



GLADSTONE COMMERCIAL

\$500,000,000 Series F

Cumulative Redeemable Preferred Stock Offering



As of December 31, 2020

Legal Disclaimer

Estimates: This presentation contains industry and market data, forecasts, and projections that are based on internal data and estimates, independent industry publications, reports by market research firms, or other published independent sources. We believe these data to be reliable as of the date of this presentation, but there can be no assurance as to the accuracy or completeness of such information. We have not independently verified all market and industry data obtained from these third-party sources. Our internal data and estimates are based upon information obtained from trade and business organizations, other contacts in the markets in which we operate, and our management's understanding of industry conditions. You should carefully consider the inherent risks and uncertainties associated with the market and other industry data contained in this presentation.

Forward-Looking Statements: This presentation may include forward-looking statements within the meaning of the Securities Act of 1933 or the Securities Exchange Act of 1934. Forward-looking statements are typically identified by words such as “estimate,” “may,” “might,” “believe,” “will,” “provided,” “anticipate,” “future,” “could,” “growth,” “plan,” “project,” “intend,” “expect,” “should,” “would,” “if,” “seek,” “possible,” “potential,” “likely” or the negative or variations of such terms or comparable terminology. These forward-looking statements include comments with respect to our objectives and strategies, and the future results of our operations and our business. By their nature, these forward-looking statements involve numerous assumptions, uncertainties and descriptions of opportunities, both general and specific. The risk exists that these statements may not be fulfilled. We caution readers of this presentation not to place undue reliance on these forward-looking statements as a number of factors could cause our future results to differ materially from these statements. Any results or performance implied by forward-looking statements may be influenced by certain factors including, but not limited to, fluctuations in interest rates and stock indices, the effects of competition in the areas in which we operate, the overall impact of the COVID-19 pandemic and other health emergencies, and changes in economic, political, regulatory and technological conditions as well as those factors delineated under the caption “Risk Factors” in our Forms 10-Q and Form 10-K, and other documents we file with the SEC from time to time. Therefore, we caution that the foregoing list is not exhaustive. Investors should not rely on forward-looking statements to make decisions and should carefully consider the aforementioned factors as well as other uncertainties and events. We undertake no obligation to revise or update any forward-looking statements, whether as a result of new information, future events or otherwise. You are advised to consult any additional disclosures that we may make directly to you or through reports that we have filed or in the future may file with the SEC, including subsequent annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K.

Past or Present Performance Disclaimer: This presentation includes information regarding past or present performance of the Company. Please note, past or present performance is not a guarantee of future performance or future results

Risk Factors

Please consult the prospectus supplement for this offering for a recitation of the risk factors of this offering. If any of the risks contained in or incorporated by reference into the prospectus supplement or the accompanying prospectus develop into actual events, our business, financial condition, liquidity, results of operations, FFO, adjusted funds from operations or our prospects could be materially and adversely affected, we may be unable to timely pay the dividends accrued on the Series F Preferred Stock (the “Shares”), the value of the Shares could decline and you may lose all or part of your investment. In addition, new risks may emerge at any time and we cannot predict such risks or estimate the extent to which they may affect our financial performance. Some statements in the prospectus supplement, including statements in the risk factors, constitute forward-looking statements. See the “Forward-Looking Statements” and “Risk Factors” sections in the prospectus supplement, the accompanying prospectus and in our regular filings with the SEC for additional risks which may affect us or the Shares.

- There will initially be no public market for the Shares as we do not intend to apply for listing on Nasdaq until after the Termination Date, and even after listing, if achieved, a liquid secondary trading market may not develop and the features of the Shares may not provide you with favorable liquidity options.
- The Shares have not been rated.
- Dividend payments on the Shares are not guaranteed.
- We operate as a holding company dependent upon the assets and operations of our subsidiaries, and because of our structure, we may not be able to generate the funds necessary to make distributions on the Shares.
- We will be required to terminate this offering if our Common Stock, the Series D Preferred Stock and the Series E Preferred Stock are no longer listed on Nasdaq or another national securities exchange.
- The Shares will bear a risk of redemption by us.
- Your option to tender your Shares for redemption is subject to the continuation of the redemption program and our availability of funds, each in the sole and absolute discretion of our Board of Directors, and may also be limited by law.
- Our ability to pay dividends and/or redeem Shares may be limited by Maryland law and the terms of our debt facilities as well as future agreements we may enter.
- The cash distributions you receive may be less frequent or lower in amount than you expect.
- If you elect to exercise the Stockholder Redemption Option, the cash payment that you receive as a result of your option redemption will be a substantial discount to the price that you paid for the Shares.
- Upon the sale of any individual property, holders of Shares do not have a right to receive funds and do not have a priority over holders of our common stock regarding return of capital.
- Your percentage of ownership may become diluted if we incur additional debt or issue new shares of stock or other securities, and incurrence of indebtedness and issuances of additional preferred stock or other securities by us may further subordinate the rights of the holders of our common stock.

Risk Factors

- You will experience dilution in your ownership percentage of the Shares if you do not participate in the dividend reinvestment plan.
- Our charter contains restrictions upon ownership and transfer of the Shares, which may impair the ability of holders to acquire the Shares.
- Holders of the Shares will be subject to inflation risk.
- An investment in the Shares bears interest rate risk.
- Holders of the Shares will bear reinvestment risk.
- Holders of Shares will have no control over changes in our policies and operations, and have extremely limited voting rights.
- Our management will have broad discretion in the use of the net proceeds from this offering and may allocate the net proceeds from this offering in ways that you and other stockholders may not approve.
- We may be unable to invest a significant portion of the net proceeds of this offering on acceptable terms.
- We have paid, may continue to pay, or may in the future pay, distributions from offering proceeds, borrowings or the sale of assets to the extent our cash flow from operations or earnings are not sufficient to fund declared distributions. Rates of distribution to holders of our common stock and preferred stock will not necessarily be indicative of our operating results. If we make distributions from sources other than our cash flows from operations or earnings, we will have fewer funds available for the acquisition of properties and your overall return may be reduced.
- If the properties we acquire or invest in do not produce the cash flow that we expect in order to meet our REIT minimum distribution requirement, we may decide to borrow funds to meet the REIT minimum distribution requirements, which could adversely affect our overall financial performance.
- Gladstone Securities, the dealer manager in this offering, is our affiliate, and we established the offering price and other terms for the Shares pursuant to discussions between us and our affiliated dealer manager; as a result, the actual value of your investment may be substantially less than what you pay.
- Payment of fees to our Adviser and its affiliates, including our affiliated dealer manager will reduce the cash available for investment and distribution and will increase the risk that you will not be able to recover the amount of your investment in the Shares.
- If you fail to meet the fiduciary and other standards under ERISA or the Code as a result of an investment in this offering, you could be subject to liability and civil or criminal penalties.

