby reducing the funds available for other purposes;

- make it more difficult for us to borrow additional funds as needed or on favorable terms, which could, among other things, adversely affect our ability to meet operational needs;

- force us to dispose of one or more of our properties, possibly on unfavorable terms;

- subject us to increased sensitivity to interest rate increases;

- make us more vulnerable to economic downturns, adverse industry conditions or catastrophic external events;

- limit our ability to refinance our indebtedness at maturity or the refinancing terms may be less favorable than the terms of our original indebtedness;

- reduce our flexibility in planning for or responding to changing business, industry and economic conditions; or

- place us at a competitive disadvantage to competitors that have relatively less debt than we have.

If any one of these events were to occur, our financial condition, results of operations, cash flow and trading price of our common stock could be adversely affected.

Our management will have broad discretion with respect to the use of the proceeds of this offering.

This offering of common stock is not contingent upon the consummation of the portfolio acquisition or any other transaction. If we do not consummate the portfolio acquisition, we intend to use the net proceeds from this offering of our common stock to repay borrowings outstanding under our senior unsecured revolving credit facility, to fund other potential acquisition opportunities, for general corporate purposes, or a combination of the foregoing. Accordingly, you cannot determine at this time the value or propriety of our application of the net proceeds, and you may not agree with our decisions. Our use of the net proceeds from this offering may not yield a significant return or any return at all. In addition, in the event that we fail to apply the net proceeds from this offering towards the portfolio acquisition, we will have issued a significant number of additional shares of common stock, and we will not have acquired the revenue generating assets that we had anticipated. The failure by our management to apply these funds effectively could have an adverse effect on our financial condition or results of operations.

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We must obtain the consent of the U.S. Government in order to assume the rights and obligations of the landlord under the leases we expect to acquire in the portfolio acquisition, and we will need to collect the U.S. Government s rent payments from the applicable seller until that consent is obtained.

The leases associated with the properties we expect to acquire in the portfolio acquisition require that we obtain the consent of the U.S. Government in order to transfer the rights and obligations of the landlord from the applicable seller to us. The consent process will occur after the closing of the portfolio acquisition, and is time-consuming and not obligatory on the part of the U.S. Government. The U.S. Government will continue to pay rent to the former owners of those properties until the applicable consent is obtained. If one or more sellers improperly retain rent payments or become subject to bankruptcy, receivership or other insolvency proceedings, we may be unable to recover all or a portion the rent payable by the U.S. Government under such leases in a timely manner, or at all, which could materially and adversely affect our business, financial condition and results of operations.

Risks Related to this Offering

The market price and trading volume of our common stock may be volatile following this offering.

The trading volume in our common stock may be volatile and fluctuate and cause significant price variations to occur. If the trading price of our common stock declines significantly, you may be unable to resell your shares at or above the public offering price. Some of the factors that could negatively affect our share price or result in fluctuations in the price or trading volume of our common stock include:

- actual or anticipated variations in our quarterly operating results or dividends;
- publication of research reports about us or the real estate industry;
- increases in market interest rates that lead purchasers of our shares to demand a higher yield;
- changes in market valuations of similar companies;
- adverse market reaction to any additional debt we incur in the future;
- additions or departures of key management personnel;
- actions by institutional stockholders;
- speculation in the press or investment community;

- the realization of any of the other risk factors presented in this prospectus supplement;
- the extent of investor interest in our securities;
- the general reputation of REITs and the attractiveness of our equity securities in comparison to other equity securities, including securities issued by other real estate-based companies;
- our underlying asset value;
- investor confidence in the stock and bond markets, generally;
- changes in tax laws;
- future equity issuances;
- failure to meet and maintain REIT qualifications; and
- general market and economic conditions.

In the past, securities class-action litigation has often been instituted against companies following periods of volatility in the price of their common stock. This type of litigation could result in substantial costs and divert our management s attention and resources, which could have an adverse effect on our financial condition, results of operations, cash flow and trading price of our common stock.

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The form, timing or amount of dividend distributions in future periods may vary and be impacted by economic and other considerations.

The form, timing or amount of future dividend distributions will be declared at the discretion of our board of directors and will depend on actual cash from operations, our financial condition, capital requirements, the annual distribution requirements applicable to REITs under the Internal Revenue Code of 1986, as amended, and other factors as our board of directors may consider relevant.

The number of shares available for future sale could adversely affect the market price of our common stock.

We cannot predict whether future issuances of shares of our common stock or the availability of shares for resale in the open market will decrease the market price per share of our common stock. Sales of a substantial number of shares of our common stock in the public market, the issuance of substantial additional shares or the perception that such sales or issuances might occur could materially adversely affect the market price of the shares of our common stock. Some of the potential share issuances that may adversely affect the market price of the shares of our common stock could include: the exchange of our common units in our operating partnership for our common stock, the granting, exercise or vesting of any options, restricted stock or restricted stock units or long-term incentive units in our operating partnership, or LTIP units, granted or that may be granted to certain directors, executive officers and other employees under our 2015 equity incentive plan, and other issuances of our common stock or our operating partnership s securities exchangeable for or convertible into our common stock.

Risks Related to the Forward Sales Agreements

The forward sales agreements could result in substantial dilution to our earnings per share and return on equity or result in substantial cash payment obligations.

