



November 21, 2016

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MARKET STATISTICS

Exchange / Symbol	NASDAQ:GOOD
Price:	\$18.87
Market Cap (mm):	\$448.1
Enterprise Value (mm):	\$975.5
Shares Outstanding (mm):	23.75
Float (%):	92%
Volume (3 month avg):	164,900
52 week Range:	\$12 - \$19.24
Industry:	Real Estate Investment Trust

CONDENSED BALANCE SHEET

(\$mm, except per sh data)

Balance Sheet Date:	9/30/2016
Cash & Cash Equivalent:	\$12.75
Cash/Share:	\$0.54
Available Under LOC:	\$27.4
Equity (Book Value):	\$225.92
Equity/Share:	\$9.51

CONDENSED INCOME STATEMENTS

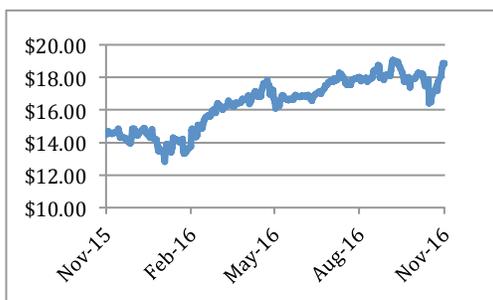
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FY - 12/31	Revenue	Income	CORE FFO	CORE FFO/Sh
FY13	\$61.34	\$1.53	\$20.73	\$1.55
FY14	\$73.76	(\$5.90)	\$27.49	\$1.55
Fy15	\$83.77	\$3.60	\$33.49	\$1.53
FY16E	\$86.65	\$3.15	\$37.51	\$1.56
FY17E	\$93.51	\$7.57	\$42.57	\$1.62

LARGEST SHAREHOLDERS

Blackrock, Inc.	1,418,285
Renaissance Technologies Corp.	1,415,547
United Capital Financial Advisers, LLC	941,260
The Vanguard Group, Inc.	774,041
Invesco PowerShares Capital Mgmt. LLC	601,563
David J. Gladstone	466,564
State Street Global Advisors, Inc.	344,138
Fiduciary Fin. Services of the Southwest	343,403
Dimensional Fund Advisors, LP	328,008
Northern Trust Global Investments	256,856

STOCK CHART



COMPANY DESCRIPTION

Gladstone Commercial Corporation (NASDAQ: GOOD) is a publicly-traded real estate investment trust (REIT) that primarily focuses on acquiring, owning and managing single tenant and anchored multi-tenant net-leased office and industrial properties in targeted markets. The Company also makes selective long-term industrial and commercial mortgage loans. Its 97 owned properties, containing approximately 11 million square feet, are strategically located in 24 states spanning the country. GOOD is headquartered in McLean, Virginia.

SUMMARY

Gladstone Commercial Corp. has a consistent, disciplined approach to managing its investment portfolio resulting in a history of strong operational performance.

- GOOD's investment strategy involving purchases of properties with tenants that have long-term (7-15 years) net leases and contractual rent increases provides the Company with a number of advantages, including increasing consistency in cash flows and more predictable returns. This predictability not only acts as a hedge against inflation, but it also enhances the Company's ability to secure debt financing.
- Since going public in 2003, GOOD has never missed a cash distribution to stockholders, has never decreased the monthly amount, and has raised the annual dividend rate four times; the Company raised the annual rate to \$1.50 per share in 2008, and it has consistently maintained that rate.
- During that same time period, GOOD has steadily increased its asset base, maintaining a compounded annual asset growth rate of 18% per year (as reported through FY15). Over the last 5 years, the Company has doubled its assets, while reducing leverage from 66.7% to a most recently reported 48.8%.
- GOOD's diversified portfolio consists of 97 properties in strategically located submarkets in 24 states that are leased to 89 different tenants from 19 recession-resistant industries. This diversity, combined with stringent underwriting standards, has contributed to an occupancy rate that has never dropped below 96% since the Company's inception. The Company's current occupancy rate is 97.7%.
- Largely due to GOOD's sound investment strategy and proactive management of its portfolio, as most recently reported, only 4.5% of projected rents are expiring from 2016-2019, which is the lowest turnover rate among Gladstone Commercial's peer group.
- For Q3 2016, GOOD reported \$21.6M in revenue, an approximate 1% increase year-over-year, resulting in net loss before distributions of (\$73K), EBITDA of \$15.9M and core FFO of \$9.4M.
- In August 2016, the Company announced the follow-on offering of 1.23M shares of its 7.0% Series D cumulative redeemable preferred stock, which resulted in net proceeds of \$29.8M and subsequently redeemed all outstanding 7.125% Series C cumulative term preferred (540,000 shares @ \$25 plus accrued dividends).
- GOOD's management team, led by David Gladstone and Bob Cutlip, among others, has over 150 years of combined experience in buying, leasing and owning office and industrial real estate, and a breadth of knowledge in lending and investing in middle market and larger operating companies.
- Being an externally managed REIT, GOOD maintains overhead costs in line with those of internally managed REITs but has the advantage of accessing an experienced as well as connected team of credit underwriters, one of the main drivers of the Company's current as well as historically high average occupancy rates for its properties.
- We are estimating operating revenues of \$93.5M for 2017E for GOOD, resulting in net income of \$7.6M and core FFO of \$42.6M, or \$1.62 per share; at its current price of \$18.87, the stock trading is currently trading at 11.7x (price/FFO), which is well below the average of the comparables of 12.3x.

