

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.

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
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 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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