Each forward purchaser will have the right to accelerate its forward sales agreement (with respect to all or any portion of the transaction under such forward sales agreement that the forward purchaser determines is affected by an event described below) and require us to settle on a date specified by such forward purchaser if:

- such forward purchaser is unable to, or would incur a materially increased cost to, establish, maintain or unwind its hedge position with respect to the relevant forward sales agreement;

- such forward purchaser determines that it is unable, or it is commercially impracticable for it, to continue to borrow a number of shares of our common stock equal to the number of shares of our common stock underlying the relevant forward sales agreement or that, with respect to borrowing such number of shares of our common stock, it would incur a cost that is greater than the borrow cost specified in the relevant forward sales agreement, subject to a prior notice requirement;

- we declare a dividend or distribution on the shares of our common stock with a cash value in excess of a specified amount per calendar quarter, or with an ex-dividend date prior to the anticipated ex-dividend date for such cash dividend;

certain ownership thresholds applicable to such forward purchaser are exceeded;

there is a public announcement of any event or transaction that, if consummated, would result in a merger event, tender offer, nationalization, delisting or change in law (in each case, as determined pursuant to the terms of any forward sales agreement); or

certain other events of default, termination events or other specified events occur, including, among other things, any material misrepresentation made by us in connection with entering into a forward sales agreement, a market disruption event during a specified period that lasts for more than at least eight scheduled trading days or a change in law (as such terms are defined in the forward sales agreement).

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A forward purchaser s decision to exercise its right to accelerate the settlement of any forward sales agreement will be made irrespective of our need for capital. In such cases, we could be required to issue and deliver shares of our common stock under the physical settlement provisions of the applicable forward sales agreement or, if we so elect and such forward purchaser so permits our election, net share settlement provisions of the applicable forward sales agreement irrespective of our capital needs, which would result in dilution to our earnings per share and return on equity.

We expect that the forward sales agreements will settle within approximately six months from the date of this prospectus supplement. However, a forward sales agreement may be settled earlier in whole or in part at our option, subject to the satisfaction of certain conditions. A forward sales agreement will be physically settled by delivery of shares of our common stock, unless we elect to cash settle or net share settle such forward sales agreement, subject to the satisfaction of certain conditions. Upon physical settlement or, if we so elect, net share settlement of such forward sales agreement, delivery of shares of our common stock in connection with such physical settlement or, to the extent we are obligated to deliver shares of our common stock, net share settlement will result in dilution to our earnings per share and return on equity. If we elect cash settlement or net share settlement with respect to all or a portion of the shares of our common stock underlying a forward sales agreement, which we may do except in certain circumstances, we expect the applicable forward purchaser (or an affiliate thereof) to purchase a number of shares of our common stock necessary to satisfy its or its affiliate s obligation to return the shares of our common stock borrowed from third parties in connection with sales of shares of our common stock under this prospectus supplement. In addition, the purchase of shares of our common stock in connection with a forward purchaser or its affiliate unwinding its hedge positions could cause the price of shares of our common stock to increase over such time (or prevent a decrease over such time), thereby increasing the amount of cash we would owe to such forward purchaser (or decreasing the amount of cash that the forward purchaser would owe us) upon a cash settlement of the relevant forward sales agreement or the number of shares of our common stock we would deliver to such forward purchaser (or decreasing the number of shares of our common stock that such forward purchaser would deliver to us) upon net share settlement of the relevant forward sales agreement.

The forward sale price that we expect to receive upon physical settlement of a forward sales agreement will be subject to adjustment on a daily basis based on a floating interest rate factor equal to the federal funds rate less a spread and will be subject to decrease on each of certain dates based on amounts related to expected dividends on shares of our common stock during the term of the applicable forward sales agreement. If the federal funds rate is less than the spread on any day, the interest factor will result in a daily reduction of the forward sale price. As of the date of this prospectus supplement, the federal funds rate was less than the spread. If the market value of the shares of our common stock during the relevant valuation period under a forward sales agreement is above the relevant forward sale price, in the case of cash settlement, we would pay the applicable forward purchaser under such forward sales agreement an amount in cash equal to the difference or, in the case of net share settlement, we would deliver to such forward purchaser a number of shares of our common stock having a value equal to the difference. Thus, we could be responsible for a potentially substantial cash payment in the case of cash settlement. See Underwriting Forward Sales Agreement for information on the forward sales agreement.

If any forward purchaser or its affiliate does not sell all the shares of our common stock to be sold by it pursuant to the terms of the underwriting agreement (including because insufficient shares of our common stock were made available by securities lenders for borrowing at a stock loan cost below a specified threshold), we will issue and sell directly to the underwriters the number of shares of our common stock not sold by the relevant forward purchaser or its affiliate and, under such circumstances, the number of shares of our common stock underlying the relevant forward sales agreement will be decreased by the number of shares of our common stock that we issue and sell. The stock loan market is volatile, and it is uncertain whether sufficient shares of our common stock will be made available prior to closing.

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In case of certain bankruptcy or insolvency events, the forward sales agreements will automatically terminate, and we would not receive any proceeds from the sale of shares of our common stock that have not theretofore been settled.

If we file for or consent to a proceeding seeking a judgment in bankruptcy or insolvency or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors rights, or we or a regulatory authority with jurisdiction over us presents a petition for our winding-up or liquidation, and we consent to such a petition, the forward sales agreements will automatically terminate. If a forward sales agreement so terminates, we would not be obligated to deliver to the applicable forward purchaser any shares of our common stock not previously delivered, and such forward purchaser would be discharged from its obligation to pay the relevant forward sale price per share in respect of any shares of our common stock not previously settled. Therefore, to the extent that there are any shares of our common stock with respect to which such forward sales agreement has not been settled at the time of the commencement of any such bankruptcy or insolvency proceedings, we would not receive the relevant forward sale price per share in respect of those shares of our common stock.

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USE OF PROCEEDS

We will receive approximately $ million in net proceeds from the sale of shares offered by us in this offering (or $ million if the underwriters option to purchase additional shares is exercised in full), after deducting underwriting discounts and commissions and our estimated offering expenses.

