

GLADSTONE COMMERCIAL CORP

Form FWP

March 27, 2013

Gladstone Commercial Corporation

NASDAQ: GOOD

Public Non-Listed Senior Common Stock Offering

Dealer Manager: Gladstone Securities, LLC

Forward-Looking Statements

This free writing prospectus has been prepared for informational purposes only from information supplied by Gladstone Commercial Corporation. All statements contained in this free writing prospectus, other than historical facts, may constitute forward-looking statements

within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Words such as

anticipates,  
expects,  
intends,  
plans,  
believes,  
seeks,  
estimates

and variations of these words and other similar expressions are intended to identify forward-looking statements. Readers should not rely upon forward-looking statements because the matters that they describe are subject to known and unknown risks and uncertainties that could cause Gladstone Commercial Corporation's business, financial condition, liquidity, results of operations, funds from operations or prospects to differ materially from those expressed in or implied by such statements. Such risks and uncertainties are disclosed under the caption Risk Factors in the prospectus supplement and the accompanying prospectus for the offering to which this free writing prospectus relates, in Gladstone Commercial Corporation's most recent Annual Report on Form 10-K, in Gladstone Commercial Corporation's Quarterly Reports on Form 10-Q and in the other information that Gladstone Commercial Corporation files with the SEC. Other than as required by applicable law, Gladstone Commercial Corporation shall have no obligation or undertaking to update or revise any forward looking statements to reflect any change in expectations, results or events.

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Free Writing Prospectus

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Neither the Securities and Exchange Commission, or SEC, nor any state securities commission has approved or disapproved of these securities or passed upon the accuracy or the adequacy of this free writing prospectus, the prospectus supplement or the accompanying prospectus. Any representation to the contrary is a criminal offense.

This free writing prospectus only relates to the securities of Gladstone Commercial Corporation described

in the prospectus supplement, dated March 28, 2011, as amended, and the accompanying prospectus, dated September 27, 2010, that was included in Gladstone Commercial Corporation's registration statement on Form S-3 (File No. 333-169290) which was filed with the SEC on September 9, 2010 and subsequently amended on September 23, 2010. **This free writing prospectus should be read in conjunction with the**

prospectus  
supplement,  
amendments

thereto  
dated

May  
25,  
2011

and  
March

27,  
2013

and  
the  
accompanying prospectus.

To view the prospectus supplement, amendments thereto dated May 25, 2011 and March 27, 2013 and the accompanying

prospectus  
which  
relate

to  
this  
offering,

click  
the  
following

link:  
<http://www.sec.gov/Archives/edgar/data/1234006/000095012311029811/w82161be424b5.htm>

or  
on  
the

website that relates to this offering at [www.GladstoneCommercial.info](http://www.GladstoneCommercial.info).

Gladstone Commercial Corporation's central index key on the SEC's Web site is 0001234006.

Gladstone Commercial Corporation has filed a registration statement on Form S-3 (including a prospectus and a prospectus supplement) with the SEC for the offering to which this communication relates. Before you invest, you should read the prospectus and the prospectus supplement in that registration statement and other documents Gladstone Commercial Corporation has filed with the SEC for more complete information about Gladstone Commercial Corporation and this offering. You may obtain these documents

for  
free  
by  
visiting  
EDGAR

on  
the  
SEC

Web  
site  
at  
[www.sec.gov](http://www.sec.gov)  
or  
by  
clicking  
on  
the  
links  
above.  
Alternatively,  
Gladstone  
Commercial  
Corporation,  
any  
underwriter  
or  
any  
dealer  
participating  
in  
the  
offering  
will  
arrange  
to  
send  
to  
you  
the  
prospectus  
and  
prospectus  
supplement  
if  
you  
request  
it  
by  
contacting  
Gladstone  
Securities,  
LLC,  
1521  
Westbranch  
Drive,  
Suite  
200,  
McLean,

VA  
22102;  
Attention:  
Investor  
Relations  
or  
by  
calling  
1  
(703)  
287-5900.

