MONMOUTH REAL ESTATE INVESTMENT CORP
Form 10-K
December 11, 2013

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended September 30, 2013
[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period ____________________ to ____________________

Commission File Number: 001-33177

MONMOUTH REAL ESTATE INVESTMENT CORPORATION

(Exact name of registrant as specified in its charter)

Maryland 22-1897375

(State or other jurisdiction of (I.R.S. Employer

incorporation or organization) Identification No.)

3499 Route 9 North, Suite 3-C, Freehold, NJ 07728

(Address of Principal Executive Offices) (Zip Code)

Registrant's telephone number, including area code: **(732)-577-9996**

Securities registered pursuant to Section 12(b) of the Act:

Common Stock, $0.01 par value per share – New York Stock Exchange

7.625% Series A Cumulative Redeemable Preferred Stock, $0.01 par value per share, $25 liquidation value per share – New York Stock Exchange
7.875% Series B Cumulative Redeemable Preferred Stock, $0.01 par value per share, $25 liquidation value per share – New York Stock Exchange
Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. ___Yes _X_ No
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

___Yes X No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. _X_Yes ___ No _

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

X Yes ___ No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (Section 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. _X_

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of " large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act :

Large accelerated filer	Accelerated filer _X
Non-accelerated filer	Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes X No

The aggregate market value of the voting stock of the registrant held by nonaffiliates of the registrant at March 31, 2013 was approximately $442,453,074 (based on the $11.15 closing price per share of common stock on March 28, 2013).

There were 45,435,385 shares of Common Stock outstanding as of December 2, 2013.

Documents Incorporated by Reference: None.

1

Table of Contents

TABLE OF CONTENTS

Item No.		Page No.
	Part I	
1	Business.	3
1A	Risk Factors.	7
1B	Unresolved Staff Comments.	15
2	Properties.	16
3	Legal Proceedings.	22
4	Mine Safety Disclosures.	22
	Part II	
5	Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.	23
6	Selected Financial Data.	26
7	Management’s Discussion and Analysis of Financial Condition and Results of Operations.	28
7A	Quantitative and Qualitative Disclosures About Market Risk.	48
8	Financial Statements and Supplementary Data.	49
9	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.	50
9A	Controls and Procedures.	50
9B	Other Information.	51
	Part III	
10	Directors, Executive Officers and Corporate Governance.	52
11	Executive Compensation.	55
12	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.	69
13	Certain Relationships and Related Transactions, and Director Independence.	71
14	Principal Accounting Fees and Services.	72
	Part IV	
15	Exhibits, Financial Statement Schedules.	73
	Signatures	135

Table of Contents

PART I

ITEM 1 – BUSINESS

General Development of the Business

In this 10-K, "we", "us", "our", "MREIC" or "the Company", refers to Monmouth Real Estate Investment Corporation, together with its predecessors and subsidiaries, unless the context requires otherwise.

The Company is a corporation operating as a qualified real estate investment trust (REIT) under Sections 856-860 of the Internal Revenue Code (the Code), and intends to maintain its qualification as a REIT in the future. As a qualified REIT, with limited exceptions, the Company will not be taxed under Federal and certain state income tax laws at the corporate level on taxable income that it distributes to its shareholders. For special tax provisions applicable to REITs, refer to Sections 856-860 of the Code.

The Company was established in 1968 as a New Jersey Business Trust (NJBT). In 1990, the NJBT merged into a newly formed Delaware corporation. On May 15, 2003, the Company changed its state of incorporation from Delaware to Maryland by merging with and into a Maryland corporation (the Reincorporation). The Reincorporation was approved by the Company's shareholders at the Company's annual meeting on May 6, 2003. In 2005, the Company formed a wholly-owned taxable REIT subsidiary organized in Maryland, named MREIC Financial, Inc. MREIC Financial, Inc. has had no activity from inception through September 30, 2013.

Narrative Description of Business

The Company's primary business is the ownership of real estate. Its investment focus is to own well-located, net leased industrial properties which are leased primarily to investment-grade tenants on long-term leases. In addition, the Company holds a portfolio of REIT securities.

At September 30, 2013, the Company held investments in seventy-six properties totaling approximately 9,586,000 square feet, consisting of seventy-five industrial properties and one shopping center (See Item 2 for a detailed description of the properties.) These properties are located in twenty-six states: Alabama, Arizona, Colorado, Connecticut, Florida, Georgia, Illinois, Iowa, Kansas, Maryland, Michigan, Minnesota, Mississippi, Missouri, Nebraska, New Jersey, New York, North Carolina, Ohio, Oklahoma, Pennsylvania, South Carolina, Tennessee, Texas, Virginia, and Wisconsin. All of these properties are wholly-owned with the exception of the two properties in New Jersey in which the Company owns a majority interest. All properties in which the Company has investments are leased on a net basis except an industrial park in Monaca, Pennsylvania and the shopping center located in Somerset, New Jersey.

During fiscal 2013, the Company purchased five industrial properties totaling approximately 1,050,000 square feet with net-leased terms of ten years, of which approximately 435,000 square feet or 41% is leased to a subsidiary of FedEx Corporation (FDX), FedEx Ground Package System, Inc. The purchase price for the five properties was approximately $63,750,000 and they are located in Michigan, Minnesota, Mississippi, Virginia, and Wisconsin. The funds for these five acquisitions were provided by mortgages of $41,000,000 on the properties, draws on an unsecured line of credit and cash on hand.

In the first quarter of fiscal 2014, the Company purchased five industrial properties totaling approximately 1,122,000 square feet with net-leased terms ranging from ten to twenty years, of which approximately 237,000 square feet or 21% is leased to FedEx Ground Package System, Inc. The purchase price for the five properties was approximately $73,861,000 and they are located in Kansas, Kentucky, Oklahoma, Pennsylvania and Texas, bringing the total number of states in which our properties are located to twenty-seven and bringing our total leasable square feet to approximately 10,709,000. The funds for these acquisitions were provided by mortgages of approximately $48,905,000 on the properties, draws on an unsecured line of credit and cash on hand. In addition to the five properties purchased during the first quarter of fiscal 2014, we have entered into agreements to purchase three new build-to-suit, industrial buildings that are currently being developed in Illinois, Indiana and Texas totaling approximately 690,000 square feet to be net-leased for terms ranging from ten to fifteen years to subsidiaries of

Table of Contents
FDX, consisting of 362,000 square feet or 52% to FedEx Ground Package System, Inc. and 328,000 square feet or 48% to FedEx SmartPost, Inc., a division of FedEx Ground Package System, Inc. The purchase price for the three properties will be approximately $48,789,000. Subject to satisfactory due diligence, we anticipate closing these three transactions during fiscal 2014. The Company intends to make additional acquisitions in fiscal 2014 and the funds for these acquisitions may come from mortgages, draws on our unsecured line of credit, cash on hand, sale of marketable securities, other bank borrowings, proceeds from the Dividend Reinvestment and Stock Purchase Plan (DRIP), private placements and public offerings of additional common or preferred stock or other securities. To the extent that funds or appropriate properties are not available, fewer acquisitions will be made.

Currently, the Company derives its income primarily from real estate rental operations. Rental and reimbursement revenue (excluding lease termination income in fiscal 2013 and 2012 of $690,730 and $3,222,283, respectively) was $54,607,086, $50,368,931 and $48,141,484 for the years ended September 30, 2013, 2012 and 2011, respectively. Total assets were $617,240,866 and $574,507,702 as of September 30, 2013 and 2012, respectively.

As of September 30, 2013, the Company had approximately 9,586,000 square feet of property, of which approximately 4,213,000 square feet, or approximately 44%, consisting of forty separate stand-alone leases, was leased to FedEx Corporation (FDX) and its subsidiaries, (10% to FDX and 34% to FDX subsidiaries). These properties are located in eighteen different states. As of September 30, 2013, no other tenant leased more than 5% of the Company's total square footage with the exception of Milwaukee Electric Tool Corporation, which leased 6%. During fiscal 2013, the only tenant that accounted for 5% or more of our rental and reimbursement revenue was FDX (including its subsidiaries). Our rental and reimbursement revenue from FDX and its subsidiaries totaled approximately $29,241,000, $27,202,000 and $26,883,000, or 53% (12% to FDX and 41% to FDX subsidiaries), 54% and 56% of total rent and reimbursement revenues for the years ended September 30, 2013, 2012 and 2011, respectively.

The Company's weighted-average lease expiration was approximately 6.1 and 5.3 years as of September 30, 2013 and 2012, respectively and its average annualized rent per occupied square foot as of September 30, 2013 and 2012 was $5.53 and $5.62, respectively. The Company's occupancy rate at each of the years ended September 30, 2013 and 2012 was 96.0% and 95.2%, respectively.

The Company competes with other investors in real estate for attractive investment opportunities. These investors include other equity real estate investment trusts, limited partnerships, syndications and private investors, among others. Competition in the market areas in which the Company operates is significant and affects the Company's ability to acquire or expand properties, occupancy levels, rental rates, and operating expenses of certain properties. Management has built relationships with merchant builders which have historically provided the Company with investment opportunities that fit the Company's investment policy. However, the amount of construction of new industrial properties has significantly decreased in recent years due to the economic recession and subsequent low levels of Gross Domestic Product (GDP) growth.

The Company continues to invest in both debt and equity securities of other REITs. The Company from time to time may purchase these securities on margin when the interest and dividend yields exceed the cost of the funds. This securities portfolio, to the extent not pledged to secure borrowings, provides the Company with liquidity and additional income. Such securities are subject to risk arising from adverse changes in market rates and prices, primarily interest rate risk relating to debt securities and market price risk relating to equity securities. From time to time, the Company may use derivative instruments to mitigate interest rate risk, however, this has not occurred during any periods presented. At September 30, 2013 and 2012, the Company had $45,451,740 and $61,685,173, respectively, of securities available for sale. The unrealized net gain on securities available for sale at September 30, 2013 and 2012 was $1,989,268 and $5,383,937, respectively.

Investment and Other Policies

The Company’s investment policy is to concentrate its investments in the area of long-term net-leased industrial properties, leased primarily to investment-grade tenants. The Company’s strategy is to obtain a favorable

Table of Contents

yield spread between the income from the net-leased industrial properties and interest costs. In addition, management believes that investments in well-located industrial properties provide a potential for long-term capital appreciation. There is the risk that, upon expiration of leases, the properties will become vacant or will be re-leased at lower rents. The results obtained by the Company by re-leasing the properties will depend on the market for industrial properties at that time.

The Company seeks to invest in well-located, modern buildings, leased pursuant to long-term leases, primarily to investment-grade tenants. In management’s opinion, the newly built facilities meet these criteria. The Company has a concentration of properties leased to FDX and FDX subsidiaries. This is a risk factor that shareholders should consider. FDX is a publicly-owned corporation and information on its financial condition and business operations is readily available to the Company’s shareholders.

Prior to July 31, 2007, the Company operated as part of a group of three public companies (all REITs) which included UMH Properties, Inc. (UMH) and Monmouth Capital Corporation (Monmouth Capital) (the affiliated companies). Monmouth Capital merged into the Company on July 31, 2007. The Company continues to operate in conjunction with UMH. UMH has focused its investing in manufactured home communities. Some general and administrative expenses are allocated between the Company and UMH based on use or services provided, pursuant to a cost sharing arrangement between the affiliated companies. The Company has substantially reduced the cost sharing of salaries with UMH and currently has ten full-time employees and one part-time employee whose time is solely dedicated to the Company. In addition, the Company currently has three full-time employees consisting of the Company’s General Counsel, Controller and Director of Investor Relations whose time is allocated 70% to the Company and 30% to UMH. During fiscal 2012, the Company transitioned its property management in-house.

The Company may issue securities for property; however, this has not occurred to date. The Company may repurchase or reacquire its shares from time to time if, in the opinion of the Board of Directors, such acquisition is advantageous to the Company. No shares were repurchased or reacquired during fiscal 2013 and as of September 30, 2013, the Company does not own any of its own shares.

Property Management

Through July 31, 2012, sixty-eight of the Company’s then wholly-owned industrial properties and the shopping center in Somerset, NJ, in which the Company holds a two-thirds interest, were managed on behalf of the Company by Cronheim Management Services, Inc. (CMS), a division of David Cronheim Company, a company affiliated with one of our directors as discussed in the Consolidated Financial Statements. CMS provided sub-agents as regional managers for the Company’s properties. During fiscal 2011 and through July 31, 2012, the Company was subject to management contracts with CMS for a fixed annual fee of $380,000. On February 1, 2012, the management fee contract was increased to $410,000 per annum. During fiscal years 2012 and 2011, the Company also agreed to reimburse CMS for fees paid to subagents. The Company paid CMS management fees (net of allocation to the minority owner of the Somerset, New Jersey shopping center) of $562,452 and $547,751 during fiscal 2012 and 2011, respectively, for the management of the properties subject to the management contract. Effective August 1, 2012, the

Company’s management contract with CMS terminated, the Company became a fully integrated and self-managed real estate company and these sixty-eight wholly-owned industrial properties and the shopping center in Somerset, NJ became self-managed by the Company. CMS also received $15,950 and $15,400 in lease commissions in fiscal 2012 and 2011, respectively. The David Cronheim Mortgage Corporation, an affiliated company of CMS, received $241,500, $161,000 and $-0- in mortgage brokerage commissions in fiscal 2013, 2012 and 2011.

Subsequent to the termination of the CMS management contract, the Company paid subagent fees directly to the subagents in the amount of $228,476 for fiscal year ended 2013.

The two industrial properties in Olive Branch, Mississippi are managed by Industrial Developments International (IDI). Management fees paid to IDI for the fiscal years ended 2013 and 2012 were $42,550 and $11,766, respectively.

5

Table of Contents

The industrial property in Streetsboro, Ohio is managed by GEIS Companies (GEIS). Management fees paid to GEIS for the fiscal years ended 2013 and 2012 were $50,385 and $52,823, respectively.

The industrial property in Carlstadt, New Jersey is owned by Palmer Terrace Realty Associates, LLC. The Company owns 51% of Palmer Terrace Realty Associates, LLC. This property is managed by Marcus Associates, an entity affiliated with the owner of the 49% noncontrolling interest. Management fees paid by Palmer Terrace Realty Associates, LLC to Marcus Associates for each of the fiscal years ended 2013, 2012 and 2011 totaled $15,804.

The industrial property in Wheeling, Illinois was owned by Wheeling Partners, LLC. During fiscal 2011, the Company purchased the remaining 37% noncontrolling interest in Wheeling Partners, LLC for approximately $4,100,000. Prior to the Company purchasing the remaining 37% noncontrolling interest, this property was managed by Jones Development Company, an entity affiliated with the former owner of the 37% noncontrolling interest. Management fees paid by Wheeling Partners, LLC to Jones Development Company for 2011 were $3,464.

Environmental Matters

Under various federal, state and local environmental laws, statutes, ordinances, rules and regulations, an owner of real property may be liable for the costs of removal or remediation of certain hazardous or toxic substances at, on, in or under such property as well as certain other potential costs relating to hazardous or toxic substances. These liabilities may include government fines and penalties and damages for injuries to persons and adjacent property. Such laws often impose liability without regard to whether the owner knew of, or was responsible for, the presence or disposal of such substances. Although generally our tenants are primarily responsible for any environmental damages and claims related to the leased premises, in the event of the bankruptcy or inability of a tenant of such premises to satisfy any obligations with respect to such environmental liability, the Company may be required to satisfy such obligations. In addition, as the owner of such properties, the Company may be held directly liable for any such damages or claims irrespective of the provisions of any lease.

From time to time, in connection with managing the properties or upon acquisition of a property, the Company authorizes the preparation of Phase I and, when necessary, Phase II environmental reports with respect to its properties. Based upon such environmental reports and the Company’s ongoing review of its properties, as of the date of this Annual Report, the Company is not aware of any environmental condition with respect to any of its properties which it believes would be reasonably likely to have a material adverse effect on its financial condition and/or results of operations. There can be no assurance, however, that (1) the discovery of environmental conditions, the existence or severity of which were previously unknown; (2) changes in law; (3) the conduct of tenants; or (4) activities relating to properties in the vicinity of our properties, will not expose the Company to material liability in the future.

Contact Information

Additional information about the Company can be found on the Company's website which is located at www.mreic.com. The Company makes available, free of charge, on or through its website, annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission (SEC). You can also read and copy any materials the Company files with the SEC at its Public Reference Room at 100 F Street, NE, Washington, DC 20549 (1-800-SEC-0330). The SEC maintains an Internet site (http://www.sec.gov) that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC.

Table of Contents
ITEM 1A – RISK FACTORS

Real Estate Industry Risks

Our business and financial results are affected by local real estate conditions in areas where we own properties. We may be affected adversely by general economic conditions and local real estate conditions. For example, an oversupply of industrial properties in a local area or a decline in the attractiveness of our properties to tenants and potential tenants would have a negative effect on us.

Other factors that may affect general economic conditions or local real estate conditions include:

- population and demographic trends;
- employment and personal income trends;
- zoning, use and other regulatory restrictions;
- income tax laws;
- changes in interest rates and availability and costs of financing;
- competition from other available real estate;
- in instances where our properties are not under a net lease, our ability to provide adequate maintenance and insurance;
- in instances where our properties are not under a net lease and thus we may not be reimbursed by our tenants, increased operating costs, including insurance premiums, utilities and real estate taxes.

We may be unable to compete with our larger competitors and other alternatives available to tenants or potential tenants of our properties. The real estate business is highly competitive. We compete for properties with other real estate investors and purchasers, including other real estate investment trusts, limited partnerships, syndications and private investors, some of whom may have greater financial resources, revenues and geographical diversity than we have. Furthermore, we compete for tenants with other property owners. All of our industrial properties are subject to significant local competition. We also compete with a wide variety of institutions and other investors for capital funds necessary to support our investment activities and asset growth. To the extent that we are unable to effectively compete in the marketplace, our business may be adversely affected.

We are subject to significant regulation that inhibits our activities and may increase our costs**.** Local zoning and use laws, environmental statutes and other governmental requirements may restrict expansion, rehabilitation and reconstruction activities. These regulations may prevent us from taking advantage of economic opportunities. Legislation such as the Americans with Disabilities Act may require us to modify our properties at a substantial cost and noncompliance could result in the imposition of fines or an award of damages to private litigants. Future legislation may impose additional requirements. We may incur additional costs to comply with any future requirements.

Our investments are concentrated in the industrial distribution sector and our business would be adversely affected by an economic downturn in that sector**.** Our investments in real estate assets are primarily concentrated in the industrial distribution sector. This concentration may expose us to the risk of economic downturns in this sector to a greater extent than if our business activities included a more significant portion of other sectors of the real estate industry.

Table of Contents

Risks Associated with Our Properties

We may be unable to renew or extend leases or re-let space as leases expire. While we seek to invest in well-located, modern buildings, leased to investment-grade tenants on long-term leases, a number of our properties are subject to short-term leases. When a lease expires, a tenant may elect not to renew or extend it. We may not be able to re-let the property on similar terms, if we are able to re-let the property at all. The terms of renewal, extension or re-lease (including the cost of required renovations and/or concessions to tenants) may be less favorable to us than the prior lease. If we are unable to re-let all or a substantial portion of our properties, or if the rental rates upon such re-letting are significantly lower than expected rates, our cash generated before debt repayments and capital expenditures and our ability to make expected distributions, may be adversely affected. We have established an annual budget for renovation and re-letting expenses that we believe is reasonable in light of each property's operating history and local market characteristics. This budget, however, may not be sufficient to cover these expenses.

Our business is substantially dependent on FedEx Corporation. FDX, together with its subsidiaries, is our largest tenant, consisting of forty separate stand-alone leases located in eighteen different states. As of September 30, 2013, the Company had approximately 9,586,000 square feet of property, of which approximately 4,213,000 square feet, or approximately 44%, was leased to FDX and its subsidiaries, (10% to FDX and 34% to FDX subsidiaries). Rental and reimbursement revenue from FDX and its subsidiaries are approximately 53% (12% to FDX and 41% to FDX subsidiaries) of total rental and reimbursement revenue for fiscal 2013. If FDX and its subsidiaries were to terminate its leases with us or become unable to make lease payments because of a downturn in its business or otherwise, our financial condition and ability to make expected distributions would be materially and adversely affected.

We are subject to risks involved in single tenant leases. We focus our acquisition activities on real properties that are net-leased to single tenants. Therefore, the financial failure of, or other default by, a single tenant under its lease is likely to cause a significant reduction in the operating cash flow generated by the property leased to that tenant and might decrease the value of that property. In addition, we will be responsible for 100% of the operating costs following a vacancy at a single tenant building.

We may be affected negatively by tenant financial difficulties and leasing delays. At any time, a tenant may experience a downturn in its business that may weaken its financial condition. Similarly, a general decline in the economy may result in a decline in the demand for space at our industrial properties. As a result, our tenants may delay lease commencement, fail to make rental payments when due, or declare bankruptcy. Any such event could result in the termination of that tenant's lease and losses to us, resulting in a decrease of distributions to investors.