Gladstone Commercial Corporation (“GOOD”) 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 in that registration statement, the prospectus supplement and other documents that GOOD has filed with the SEC for more complete information about GOOD and this offering. You may get these documents for free by visiting EDGAR on the SEC website at www.sec.gov. **Alternatively, Gladstone Securities, GOOD’s dealer manager for this offering, will arrange to send you the prospectus and prospectus supplement if you request it by calling toll-free at (833) 849-5993.**

Offering Summary

Offering	<ul style="list-style-type: none"> • Up to \$500 million Series F Preferred Stock offering of a public REIT <ul style="list-style-type: none"> - Common stock has traded on Nasdaq under ticker “GOOD” since the 2003 IPO - Additional \$150 million, or 6 million shares of Series F Preferred Shares (the “Shares”), offered through the Dividend Reinvestment Plan at \$22.75 per share
Dividend	<ul style="list-style-type: none"> • Annualized 6.0% dividend, payable monthly <ul style="list-style-type: none"> - Dividends on the Shares are cumulative and must be paid in preference to dividends on our Common Stock. <i>There is no guarantee of capital preservation or continuous dividends</i> - Discounted DRIP available
Offering Type	<ul style="list-style-type: none"> • Continuous Offering of Registered, Non-Listed Preferred Stock
Liquidity Options	<ul style="list-style-type: none"> • Redeemable at \$22.50 per share throughout the offering <ul style="list-style-type: none"> - 10% discount to Liquidation Preference of \$25 per share - Our obligation to redeem the Shares is limited to the extent that our Board of Directors determines that it does not have sufficient funds available or it is restricted by applicable law from making such redemption • Nasdaq listing after the offering terminates <ul style="list-style-type: none"> - We anticipate applying to list the Shares on Nasdaq or another national securities exchange within one calendar year after the offering ends, but there can be no assurance that we will achieve this objective. There is currently no public market for the Shares, and we do not expect one to develop prior to listing the Shares on an exchange, if at all
Commissions, Fees & Expenses	<ul style="list-style-type: none"> • Up to 6.0% selling commission, 3.0% dealer manager fee, and up to 2.5% expenses <ul style="list-style-type: none"> - We, through Gladstone Securities, will pay all commissions and expenses associated with the sale of the Shares - We and Gladstone Securities will not pay selling commissions on sales to fee-based (and certain other) accounts, as described in the prospectus supplement



Gladstone Commercial Corporation



Company Overview

- Gladstone Commercial Corporation (“Gladstone” or the “Company”) is a publicly owned Real Estate Investment Trust (“REIT”) that completed its IPO in 2003 and is listed on Nasdaq (Ticker: GOOD)
- The Company invests in single tenant and anchored multi-tenant net leased assets
- The Company owns approximately 15.4 million square feet of predominantly office and industrial real estate nationwide
- Diversified portfolio of 121 properties in 28 states leased to 107 different tenants in 19 industries
- The Company is led by a highly-experienced leadership team with over 150 years of combined experience
- Through its credit-focused investment process and growth market emphasis, the Company seeks to invest in mission critical facilities occupied by middle market and investment grade businesses located in growing markets

Overview

Gladstone
Commercial

Investment
strategy

Portfolio

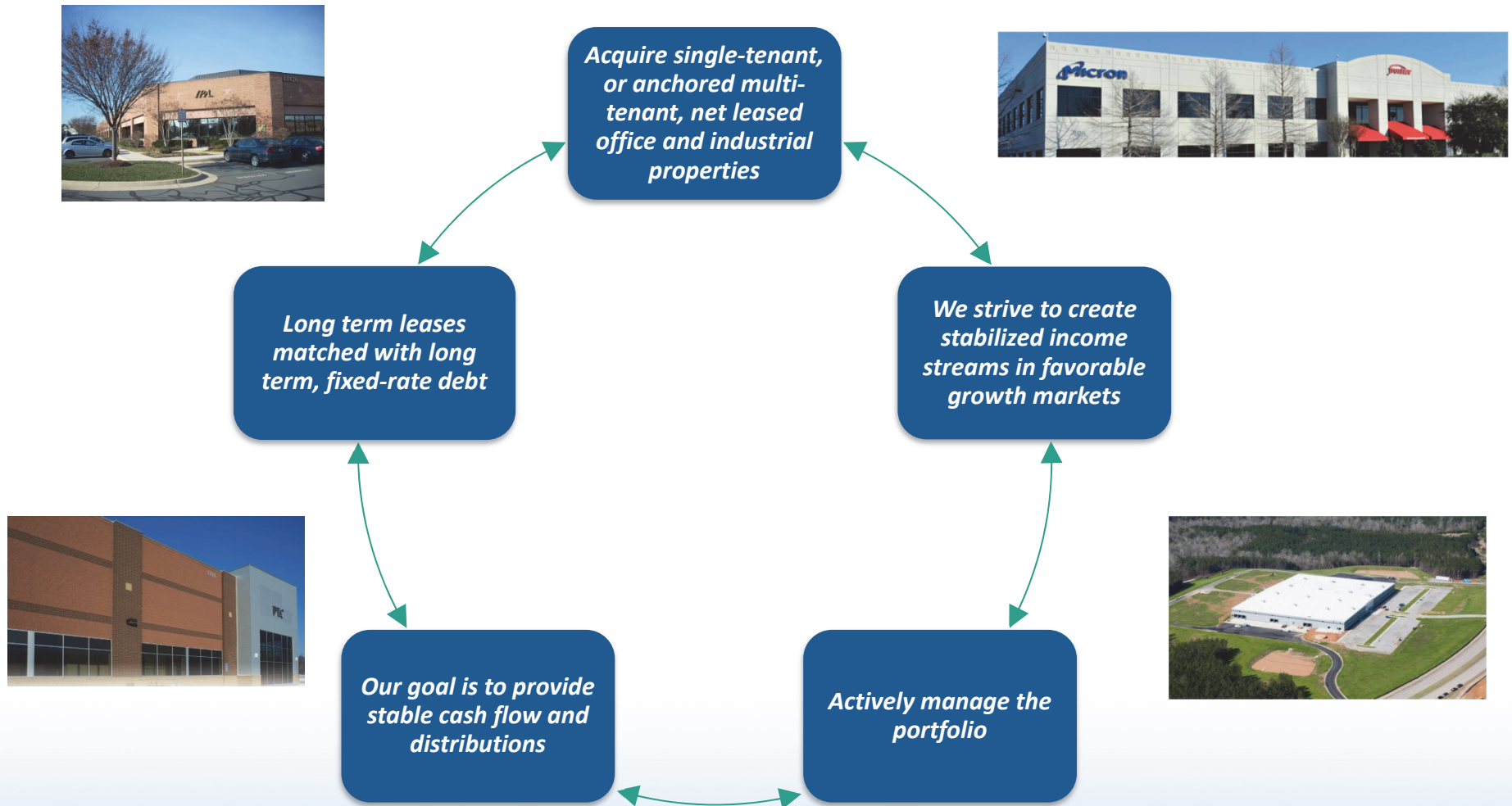
Financial
performance

Management

Conclusion



Gladstone Commercial's Investment Philosophy



Overview

**Gladstone
Commercial**

Investment
strategy

Portfolio

Financial
performance

Management

Conclusion



Gladstone Commercial Overview

- IPO in 2003 (Nasdaq: GOOD)
- Market Capitalization: **\$647mm**⁽¹⁾
- Enterprise Value: **\$1,472mm**⁽¹⁾

Portfolio summary (6/30/2020)

# of Properties	121
Square feet (mm)	15.4
Occupancy	95.3%
States	28
Tenants	107
Industries	19
Annual lease revenue (LTM) (\$mm)	\$133.2
Diluted FFO per Common Share, as adjusted for comparability (LTM) (\$)	\$1.56
Diluted Core FFO per Common Share (LTM) (\$)	\$1.57
Average Remaining Lease Term	7.3 years



Note: (1) Common Equity Market Capitalization is based on the closing common stock price per share as of December 31, 2020 of \$18.00 per share and includes effect of convertible securities.

