

GLADSTONE COMMERCIAL CORP

Form FWP

October 02, 2014

Gladstone Commercial Corporation
Public Non-Listed Senior Common Stock Offering
Dealer Manager: Gladstone Securities, LLC
Filed pursuant to Rule 433
Registration Statement No. 333-190931

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.

1

Free Writing Prospectus

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 September 24, 2013, as amended from time to time, and the

Edgar Filing: GLADSTONE COMMERCIAL CORP - Form FWP

accompanying prospectus, dated September 24, 2013, that was included in Gladstone Commercial Corporation's registration statement on Form S-3 (File No. 333-190931) which was filed with the SEC on August 30, 2013. **This free writing prospectus should be read in conjunction with the prospectus supplement and the accompanying prospectus.**

To view the prospectus supplement and the accompanying prospectus which relate to this offering, click the following link:

<http://www.sec.gov/Archives/edgar/data/1234006/000119312513375953/d601475d424b5.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, 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 100, McLean, VA 22102; Attention:

Investor Relations or by calling 1 (703) 287-5893.

2

Risk Factors

3

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.

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:

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.

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.
4

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, particularly David Gladstone, Terry Lee Brubaker, and Robert Cutlip.

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.

5

Offering Summary: Senior Common Stock

6

Issuer:

Gladstone Commercial Corporation

Current Status:

A

public reporting company with 17,715,958 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 August 8, 2014. Past performance is not indicative of future results.

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

7

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

8

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, 2013 were \$19.7 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 with the quarter ending September 30, 2014

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

The information on this page is accurate as of August 8, 2014. Past performance is not indicative of future results.

9

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

10

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 93 properties in the US:

purchase price was \$826 million

geographically diversified in 23 states

diversified by property type in 17 distinct tenant industries

diversified by 80 different tenants

97% occupied and paying as agreed

The information on this page is accurate as of August 8, 2014. Past performance is not indicative of future results.

11

Executive Management Team

12

Disclaimer: Past performance is not an indication of future performance

Bob Cutlip, President

Terry Brubaker, Chief Operating Officer

Over 25 years of experience investing in mid-sized and small private businesses

Current Chairman and CEO of all four Gladstone funds, public companies #7, #8, #9 and #10 in his career

Edgar Filing: GLADSTONE COMMERCIAL CORP - Form FWP

Former Chairman of Allied Capital Commercial (REIT) and Allied Capital and American Capital when they were successful

Former board member of Capital Automotive REIT

MBA from Harvard Business School, MA from American University, BA from University of Virginia

Over 25 years commercial real estate operations experience

Former Managing Director at Sealy & Company, LLC, where he led the Southeast & Mid Atlantic operations for a vertically integrated real estate operating company

Former EVP of First Industrial Realty Trust where he directed the acquisition and development business activities in 26 markets in North America

Former Regional EVP of Duke-Weeks Realty, responsible for development, acquisitions and operations of the Mid-Atlantic region

Former National Chairman of National Association of Industrial and Office Properties

MBA from University of Southern California, MS in Civil Engineering from Vanderbilt University, BA in Civil Engineering from U.S. Air Force Academy

Over 25 years of experience in managing businesses

Currently COO and head of portfolio management for all four Gladstone public funds

Previously on the acquisition team of James River Corp., as it grew from \$200 million to \$7 billion in revenues

Former group VP of two operating divisions at James River with 2,300 employees, \$440 million in revenue and 14 locations

After

James

River,

was

CEO

of

two

businesses

with

800

employees,

\$250

million

in

revenue

and

4

locations

Former consultant with McKinsey & Company

MBA from Harvard Business School; BSE in Aeronautical Engineering from Princeton University

David Gladstone, Chairman and CEO

Senior GOOD Leadership Team

13

Matt Tucker, Managing Director, Northeast and Midwest Regions

Buzz Cooper, Senior Managing Director, South and Southeast Regions

Andrew White, Managing Director, Western Region

More than 60 professionals as part of the Gladstone Team

Disclaimer: Past performance is not an indication of future performance

Manages regional acquisition and asset management activities; joined Gladstone in August of 2013

Over 25 years of experience of real estate investing experience

Formerly held senior positions with MetLife Real Estate Investments, ING Realty Partners, Berwind Property Group and MIG Real Estate

Manages regional acquisition and asset management activities; over 12 years with Gladstone

Over 25 years of real estate investing experience

Former principal of Allied Commercial Corporation REIT, where his responsibilities ranged from buying loans from RTC and banks to making real estate backed loans

Manages regional acquisition and asset management activities; over 9 years with Gladstone

Over 15 years experience of real estate investing experience

Formerly held investment and advisory positions with Liquid Realty Partners, SG Capital Partners and Chase Securities Inc.