We receive a substantial portion of our income as rents under long-term leases. If tenants are unable to comply with the terms of their leases because of rising costs or falling revenues, we, in our sole discretion, may deem it advisable to modify lease terms to allow tenants to pay a lower rental rate or a smaller share of operating costs, taxes and insurance. If a tenant becomes insolvent or bankrupt, we cannot be sure that we could recover the premises from the tenant promptly or from a trustee or debtor-in-possession in any bankruptcy proceeding relating to the tenant. We also cannot be sure that we would receive rent in the proceeding sufficient to cover our expenses with respect to the premises. If a tenant becomes bankrupt, the federal bankruptcy code will apply and, in some instances, may restrict the amount and recoverability of our claims against the tenant. A tenant's default on its obligations to us for any reason could adversely affect our financial condition and the cash we have available for distribution.

We may be unable to sell properties when appropriate because real estate investments are illiquid. Real estate investments generally cannot be sold quickly and, therefore, will tend to limit our ability to vary our property portfolio promptly in response to changes in economic or other conditions. In addition, the Code limits our ability to sell our properties. The inability to respond promptly to changes in the performance of our property portfolio could adversely affect our financial condition and ability to service debt and make distributions to our stockholders.

***Environmental liabilities could affect our profitability*.** We face possible environmental liabilities. Environmental laws today can impose liability on a previous owner or operator of a property that owned or operated

Table of Contents

the property at a time when hazardous or toxic substances were disposed on, or released from, the property. A conveyance of the property, therefore, does not relieve the owner or operator from liability. As a current or former owner and operator of real estate, we may be required by law to investigate and clean up hazardous substances released at or from the properties we currently own or operate or have in the past owned or operated. We may also be liable to the government or to third parties for property damage, investigation costs and cleanup costs. In addition, some environmental laws create a lien on the contaminated site in favor of the government for damages and costs the government incurs in connection with the contamination. Contamination may adversely affect our ability to sell or lease real estate or to borrow using the real estate as collateral. We are not aware of any environmental liabilities relating to our investment properties which would have a material adverse effect on our business, assets, or results of operations. However, we cannot assure you that environmental liabilities will not arise in the future and that such liabilities will not have a material adverse effect on our business, assets or results of operation.

Actions by our competitors may decrease or prevent increases in the occupancy and rental rates of our properties. We compete with other owners and operators of real estate, some of which own properties similar to ours in the same submarkets in which our properties are located. If our competitors offer space at rental rates below current market rates or below the rental rates we currently charge our tenants, we may lose potential tenants, and we may be pressured to reduce our rental rates below those we currently charge in order to retain tenants when our tenants' leases expire. As a result, our financial condition, cash flow and cash available for distribution, the market price of our preferred and common stock and our ability to satisfy our debt service obligations could be materially and adversely affected.

Coverage under our existing insurance policies may be inadequate to cover losses. Weather conditions and natural disasters such as hurricanes, tornados, earthquakes, floods, droughts, fires and other environmental conditions can harm our business operations. We generally maintain insurance policies related to our business, including casualty, general liability and other policies, covering our business operations, employees and assets. However, we would be required to bear all losses that are not adequately covered by insurance. In addition, there are certain losses that are not generally insured because it is not economically feasible to insure against them, including losses due to riots or acts of war. If an uninsured loss or a loss in excess of insured limits were to occur with respect to one or more of our properties, then we could lose the capital we invested in the properties, as well as the anticipated future revenue from the properties and, in the case of debt, which is with recourse to us, we would remain obligated for any mortgage debt or other financial obligations related to the properties. Although we believe that our insurance programs are adequate, we cannot assure you that we will not incur losses in excess of our insurance coverage, or that we will be able to obtain insurance in the future at acceptable levels and reasonable costs.

We may be unable to acquire properties on advantageous terms or acquisitions may not perform as we expect. We have acquired individual properties and portfolios of properties, and intend to continue to do so. Our acquisition activities and their success are subject to the following risks:

· when we are able to locate a desired property, competition from other real estate investors may significantly increase the purchase price;

· acquired properties may fail to perform as expected;

· the actual costs of repositioning or redeveloping acquired properties may be higher than our estimates;

· acquired properties may be located in new markets where we face risks associated with an incomplete knowledge or understanding of the local market, a limited number of established business relationships in the area and a relative unfamiliarity with local governmental and permitting procedures;

· we may be unable to quickly and efficiently integrate new acquisitions, particularly acquisitions of portfolios of properties, into our existing operations, and as a result, our results of operations and financial condition could be adversely affected; and

·

we may acquire properties subject to liabilities and without any recourse, or with only limited recourse, to the seller. As a result, if a claim were asserted against us based upon ownership of those properties, we might have to pay substantial sums to resolve it, which could adversely affect our cash flow and financial condition.

9

Table of Contents

Financing Risks

We face inherent risks associated with our debt incurrence. We finance a portion of our investments in properties and marketable securities through the incurrence of debt. We are subject to the risks normally associated with debt financing, including the risk that our cash flow will be insufficient to meet required payments of principal and interest. In addition, debt creates other risks, including:

- rising interest rates on our variable rate debt;
- inability to repay or refinance existing debt as it matures, which may result in forced disposition of assets on disadvantageous terms;
- refinancing terms that are less favorable than the terms of existing debt; and
- inability to meet required payments of principal and/or interest.

We mortgage our properties, which subjects us to the risk of foreclosure in the event of non-payment. We mortgage many of our properties to secure payment of indebtedness and, if we are unable to meet mortgage payments, the property could be foreclosed upon or transferred to the mortgagee with a consequent loss of income and asset value. A foreclosure of one or more of our properties could adversely affect our financial condition, results of operations, cash flow, and ability to service debt and make distributions and the market price of our preferred and common stock.

We face risks related to "balloon payments" and refinancings. Certain of our mortgages will have significant outstanding principal balances on their maturity dates, commonly known as "balloon payments". There can be no assurance that we will have the funds available to fund the balloon payment or that we will be able to refinance the debt on favorable terms or at all. To the extent we cannot either pay off or refinance this debt on favorable terms or at all, we may be forced to dispose of properties on disadvantageous terms or pay higher interest rates, either of which could have an adverse impact on our financial performance and ability to service debt and make distributions.

We face risks associated with our dependence on external sources of capital. In order to qualify as a REIT, we are required each year to distribute to our stockholders at least 90% of our REIT taxable income, and we are subject to tax on our income to the extent it is not distributed. Because of this distribution requirement, we may not be able to fund all future capital needs from cash retained from operations. As a result, to fund capital needs, we rely on third-party sources of capital, which we may not be able to obtain on favorable terms, if at all. Our access to third-party sources of capital depends upon a number of factors, including (i) general market conditions; (ii) the market's perception of our growth potential; (iii) our current and potential future earnings and cash distributions; and (iv) the market price of our capital stock. Additional debt financing may substantially increase our debt-to-total capitalization ratio. Additional equity issuances may dilute the holdings of our current stockholders.

We may become more highly leveraged, resulting in increased risk of default on our obligations and an increase in debt service requirements which could adversely affect our financial condition and results of operations and our ability to pay distributions. We have incurred, and may continue to incur, indebtedness in furtherance of our activities**.** Our governing documents do not limit the amount of indebtedness we may incur. Accordingly, our Board of Directors may authorize us to incur additional debt and would do so, for example, if it were necessary to maintain our status as a REIT. We could therefore become more highly leveraged, resulting in an increased risk of default on our obligations and an increase in debt service requirements which could adversely affect our financial condition and results of operations and our ability to pay distributions to stockholders.

Covenants in our loan documents could limit our flexibility and adversely affect our financial condition. The terms of our various credit agreements and other indebtedness require us to comply with a number of customary financial and other covenants, such as maintaining debt service coverage and leverage ratios and maintaining insurance coverage. These covenants may limit our flexibility in our operations, and breaches of these covenants could result in defaults under the instruments governing the applicable indebtedness even if we had satisfied our payment obligations. If we were to default under credit agreements or other debt instruments, our financial condition could be adversely affected.

Table of Contents

Other Risks

Current economic conditions, including recent volatility in the capital and credit markets, could harm our business, results of operations and financial condition. The United States is continuing to experience the effects of an economic recession, during which the capital and credit markets experienced extreme volatility and disruption. The current economic environment has been affected by dramatic declines in the stock and housing markets, increases in foreclosures, unemployment and living costs as well as limited access to credit. This economic situation has impacted and is expected to continue to impact consumer spending levels. A sustained economic downward trend could impact our tenants' ability to meet their lease obligations due to poor operating results, lack of liquidity, bankruptcy or other reasons. Our ability to lease space and negotiate rents at advantageous rates could also be affected in this type of economic environment. Additionally, if markets again experience periods of volatility, access to capital and credit markets could be disrupted over a more extended period, which may make it difficult to obtain the financing we may need for future growth and/or to meet our debt service obligations as they mature. Any of these events could harm our business, results of operations and financial condition.

We may not be able to access adequate cash to fund our business. Our business requires access to adequate cash to finance our operations, distributions, capital expenditures, debt service obligations, development and redevelopment costs and property acquisition costs, if any. We expect to generate the cash to be used for these purposes primarily with operating cash flow, borrowings under secured and unsecured term loans, proceeds from sales of strategically identified assets and, when market conditions permit, through the issuance of debt and equity securities from time to time. We may not be able to generate sufficient cash to fund our business, particularly if we are unable to renew or extend leases, lease vacant space or re-lease space as leases expire according to expectations.

Moreover, difficult conditions in the financial markets and the economy generally have caused many lenders to suffer substantial losses, thereby causing many financial institutions to seek additional capital, to merge with other institutions and, in some cases, to fail. As a result, the real estate debt markets are continuing to experience a period of uncertainty, which may reduce our access to funding alternatives, or our ability to refinance debt on favorable terms, or at all. In addition, market conditions, such as the current global economic environment, may also hinder our ability to sell strategically identified assets and access the debt and equity capital markets. If these conditions persist, we may need to find alternative ways to access cash to fund our business, including distributions to shareholders. Such alternatives may include, without limitation, curtailing development or redevelopment activity, disposing of one or more of our properties, possibly on disadvantageous terms, or entering into or renewing or extending leases on less favorable terms than we otherwise would, all of which could adversely affect our profitability. If we are unable to generate, borrow or raise adequate cash to fund our business through traditional or alternative means, our business, operations, financial condition and distributions to shareholders could be adversely affected.

We are dependent on key personnel. Our executive and other senior officers have a significant role in our success. Our ability to retain our management group or to attract suitable replacements should any members of the management group leave is dependent on the competitive nature of the employment market. The loss of services from key members of the management group or a limitation in their availability could adversely affect our financial condition and cash flow. Further, such a loss could be negatively perceived in the capital markets.

We may amend our business policies without stockholder approval. Our Board of Directors determines our growth, investment, financing, capitalization, borrowing, REIT status, operations and distributions policies. Although our

Board of Directors has no present intention to amend or reverse any of these policies, they may be amended or revised without notice to stockholders. Accordingly, stockholders may not have control over changes in our policies. We cannot assure you that changes in our policies will serve fully the interests of all stockholders.

The market value of our preferred and common stock could decrease based on our performance and market perception and conditions. The market value of our preferred and common stock may be based primarily upon the market's perception of our growth potential and current and future cash dividends, and may be secondarily based upon the real estate market value of our underlying assets. The market price of our preferred and common stock is influenced by their respective distributions relative to market interest rates. Rising interest rates may lead potential buyers of our stock to expect a higher distribution rate, which could adversely affect the market price of our

Table of Contents

stock. In addition, rising interest rates could result in increased expense, thereby adversely affecting cash flow and our ability to service our indebtedness and pay distributions.

There are restrictions on the ownership and transfer of our capital stock. To maintain our qualification as a REIT under the Code, no more than 50% in value of our outstanding capital stock may be owned, actually or by attribution, by five or fewer individuals, as defined in the Code to also include certain entities, during the last half of a taxable year. Accordingly, our charter contains provisions restricting the ownership and transfer of our capital stock. These restrictions may discourage a tender offer or other transaction, or a change in management or of control of us that might involve a premium price for our common stock or preferred stock or that our stockholders otherwise believe to be in their best interests, and may result in the transfer of shares acquired in excess of the restrictions to a trust for the benefit of a charitable beneficiary and, as a result, the forfeiture by the acquirer of the benefits of owning the additional shares.

Our earnings are dependent, in part, upon the performance of our investment portfolio. As permitted by the Code, we invest in and own securities of other REITs. To the extent that the value of those investments declines or those investments do not provide an attractive return, our earnings and cash flow could be adversely affected.

We are subject to restrictions that may impede our ability to effect a change in control. Certain provisions contained in our charter and bylaws and certain provisions of Maryland law may have the effect of discouraging a third party from making an acquisition proposal for us and thereby inhibit a change in control. These provisions include the following:

- Our charter provides for three classes of directors with the term of office of one class expiring each year, commonly referred to as a "staggered board." By preventing common stockholders from voting on the election of more than one class of directors at any annual meeting of stockholders, this provision may have the effect of keeping the current members of our Board of Directors in control for a longer period of time than stockholders may desire.

- Our charter generally limits any holder from acquiring more than 9.8% (in value or in number, whichever is more restrictive) of our outstanding equity stock (defined as all of our classes of capital stock, except our excess stock). While this provision is intended to assist us in qualifying as a REIT for Federal income tax purposes, the ownership limit may also limit the opportunity for stockholders to receive a premium for their shares of common stock that might otherwise exist if an investor was attempting to assemble a block of shares in excess of 9.8% of the outstanding shares of equity stock or otherwise effect a change in control.

- The request of stockholders entitled to cast a majority of the votes entitled to be cast at such meeting is necessary for stockholders to call a special meeting. We also require advance notice from stockholders for the nomination of directors or proposals of business to be considered at a meeting of stockholders.

Our Board of Directors may authorize and cause us to issue securities without stockholder approval. Under our charter, the board has the power to classify and reclassify any of our unissued shares of capital stock into shares of capital stock with such preferences, rights, powers and restrictions as the Board of Directors may determine. The authorization and issuance of a new class of capital stock could have the effect of delaying or preventing someone from taking control of us, even if a change in control were in our stockholders’ best interests.

Maryland business statutes may limit the ability of a third party to acquire control of us. The duties of directors of a Maryland corporation do not require them to, among other things (a) accept, recommend or respond to any proposal by a person seeking to acquire control of the corporation, (b) authorize the corporation to redeem any rights under, or modify or render inapplicable, any stockholders rights plan, (c) make a determination under the Maryland Business Combination Act or the Maryland Control Share Acquisition Act to exempt any person or transaction from the requirements of those provisions, or (d) act or fail to act solely because of the effect of the act or failure to act may have on an acquisition or potential acquisition of control of the corporation or the amount or type of consideration that may be offered or paid to the stockholders in an acquisition. The Maryland Business

Table of Contents

Combination Act provides that unless exempted, a Maryland corporation may not engage in certain business combinations, including mergers, dispositions of 10 percent or more of its assets, certain issuances of shares of stock and other specified transactions, with an “interested stockholder” or an affiliate of an interested stockholder for five years after the most recent date on which the interested stockholder became an interested stockholder, and thereafter unless specified criteria are met. An interested stockholder is generally a person owning or controlling, directly or indirectly, 10 percent or more of the voting power of the outstanding stock of the Maryland corporation. In our charter, we have expressly elected that the Maryland Business Combination Act not govern or apply to any transaction with our affiliated company UMH, a Maryland corporation.

We cannot assure you that we will be able to pay distributions regularly. Our ability to pay distributions in the future is dependent on our ability to operate profitably and to generate cash from our operations and the operations of our subsidiaries. We cannot guarantee that we will be able to pay distributions on a regular quarterly basis in the future.

If our leases are not respected as true leases for federal income tax purposes, we would fail to qualify as a REIT. To qualify as a REIT, we must, among other things, satisfy two gross income tests, under which specified percentages of our gross income must be passive income, such as rent. For the rent paid pursuant to our leases to qualify for purposes of the gross income tests, the leases must be respected as true leases for federal income tax purposes and not be treated as service contracts, joint ventures or some other type of arrangement. We believe that our leases will be respected as true leases for federal income tax purposes. However, there can be no assurance that the Internal Revenue Service (IRS) will agree with this view. If the leases are not respected as true leases for federal income tax purposes, we would not be able to satisfy either of the two gross income tests applicable to REITs, and we could lose our REIT status.

Failure to make required distributions would subject us to additional tax. In order to qualify as a REIT, we must, among other requirements, distribute, each year, to our stockholders at least 90 percent of our taxable income, excluding net capital gains. To the extent that we satisfy the 90 percent distribution requirement, but distribute less than 100 percent of our taxable income, we will be subject to federal corporate income tax on our undistributed income. In addition, we will incur a 4 percent nondeductible excise tax on the amount, if any, by which our distributions (or deemed distributions) in any year are less than the sum of:

- 85 percent of our ordinary income for that year;
- 95 percent of our capital gain net earnings for that year; and
- 100 percent of our undistributed taxable income from prior years.

To the extent we pay out in excess of 100 percent of our taxable income for any tax year, we may be able to carry forward such excess to subsequent years to reduce our required distributions for purposes of the 4 percent excise tax in such subsequent years. We intend to pay out our income to our stockholders in a manner intended to satisfy the 90 percent distribution requirement. Differences in timing between the recognition of income and the related cash receipts or the effect of required debt amortization payments could require us to borrow money or sell assets to pay out enough of our taxable income to satisfy the 90 percent distribution requirement and to avoid corporate income tax.

We may not have sufficient cash available from operations to pay distributions, and, therefore, distributions may be made from borrowings. The actual amount and timing of distributions will be determined by our Board of Directors in its discretion and typically will depend on the amount of cash available for distribution, which will depend on items such as current and projected cash requirements and tax considerations. As a result, we may not have sufficient cash available from operations to pay distributions as required to maintain our status as a REIT. Therefore, we may need to borrow funds to make sufficient cash distributions in order to maintain our status as a REIT, which may cause us to incur additional interest expense as a result of an increase in borrowed funds for the purpose of paying distributions.

We may be required to pay a penalty tax upon the sale of a property. The federal income tax provisions applicable to REITs provide that any gain realized by a REIT on the sale of property held as inventory or other

13

Table of Contents

property held primarily for sale to customers in the ordinary course of business is treated as income from a "prohibited transaction" that is subject to a 100 percent penalty tax. Under current law, unless a sale of real property qualifies for a safe harbor, the question of whether the sale of real estate or other property constitutes the sale of property held primarily for sale to customers is generally a question of the facts and circumstances regarding a particular transaction. We intend that we and our subsidiaries will hold the interests in the real estate for investment with a view to long-term appreciation, engage in the business of acquiring and owning real estate, and make occasional sales as are consistent with our investment objectives. We do not intend to engage in prohibited transactions. We cannot assure you, however, that we will only make sales that satisfy the requirements of the safe harbors or that the IRS will not successfully assert that one or more of such sales are prohibited transactions.

We may be adversely affected if we fail to qualify as a REIT. If we fail to qualify as a REIT, we will not be allowed to deduct distributions to stockholders in computing our taxable income and will be subject to Federal income tax, including any applicable alternative minimum tax, at regular corporate rates. In addition, we might be barred from qualification as a REIT for the four years following disqualification. The additional tax incurred at regular corporate rates would reduce significantly the cash flow available for distribution to stockholders and for debt service. Furthermore, we would no longer be required to make any distributions to our stockholders as a condition to REIT qualification. Any distributions to stockholders would be taxable as ordinary income to the extent of our current and accumulated earnings and profits, although such dividend distributions would be subject to a top federal tax rate of 15% through 2013. Corporate distributees, however, may be eligible for the dividends received deduction on the distributions, subject to limitations under the Code.

To qualify as a REIT, we must comply with certain highly technical and complex requirements. We cannot be certain we have complied, and will always be able to comply, with the requirements to qualify as a REIT because there are few judicial and administrative interpretations of these provisions. In addition, facts and circumstances that may be beyond our control may affect our ability to continue to qualify as a REIT. We cannot assure you that new legislation, regulations, administrative interpretations or court decisions will not change the tax laws significantly with respect to our qualification as a REIT or with respect to the Federal income tax consequences of qualification. We believe that we have qualified as a REIT since our inception and intend to continue to qualify as a REIT. However, we cannot assure you that we are qualified or will remain qualified.

There is a risk of changes in the tax law applicable to real estate investment trusts. Because the IRS, the United States Treasury Department and Congress frequently review federal income tax legislation, we cannot predict whether, when or to what extent new federal tax laws, regulations, interpretations or rulings will be adopted. Any of such legislative action may prospectively or retroactively modify our tax treatment and, therefore, may adversely affect taxation of us and/or our investors.

We may be unable to comply with the strict income distribution requirement applicable to REITs. As noted above, to maintain qualification as a REIT under the Code, a REIT must annually distribute to its stockholders at least 90% of its REIT taxable income, excluding the dividends paid deduction and net capital gains. This requirement limits our ability to accumulate capital. We may not have sufficient cash or other liquid assets to meet the 90% distribution requirements. Difficulties in meeting the 90% distribution requirement might arise due to competing demands for our funds or to timing differences between tax reporting and cash receipts and disbursements, because income may have to be reported before cash is received, because expenses may have to be paid before a deduction is allowed, because deductions may be disallowed or limited or because the IRS may make a determination that adjusts reported income. In those situations, we might be required to borrow funds or sell properties on adverse terms in order to meet the 90% distribution requirement and interest and penalties could apply which could adversely affect our financial condition. If we fail to satisfy the 90% distribution requirement, we would cease to be taxed as a REIT.