Significant Growth & Diversification Since 2010

GOOD Portfolio

		12/31/10	12/31/20	Variance
Grew a diverse portfolio	Total assets (\$mm)	\$ 410.6	\$ 1,097.9	\$ 687.3
	Properties	65	121	56
	Tenants	52	107	55
	Square feet (mm)	6.8	15.4	8.6
	Occupancy (%)	97.2%	95.3%	(1.9)%
	% of Total Lease Revenue from Top 5 Tenants	24.2%	12.7%	(11.5)%
Revenue and cash flow growth	Revenues (LTM) (\$mm)	\$ 41.9	\$ 133.2	\$ 91.3
	Diluted FFO (LTM) (\$mm)	\$ 14.1	\$ 55.0	\$ 40.9
	Diluted Core FFO (LTM) (\$mm)	\$ 14.5	\$ 55.4	\$ 40.9
Improved capital structure	Net Total Debt / Enterprise Value	58.9%	44.7%	(14.2)%
	Net Total Debt + Preferred / Enterprise Value	70.0%	56.0%	(14.0)%
	Net Total Debt / Gross Assets ⁽¹⁾	62.7%	45.9%	(16.8)%

Overview

Gladstone
Commercial

Investment
strategy

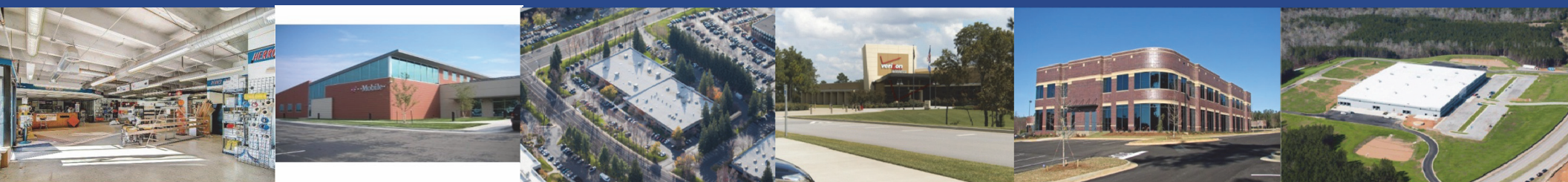
Portfolio

Financial
performance

Management

Conclusion

Note: (1) Gross Assets equal total assets before depreciation



Investment Strategy



Proven Strategy of Underwriting Real Estate and Tenant Strength

Tenant strength

- Tenants operate in a diverse array of industries
- Each tenant's credit underwritten to Gladstone standards, developed over decades of middle market corporate lending, investing and buyouts through affiliated funds
- Emphasis on tenant's ability to weather economic downturns

Real estate markets positioned for growth

- Target growth markets across the US
- Accumulate assets in specific markets to create valuable portfolios
- Target submarket emphasis in the "path of growth"

Real estate asset quality

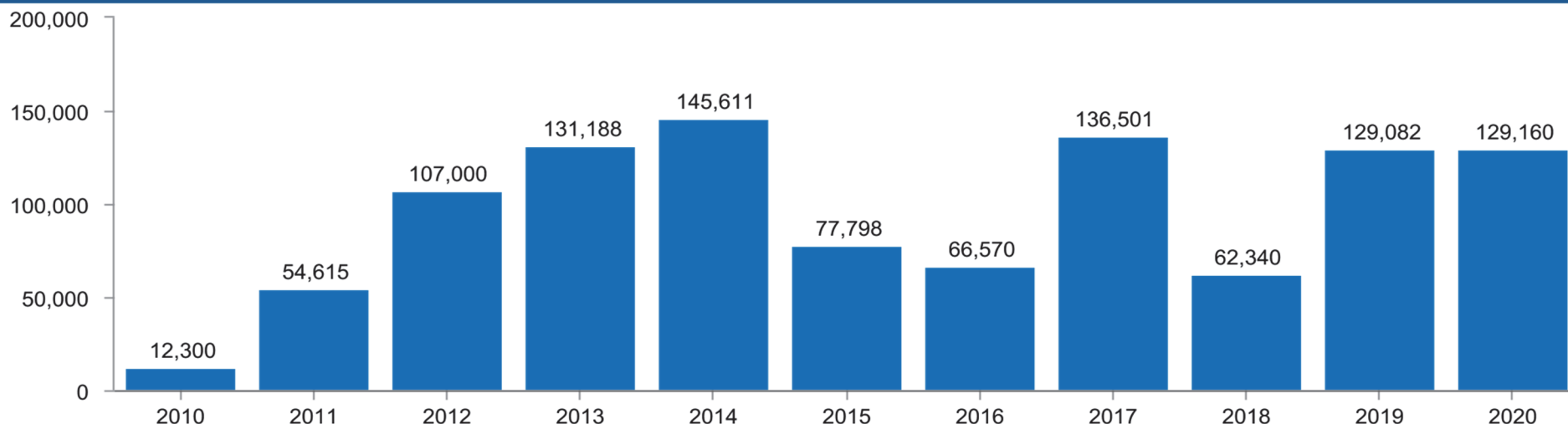
- Superior quality assets with flexible configurations, and an industrial emphasis
- Properties that are critical to tenant's business
- Single tenant and anchored multi-tenant industrial and office facilities
- Target net leases with **7+** years remaining at acquisition

Transaction focus

- Target transactions of **\$3mm – \$50mm**
- Type: 3rd party acquisition, sale-leaseback, build-to-suit JV and build-to-suit forward purchase

Gladstone Has Achieved Consistent and Disciplined Growth

Historical Investment Volume (\$000)



(1) As of 12/31/20

Donaldson - Industrial



- 219K SF
- Detroit, MI
- Acquired 10/18
- GAAP cap rate: 8.0%

Orgill - Industrial Distribution



- 676K SF
- Tifton, GA
- Acquired 6/19
- GAAP cap rate: 8.8%

Morgan Stanley - Office



- 102K SF
- Salt Lake City, UT
- Acquired 12/17
- GAAP cap rate: 9.3%

Iron Mountain - Industrial Portfolio



- 509K SF
- TX, LA, AZ, NM
- Acquired 12/19
- GAAP cap rate: 7.2%

Overview

Gladstone
Commercial

Investment
strategy

Portfolio

Financial
performance

Management

Conclusion

Note: 1. GAAP NOI cap rate is defined as rental revenues (including straight-line rents) minus property level expenditures divided by the purchase price of a property. These cap rates do not reflect a return or distribution from Gladstone Commercial.



Portfolio Overview



Portfolio Overview

Geographic diversity

- **121** properties across the U.S. located in **28** states
- Focus on secondary growth markets with higher yields



Tenant and property diversity

- Diverse base of **19** different industries
- Primarily office and industrial property types
- Focus on mid-size tenants occupying properties ranging from 30-150K SF (office) and 75-500K SF (industrial)



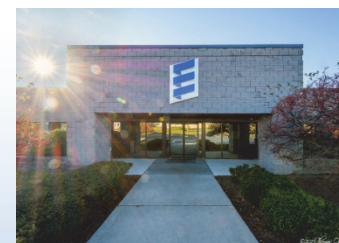
High occupancy

- Current occupancy **95.3%**; since IPO in 2003, not below **95%**
- **5.0%** projected rents expiring through the end of 2021
- Of 100+ assets with over \$1 billion invested since inception, only two tenant defaults



Periodic capital recycling

- Sell non-core assets
- Exited 12 single property non-core markets since mid-2016
- Re-deploy proceeds in growth markets