BUSINESS OVERVIEW

Founded in 2003, Gladstone Commercial Corporation is a real-estate investment trust that owns and invests primarily in net leased commercial and industrial properties in addition to making long-term industrial and commercial mortgage loans to companies across the United States. GOOD's investments typically range from \$5 million to \$50 million, and its clients are from a broad range of industries. Gladstone's investment portfolio is comprised of real estate properties that are:

- Leased to tenants with small- to medium-sized unrated businesses, as well as larger rated businesses
- Occupied by companies controlled by buyout funds
- Purchased from and leased back to businesses that are seeking to raise capital from the sale of their real estate to re-invest in their core businesses

Figure 1: Summary of Gladstone Commercial Corp. Portfolio

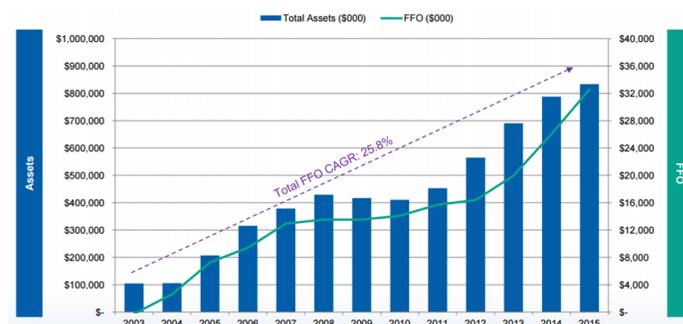
Current Portfolio Data	
Total assets	\$839M
Properties	97
Tenants	89
Industries	19
States	24
Average remaining lease term	7.9
Occupancy	97.7%

Source: Company Reports; Stonegate Capital Partners

GOOD's management team, led by David Gladstone and Bob Cutlip, among others, has over 150 years of combined experience in buying, leasing and owning office and industrial real estate, and a breadth of knowledge in lending and investing in middle market and larger operating companies. David Gladstone, founder and CEO, has extensive experience in commercial lending, investing, buyout scenarios and beyond, and Bob Cutlip, President and Executive Managing Director, has lead at the executive level of three publicly traded REITS prior to joining the Gladstone companies.

The Company has a strong history of acquisition momentum, with ongoing deals at various levels of due diligence and closing. Since its inception, Gladstone Commercial has maintained growth of total assets at a CAGR of approximately 18%. During the same time, the Company has maintained funds from operations (FFO) at a CAGR of 25.8%. GOOD's portfolio investment strategy involves purchases of properties with net leases, which provides the Company with a number of advantages, including increasing consistency of cash flows and more predictable returns. This predictability not only minimizes the Company's exposure to the risk of inflation, but it also enhances the Company's ability to secure debt financing. Over the last five years, GOOD has doubled its assets, while reducing leverage from 66.7% to the most recently reported 48.8%.

Figure 2: History of Disciplined Growth Y-O-Y

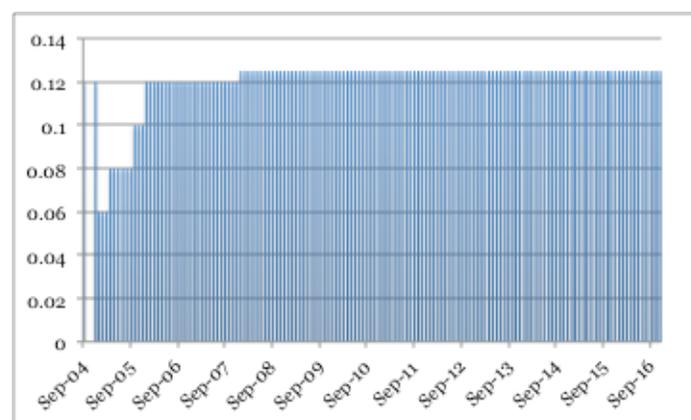


Source: Company Reports; Stonegate Capital Partners

Starting in Q4 2015, Gladstone Commercial began to slow the pace of its acquisitions due to management's concerns about the uncertainty of the market and its increased cost of capital; however, the Company still reports a healthy acquisition pipeline, and it expects to grow the asset portfolio throughout the rest of 2016 and into 2017. We note that management has been very selective in its screening process, considering only candidates with asset returns that are in targeted growth markets and are accretive to GOOD's business, and only using recycled capital, common/preferred equity offerings and low cost debt financing.

