

Gladstone Commercial Corporation

Public Non-Listed Senior Common Stock Offering

Dealer Manager: Gladstone Securities, LLC



Forward-Looking Statements

This free writing prospectus has been prepared for informational purposes only from information supplied by Gladstone Commercial Corporation. All statements contained in this free writing prospectus, other than historical facts, may constitute “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Words such as “anticipates,” “expects,” “intends,” “plans,” “believes,” “seeks,” “estimates” and variations of these words and other similar expressions are intended to identify forward-looking statements. Readers should not rely upon forward-looking statements because the matters that they describe are subject to known and unknown risks and uncertainties that could cause Gladstone Commercial Corporation’s business, financial condition, liquidity, results of operations, funds from operations or prospects to differ materially from those expressed in or implied by such statements. Such risks and uncertainties are disclosed under the caption “Risk Factors” in the prospectus supplement and the accompanying prospectus for the offering to which this free writing prospectus relates, in Gladstone Commercial Corporation’s most recent Annual Report on Form 10-K, in Gladstone Commercial Corporation’s Quarterly Reports on Form 10-Q and in the other information that Gladstone Commercial Corporation files with the SEC. Other than as required by applicable law, Gladstone Commercial Corporation shall have no obligation or undertaking to update or revise any forward looking statements to reflect any change in expectations, results or events.



Free Writing Prospectus

Neither the Securities and Exchange Commission, or SEC, nor any state securities commission has approved or disapproved of these securities or passed upon the accuracy or the adequacy of this free writing prospectus, the prospectus supplement or the accompanying prospectus. Any representation to the contrary is a criminal offense.

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

To view the prospectus supplement and the accompanying prospectus which relate to this offering, click the following link:
<http://www.sec.gov/Archives/edgar/data/1234006/000119312513375953/d601475d424b5.htm> or on the website that relates to this offering at www.GladstoneCommercial.info.

Gladstone Commercial Corporation's central index key on the SEC's Web site is 0001234006.

Gladstone Commercial Corporation has filed a registration statement, including a prospectus and a prospectus supplement, with the SEC for the offering to which this communication relates. Before you invest, you should read the prospectus and the prospectus supplement in that registration statement and other documents Gladstone Commercial Corporation has filed with the SEC for more complete information about Gladstone Commercial Corporation and this offering. You may obtain these documents for free by visiting EDGAR on the SEC Web site at www.sec.gov or by clicking on the links above. Alternatively, Gladstone Commercial Corporation, any underwriter or any dealer participating in the offering will arrange to send to you the prospectus and prospectus supplement if you request it by contacting Gladstone Securities, LLC, 1521 Westbranch Drive, Suite 100, McLean, VA 22102; Attention: Investor Relations or by calling 1 (703) 287-5893.



Risk Factors

An investment in shares of Senior Common Stock involves substantial risks. You should purchase our securities only if you can afford a complete loss of your investment. Please read and consider the risk factors in the prospectus supplement and prospectus before purchasing any securities. The most significant risk factors include:

Risks Relating to Our Senior Common Stock and this Offering:

- ◆ There is no established public trading market for shares of Senior Common Stock, and we have no plans to list these shares on a national securities exchange.
- ◆ We established the offering price of shares of Senior Common Stock on an arbitrary basis, and, as a result, the actual value of your investment may be substantially less than what you pay.
- ◆ The calculation of the Exchange Ratio could result in a deterrent to your exchanging shares of Senior Common Stock for shares of Listed Common Stock if shares of Listed Common Stock are trading at lower levels at the time that you desire to exchange your shares.
- ◆ Your ability to redeem shares of Senior Common Stock pursuant to our share redemption program is limited to the proceeds generated by our distribution reinvestment plan, and the share redemption program may be amended, suspended or terminated by our Board at any time without stockholder approval.
- ◆ If you do not agree with the decisions of our Board, then you will not be able to influence changes in our policies and operations because holders of shares of Senior Common Stock will generally have no voting rights.
- ◆ Our charter contains restrictions on the ownership and transfer of shares of our capital stock, and these restrictions may inhibit your ability to sell your shares of Senior Common Stock promptly, or at all.
- ◆ Our Dealer Manager is one of our affiliates, and, therefore, an investor in shares of Senior Common Stock would not have the benefit of an independent underwriter who has performed an independent due diligence review.
- ◆ Highly leveraged tenants and borrowers may be unable to pay rent or make mortgage payments, which could adversely affect our cash available to make distributions to holders of our Senior Common Stock.