Overview

Gladstone
Commercial

Investment
strategy

Portfolio

Financial
performance

Management

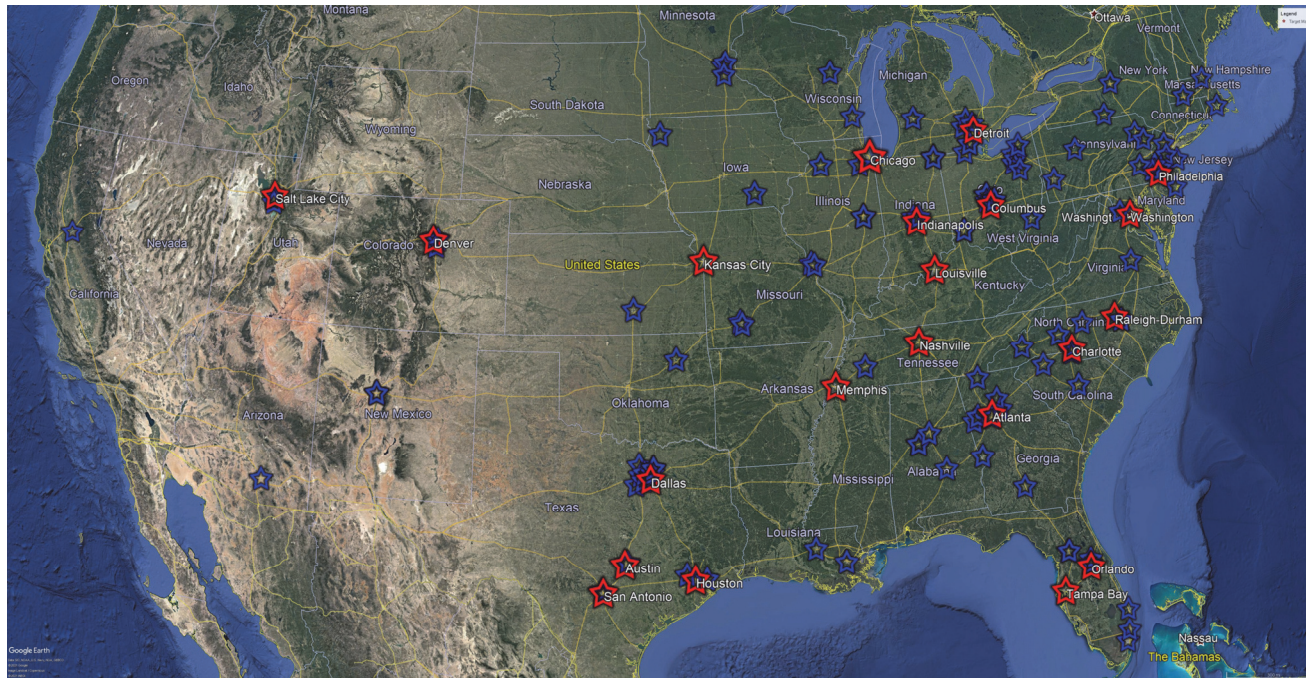
Conclusion

Note: As of 12/31/2020

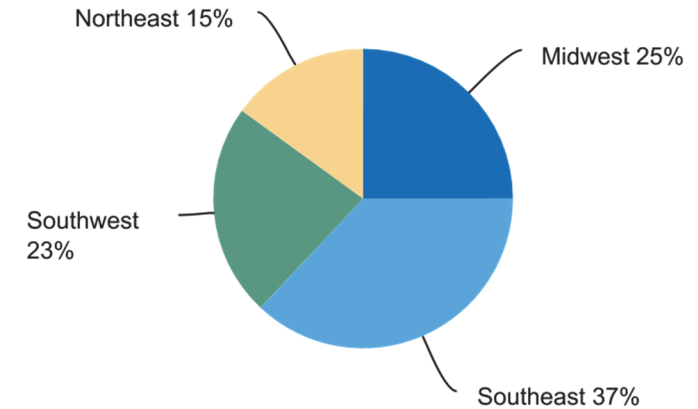


Diversified Portfolio

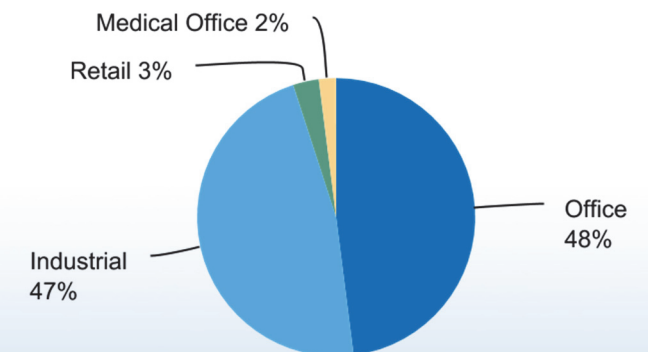
121 properties spread across 28 states



**Geographic diversification
(by annualized straight line rent) ⁽²⁾**



**Property type diversification
(by annualized straight line rent) ⁽²⁾**



Overview

Gladstone
Commercial

Investment
strategy

Portfolio





Financial
performance

Management

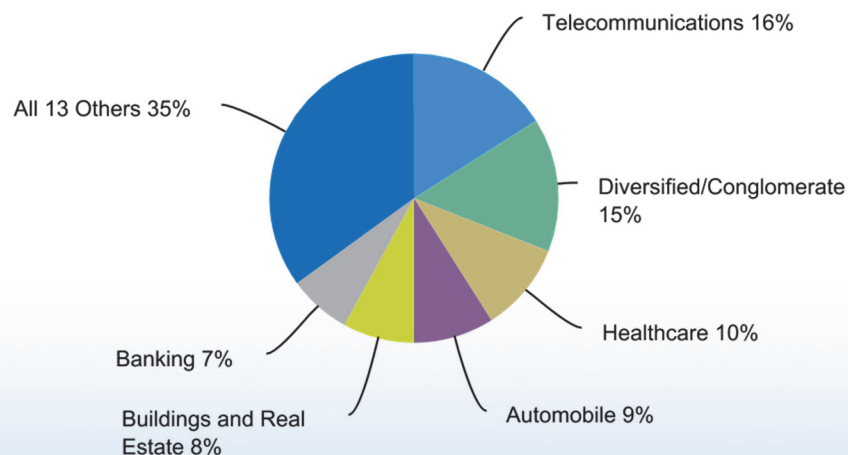
Conclusion

Notes: 1. As of 12/31/2020
2. Straight-line rent, per Generally Accepted Accounting Principles (GAAP), includes the impact of fixed rent escalations within the lease agreement.

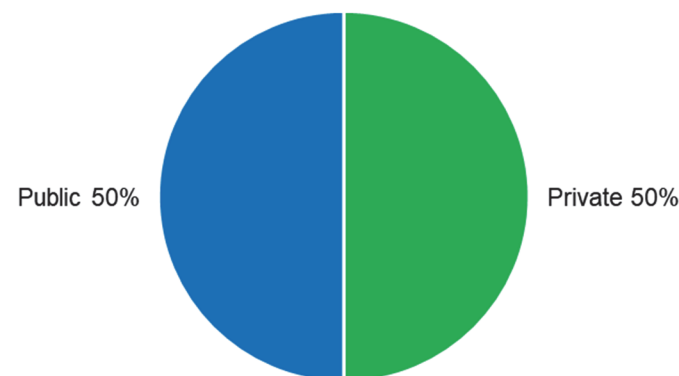
High Quality, Diversified Portfolio

Top tenants	% of annualized straight line rent	% of SF
 Kane	3%	6%
 ADP	3%	1%
Morgan Stanley	3%	1%
TOWERS WATSON 	2%	1%
 Verizon	2%	1%
All other tenants	87%	90%

