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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of Earliest Event Reported):

July 11, 2006

Gladstone Commercial Corporation

(Exact name of registrant as specified in its charter)

Maryland

0-50363

020681276

(State or other jurisdiction  
of incorporation)

(Commission  
File Number)

(I.R.S. Employer  
Identification No.)

1521 Westbranch Drive, Suite 200, McLean, Virginia

22102

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code:

703-287-5800

Not Applicable

Former name or former address, if changed since last report

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - ☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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**Item 1.01 Entry into a Material Definitive Agreement.**

On July 11, 2006, Gladstone Commercial Corporation (the "Company") adopted the Joint Directors Nonqualified Excess Plan of Gladstone Commercial Corporation, Gladstone Capital Corporation and Gladstone Investment Corporation (the "Deferred Compensation Plan"). Effective January 1, 2007, the Deferred Compensation Plan will provide non-employee directors of the Company the opportunity to voluntarily defer director fees on a pre-tax basis, and to invest such deferred amounts in self-directed investment accounts. The Deferred Compensation Plan does not allow the Company to make discretionary contributions to the account of any director.

This summary description of the Deferred Compensation Plan is qualified in its entirety by reference to the actual terms of the Deferred Compensation Plan, which is attached as Exhibit 10.1 and incorporated by reference.

**Item 8.01 Other Events.**

On July 11, 2006, the Company announced that its Board of Directors approved an offer to the executive officers and directors of the Company and the employees of the Company's external investment adviser, Gladstone Management Corporation, who hold stock options (the "Optionees"), to amend the terms of all stock options currently outstanding (the "Options") under the Company's 2003 Equity Incentive Plan, as amended, to accelerate the expiration date of the Options to December 31, 2006. The offer is conditioned upon its acceptance by all of the Optionees, so that 100% of the outstanding Options are amended to expire on December 31, 2006.

The offer to amend the Options currently is scheduled to expire at 5:00 p.m., Eastern Time, on August 31, 2006. If the offer is successful and all Options are amended, the Company intends to implement, effective January 1, 2007, the proposed Investment Advisory Agreement between the Company and Gladstone Management Corporation and the Administration Agreement between the Company and Gladstone Administration, LLC, a wholly owned subsidiary of Gladstone Management Corporation, that were approved by the Company's stockholders on May 24, 2006. Effective July 11, 2006, the Company's Board of Directors accelerated in full the vesting of all outstanding options.

The Company filed a Schedule TO and related documentation regarding the offer with the Securities and Exchange Commission on July 12, 2006.

**Item 9.01 Financial Statements and Exhibits.**

- (a) Not applicable.
- (b) Not applicable.
- (c) Not applicable.
- (d)

Exhibit 10.1 - Joint Directors Nonqualified Excess Plan of Gladstone Commercial Corporation, Gladstone Capital Corporation and Gladstone Investment Corporation

Exhibit 99.1 - Gladstone Commercial Corporation Press Release Dated as of July 12, 2006

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**SIGNATURES**

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

Gladstone Commercial Corporation

*July 12, 2006*

*By: /s/ Harry Brill*

*Name: Harry Brill*

*Title: Chief Financial Officer*

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Exhibit Index

<u>Exhibit No.</u>	<u>Description</u>
10.1	Joint Directors Nonqualified Excess Plan of Gladstone Commercial Corporation, Gladstone Capital Corporation and Gladstone Investment Corporation
99.1	Gladstone Commercial Corporation Press Release Dated as of July 12, 2006

**THE EXECUTIVE  
Nonqualified "Excess" PLAN<sup>SM</sup>**

**ADOPTION AGREEMENT**

THIS AGREEMENT is the joint adoption by **Gladstone Commercial Corporation, Gladstone Capital Corporation, and Gladstone Investment Corporations** (the "Employers") of the Executive Nonqualified Excess Plan ("Plan").

WITNESSETH:

WHEREAS, the Employer desires to adopt the Plan as an unfunded, nonqualified deferred compensation plan; and

WHEREAS, the provisions of the Plan are intended to comply with the requirements of Section 409A of the Code and the regulations thereunder, and shall apply to amounts deferred after January 1, 2005, and to amounts deferred under the terms of any predecessor plan which are not earned and vested before January 1, 2005; and

WHEREAS, the Employer has been advised by Principal Life Insurance Company to obtain legal and tax advice from its professional advisors before adopting the Plan, and Principal Life Insurance Company disclaims all liability for the legal and tax consequences which result from the elections made by the Employer in this Adoption Agreement;

NOW, THEREFORE, the Employer hereby adopts the Plan in accordance with the terms and conditions set forth in this Adoption Agreement:

**ARTICLE I**

Terms used in this Adoption Agreement shall have the same meaning as in the Plan, unless some other meaning is expressly herein set forth. The Employer hereby represents and warrants that the Plan has been adopted by the Employer upon proper authorization and the Employer hereby elects to adopt the Plan for the benefit of its Participants as referred to in the Plan. By the execution of this Adoption Agreement, the Employer hereby agrees to be bound by the terms of the Plan.