Risk Factors (continued)

Risks Relating to Our Company and Our Operations

- ◆ Our business strategy relies heavily on external financing, which may expose us to risks associated with leverage such as restrictions on additional borrowing and payment of distributions to stockholders, risks associated with balloon payments, and risk of loss of our equity upon foreclosure.
- ◆ We are subject to certain risks associated with real estate ownership and lending which could reduce the value of our investments, including but not limited to, changes in the general economic climate; changes in local conditions such as an oversupply of space or reduction in demand for real estate; changes in interest rates and the availability of financing; competition from other available space; and changes in laws and governmental regulations, including those governing real estate usage, zoning and taxes.
- ◆ Our properties may be subject to impairment charges, which could adversely affect our results of operations.
- ◆ Illiquidity of real estate investments may make it difficult for us to sell properties in response to market conditions and our properties may include special use and single or multi-tenant properties that may be difficult to sell or re-lease upon tenant defaults or early lease terminations which could harm our financial condition and ability to make distributions.
- ◆ Our real estate investments have a limited number of tenants, many of which are small- and medium-sized businesses, and are concentrated in a limited number of industries, which subjects us to an increased risk of significant loss if any one of these tenants is unable to pay or if particular industries experience downturns.



Risk Factors (continued)

Risks Relating to Our Company and Our Operations (continued from previous slide)

- ◆ We may be unable to renew leases, lease vacant space or re-lease space as leases expire, which could adversely affect our business and our ability to make distributions to our stockholders.
- ◆ We may enter into sale-leaseback transactions, whereby we would purchase a property and then lease the same property back to the person from whom we purchased it. If a sale-leaseback transaction is re-characterized in a tenant's bankruptcy proceeding, our financial condition could be adversely affected.
- ◆ We are dependent upon our key management personnel, who are employed by our Adviser, for our future success, particularly David Gladstone, Terry Lee Brubaker, and Robert Cutlip.
- ◆ Our success depends on the performance of our Adviser and if our Adviser makes inadvisable investment or management decisions, our operations could be materially adversely impacted.
- ◆ We may have conflicts of interest with our Adviser and other affiliates, including but not limited to the following conflicts: (i) our Adviser may realize substantial compensation on account of its activities on our behalf, and may, therefore, be motivated to approve acquisitions solely on the basis of increasing compensation to itself; (ii) we may experience competition with our affiliates for financing transactions; (iii) our Adviser may earn fee income from our borrowers or tenants; and (iv) our Adviser and other affiliates could compete for the time and services of our officers and directors.
- ◆ If we fail to qualify as a REIT, our operations and dividends to stockholders would be adversely impacted.
- ◆ To the extent that our distributions represent a return of capital for tax purposes, you could recognize an increased capital gain upon a subsequent sale of your stock.



Offering Summary: Senior Common Stock

Issuer:	Gladstone Commercial Corporation
Current Status:	A public reporting company with 17,715,958 shares of Listed Common Stock outstanding (symbol: GOOD)
Security Offered:	Senior Common Stock (registered, non-listed)
Distribution Preference:	Distribution payments have a senior preference over Listed Common Stock but are subordinate to Preferred Stock
Distribution Rate:	\$1.05 per share per annum, declared daily and paid at the rate of \$0.0875 per share per month Please note: distributions are not guaranteed
Offer Price:	\$15 per share
Shares Offered:	3,000,000 shares in primary offering and 500,000 shares pursuant to distribution reinvestment plan
Minimum Purchase:	200 shares having an aggregate minimum purchase price of \$3,000