If we were considered to actually or constructively pay a "preferential dividend" to certain of our stockholders, our status as a REIT could be adversely affected. In order to qualify as a REIT, we must distribute annually to our stockholders at least 90% of our REIT taxable income, which does not equal net income as calculated in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”), determined without regard to the deduction for dividends paid and excluding net capital gain. In order for distributions to be counted as satisfying the annual distribution requirements for REITs, and to provide us with a

Table of Contents

REIT-level tax deduction, the distributions must not be "preferential dividends". A dividend is not a preferential dividend if the distribution is pro rata among all outstanding shares of stock within a particular class, and in accordance with the preferences among different classes of stock as set forth in our organizational documents. Currently, there is uncertainty as to the application of the law in certain circumstances and the IRS's position regarding whether certain arrangements that REITs have with their stockholders could give rise to the inadvertent payment of a preferential dividend (e.g., the pricing methodology for stock purchased under a distribution reinvestment plan inadvertently causing a greater than 5% discount on the price of such stock purchased). There is no deminimis exception with respect to preferential dividends; therefore, if the IRS were to take the position that we inadvertently paid a preferential dividend, we may be deemed to have failed the 90% distribution test, and our status as a REIT could be terminated for the year in which such determination is made if we were unable to cure such failure. While we believe that our operations have been structured in such a manner that we will not be treated as inadvertently paying preferential dividends, we can provide no assurance to this effect.

Notwithstanding our status as a REIT, we are subject to various federal, state and local taxes on our income and property. For example, we will be taxed at regular corporate rates on any undistributed taxable income, including undistributed net capital gains; provided, however, that properly designated undistributed capital gains will effectively avoid taxation at the stockholder level. We may be subject to other Federal income taxes and may also have to pay some state income or franchise taxes because not all states treat REITs in the same manner as they are treated for Federal income tax purposes.

Future terrorist attacks and military conflicts could have a material adverse effect on general economic conditions, consumer confidence and market liquidity. Among other things, it is possible that interest rates may be affected by these events. An increase in interest rates may increase our costs of borrowing, leading to a reduction in our earnings. Terrorist acts could also result in significant damages to, or loss of, our properties.

We and our tenants may be unable to obtain adequate insurance coverage on acceptable economic terms for losses resulting from acts of terrorism. Our lenders may require that we carry terrorism insurance even if we do not believe this insurance is necessary or cost effective. We may also be prohibited under the applicable lease from passing all or a portion of the cost of such insurance through to the tenant. Should an act of terrorism result in an uninsured loss or a loss in excess of insured limits, we could lose capital invested in a property, as well as the anticipated future revenues from a property, while remaining obligated for any mortgage indebtedness or other financial obligations related to the property. Any loss of these types could adversely affect our financial condition.

We are subject to risks arising from litigation. We may become involved in litigation. Litigation can be costly, and the results of litigation are often difficult to predict. We may not have adequate insurance coverage or contractual protection to cover costs and liability in the event we are sued, and to the extent we resort to litigation to enforce our rights, we may incur significant costs and ultimately be unsuccessful or unable to recover amounts we believe are owed to us. We may have little or no control of the timing of litigation, which presents challenges to our strategic planning.

ITEM 1B – UNRESOLVED STAFF COMMENTS

None.

Table of Contents
ITEM 2 - PROPERTIES

The Company operates as a REIT. Our portfolio is primarily comprised of real estate holdings, some of which have been long-term holdings carried on our financial statements at depreciated cost. We believe that their current market values exceed both the original cost and the depreciated cost.

The following table sets forth certain information concerning the Company’s real estate investments as of September 30, 2013:

State	City	Fiscal Year Acquisition	Type	Square Footage	Mortgage Balance 9/30/2013
AL	Huntsville	2005	Industrial	73,712	$1,351,316
AZ	Tolleson	2003	Industrial	283,358	7,447,132
CO	Colorado Springs	2006	Industrial	68,370	2,100,670
CO	Denver	2005	Industrial	69,865	1,892,648
CT	Newington	2001	Industrial	54,812	662,243
FL	Cocoa	2008	Industrial	89,101	5,911,070
FL	Ft. Myers	2003	Industrial	87,500	-0-
FL	Jacksonville	1999	Industrial	95,883	2,288,961
FL	Lakeland	2006	Industrial	32,105	-0-
FL	Orlando	2008	Industrial	110,638	4,985,079
FL	Punta Gorda	2007	Industrial	34,624	2,330,813
FL	Tampa (FDX Gr)	2004	Industrial	170,779	8,557,245
FL	Tampa (FDX)	2006	Industrial	95,662	4,559,214
FL	Tampa (Tampa Bay Grand Prix)	2005	Industrial	68,385	2,403,192
GA	Augusta (FDX Gr)	2005	Industrial	59,358	1,343,140
GA	Augusta (FDX)	2006	Industrial	30,184	-0-
GA	Griffin	2006	Industrial	218,120	7,847,072
IA	Urbandale	1994	Industrial	36,270	-0-
IL	Burr Ridge	1997	Industrial	12,500	-0-
IL	Elgin	2002	Industrial	89,052	1,737,279
IL	Granite City	2001	Industrial	184,800	2,917,644
IL	Montgomery	2004	Industrial	171,200	-0-
IL	Rockford	2011	Industrial	66,387	1,803,522
IL	Schaumburg	1997	Industrial	73,500	-0-
IL	Wheeling	2003	Industrial	123,000	4,372,283
KS	Edwardsville	2003	Industrial	179,280	1,785,428
KS	Topeka	2009	Industrial	40,000	2,004,767
MD	Beltsville	2001	Industrial	144,523	6,899,571
MI	Livonia (Detroit)	2013	Industrial	172,005	9,126,833
MI	Orion	2007	Industrial	245,633	10,030,070
MI	Romulus	1998	Industrial	71,933	2,638,437

MN	Stewartville (Rochester) (1)	2013	Industrial	60,398	3,269,773
MN	White Bear Lake	2001	Industrial	59,425	-0-
MO	Kansas City	2007	Industrial	65,067	2,638,007
MO	Liberty	1998	Industrial	95,898	-0-
MO	O' Fallon	1994	Industrial	102,135	-0-
MO	St. Joseph	2001	Industrial	388,671	2,236,364
MS	Olive Branch (Anda) (2)	2012	Industrial	234,660	10,329,576
MS	Olive Branch (Milwaukee Tool) (2)	2013	Industrial	615,305	16,497,370
MS	Ridgeland (Jackson)	1993	Industrial	26,340	-0-

Table of Contents

State	City	Fiscal Year Acquisition	Type	Square Footage	Mortgage Balance 9/30/2013
MS	Richland	1994	Industrial	36,000	-0-
NC	Fayetteville	1997	Industrial	148,000	-0-
NC	Monroe	2001	Industrial	160,000	1,272,947
NC	Winston-Salem	2002	Industrial	106,507	-0-
NE	Omaha	1999	Industrial	89,115	-0-
NJ	Carlstadt (3)	2001	Industrial	59,400	2,316,910
NJ	Somerset (4)	1970	Shopping Center	64,138	-0-
NY	Cheektowaga	2000	Industrial	104,981	1,173,488
NY	Halfmoon	2012	Industrial	75,000	4,072,587
NY	Orangeburg	1993	Industrial	50,400	-0-
OH	Bedford Heights	2007	Industrial	82,269	3,186,570
OH	Lebanon	2012	Industrial	51,130	2,886,513
OH	Richfield	2006	Industrial	79,485	4,036,193
OH	Streetsboro	2012	Industrial	368,060	11,940,984
OH	West Chester Twp	1999	Industrial	103,818	2,727,928
OK	Oklahoma City	2012	Industrial	119,912	5,728,853
PA	Monaca	1988	Industrial	193,398	-0-
SC	Ft. Mill	2010	Industrial	177,024	3,443,109
SC	Hanahan (Norton)	2005	Industrial	306,000	6,538,409
SC	Hanahan (FDX Gr)	2005	Industrial	91,776	1,846,486
TN	Chattanooga	2007	Industrial	60,637	2,183,587
TN	Lebanon	2011	Industrial	381,240	8,207,937
TN	Memphis	2010	Industrial	449,900	8,822,604
TN	Shelby County	2007	Land	N/A	-0-
TX	Carrollton (Dallas)	2010	Industrial	184,317	9,870,730
TX	Corpus Christi	2012	Industrial	46,253	2,838,458
TX	Edinburg	2011	Industrial	113,582	4,303,037
TX	El Paso	2006	Industrial	143,619	4,258,425
TX	El Paso	2011	Land	N/A	-0-
TX	Houston	2010	Industrial	91,295	4,266,567
TX	Waco	2012	Industrial	102,594	5,553,243
VA	Charlottesville	1999	Industrial	48,064	238,050
VA	Richmond (United Technologies)	2004	Industrial	60,000	-0-
VA	Richmond (FDX)	2001	Industrial	112,799	1,206,766
VA	Roanoke (DHL)	2007	Industrial	83,000	3,367,070
VA	Roanoke (FDX Gr)	2013	Industrial	103,402	6,584,021
WI	Cudahy	2001	Industrial	139,564	1,174,964
WI	Green Bay (1)	2013	Industrial	99,102	4,080,227
				9,586,219	$250,093,382

(1) One $7,350,000 loan is secured by the properties located in Green Bay, WI and Stewartville (Rochester), MN.

(2) Olive Branch, MS is in the Memphis, TN Metropolitan Statistical Area (MSA).

(3) The Company owns a 51% controlling equity interest.

(4) The Company has an undivided 2/3 interest.

Table of Contents

The following table sets forth certain information concerning the principal tenants and leases for the Company’s properties shown above:

State	City	Tenant	Annualized Rent	Lease Expiration	
AL	Huntsville	FedEx Ground Package System, Inc.	$412,000	08/31/22	
AZ	Tolleson	Western Container Corp.	1,234,000	04/30/17	(1)
CO	Colorado Springs	FedEx Ground Package System, Inc.	644,000	09/30/18	
CO	Denver	FedEx Ground Package System, Inc.	564,000	07/31/18	
CT	Newington	Kellogg Sales Company	338,000	02/28/17	(2)
FL	Cocoa	FedEx Ground Package System, Inc.	739,000	11/19/16	(3)
FL	Ft. Myers	FedEx Ground Package System, Inc.	416,000	10/31/14	
FL	Jacksonville	FedEx Corporation	524,000	05/31/19	(2)
FL	Lakeland	FedEx Corporation	155,000	11/30/17	(2)
FL	Orlando	FedEx Corporation	664,000	11/30/17	
FL	Punta Gorda	FedEx Corporation	304,000	06/30/17	
FL	Tampa	FedEx Ground Package System, Inc.	1,412,000	01/31/19	(4)
FL	Tampa	FedEx Corporation	603,000	09/30/17	
FL	Tampa	Tampa Bay Grand Prix	281,000	09/30/20	(5)
GA	Augusta	FedEx Ground Package System, Inc.	477,000	06/30/18	
GA	Augusta	FedEx Corporation	121,000	11/30/22	(2)
GA	Griffin	Caterpillar Logistics Services, Inc.	1,169,000	11/30/16	
IA	Urbandale	Keystone Automotive	136,000	03/31/17	
IL	Burr Ridge	Sherwin-Williams Company	161,000	10/31/14	
IL	Elgin	Joseph T. Ryerson	506,000	01/31/17	
IL	Granite City	Anheuser-Busch, Inc.	778,000	05/31/16	
IL	Montgomery	Home Depot USA, Inc.	889,000	06/30/15	
IL	Rockford	Sherwin-Williams Company	470,000	12/31/23	
IL	Schaumburg	FedEx Corporation	515,000	03/31/17	
IL	Wheeling	FedEx Ground Package System, Inc.	1,386,000	05/31/17	
KS	Edwardsville	Carlisle Tire & Wheel Company	750,000	05/31/18	(2)
KS	Topeka	Coca Cola Enterprises, Inc.	332,000	09/30/21	
MD	Beltsville	FedEx Ground Package System, Inc.	1,426,000	07/31/18	
MI	Livonia (Detroit)	FedEx Ground Package System, Inc.	1,191,000	03/31/22	
MI	Orion	FedEx Ground Package System, Inc.	1,877,000	06/30/23	(6)
MI	Romulus	FedEx Corporation	370,000	05/31/21	
MN	Stewartville (Rochester)	FedEx Ground Package System, Inc.	372,000	05/30/23	
MN	White Bear Lake	Vacant	72,000	N/A	(7)
MO	Kansas City	Kellogg Sales Company	350,000	07/31/15	
MO	Liberty	Holland 1916 Inc.	332,000	06/30/19	(8)
MO	O' Fallon	Pittsburgh Glass Works	427,000	06/30/15	
MO	St. Joseph	Woodstream Corporation	896,000	09/30/17	(9)
MS	Olive Branch	Anda Distribution	1,182,000	07/31/22	(10)
MS	Olive Branch	Milwaukee Electric Tool Corporation	1,926,000	04/30/23	(10)
MS	Richland	FedEx Corporation	140,000	03/31/14	(11)
MS	Ridgeland (Jackson)	Graybar Electric Company	109,000	07/31/19	(12)
NC	Fayetteville	Maidenform, Inc.	444,000	12/31/13	(2)(11)
NC	Monroe	Vacant	47,000	N/A	(13)
NC	Winston-Salem	H.E.P. Direct, Inc.	302,000	12/31/17	

NE	Omaha	FedEx Corporation	454,000	10/31/23	(2)
NJ	Carlstadt	Macy’s East, Inc.	451,000	03/31/14	(14)
NJ	Somerset	Various	312,000	Various	(15)
NY	Cheektowaga	FedEx Ground Package System, Inc.	966,000	08/31/19	

18

Table of Contents

State	City	Tenant	Annualized Rent	Lease Expiration	
NY	Halfmoon	RGH Enterprises, Inc.	579,000	11/30/21	
NY	Orangeburg	Kellogg Sales Company	353,000	02/28/15	(2)
OH	Bedford Heights	FedEx Corporation	415,000	08/31/18	(2)
OH	Lebanon	Siemens Real Estate	456,000	04/30/19	
OH	Richfield	FedEx Ground Package System, Inc.	645,000	10/31/16	(16)
OH	Streetsboro	Best Buy Warehousing Logistics, Inc.	1,595,000	01/31/22	
OH	West Chester Twp	FedEx Ground Package System, Inc.	518,000	08/31/23	(2)
OK	Oklahoma City	FedEx Ground Package System, Inc.	712,000	03/31/22	
PA	Monaca	Various	604,000	Various	
SC	Ft. Mill	FedEx Ground Package System, Inc.	1,384,000	10/31/23	(17)
SC	Hanahan	Norton McNaughton of Squire, Inc.	1,389,000	04/29/15	
SC	Hanahan	FedEx Ground Package System, Inc.	675,000	07/31/18	
TN	Chattanooga	FedEx Corporation	312,000	10/31/17	(2)
TN	Lebanon	CBOCS Distribution, Inc.	1,381,000	06/30/24	
TN	Memphis	FedEx Supply Chain Services, Inc.	1,305,000	05/31/19	
TN	Shelby County	N/A- Land	-0-	N/A	
TX	Carrollton (Dallas)	United Technologies Corporation	1,549,000	01/11/19	
TX	Corpus Christi	FedEx Ground Package System, Inc.	452,000	08/31/21	
TX	Edinburg	FedEx Ground Package System, Inc.	598,000	08/31/21	
TX	El Paso	FedEx Ground Package System, Inc.	1,011,000	09/30/23	(18)
TX	El Paso	N/A- Land	-0-	N/A	
TX	Houston	National Oilwell Varco	733,000	09/30/22	
TX	Waco	FedEx Ground Package System, Inc.	659,000	05/29/22	
VA	Charlottesville	FedEx Corporation	329,000	08/31/17	
VA	Richmond	United Technologies Corporation	304,000	05/31/16	
VA	Richmond	FedEx Corporation	543,000	04/30/23	
VA	Roanoke	DHL	652,000	12/07/16	
VA	Roanoke	FedEx Ground Package System, Inc.	755,000	04/30/23	
WI	Cudahy	FedEx Ground Package System, Inc.	901,000	06/30/17	
WI	Green Bay	FedEx Ground Package System, Inc.	468,000	05/30/23	
			$50,903,000		

(1) Western Container Corp. is a subsidiary of Coca Cola Enterprises, Inc.

(2) Extension has been executed. See fiscal 2013 and 2014 renewal and extension chart.

(3) Not reflected above – In October 2013, the Company entered into a lease amendment that will become effective upon completion of a 55,037 building expansion which is expected to be completed in October 2014. At that time, annual rent will increase from $738,504 to $1,111,908 and will extend the lease term from November 19, 2016 to September 30, 2024.

(4) Not reflected above – In November 2013, the Company entered into a lease amendment that will become effective upon completion of a parking lot expansion which is expected to be completed in May 2014. At that time, annual rent will increase from $1,412,177 to $1,493,325 and will extend the lease term from January 31, 2019 to May 31, 2024.

(5) Lease became effective March 31, 2013 in this previously vacant property.

(6) Lease amendment effective July 1, 2013 increased annual rent from $1,285,265 to $1,744,853 due to a building expansion which increased square footage by 52,154 square feet and lease amendment effective October 1, 2013 increased annual rent to $1,927,356 due to a parking lot expansion and extended lease term from June 30, 2017 to June 30, 2023.

(7) Became vacant in December 2012. Annualized rent amount reflected in table above, represents amount of base rent received prior to becoming vacant.

(8) Lease became effective July 1, 2013 in this previously vacant property.

(9) Current tenant is leasing 66% of the square footage. Former tenant exercised its lease termination option resulting in the Company recognizing $3,222,283 of lease termination income in fiscal 2012 and $113,784 in fiscal 2013.

(10) Olive Branch, MS is in the Memphis, TN MSA.

(11) Renewal is in discussion for leases expiring in fiscal 2014.

(12) Lease has an early termination option which may be exercised if tenant gives six months of notice anytime subsequent to December 2014.

(13) Lease extension had an early termination option which was exercised in October 2012. The Company received a lump sum termination payment of base rent in October 2012 of $423,860 plus reimbursement of real estate, insurance, maintenance and repairs of $153,086 covering the period November 1, 2012 through July 31, 2013. Annualized rent amount reflected in table above, represents amount of base rent received prior to termination payment.

Table of Contents

(14) Estimated annual rent is the full rent per the lease. The Company consolidates the results of this property due to its controlling equity interest. Tenant has indicated that it will not be renewing its lease.

(15) The Company owns an undivided 2/3 interest. Estimated annual rent reflects the Company's proportionate share of the total rent. One tenant, representing 51% of the square footage, vacated the property as of January 31, 2013.

(16) Not reflected above - Lease amendment effective November 1, 2013 will increase annual rent from $644,640 to $1,124,384 due to a parking lot expansion which will extend the lease term from October 31, 2016 to September 30, 2023. Currently in the process of expanding the building by additional 51,667 square feet which is expected to be complete by October 2014. Building expansion is expected to increase rent by approximately 33% and extend the lease to September 2024.

(17) Lease amendment effective July 1, 2013 increased annual rent from $1,023,745 to $1,364,761 due to building expansion which increased square footage by 64,240 square feet and lease amendment effective November 1, 2013 increased annual rent to $1,414,638 due to a parking lot expansion and extended lease term from September 30, 2019 to October 31, 2023.

(18) Lease amendment effective October 1, 2013 increased annual rent from $667,584 to $1,045,261 due to a building expansion which increased square footage by 51,765 square feet and extended lease term from September 30, 2015 to September 30, 2023.

All improved properties were 100% occupied at September 30, 2013 except for the following:

Property	Square Footage	Occupancy
White Bear Lake, MN	59,425	0%
Somerset, NJ	64,138	49%
Monroe, NC	160,000	0%
St. Joseph, MO	388,671	66%

The Company's weighted-average lease expiration was 6.1 and 5.3 years as of September 30, 2013 and 2012, respectively.

Our average occupancy rates as of the years ended September 30, 2013, 2012, 2011, 2010 and 2009 were 96.0%, 95.2%, 97.1%, 96.2% and 96.0%, respectively. The average effective annual rent per square foot for the years ended September 30, 2013, 2012, 2011, 2010 and 2009 was $5.53, $5.62, $5.59, $5.81 and $5.64, respectively.

Effective March 31, 2013, we entered into a seven and a half year lease with Tampa Bay Grand Prix at our 68,385 square foot facility located in Tampa, FL, which was previously vacant. The tenant received free rent for six months. Effective October 1, 2013, annual base rent is $256,443 or $3.75 per square foot with 3% increases each year through the September 30, 2020 lease expiration.

Effective July 1, 2013, we entered into a six year lease with Holland 1916 Inc. at our 95,898 square foot facility located in Liberty, MO, which was previously vacant. Effective July 1, 2013, annual base rent is $311,669 or $3.25 per square foot with 2.5% increases each year through the June 30, 2019 lease expiration.