GOOD has a history of stable monthly cash distributions. The Company declares quarterly, and pays monthly, distributions to common and preferred stockholders. The Company has never missed a monthly cash distribution and has never cut the dividend; in fact, it has raised the annual payment four times since its IPO. GOOD began paying an annual dividend rate of \$1.50 per common share in 2008 and has maintained that dividend rate, even during the recent recession. At 7.9% currently, Gladstone Commercial trades among the highest yields in the REIT market. Given management's comments, there is no indication that GOOD will change its dividend policy any time in the near-term.

Figure 3: History of Stable Cash Distributions



Source: Dividends.com

MARKET STRATEGY

Key elements in Gladstone Commercial Corporation's market strategy include:

- Diversify by industry, geography and property type
- Focus on recession-resistant businesses located in growth markets
- Buy existing properties with tenants that have strong underwritten credit, including an operating track record, substantial cash flow from operations and a mission critical connection with the property and long-term leases
- Match long-term leases with long-term mortgages or corporate debt with interest rate protection

Highly diversified portfolio

GOOD's tenants are diversified by geography, industry, property type and by size, ranging from small companies to large publicly traded corporations, including General Motors (NYSE: GM) and Verizon (NYSE: VZ). However, its focus is on middle-market companies ranging from 30-150K SF (office) and 75-500K SF (industrial) that are financially stable but fall under the radar of larger REIT companies. Its tenants compete in 19 different industries including healthcare, banking, manufacturing, chemicals and telecommunications, with no concentration in a specific industry. Additionally, by including a geographically diverse group of real estate properties in 24 states across the U.S., GOOD's diverse portfolio is structured to underscore stability and mitigate risk, resulting in only one credit loss in the history of the Company.

Stabilized income streams in favorable growth markets

The Company targets growth markets across the U.S. accumulating assets to create a valuable consistently performing portfolio. Using a strategically focused strategy, GOOD's emphasis is on identifying submarkets with strong economic characteristics, including population and job growth, a diverse economic base, supply constraint, and/or high barriers to entry.

Figure 4: 97 Properties in 24 States in U.S. Growth Markets

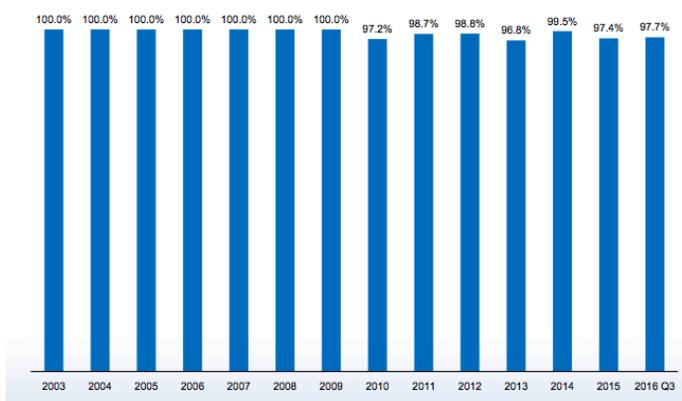


Source: Company Reports; Stonegate Capital Partners

Stringent underwriting standards

Gladstone Commercial utilizes a disciplined process developed over years of experience in the industry to analyze potential acquisitions, including carefully vetting its tenants based on their financial statements, capital structures, credit ratings, management experience, industry fundamentals and an assessment of their ability to withstand downturns in the economy. Largely, as a result of GOOD's disciplined formula centered on tenant credit underwriting and the mission critical nature of the property, the Company's occupancy rate has remained above 96% since its IPO in 2003, with the current occupancy rate most recently reported at 97.7%.

Figure 5: Consistently High Occupancy Rate



Source: Company Reports; Stonegate Capital Partners

Predictable cash flow and quality assets

Acquisition targets are generally properties that are an integral part of the current tenants' operations and include single tenant and anchored multi-tenant office and industrial properties. The Company looks for properties with terms of approximately 7 to 15 years remaining on the lease(s), with triple net (NNN) leases, requiring the tenants to pay rent, plus all of the taxes, property insurance and maintenance/repair costs.