**ARTICLE II**

The Employer hereby makes the following designations or elections for the purpose of the Plan:

**2.6 Committee:** The duties of the Committee set forth in the Plan shall be satisfied by:

\_\_\_(a) The administrative committee of at least three individuals appointed by the Board to serve at the pleasure of the Board.

XX (b) Employer.  
\_\_\_ (c) Other (specify): .

**2.7 Compensation:** The "Compensation" of a Participant shall mean all of a Participant's:

\_\_\_ (a) Base salary.  
\_\_\_ (b) Service Bonus.  
\_\_\_ (c) Performance-Based Compensation earned in a period of 12 months or more.  
\_\_\_ (d) Commissions.  
XX (e) Compensation received as an Independent Contractor reportable on Form 1099.  
\_\_\_ (f) Other: \_\_\_\_\_.

**2.8 Crediting Date:** The Deferred Compensation Account of a Participant shall be credited with the amount of any Participant Deferral to such account at the time designated below:

\_\_\_(a)The last business day of each Plan Year.  
\_\_\_(b)The last business day of each calendar quarter during the Plan Year.  
\_\_\_(c)The last business day of each month during the Plan Year.  
\_\_\_(d)The last business day of each payroll period during the Plan Year.  
\_\_\_(e)Each pay day as reported by the Employer.  
**XX(f)**Any business day on which the Participant Deferral is received by the  
Provider.  
\_\_\_(g)Other: \_\_\_\_\_.

**2.12**

**Effective Date:**

XX (a) This is a newly-established Plan, and the Effective Date of the Plan is **January 1, 2007**.

\_\_\_\_ (b) This is an amendment and restatement of a plan named \_\_\_\_\_ with an effective date of \_\_\_\_\_.  
The Effective Date of this amended and restated Plan is \_\_\_\_\_.  
This is amendment number \_\_\_\_\_.

**2.18 Normal Retirement Age:** The Normal Retirement Age of a Participant shall be:  
**XX** (a) Age **60**.

\_\_\_\_(b) The later of age \_\_\_\_or the \_\_\_\_anniversary of the participation commencement date. The participation commencement date is the first day of the first Plan Year in which the Participant commenced participation in the Plan.

\_\_\_\_(c) Other: \_\_\_\_.

**2.22 Participating Employer(s):** As of the Effective Date, the following Participating Employer(s) are parties to the Plan:

Name of Employer	Address	Telephone No.	EIN
Gladstone Investment	1521 Westbranch Drive, Suite 200 McLean, VA 22102	703-287-5800	83-0423116
Gladstone Capital	1521 Westbranch Drive, Suite 200 McLean, VA 22102	703-287-5800	54-2040781
Gladstone Commercial	1521 Westbranch Drive, Suite 200 McLean, VA 22102	703-287-5800	02-0681276

**2.24 Plan:** The name of the Plan as applied to the Employer is

**The Joint Directors Nonqualified Excess Plan of Gladstone Commercial Corporation, Gladstone Capital Corporation, and Gladstone Investment Corporation**

**2.25 Plan Administrator:** The Plan Administrator shall be:

\_\_\_\_(a)Committee.

**XX**(b)Employer.

\_\_\_\_(c)Other: \_\_\_\_.

**2.27 Plan Year:** The Plan Year shall end each year on the last day of the month of December.

**2.35 Trust:**

**XX** (a) The Employer **does desire** to establish a “rabbi” trust for the purpose of setting aside assets of the Employer contributed thereto for the payment of benefits under the Plan.

\_\_\_\_(b) The Employer **does not desire** to establish a “rabbi” trust for the purpose of setting aside assets of the Employer contributed thereto for the payment of benefits under the Plan.

\_\_\_\_(c) The Employer desires to establish a “rabbi” trust for the purpose of setting aside assets of the Employer contributed thereto for the payment of benefits under the Plan **upon the occurrence of a Change in Control**.