On December 21, 2012, the Company purchased approximately 4.1 acres of land adjacent to its property which is leased to FedEx Ground Package System, Inc. located in Orion, MI for $988,579 in order to construct a 52,154 square foot expansion of the building and a parking lot. In June 2013, the building expansion was substantially complete for a cost of approximately $3,900,000 resulting in an increase in annual rent effective July 1, 2013 from $1,285,265 to $1,744,853. The parking lot expansion was substantially complete in September 2013 for a cost of approximately $1,500,000 resulting in an increase in annual rent effective October 1, 2013 to $1,927,356 through June 30, 2023.

On July 11, 2013, the Company purchased approximately 14 acres of land adjacent to its property which is leased to FedEx Ground Package System, Inc. located in Richfield, OH for $1,655,166 in order to construct a parking lot and a 51,667 square foot expansion of the building. The parking lot expansion was substantially complete in October 2013 and cost approximately $3,100,000. As a result, effective November 1, 2013, the annual rent increased from $644,640 to $1,124,384. The building expansion is expected to cost approximately $3,700,000 and is expected to be completed by October 1, 2014 at which time the annual rent will increase to $1,489,907 through September 30, 2024.

Table of Contents

In June 2013, Phase I of a 64,240 square foot building expansion leased to FedEx Ground Package System, Inc. located in Fort Mill, SC was substantially complete for a cost of approximately $3,574,000 resulting in an increase in annual rent effective July 1, 2013 from $1,023,745 to $1,364,761. Phase II of the expansion, which consists of a parking lot expansion, cost approximately $426,000. Phase II was completed in November 2013, resulting in an increase in annual rent effective November 1, 2013 to $1,414,638 through October 30, 2023.

In September 2013, a 51,765 square foot building expansion leased to FedEx Ground Package System, Inc. located in El Paso, TX was substantially complete for a cost of approximately $3,800,000 resulting in an increase in annual rent effective October 1, 2013 from $667,584 to $1,045,261 through September 30, 2023.

In fiscal 2013, approximately 9% of our gross leasable area, consisting of 11 leases totaling 896,813 square feet was originally set to expire. The Company has renewed 10 of the 11 leases which were scheduled to expire in fiscal 2013. We have incurred or expect to incur tenant improvement costs of approximately $1,224,000 and leasing costs of approximately $541,000 in connection with these 10 lease renewals. The table below summarizes the lease term of the 10 leases which were renewed and includes both the tenant improvement costs and the leasing costs which are presented on a per square foot (PSF) basis averaged over the renewal term.

Property	Tenant	Square feet	Former Average Rent PSF	Previous Lease Expiration	Renewal Average Rent PSF	New Lease Expiration	Renewal Term (years)	Tenant Improvement Cost PSF over Renewal Term (1)	Leasing Commissions Cost PSF over Renewal Term (1)
Chattanooga, TN	FedEx Corp.	60,637	$6.10	10/27/12	$5.13	10/31/17	5.0	$0.61	$0.10
Lakeland, FL	FedEx Corp.	32,105	5.13	11/30/12	4.83	11/30/17	5.0	0.14	0.10
Augusta, GA	FedEx Corp.	30,184	4.67	11/30/12	4.00	11/30/22	10.0	0.22	0.08
Fayetteville, NC	Maidenform, Inc.	148,000	3.00	12/31/12	3.00	12/31/13	1.0	-0-	0.06
Orangeburg, NY	Kellogg Sales Co.	50,400	7.00	2/28/13	7.00	2/28/14	1.0	-0-	0.14
Newington, CT	Kellogg Sales Co.	54,812	6.54	2/28/13	6.54	2/28/14	1.0	-0-	0.13
Edwardsville, KS	Carlisle Tire	179,280	3.85	5/31/13	4.23	5/31/18	5.0	0.22	0.25
Jacksonville, FL	FedEx Ground	95,883	6.00	5/31/13	5.40	5/31/19	6.0	0.07	0.11
West Chester Twp, OH	FedEx Ground	103,818	4.80	8/31/13	5.01	8/31/23	10.0	0.64	0.10
Bedford Heights, OH	FedEx Corp.	82,269	5.54	8/31/13	4.96	8/31/18	5.0	0.10	0.15

	Total	837,388					
Weighted Average			$4.84	$4.71	4.7	$0.31	$0.14

(1) Amount calculated based on the total cost divided by the square feet, divided by the renewal term.

Of the total 896,813 square feet of gross leasable area originally set to expire during fiscal 2013, 837,388 square feet or 93% has been renewed. The lease extensions have been renewed for a weighted average term of 4.7 years and at an average lease rate of $4.71 per square foot as compared to $4.84 per square foot formerly, representing a weighted average reduction in the lease rate of 2.69%.

The one remaining lease located in White Bear Lake, MN leased to FedEx Corporation through November 30, 2012, representing 59,425 square feet or 7% of the expiring space, did not renew and is currently vacant. The Company’s overall occupancy as of September 30, 2013 is 96.0%.

Approximately 5% of our gross leasable area, consisting of 6 leases totaling 437,727 square feet was originally set to expire during fiscal 2014. The Company has renewed 3 of the 6 leases which were scheduled to expire in fiscal 2014. We have incurred or expect to incur tenant improvement costs of approximately $275,000 and leasing costs of approximately $136,000 in connection with these 3 lease renewals. The table summarizes the lease terms of the 3 leases which were renewed and includes both the tenant improvement costs and the leasing costs which are presented on a per square foot basis averaged over the renewal term.

Table of Contents

Tenant	Square feet	Former Average Rent PSF	Previous Lease Expiration	Renewal Average Rent PSF	New Lease Expiration	Renewal Term (years)	Tenant Improvement Cost PSF over Renewal Term (1)	Leasing Commissions Cost PSF over Renewal Term (1)

Property									
Omaha, NE	FedEx Corp.	89,115	$6.00	10/31/13	$5.00	10/31/23	10.0	$0.25	$0.10
Orangeburg, NY	Kellogg Sales Co.	50,400	7.00	02/28/14	7.00	02/28/15	1.0	-0-	0.14
Newington, CT	Kellogg Sales Co.	54,812	6.54	02/28/14	6.00	02/28/17	3.0	0.30	0.24
	Total	194,327							
Weighted Average			$6.41		$5.80		5.7	$0.25	$0.12

(1) Amount calculated based on the total cost divided by the square feet, divided by the renewal term.

Of the total 437,727 square feet of gross leasable area originally set to expire during fiscal 2014, 194,327 square feet or 44% has been renewed. The lease renewals have been renewed for a weighted average term of 5.7 years and at an average lease rate of $5.80 per square foot as compared to $6.41 per square foot formerly, representing a weighted average reduction in the lease rate of 9.5%.

Of the remaining three leases set to expire in fiscal 2014, the Company has been informed that one lease for 59,400 square feet or 14% of the space coming up for renewal in fiscal 2014, will not be renewed. The Company owns this property, which is located in Carlstadt, NJ and is leased to Macy's through March 31, 2014, through a 51% controlling equity interest. We continue to be in discussions with our tenants regarding the remaining two leases located in Richland, MS and Fayetteville, NC representing 184,000 square feet or 42% of the space scheduled for renewal in fiscal 2014.

The following table presents certain information as of September 30, 2013, with respect to the Company's leases expiring in the next ten fiscal years ended September 30th and thereafter:

Expiration of fiscal year ended September 30th	Property Count	Total Area Expiring (Sq. Ft)	Annualized Rent $	Percent of Gross Annual Rent %
Vacant (1)	2	219,425	$119,000	0%
Various (2)	2	257,536	916,000	2%
2014	3	243,400	1,035,000	2%
2015	7	794,802	3,985,000	8%
2016	2	244,800	1,082,000	2%
2017	15	1,836,283	10,353,000	20%
2018	11	1,005,328	6,384,000	13%
2019	8	1,179,228	6,653,000	13%

2020	1	68,385	281,000	1%
2021	4	271,768	1,752,000	3%
2022	8	1,237,238	7,063,000	14%
2023	9	1,514,260	7,591,000	15%
Thereafter	4	713,766	3,689,000	7%
Total	76	9,586,219	$50,903,000	100%

(1) Annualized Rent of "Vacant" represents rent recognized during fiscal 2013 prior to becoming vacant.

(2) "Various" represents our two multi-tenant properties which have leases ranging from expirations through 2014 to 2023.

ITEM 3 – LEGAL PROCEEDINGS

None.

ITEM 4 – MINE SAFETY DISCLOSURES

None.

Table of Contents
PART II

ITEM 5 - MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Since June 1, 2010, the common stock of Monmouth Real Estate Investment Corporation has been traded on the New York Stock Exchange, under the symbol "MNR". Previously, the common stock was traded on the NASDAQ Global Select Market. The per share range of high and low market prices and distributions paid to common shareholders during each fiscal quarter of the last two fiscal years were as follows:

	Fiscal 2013				Fiscal 2012		
	Market Price				Market Price		
Fiscal Qtr.	High	Low	Distrib.	Fiscal Qtr.	High	Low	Distrib.
First	$11.60	$9.54	$0.15	First	$9.48	$7.51	$0.15
Second	11.22	10.23	0.15	Second	9.80	8.93	0.15
Third	11.20	9.41	0.15	Third	11.85	9.29	0.15
Fourth	10.48	8.57	0.15	Fourth	11.92	10.75	0.15
			$0.60				$ 0.60

On December 2, 2013, the closing price of our common stock was $9.20.

As of December 2, 2013, there were 1,130 shareholders of record who held shares of common stock of the Company.

It is the Company's intention to continue making quarterly distributions. On October 1, 2013, the Company declared a dividend of $0.15 per share to be paid on December 16, 2013 to common shareholders of record as of the close of business on November 15, 2013. The Company's annual dividend rate on its common stock is currently $0.60 per share. The Company paid the distributions from cash flows from operations. Future common stock dividend policy will depend on the Company's earnings, capital requirements, financial condition, availability and cost of bank financing and other factors considered relevant by the Board of Directors.

On December 5, 2011, the Company issued 2,000,000 shares of common stock in a registered direct placement at a price of $8.39 per share. The Company received net proceeds from the common stock offering of approximately $16,200,000. The Company used such net proceeds to purchase additional properties in the ordinary course of business and for general corporate purposes, including repayment of indebtedness.

As of September 30, 2013, the Company had outstanding 2,139,750 shares of 7.625% Series A Cumulative Redeemable Preferred Stock, par value $0.01 per share, with an aggregate liquidation preference of $53,493,750 (Series A Preferred Stock). The Series A Preferred Stock ranks, as to dividend rights and rights upon our liquidation, dissolution or winding up, senior to our common stock and equal to any equity securities that we may issue in the future, the terms of which specifically provide that such equity securities rank equal to the Series A Preferred Stock. We are required to pay cumulative dividends on the Series A Preferred Stock in the amount of $1.90625 per share each year, which is equivalent to 7.625% of the $25.00 liquidation value per share. The Series A Preferred Stock is traded on the New York Stock Exchange.

On October 14, 2010, the Company issued 817,250 shares of its Series A Preferred Stock in a registered direct placement at a price of $24.00 per share. The Company received net proceeds from the Series A Preferred Stock offering of approximately $19,000,000 and used the net proceeds to purchase additional properties in the ordinary course of business and for general corporate purposes, including repayment of indebtedness.

Table of Contents

On October 1, 2013, the Company declared a quarterly dividend of $0.4765625 per share on the Company's Series A Preferred Stock payable December 16, 2013, to shareholders of record as of the close of business on November 15, 2013. Series A preferred share dividends are cumulative and payable quarterly at an annual rate of $1.90625 per share.

On June 7, 2012 and June 21, 2012, the Company issued 2,000,000 and 300,000 shares, respectively, of 7.875% Series B Cumulative Redeemable Preferred Stock (Series B Preferred Stock) at an offering price of $25.00 per share in an underwritten public offering. The Company received net proceeds from the offering, after deducting the underwriting discount and other estimated offering expenses, of approximately $55,033,000 and has used the net proceeds from the offering to purchase properties in the ordinary course of business and for general corporate purposes. Dividends on the Series B Preferred stock are cumulative from the date Series B Preferred Stock were first issued and payable quarterly at an annual rate of $1.96875 per share. The Series B Preferred Stock ranks, as to dividend rights and rights upon our liquidation, dissolution or winding up, senior to our common stock and equal to our Series A Preferred Stock and equal to any equity securities that we may issue in the future, the terms of which specifically provide that such equity securities rank equal to the Series B Preferred Stock. As of September 30, 2013, the Company had outstanding 2,300,000 shares of Series B Preferred Stock, par value $0.01 per share, with an aggregate liquidation preference of $57,500,000. We are required to pay cumulative dividends on the Series B Preferred Stock in the amount of $1.96875 per share each year, which is equivalent to 7.875% of the $25.00 liquidation value per share. The Series B Preferred Stock is traded on the New York Stock Exchange.

On October 1, 2013, the Company declared a quarterly dividend of $0.4921875 per share on the Company's Series B Preferred Stock payable December 16, 2013, to shareholders of record as of the close of business on November 15, 2013. Series B Preferred Stock dividends are cumulative and payable quarterly at an annual rate of $1.96875 per share.

Issuer Purchases of Equity Securities

On January 16, 2013, the Board of Directors reaffirmed its Share Repurchase Program (the repurchase program) that authorizes the Company to purchase up to $10,000,000 in the aggregate of the Company's common stock. The repurchase program was originally created on March 3, 2009 and is intended to be implemented through purchases made from time to time using a variety of methods, which may include open market purchases, privately negotiated transactions or block trades, or by any combination of such methods, in accordance with applicable insider trading and other securities laws and regulations. The size, scope and timing of any purchases will be based on business, market and other conditions and factors, including price, regulatory and contractual requirements or consents, and capital availability. The repurchase program does not require the Company to acquire any particular amount of common stock, and the program may be suspended, modified or discontinued at any time at the Company's discretion without prior notice. During fiscal year 2009, the Company purchased 5,000 shares of its common stock for $4.98 per share for a total of $24,905 on the open market. There were no other purchases under the repurchase program. During fiscal year 2012, the Company distributed the 5,000 shares which were held in treasury to shareholders through the Dividend Reinvestment and Stock Purchase Plan (DRIP). The Company holds no shares in treasury as of September 30, 2013. The maximum dollar value that may be purchased under the repurchase program as of September 30, 2013 is $10,000,000.

Equity Compensation Plan Information

The Company has a Stock Option and Stock Award Plan, adopted in 2007 and amended and restated in 2010 (the 2007 Plan) authorizing the grant to officers and key employees of options to purchase up to 1,500,000 shares of common stock including up to 100,000 shares of restricted stock awards in any one fiscal year. As of September 30, 2013, there were 744,646 shares available for grant as stock options or restricted stock under the 2007 Plan. See Note 10 in the Notes to the Consolidated Financial Statements included in this Form 10-K for a description of the plan.

Table of Contents

The following table summarizes information, as of September 30, 2013, relating to equity compensation plan of the Company (including individual compensation arrangements) pursuant to which equity securities of the Company are authorized for issuance:

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrant sand Rights (a)	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (b)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plan(excluding Securities reflected in column (a)) (c)
Equity Compensation Plan Approved by Security Holders	750,370	$8.19	744,646
Equity Compensation Plan not Approved by Security Holders	N/A	N/A	N/A
Total	750,370	$8.19	744,646

Comparative Stock Performance

The following line graph compares the total return of the Company’s common stock for the last five fiscal years to the FTSE NAREIT Composite Index (US), published by the National Association of Real Estate Investment Trusts (NAREIT), and the S&P 500 Index for the same period. The total return reflects stock price appreciation and dividend reinvestment for all three comparative indices. The information has been obtained from sources believed to be reliable, but neither its accuracy nor its completeness is guaranteed.

Table of Contents
ITEM 6 – SELECTED FINANCIAL DATA

The following table sets forth selected financial and other information for the Company for the periods and as of the dates indicated. This table should be read in conjunction with management's discussion and analysis of financial condition and results of operations and all of the financial statements and notes thereto included elsewhere herein.

	September 30,				
	2013	**2012**	**2011**	**2010**	**2009**
OPERATING DATA:					
Rental and Reimbursement Revenue	$54,607,086	$50,368,931	$48,141,484	$44,353,513	$40,486,030
Real Estate Taxes and Operating Expenses	(9,228,610)	(8,832,027)	(9,635,499)	(9,001,995)	(8,376,207)
Net Operating Income - NOI	45,378,476	41,536,904	38,505,985	35,351,518	32,109,823
Lease Termination Income	690,730	3,222,283	-0-	-0-	-0-
Gain (Loss) on Securities Transactions, net	7,133,252	6,044,065	5,238,203	2,609,149	(6,601,460)
Interest and Dividend Income	3,885,920	3,358,674	3,100,327	2,510,909	2,502,253
General & Administrative Expenses	(5,497,644)	(6,277,357)	(4,580,357)	(4,194,717)	(2,782,193)
Interest Expense	(14,956,954)	(15,352,499)	(14,870,906)	(14,699,157)	(13,825,001)
Depreciation & Amortization Expense	(15,530,094)	(13,832,305)	(12,129,872)	(10,533,915)	(9,639,910)
Income from Continuing Operations	21,103,686	18,699,765	15,263,380	11,043,787	1,763,512
Income (loss) from Discontinued Operations	291,560	(15,270)	154,818	(36,272)	(110,611)
Net Income	21,395,246	18,684,495	15,418,198	11,007,515	1,652,901
Preferred Dividends	(8,607,032)	(5,513,126)	(4,079,219)	(2,521,214)	(2,521,214)
Net Income (Loss) Attributable					
to Common Shareholders	$12,788,214	$13,171,369	$11,338,979	$8,486,301	$(868,313)
Income from Continuing Operations Per Share					
Basic	$0.49	$0.47	$0.44	$0.36	$0.07
Diluted	0.49	0.47	0.44	0.36	0.07
Net Income (Loss) Attributable to Common					
Shareholders per share					
Basic	0.30	0.33	0.32	0.28	(0.03)
Diluted	0.30	0.33	0.32	0.28	(0.03)
BALANCE SHEET DATA:					
Total Assets	$617,240,866	$574,507,702	$476,986,836	$454,118,797	$394,994,437
Real Estate Investments, Net	536,799,412	467,886,484	407,864,535	388,403,598	344,663,592
Mortgage Notes Payable	250,093,382	237,943,911	211,614,170	210,577,861	192,050,283
8% Subordinated Convertible Debentures	-0-	8,615,000	8,915,000	13,990,000	13,990,000
Series A 7.625% Cumulative					

Redeemable Preferred Stock Series B 7.875% Cumulative	53,493,750	53,493,750	53,493,750	33,062,500	33,062,500
Redeemable Preferred Stock	57,500,000	57,500,000	-0-	-0-	-0-
Total Shareholders' Equity	335,914,971	315,687,139	234,514,084	213,034,719	161,497,704
CASH FLOW DATA:					
Net Cash Provided (Used) By:					
Operating Activities	$27,095,310	$26,808,821	$22,126,819	$18,995,659	$19,591,455
Investing Activities	(59,931,043)	(80,640,038)	(30,365,918)	(55,701,769)	(11,655,914)
Financing Activities	20,589,387	72,105,267	7,801,354	37,439,775	(7,202,915)

	September 30,				
OTHER INFORMATION:	**2013**	**2012**	**2011**	**2010**	**2009**
Average Number of Common Shares Outstanding					
Basic	42,275,555	39,660,692	35,083,457	30,371,217	24,981,427
Diluted	42,432,354	39,819,621	35,131,718	30,382,396	24,988,386
Funds from Operations*	$26,863,103	$26,128,015	$22,876,729	$19,142,454	$9,152,310
Core Funds from Operations*	$27,377,802	$26,795,814	$23,301,886	$19,601,484	$9,152,310
Cash Dividends Per Common Share	$0.60	$0.60	$0.60	$0.60	$0.60

* We assess and measure our overall operating results based upon an industry performance measure referred to as Funds From Operations (FFO), which management believes is a useful indicator of our operating performance. FFO is used by industry analysts and investors as a supplemental operating performance measure of a REIT. FFO, as

Table of Contents

defined by The National Association of Real Estate Investment Trusts (NAREIT), represents net income (loss) attributable to common shareholders, as defined by accounting principles generally accepted in the United States of America (U.S. GAAP), excluding extraordinary items, as defined under U.S. GAAP, gains or losses from sales of previously depreciated real estate assets, impairment charges related to depreciable real estate assets, plus certain non-cash items such as real estate asset depreciation and amortization. NAREIT created FFO as a non-U.S. GAAP supplemental measure of REIT operating performance. We define Core Funds From Operations (Core FFO) as FFO plus acquisitions costs. FFO and Core FFO should be considered as a supplemental measure of operating performance used by REITs. FFO and Core FFO excludes historical cost depreciation as an expense and may facilitate the comparison of REITs which have different cost basis. The items excluded from FFO and Core FFO are significant components in understanding the Company's financial performance.