There are multiple advantages to buying properties with NNN leases:

1. They provide consistent cash flows and reasonably predictable returns, thereby increasing the ability to access debt financing and minimizing inflation risk
2. Their yields tend to exceed the yields of comparable bonds of tenants, adding residual value to the asset
3. The majority of NNN properties are leased by a single tenant, which fully utilizes the asset

Proactive management of the current portfolio with a strong pipeline

With a solid portfolio of less than 100 properties, GOOD is able to very actively manage its assets, selling non-core properties and redeploying the proceeds in higher yielding markets or paying down outstanding debt. Gladstone Commercial currently has a \$325M pipeline in growth markets with \$25 - \$35M of projected acquisitions for the remainder of 2016.

Limited renewal risk

Careful portfolio management has limited the Company's renewal risk. In fact, GOOD has the lowest future turnover rate among its peer group per management, with only 4.5% of projected rents expiring from 2016-2019 as most recently reported. This low turnover rate should enable a predictable and stable cash flow, the likelihood of continuing monthly payouts to stockholders and an ability to take advantage of growth opportunities.

Figure 6: Percentage of Base Rental Revenue Expiring



Source: Company Reports; Stonegate Capital Partners

Matching long-term leases with long-term fixed rate debt

Through its policy of matching long-term leases with long-term fixed debt, GOOD is mitigating its risk against the possibility of both another recession and increasing interest rates. Management has been focused on decreasing its leverage and refinancing debt at lower interest rates. Over the past 18 months, the Company has been able to refinance approximately \$120 million of debt with \$57 million at a weighted average interest rate of 2.91%, down from a weighted average of 5.82%. Over the next year and a half, with more than \$80 million in debt coming due, management sees a substantial opportunity for additional savings through refinancing.

INDUSTRY OVERVIEW

Over the last several years, the commercial real estate markets have shown an uneven and disappointing recovery, largely mimicking the broader economy; however, recent statistics point to improved fundamentals. According to the National Association of Real Estate Investment Trusts (NAREIT), the growth of weighted average net operating income from same-store commercial real estate properties (owned for a year or more) increased in the first quarter of 2016 at the most robust pace since 2006, increasing 5.2% in year-over-year data. Contributing to this increase are rising occupancy rates. The weighted average occupancy rate of all REIT-owned properties in Q1 2016 was 93.2%, an increase of 250 basis points from three years ago.

In addition, signs point to pricing power ultimately favoring property owners as the commercial real estate market conditions have improved. Across U.S. metro areas and across most major property types, rent growth has increased. CoStar research firm reports net absorption over the past year was 20% to 60% higher than completions across most property sectors.

Figure 7: Highest Same Store NOI Growth Since 2006



Source: NAREIT T-tracker

However, while property-level fundamentals are expected to show continuing modest improvement, the most recent industry reports note that the market investment cycle may be peaking, with net selling by publicly traded REITs reported during the first two quarters of 2016 and transaction volumes falling notably year-over-year. A survey of real estate economists by the ULI predicts that recent years of annual growth in the US commercial real estate market is now expected to give way to a contraction over the next three years, with annual transaction volume in decline. Overall, commercial property values seem to be leveling off, and as many expect to see lending costs increase, lenders are beginning to see decrease volumes in loan requests. And although, REIT selling slowed in Q216 from Q116, analysts report that many REITs note having already achieved their disposition/recycling goals for the year.

As stated, Gladstone Commercial's management has been on the sidelines of the acquisitions market for the last few months, taking a discerning look at market conditions. Management notes that while the broader market is showing improved conditions, the market conditions in some secondary and tertiary markets have lagged behind the broader recovery, particularly in markets where job growth has not recovered from the recession. That said, we look for GOOD to make judicious purchases of net-leased office and industrial properties in high growth markets in the second half of 2016 and into 2017.

RISKS

As with any investment, there are certain risks associated with Gladstone Commercial Corporation's operations, as well as with the surrounding economic and regulatory environments.

- Gladstone Commercial is an externally managed REIT, advised by Gladstone Management. As such, the Company is obligated to provide compensation according to an established fee structure (which was lowered in June 2015). While external management can be cost effective for smaller REITs, the principal negative associated with this type of management structure is that it can create opportunities for conflicts of interest, with the external management company basing decisions on its own interests, rather than the interests of the REIT shareholders.
- Some of GOOD's tenants and future borrowers that have increased their leverage through restructured loans may not be able to make payments. Additionally, the Company may not successfully renew leases, or tenants may be able to negotiate lower rates, if market conditions change. These conditions would negatively impact GOOD's operating results and its ability to make distributions to stockholders.
- GOOD's tenants are primarily small- to medium-size businesses, which may expose the Company to additional risks. Narrower, less diverse product lines and possessing a smaller share of their markets make smaller companies more vulnerable to the actions of competitors and to market conditions.
- If the income generated by Gladstone Commercial's assets fails to cover its debt service, the Company may be required to reduce or even eliminate distributions, which would negatively impact stockholders.
- The Company faces risks relating to lump sum (balloon) payments. At the time it is due, GOOD may not be able to refinance its balloon payments on favorable terms, which would negatively affect distributions to stockholders.