Risk Factors  
An  
investment  
in  
shares  
of  
Senior



Common  
Stock  
involves  
substantial  
risks.  
You  
should  
purchase  
our  
securities  
only  
if  
you  
can  
afford  
a  
complete  
loss  
of  
your  
investment.

Please  
read  
and  
consider  
the  
risk  
factors  
in  
the  
prospectus  
supplement  
and  
prospectus  
before  
purchasing  
any  
securities.

The  
most  
significant  
risk  
factors  
include:

Risks Relating to Our Senior Common Stock and this Offering:

There is no established public trading market for shares of Senior Common Stock, and we have no plans to list these shares on a national securities exchange.

We established the offering price of shares of Senior Common Stock on an arbitrary basis, and, as a result, the actual value of your investment may be substantially less than what you pay.

The calculation of the Exchange Ratio could result in a deterrent to your exchanging shares of Senior Common Stock for

shares of Listed Common Stock if shares of Listed Common Stock are trading at lower levels at the time that you desire to exchange your shares.

Your  
ability  
to  
redeem  
shares  
of  
Senior  
Common  
Stock  
pursuant  
to  
our  
share  
redemption  
program  
is  
limited  
to  
the  
proceeds

generated by our distribution reinvestment plan, and the share redemption program may be amended, suspended or terminated by our Board at any time without stockholder approval.

If you do not agree with the decisions of our Board, then you will not be able to influence changes in our policies and operations

because  
holders  
of  
shares  
of  
Senior  
Common  
Stock  
will  
generally  
have  
no  
voting  
rights.

Our charter contains restrictions on the ownership and transfer of shares of our capital stock, and these restrictions may inhibit your ability to sell your shares

of  
Senior Common Stock promptly, or at all.

Our Dealer Manager is one of our affiliates, and, therefore, an investor in shares of Senior Common Stock would not have the benefit of an independent underwriter who has performed an independent due diligence review.

Highly  
leveraged  
tenants  
and

borrowers

may

be

unable

to

pay

rent

or

make

mortgage

payments,

which

could

adversely

affect

our cash available to make distributions to holders of our Senior Common Stock.

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Risk Factors (continued)

Risks Relating to Our Company and Our Operations

Our business strategy relies heavily on external financing, which may expose us to risks associated with leverage such as restrictions on additional borrowing and payment of distributions to stockholders, risks associated

with  
balloon

payments,  
and  
risk  
of  
loss  
of  
our  
equity  
upon  
foreclosure.

We are subject to certain risks associated with real estate ownership and lending which could reduce the value of our investments, including but not limited to, changes in the general economic climate; changes in local conditions such as an oversupply of space or reduction in demand for real estate; changes in interest rates and the availability of financing; competition from other available space; and changes in laws and governmental regulations, including those governing real estate usage, zoning and taxes.

Our  
properties  
may  
be  
subject  
to  
impairment  
charges,  
which  
could  
adversely  
affect  
our  
results  
of  
operations and FFO.

Illiquidity  
of  
real  
estate  
investments  
may  
make  
it  
difficult  
for  
us  
to  
sell  
properties  
in  
response  
to  
market  
conditions

and  
our  
properties  
may  
include  
special  
use  
and  
single  
or  
multi-tenant  
properties  
that  
may  
be  
difficult to sell or re-lease upon tenant defaults or early lease terminations which could harm our financial  
condition and ability to make distributions.

Our  
real  
estate  
investments  
have  
a  
limited  
number  
of  
tenants,  
many  
of  
which  
are  
small-  
and  
medium-sized  
businesses, and are concentrated in a limited number of industries, which subjects us to an increased risk of  
significant  
loss  
if  
any  
one  
of  
these  
tenants  
is  
unable  
to  
pay  
or  
if  
particular

industries  
experience  
downturns.  
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Risk Factors (continued)  
Risks  
Relating  
to  
Our  
Company  
and



Our  
Operations  
(continued  
from  
previous  
slide)

We may be unable to renew leases, lease vacant space or re-lease space as leases expire, which could adversely affect our business and our ability to make distributions to our stockholders.