FFO and Core FFO (i) do not represent Cash Flow from Operations as defined by U.S. GAAP; (ii) should not be considered as an alternative to Net Income as a measure of operating performance or to Cash Flows from Operating, Investing and Financing Activities; and (iii) are not an alternative to cash flow as a measure of liquidity. FFO and Core FFO, as calculated by the Company, may not be comparable to similarly titled measures reported by other REITs.

The Company's FFO and Core FFO Attributable to Common Shareholders is calculated as follows:

	2013	2012	2011	2010
Net Income Attributable to Common Shareholders	$ 12,788,214	$13,171,369	$11,338,979	$8,486,301
Depreciation Expense (including Discontinued Operations)	12,877,385	11,471,070	10,351,358	9,406,812
Amortization of Intangible Assets	1,543,298	1,477,356	1,186,392	1,249,341
(Gain) Loss on Sales of Depreciable Assets (A)	(345,794)	8,220	-0-	-0-
FFO Attributable to Common Shareholders	26,863,103	26,128,015	22,876,729	19,142,454
Acquisition Costs	514,699	667,799	425,157	459,030
Core FFO Attributable to Common Shareholders	$ 27,377,802	$26,795,814	$23,301,886	$19,601,484

(A) Consists of the (gain) loss on sale of the Greensboro, NC property in 2013 and the Quakertown, PA property in 2012. These (gains) losses are included in discontinued operations.

The Company's Core FFO, excluding Lease Termination Income are calculated as follows:

	2013	2012
Core FFO Attributable to Common Shareholders	$27,377,802	$26,795,814
Less: Lease Termination Income	690,730	3,222,283
Core FFO Excluding Lease Termination Income Attributable to Common Shareholders	$26,687,072	$23,573,531

Table of Contents

ITEM 7 - MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

Safe Harbor Statement

Statements contained in this Form 10-K, that are not historical facts are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Forward-looking statements provide our current expectations or forecasts of future events. Forward-looking statements include statements about the Company’s expectations, beliefs, intentions, plans, objectives, goals, strategies, future events, performance and underlying assumptions and other statements that are not historical facts. Forward-looking statements can be identified by their use of forward-looking words, such as “may,” “will,” “anticipate,” “expect,” “believe,” “intend,” “plan,” “should,” “seek” or co terms, or the negative use of those words, but the absence of these words does not necessarily mean that a statement is not forward-looking.

The forward-looking statements are based on our beliefs, assumptions and expectations of our future performance, taking into account all information currently available to us. Forward-looking statements are not predictions of future events. These beliefs, assumptions and expectations can change as a result of many possible events or factors, not all of which are known to us. Some of these factors are described below and under the headings “Business”, “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations”. These and other risks, uncertainties and factors could cause our actual results to differ materially from those included in any forward-looking statements we make. Any forward-looking statement speaks only as of the date on which it is made. New risks and uncertainties arise over time, and it is not possible for us to predict those events or how they may affect us. Except as required by law, we are not obligated to, and do not intend to, update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Important factors that could cause actual results to differ materially from our expectations include, among others:

- the ability of our tenants to make payments under their respective leases, our reliance on certain major tenants and our ability to re-lease properties that are currently vacant or that become vacant;
- our ability to obtain suitable tenants for our properties;
- changes in real estate market conditions, economic conditions in the industrial sector and the market in which our properties are located and general economic conditions;
- the inherent risks associated with owning real estate, including local real estate market conditions, governing laws and regulations and illiquidity of real estate investments;
- our ability to sell properties at an attractive price;
- our ability to repay debt financing obligations;
- our ability to refinance amounts outstanding under our credit facilities at maturity on terms favorable to us;
- the loss of any member of our management team;
- our ability to comply with debt covenants;
- our ability to integrate acquired properties and operations into existing operations;
- continued availability of proceeds from issuances of our debt or equity securities;
- the availability of other debt and equity financing alternatives;
- market conditions affecting our debt and equity securities;
- changes in interest rates under our current credit facility and under any additional variable rate debt arrangements that we may enter into in the future;
- our ability to successfully implement our selective acquisition strategy;

- our ability to maintain internal controls and procedures to ensure all transactions are accounted for properly, all relevant disclosures and filings are timely made in accordance with all rules and regulations, and any potential fraud or embezzlement is thwarted or detected;
- changes in federal or state tax rules or regulations that could have adverse tax consequences;
- declines in the market value of our investment securities; and
- our ability to qualify as a REIT for federal income tax purposes.

Table of Contents

You should not place undue reliance on these forward-looking statements, as events described or implied in such statements may not occur. We undertake no obligation to update or revise any forward-looking statements as a result of new information, future events or otherwise.

The following discussion should be read in conjunction with the financial statements and notes thereto included elsewhere herein.

Overview

The Company is a REIT. The Company seeks to invest in well-located, modern industrial buildings, leased primarily to investment-grade tenants on long-term net leases. At September 30, 2013, the Company held investments in seventy-six properties totaling approximately 9,586,000 square feet, consisting of seventy-five industrial properties and one shopping center. Total net real estate investments were $536,799,412 at September 30, 2013. These properties are located in twenty-six states: Alabama, Arizona, Colorado, Connecticut, Florida, Georgia, Illinois, Iowa, Kansas, Maryland, Michigan, Minnesota, Mississippi, Missouri, Nebraska, New Jersey, New York, North Carolina, Ohio, Oklahoma, Pennsylvania, South Carolina, Tennessee, Texas, Virginia, and Wisconsin. All of these properties are wholly owned, with the exception of an industrial property in New Jersey, in which the Company owns a 51% controlling equity interest, and the shopping center in New Jersey, in which the Company holds a two-thirds controlling equity interest.

The Company's weighted-average lease expiration was 6.1 and 5.3 years as of September 30, 2013 and 2012, respectively and its average rent per occupied square foot as of September 30, 2013 and 2012 was $5.53 and $5.62, respectively. At September 30, 2013 and 2012, the Company's occupancy was 96.0% and 95.2%, respectively. During fiscal 2013, the Company acquired five industrial properties totaling approximately 1,050,000 square feet for approximately $63,750,000.

The Company has a concentration of properties leased to FedEx Corporation (FDX). As of September 30, 2013, the Company had approximately 9,586,000 square feet of property, of which approximately 4,213,000 square feet, or approximately 44%, consisting of forty separate stand-alone leases, was leased to FDX and its subsidiaries, (10% to FDX and 34% to FDX subsidiaries). These properties are located in eighteen different states. The percentage of rental and reimbursement revenue from FDX was 53% for the year ended September 30, 2013, consisting of 12% leased to FDX and 41% leased to FDX subsidiaries.

The Company's revenue primarily consists of rental and reimbursement revenue from the ownership of industrial rental property. Rental and reimbursement revenue increased $4,238,155, or 8%, for the year ended September 30, 2013 as compared to the year ended September 30, 2012. Total expenses (excluding other income and expense) increased $1,298,516, or 5%, for the year ended September 30, 2013 as compared to the year ended September 30, 2012. The increases were due mainly to the revenue and expenses relating to the property acquisitions made during fiscal 2013.

Net Operating Income from property operations (NOI) is defined as recurring Rental and Reimbursement Revenue, less Real Estate Taxes and Operating Expenses, such as insurance, utilities and repairs and maintenance. NOI increased $3,841,572 or 9% for the fiscal year ended September 30, 2013 as compared to the fiscal year ended September 30, 2012 and increased $3,030,919 or 8% for the fiscal year ended September 30, 2012 as compared to the fiscal year ended September 30, 2011. The increase from fiscal year 2012 to 2013 was due to the additional income related to five industrial properties purchased during fiscal 2013 and the increase from fiscal year 2011 to 2012 was due to the additional income related to seven industrial properties purchased during fiscal 2012.

Table of Contents

The Company's NOI for the fiscal years ended September 30, 2013, 2012 and 2011 are calculated as follows:

	2013	**2012**	**2011**
Rental Revenue	$46,880,309	43,273,974	40,234,528
Reimbursement Revenue	7,726,777	7,094,957	7,906,956
Total Rental and Reimbursement Revenue	54,607,086	50,368,931	48,141,484
Real Estate Taxes	(5,864,834)	(5,750,511)	(7,211,387)
Operating Expense	(3,363,776)	(3,081,516)	(2,424,112)
NOI	$45,378,476	$41,536,904	$38,505,985

During the first quarter of fiscal 2014, the Company purchased five industrial properties totaling approximately 1,122,000 square feet for approximately $73,861,000. The properties are located in Kansas, Kentucky, Oklahoma, Pennsylvania and Texas, bringing the total number of states in which our properties are located to twenty-seven and bringing our total leasable square feet to approximately 10,709,000. In addition to the five industrial properties purchased during the first quarter of fiscal 2014, the Company has entered into agreements to purchase three new build-to-suit, industrial buildings that are currently being developed in Illinois, Indiana, and Texas totaling approximately 690,000 square feet. The purchase price for the three properties is approximately $48,789,000. Subject to satisfactory due diligence, the Company anticipates closing these three transactions during fiscal 2014.

During fiscal 2013 and through the first quarter of fiscal 2014, the Company completed three building and three parking lot expansions at four properties for a total cost of approximately $18,900,000. The completed expansions resulted in a new ten year lease extension for each property that was expanded and increased annual rent of approximately $1,890,000. The Company currently has two building expansions and one parking lot expansion at three properties in progress. These expansions are expected to cost approximately $8,144,000 and are expected to be completed during the remainder of fiscal 2014 and the first quarter of fiscal 2015. Once complete, these expansions will result in a new ten year lease extension for each property being expanded and increased annual rent of approximately $820,000.

The Company intends to continue to increase its real estate investments in fiscal 2014 through acquisitions and expansions of properties. The growth of the real estate portfolio depends on the availability of suitable properties which meet the Company's investment criteria and appropriate financing. Competition in the market areas in which the Company operates is significant and affects acquisitions, occupancy levels, rental rates and operating expenses of certain properties.

Revenues also include interest and dividend income and net gain on securities transactions. The Company holds a portfolio of securities of other REITs with a fair value of $45,451,740 as of September 30, 2013. The Company invests in REIT securities on margin from time to time when the Company can achieve an adequate yield spread. The REIT securities portfolio provides the Company with liquidity and additional income and serves as a proxy for real estate when more favorable risk adjusted returns are not available. As of September 30, 2013, the Company's portfolio consisted primarily of 63% REIT preferred stocks and 37% REIT common stocks. The Company's weighted-average yield on the securities portfolio for 2013 was approximately 7.0%. Interest and dividend income increased to $3,885,920 for fiscal 2013 as compared to $3,358,674 in fiscal 2012. During fiscal 2013, the Company recognized $7,133,252 in gains on securities transactions. The Company has unrealized gains of $1,989,268 in its REIT securities portfolio as of September 30, 2013. The dividends received from our securities investments continue to meet our expectations. It is our intent to hold these securities on a long-term basis.

The Company had $12,404,512 in cash and cash equivalents and $45,451,740 in REIT securities as of September 30, 2013. The Company believes that funds generated from operations, the Dividend Reinvestment and Stock Purchase Plan (the DRIP), the unsecured line of credit, together with the ability to finance and refinance its properties, will provide sufficient funds to adequately meet its obligations over the next several years.

Table of Contents

On December 5, 2011, the Company issued 2,000,000 shares of common stock in a registered direct placement at a price of $8.39 per share. The Company received net proceeds from the common stock offering of approximately $16,200,000. The Company used such net proceeds to purchase additional properties in the ordinary course of business and for general corporate purposes, including the repayment of indebtedness.

On June 7, 2012 and June 21, 2012, the Company issued 2,000,000 and 300,000 shares, respectively, of 7.875% Series B Cumulative Redeemable Preferred Stock (Series B Preferred Stock) at an offering price of $25.00 per share in an underwritten public offering. The Company received net proceeds from the offering, after deducting the underwriting discount and other estimated offering expenses, of approximately $55,033,000 and used the net proceeds from the offering to purchase properties in the ordinary course of business and for general corporate purposes.

See PART I, Item 1 – Business and Item 1A – Risk Factors for a more complete discussion of the economic and industry-wide factors relevant to the Company and the opportunities and challenges, and risks on which the Company is focused.

Significant Accounting Policies and Estimates

The discussion and analysis of the Company’s financial condition and results of operation are based upon the Company’s consolidated financial statements, which have been prepared in accordance with U.S. GAAP. The preparation of these consolidated financial statements requires management to make estimates and judgments that affect the reported amounts of assets and liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities at the date of the Company’s consolidated financial statements. Actual results may differ from these estimates under different assumptions or conditions.

Significant accounting policies are defined as those that involve significant judgment and potentially could result in materially different results under different assumptions and conditions. Management believes the following significant accounting policies are affected by our more significant judgments and estimates used in the preparation of the Company’s consolidated financial statements. For a detailed description of these and other accounting policies, see Note 1 in the Notes to the Company’s Consolidated Financial Statements included in this Form 10-K.

Real Estate Investments

The Company applies Financial Accounting Standards Board Accounting Standards Codification (ASC) 360-10, Property, Plant & Equipment (ASC 360-10) to measure impairment in real estate investments. Rental properties are individually evaluated for impairment when conditions exist which may indicate that it is probable that the sum of expected future cash flows (on an undiscounted basis without interest) from a rental property is less than its historical net cost basis. These expected future cash flows consider factors such as future operating income, trends and prospects as well as the effects of leasing demand, competition and other factors. Upon determination that a permanent impairment has occurred, rental properties are reduced to their fair value. For properties to be disposed of, an impairment loss is recognized when the fair value of the property, less the estimated cost to sell, is less than the carrying amount of the property measured at the time there is a commitment to sell the property and/or it is actively being marketed for sale. A property to be disposed of is reported at the lower of its carrying amount or its estimated fair value, less its cost to sell. Subsequent to the date that a property is held for disposition, depreciation expense is not recorded.

Upon acquisition of a property, the Company allocates the purchase price of the property based upon the fair value of the assets acquired, which generally consist of land, buildings and intangible assets, including above and below market leases and in place leases. The Company allocates the purchase price to the fair value of the tangible assets of an acquired property generally determined by third party appraisal of the property obtained in conjunction with the purchase.

The purchase price is further allocated to acquired above and below market leases based on the present value of the difference between prevailing market rates and the in-place rates over the remaining lease term. In addition, any remaining amounts of the purchase price are applied to in-place lease values based on management's

Table of Contents

evaluation of the specific characteristics of each tenant's lease. Acquired above and below market leases are amortized to rental revenue over the remaining non-cancelable terms of the respective leases. The value of in-place lease intangibles is amortized to amortization expense over the remaining lease term. If a tenant terminates its lease early, the unamortized portion of the tenant improvements, leasing commissions, deferred rent, above and below market leases and the in-place lease value is charged to expense when there is a signed termination agreement, all of the conditions of the termination agreement are met, the tenant is no longer occupying the property and the termination consideration, if any, is probable of collection.

The Company conducted a comprehensive review of all real estate asset classes in accordance with ASC Topic 360, which indicates that asset values should be analyzed whenever events or changes in circumstances indicate that the carrying value of a property may not be fully recoverable.

The following are examples of such events or changes in circumstances that would indicate to management that there may be an impairment of a property:

- ♦ A non-renewal of a lease and subsequent move out by the tenant;
- ♦ A renewal of a lease at a significantly lower rent than a previous lease;
- ♦ A significant decrease in the market value of a property;
- ♦ A significant adverse change in the extent or manner in which a property is being used or in its physical condition;
- ♦ A significant adverse change in legal factors or in the business climate that could affect the value of a property, including an adverse action or assessment by a regulator;
- ♦ An accumulation of costs significantly in excess of the amount originally expected for the acquisition or construction of a property;
- ♦ A current-period operating or cash flow loss combined with a history of operating or cash flow losses or a projection or forecast that demonstrates continuing losses associated with the use of a property; or
- ♦ A current expectation that, more likely than not, a property will be sold or otherwise disposed of significantly before the end of its previously estimated useful life.

The process entails the analysis of property for instances where the net book value exceeds the estimated fair value. In accordance with ASC Topic 360, an impairment loss shall be recognized if the carrying amount of a long-lived asset is not recoverable and exceeds its fair value. The Company utilizes the experience and knowledge of its internal valuation team to derive certain assumptions used to determine an operating property’s cash flow. Such assumptions include re-leasing and renewal probabilities upon future lease expirations, vacancy factors, rental growth rates, and capital expenditures.

As part of our review of our property portfolio, we have evaluated our properties in Somerset, NJ and St. Joseph, MO which had occupancy rates of 49% and 66%, respectively, as of September 30, 2013, and noted that the sum of the discounted cash flows exceeded its historical net cost basis. We have also evaluated the two vacant properties in our portfolio and any properties which we believe may not renew their leases and noted that the sum of the discounted cash flows expected for potential leases of these properties exceeded their historical net cost basis. Management considers on a quarterly basis whether the marketing rent (advertised) or the market rent has decreased or if any additional indicators are present which would indicate a significant decrease in net cash flows. Management typically will obtain an independent appraisal to assist in evaluating a potential impairment for a property that has been vacant for several years. We have also considered the properties which had lease renewals at rental rates lower than the previous rental rates and noted that the sum of the new discounted cash flows expected for the renewed leases exceeded these properties' historical net cost basis.

The Company reviewed its operating properties in light of the requirements of ASC Topic 360-10 and determined that, as of September 30, 2013, the undiscounted cash flows over the holding period for these properties were in excess of their carrying values and, therefore, no impairment charges were required.

Table of Contents

Securities Available for Sale

Investments in non-real estate assets consist primarily of marketable securities. Management individually reviews and evaluates our marketable securities for impairment on a quarterly basis, or when events or circumstances occur. Management considers, among other things, credit aspects of the issuer, amount of decline in fair value over cost and length of time in a continuous loss position. If a decline in fair value is determined to be other than temporary, a non-cash impairment charge is recognized in earnings and the cost basis of the individual security is written down to fair value as the new cost basis.

The Company classifies its securities among three categories: Held-to-maturity, trading, and available-for-sale. The Company's securities at September 30, 2013 and 2012 are all classified as available-for-sale and are carried at fair value based on quoted market prices. Gains or losses on the sale of securities are calculated based on the average cost method and are accounted for on a trade date basis. Unrealized holding gains and losses are excluded from earnings and reported as a separate component of Shareholders' Equity until realized. The change in net unrealized holding gains are reflected as comprehensive income.

Revenue Recognition and Estimates

Rental revenue from tenants with leases having scheduled rental increases or periods of free rent are recognized on a straight-line basis over the term of the lease. Leases typically provide for reimbursement of real estate taxes, insurance, and other operating costs. These occupancy charges are recognized as earned. Estimates are used to establish amounts receivable and revenue from tenants for such things as annualized rents, real estate taxes and other cost recoveries. In addition, an estimate is made with respect to whether a provision for allowance for doubtful accounts receivable and loans receivable is necessary. The allowance for doubtful accounts reflects management's estimate of the amounts of the recorded accounts receivable and loans receivable at the balance sheet date that will not be realized from cash receipts in subsequent periods. If cash receipts in subsequent periods vary from our estimates, or if the Company's tenants' financial condition deteriorates as a result of operating difficulties, additional changes to the allowance may be required.

Lease Termination Income

Lease Termination Income is recognized in operating revenues when there is a signed termination agreement, all of the conditions of the agreement have been met, the tenant is no longer occupying the property and the termination consideration is probable of collection. Lease termination amounts are paid by tenants who want to terminate their lease obligations before the end of the contractual term of the lease by agreement with the Company.

In March 2012, the Company received $3,222,283 in Lease Termination Income on its 388,671 square foot property located in St. Joseph, MO. Under the terms of this lease termination agreement, the tenant was required to pay the Company additional rent from September 1, 2012 through November 30, 2012 in the amount of $111,113 per month (pro-rated for any area/time leased to another tenant). On May 8, 2012, the Company entered into a 5-year lease agreement for this space with another tenant for 256,000 square feet (representing approximately 66% of the space). In December 2012, the Company received $113,784 in Lease Termination Income representing additional rent from September 1, 2012 through November 30, 2012 for the 34% portion of the space that was not re-leased.

In October 2012, the Company's tenant at its 160,000 square foot property located in Monroe, NC exercised its early termination option. The Company received a lump sum termination payment in October 2012 of $576,946 which was calculated based on the period covering November 1, 2012 through July 31, 2013.

The Company's lease with its tenant, Graybar Electric Company (Graybar), at its 26,340 square foot location in Ridgeland (Jackson), MS has an early termination option which may be exercised at any time subsequent to December 2013 provided the Company is given six months of notice. The rent per annum for this location is $109,275 or $4.15 per square foot and the lease expires in July 2019. The Company does not anticipate that this tenant will exercise its early termination option.

Table of Contents

Other than the Company's lease with Graybar, the Company currently does not have any other leases that contain an early termination option.