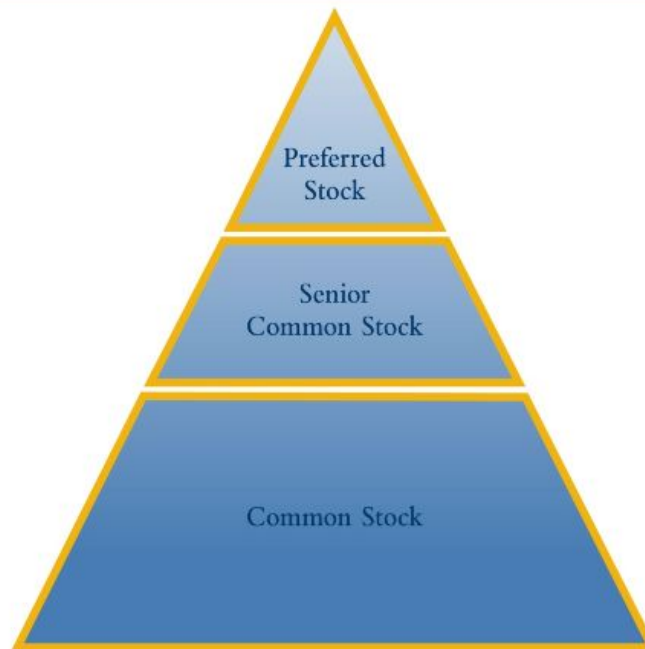
The information on this page is accurate as of August 8, 2014. Past performance is not indicative of future results.



Offering Summary: Senior Common Stock (continued)

Initial Liquidity:	Non-listed, but with limited liquidity through share redemption program based upon cash proceeds generated by distribution reinvestment plan
Conversion Liquidity:	Holders of Senior Common Stock have the right to convert into shares of Listed Common Stock five years after the date on which shares of Senior Common Stock were originally purchased
Conversion Ratio:	Purchase price (\$15.00) divided by the greatest of: (i) the closing trading price of Listed Common Stock on the date on which shares of Senior Common Stock were originally issued, (ii) the book value per share of the Listed Common Stock as determined as of the date on which shares of Senior Common Stock were originally issued, or (iii) \$13.68

The Importance of Being Senior to Listed Common



- ◆ Please Note: Distributions on Senior Common Stock have preference over those paid on Listed Common Stock, but are subordinate to those paid on existing and future series of Preferred Stock

Additional Information

- ◆ Annual distributions to be paid on 3 million shares of Senior Common Stock would be \$3.15 million
- ◆ Total distributions paid to Listed Common Stockholders for the year ended December 31, 2013 were \$19.7 million
- ◆ The distribution on the Listed Common Stock was \$0.125 per month or \$1.50 for the last 12 months
- ◆ Cumulative: Distributions paid on shares of Senior Common Stock cannot be decreased and are cumulative
- ◆ Successful track record of not reducing distributions on Listed Common Stock since inception in 2003 **Please note: distributions are not guaranteed**
- ◆ Valuation: The value of shares of Senior Common Stock will be published every quarter beginning with the quarter ending September 30, 2014
- ◆ Not Callable: Shares of Senior Common Stock are generally not callable prior to September 1, 2017

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Fees & Expenses

- ◆ If Gladstone Commercial sells 3,000,000 shares of the Senior Common Stock in the primary offering, 11% of the proceeds will be used to pay sales commissions, dealer manager fees, and other offering expenses
- ◆ Gladstone Commercial pays its affiliated investment adviser, Gladstone Management Corporation:
 - (i) an advisory fee of 2% of total stockholders' equity less the value of any preferred shares, and
 - (ii) a performance-based incentive fee

What kind of REIT is Gladstone Commercial?