We will not initially receive any proceeds from the sale of shares of our common stock by the forward sellers or their affiliates in this offering, unless an event occurs that requires us to sell shares of our common stock to the underwriters in lieu of any forward seller selling shares of our common stock to the underwriters. Assuming full physical settlement of the forward sales agreements at an initial forward sale price of $ per share (which is the price at which the underwriters have agreed to buy the shares of our common stock offered hereby), we expect to receive net proceeds of approximately $ (after deducting estimated expenses related to the forward sales agreements), subject to certain adjustments pursuant to the forward sales agreement, upon settlement of the forward sales agreements. We expect that settlement will occur within approximately six months from the date of this prospectus supplement. The forward sale price that we expect to receive upon physical settlement of a forward sales agreement will be subject to adjustment on a daily basis based on a floating interest rate factor equal to the federal funds rate less a spread and will be subject to decrease on each of certain dates based on amounts related to expected dividends on shares of our common stock during the term of the applicable forward sales agreement. If the federal funds rate is less than the spread on any day, the interest factor will result in a daily reduction of the forward sale price. As of the date of this prospectus supplement, the federal funds rate was less than the spread. Unless the federal funds rate increases substantially prior to the settlement of a forward sales agreement, we expect to receive less than the initial forward sale price per share upon physical settlement of such forward sales agreement.

If, however, we elect to cash settle the forward sales agreements, we would expect to receive an amount of net proceeds that is significantly lower than the estimate described above, and we may not receive any net proceeds (or may owe cash to the forward purchasers). If we elect to net share settle the forward sales agreements in full, we would not receive any proceeds from the forward purchasers, and we may owe shares of our common stock to the forward purchasers in certain circumstances.

We intend to contribute the net proceeds from the shares of our common stock sold by us in this offering and the net proceeds, if any, received upon the settlement of the forward sales agreements (and from the sale of any shares of our common stock that we may sell to the underwriters in lieu of the forward sellers selling our common stock to the underwriters) to our operating partnership, which intends to subsequently use a portion of such net proceeds to fund the portfolio acquisition. Our operating partnership intends to use the balance of such net proceeds, if any, to repay borrowings outstanding under our senior unsecured revolving credit facility, to fund other potential acquisition opportunities, for general corporate purposes, or a combination of the foregoing. As of May 31, 2016, we had approximately $204.2 million outstanding and $195.8 million available under our senior unsecured revolving credit facility. As of March 31, 2016, the interest rate payable on borrowings under our senior unsecured revolving credit facility was approximately 1.84%.

We will not receive any proceeds from the sale of shares of our common stock to be offered by the selling stockholders. We will pay our expenses and the expenses of the selling stockholders in connection with this offering other than underwriting discounts and commissions and certain other expenses associated with the sale of shares by the selling stockholders. See Selling Stockholders.

Certain of our underwriters and/or their affiliates are lenders, joint lead arrangers and joint book running managers, co-syndication agents, issuing banks and an administrative agent under our senior unsecured revolving credit facility and would receive a pro rata portion from the net proceeds in this offering to us or from the physical settlement of the forward sales agreements to the extent that we use any such proceeds to reduce the outstanding balance under such facility. See Underwriting Other Relationships/Conflicts of Interest.

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CAPITALIZATION

The following table sets forth our cash and cash equivalents and capitalization as of March 31, 2016:

- on an actual basis;
- on a pro forma basis giving effect to the following, each of which occurred subsequent to March 31, 2016: (i) borrowings of approximately $19.8 million we made under our senior unsecured revolving credit facility to finance the acquisition of the NPS Omaha property for approximately $17.9 million and for other general corporate purposes and (ii) the issuance of 3,659,256 shares of our common stock upon exchange of common units; and
- on a pro forma as adjusted basis giving further effect to the offering by us of 3,800,000 shares of our common stock hereby at the offering price of $ per share (assuming the underwriters do not exercise their option to purchase additional shares), and full physical settlement of the forward sales agreements of 1,500,000 shares of our common stock based on an initial forward sale price equal to the net offering price of $ per share.

You should read this table in conjunction with Use of Proceeds in this prospectus supplement and the consolidated financial statements and related notes and Management s Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the year ended December 31, 2015 and in our Quarterly Report on Form 10-Q for the quarter ended March 31, 2016, each of which is incorporated by reference herein.

	As of March 31, 2016		
(dollars in thousands except par value)	**Actual**	**Pro forma**	**Pro forma, as adjusted**
Cash and cash equivalents	$ 4,380	4,380	
Indebtedness:			
Mortgage notes payable	$ 83,020	83,020	
Revolving credit facility	184,417	204,167	
Total long-term debt	$ 267,437	287,187	
Equity:			
Common stock, par value $0.01, 200,000,000 shares authorized, 24,168,379 shares issued and outstanding at March 31, 2016, actual, 27,843,763 shares issued and outstanding, pro forma[1], and 33,143,763 shares issued and outstanding, pro forma as adjusted[2]	$ 241	$ 278	
Additional paid-in capital	392,180	448,698	
Retained (deficit)	(1,019)	(1,019)	
Cumulative dividends[3]	(18,368)	(18,368)	
Non-controlling interest in operating partnership	239,911	183,356	
Total equity	$ 612,945	612,945	

Total capitalization	$ 880,382	900,132

(1) Excludes (i) a maximum of 2,231,164 shares of our common stock available for issuance in the future under our 2015 equity incentive plan, and (ii) 11,884,183 shares of our common stock issuable, at our option, upon the exchange of common units. Includes grants of 16,128 shares of restricted stock to our non-employee directors.