Results of Operations

Occupancy and Rent per Occupied Square Foot

The Company's weighted-average lease expiration was 6.1 and 5.3 years as of September 30, 2013 and 2012, respectively and its average rent per occupied square foot as of September 30, 2013 and 2012 was $5.53 and $5.62, respectively. At September 30, 2013 and 2012, the Company's occupancy was 96.0% and 95.2%, respectively. All improved properties were 100% occupied at September 30, 2013 except for the following:

Property	Square Footage	Occupancy
White Bear Lake, MN	59,425	0%
Somerset, NJ	64,138	49%
Monroe, NC	160,000	0%
St. Joseph, MO	388,671	66%

Lease Renewals and Extensions

In fiscal 2013, approximately 9% of our gross leasable area, consisting of 11 leases totaling 896,813 square feet was originally set to expire. The Company has renewed 10 of the 11 leases which were scheduled to expire in fiscal 2013. We have incurred or expect to incur tenant improvement costs of approximately $1,224,000 and leasing costs of approximately $541,000 in connection with these 10 lease renewals. The table below summarizes the lease term of the 10 leases which were renewed and includes both the tenant improvement costs and the leasing costs which are presented on a per square foot (PSF) basis averaged over the renewal term.

Property	Tenant	Square feet	Former Average Rent PSF	Previous Lease Expiration	Renewal Average Rent PSF	New Lease Expiration	Renewal Term (years)	Tenant Improvement Cost PSF over	Leasing Commissions Cost PSF over

								Renewal Term (1)	Renewal Term (1)
Chattanooga, TN	FedEx Corp.	60,637	$6.10	10/27/12	$5.13	10/31/17	5.0	$0.61	$0.10
Lakeland, FL	FedEx Corp.	32,105	5.13	11/30/12	4.83	11/30/17	5.0	0.14	0.10
Augusta, GA	FedEx Corp.	30,184	4.67	11/30/12	4.00	11/30/22	10.0	0.22	0.08
Fayetteville, NC	Maidenform, Inc.	148,000	3.00	12/31/12	3.00	12/31/13	1.0	-0-	0.06
Orangeburg, NY	Kellogg Sales Co.	50,400	7.00	2/28/13	7.00	2/28/14	1.0	-0-	0.14
Newington, CT	Kellogg Sales Co.	54,812	6.54	2/28/13	6.54	2/28/14	1.0	-0-	0.13
Edwardsville, KS	Carlisle Tire	179,280	3.85	5/31/13	4.23	5/31/18	5.0	0.22	0.25
Jacksonville, FL	FedEx Ground	95,883	6.00	5/31/13	5.40	5/31/19	6.0	0.07	0.11
West Chester Twp, OH	FedEx Ground	103,818	4.80	8/31/13	5.01	8/31/23	10.0	0.64	0.10
Bedford Heights, OH	FedEx Corp.	82,269	5.54	8/31/13	4.96	8/31/18	5.0	0.10	0.15
	Total	837,388							
Weighted Average			$4.84		$4.71		4.7	$0.31	$0.14

(1) Amount calculated based on the total cost divided by the square feet, divided by the renewal term.

Of the total 896,813 square feet of gross leasable area originally set to expire during fiscal 2013, 837,388 square feet or 93% has been renewed. The lease renewals have been renewed for a weighted average term of 4.7 years and at an average lease rate of $4.71 per square foot as compared to $4.84 per square foot formerly, representing a weighted average reduction in the lease rate of 2.69%.

34

Table of Contents

The one remaining lease located in White Bear Lake, MN leased to FedEx Express through November 30, 2012, representing 59,425 square feet or 7% of the expiring space, did not renew and is currently vacant. The Company's overall occupancy as of September 30, 2013 is 96.0%.

Approximately 5% of our gross leasable area, consisting of 6 leases totaling 437,727 square feet was originally set to expire during fiscal 2014. The Company has renewed 3 of the 6 leases which were scheduled to expire in fiscal 2014. We have incurred or expect to incur tenant improvement costs of approximately $275,000 and leasing costs of approximately $136,000 in connection with these 3 lease renewals. The table summarizes the lease terms of the 3 leases which were renewed and includes both the tenant improvement costs and the leasing costs which are presented on a per square foot basis averaged over the renewal term.

Property	Tenant	Square feet	Former Average Rent PSF	Previous Lease Expiration	Renewal Average Rent PSF	New Lease Expiration	Renewal Term (years)	Tenant Improvement Cost PSF over Renewal Term (1)	Leasing Commissions Cost PSF over Renewal Term (1)
Omaha, NE	FedEx Corp.	89,115	$6.00	10/31/13	$5.00	10/31/23	10.0	$0.25	$0.10
Orangeburg, NY	Kellogg Sales Co.	50,400	7.00	02/28/14	7.00	02/28/15	1.0	-0-	0.14
Newington, CT	Kellogg Sales Co.	54,812	6.54	02/28/14	6.00	02/28/17	3.0	0.30	0.24
	Total	194,327							
Weighted Average			$6.41		$5.80		5.7	$0.25	$0.12

(1) Amount calculated based on the total cost divided by the square feet, divided by the renewal term.

Of the total 437,727 square feet of gross leasable area originally set to expire during fiscal 2014, 194,327 square feet or 44% has been renewed. The lease renewals have been renewed for a weighted average term of 5.7 years and at an average lease rate of $5.80 per square foot as compared to $6.41 per square foot formerly, representing a weighted average reduction in the lease rate of 9.5%.

Of the remaining three leases set to expire in fiscal 2014, the Company has been informed that one lease for 59,400 square feet or 14% of the space coming up for renewal in fiscal 2014 will not be renewed. The Company owns this property, which is located in Carlstadt, NJ and is leased to Macy's through March 31, 2014, through a 51% controlling equity interest. We continue to be in discussions with our tenants regarding the remaining two leases located in Richland, MS and Fayetteville, NC representing 184,000 square feet or 42% of the space scheduled for renewal in fiscal 2014.

Acquisitions and Expansions During Fiscal 2013

On November 9, 2012, the Company purchased a 172,005 square foot industrial building located in Livonia (Detroit), MI. The building is 100% net leased to FedEx Ground Package System, Inc. through March 31, 2022. The purchase price was $14,350,000. The Company obtained a self-amortizing mortgage of $9,500,000 at a fixed interest rate of 4.45% for 14 years and paid the remaining amount with Cash on hand. This mortgage matures on December 1, 2026. Annual rental revenue over the remaining term of the lease is approximately $1,191,000. In connection with the acquisition, the Company completed its evaluation of the acquired lease. As a result of its evaluation, the Company has allocated $650,000 to an intangible asset associated with the net fair value assigned to the acquired lease at the property. The David Cronheim Mortgage Corporation, an affiliated company of one of the Company's directors, received $95,000 in mortgage brokerage commissions in connection with obtaining financing for this acquisition.

On December 20, 2012, the Company purchased a newly constructed 615,305 square foot industrial building located in Olive Branch, MS which is in the Memphis, TN MSA. The building is 100% net leased to Milwaukee Electric Tool Corporation through April 30, 2023. The initial purchase price was $28,000,000. The Company obtained a self-amortizing mortgage of $17,500,000 at a fixed interest rate of 3.76% for 10 years and paid

Table of Contents

the remaining amount with a draw on its unsecured line of credit. This mortgage matures on January 1, 2023. During the three months ended March 31, 2013, the local municipality reimbursed the Company $631,184 for costs related to a road that was built in conjunction with the construction of the building, resulting in the purchase price being adjusted to $27,368,816. Per the terms of the mortgage agreement, 62.5% of any purchase price reduction was required to be used to pay down the mortgage balance. Therefore, $394,490 of the reimbursement was applied as a reduction to the mortgage balance and the mortgage agreement was amended to reflect this reduction in principal. In addition, in accordance with the purchase and lease agreements, the reduction in purchase price resulted in the annual rental revenue over the remaining term of the lease to be adjusted from approximately $1,965,000 to $1,926,000. In connection with the acquisition, the Company completed its evaluation of the acquired lease. As a result of its evaluation, the Company has not allocated any amount to an intangible asset.

On June 18, 2013, the Company purchased a newly constructed 103,402 square foot industrial building located in Roanoke, VA. The building is 100% net leased to FedEx Ground Package System, Inc. through April 30, 2023. The purchase price was $10,200,000. The Company obtained a self-amortizing mortgage of $6,650,000 at a fixed interest rate of 3.84% for 13 years and paid the remaining amount with Cash on hand. This mortgage matures on July 1, 2026. Annual rental revenue over the remaining term of the lease is approximately $755,000. In connection with the acquisition, the Company completed its evaluation of the acquired lease. As a result of its evaluation, the Company has not allocated any amount to an intangible asset. The David Cronheim Mortgage Corporation, an affiliated company of one of the Company’s directors, received $66,500 in mortgage brokerage commissions in connection with obtaining financing for this acquisition.

On September 12, 2013, the Company purchased two newly constructed industrial buildings that are both 100% net leased to FedEx Ground Package System, Inc. through May 30, 2023. One acquisition was a 99,102 square foot industrial building located in Green Bay, WI for $6,570,000. Annual rental revenue over the remaining term of the lease is approximately $468,000. The second acquisition was a 60,398 square foot industrial building located in Stewartville (Rochester), MN for $5,265,000. Annual rental revenue over the remaining term of the lease is approximately $372,000. The Company obtained a $7,350,000 self-amortizing mortgage in connection with both purchases at a fixed interest rate of 4.00% for 12 years and paid the remaining amount from a draw on its unsecured line of credit. This mortgage matures on October 1, 2025. In connection with the acquisitions, the Company completed its evaluation of the acquired leases. As a result of its evaluation, the Company has not allocated any amount to an intangible asset in connection with the Green Bay, WI acquisition and the Company has allocated $45,000 to an intangible asset associated with the lease in-place in connection with the Rochester, MN acquisition.

On December 21, 2012, the Company purchased approximately 4.1 acres of land adjacent to its property which is leased to FedEx Ground Package System, Inc. located in Orion, MI for $988,579 in order to construct a 52,154 square foot expansion of the building and a parking lot. In June 2013, the building expansion was substantially complete for a cost of approximately $3,900,000 resulting in an increase in annual rent effective July 1, 2013 from $1,285,265 to $1,744,853. The parking lot expansion was substantially complete in September 2013 for a cost of approximately $1,500,000 resulting in an increase in annual rent effective October 1, 2013 to $1,927,356 through June 30, 2023.

On July 11, 2013, the Company purchased approximately 14 acres of land adjacent to its property which is leased to FedEx Ground Package System, Inc. located in Richfield, OH for $1,655,166 in order to construct a parking lot and a

51,667 square foot expansion of the building. The parking lot expansion was substantially complete in October 2013 and cost approximately $3,100,000. As a result, effective November 1, 2013, the annual rent increased from $644,640 to $1,124,384. The building expansion is expected to cost approximately $3,700,000 and is expected to be completed by October 1, 2014 at which time the annual rent will increase to $1,489,907 through September 30, 2024.

In June 2013, Phase I of a 64,240 square foot building expansion leased to FedEx Ground Package System, Inc. located in Fort Mill, SC was substantially complete for a cost of approximately $3,574,000 resulting in an increase in annual rent effective August 1, 2013 from $1,023,746 to $1,364,761. Phase II of the expansion, which consists of a parking lot expansion, cost approximately $426,000. Phase II was completed in November 2013, resulting in an increase in annual rent effective November 1, 2013 to $1,414,639 through November 30, 2023.

Table of Contents

In September 2013, a 51,765 square foot building expansion leased to FedEx Ground Package System, Inc. located in El Paso, TX was substantially complete for a cost of approximately $3,800,000 resulting in an increase in annual rent effective October 1, 2013 from $667,584 to $1,045,261 through September 30, 2023.

FedEx Ground Package System, Inc.'s ultimate parent, FedEx Corporation and Milwaukee Electric Tool Corporation's ultimate parent, Techtronic Industries Company Limited are publicly-owned corporations and financial information on their business operations is readily available to the Company's shareholders.

Comparison of Year Ended September 30, 2013 to Year Ended September 30, 2012

The following tables summarize the Company's rental revenue, reimbursement revenue, real estate taxes, operating expenses, and depreciation expense by category. For the purposes of the following discussion, same store properties are properties owned as of October 1, 2011 that have not been subsequently expanded. Phase I of two property expansions were completed during fiscal 2013 and one property expansion was completed in fiscal 2012. Vacant properties were properties vacant in fiscal 2013 or 2012. Acquired properties are properties that were acquired subsequent to September 30, 2011.

As of September 30, 2013 and 2012, the occupancy rates of the Company's properties were 96.0% and 95.2%, respectively.

Rental Revenues	2013	2012	$ Change	% Change
Same Store Properties	$35,130,663	$35,302,360	$(171,697)	0%
Acquired Properties	8,276,149	3,781,482	4,494,667	119%
Expanded Properties	2,892,999	2,601,021	291,978	11%
Vacant Properties	580,498	1,589,111	(1,008,613)	(63%)
Total	$46,880,309	$43,273,974	$3,606,335	8%

Rental revenue from same store properties decreased slightly due mainly to a reduction in rental rates for the renewed leases as described in the lease renewals and extensions table during fiscal 2013. Rent from acquired properties included rental revenue from the properties located in Streetsboro, OH; Corpus Christi, TX; Halfmoon, NY; Lebanon, OH; Olive Branch, MS (Anda Distribution); Oklahoma City, OK and Waco, TX (all acquired in fiscal 2012) and Livonia, MI; Olive Branch, MS (Milwaukee Electric Tool Corp.); Roanoke, VA; Green Bay, WI and Stewartville (Rochester), MN, (all acquired in fiscal 2013).

Reimbursement Revenues	2013	2012	$ Change	% Change

Same Store Properties	$5,522,412	$5,881,450	$(359,038)	(6%)
Acquired Properties	1,587,887	424,729	1,163,158	274%
Expanded Properties	440,934	485,954	(45,020)	(9%)
Vacant Properties	175,544	302,824	(127,280)	(42%)
Total	$7,726,777	$7,094,957	$631,820	9%

Our single tenant properties are subject to net-leases which require the tenants to absorb the real estate taxes as well as insurance and the majority of the repairs and maintenance. As such, the Company is reimbursed by the tenants for these real estate taxes. Therefore, reimbursement revenues from same store properties decreased due mainly to adjustments in billings related to real estate taxes from the Company's ability to obtain refunds and reduced taxable assessed values on property taxes in certain jurisdictions.

Table of Contents

2013	2012	$ Change	% Change

Real Estate Taxes				
Same Store Properties	$4,439,221	$5,071,626	$(632,405)	(12%)
Acquired Properties	639,595	43,760	595,835	1,362%
Expanded Properties	400,843	294,635	106,208	36%
Vacant Properties	385,175	340,490	44,685	13%
Total	$5,864,834	$5,750,511	$114,323	2%

Real estate taxes from same store decreased due mainly to the Company's ability to obtain refunds and reduced taxable assessed values on property taxes in certain jurisdictions.

Operating Expenses	2013	2012	$ Change	% Change
Same Store Properties	$1,641,184	$2,131,431	$(490,247)	(23%)
Acquired Properties	1,081,590	435,489	646,101	148%
Expanded Properties	110,059	201,605	(91,546)	(45%)
Vacant Properties	530,943	312,991	217,952	70%
Total	$3,363,776	$3,081,516	$282,260	9%

Effective August 1, 2012, the Company's management contract with CMS terminated and the Company became a fully integrated and self-managed real estate company. As a result of terminating its management contract, operating expenses for same store properties decreased mainly due to the decrease in management fees of approximately $315,000.

	2013	2012	$ Change	% Change

Depreciation				
Same Store Properties	$9,403,748	$9,602,397	$(198,649)	(2%)
Acquired Properties	2,243,622	603,138	1,640,484	272%
Expanded Properties	698,536	667,153	31,383	5%
Vacant Properties	518,636	520,302	(1,666)	0%
Total	$12,864,542	$11,392,990	$1,471,552	13%

Depreciation from same store properties decreased mainly due to fixed assets being fully depreciated within fiscal 2013.

Interest Expense	2013	2012	$ Change	% Change
Same Store Properties	$9,865,292	$11,352,411	$(1,487,119)	(13%)
Acquired Properties	3,223,164	1,423,576	1,799,588	126%
Expanded Properties	1,008,189	1,073,512	(65,323)	(6%)
Vacant Properties	247,156	341,798	(94,642)	(28%)
Debentures and Loans Payable	613,153	1,161,202	(548,049)	(47%)
Total	$14,956,954	$15,352,499	$(395,545)	(3%)

Interest expense for same store properties decreased due mainly to the decrease in the outstanding balances of the mortgages due to principal payments made in fiscal 2013 of $36,850,529.

Table of Contents

General and administrative expenses increased $338,470 or 7% during fiscal 2013 as compared to fiscal 2012. The increase is related mainly to an increases in directors fees of approximately $145,000 due to an increase in meeting fees and the addition of a Director during the fiscal year 2013, an increase in professional fees of $106,000, an increase of franchise taxes of approximately $69,000 and an increase in legal fees of approximately $48,000 related to costs associated with the redemption of the Debentures.

Interest and dividend income increased $527,246 in fiscal 2013 as compared to fiscal 2012. This is due mainly to the higher average carrying value of the REIT securities portfolio during the fiscal year 2013 compared to during the fiscal year 2012. The REIT securities portfolio weighted average yield for fiscal 2013 was approximately 7.0% as compared to 7.1% for fiscal 2012.

Gain (loss) on securities transactions, net consisted of the following:

	2013	**2012**
Gross realized gains	$7,176,022	$6,066,971
Gross realized losses	(42,770)	(22,906)
Total Gain (Loss) on Securities Transactions, net	$7,133,252	$6,044,065

The Company had an accumulated net unrealized gain on its securities portfolio of $1,989,268 as of September 30, 2013.

Comparison of Year Ended September 30, 2012 to Year Ended September 30, 2011

The following tables summarize the Company's rental revenue, reimbursement revenue, real estate taxes, operating expenses, and depreciation expense by category. For the purposes of the following discussion, same store properties are properties owned as of October 1, 2010 that have not been subsequently expanded. One property was expanded in fiscal 2012 and no properties were expanded in fiscal 2011. Vacant properties were properties vacant in fiscal 2012 and 2011. Acquired properties are properties that were acquired subsequent to September 30, 2010.

As of September 30, 2012 and 2011, the occupancy rates of the Company's same store properties were 95.2% and 97.1%, respectively.

Rental Revenues	2012	2011	$ Change	% Change

Same Store Properties	$36,363,881	$37,250,246	$(886,365)	(2%)
Acquired Properties	6,199,223	1,693,311	4,505,912	266%
Expanded Properties	292,012	277,929	14,083	5%
Vacant Properties	418,858	1,013,042	(594,184)	(59%)
Total	$43,273,974	$40,234,528	$3,039,446	8%

Rental revenue from same store properties decreased slightly due mainly to a reduction in rental rates for the renewed leases as well as a partial vacancy in our St. Joseph, Missouri property. Rent from acquired properties included rental revenue from the properties located in Lebanon, TN, Rockford, IL and Edinburg, TX (all acquired in fiscal 2011) and Streetsboro, OH, Corpus Christi, TX, Halfmoon, NY, Lebanon, OH, Olive Branch, MS, Oklahoma City, OK and Waco, TX (all acquired in fiscal 2012) as described under acquisitions above.

39

Table of Contents

Reimbursement Revenues	2012	2011	$ Change	% Change
Same Store Properties	$6,417,835	$7,442,085	$(1,024,250)	(14%)
Acquired Properties	549,038	207,724	341,314	164%
Expanded Properties	60,303	35,631	24,672	69%
Vacant Properties	67,781	221,516	(153,735)	(69%)
Total	$7,094,957	$7,906,956	($811,999)	(10%)

Reimbursement revenues from same store properties decreased due mainly to adjustments in billings related to real estate taxes from reduced taxable assessed values on property taxes in certain jurisdictions and decreases in miscellaneous reimbursements.

Real Estate Taxes	2012	2011	$ Change	% Change
Same Store Properties	$5,364,856	$6,650,683	$(1,285,827)	(19%)
Acquired Properties	111,592	192,680	(81,088)	(42%)
Expanded Properties	27,934	27,156	778	3%
Vacant Properties	246,129	340,868	(94,739)	(28%)
Total	$5,750,511	$7,211,387	($1,460,876)	(20%)

Real estate taxes from same store, acquired and vacant properties decreased due to adjustments in estimates related to real estate taxes from reduced taxable assessed values on properties in certain jurisdictions. Our single tenant properties are subject to net-leases which require the tenants to absorb the real estate taxes as well as insurance and the majority of the repairs and maintenance. As such, the Company is reimbursed by the tenants for these real estate taxes.

Operating Expenses	2012	2011	$ Change	% Change
Same Store Properties	$2,330,743	$2,119,763	$210,980	10%
Acquired Properties	492,091	20,751	471,340	2,271%
Expanded Properties	12,941	14,745	(1,804)	(12%)
Vacant Properties	245,741	268,853	(23,112)	(9%)
Total	$3,081,516	$2,424,112	$657,404	27%

Operating expenses for same store properties increased due mainly to increases in insurance premiums of approximately $100,000, utilities of approximately $22,000 and repairs and maintenance of approximately $55,000.

Table of Contents

2012	2011	$ Change	% Change

Depreciation

Same Store Properties	$9,791,197	$9,484,229	$306,968	3%
Acquired Properties	1,024,280	292,816	731,464	250%
Expanded Properties	73,916	71,482	2,434	3%
Vacant Properties	503,597	426,118	77,479	18%
Total	$11,392,990	$10,274,645	$1,118,345	11%

Depreciation from same store properties increased slightly due mainly to capital projects placed in service during the year.