- ◆ **Gladstone Commercial is a publicly-traded equity REIT incorporated in 2003 to purchase commercial and industrial properties that are leased to tenants pursuant to triple net leases (e.g., the tenant pays taxes, insurance and maintenance)**
- ◆ **Gladstone Commercial files annual and quarterly reports, proxy statements and other information with the SEC, issues press releases, conducts quarterly earnings calls with stockholders and has a full-scale investor relations department that utilizes a publicly-available investor relations website**
- ◆ **Owns 93 properties in the US:**
 - **purchase price was \$826 million**
 - **geographically diversified in 23 states**
 - **diversified by property type in 17 distinct tenant industries**
 - **diversified by 80 different tenants**
 - **97% occupied and paying as agreed**

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Executive Management Team



David Gladstone, Chairman and CEO

- Over 25 years of experience investing in mid-sized and small private businesses
- Current Chairman and CEO of all four Gladstone funds, public companies #7, #8, #9 and #10 in his career
- Former Chairman of Allied Capital Commercial (REIT) and Allied Capital and American Capital when they were successful
- Former board member of Capital Automotive REIT
- MBA from Harvard Business School, MA from American University, BA from University of Virginia



Bob Cutlip, President

- Over 25 years commercial real estate operations experience
- Former Managing Director at Sealy & Company, LLC, where he led the Southeast & Mid Atlantic operations for a vertically integrated real estate operating company
- Former EVP of First Industrial Realty Trust where he directed the acquisition and development business activities in 26 markets in North America
- Former Regional EVP of Duke-Weeks Realty, responsible for development, acquisitions and operations of the Mid-Atlantic region
- Former National Chairman of National Association of Industrial and Office Properties
- MBA from University of Southern California, MS in Civil Engineering from Vanderbilt University, BA in Civil Engineering from U.S. Air Force Academy



Terry Brubaker, Chief Operating Officer

- Over 25 years of experience in managing businesses
- Currently COO and head of portfolio management for all four Gladstone public funds
- Previously on the acquisition team of James River Corp., as it grew from \$200 million to \$7 billion in revenues
- Former group VP of two operating divisions at James River with 2,300 employees, \$440 million in revenue and 14 locations
- After James River, was CEO of two businesses with 800 employees, \$250 million in revenue and 4 locations
- Former consultant with McKinsey & Company
- MBA from Harvard Business School; BSE in Aeronautical Engineering from Princeton University

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GLADSTONE COMMERCIAL

Senior GOOD Leadership Team



Buzz Cooper, Senior Managing Director, South and Southeast Regions

- Manages regional acquisition and asset management activities; over 12 years with Gladstone
- Over 25 years of real estate investing experience
- Former principal of Allied Commercial Corporation REIT, where his responsibilities ranged from buying loans from RTC and banks to making real estate backed loans



Matt Tucker, Managing Director, Northeast and Midwest Regions

- Manages regional acquisition and asset management activities; over 9 years with Gladstone
- Over 15 years experience of real estate investing experience
- Formerly held investment and advisory positions with Liquid Realty Partners, SG Capital Partners and Chase Securities Inc.



Andrew White, Managing Director, Western Region

- Manages regional acquisition and asset management activities; joined Gladstone in August of 2013
- Over 25 years of experience of real estate investing experience
- Formerly held senior positions with MetLife Real Estate Investments, ING Realty Partners, Berwind Property Group and MIG Real Estate

More than 60 professionals as part of the Gladstone Team

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GLADSTONE COMMERCIAL

Dual Focus on Tenant and Real Estate Underwriting

Due Diligence on the Tenant

- ◆ Detailed underwriting of the tenant's business
- ◆ Review tenant's financial statements and projections
- ◆ Prove out the cash flow of the tenant's business
- ◆ Evaluate the management of the tenant's business
- ◆ Determine the tenant's risk rating and the probability of default using a proprietary tenant risk rating system

Due Diligence on the Real Estate

- ◆ Conduct an MAI Appraisal on each property
- ◆ Site visit to review property
- ◆ Survey brokers in the area to verify the value of similar properties
- ◆ Phase I or II environmental report and sometimes purchase environmental liability insurance
- ◆ Conduct a Property Assessment to assure the building is structurally sound
- ◆ Zoning and title report to assure that there are no deed problems



Investment Strategy

- ◆ **National operation:** Expanding across the U.S. for opportunities and diversification
- ◆ **Key real estate:** Own properties that are key to the tenants' operations and that have favorable configuration and location traits
- ◆ **Middle market tenants:** Use the Gladstone team's credit methods to underwrite middle market tenants to achieve better than market returns
- ◆ **Investment Criteria:**
 - **Transaction Size:** \$5MM - \$50MM
 - **Property Type:** Single tenant and anchored multi-tenant industrial, office and medical properties
 - **Transaction Type:** Third party acquisition, sale-leaseback, build-to-suit JV, build-to-suit forward purchase
 - **Lease Terms:** NNN; term of 7+ years
 - **Location:** Strong markets in the path of growth