(2) Excludes (i) 919,045 shares of our common stock issuable upon the exercise in full of the underwriters option to purchase additional shares, (ii) a maximum of 2,231,164 shares of our common stock available for issuance in the future under our 2015 equity incentive plan, (iii) 11,884,183 shares of our common stock issuable, at our option, upon the exchange of common units and (iv) shares of our common stock issuable upon the redemption of LTIP units. Includes grants of 16,128 shares of restricted stock to our non-employee directors and the delivery by us of 1,500,000 shares upon full physical settlement of the forward sales agreements.

(3) Pro forma amount does not give effect to a quarterly cash dividend of $0.23 per share of common stock and per common unit declared by our Board of Directors on May 4, 2016. Our board of directors also declared a dividend for the first quarter of 2016 for each LTIP unit in an amount equal to 10% of the dividend paid per common unit. The dividend will be paid on June 23, 2016 to common stockholders and common unit holders of record as of the close of business on June 8, 2016.

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SELLING STOCKHOLDERS

The following table sets forth information with respect to each of the selling stockholders beneficial ownership of shares of our common stock as of May 31, 2016 and after giving effect to this offering. We will not receive any proceeds from the sale of our common stock by the selling stockholders.

Applicable percentage ownership set forth in the following table is based upon (i) 27,843,763 shares of our common stock and 11,884,183 common units outstanding as of May 31, 2016 and (ii) 33,143,763 shares of our common stock and 11,884,183 common units outstanding after completion of this offering, assuming that each of the forward sales agreements is fully physically settled by the delivery of 1,500,000 shares of our common stock (assuming the underwriters do not exercise their option to purchase additional shares). If the underwriters exercise their option to purchase additional shares in full, the number of shares of our common stock outstanding immediately after completion of this offering, and assuming that each of the forward sales agreements is fully physically settled by the delivery of 1,500,000 shares of our common stock, will be 34,062,808.

Beneficial ownership is determined in accordance with the rules of the SEC and includes voting or investment power with respect to the securities.

	Prior to this Offering					After this Offering			
Name of Beneficial Owner[1]	Number of Shares of Common Stock Beneficially Owned	% of All Shares of Common Stock	Number of Shares of Common Stock and Common Units	% of All Shares of Common Stock and Common Units	Number of Shares of Common Stock Offered Hereby	Number of Shares of Common Stock Beneficially Owned	% of All Shares of Common Stock	Number of Shares of Common Stock and Common Units	% of All Shares of Common Stock and Common Units
U.S. Government Properties Income & Growth Fund, L.P.[2]	165,572	*	1,965,215	4.9%	164,156	1,416	*	1,801,059	4.0%
U.S. Government Properties Income & Growth Fund II, LP[3]	316,878	1.1%	316,878	*	291,878	25,000	*	25,000	*
USGP I REIT Holdings, LP[4]	96,646	*	96,646	*	70,958	25,688	*	25,688	*
Easterly GSA I LLC[5]	299,975	1.1%	299,975	*	299,975				

* Less than 1% of the total shares of common stock outstanding.

(1) The selling stockholders listed above hold shares of our common stock and, in the case of U.S. Government Properties Income & Growth Fund, L.P., common units, received directly or indirectly in a private placement or as consideration for the contribution of certain property-owning subsidiaries in connection with our initial public offering and formation transactions on February 11, 2015.

(2) This entity is managed by affiliates of Easterly Capital, LLC, which is owned by Darrell W. Crate, our Chairman. As a result of Mr. Crate s control of Easterly Capital, LLC, Mr. Crate may be deemed to beneficially own the shares of common stock, including those issuable in the future upon exchange of common units, owned by U.S. Government Properties Income & Growth Fund, L.P. Mr. Crate disclaims any beneficial ownership of such shares and common units and will not receive proceeds directly or indirectly from the sale of the shares of our common stock by U.S. Government Properties Income & Growth Fund, L.P. in this offering. The address for U.S. Government Properties Income & Growth Fund, L.P. is 138 Conant Street, Beverly, MA 01915.

(3) This entity is managed by affiliates of Easterly Capital, LLC, which is owned by Darrell W. Crate, our Chairman. As a result of Mr. Crate s control of Easterly Capital, LLC, Mr. Crate may be deemed to beneficially own the shares of common stock owned by U.S. Government Properties Income & Growth Fund II, LP. Mr. Crate

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disclaims any beneficial ownership of such shares and common units and will not receive proceeds directly or indirectly from the sale of the shares of our common stock by U.S. Government Properties Income & Growth Fund II, LP in this offering. The address for U.S. Government Properties Income & Growth Fund II, LP is 138 Conant Street, Beverly, MA 01915.

(4) This entity is managed by affiliates of Easterly Capital, LLC, which is owned by Darrell W. Crate, our Chairman. As a result of Mr. Crate s control of Easterly Capital, LLC, Mr. Crate may be deemed to beneficially own the shares of common stock owned by USGP I REIT Holdings, LP. Mr. Crate disclaims any beneficial ownership of such shares and common units and will not receive proceeds directly or indirectly from the sale of the shares of our common stock by USGP I REIT Holdings, LP in this offering. The address for USGP I REIT Holdings, LP in this offering. is 138 Conant Street, Beverly, MA 01915.

(5) The address for Easterly GSA I LLC is One Central Park South, New York, NY 10019.

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UNDERWRITING

Citigroup Global Markets Inc. and Jefferies LLC are acting as representatives of the underwriters named below. Subject to the terms and conditions stated in the underwriting agreement dated the date of this prospectus supplement, each underwriter named below has severally agreed to purchase, and we, the selling stockholders, and the forward purchasers (or its affiliate as the forward purchaser s agent) have agreed to sell to that underwriter, the number of shares set forth opposite the underwriter s name.