RECENT RESULTS

Gladstone Commercial most recently reported its Q3 2016 results on 11/1/16. For Q3 2016, GOOD reported \$21.6M in revenue, an approximate 1% increase year-over-year, resulting in a net loss before distributions of (\$73K), EBITDA of \$15.9M and core FFO of \$9.4M.

Highlights of the quarter included the following:

- Occupancy was reported at approximately 98%, and with successful lease renegotiations, the Company reports that only 4.5% of its forecasted rental income will expire over the next four years through 2019.
- GOOD acquired a \$23.9M property located in Fort Lauderdale, FL, with 119,000 square feet of space and a 9 year least term with an average cap rate of 8.3%.

- The Company reported signing a new lease totaling 20,719 square feet on previously vacant space at its 55,480 square foot industrial property located in Bolingbrook, Illinois; the new lease expires in early 2024 and brings the property's occupancy to 100% with no lease rollover until April 2022.
- GOOD redeemed the remaining \$13.5M of its outstanding Series C and also announced the follow-on offering of its Series D in August 2016.
- Subsequent to quarter end, the Company signed a 5 year lease extension with T-Mobile USA, Inc., for its 69,287 square foot office property in Wichita, Kansas, which maintains the 100% occupancy through September 2022.
- Also following the quarter close, GOOD named a new CFO Michael Sodo, effective November 1st, an executive bringing extensive industry experience and many years of REIT accounting, capital markets, and treasury work to the team.
- On 10/13/16, GOOD announced that its tenant occupying its 170,000 square foot light industrial manufacturing facility in Vance, Alabama, had exercised its expansion right; upon completion, the tenant will enter into a new 245,000 square foot 10 year lease.



VALUATION

We believe that GOOD holds significant growth and income potential for investors. The Company's strong management team led by a team of industry veterans has strategically positioned the Company and its income-producing assets for continuing long-term growth. We are estimating total operating revenues for 2017 of \$93.5M, driven by a continued growth of strong performing commercial assets in the portfolio, resulting in net income of \$7.6M and core FFO of \$42.6M, or \$1.62 per share.

At its current price of \$18.87, GOOD is trading at 11.7x (price/FFO), which is well below the average of selected comparable companies in the commercial real estate space of 12.3x. We believe this discount is due to its higher debt/capital ratio, its high annualized dividend as a percentage of its estimated FFO, and because Wall Street tends to apply a discount to externally managed REIT's. In our opinion, as the Company executes on its strategy of adding more quality properties and improving its financial metrics, we would expect to see the stock trade more in line with the peer group of 12x – 14x.

Figure 8: Comparable Analysis

Name	Ticker	Price	Sh	Mrkt Cap	Most Recent Quarter				Based on FY17 Estimates			Annualized Div as % of FFO	
					Debt/Cap	SG&A Margin	Dividend	Dividend Yield	FFO/Share	Price/FFO			
Agree Realty	ADC	\$43.20	25.7	\$1,110.2	43.4%	8.4%	\$0.48	4.4%	\$2.79	15.5x	68.8%	RETAIL	
Armada Hoffer	AHH	\$14.33	54.1	\$775.3	62.4%	3.4%	\$0.18	5.0%	\$1.05	13.6x	68.6%	MIXED	
City Office Reit, Inc.	CIO	\$12.25	24.4	\$298.9	65.9%	6.0%	\$0.24	7.8%	\$1.32	9.3x	72.7%	OFFICE	
Gramercy Property Trust	GPT	\$8.41	421.9	\$3,548.2	42.4%	6.3%	\$0.11	5.2%	\$0.76	11.1x	57.9%	MIXED	
Lexington Realty Trust	LXP	\$10.17	237.0	\$2,410.3	57.1%	7.1%	\$0.18	7.1%	\$1.01	10.1x	71.3%	MIXED	
Monmouth REIT	MNR	\$13.67	67.7	\$925.5	53.0%	6.4%	\$0.16	4.7%	\$0.81	16.9x	79.0%	INDUSTRIAL	
Select Income REIT	SIR	\$24.48	89.4	\$2,188.5	53.9%	6.6%	\$0.51	8.3%	\$2.89	8.5x	70.6%	MIXED	
STAG Industrial, Inc.	STAG	\$22.95	75.6	\$1,735.0	52.7%	12.1%	\$0.35	6.1%	\$1.69	13.6x	82.8%	INDUSTRIAL	
W.P. Carey	WPC	\$58.20	106.3	\$6,186.7	55.6%	10.3%	\$0.99	6.8%	\$4.71	12.4x	84.1%	MIXED	
Average					54.0%	7.4%	\$0.36	6.2%	\$1.89	12.3x	72.9%		
Median					53.9%	6.6%	\$0.24	6.1%	\$1.32	12.4x	71.3%		
Gladstone Commerical Corp.	GOOD	\$18.87	23.7	\$448.1	63.8%	6.0%	\$0.38	7.9%	\$1.62	11.7x	92.8%		