We  
may  
enter  
into  
sale-leaseback  
transactions,  
whereby  
we  
would  
purchase  
a  
property  
and  
then  
lease  
the  
same  
property  
back  
to  
the  
person  
from  
whom  
we  
purchased  
it.

If  
a  
sale-leaseback  
transaction  
is  
re-

characterized in a tenant's bankruptcy proceeding, our financial condition could be adversely affected.

We are dependent upon our key management personnel, who are employed by our Adviser, for our future success. The departure of any of our executive officers or key employees could have a material adverse effect on our ability to implement our business strategy and to achieve our investment objectives.

Our  
success  
depends  
on  
the

performance  
of  
our  
Adviser  
and  
if  
our  
Adviser  
makes  
inadvisable  
investment

or management decisions, our operations could be materially adversely impacted.

We may have conflicts of interest with our Adviser and other affiliates, including but not limited to the following conflicts: (i) our Adviser may realize substantial compensation on account of its activities on our behalf,

and  
may,  
therefore,  
be  
motivated

to  
approve  
acquisitions  
solely  
on  
the  
basis  
of  
increasing

compensation to itself; (ii) we may experience competition with our affiliates for financing transactions; (iii) our Adviser may earn fee income from our borrowers or tenants; and (iv) our Adviser and other affiliates could compete for the time and services of our officers and directors.

If  
we  
fail  
to  
qualify  
as  
a  
REIT,  
our  
operations  
and  
dividends  
to  
stockholders  
would  
be  
adversely  
impacted.

To the extent that our distributions represent a return of capital for tax purposes, you could recognize an increased capital gain upon a subsequent sale of your stock.

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Offering Summary: Senior Common Stock

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Issuer:

Gladstone Commercial Corporation

Current Status:

A

public reporting company with 11,226,502 shares

of Listed Common Stock outstanding (symbol: GOOD)

Security Offered:

Senior Common Stock (registered, non-listed)

Distribution Preference:

Distribution payments have a senior preference over

Listed Common Stock but are subordinate to

Preferred Stock

Distribution Rate:

\$1.05 per share per annum, declared daily and

paid at the rate of \$0.0875 per share per month

Please note: distributions are not guaranteed

Offer Price:

\$15 per share

Shares Offered:

3,000,000 shares in primary offering and 500,000

shares pursuant to distribution reinvestment plan

Minimum Purchase:

200 shares having an aggregate minimum purchase

price of \$3,000

The information on this page is accurate as of March 1, 2013.

Offering Summary: Senior Common Stock (continued)

Initial Liquidity:

Non-listed, but with limited liquidity through  
share redemption program based upon cash  
proceeds generated by distribution  
reinvestment plan

Conversion Liquidity:

Holders of Senior Common Stock have the right to convert into shares of Listed Common Stock five years after the date on which shares of Senior Common Stock were originally purchased

Conversion Ratio:

Purchase price (\$15.00) divided by the greatest of:

(i) the closing trading price of Listed Common Stock on the date on which shares of Senior Common Stock were originally issued,

(ii) the book value per share of the Listed Common Stock as determined as of the date on which shares of Senior Common Stock were originally issued, or

(iii) \$13.68

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The Importance of Being Senior to Listed Common  
Please Note: Distributions on Senior Common Stock have preference  
over those paid on Listed Common Stock, but are subordinate to  
those paid on existing and future series of Preferred Stock

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Additional Information

Annual distributions to be paid on 3 million shares of Senior Common Stock would be \$3.15 million

Total distributions paid to Listed Common Stockholders for the year ended December 31, 2012 were \$16.43 million