Underwriter	Number of Shares
Citigroup Global Markets Inc.	
Jefferies LLC	
Raymond James & Associates, Inc.	
RBC Capital Markets, LLC	
SunTrust Robinson Humphrey, Inc.	
BTIG, LLC	
Total	6,126,967

The underwriting agreement provides that the obligations of the underwriters to purchase the shares included in this offering are subject to approval of legal matters by counsel and to other conditions. The underwriters are obligated to purchase all the shares (other than those covered by the underwriters option to purchase additional shares described below) if they purchase any of the shares.

Shares sold by the underwriters to the public will initially be offered at the initial public offering price set forth on the cover of this prospectus supplement. Any shares sold by the underwriters to securities dealers may be sold at a discount from the initial offering price not to exceed $ per share. If all the shares are not sold at the initial offering price, the underwriters may change the offering price and the other selling terms. The offering of the shares by the underwriters is subject to receipt and acceptance and subject to the underwriters right to reject any order in whole or in part.

We have granted to the underwriters an option, exercisable for 30 days from the date of this prospectus supplement, to purchase up to 919,045 additional shares at the public offering price less the underwriting discount. To the extent the option is exercised, each underwriter must purchase a number of additional shares approximately proportionate to that underwriter s initial purchase commitment. Any shares issued or sold under the option will be issued and sold on the same terms and conditions as the other shares that are the subject of this offering.

We, our officers, directors and each of the selling stockholders have agreed that, for a period of 60 days from the date of this prospectus supplement, we and they will not, without the prior written consent of each of Citigroup Global Markets Inc. and Jefferies LLC, dispose of or hedge any shares of common stock or any securities convertible into or exchangeable for our common stock, subject to certain limited exceptions such as the sale of shares of our common stock sold pursuant to the forward sales agreements. The exceptions also permit Darrell Crate, our Chairman, and Michael P. Ibe, our Vice Chairman and Executive Vice President Development and Acquisitions, to continue or renew an existing pledge of their shares of our common stock and securities convertible into or exchangeable for our common stock as security for a bona fide loan from an unaffiliated institutional lender. In addition to the restrictions set forth above, certain of our other stockholders who are party to the registration rights agreements, each dated January 26, 2015, are similarly restricted from selling shares of our common stock for a period ending 60 days after the closing of this offering.

The shares are listed on the NYSE under the trading symbol DEA.

The following table shows the underwriting discounts and commissions that we, the selling stockholders and the forward purchasers or its affiliates are to pay to the underwriters in connection with this offering. These amounts are shown assuming both no exercise and full exercise of the underwriters option.

	No Exercise	Full Exercise
Per share	$	$
Total		

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If we physically settle in whole the forward sales agreements based upon the initial forward sale price, we expect to receive net proceeds of approximately $ (including the proceeds we receive from the issuance and sales by us of the 3,800,000 shares of our common stock we are offering, and assuming that the underwriters have not exercised their option to purchase additional shares of our common stock and after deducting the underwriting discounts and commissions and the estimated expenses related to the offering and the forward sales agreements), subject to certain adjustments as described below, upon settlement of the forward sales agreements. We will not receive any proceeds from the sale of shares of our common stock by the selling stockholders.

The estimated expenses relating to this offering and the forward sales agreements payable by us, exclusive of the underwriting discounts and commissions, are approximately $. The estimated expenses relating to this offering payable by the selling stockholders, exclusive of the underwriting discounts and commissions, are approximately $. We have agreed to pay the fees and disbursements of counsel for the underwriters in an amount not to exceed $10,000 in connection with the required review by the Financial Industry Regulatory Authority, Inc., or FINRA, in connection with this offering.

In connection with this offering, the underwriters may purchase and sell shares in the open market. Purchases and sales in the open market may include short sales, purchases to cover short positions, which may include purchases pursuant to the underwriters option to purchase additional shares, and stabilizing purchases.

Short sales involve secondary market sales by the underwriters of a greater number of shares than they are required to purchase in this offering.

Covered short sales are sales of shares in an amount up to the number of shares represented by the underwriters option to purchase additional shares.

Naked short sales are sales of shares in an amount in excess of the number of shares represented by the underwriters option to purchase additional shares.

Covering transactions involve purchases of shares either pursuant to the underwriters option to purchase additional shares or in the open market after the distribution has been completed in order to cover short positions.

To close a naked short position, the underwriters must purchase shares in the open market after the distribution has been completed. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the shares in the open market after pricing that could adversely affect investors who purchase in this offering.

To close a covered short position, the underwriters must purchase shares in the open market after the distribution has been completed or must exercise the option to purchase additional shares. In determining the source of shares to close the covered short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase shares through the underwriters option to purchase additional shares.

Stabilizing transactions involve bids to purchase shares so long as the stabilizing bids do not exceed a specified maximum.

Purchases to cover short positions and stabilizing purchases, as well as other purchases by the underwriters for their own accounts, may have the effect of preventing or retarding a decline in the market price of the shares of common stock. They may also cause the price of the shares to be higher than the price that would otherwise exist in the open market in the absence of these transactions. The underwriters may conduct these transactions on the NYSE, in the over-the-counter market or otherwise. If the underwriters commence any of these transactions, they may discontinue them at any time.

In addition, in connection with this offering, some of the underwriters (and selling group members) may engage in passive market making transactions in the shares on the NYSE, prior to the pricing and completion of

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this offering. Passive market making consists of displaying bids on the NYSE no higher than the bid prices of independent market makers and making purchases at prices no higher than those independent bids and effected in response to order purchases by a passive market maker on each day are limited to a specified percentage of the passive market maker s average daily trading volume in the shares during a specified period and must be discontinued when that limit is reached. Passive market making may cause the price of the shares to be higher than the price that otherwise would exist in the open market in the absence of those transactions. If the underwriters commence passive market making transactions, they may discontinue them at any time.