Source: Company Reports, Stonegate Capital Partners, Capital IQ

BALANCE SHEETS
**Gladstone Commercial Corp.
 Consolidated Balance Sheets (\$000s)
 Fiscal Year: December**
ASSETS
Assets

	FY 2013	FY 2014	FY 2015	Q3 FY16
Real estate, at cost	642,353	722,565	780,377	\$797,115
Accumulated depreciation	(81,241)	(92,133)	(112,243)	(125,250)
Total real estate, net	561,112	630,432	668,134	671,865
Lease intangibles, net	79,632	98,814	104,914	102,765
Real estate and related assets held for sale, net	-	-	1,077	11,748
Mortgage note receivable	-	5,600	5,900	-
Cash and cash equivalents	8,546	8,599	5,152	8,747
Restricted cash	5,051	3,547	4,205	4,002
Funds held in escrow	8,653	11,096	7,534	7,172
Deferred rent receivable, net	18,905	21,728	27,443	29,288
Deferred financing costs, net	6,840	6,213	-	-
Other assets	1,786	1,765	2,825	3,056
Total Assets	\$ 690,525	\$ 787,794	\$ 827,184	\$838,643

LIABILITIES, MEZZANINE EQUITY, AND STOCKHOLDERS' EQUITY
Liabilities

Mortgage notes payable, net	\$422,602	\$459,299	\$455,863	\$444,522
Borrowing under line of credit, net	24,400	43,300	44,591	46,772
Borrowing under term loan facility, net	-	-	24,878	24,892
Series C mandatorily redeemable preferred stock	38,500	38,500	38,100	-
Deferred rent liability, net	6,015	8,594	9,657	11,275
Asset retirement obligation	3,884	3,616	3,674	3,268
Accounts payable and accrued expenses	2,359	8,285	6,388	4,031
Liabilities related to assets held for sale	-	-	868	688
Due to Adviser and Administrator	1,360	916	1,858	1,991
Other liabilities	8,259	7,612	7,436	8,076
Total Liabilities	507,379	570,122	593,313	545,515

Mezzanine Equity

Series D redeemable preferred stock	-	-	-	67,213
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Stockholders' Equity

Series A & B redeemable preferred stock - par value	2	2	2	2
Senior common stock - par value	-	1	1	1
Common stock - par value	16	20	22	24
Additional paid in capital	298,751	369,748	418,897	440,136
Notes receivable - employee	(375)	(375)	-	-
Distributions in excess of accumulated earnings	(115,248)	(151,724)	(185,051)	(214,248)
Total Stockholders' Equity (deficit)	183,146	217,672	233,872	225,915

Total Liabilities, Mezzanine Equity and Stockholders' Equity

	\$ 690,525	\$ 787,794	\$ 827,184	\$838,643
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Ratios
Liquidity

Current Ratio	6.0x	3.1x	2.6x	4.7x
Working Capital	18,531	19,641	14,754	24,959
Availability under Credit Facility	\$17.1M	\$9.3M	\$19.3M	\$38.9M*

Leverage

Total Net Debt to Gross Assets	57.9%	57.4%	56.0%	55.7%
Total Net Debt to EV	53.1%	52.9%	53.1%	48.8%
Total Net Debt to Capital	70.5%	69.4%	69.2%	63.4%
Total Net Debt to Equity	239.4%	226.9%	224.9%	173.1%

Source: Company Reports, Stonegate Capital Partners
 *As of 10/31/2016

INCOME STATEMENTS

Gladstone Commercial Corp.
 Consolidated Statements of Income (\$000s, except share and per share amounts)
 Fiscal Year: December