**4.1 Participant Deferral Credits:** Subject to the limitations in Section 4.1 of the Plan, a Participant may elect to have his Compensation (as selected in Section 2.7 of this Adoption Agreement) deferred within the annual limits below by the following percentage or amount as designated in writing to the Committee:

\_\_\_\_ (a) Base salary:  
maximum deferral: \$\_\_\_\_or \_\_\_\_%

\_\_\_\_ (b) Service Bonus:  
maximum deferral: \$\_\_\_\_or \_\_\_\_%

\_\_\_\_ (c) Performance-Based Compensation:

maximum deferral: \$\_\_\_or \_\_\_%

**XX** (d) Other: **Compensation Received as an Independent Contractor reportable on Form 1099**

maximum deferral: \$\_\_\_or \_\_\_%

\_\_\_(e) Participant deferrals not allowed.

**4.2 Employer Credits:** The Employer will make Employer Credits in the following manner:

\_\_\_(a) **Employer Discretionary Credits:** The Employer may make discretionary credits to the Deferred Compensation Account of each Participant in an amount determined as follows:

- XX** (i) An amount determined each Plan Year by the Employer.  
\_\_\_ (ii) Other: \_\_\_\_\_.

\_\_\_(b) **Employer Profit Sharing Credits:** The Employer may make profit sharing credits to the Deferred Compensation Account of each Active Participant in an amount determined as follows:

- XX** (i) An amount determined each Plan Year by the Employer.  
\_\_\_ (ii) Other: \_\_\_\_\_.

\_\_\_(c) **Other:** \_\_\_.

**XX** (d) Employer Credits not allowed.

**5.3 Death of a Participant:** If the Participant dies while in Service, the Employer shall pay a benefit to the Beneficiary in an amount equal to the vested balance in the Deferred Compensation Account of the Participant determined as of the date payments to the Beneficiary commence, plus:

- \_\_\_ (a) An amount to be determined by the Committee.  
\_\_\_ (b) Other: \_\_\_\_\_.  
**XX** (c) No additional benefits.

**5.4 In-Service Distributions:** In-service accounts are permitted under the Plan:

- XX** (a) Yes, with respect to:  
**XX** \_\_\_\_\_ Participant Deferral Credits only.  
\_\_\_ \_\_\_\_\_ Employer Credits only.  
\_\_\_ \_\_\_\_\_ Participant Deferral and Employer Credits.

In-service distributions may be made in the following manner:

- XX** \_\_\_\_\_ Single lump sum payment.  
\_\_\_ \_\_\_\_\_ Annual installment payments over no more than \_\_\_years.

If applicable, amounts not vested at the specified time of distribution will be:

- \_\_\_ Forfeited  
\_\_\_ Distributed annually when vested  
\_\_\_ (b) No in-service distributions permitted.

**5.5 Education Distributions:** Education accounts are permitted under the Plan:

- XX** (a) Yes, with respect to:

XX Participant Deferral Credits only.  
\_\_\_\_ Employer Credits only.  
\_\_\_\_ Participant Deferral and Employer Credits.

Education distributions may be made in the following manner:

\_\_\_\_ Single lump sum payment.  
XX Annual installment payments over no more than **SIX**  
\_\_\_\_\_ years.

If applicable, amounts not vested at the specified time of distribution will be:

\_\_\_\_ Forfeited  
\_\_\_\_\_ Distributed annually when vested

\_\_\_\_ (b) No education distributions permitted.

**5.6 Change in Control:** Participant may elect to receive distributions under the Plan upon a Change in Control:

XX (a) Yes, Participants may elect upon initial enrollment to have accounts distributed upon a Change in Control.

\_\_\_\_ (b) Participants may not elect to have accounts distributed upon a Change in Control.

**6.1 Payment Options:** Any benefit payable under the Plan upon a Qualifying Distribution Event may be made to the Participant or his Beneficiary (as applicable) in any of the following payment forms, as selected by the Participant in the Participant Deferral Agreement:

1. Separation from Service other than Retirement (Retirement is defined the Employer

XX (a) A lump sum in cash as soon as practicable  
\_\_\_\_ following the date of the Qualifying Distribution Event.  
  
\_\_\_\_ (b) Approximately equal annual installments over a  
term certain as elected by the Participant upon  
his entry into the Plan not to exceed \_\_\_\_ years.  
  
\_\_\_\_ (c) Other: \_\_\_\_.

2. Separation from Service due to Retirement

XX (a) A lump sum in cash as soon as practicable  
\_\_\_\_ following the date of the Qualifying Distribution Event.  
  
\_\_\_\_ (b) Approximately equal annual installments over a  
term certain as elected by the Participant upon  
his entry into the Plan not to exceed \_\_\_\_ years.  
  