Electronic Delivery

A prospectus supplement and accompanying prospectuses in electronic format may be made available on the web sites maintained by one or more underwriters, or selling group members, if any, participating in this offering. The underwriters may agree to allocate a number of shares to underwriters and selling group members for sale to their online brokerage account holders. Internet distributions will be allocated by the representatives to underwriters and selling group members that may make Internet distributions on the same basis as other allocations.

Other Relationships/Conflicts of Interest

The underwriters, the forward purchasers and/or their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The underwriters, the forward purchasers and/or their respective affiliates have in the past performed commercial banking, investment banking and advisory services for us from time to time for which they have received customary fees and reimbursement of expenses and may, from time to time, engage in transactions with and perform services for us in the ordinary course of their business for which they may receive customary fees and reimbursement of expenses. In the ordinary course of their various business activities, the underwriters, the forward purchasers and/or their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities), commodities, currencies and other financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. The underwriters, the forward purchasers and/or their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments. Such investment and securities activities may involve our securities and instruments.

The forward sellers have advised us that they or their relevant affiliate intend to acquire shares of our common stock to be sold under this prospectus supplement through borrowings from third-party share lenders. Subject to the occurrence of certain events, we will not be obligated to deliver shares of our common stock, if any, under a forward sales agreement until final settlement of such forward sales agreement, which we expect will occur within approximately six months from the date of this prospectus supplement. Although we expect to settle the forward sales agreements entirely by the physical delivery of shares of our common stock for cash proceeds, we may also elect to cash or net-share settle all or a portion of our obligations under the forward sales agreements, in which case, we may receive, or we may owe, cash or shares of our common stock from or to the forward purchasers. All of the proceeds to us from the sale of shares of our common stock by the forward sellers (excluding proceeds paid to us with respect to any shares of our common stock that we may sell to the underwriters in lieu of the forward purchasers or their affiliates selling our common stock to the underwriters) will be paid to the forward purchasers.

We intend to contribute the net proceeds from the shares of our common stock sold by us in this offering and the net proceeds, if any, received upon the settlement of the forward sales agreements (and from the sale of any shares of our common stock that we may sell to the underwriters in lieu of the forward sellers selling our common stock to the underwriters) to our operating partnership, which will subsequently use a portion of such net proceeds to fund the portfolio acquisition. In the event the portfolio acquisition is not consummated and we elect to physically settle the forward sales agreements, we may use the proceeds from such settlement(s) and the net proceeds from the shares of our common stock sold by us in this offering to repay outstanding indebtedness under our senior unsecured revolving credit facility, to fund other potential acquisition opportunities, for general corporate purposes, or a combination of the foregoing. Certain of our underwriters and/or their affiliates are lenders, joint lead arrangers and joint book running managers, co-syndicate agents, issuing banks and an administrative agent under our senior unsecured revolving credit facility and would receive a pro rata portion of the net proceeds from the physical settlement of the forward sales agreements to the extent that we use any such proceeds to reduce the outstanding balance under such facility (see Use of Proceeds).

We have agreed to indemnify the several underwriters against certain liabilities, including liabilities under the Securities Act, or to contribute to payments the underwriters may be required to make because of any of those liabilities.

Forward Sales Agreements

We expect to enter into separate forward sales agreements with Citigroup Global Markets Inc. and Jefferies LLC, or their affiliates, which we refer to in this capacity as the forward purchasers, relating to an aggregate of 1,500,000 shares of our common stock. In connection with the execution of the forward sales agreements and at our request, Citigroup Global Markets Inc. and Jefferies LLC, either directly or as agents for their respective affiliated forward purchasers, which we refer to in this capacity as the forward sellers, are, at our request, borrowing from third parties and selling to the underwriters an aggregate of 1,500,000 shares of our common stock. If any of the forward purchasers determines, in its commercially reasonable judgment, that such forward seller is unable, after using commercially reasonable efforts, to borrow and sell the full number of such shares of our common stock to be sold by it pursuant to the terms of the underwriting agreement, or if a forward purchaser, in its sole judgment, determines that such forward seller would incur a share loan cost in excess of a specified threshold to do so, we will issue and sell directly to the underwriters the number of shares of our common stock not so borrowed and delivered by such forward seller, and the number of shares of our common stock underlying the relevant forward sales agreement will be decreased by the number of shares of our common stock that we so issue and sell. Under any such circumstance, the commitment of the underwriters to purchase shares of our common stock from the relevant forward seller, as described above, will be replaced with the commitment to purchase from us the relevant number of shares of our common stock not borrowed and delivered by the applicable forward seller. In such event, the underwriters will have the right to postpone the closing date for one business day to effect any necessary changes to the documents or arrangements.

We will not initially receive any proceeds from the sale of our common stock by the forward sellers but we expect to receive an amount equal to the net proceeds from the sale of the borrowed shares of our common stock sold in this offering, subject to certain adjustments pursuant to the forward sales agreements, at the applicable forward sale price (as described below), from the forward purchasers upon full physical settlement of the forward sales agreements. We will only receive such proceeds if we elect to fully physically settle the forward sales agreements.

We expect each forward sales agreement to settle within approximately six months from the date of this prospectus supplement, subject to acceleration by the relevant forward purchaser upon the occurrence of certain events. On a settlement date, if we decide to physically settle any forward sales agreement, we will issue shares of our common stock to the forward purchaser under the relevant forward sales agreement at the then-applicable forward sale price. The forward sale price initially will be $, which is the price at which the underwriters have agreed to buy the shares of our common stock offered hereby. Each of the forward sales agreements provides that the forward sale price will be subject to adjustment on a daily basis based on a floating interest rate factor equal to the federal funds rate less a spread and will be subject to decrease on each of certain dates based on amounts related to expected dividends on shares of our common stock during the term of the forward sales

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agreement. If the federal funds rate is less than the spread on any day, the interest factor will result in a daily reduction of the forward sale price. As of the date of this prospectus supplement, the federal funds rate was less than the spread. Unless the federal funds rate increases substantially prior to the settlement of the forward sales agreements, we expect to receive less than the initial forward sale price per share upon physical settlement of the forward sales agreements.