	FY 2013	FY 2014	FY 2015	FY 2016 E	FY 2017 E
Revenues					
Rental revenue	\$ 59,769	\$ 71,211	\$ 80,892	\$ 84,593	\$ 91,254
Tenant reimbursements	1,574	2,079	1,753	1,668	2,254
Interest income on mortgage note receivable	-	466	1,121	385	-
Total operating revenues	61,343	73,756	83,766	86,646	93,509
Operating expenses					
Depreciation and amortization	22,827	28,864	35,288	37,379	40,209
Property operating expenses	3,348	4,711	5,296	5,902	6,147
Acquisition related expenses	768	1,438	622	425	600
External fees/G&A services	9,337	11,318	11,637	9,838	10,448
Impairment charge	-	14,238	622	2,016	-
Total operating expenses before credit to incentive fee	36,280	60,569	53,465	55,560	57,403
Credit to incentive fee by management group	(3,457)	(3,163)	(2,500)	-	-
Total operating expenses	32,823	57,406	50,965	55,560	57,403
Other income (expense)					
Interest expense	(24,351)	(26,197)	(28,014)	(26,748)	(28,540)
Distributions attributable to series C redeemable preferred stock	(2,743)	(2,743)	(2,743)	(1,503)	-
Gain (loss) on sale of real estate	-	1,240	1,538	(24)	-
Gain on debt extinguishment	-	5,274	-	-	-
Other income/(expense)	101	174	14	337	-
Total other income (expense)	(26,993)	(22,252)	(29,205)	(27,938)	(28,540)
Net Income (loss)	1,527	(5,902)	3,596	3,148	7,565
Distributions attributable to series A, B & D preferred stock	(4,094)	(4,094)	(4,094)	(5,892)	(6,400)
Distributions attributable to senior common stock	(300)	(542)	(1,007)	(1,007)	(1,000)
Net income (loss) attributable to common stockholders	\$ (2,867)	\$ (10,538)	\$ (1,505)	\$ (3,751)	\$ 165
Loss per weighted avg share common stock- basic & diluted					
Loss attributable to common shareholders	\$ (0.22)	\$ (0.61)	\$ (0.07)	\$ (0.16)	\$ 0.01
Weighted avg shares common stock outstanding					
Basic	13,164,244	17,253,503	21,159,597	23,179,491	25,515,876
Diluted	13,402,370	17,682,012	21,942,554	23,779,579	26,315,993
Earnings per weighted avg share of senior common stock	\$ 1.04	\$ 1.05	\$ 1.05	\$ 1.04	\$ 1.04
Weighted avg shares of senior common stock outstanding-basic	287,178	516,937	960,016	959,552	959,552
Dividends and distributions declared per common share and unit	\$ 1.50	\$ 1.50	\$ 1.52	\$ 1.50	\$ 1.50
EBITDA	\$ 51,114	\$ 60,455	\$ 68,982	\$ 68,552	\$ 76,314
EBITDA per diluted weighted average share	\$3.81	\$ 3.42	\$ 3.14	\$ 2.88	\$ 2.90
Funds from operations (FFO)	\$ 19,960	\$ 31,324	\$ 32,867	\$ 36,650	\$ 41,374
FFO per diluted weighted average share	\$ 1.49	\$ 1.77	\$ 1.50	\$ 1.53	\$ 1.57
Core FFO	\$ 20,728	\$ 27,488	\$ 33,489	\$ 37,513	\$ 42,574
Core FFO per diluted weighted average share	\$ 1.55	\$ 1.55	\$ 1.53	\$ 1.56	\$ 1.62

Source: Company Reports, Stonegate Capital Partners

CORPORATE TIMELINE

October 21, 2016 – Gladstone Commercial appointed Michael Sodo as new Chief Financial Officer

September 14, 2016 – Company announced purchase of \$23.9M property in Fort Lauderdale, FL, bringing total number in portfolio to 97 and reported occupancy at 97.7%

August 25, 2016 – GOOD disposed of 3 properties for \$3M as part of its capital recycling strategy

August 1, 2016 – Details of a follow-on offering of 7% Series D redeemable preferred stock for net proceeds of approximately \$29.8M disclosed

July 12, 2016 – Company announced planned redemption of its Series C 7.125% cumulative term preferred stock (completed as of 8/22/16)

May 25, 2016 – Registered direct placement of 7% Series D cumulative redeemable preferred stock for total net proceeds of \$25.3M announced

November 27, 2015 - Completed refinancing of \$18.6 million of mortgage debt set to expire in 2015 and early 2016 with \$3.6 million of new mortgage debt; the remainder was repaid with proceeds from line of credit. Announced \$48.9 million in debt refinancing during 2015 resulting in a \$1.8 million reduction in cost

October 6, 2015 - Expanded revolving credit facility from \$75 million to \$85 million and extended maturity date 1 year through August 2018; added a \$25 million 5-year term loan facility maturing in October 2020.