\_\_\_\_ (c) Other: \_\_\_\_.

3. Death

XX (a) A lump sum in cash upon the date of the  
\_\_\_\_ Qualifying Distribution Event.  
  
\_\_\_\_ (b) Approximately equal annual installments over a  
term certain as elected by the Participant upon  
his entry into the Plan not to exceed \_\_\_\_ years.  
  
\_\_\_\_ (c) Other: \_\_\_\_.

4. Disability



- XX  
— (a) A lump sum in cash upon the date of the Qualifying Distribution Event.
- (b) Approximately equal annual installments over a term certain as elected by the Participant upon his entry into the Plan not to exceed \_\_\_\_years.

—(c) Other: \_\_\_\_.

#### 5. Change in Control

- XX  
— (a) A lump sum in cash upon the date of the Qualifying Distribution Event.
- (b) Approximately equal annual installments over a term certain as elected by the Participant upon his entry into the Plan not to exceed \_\_\_\_ years.

—(c) Other: \_\_\_\_.

—(d) Not applicable (if not permitted in 5.6)

**6.2 De Minimis Amounts.** Notwithstanding any payment election made by the Participant, the vested balance in the Deferred Compensation Account of the Participant will be distributed in a single lump sum payment if the payment accompanies the termination of the Participant's entire interest in the Plan and the amount of such payment does not exceed **\$10,000**.

**7. Vesting:** An Active Participant shall be fully vested in the Employer Credits made to the Deferred Compensation Account upon the first to occur of the following events:

- (a) Normal Retirement Age.
- (b) Death.
- (c) Disability.
- (d) Change in Control

—(e) Other: \_\_\_\_.

- (f) Satisfaction of the vesting requirement specified below:  
**Employer Discretionary**

#### XX Credits:

XX	(i)	Immediate 100% vesting.	
—	(ii)	100% vesting after ____ Years of Service.	
—	(iii)	100% vesting at age ____.	
—	(iv)	Number of Years of Service	Vested Percentage
		Less than	1 %
			1 %
			2 %
			3 %
			4 %
			5 %
			6 %
			7 %
			8 %
			9 %
		10 or more	%

For this purpose, Years of Service of a Participant shall be calculated from the date designated below:

- XX (1) First Day of Service.

\_\_\_\_ (2) Effective Date of the Plan Participation.

\_\_\_\_(3) Each Crediting Date. Under this option (3), each Employer Credit shall vest based on the Years of Service of a Participant from the Crediting Date on which each Employer Discretionary Credit is made to his or her Deferred Compensation Account. Notwithstanding the vesting schedule elected above, all Employer Discretionary Credits to the Deferred Compensation Account shall be 100% vested upon the following event(s): \_\_\_\_.

XX **Employer Profit Sharing Credits:**

XX	(i)	Immediate 100% vesting.		
____	(ii)	100% vesting after ____ Years of Service.		
____	(iii)	100% vesting at age ____.		
____	(iv)	Number of Years of Service		Vested Percentage
		Less than	1	%
			1	%
			2	%
			3	%
			4	%
			5	%
			6	%
			7	%
			8	%
			9	%
			10 or more	%

For this purpose, Years of Service of a Participant shall be calculated from the date designated below:

XX (1) First Day of Service.

\_\_\_\_ (2) Effective Date of the Plan Participation.

\_\_\_\_(3) Each Crediting Date. Under this option (3), each Employer Credit shall vest based on the Years of Service of a Participant from the Crediting Date on which each Employer Profit Sharing Credit is made to his or her Deferred Compensation Account. Notwithstanding the vesting schedule elected above, all Employer Profit Sharing Credits to the Deferred Compensation Account shall be 100% vested upon the following event(s): \_\_\_\_.

XX **Other Employer Credits:**

XX	(i)	Immediate 100% vesting.		
____	(ii)	100% vesting after ____ Years of Service.		
____	(iii)	100% vesting at age ____.		
____	(iv)	Number of Years of Service		Vested Percentage
		Less than	1	%
			1	%
			2	%
			3	%
			4	%
			5	%
			6	%
			7	%
			8	%
			9	%
			10 or more	%

For this purpose, Years of Service of a Participant shall be calculated from the date designated below:

XX (1) First Day of Service.

\_\_\_\_ (2) Effective Date of the Plan Participation.