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Gladstone Commercial's Focus on Certain Industries

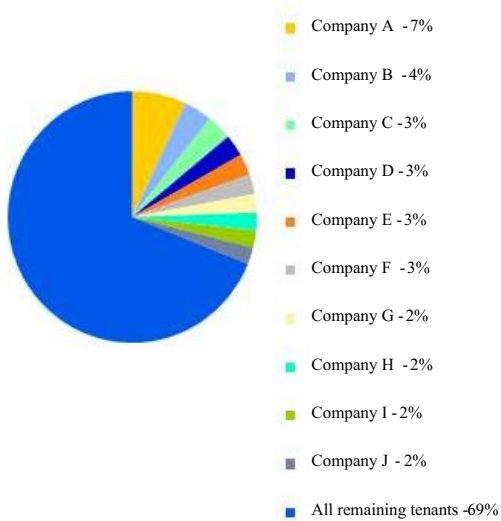
Areas Where Opportunities Exist to Own Properties

- **Light manufacturing**
 - Manufacturing of small products (plastic closures, disposable tableware)
- **Specialty manufacturing**
 - Special purpose buildings with a conditional use permit (paper manufacturing, commercial bakery)
- **Established software companies**
 - With large amount of computer equipment (data center)
- **Offices**
 - Headquarter or regional offices of the business (electronics, telecommunications)
- **Business services**
 - Service companies with logistic services (consumer products)
- **Medical services/Healthcare**
 - Buildings used to deliver medical services (medical practice)
- **Warehouses**
 - Logistics operations or distribution centers with long-term leases
- **Specialty retailing**
 - Special purpose retail outlets (drug stores)

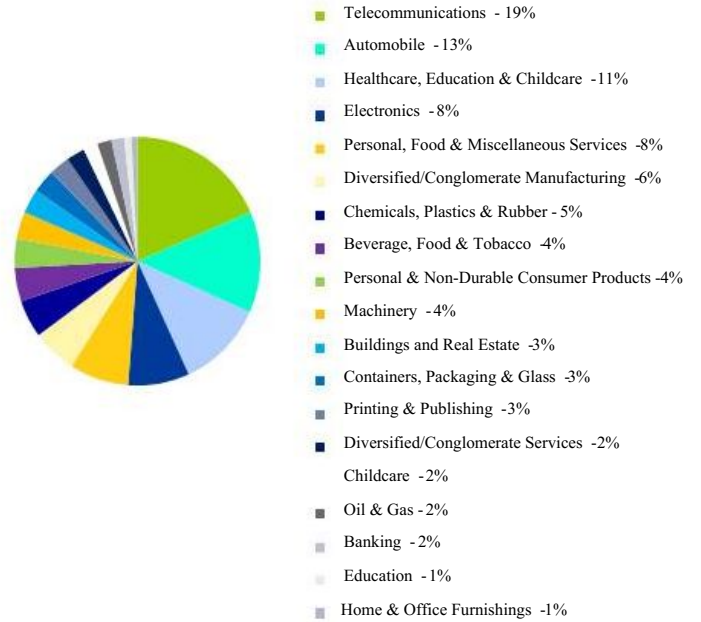
Highly Diversified Tenant Mix

No significant concentration in any tenant or in any industry.