August 13, 2015 - Announced refinancing of \$30.4 million of mortgage debt set to expire in 2015 with approximately \$21.5 million of new mortgage debt

July 27, 2015 - Amended and restated existing advisory agreement, lowering base management fee and incentive fee, along with other terms of the previous agreement

April 23, 2013 - Announced common stock offering of 1,100,000 shares at \$18.90 per share with 30-day option of 165,000 additional shares

June 4, 2012 - Robert Cutlip appointed President of Gladstone Commercial Corp.

June 9, 2011 - Announced common stock offering of 1,200,000 shares at \$17.55 per share with 30-day option of 180,000 additional shares

August 2003 - Company went public-- began trading on the NASDAQ market under the symbol GOOD

February 2003 - Gladstone Commercial Corporation founded by David Gladstone

GLADSTONE GOVERNANCE

David Gladstone, CEO, President and Director – Mr. Gladstone is the founder of Gladstone Commercial Corporation, along with its affiliates, Gladstone Capital Corporation, Gladstone Investment Corporation, and Gladstone Land Corporation. He has been the Chief Executive Officer of Gladstone Commercial Corporation since inception in 2003. Prior to founding the group of companies, Mr. Gladstone served as Chairman of American Capital, American Capital Strategies, and Allied Capital Commercial. Mr. Gladstone holds an MBA from the Harvard Business School, a MA from American University and a BA from the University of Virginia.

Robert Cutlip, President and Executive Managing Director - Mr. Cutlip joined the Gladstone Companies in June of 2012. Prior to joining Gladstone, he held executive level positions at three publicly traded real estate investment trusts: Duke Realty, Highwoods Properties, and First Industrial. Mr. Cutlip holds an MBA in Finance from University of Southern California, an MS in Civil Engineering from Vanderbilt University and a BS in Civil Engineering from the U.S. Air Force Academy.

Michael Sodo, CFO – Mr. Sodo most recently served as a CFO, Treasurer and Executive Vice President of VEREIT (NYSE:VER) from October 2014 through October 2015, having significant capital markets involvement, including relationships with investors, lenders, analysts, and rating agencies. Mr. Sodo, a Certified Public Accountant, started his career at KPMG in the audit function before spending 11 years at Capital Automotive (formerly Capital Automotive REIT) where he rose to Senior Vice President of Financial Reporting and Treasurer.

Jay Beckhorn, Treasurer - Mr. Beckhorn has been Treasurer of Gladstone Commercial and Gladstone Land since January 2015. He is also Assistant Treasurer of Gladstone Capital and Gladstone Investment. Prior to joining the Company, he was a Regional Director with Heavenrich & Co., an M&A group that serves the senior housing industry. Mr. Beckhorn served as a Senior Vice President with Sunrise Senior Living, where he secured debt financing to support the company's development. He earned an MBA from Duke University's Fuqua School of Business and a BA from Colgate University.

Buzz Cooper, Senior Managing Director, South and Southeast Regions - Mr. Cooper joined the Gladstone Companies at their inception in June 2001 and operates out of the Company's corporate headquarters in McLean, VA, where he is responsible for identifying, underwriting, managing, and servicing much of the firm's commercial real estate investment projects. Prior to joining the firm, Mr. Cooper served as a Senior Vice President and Principal of Allied Capital Corporation and its affiliate funds. Mr. Cooper received a BA in Sociology and Anthropology from Washington and Lee University.

Matt Tucker, Managing Director, Northeast and Midwest Regions - Mr. Tucker joined the Gladstone Companies in May 2005. He is focused on sourcing and executing net-leased real estate acquisitions and sale-leaseback investments in the Northeast and Midwest U.S. Prior to joining Gladstone, he held investment and advisory positions with Liquid Realty Partners, SG Capital Partners, and Chase Securities in the High Yield Finance group. Mr. Tucker earned his MBA with high distinction from the University of Michigan Business School and holds an AB in Psychology from Princeton University.

Andrew White, Managing Director, Western Region - Mr. White joined the Gladstone Companies in August of 2013. Previously, he held senior positions with MetLife Real Estate Investments, ING Realty Partners, Berwind Property Group and MIG Real Estate. At Berwind, he served as the company's Senior VP and Western Regional Manager and was the head of office and industrial acquisitions for MIG. Mr. White earned an MBA with a concentration in finance and real estate from the University of California and a BS in mechanical engineering from Drexel University in Philadelphia.

Board of Directors:

David Gladstone – *Chairman*

Paul W. Adelgren – *Director*

Caren D. Merrick – *Director*

Anthony W. Parker – *Director*

Terry Lee Brubaker – *Vice Chairman*

Michela A. English – *Director*

John H. Outland – *Director*

Walter H Wilkinson Jr. – *Director*

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