	2012	2011	$ Change	% Change

Interest Expense

Same Store Properties	$11,446,327	$12,523,541	$(1,077,214)	(9%)
Acquired Properties	2,426,580	720,792	1,705,788	237%
Expanded Properties	87,439	95,858	(8,419)	(9%)
Vacant Properties	230,952	467,054	(236,102)	(51%)
Debentures and Loans Payable	1,161,201	1,063,661	97,540	9%
Total	$15,352,499	$14,870,906	$481,593	3%

Interest expense for same store properties decreased due mainly to the decrease in the outstanding balances of the mortgages due to principal payments made in fiscal 2012 of $29,703,259.

General and administrative expenses increased $764,275 or 20% during fiscal 2012 as compared to fiscal 2011. The increases related mainly to increases in executive compensation and employee benefits of approximately $530,000, increases of franchise taxes of approximately $21,000 and an increase in professional fees of approximately $50,000. Included in the increase in executive compensation and employee benefits expense for fiscal 2012 was a one-time charge of $210,510 for restricted stock grants awarded to a participant who is of retirement age and therefore the entire amount of measured compensation cost has been recognized at grant date.

Interest and dividend income increased $258,347 in fiscal 2012 as compared to fiscal 2011. This is due mainly to an increase in the size of the REIT securities portfolio. The value of the securities portfolio increased from $44,265,059 as of September 30, 2011 to $61,685,173 as of September 30, 2012. The REIT securities portfolio weighted average yield for fiscal 2012 was approximately 7.1% as compared to 7.0% for fiscal 2011.

Gain (loss) on securities transactions, net consisted of the following:

	2012	**2011**
Gross realized gains	$6,066,971	$5,265,715
Gross realized losses	(22,906)	(27,512)
Total Gain (Loss) on Securities Transactions, net	$6,044,065	$5,238,203

The Company had an accumulated net unrealized gain on its securities portfolio of $5,383,937 as of September 30, 2012.

Table of Contents
Discontinued Operations

Discontinued Operations in fiscal 2013, 2012 and 2011 include the operations of the 40,560 square foot building located in Greensboro, NC which was classified as Held for Sale and sold on February 19, 2013 for net sale proceeds of $1,413,891. In addition, Discontinued Operations in fiscal 2012 and 2011 also include the 37,660 square foot building located in Quakertown, PA which was classified as Held for Sale and was sold on October 31, 2011 for net sale proceeds of $2,553,507. The following table summarizes the components of discontinued operations:

	2013	2012	2011
Rental and Reimbursement Revenue	$32,258	$151,719	$383,579
Real Estate Taxes	(28,474)	(27,324)	(82,506)
Operating Expenses	(37,924)	(53,365)	(51,301)
Depreciation & Amortization	(20,094)	(78,080)	(89,237)
Interest Expense	-0-	-0-	(5,717)
Income (Loss) from Operations of Disposed Property	(54,234)	(7,050)	154,818
Gain (Loss) on Sale of Investment Property	345,794	(8,220)	-0-
Income (Loss) from Discontinued Operations	$291,560	$(15,270)	$154,818

The variance of Rental and Reimbursement Revenue from fiscal 2013 to 2012 is because fiscal 2013 only includes four and half months of activity through the date of sale of Greensboro, NC and no activity for the property located in Quakertown, PA. The variance of Gain (Loss) on Sale of Investment Property from fiscal 2013 to 2012 is because fiscal 2013 reflects the gain on sale from the sale of the Greensboro, NC property and fiscal 2012 reflects the loss on sale from the sale of the Quakertown, PA property.

The variance of Rental and Reimbursement Revenue and Real Estate Taxes from fiscal 2012 to 2011 is because fiscal 2012 only includes one month of activity through the date of sale of Quakertown, PA.

Cash flows from discontinued operations for the year ended September 30, 2013, 2012 and 2011 are combined with the cash flows from operations within each of the three categories presented. Cash flows from discontinued operations were as follows:

	2013	2012	2011
Cash flows from Operating Activities	$(29,080)	$65,522	$241,642
Cash flows from Investing Activities	1,413,891	2,553,507	(12,346)
Cash flows from Financing Activities	-0-	(2,581,355)	(316,943)

The absence of cash flows from discontinued operations is not expected to materially affect future liquidity and capital resources.

Table of Contents

Off-Balance Sheet Arrangements and Contractual Obligations

The Company has not entered into any off-balance sheet arrangements.

The following is a summary of the Company's contractual obligations as of September 30, 2013:

Contractual Obligations	Total	One year or less	2-3 years	4-5 years	5 years or more
Mortgage Notes Payable	$250,093,382	$21,583,903	$57,050,541	$73,532,251	$97,926,687
Interest on Mortgage Notes Payable	64,377,425	13,463,777	22,842,170	14,422,978	13,648,500
Loans Payable	22,200,000	-0-	19,282,202	2,917,798	-0-
Interest on Loans Payable	1,637,860	589,534	996,365	51,961	-0-
Purchase of Properties	122,650,000	122,650,000	-0-	-0-	-0-
Expansions of Existing Properties	8,382,000	8,382,000	-0-	-0-	-0-
Retirement Benefits	850,000	50,000	100,000	100,000	600,000
Total	$470,190,667	$166,719,214	$100,271,278	$91,024,988	$112,175,187

Mortgage notes payable represents the principal amounts outstanding by scheduled maturity as of September 30, 2013. Interest is payable on these mortgages at fixed rates ranging from 3.76% to 8.15%, with a weighted average interest rate of 5.63%. The above table does not include $48,789,000 of mortgage loans obtained in connection with the purchases of five properties totaling $73,861,000 during the first quarter of fiscal 2014 at fixed rates ranging between 3.45% to 4.58%. In addition, the above table does not include a commitment the Company has entered into to obtain a 3.95% fixed rate $14,000,000 mortgage loan in connection with a $23,514,000 commitment the Company has entered into to purchase a property.

Loans payable represents a $2,500,000 loan at an annual interest rate of 4.9%, maturing November 29, 2016 with interest only payments through November 2014, a $2,700,000 loan at a variable annual interest rate of prime plus 0.75% with a floor of 4.5%, maturing on March 9, 2017 and the draw on our unsecured line of credit of $17,000,000 as of September 30, 2013, maturing on June 30, 2016 at a variable interest rate of LIBOR plus 175 basis points to 250 basis points, depending on the Company's leverage ratio. The unsecured line of credit has a one year extension option to June 30, 2017. The interest rate of the $2,700,000 loan was 4.5% as of September 30, 2013 and the interest rate of the $17,000,000 unsecured line of credit as of September 30, 2013 was LIBOR plus 185 basis points, which was 2.03%. The contractual obligation for interest on loans payable amount is determined using an interest rate of 4.9% for the $2,700,000 loan, 4.5% for the $2,500,000 loan and 2.03% on the $17,000,000 unsecured line of credit. During the first quarter of fiscal 2014, the Company drew down an additional $23,000,000 on the unsecured line of credit, which is not reflected in the table above. In addition, the above table does not include the Company's obligation under its available margin loan, for which no amount was outstanding as of September 30, 2013.

Purchase of property represents the purchase price of eight industrial properties totaling approximately 1,812,000 square feet under contract as of September 30, 2013. Five acquisitions amounting to approximately $73,861,000 and totaling approximately 1,122,000 square feet were completed during the first quarter of fiscal 2014. The Company expects to close on the remaining three properties amounting to approximately $48,789,000 and totaling approximately 690,000 square feet during the remainder of fiscal 2014.

Expansions of existing properties represents the remaining costs expected to be incurred as of September 30, 2013 in connection with building and parking lot expansions located at four properties in Orion, MI; Richfield, OH; Fort Mill, SC and El Paso TX. Total expansion costs are expected to be approximately $22,644,000, of which approximately $14,262,000 has been paid as of September 30, 2013. The above table does not include commitments entered into subsequent to September 30, 2013 in connection with a building and parking lot expansion located at two properties in Cocoa, FL and Tampa, FL. Total expansion costs for commitments entered into subsequent to September 30, 2013 are expected to be approximately $4,400,000. Upon completion, the commitment for all expansions entered into prior to and subsequent to September 30, 2013 will result in additional rentable square feet

Table of Contents

of approximately 275,000, a new ten year lease extension for each location being expanded, and will result in total increased annual rent of approximately $2,710,000.

Retirement benefits represent the total future amount to be paid, on an undiscounted basis, relating to one executive officer. These benefits are based upon specific employment agreements. The agreements do not require the Company to separately fund the obligation and therefore will be paid from the general assets of the Company. The Company has accrued these benefits on a present value basis over the terms of the employment agreements.

Liquidity and Capital Resources

The Company operates as a real estate investment trust deriving its income primarily from real estate rental operations. The Company's shareholders' equity increased from $315,687,139 as of September 30, 2012 to $335,914,971 as of September 30, 2013, principally due to the issuance of 3,243,351 shares of common stock in the amount of $31,119,351 through the DRIP, net income attributable to common shareholders of $12,788,214 and the conversion of $3,500,000 of Debentures that were converted to 382,091 shares of common stock. The increases were partially offset by payments of cash distributions paid to common shareholders of $25,415,875. See further discussion below.

The Company's ability to generate cash adequate to meet its needs is dependent primarily on income from its real estate investments and its securities portfolio, the sale of real estate investments and securities, refinancing of mortgage debt, leveraging of real estate investments, availability of bank borrowings, proceeds from the DRIP, proceeds from public offerings and private placements, and access to the capital markets. Purchases of new properties, payments of expenses related to real estate operations, capital improvement programs, debt service, general and administrative expenses, and distribution requirements place demands on the Company's liquidity.

The Company intends to operate its properties from the cash flows generated by the properties. However, the Company's expenses are affected by various factors, including inflation. Increases in operating expenses raise the breakeven point for a property and, to the extent that they cannot be passed on through higher rent and reimbursements, reduce the amount of available cash flow which can adversely affect the market value of the property.

Historically, industrial space demand has been very closely correlated to Gross Domestic Product (GDP) growth. Despite three years of unprecedented monetary stimulus, GDP growth has remained muted. However, national occupancy rates for the industrial property type have been steadily increasing. One major catalyst driving increased demand for the industrial property type has been the ongoing shift from traditional brick and mortar retail shopping, to shopping on-line or "e-commerce". Additionally, new construction has been limited and low energy costs have resulted in increased domestic manufacturing. The financial position of our tenants, together with the long duration of our leases, should enable the Company to perform well despite the weak economy. As of September 30, 2013, the

Company had $12,404,512 in cash and cash equivalents and $45,451,740 in marketable securities subject to loans of $5,200,000. In addition, as of September 30, 2013, the Company also had $23,000,000 available on its unsecured line of credit which was fully drawn down during the first quarter of fiscal 2014. The unsecured line of credit has an accordion feature which may increase the unsecured line of credit by an additional $20,000,000.

On December 5, 2011, the Company sold 2,000,000 shares of common stock in a registered direct placement. The Company received net proceeds from this offering of approximately $16,200,000 and used such net proceeds to purchase additional properties in the normal course of business and for general corporate purposes. On June 7, 2012 and June 21, 2012, respectively, the Company issued 2,000,000 and 300,000 shares of Series B Preferred Stock at an offering price of $25.00 per share in an underwritten public offering. The Company received net proceeds of approximately $55,033,000 from the Series B Preferred Stock offering and used such net proceeds to purchase additional properties in the ordinary course of business and for general corporate purposes. The Company has been raising equity capital through its DRIP, registered direct placements and the public sale of common and preferred stock and investing in net-leased industrial properties. The Company believes that funds generated from operations, the DRIP, and bank borrowings, together with the ability to finance and refinance its properties, will provide sufficient funds to adequately meet its obligations over the next few years.

Table of Contents
As of September 30, 2013, the Company owned seventy-six properties of which fifty-seven are subject to mortgages. On June 25, 2013, the Company entered into an agreement that renewed and expanded its unsecured line of credit from $20,000,000 to $40,000,000, with an accordion feature up to $60,000,000, subject to various conditions, as defined in the agreement. The renewed unsecured line of credit is syndicated with two banks led by Capital One, National Association, as joint lead arranger, administrative agent and sole book runner, and includes Bank of Montreal, as joint lead arranger and documentation agent. The renewed unsecured line of credit matures June 30, 2016, has a one-year extension option, and borrowings under the unsecured line of credit bear interest at LIBOR plus 175 basis points to 250 basis points, depending on the company's leverage ratio. Based on the Company's current leverage ratio, borrowings under the unsecured line of credit bears interest at LIBOR plus 185 basis points, which was 2.03% as of September 30, 2013. The previous $20,000,000 unsecured line of credit did not have an extension option and borrowings bore interest at LIBOR plus 200 basis points to 250 basis points, depending on the amount drawn down on the unsecured line of credit. As of September 30, 2013, the unsecured line of credit has $17,000,000 outstanding. In addition, as of September 30, 2013, the Company had loans payable of $5,200,000 which consisted of a $2,700,000 loan secured by UMH common stock with The Bank of Princeton and a $2,500,000 loan secured by UMH preferred stock with Two River Community Bank.

The Company also uses margin loans for purchasing securities, for temporarily funding of acquisitions, and for working capital purposes. The interest rate charged on the margin loans is the bank's margin rate and was 2.0% as of September 30, 2013 and 2012. The margin loans are due on demand and are collateralized by the Company's securities portfolio. The Company must maintain a coverage ratio of approximately 50%. At September 30, 2013 and 2012, there were no amounts outstanding under the margin loans.

The Company's focus is on real estate investments. The Company has historically financed purchases of real estate primarily through mortgages. During fiscal 2013, the Company made acquisitions of five industrial properties totaling approximately $63,750,000, which were funded through the origination of four mortgages totaling approximately $41,000,000 at fixed rates ranging between 3.76% to 4.45%, with the remainder from available cash on hand and funds available on its unsecured line of credit. During the first quarter of fiscal 2014, the Company made five acquisitions of industrial properties totaling approximately $73,861,000 which were funded through the origination of four mortgages of approximately $43,905,000 and an increase of a pre-existing mortgage of approximately $5,000,000 at fixed interest rates ranging between 3.45% to 4.58% and from funds available on its unsecured line of credit. In addition to the five acquisitions completed during the first quarter of fiscal 2014, the Company has entered into commitments to purchase three industrial properties totaling approximately $48,789,000 and expects to close on these three properties during the remainder of fiscal 2014. In connection with one of the three commitments to purchase industrial properties, the Company has entered into a commitment to obtain a 3.95% fixed rate $14,000,000 mortgage. The Company plans to continue to acquire additional net-leased industrial properties. The Company also intends to expand its properties when requested by the tenants. The funds for these acquisitions and expansions may come from bank borrowings, draws on the unsecured line of credit, proceeds from the DRIP, private placements and additional public offerings of preferred and common stock. To the extent that funds or appropriate properties are not available, fewer acquisitions or expansions will be made.

The Company also invests in debt and equity securities of other REITs as a proxy for real estate when more favorable risk adjusted returns are not available, for liquidity, and for additional income. The Company from time to time may purchase these securities on margin when there is an adequate yield spread. During fiscal 2013, the Company's securities portfolio decreased $16,233,433, primarily due to the sale of securities with a cost of $26,343,515 and a decrease in the net unrealized gain of $3,394,669 offset by purchases of $13,504,751. The Company recognized gains on sales of securities of $7,133,252 in addition to earning interest and dividend income of $3,885,920 during fiscal 2013. There was no margin loan balance as of September 30, 2013 and 2012, respectively.

Cash flows provided from operating activities were $27,095,310, $26,808,821and $22,126,819 for fiscal years 2013, 2012 and 2011, respectively. The increase in cash flows provided from operating activities from fiscal 2012 to fiscal 2013 and from fiscal 2011 to fiscal 2012 is due to the increased income from acquisitions of properties and expanded operations.

Table of Contents

Cash flows used in investing activities were $59,931,043, $80,640,038 and $30,365,918 for fiscal years 2013, 2012 and 2011, respectively. Cash flows used in investing activities in fiscal 2013 decreased as compared to 2012 due mainly to a decrease in purchase of securities in fiscal 2013 as compared to fiscal 2012. Cash flows used in investing activities in fiscal 2012 increased as compared to 2011 due mainly to increased property acquisitions in fiscal 2012 as compared to fiscal 2011.

Cash flows provided from financing activities were $20,589,387, $72,105,267 and $7,801,354 for fiscal years 2013, 2012 and 2011, respectively. Cash flows from financing activities decreased in fiscal 2013 as compared to 2012 and increased in fiscal 2012 as compared to 2011 due mainly to the underwritten public offering of preferred stock with net proceeds of approximately $55,033,000 and the issuance of 2,000,000 shares of common stock in a registered direct placement with net proceeds of $16,189,700 in 2012. In addition, the Company paid cash dividends (net of reinvestments), of $18,634,530, $21,291,674 and $15,880,001 for fiscal 2013, 2012 and 2011, respectively.

As of September 30, 2013, the Company had total assets of $617,240,866 and liabilities of $281,325,895. The Company’s total debt plus Series A and Series B Preferred Stock to market capitalization as of September 30, 2013 and 2012 was approximately 49% and 41%, respectively. The Company believes that it has the ability to meet its obligations and to generate funds for new investments.

The Company has a dividend reinvestment plan (DRIP), in which participants can purchase stock from the Company at a price of approximately 95% of market value. Amounts received in connection with the DRIP, (including dividend reinvestments of $6,781,345, $2,425,032 and $5,281,032 for fiscal years ended 2013, 2012 and 2011, respectively), were $31,119,351, $13,094,616 and $19,372,335 for fiscal years ended 2013, 2012 and 2011, respectively. On March 13, 2012, the Company temporarily suspended its DRIP and as of August 2, 2012, the DRIP was reinstated. It is anticipated, although no assurances can be given, that the level of participation in the DRIP in fiscal 2014 will be comparable, if not greater than fiscal 2013.

During 2013, the Company paid total distributions of $25,415,875 or $0.60 per common share. Of the dividends paid, $6,781,345 was reinvested pursuant to the terms of the DRIP. Management anticipates maintaining the annual dividend rate of $0.60 per common share although no assurances can be given since various economic factors can reduce the amount of cash flow available to the Company for common dividends. All decisions with respect to the payment of dividends are made by the Company’s Board of Directors.

In 2013, the Company paid $8,607,032 in preferred stock dividends. The Company is required to pay cumulative dividends on the Series A Preferred Stock in the amount of $1.90625 per share per year, which is equivalent to 7.625% of the $25.00 liquidation value per share. The Company now has a total of 2,139,750 shares of Series A Preferred Stock outstanding representing an aggregate liquidation preference of $53,493,750. On June 7, 2012 and June 21, 2012, the Company issued 2,000,000 and 300,000 shares, respectively, of Series B Preferred Stock at an offering price of $25.00 per share in an underwritten public offering. The Company is required to pay cumulative dividends on the Series B Preferred Stock in the amount of $1.96875 per share per year, which is equivalent to 7.875% of the $25.00 liquidation value per share. As of September 30, 2013, the Company has a total of 2,300,000 shares of Series B Preferred Stock outstanding representing an aggregate liquidation preference of $57,500,000.

During the year ended September 30, 2013, stock options to purchase 156,375 shares of common stock were exercised. Total proceeds received by the Company were $1,301,663. In addition, pursuant to notice given on October 29, 2012, the Company’s subsidiary redeemed its 2013 and 2015 Debentures outstanding on November 30, 2012 for the full principal amount plus accrued interest to November 30, 2012. Between October 1, 2012 and November 30, 2012, $3,500,000 of the Debentures were converted to 382,091 shares of common stock and $5,115,000 of the Debentures were redeemed.

On an ongoing basis, the Company funds capital expenditures for its properties primarily to maintain structure and other maintenance items as required in the various leases. These expenditures may also include expansions as requested by tenants, or various tenant improvements on properties which are re-tenanted. The amounts of these expenditures can vary from year to year depending on the age of the properties, tenant negotiations, market conditions and lease turnover.

Table of Contents

On December 21, 2012, the Company purchased approximately 4.1 acres of land adjacent to its property which is leased to FedEx Ground Package System, Inc. located in Orion, MI for $988,579 in order to construct a 52,154 square foot expansion of the building and a parking lot. In June 2013, the building expansion was substantially complete for a cost of approximately $3,900,000 resulting in an increase in annual rent effective July 1, 2013 from $1,285,265 to $1,744,853. The parking lot expansion was substantially complete in September 2013 for a cost of approximately $1,500,000 resulting in an increase in annual rent effective October 1, 2013 to $1,927,356 through June 30, 2023.

On July 11, 2013, the Company purchased approximately 14 acres of land adjacent to its property which is leased to FedEx Ground Package System, Inc. located in Richfield, OH for $1,655,166 in order to construct a parking lot and a 51,667 square foot expansion of the building. The parking lot expansion was substantially complete in October 2013 and cost approximately $3,100,000. As a result, effective November 1, 2013, the annual rent increased from $644,640 to $1,124,384. The building expansion is expected to cost approximately $3,700,000 and is expected to be completed by October 1, 2014 at which time the annual rent will increase to $1,489,907 through September 30, 2024.