The  
distribution

on  
the  
Listed  
Common  
Stock  
was  
\$0.125  
per  
month  
or  
\$1.50  
for  
the last 12 months

Cumulative: Distributions paid on shares of Senior Common Stock cannot be decreased and are cumulative

Successful track record of not reducing distributions on Listed Common Stock since inception in 2003 **Please note: distributions are not guaranteed**

Valuation: The value of shares of Senior Common Stock will be published every quarter beginning in the quarter ending September 30, 2014

Not Callable: Shares of Senior Common Stock are generally not callable prior to September 1, 2017

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Fees & Expenses

If Gladstone Commercial sells 3,000,000 shares of the Senior Common Stock in the primary offering, 11% of the proceeds will be used to pay sales commissions, dealer manager fees, and other offering expenses

Gladstone Commercial pays its affiliated investment adviser, Gladstone Management Corporation:

(i) an advisory fee of 2% of total stockholders equity less the value of any preferred shares, and

(ii) a performance-based incentive fee

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What kind of REIT is Gladstone Commercial?

Gladstone Commercial is a publicly-traded equity REIT incorporated in 2003 to purchase commercial and industrial properties

that  
are  
leased  
to  
tenants  
pursuant  
to  
triple  
net  
leases  
(e.g.,  
the  
tenant  
pays  
taxes,  
insurance  
and  
maintenance)

Gladstone Commercial files annual and quarterly reports, proxy statements and other information with the SEC, issues press releases, conducts quarterly earnings calls with stockholders and has a full-scale investor relations department that utilizes a publicly-available investor relations website

Owns 80 properties in the US:

purchase price was \$619 million

geographically diversified in 24 states

diversified by property type in 19 distinct tenant industries

diversified by 63 different tenants

98% occupied and paying as agreed

The information on this page is accurate as of March 1, 2013. Past performance is not indicative of future results.

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Gladstone Commercial's Investment Adviser: Gladstone Management

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Team of greater than 50 people: origination offices in McLean, VA; New York, NY; Chicago, IL; and Los Angeles, CA

Should we make this two because of Chips resignation? Cutlip works for the Adviser and is senior and involved in the management of GOOD so that would make three?

Two senior managers lead the company and each has more than 25 years of experience in business

Manages four publicly-traded entities with approximately \$1 billion of assets under management

Dual underwriting process for Gladstone Commercial:

the tenant: as if making a loan to the tenant

the real estate: with appraisals, studies and visits

The information on this page is accurate as of March 1, 2013. Past performance is not indicative of future results



Dual Focus on Tenant and Real Estate Underwriting

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Conduct an MAI Appraisal on each  
property

Site visit to review property

Survey brokers in the area to verify  
the value of similar properties

Phase I or II environmental report  
and purchase environmental liability  
insurance in certain cases  
Engineering report to assure the  
building is structurally sound  
Zoning and title report to assure that  
there are no deed problems  
Due Diligence on the Real Estate  
Detailed underwriting of the  
tenant's business  
Review tenant's financial  
statements and projections  
Prove out the cash flow of the  
tenant's business  
Investigate the management of the  
tenant's business  
Determine the tenant's risk rating  
and the probability of default  
using a proprietary tenant risk  
rating system  
Due Diligence on the Tenant

Gladstone Commercial's Business Model

Long term leases that generally have 10-  
to 15-year initial terms

Property that is leased is key to the operations of the tenant's business

Lease escalations that are tied to the Consumer Price Index (with  
minimums) or that have fixed escalations

Low overhead expenses with triple-net leases that allow Gladstone

Commercial to defray certain costs (e.g., tenants pay for maintenance, taxes and insurance)

Flexible financing to provide funding for capital improvements to properties

Credit enhancement capabilities that allow Gladstone Commercial Corporation to cross guarantee and corporate guarantee leases

The information on this page is accurate as of March 1, 2013. Past performance is not indicative of future results.