Before settlement of any forward sales agreement, we expect that the shares issuable upon settlement of such forward sales agreement will be reflected in our diluted earnings per share, return on equity and dividends per share calculations using the treasury stock method. Under this method, the number of shares of our common stock used in calculating diluted earnings per share, return on equity and dividends per share is deemed to be increased by the excess, if any, of the number of shares of our common stock that would be issued upon full physical settlement of such forward sales agreement over the number of shares of our common stock that could be purchased by us in the market (based on the average market price during the period) using the proceeds receivable upon full physical settlement (based on the adjusted forward sale price at the end of the reporting period). Consequently, prior to physical or net share settlement of the forward sales agreements and subject to the occurrence of certain events, we anticipate there will be no dilutive effect on our earnings per share, except during periods when the average market price of our common stock is above the applicable forward sale price. However, if we decide to physically or net share settle a forward sales agreement, any delivery of our shares by us upon physical or net share settlement of the applicable forward sales agreement will result in dilution to our earnings per share and return on equity.

Except under certain circumstances described below, we have the right to elect physical, cash or net share settlement under any forward sales agreement. Although we expect to settle each of the forward sales agreements entirely by delivering shares of our common stock in connection with full physical settlement, we may, subject to certain conditions, elect cash settlement or net share settlement for all or a portion of our obligations. For example, we may conclude that it is in our interest to cash settle or net share settle a forward sales agreement if we have no then-current use for all or a portion of the net proceeds that we would receive upon physical settlement. In addition, subject to certain conditions, we may elect to accelerate the settlement of all or a portion of the number of shares of our common stock underlying a forward sales agreement. In the event that we elect to cash settle, the settlement amount will be generally related to (1) (a) the arithmetic average of the volume-weighted average price of the shares of our common stock on each unwind date during the relevant valuation period under the applicable forward sales agreement (as increased by a commercially reasonable commission) minus (b) the applicable forward sale price, multiplied by (2) the number of shares of our common stock underlying the applicable forward sales agreement subject to cash settlement. In the event we elect to net share settle, the settlement amount will be generally related to (1) (a) the weighted average price at which the relevant forward purchaser or its affiliate purchases shares of our common stock during the relevant valuation period for such settlement under the relevant forward sales agreement (as increased by a commercially reasonable commission) minus (b) the applicable forward sale price, multiplied by (2) the number of shares of our common stock underlying the relevant forward sales agreement subject to such net share settlement. If this settlement amount is a negative number, the applicable forward purchaser will pay us in cash the absolute value of that amount (in the case of cash settlement) or deliver to us a number of shares of our common stock having a value equal to the absolute value of such amount (in the event of net share settlement). If this settlement amount is a positive number, we will pay the applicable forward purchaser in cash that amount (in the case of cash settlement) or deliver to such forward purchaser a number of shares of our common stock having a value equal to such amount (in the event of net share settlement). In connection with any cash settlement or net share settlement, we would expect such forward purchaser or its affiliate to purchase shares of our common stock in secondary market transactions for delivery to third-party share lenders in order to close out its or its affiliate s hedge position in respect of the applicable forward sales agreement. The purchase of shares of our common stock in connection with a forward purchaser or its affiliate unwinding its hedge positions could cause the price of shares of our common stock to increase over time (or prevent a decrease over time), thereby increasing the amount of cash we owe to such forward purchaser (or decreasing the amount of cash that such forward purchaser owes us) upon cash settlement or increasing the number of shares of our common stock that we are obligated to

deliver to such forward purchaser (or decreasing the number of shares of our common stock that such forward purchaser is obligated to deliver to us) upon net share settlement. See Risk Factors Risks Related to the Forward Sales Agreements in this prospectus supplement.

Each forward purchaser will have the right to accelerate its forward sales agreement (with respect to all or any portion of the transaction under such forward sales agreement that the relevant forward purchaser determines is affected by such event) and require us to settle on a date specified by such forward purchaser if: (1) such forward purchaser is unable to, or would incur a materially increased cost to, establish, maintain or unwind its hedge position with respect to its forward sales agreement; (2) such forward purchaser determines that it is unable to, or it is commercially impracticable for it to, continue to borrow a number of shares of our common stock equal to the number of shares underlying the applicable forward sales agreement or that, with respect to borrowing such number of shares of our common stock, it would incur a cost that is greater than the borrow cost specified in such forward sales agreement, subject to a prior notice requirement; (3) we declare a dividend or distribution on shares of our common stock with a cash value in excess of a specified amount per calendar quarter, or with an ex-dividend date prior to the anticipated ex-dividend date for such cash dividend; (4) certain ownership thresholds applicable to such forward purchaser are exceeded; (5) there is a public announcement of any event or transaction that, if consummated, would result in a merger event, tender offer, nationalization, delisting or change in law (in each case, as determined pursuant to the terms of the forward sales agreement); or (6) certain other events of default, termination events or other specified events occur, including, among other things, any material misrepresentation made by us in connection with entering into the applicable forward sales agreement, a market disruption event during a specified period that lasts for more than at least eight scheduled trading days or a change in law (as such terms are defined in such forward sales agreement). A forward purchaser s decision to exercise its right to accelerate the settlement of a forward sales agreement will be made irrespective of our need for capital. In such cases, we could be required to issue and deliver shares of our common stock under the physical settlement provisions of the applicable forward sales agreement or, if we so elect and a forward purchaser so permits our election, net share settlement provisions of the applicable forward sales agreement irrespective of our capital needs which would result in dilution to our earnings per share, return on equity and dividends per share. In addition, upon certain events of bankruptcy, insolvency or reorganization relating to us, the forward sales agreement will terminate without further liability of either party. Following any such termination, we would not issue any shares of our common stock or receive any proceeds pursuant to the forward sales agreement. See Risk Factors Risks Related to the Forward Sales Agreement in this prospectus supplement.