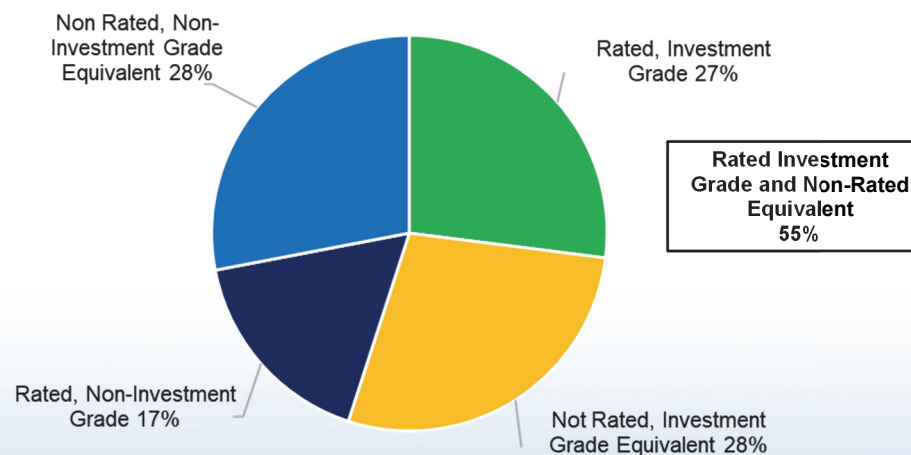
Industry diversification
(based on annualized straight line rent)



Publicly-traded vs. privately-held tenants
(as % of annualized straight line rent)



Tenant credit ratings
(as % annualized straight line rent)



Overview

Gladstone
Commercial

Investment
strategy

Portfolio

Financial
performance

Management

Conclusion

Notes: 1. As of 12/31/2020

2. Straight-line rent, per Generally Accepted Accounting Principles (GAAP), includes the impact of fixed rent escalations within the lease agreement.



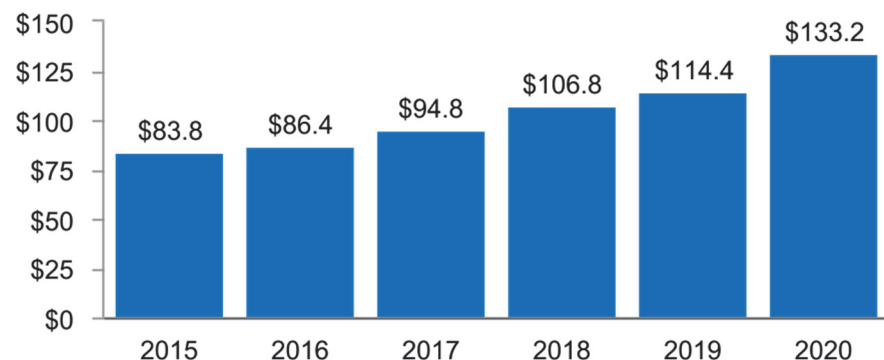


Financial Performance



Summary Historical Performance

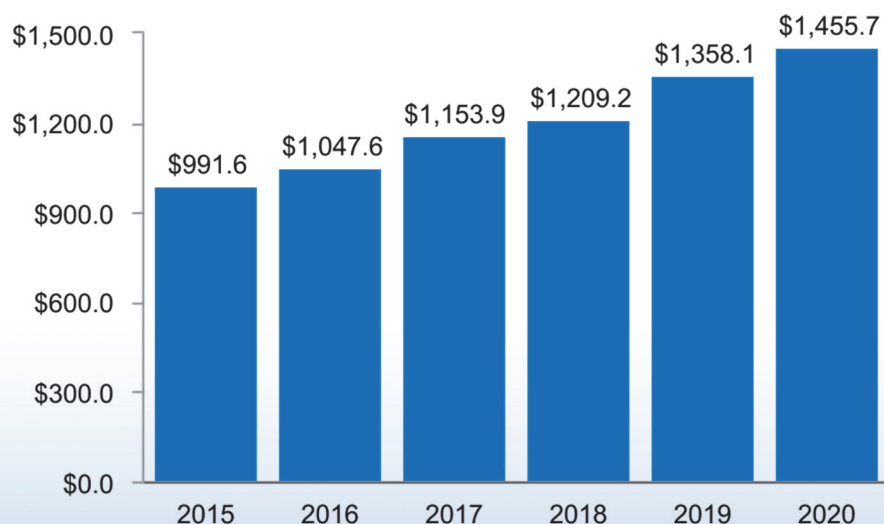
Total Revenue (\$ in millions)



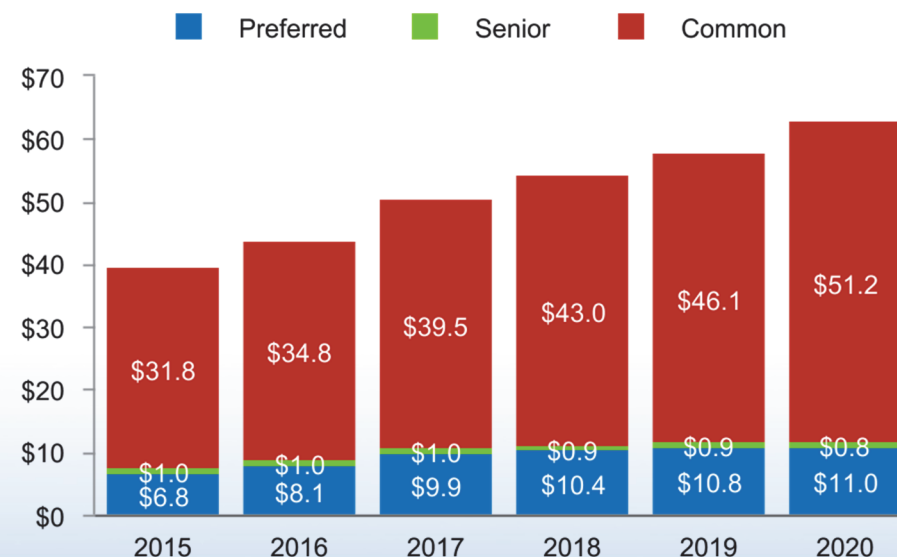
Funds from Operations, as adjusted for comparability (Per Share)



Total Gross Assets (\$ in millions)



Total Distributions (\$ in millions)