Tenant Mix
(as a % of Total Rent)



Tenant Industry Mix
(as a % of Total Rent)



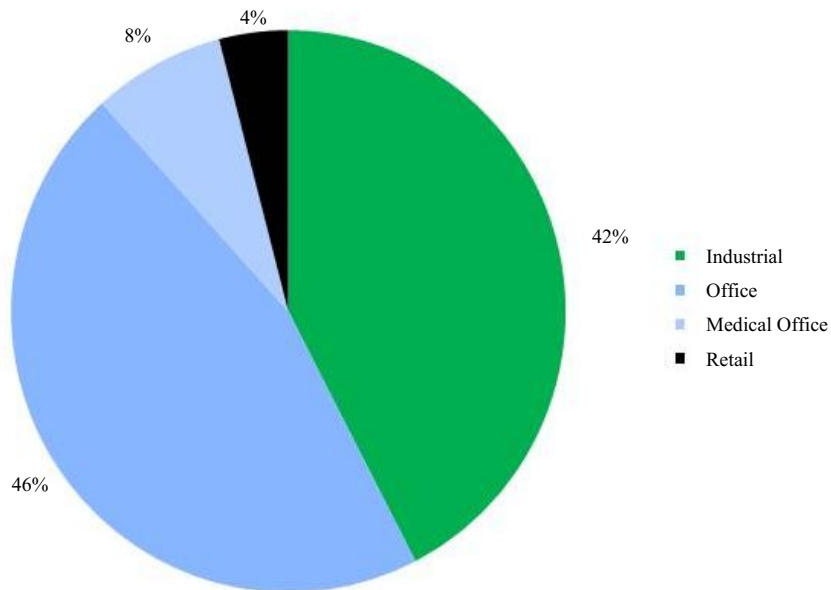
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Target Asset Mix – 46% Office / 42% Industrial

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

Current Portfolio Mix

(as a % of Total Rent)



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Select Properties

General Motors Company



- ◆ \$57.0MM transaction
- ◆ One of the 4 nationwide new Innovation Centers
- ◆ 320,000 SF office building in the Austin Technology Corridor
- ◆ Debt upgraded to investment grade following the purchase

ViaSat, Inc.



- ◆ \$18.0MM transaction
- ◆ A \$1.3BN supplier of space and mobile communications systems for commercial and defense users
- ◆ Mission critical 100,000 SF facility including Network Operations Center
- ◆ Located in the Denver Inverness Office Park

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Select Properties

Lear Corporation



- ◆ \$3.4MM transaction
- ◆ 170,000 SF manufacturing and distribution center
- ◆ Forward purchase of a build-to-suit project
- ◆ Less than one mile from Mercedes-Benz 3.7MM SF auto assembly plant in Vance, Alabama

PTC Inc.



- ◆ \$14.4MM transaction
- ◆ \$1.3BN software supplier to the supply chain industry
- ◆ 92,000 SF mission critical R&D and data center facility
- ◆ Located in the Minneapolis Lexington Preserve Business Park

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GLADSTONE COMMERCIAL

Highlights

- **Strong Growth Profile Over 24 Months**
 - **48% Increase in Total Assets**
 - **50% Increase in Total FFO**
 - **64% Increase in Total Common Market Capitalization**
- **Strong Historic and Current Returns**
 - **Since 2009, Exceeded the cumulative FTSE NAREIT Office/Industrial Index by 53%**
- **Excellent Shareholder–Aligned Team Performance**
 - **Remained 97% Occupied, Rent-Paying Through the Recent Recession**
 - **Never Lowered the Dividend nor Missed a Payment**
 - **Tenured Core Leadership Team Delivering Consistent, High Quality Results**

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GLADSTONE COMMERCIAL

Senior Common Stock Highlights

- ◆ **7% Annual Yield:** Distribution rate of \$1.05 per share per annum
- ◆ **Monthly Distributions:** Paid at the rate of \$0.0875 per share per month
Please note: distributions are not guaranteed
- ◆ **Distribution Preference:** Distribution payment preference over Listed Common Stock but subordinate to existing and future series of Preferred Stock
- ◆ **Assets in Place:** Company has rent paying buildings in place
- ◆ **Experienced Management:** More than 50 people on management team
- ◆ **Conversion Liquidity:** Holders of Senior Common Stock have the option to convert into shares of Listed Common Stock after five-years
- ◆ **Conditional Liquidity:** Quarterly repurchase of shares of Senior Common Stock limited by cash proceeds generated by the reinvestment plan
- ◆ **Valuation:** The value of shares of Senior Common Stock will be published every quarter beginning with the quarter ending September 30, 2014