Dual Focus on Tenant and Real Estate Underwriting

14

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 sometimes purchase
environmental liability insurance
Conduct a Property Assessment 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
Evaluate 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

Investment Strategy

15

National operation: Expanding across the U.S. for opportunities and diversification

Key

real

estate:

Own

properties
that
are
key
to
the
tenants
operations
and
that

have favorable configuration and location traits

Middle market tenants: Use the Gladstone team's credit methods to underwrite

middle market tenants to achieve better than market returns

Investment Criteria:

Transaction

Size:

\$5MM

-

\$50MM

Property Type: Single tenant and anchored multi-tenant industrial, office and medical properties

Transaction Type: Third party acquisition, sale-leaseback, build-to-suit JV, build-to-suit forward purchase

Lease Terms: NNN; term of 7+ years

Location: Strong markets in the path of growth

Disclaimer: Past performance is not an indication of future performance

16

Geographic Diversity of Gladstone Commercial's Properties
The information on this page is accurate as of August 8, 2014.

Gladstone Commercial's Focus on Certain Industries
Areas Where Opportunities Exist to Own Properties

Light manufacturing

Manufacturing of small products (plastic closures, disposable tableware)

Specialty manufacturing

Special purpose buildings with a conditional use permit (paper manufacturing, commercial bakery)

Established software companies

With large amount of computer equipment (data center)

Offices

Headquarter or regional offices of the business (electronics, telecommunications)

Business services

Service companies with logistic services (consumer products)

Medical services/Healthcare

Buildings used to deliver medical services (medical practice)

Warehouses

Logistics operations or distribution centers with long-term leases

Specialty retailing

Special purpose retail outlets (drug stores)

17

18

Tenant Mix

(as a % of Total Rent)

Tenant Industry Mix

(as a % of Total Rent)

No significant concentration in any tenant or in any industry.

Highly Diversified Tenant Mix

Disclaimer: Past performance is not an indication of future performance

As of 8/8/14

Company A -

7%

Company B -

4%

Company C -

3%

Company D -

3%

Company E -

3%

Company F -

3%

Company G -

2%

Company H -

2%

Company I -

2%

Company J

-

2%

All remaining tenants -

69%

Telecommunications -

19%

Automobile -

13%

Healthcare, Education & Childcare -

11%

Electronics -

8%

Personal, Food & Miscellaneous Services -

8%

Diversified/Conglomerate Manufacturing -

6%

Chemicals, Plastics & Rubber -

5%

Beverage, Food & Tobacco -

4%

Personal & Non-Durable Consumer Products -

4%

Machinery -

4%

Buildings and Real Estate -

3%

Containers, Packaging & Glass -

3%

Printing & Publishing -

3%
Diversified/Conglomerate Services -
2%
Childcare -
2%
Oil & Gas -
2%
Banking -
2%
Education -
1%
Home & Office Furnishings -
1%

Target Asset Mix
46% Office / 42% Industrial

19

Current Portfolio Mix
(as a % of Total Rent)

Office and industrial buildings touch most industries in the US and facilitate diversification.

Disclaimer: Past performance is not an indication of future performance

As of 6/30/14

42%

46%

8%

4%

Industrial

Office

Medical Office

Retail

Select Properties

General Motors Company

\$57.0MM transaction

One of the 4 nationwide new Innovation Centers

320,000 SF office building in the Austin Technology Corridor

Debt upgraded to investment grade following the purchase

ViaSat, Inc.

\$18.0MM transaction

A \$1.3BN supplier of space and mobile communications systems for commercial and defense users

Mission critical 100,000 SF facility including Network Operations Center

Located in the Denver Inverness Office Park

20

Disclaimer: Past performance is not an indication of future performance

Select Properties

Lear Corporation

\$3.4MM transaction

170,000 SF manufacturing and distribution center

Forward purchase of a build-to-suit project

Less than one mile from Mercedes-Benz 3.7MM SF auto
assembly plant in Vance, Alabama

PTC Inc.

\$14.4MM transaction

\$1.3BN software supplier to the supply chain industry

92,000 SF mission critical R&D and data center facility

Located in the Minneapolis Lexington Preserve Business

Park

21

Disclaimer: Past performance is not an indication of future performance

Highlights

Strong Growth Profile Over 24 Months

48% Increase in Total Assets

50% Increase in Total FFO

64% Increase in Total Common Market Capitalization

Strong Historic and Current Returns

Since 2009, Exceeded the cumulative FTSE NAREIT Office/Industrial Index by 53%

Excellent Shareholder Aligned Team Performance

Remained 97% Occupied, Rent-Paying Through the Recent Recession

Never Lowered the Dividend nor Missed a Payment

Tenured
Core
Leadership
Team
Delivering
Consistent,
High
Quality
Results
22

Disclaimer: Past performance is not an indication of future performance

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
50
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 beginning with the quarter ending September 30, 2014
23