Overview

Gladstone
Commercial

Investment
strategy

Portfolio

Financial
performance

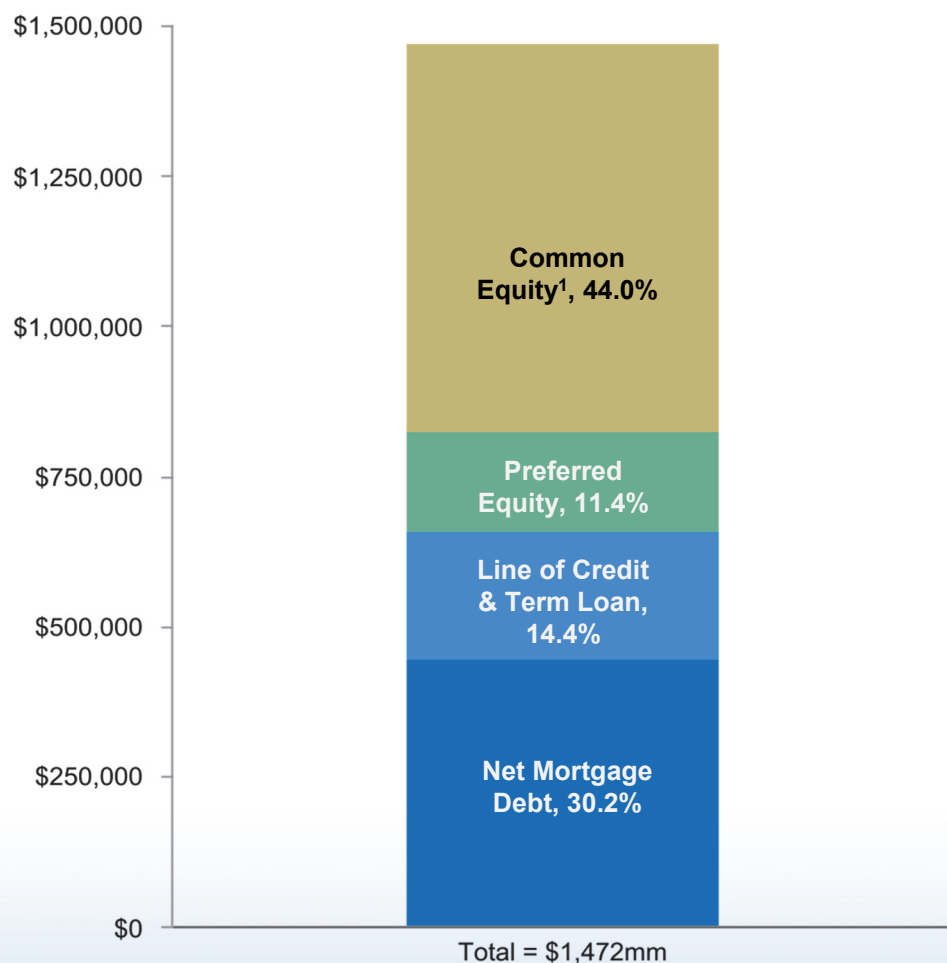
Management

Conclusion



Capital Structure Overview

Capital Structure as of 12/30/2020 (\$000s)

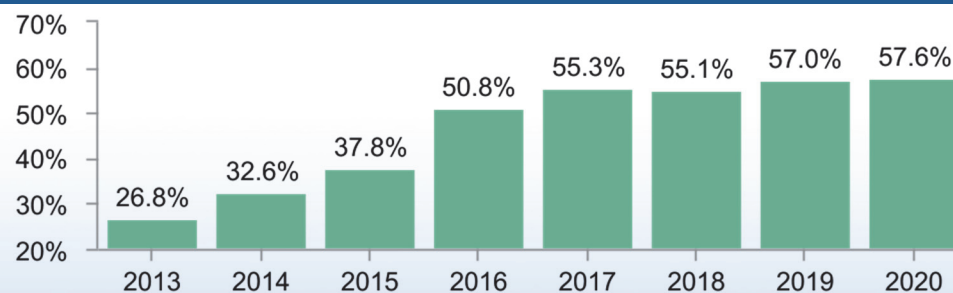


Capital Structure Details

(Dollars in \$000s, except stock price)

	Wtd. Average Rate	12/31/2020
Mortgage Notes Payable, Net	4.24%	\$ 456,177
Less: Cash & Cash Equivalents		(11,016)
Net Mortgage Debt		\$ 445,161
Line of Credit	L+1.65%	\$ 53,312
Term Note	L+1.60%	159,203
Line of Credit and Term Loan		\$ 212,515
Total Debt, Net		\$ 657,676
Series D - Preferred	7.000%	\$ 87,739
Series E - Preferred	6.625%	76,536
Series F - Preferred	6.000%	2,917
Total Preferred Equity		\$ 167,192
Diluted Common Shares Outstanding		35,960,233
Stock Price		\$ 18.00
Implied Common Equity¹ Market Capitalization		\$ 647,284
Enterprise Value		\$ 1,472,152

Institutional Stock Ownership²



Overview

Gladstone
Commercial

Investment
strategy

Portfolio

Financial
performance

Management

Conclusion

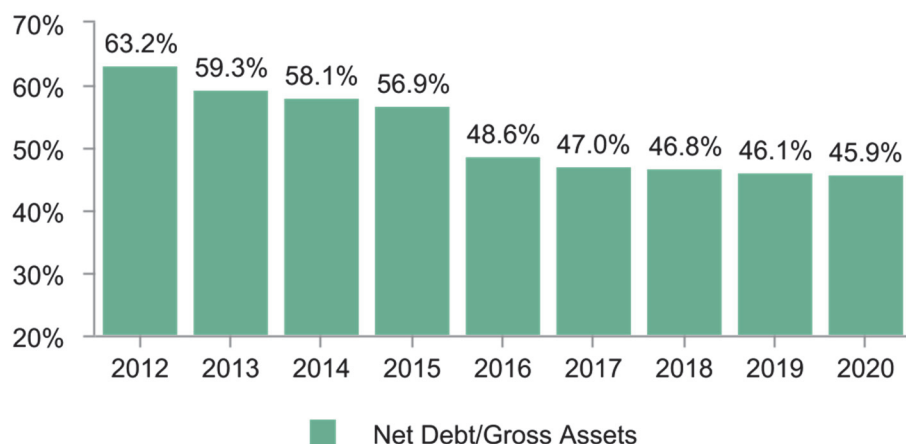
Notes: 1. Common Equity is based on the closing common stock price per share as of December 31, 2020 of \$18.00 and includes effect of OP units and convertible senior common stock.

2. Source: Nasdaq Online

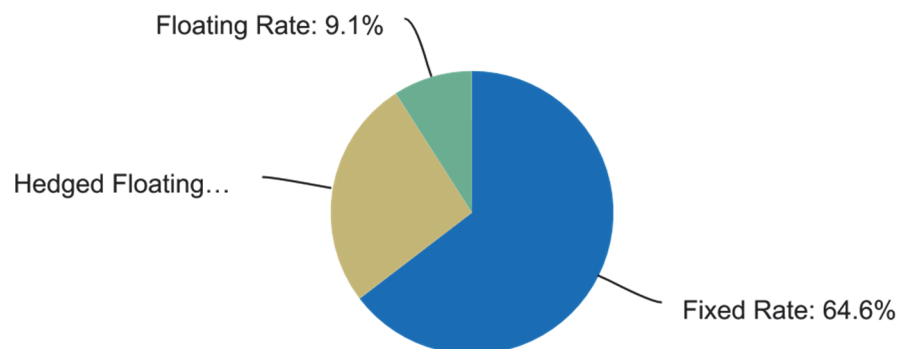


Liquidity and Debt Overview

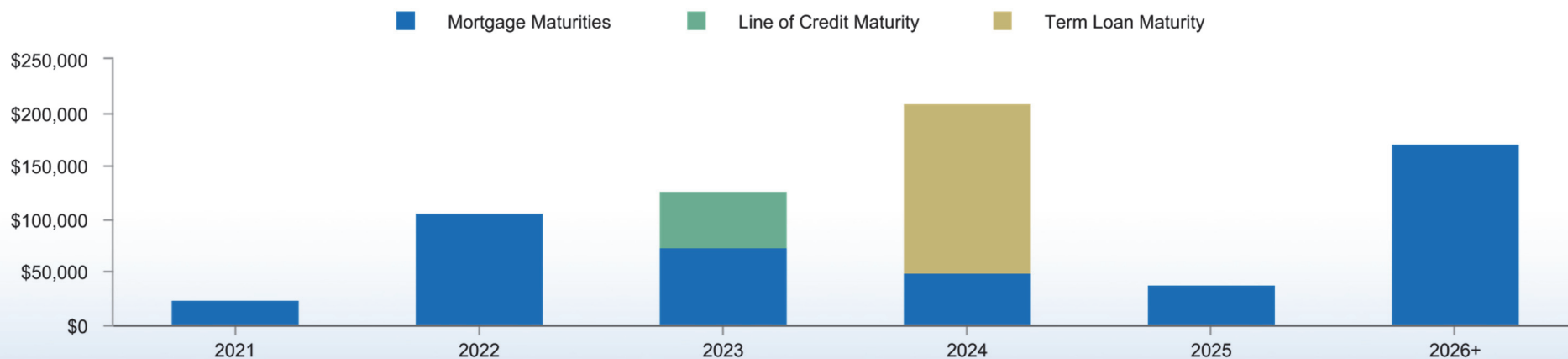
Reducing Leverage



Fixed vs. Floating Debt



Debt maturity schedule (\$000s)