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Our Investment Adviser's Origination Offices

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Gladstone Commercial's investment adviser's origination offices are located in McLean, VA; Chicago, IL; New York, NY; and Los Angeles, CA.

The information on this page is accurate as of March 1, 2013.

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Geographic Diversity of Gladstone Commercial s Properties  
The information on this page is accurate as of March 1, 2013.

Gladstone Commercial's Focus on Certain Industries

Light manufacturing

Manufacturing of small products

Specialty manufacturing

Custom and precision manufacturing and food processing

Established software companies

With established customers that must have this type of software

Business services

Service companies or logistic services, including telecommunications

Medical services

Buildings used to provide medical services

Retail

Buildings used to sell to retail and wholesale customers

Data

Buildings used to store data

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Industry Diversification of Gladstone Commercial's Properties

Staples Contract & Commercial, Inc.

A 487,121 sq. ft. office/industrial

building in Orange City, IA

The property is leased to the

commercial delivery and fulfillment

division of Staples, Inc., on a long-term  
lease

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Industry Diversification of Gladstone Commercial's Properties  
Expedient Communications

A 26,080 sq. ft. data center in Pittsburgh, PA,  
leased long-term to Expedient Communications

-

a regional managed services and collocation

provider

Serves as the technical headquarters for the 8 medium and large data centers which make up the Expedient portfolio including Baltimore, Boston, Indianapolis and Columbus

A heavily invested in building with state-of-the-art redundant power systems, cooling systems, and extensive raised floor space

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Industry Diversification of Gladstone Commercial's Properties

D

Paychex

25,000 square foot newly-constructed one-story  
commercial office building located in Boston

Heights, OH

100% leased to Paychex North America, Inc., a subsidiary of Paychex, Inc.

The Property was completed as a build-to-suit for Paychex

The Property will be used for payroll and tax preparation services and house the regional sales staff covering the greater-Cleveland area

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Industry Diversification of Gladstone Commercial Properties

14,560 sq. ft. retail building in Springfield,

MO fully leased to Walgreen Co.

NNN Lease with 18.2 years remaining on  
primary term; expires February 2030

Walgreen Co., incorporated in 1909, is the

largest drugstore chain in the United States  
(by retail store sales)  
Walgreens had revenue of \$72.2 billion and  
EBITDA of \$5.0 billion in the FY ending  
August 31, 2011  
Walgreens



#### Gladstone Commercial Highlights

Successful track record of not reducing distributions on Listed Common Stock since inception in 2003 **Please note: distributions are not guaranteed**

Experienced management team that has a successful track record of underwriting both tenants and real estate

Conservative dual underwriting strategy that focuses on the cash

flow of the

tenant and the value of the real estate

Business model that emphasizes deal flow from strategic relationships with real estate intermediaries

Market opportunity to capitalize on the lack of buyers of real estate leased to mid-sized businesses

Focus on steady rental streams from tenants used to pay distributions to stockholders

Annual distributions to be paid on 3 million shares of Senior Common Stock would be \$3.15 million

Total distributions paid to Listed Common Stockholders for the year ended December 31, 2012 were \$16.43 million

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Senior Common Stock Highlights

7% Annual Yield: Distribution rate of \$1.05 per share per annum

Monthly Distributions: Paid at the rate of \$0.0875 per share per month

Please note: distributions are not guaranteed

Distribution Preference:

Distribution payment preference over Listed Common

Stock but subordinate to existing and future series of Preferred

Stock

Assets in Place: Company has rent paying buildings in place

Experienced Management: More than fifty people on management team

Conversion Liquidity: Holders of Senior Common Stock have the option to convert into shares of Listed Common Stock after five-years

Conditional Liquidity: Quarterly repurchase of shares of Senior Common Stock limited by cash proceeds generated by the reinvestment plan

Valuation: The value of shares of Senior Common Stock will be published every quarter ending September 30, 2014

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