Selling Restrictions

Notice to Prospective Investors in the European Economic Area

In relation to each member state of the European Economic Area that has implemented the Prospectus Directive (each, a relevant member state), with effect from and including the date on which the Prospectus Directive is implemented in that relevant member state (the relevant implementation date), an offer of shares described in this prospectus supplement may not be made to the public in that relevant member state other than:

- to any legal entity which is a qualified investor as defined in the Prospectus Directive;

- to fewer than 100 or, if the relevant member state has implemented the relevant provision of the 2010 PD Amending Directive, 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the relevant

Dealer or Dealers nominated by us for any such offer; or

in any other circumstances falling within Article 3(2) of the Prospectus Directive,
provided that no such offer of shares shall require us or any underwriter to publish a prospectus pursuant to Article 3 of the Prospectus Directive.

For purposes of this provision, the expression an offer of securities to the public in any relevant member state means the communication in any form and by any means of sufficient information on the terms of the offer and the shares to be offered so as to enable an investor to decide to purchase or subscribe for the shares, as the

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expression may be varied in that member state by any measure implementing the Prospectus Directive in that member state, and the expression Prospectus Directive means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the relevant member state) and includes any relevant implementing measure in the relevant member state. The expression 2010 PD Amending Directive means Directive 2010/73/EU.

The sellers of the shares have not authorized and do not authorize the making of any offer of shares through any financial intermediary on their behalf, other than offers made by the underwriters with a view to the final placement of the shares as contemplated in this prospectus supplement. Accordingly, no purchaser of the shares, other than the underwriters, is authorized to make any further offer of the shares on behalf of the sellers or the underwriters.

Notice to Prospective Investors in the United Kingdom

This prospectus supplement and the accompanying prospectus are only being distributed to, and is only directed at, persons in the United Kingdom that are qualified investors within the meaning of Article 2(1)(e) of the Prospectus Directive that are also (i) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the Order) or (ii) high net worth entities, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (each such person being referred to as a relevant person). This prospectus supplement and its contents are confidential and should not be distributed, published or reproduced (in whole or in part) or disclosed by recipients to any other persons in the United Kingdom. Any person in the United Kingdom that is not a relevant person should not act or rely on this document or any of its contents.

Notice to Prospective Investors in France

Neither this prospectus supplement nor any other offering material relating to the shares described in this prospectus supplement has been submitted to the clearance procedures of the *Autorité des Marchés Financiers* or of the competent authority of another member state of the European Economic Area and notified to the *Autorité des Marchés Financiers.* The shares have not been offered or sold and will not be offered or sold, directly or indirectly, to the public in France. Neither this prospectus supplement nor any other offering material relating to the shares has been or will be:

- released, issued, distributed or caused to be released, issued or distributed to the public in France; or

- used in connection with any offer for subscription or sale of the shares to the public in France.

Such offers, sales and distributions will be made in France only:

- to qualified investors (*investisseurs qualifiés*) and/or to a restricted circle of investors (*cercle restreint d investisseurs*), in each case investing for their own account, all as defined in, and in accordance with articles L.411-2, D.411-1, D.411-2, D.734-1, D.744-1, D.754-1 and D.764-1 of the French *Code monétaire et financier*;

to investment services providers authorized to engage in portfolio management on behalf of third parties; or

in a transaction that, in accordance with article L.411-2-II-1°-or-2°-or 3° of the French *Code monétaire et financier* and article 211-2 of the General Regulations (*Règlement Général*) of the *Autorité des Marchés Financiers*, does not constitute a public offer (*appel public à l épargne*).

The shares may be resold directly or indirectly, only in compliance with articles L.411-1, L.411-2, L.412-1 and L.621-8 through L.621-8-3 of the French *Code monétaire et financier*.

Notice to Prospective Investors in Hong Kong

The shares may not be offered or sold in Hong Kong by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance

(Cap. 32, Laws of Hong Kong), or (ii) to professional investors within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder, or (iii) in other circumstances which do not result in the document being a prospectus within the meaning of the Companies Ordinance (Cap. 32, Laws of Hong Kong) and no advertisement, invitation or document relating to the shares may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to shares which are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder.

Notice to Prospective Investors in Canada

The shares may be sold in Canada only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 *Prospectus Exemptions* or subsection 73.3(1) of the *Securities Act* (Ontario), and are permitted clients, as defined in National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*. Any resale of the shares must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this prospectus supplement (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser s province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser s province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 of National Instrument 33-105 *Underwriting Conflicts* (NI 33-105), the underwriters are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

Notice to Prospective Investors in Japan

The shares offered in this prospectus supplement have not been and will not be registered under the Financial Instruments and Exchange Law of Japan. The shares have not been offered or sold and will not be offered or sold, directly or indirectly, in Japan or to or for the account of any resident of Japan (including any corporation or other entity organized under the laws of Japan), except (i) pursuant to an exemption from the registration requirements of the Financial Instruments and Exchange Law and (ii) in compliance with any other applicable requirements of Japanese law.

Notice to Prospective Investors in Singapore

This prospectus supplement has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this prospectus supplement and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the shares may not be circulated or distributed, nor may the shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the SFA), (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA, in each case subject to compliance with conditions set forth in the SFA.

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Where the shares are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or