Overview

Gladstone
Commercial

Investment
strategy

Portfolio

Financial
performance

Management

Conclusion

Note: As of 12/31/2020





Management



Experienced Leadership Team



**David Gladstone,
Chairman and CEO**

25+ years of experience

- Current Chairman and CEO of all four Gladstone funds, public companies #7, #8, #9 and #10 in his career
- Former Chairman of Allied Capital Commercial (REIT), Allied Capital and American Capital
- Former board member of Capital Automotive REIT
- MBA from Harvard Business School, MA from American University, BA from University of Virginia



**Bob Cutlip,
President**

25+ years of experience

- Current President of the 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 operations of the Mid-Atlantic region
- Former Senior Vice President of Highwoods Properties, responsible for the Mid-Atlantic markets
- Former National Chairman of National Association of Industrial and Office Properties
- MBA from University of Southern California, MS from Vanderbilt University, BSCE from U.S.A.F. Academy



**Jay Beckhorn,
Treasurer**

25+ years of experience

- Current Treasurer of the Company and Gladstone Land, Assistant Treasurer of Gladstone Capital and Gladstone Investment
- Former Regional Managing Director of Heavenrich & Co.
- Former Senior Vice President of Sunrise Senior Living
- Former Managing Director of Riggs Bank
- MBA from Duke University, BA from Colgate University

Overview

Gladstone
Commercial

Investment
strategy

Portfolio

Financial
performance

Management

Conclusion



Experienced Leadership Team (cont'd)



Buzz Cooper,
Executive Vice President,
South Central Region

25+ years of experience

- Manages regional acquisition and asset management activities; over 17 years with Gladstone
- Former Principal of Allied Commercial Corporation REIT, where his responsibilities ranged from buying loans from RTC and banks to making real estate backed loans
- BA from Washington and Lee University



EJ Wislar
Senior Vice President
Southeast Region

8+ years of experience

- Manages regional acquisition and asset management activities
- Former Vice President with United Bankshares and Senior Investment Associate with Prudential Global Investment Management Real Estate Finance
- BS from Washington and Lee University



Karen Priesman,
Senior Vice President,
Asset Management

25+ years of experience

- Manages asset management activities in the Midwest region
- Former Vice President of Hager Pacific Properties with asset management responsibilities across the national portfolio as well as acquisition, disposition, and debt placement responsibilities
- Former Vice President of Prudential Real Estate Investors (now PGIM) as head of west coast Corporate Real Estate consulting practice and The Prudential Realty Group where she developed urban trophy office buildings
- MBA from the Wharton School and BSCE from California State University, Long Beach



Perry Finney,
Senior Vice President,
Asset Management

20+ years of experience

- Manages asset management activities in the South Central and Western regions
- Former Director of Asset Management at Washington REIT, Alexandria Real Estate Equities and First Potomac
- BA from Washington College
- Former CPA in the Commonwealth of Virginia

Overview

Gladstone
Commercial

Investment
strategy

Portfolio

Financial
performance

Management

Conclusion



Conclusion

Summary Highlights

- ***Diversified asset base with a 15% annual compound growth rate since 2012***
- ***Proven credit and real estate investment strategy has maintained high occupancy (>95%) since 2003***
- ***Strengthened credit profile with enterprise leverage down to 45.9%***
- ***Focused on growth with limited lease expirations through 2022, and with an emphasis on increasing the industrial allocation***

PAST PERFORMANCE DOES NOT GUARANTEE FUTURE RESULTS

Appendix

- 1. Condensed Consolidated Statements of Operations**
- 2. Funds From Operations (FFO)**
- 3. Condensed Balance Sheets**
- 4. Debt Summary**
- 5. External Management Structure Qualities**

Condensed Consolidated Statements of Operations

(\$ in thousands, except per share amounts)

	For the three months ended (unaudited)			For the twelve months ended	
	12/31/2020	9/30/2020	12/31/2019	12/31/2020	12/31/2019
Operating revenues					
Lease revenue	\$ 32,866	\$ 33,142	\$ 29,386	\$ 133,152	\$ 114,387
Total operating revenues	\$ 32,866	\$ 33,142	\$ 29,386	\$ 133,152	\$ 114,387
Operating expenses					
Depreciation and amortization	\$ 13,348	\$ 13,798	\$ 13,428	\$ 55,424	\$ 52,039
Property operating expenses	6,906	6,590	3,262	26,004	12,592
Base management fee	1,429	1,418	1,322	5,648	5,174
Incentive fee	999	1,128	968	4,301	3,688
Administration fee	404	361	469	1,598	1,690
General and administrative	854	775	1,200	3,259	3,235
Impairment charge	716	1,184	1,813	3,621	1,813
Total operating expenses	\$ 24,656	\$ 25,254	\$ 22,462	\$ 99,855	\$ 80,231
Other (expense) income					
Interest expense	\$ (6,391)	\$ (6,444)	\$ (6,873)	\$ (26,803)	\$ (28,279)
Gain on sale of real estate	6,912	1,196	—	8,096	2,952
Other income	187	204	421	395	712
Total other expense, net	\$ 708	\$ (5,044)	\$ (6,452)	\$ (18,312)	\$ (24,615)
Net income	\$ 8,918	\$ 2,844	\$ 472	\$ 14,985	\$ 9,541
Net (income) loss (available) attributable to non-controlling interests	(86)	2	100	(47)	87
Net income attributable to the company	\$ 8,832	\$ 2,846	\$ 572	\$ 14,938	\$ 9,628
Distributions attributable to Series A, B, D, E, and F preferred stock	(2,836)	(2,771)	(2,986)	(10,973)	(10,822)
Series A and B preferred stock offering costs write off	—	—	(2,674)	—	(2,674)
Distributions attributable to senior common stock	(201)	(203)	(217)	(816)	(892)
Net income (loss) available (attributable) to common stockholders	\$ 5,795	\$ (128)	\$ (5,305)	\$ 3,149	\$ (4,760)
Weighted average common shares outstanding and Non-controlling OP Units					
Basic and diluted	35,007,960	34,578,180	32,332,144	34,542,671	31,396,826

Funds From Operations (FFO)

(\$ in thousands except per share amounts)