\_\_\_\_ (3) Each Crediting Date. Under this option (3), each Employer Credit shall vest based on the Years of Service of a Participant from the Crediting Date on which each Employer Credit is made to his or her Deferred Compensation Account. Notwithstanding the vesting schedule elected above, all other Employer Credits to the Deferred Compensation Account shall be 100% vested upon the following event(s): \_\_\_\_.

**14. Amendment and Termination of Plan:** Notwithstanding any provision in this Adoption Agreement or the Plan to the contrary, Section \_\_\_\_ of the Plan shall be amended to read as provided in attached Exhibit \_\_\_\_.

XX There are no amendments to the Plan.

**17.9 Construction:** The provisions of the Plan and Trust (if any) shall be construed and enforced according to the laws of the State of Virginia, except to the extent that such laws are superseded by ERISA and the applicable provisions of the Code.

IN WITNESS WHEREOF, this Agreement has been executed as of the day and year stated below.

The Plan is adopted by the following Participating Employers:

**Gladstone Commercial Corporation**

Name of Employer

By: /s/ David Gladstone

Authorized Person

Date: July 11, 2006

**Gladstone Capital Corporation**

Name of Employer

Date: July 11, 2006

By: /s/ David Gladstone

Authorized Person

**Gladstone Investment Corporation**

Name of Employer

By: /s/ David Gladstone

Authorized Person

Date: July 11, 2006

**NOTE: Execution of this Adoption Agreement creates a legal liability of the Employer with significant tax consequences to the Employer and Participants. The Employer should obtain legal and tax advice from its professional advisors before adopting the Plan. Principal Life Insurance Company disclaims all liability for the legal and tax consequences which result from the elections made by the Employer in this Adoption Agreement.**

## Gladstone Commercial Corporation Announces Offer to Amend Stock Options

Wednesday, July 12, 2006

MCLEAN, Va. — July 12, 2006 — Gladstone Commercial Corporation (Nasdaq: GOOD) (the “Company”) announced today that its Board of Directors has approved an offer to the executive officers and directors of the Company and the employees of the Company’s external investment adviser, Gladstone Management Corporation, who hold stock options (the “Optionees”), to amend the terms of all stock options currently outstanding (the “Options”) under the Company’s 2003 Equity Incentive Plan, as amended, to accelerate the expiration date of the Options to December 31, 2006. The offer is conditioned upon its acceptance by all of the Optionees, so that 100% of the outstanding Options are amended to expire on December 31, 2006.

The offer to amend the Options currently is scheduled to expire at 5:00 p.m., Eastern Time, on August 31, 2006. If the offer is successful and all Options are amended, the Company intends to implement, effective January 1, 2007, the proposed Investment Advisory Agreement between the Company and Gladstone Management Corporation and the Administration Agreement between the Company and Gladstone Administration, LLC, a wholly owned subsidiary of Gladstone Management Corporation, that were approved by the Company’s stockholders on May 24, 2006. Effective July 11, 2006, the Company’s Board of Directors accelerated in full the vesting of all outstanding options.

The Company filed a Schedule TO and related documentation regarding the offer with the Securities and Exchange Commission on July 12, 2006.

Gladstone Commercial Corporation is a publicly traded real estate investment trust that focuses on investing in and owning triple-net leased industrial and commercial real estate properties and selectively making long-term mortgage loans. Additional information can be found at [www.GladstoneCommercial.com](http://www.GladstoneCommercial.com).

For further information contact our Investor Relations Manager, Kelly Sargent, at 703.287.5835.

*This press release may include statements that 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 and Exchange Act of 1934, including statements with regard to the offer to amend options, the outcome of the offer, and the implementation of the proposed Investment Advisory and Management Agreement with Gladstone Management Corporation and the Administration Agreement with Gladstone Administration, LLC. However, the safe harbors of Section 27A of the Securities Act of 1933, as amended and 21E of the Securities Exchange Act of 1934 do not apply to statements made in connection with the offer. Words such as “believes,” “expects,” “intends,” “projects” and “future” or similar expressions are intended to identify forward-looking statements. These forward-looking statements inherently involve certain risks and uncertainties, although they are based on the Company’s current plans that are believed to be reasonable as of the date of this press release. Factors that may cause the Company’s actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by such forward-looking statements include, among others, those factors listed under the caption “Risk Factors” in the Company’s Form 10-K dated December 31, 2005, as filed with the Securities and Exchange Commission on February 28, 2006, and those factors listed under the caption “Risk Factors” in the Offer to Amend Options, dated July 12, 2006, filed as Exhibit 99.(a)(1)(A) to the Company’s Schedule TO, as filed with the Securities and Exchange Commission on July 12, 2006. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.*