	For the three months ended (unaudited)			For the twelve months ended	
	12/31/2020	9/30/2020	12/31/2019	12/31/2020	12/31/2019
Net income	\$ 8,918	\$ 2,844	\$ 472	\$ 14,985	\$ 9,541
Less: Distributions attributable to preferred and senior common stock	(3,037)	(2,974)	(5,877)	(11,789)	(14,388)
Net income (loss) available (attributable) to common stockholders and Non-controlling OP Unitholders	\$ 5,881	\$ (130)	\$ (5,405)	\$ 3,196	\$ (4,847)
Adjustments:					
Add: Real estate depreciation and amortization	\$ 13,348	\$ 13,798	\$ 13,428	\$ 55,424	\$ 52,039
Add: Impairment charge	716	1,184	1,813	3,621	1,813
Less: Gain on sale of real estate, net	(6,912)	(1,196)	—	(8,096)	(2,952)
FFO available to common stockholders and Non-controlling OP Unitholders - basic	\$ 13,033	\$ 13,656	\$ 9,836	\$ 54,145	\$ 46,053
Add: Convertible senior common distributions	201	203	217	816	892
FFO available to common stockholders and Non-controlling OP Unitholders - diluted	\$ 13,234	\$ 13,859	\$ 10,053	\$ 54,961	\$ 46,945
Add: Series A and B preferred stock offering costs write off	—	—	2,674	—	2,674
FFO available to common stockholders and Non-controlling OP Unitholders - diluted, as adjusted for comparability ¹	\$ 13,234	\$ 13,859	\$ 12,727	\$ 54,961	\$ 49,619
FFO available to common stockholders and Non-controlling OP Unitholders - basic	\$ 13,033	\$ 13,656	\$ 9,836	\$ 54,145	\$ 46,053
Add: Acquisition related expenses	78	74	204	167	326
Add: Write off of deferred financing fees	—	—	—	—	344
Add: Write off shelf registration statement costs and prepaid ATM costs	—	—	82	—	100
Add: Asset retirement obligation expense	30	32	42	134	137
Add: Bad debt write off	—	56	152	56	152
Add: Write off prepaid offering costs	—	—	2,674	—	2,674
Add (Less): PACE financing amortization, net	36	(35)	—	32	—
Core FFO available to common stockholders and Non-controlling OP Unitholders - basic	\$ 13,177	\$ 13,783	\$ 12,990	\$ 54,534	\$ 49,786
Add: Convertible senior common distributions	201	203	217	816	892
Core FFO available to common stockholders and Non-controlling OP Unitholders - diluted	\$ 13,378	\$ 13,986	\$ 13,207	\$ 55,350	\$ 50,678
Weighted average common shares outstanding and Non-controlling OP Units - basic	35,007,960	34,578,180	32,332,144	34,542,671	31,396,826
Weighted average common shares outstanding and Non-controlling OP Units - diluted	35,636,223	35,219,610	33,006,755	35,170,934	32,071,437
FFO per weighted average share of common stock and Non-controlling OP Unit - basic	\$ 0.37	\$ 0.39	\$ 0.30	\$ 1.57	\$ 1.47
FFO per weighted average share of common stock and Non-controlling OP Unit - diluted	\$ 0.37	\$ 0.39	\$ 0.30	\$ 1.56	\$ 1.46
FFO per weighted average share of common stock and Non-controlling OP Unit - diluted, as adjusted for comparability ¹	\$ 0.37	\$ 0.39	\$ 0.39	\$ 1.56	\$ 1.55
Core FFO per weighted average share of common stock and Non-controlling OP Unit - basic	\$ 0.38	\$ 0.40	\$ 0.40	\$ 1.58	\$ 1.59
Core FFO per weighted average share of common stock and Non-controlling OP Unit - diluted	\$ 0.38	\$ 0.40	\$ 0.40	\$ 1.57	\$ 1.58
Distributions declared per share of common stock and Non-controlling OP Unit	\$ 0.37545	\$ 0.37545	\$ 0.37500	\$ 1.50180	\$ 1.50000

Note: 1. FFO as adjusted for comparability is FFO adjusted for certain items that are not indicative of the results provided by the Company's operating portfolio and affect the comparability of the Company's period-over-period performance. These items include the adjustment for non-recurring expense adjustments related to the write off of offering costs pertaining to redeemed securities.

Condensed Balance Sheets

(\$ in thousands)

ASSETS

Real estate, at cost
Less: accumulated depreciation
Total real estate, net
Lease intangibles, net
Real estate and related assets held for sale, net
Cash and cash equivalents
Restricted cash
Funds held in escrow
Right-of-use assets from operating leases
Deferred rent receivable, net
Other assets

TOTAL ASSETS

LIABILITIES AND STOCKHOLDERS' EQUITY

LIABILITIES

Mortgage notes payable, net
Borrowings under revolver and term loan, net
Deferred rent liability, asset retirement obligation and other liabilities, net

TOTAL LIABILITIES

MEZZANINE EQUITY

Series D and E redeemable preferred stock, net
--

TOTAL MEZZANINE EQUITY

STOCKHOLDERS' EQUITY

Senior common stock
Common stock
Series F redeemable preferred stock
Additional paid in capital
Accumulated other comprehensive income
Distributions in excess of accumulated earnings

TOTAL STOCKHOLDERS' EQUITY

OP Units held by Non-controlling OP Unitholders

TOTAL EQUITY

TOTAL LIABILITIES, MEZZANINE EQUITY AND EQUITY

	12/31/2020	12/31/2019
\$	1,128,683	\$ 1,056,978
	228,468	207,523
	900,215	849,455
	117,379	115,465
	8,498	3,990
	11,016	6,849
	5,060	4,639
	9,145	7,226
	5,582	5,794
	36,555	37,177
	4,458	8,913
\$	1,097,908	\$ 1,039,508
\$	456,177	\$ 453,739
	212,515	172,855
	53,893	49,724
\$	722,585	\$ 676,318
\$	159,286	\$ 152,153
\$	159,286	\$ 152,153
	1	1
	35	32
	—	—
	626,533	571,205
	(4,345)	(2,126)
	(409,041)	(360,978)
\$	213,183	\$ 208,134
	2,854	2,903
\$	216,037	\$ 211,037
\$	1,097,908	\$ 1,039,508

Debt Summary

(\$ in thousands)		
Principal Maturity Date	Weighted Average Interest Rate as of 12/31/2020	Principal Balance Outstanding as of 12/31/2020
2021	3.32%	11,068
2022	4.66%	98,934
2023	4.39%	66,427
2024	4.03%	43,709
2025	4.03%	32,842
2026	4.40%	48,060
2027	4.34%	84,429
2028	3.71%	14,872
2029	4.74%	11,538
2030	3.23%	41,570
2037	4.63%	6,389
Contractual Mortgage Notes Payable:	4.24%	\$ 459,838
Premiums (Discounts), net:		(182)
Total Mortgage Notes Payable:		\$ 459,656
Variable-Rate Line of Credit:		
2023	LIBOR +1.65%	\$ 53,900
Variable-Rate Term Loan Facility:		
2024	LIBOR +1.60%	\$ 160,000
Total Mortgage Notes Payable and Line of Credit	3.45%	\$ 673,556

External Management Structure Qualities

- **President, CFO, Acquisitions, Asset Management and Accounting staff exclusively dedicated to Gladstone Commercial**
 - Benefit: Aligned with shareholder interests
- **The 2015 revision to the fee structure places overhead costs generally in line with the overall average for internally managed REITs of this size**
 - Benefit: G&A costs comparable with the public REIT industry
- **The external structure provides access to internal credit underwriters across numerous industries**
 - Benefit: Can quickly assess tenant's creditworthiness and ability to weather economic downturns
- **Legal, Compliance, Human Resources, and IT shared among four funds**
 - Benefit: Reduced costs to shareholders

The results of organizational structure benefits:

- Occupancy not below 95% since IPO in 2003
- Distributions not lowered nor missed since 2003. ***There is no guarantee of capital preservation or continuous distributions***
- Cost structure aligned with self-managed REITs with the added benefit of access to proven credit underwriting capability and evidenced by consistent high occupancy



GLADSTONE