In June 2013, Phase I of a 64,240 square foot building expansion leased to FedEx Ground Package System, Inc. located in Fort Mill, SC was substantially complete for a cost of approximately $3,574,000 resulting in an increase in annual rent effective August 1, 2013 from $1,023,745 to $1,364,761. Phase II of the expansion, which consists of a parking lot expansion, cost approximately $426,000. Phase II was completed in November 2013, resulting in an increase in annual rent effective November 1, 2013 to $1,414,638 through November 30, 2023.

In September 2013, a 51,765 square foot building expansion leased to FedEx Ground Package System, Inc. located in El Paso, TX was substantially complete for a cost of approximately $3,800,000 resulting in an increase in annual rent effective October 1, 2013 from $667,584 to $1,045,261 through September 30, 2023.

New Accounting Pronouncements

In February 2013, the FASB issued ASU 2013-02, Comprehensive Income (Topic 220): Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income. ASU 2013-02 does not change the current requirements for reporting net income or other comprehensive income in financial statements. However, ASU 2013-02 requires an entity to provide information about the amounts reclassified out of accumulated other comprehensive income by component. In addition, an entity is required to present, either on the face of the statement where net income is presented or in the notes, significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income but only if the amount reclassified is required under US GAAP to be reclassified to net income in its entirety in the same reporting period. For other amounts that are not required under US GAAP to be reclassified in their entirety to net income, an entity is required to cross-reference to other disclosures required under US GAAP that provide additional detail about those amounts. This ASU is effective prospectively, for reporting periods beginning on or after December 15, 2012. The adoption of ASU 2013-02 did not have a material impact on our financial position, results of operations or cash flows.

Management does not believe that any other recently issued, but not yet effective accounting pronouncements, if adopted, would have a material effect on the accompanying Consolidated Financial Statements.

Table of Contents

ITEM 7A – QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is exposed to interest rate changes primarily as a result of its unsecured line of credit, margin loans and long-term debt used to maintain liquidity and fund capital expenditures and acquisitions of the Company's real estate investment portfolio. The Company's interest rate risk management objectives are to limit the impact of interest rate changes on earnings and cash flows and to lower its overall borrowing costs. To achieve its objectives, the Company borrows primarily at fixed rates.

The following table sets forth information as of September 30, 2013, concerning the Company's long-term debt obligations, including principal payments by scheduled maturity, weighted average interest rates and estimated fair value:

Fiscal Year ending September 30,	Carrying Value	Weighted Average Interest Rate	Fair Value
2014	$2,041,572	5.66%	
2015	2,403,192	5.71%	
2016	16,552,192	6.35%	
2017	50,051,471	6.50%	
2018	20,738,705	6.04%	
Thereafter	158,306,250	5.22%	
Total	$250,093,382	5.63%	$259,303,000

On June 25, 2013, the Company entered into an agreement that renewed and expanded its $20,000,000 unsecured revolving credit, which was set to mature on June 30, 2013. The renewed unsecured line of credit is syndicated with two banks led by Capital One, National Association, as joint lead arranger, administrative agent and sole book runner, and includes Bank of Montreal, as joint lead arranger and documentation agent. The renewed unsecured line of credit has been increased to $40,000,000 with an accordion feature up to $60,000,000, subject to various conditions, as defined in the agreement. The renewed unsecured line of credit matures June 2016, has a one-year extension option, and borrowings bear interest at LIBOR plus 175 basis points to 250 basis points, depending on the company's leverage ratio. Based on the Company's current leverage ratio, borrowings bear interest at LIBOR plus 185 basis points which was 2.03% as of September 30, 2013. The previous $20,000,000 unsecured line of credit did not have an extension option and borrowings bore interest at LIBOR plus 200 basis points to 250 basis points, depending on the amount drawn down on the unsecured line of credit. As of September 30, 2013, there was a $17,000,000 outstanding balance under the unsecured line of credit. During the first quarter of fiscal 2014, the Company drew down an additional $23,000,000 on the unsecured line of credit.

On November 29, 2011, the Company closed on a $2,500,000 5-year term loan with Two River Community Bank at an annual interest rate of 4.9%. The loan has interest only payments through November 2014 and is secured by the 200,000 shares of UMH 8.25% Series A preferred stock. The net proceeds were used to pay down the Company's margin line.

On March 9, 2012, the Company closed on a $2,700,000 loan with The Bank of Princeton which matures on March 9, 2017. Interest is at a variable rate of prime plus 0.75% with a floor of 4.5%. The interest rate at September 30, 2013 was 4.5%. The loan is secured by 615,065 shares of UMH common stock. The net proceeds were used to pay down the Company's margin line.

The Company obtains margin loans secured by its marketable securities. There was no balance outstanding on the margin loan as of September 30, 2013. The interest rate on the margin account is the bank's margin rate and was 2.0% as of September 30, 2013 and 2012. In general, the Company may borrow up to 50% of the value of the marketable securities. The value of the marketable securities was $45,451,740 as of September 30, 2013.

The Company also invests in both debt and equity securities of other REITs and is primarily exposed to market price risk from adverse changes in market rates and conditions. All securities are classified as available for sale and are carried at fair value.

Table of Contents

ITEM 8 - FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The financial statements and supplementary data listed in Part IV, Item 15 (a) (1) are incorporated herein by reference and filed as part of this report.

The following is the Unaudited Selected Quarterly Financial Data:

SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

THREE MONTHS ENDED

FISCAL 2013	12/31/12	3/31/13	6/30/13	9/30/13
Rental and Reimbursement Revenue	$12,827,490	$13,306,209	$14,054,264	$14,419,123
Lease Termination Income	690,730	-0-	-0-	-0-
Total Expenses	6,984,984	6,775,721	7,846,010	8,002,521
Other Income (Expense)	(822,633)	812,939	(2,022,810)	(2,552,390)
Income from Continuing Operations	5,710,603	7,343,427	4,185,444	3,864,212
Income from Discontinued Operations (1)	(4,026)	300,484	(4,898)	-0-
Net Income	5,706,577	7,643,911	4,180,546	3,864,212
Net Income Attributable to Common Shareholders	3,554,819	5,492,153	2,028,788	1,712,454
Net Income Attributable to Common Shareholders per share	$0.09	$0.13	$0.05	$0.03

FISCAL 2012	12/31/11	3/31/12	6/30/12	9/30/12
Rental and Reimbursement Revenue	$12,237,466	$12,567,803	$12,543,727	$13,019,935
Lease Termination Income	-0-	3,222,283	-0-	-0-
Total Expenses	6,563,916	6,692,437	7,715,634	7,338,733
Other Income (Expense)	(355,996)	(793,375)	(2,591,175)	(2,840,183)
Income from Continuing Operations	5,317,554	8,304,274	2,236,918	2,841,019
Income from Discontinued Operations (1)	48,469	(44,242)	(3,657)	(15,840)
Net Income	5,366,023	8,260,032	2,233,261	2,825,179
Net Income Attributable to Common Shareholders	4,346,219	7,240,227	911,581	673,342
Net Income Attributable to Common Shareholders per share	$0.11	$0.18	$0.02	$0.02

(1) During fiscal years 2013 and 2012, the Company designated the Greensboro, NC property as held for sale and during fiscal year 2012 the Company designated the Quakertown, PA property as held for sale.

Certain amounts in the Selected Quarterly Financial Data for the prior quarters have been reclassified to conform to the financial statement presentation for the current year.

Table of Contents

ITEM 9 - CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON

ACCOUNTING AND FINANCIAL DISCLOSURE

There were no changes in, or any disagreements with, the Company's independent registered public accounting firm on accounting principles and practices or financial disclosure during the years ended September 30, 2013 and 2012.

ITEM 9A- CONTROLS AND PROCEDURES

(a) Disclosure Controls and Procedures

Management, with the participation of our Chief Executive Officer and our Chief Financial and Accounting Officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Securities Exchange Act of 1934 Rule 13a-15(e) and 15d-15(e)) as of the end of the period covered by this report. Based upon that evaluation, management concluded that our disclosure controls and procedures were effective as of September 30, 2013.

(b) Management's Report on Internal Control Over Financial Reporting

Management of the Company is responsible for establishing and maintaining effective internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act).

Management assessed the Company's internal control over financial reporting as of September 30, 2013. This assessment was based on criteria for effective internal control over financial reporting established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) (1992). Based on this assessment, management has concluded that the Company's internal control over financial reporting was effective as of September 30, 2013.

PKF O'Connor Davies, A Division of O'Connor Davies, LLP ("PKF O'Connor Davies") the Company's independent registered public accounting firm, has issued their report on their audit of the Company's internal control over financial reporting, a copy of which is included herein.

(c) Report of Independent Registered Public Accounting Firm

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders

Monmouth Real Estate Investment Corporation

We have audited Monmouth Real Estate Investment Corporation's internal control over financial reporting as of September 30, 2013, based on criteria established in Internal ControlIntegrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission (the "COSO 1992 criteria"). Monmouth Real Estate Investment Corporation's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based upon the assessed risk and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Table of Contents

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, (3) receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (4) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company’s assets that could have a material effect on the consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Monmouth Real Estate Investment Corporation maintained in all material respects, effective internal control over financial reporting as of September 30, 2013 based on the COSO 1992 criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of Monmouth Real Estate Investment Corporation as of September 30, 2013 and 2012, and the related consolidated statements of income, comprehensive income, shareholders’ equity and cash flows for each of the three years then ended and our report dated December 10, 2013 expressed an unqualified opinion thereon.

/s/ PKF O’Connor Davies

A Division of O’Connor Davies, LLP

New York, New York

December 10, 2013

(d) Changes in Internal Control over Financial Reporting

There have been no changes to our internal controls over financial reporting during the Company’s fourth fiscal quarter ended September 30, 2013 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

ITEM 9B – OTHER INFORMATION

None.

51

Table of Contents

PART III

ITEM 10 – DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The following are the Directors and Executive Officers of the Company as of September 30, 2013:

Name	**Age**	**Present Position with the Company; Business Experience During Past Five Years; Other Directorships**	**Director Since**	**Class Type (1)**
Anna T. Chew	55	**Treasurer (2010 to present) and Director.** Interim Chief Financial Officer (March 30, 2012 to July 2, 2012). Chief Financial Officer (1991 to 2010). Certified Public Accountant. Vice President and Chief Financial Officer (1995 to present), Director (1994 to present) of UMH Properties, Inc., an affiliated company. Ms. Chew's extensive public accounting, finance and real estate industry experience are primary, among other reasons, why Ms. Chew serves on our Board.	2007	I
Daniel D. Cronheim	59	**Director**. Attorney at Law (1979 to present). Certified Property Manager (2010 to present). President (2000 to present) of David Cronheim Mortgage Company. Executive Vice President (1997 to present) of Cronheim Management Services, Inc. Executive Vice President (1989 to present) and General Counsel (1983 to present) of David Cronheim Company. Director, Chairman of Compensation Committee and Audit Committee (2000 to present) of Hilltop Community Bank. Mr. Cronheim's extensive experience in real estate management and the mortgage industry are primary, among the reasons, why he serves on our Board.	1989	I
Catherine B. Elflein	52	**Independent Director.** Certified Public Accountant. Senior Director – Risk Management (2006 to present) at Celgene Corporation; Controller of Captive Insurance Companies (2004 to 2006) and Director – Treasury Operations (1998 to 2004) at Celanese Corporation. Ms. Elflein's extensive experience in accounting, finance and risk management are primary, among other reasons, why Ms. Elflein serves on our Board.	2007	III
Brian H. Haimm	44	**Independent Director**. Chief Financial Officer and Chief Operating Officer (2006 to present) of Ascend Capital, a private equity firm. Mr. Haimm's extensive experience in accounting, finance and the real estate industry are the primary, among other reasons, why Mr. Haimm serves on our Board.	2013	II

52

Table of Contents

Name	Age	Present Position with the Company; Business Experience During Past Five Years; Other Directorships	Director Since	Class Type (1)
Neal Herstik	54	**Independent Director.** Attorney at Law, Gross, Truss & Herstik, PC (1997 to present). Co-founder and former President, Manalapan-Englishtown Education Foundation, Inc., a non-profit corporation (1995 to 2001). Mr. Herstik's extensive legal experience and experience in the real estate industry are primary, among other reasons, why Mr. Herstik serves on our Board.	2004	II
Matthew I. Hirsch	54	**Independent Director**. Attorney at Law (1985 to present); Adjunct Professor of Law, Widener University School of Law (1993 to present). Mr. Hirsch's extensive legal experience and experience in the real estate industry are primary, among other reasons, why Mr. Hirsch serves on our Board.	2000	II
Eugene W. Landy	79	**Chairman of the Board (1968 to present), President and Chief Executive Officer (1968 to April 2013) and Director**. Attorney at Law. Chairman of the Board (1995 to present), Director (1969 to present) and President (1969 to 1995) of UMH Properties, Inc., an affiliated company. As our Chairman and Founder, Mr. Landy brings unparalleled experience in real estate investing to our Board.	1968	III
Michael P. Landy	51	**President and Chief Executive Officer (April 2013 to present, Chairman of the Executive Committee (2010 to present) and Director.** Chief Operating Officer (2011 to April 2013), Executive Vice President (2009 to 2010), Executive Vice President-Investments (2006 to 2009), and Vice President-Investments (2001 to 2006). Director (2011 to present), Executive Vice President (2010 to 2012) and Vice President-Investments (2001 to 2010) of UMH Properties, Inc., an affiliated company. Mr. Landy's role as our President, Chief Executive Officer, Chief Operating Officer and extensive experience in real estate finance, investment, capital markets, and operations management are primary, among other reasons, why Mr. Landy serves on our Board.	2007	III
Samuel A. Landy	53	**Director**. Attorney at Law (1985 to present); President (1995 to present), Vice President (1991 to 1995) and Director (1992 to present) of UMH Properties, Inc., an affiliated company. Mr. Landy's extensive experience in real estate investing and REIT leadership are primary, among other reasons, why Mr. Landy serves on our Board.	1989	III

53

Table of Contents

Name	Age	Present Position with the Company; Business Experience During Past Five Years; Other Directorships	Director Since	Class Type (1)
Kevin S. Miller	44	**Chief Financial Officer (July 2012 to present), Chief Accounting Officer and Member of the Executive Committee (May 2012 to present)**; Certified Public Accountant. Assistant Controller and Assistant Vice-President (2005 to May 2012) of Forest City Ratner Companies, a wholly-owned subsidiary of a publicly-held company, Forest City Enterprises, Inc. Audit Manager (1993 to 2005) of PKF, Certified Public Accountants, A Professional Corporation.	N/A	N/A
Allison Nagelberg	48	**General Counsel (2000 to present) and Member of the Executive Committee (2010 to present)**. Attorney at Law (1989 to present). General Counsel (2000 to present) of UMH Properties, Inc., an affiliated company.	N/A	N/A
Scott Robinson	43	**Lead Independent Director.** Managing Partner, Cadence Capital Group, LLC (2008 to present); Director, The REIT Center at New York University (2008 to present); Vice President Citi Markets and Banking (2006 to 2008) at Citigroup; Senior REIT and CMBS analyst at Standard & Poor's, (1998 to 2006). Mr. Robinson's extensive experience in real estate finance and investment are primary among other reasons why Mr. Robinson serves on our Board.	2005	I
Stephen B. Wolgin	59	**Independent Director**. Managing Director of U.S. Real Estate Advisors, Inc. (2000 to present), a real estate advisory services group based in New York. Partner with the Logan Equity Distressed Fund (2007 to present). Director (2007 to present) of UMH Properties, Inc., an affiliated company. Prior affiliations with J.P. Morgan, Odyssey Associates, The Prudential Realty Group, Standard & Poor's Corporation, and Grubb and Ellis. Mr. Wolgin's extensive experience as a real estate and finance consultant and experience in the real estate industry are primary among other reasons why Mr. Wolgin serves on our Board.	2003	II

(1) Class II, III, and I Directors have terms expiring in years 2014, 2015 and 2016, respectively.

Family Relationships

There are no family relationships between any of the directors or executive officers, with the exception of Samuel A. Landy and Michael P. Landy who are the sons of Eugene W. Landy, the Chairman of the Board, Founder, and a

Director of the Company.

Audit Committee

The Company has a separately-designated standing audit committee established in accordance with Section 3 (a)(58)(A) of the Exchange Act (15 U.S.C. 78c(a)(58)(A)). The members of the audit committee are Stephen B. Wolgin (Chairman), Catherine B. Elflein, Brian H. Haimm, Matthew I. Hirsch and Scott Robinson. The Company's

Table of Contents

Board has determined that Stephen B. Wolgin, Catherine B. Elflein and Brian H. Haimm are audit committee financial experts and that all members of the audit committee are independent as required by the listing standards of the New York Stock Exchange. The audit committee operates under the Audit Committee Charter which can be found at the Company's website at www.mreic.com. The charter is reviewed annually for adequacy.

Section 16(a) Beneficial Ownership Reporting Compliance

There have been no delinquent filers pursuant to Item 405 of regulation S-K, to the best of management's knowledge.

Code of Ethics

The Company has adopted the Code of Business Conduct and Ethics applicable to its Chief Executive Officer and Chief Financial Officer, as well as the Company's other officers, directors and employees (the "Code of Ethics"). The Code of Ethics can be found at the Company's website at www.mreic.com. In addition, the Code of Ethics was filed with the Securities and Exchange Commission on December 14, 2004 with the Company's September 30, 2004 Form 10-K. The Code of Ethics is also available in print to any person without charge who requests a copy by writing or telephoning us at the following address and telephone number: Monmouth Real Estate Investment Corporation, Attention: Stockholder Relations, 3499 Route 9 North, Suite 3-C, Juniper Business Plaza, Freehold, New Jersey 07728, (732) 577-9996. The Company will satisfy any disclosure requirements under Item 5.05 of Form 8-K regarding a waiver from any provision of the Code of Ethics for principal officers or directors by disclosing the nature of such amendment of waiver on our website.

ITEM 11 - EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Overview of Compensation Program

The Compensation Committee (for purposes of this analysis, the Committee) of the Board has been appointed to discharge the Board's responsibilities relating to the compensation of the Company's executive officers. The Committee has the overall responsibility for approving and evaluating the executive officer compensation plan, policies and programs of the Company. The Committee's primary objectives include serving as an independent and objective party to review such compensation plan, policies and programs.

Throughout this report, the individuals who served as the Company’s Chairman of the Board and the President and Chief Executive Officer and other members of the Executive Committee during fiscal 2013 included in the Summary Compensation Table presented below in Item 11 of this report, are sometimes referred to in this report as the named executive officers.

Compensation Philosophy and Objectives

The Compensation Committee believes that a well-designed compensation program should align the goals of the shareholders with the goals of the President and Chief Executive Officer, and that a significant part of the executives’ compensation, over the long term, should be dependent upon the value created for shareholders. In addition, all executives should be held accountable through their compensation for the performance of the Company, and compensation levels should also reflect the executives’ individual performance in an effort to encourage increased individual contributions to the Company's performance. The compensation philosophy, as reflected in the Company's employment agreements with its executives, is designed to motivate executives to focus on operating results and create long-term shareholder value by:

• establishing a plan that attracts, retains and motivates executives through compensation that is competitive with a peer group of other publicly-traded real estate investment trusts, or REITs;

Table of Contents

• linking a portion of executives' compensation to the achievement of the Company's business plan by using measurements of the Company's operating results and shareholder return; and

• building a pay-for-performance system that encourages and rewards successful initiatives within a team environment.

The Compensation Committee believes that each of the above factors is important when determining compensation levels for named executive officers. The Committee reviews and approves the employment contracts for the Chairman of the Board and the President and Chief Executive Officer, and other named executive officers, including performance goals and objectives. The Committee annually evaluates performance of the executive officers in light of those goals and objectives. The Committee considers the Company's performance, relative shareholder return, the total compensation provided to comparable officers at similarly-situated companies, and compensation given to the named executive officers in prior years. The Company uses the annual Compensation Survey published by NAREIT as a guide to setting compensation levels. Participant company data is not presented in a manner that specifically identifies any named individual or company. This survey details compensation by position type with statistical salary and bonus information for each position. The Compensation Committee compares the Company’s salary and bonus amounts to the ranges presented for reasonableness. To that end, the Committee believes executive compensation packages provided by the Company to its executive officers should include both base salaries and annual bonus awards that reward corporate and individual performance, as well as give incentives to those executives who meet or exceed established goals.

Role of Executive Officers in Compensation Decisions

The Committee makes all final compensation decisions for the Company's named executive officers. The Chairman of the Board and the President and Chief Executive Officer review the performance of the other named executive officers and then present their conclusions and recommendations to the Committee with respect to base salary adjustments and annual cash bonus and stock option awards. The Committee exercises its own discretion in modifying any recommended adjustments or awards, but does consider the recommendations from management who work closely with the other named executive officers.

Role of Grants of Stock Options and Restricted Stock in Compensation Analysis

The Committee views the grant of stock options and restricted stock awards as a form of long-term compensation. The Committee believes that such grants promote the Company's goal of retaining key employees, and align the key employee's interests with those of the Company's shareholders from a long-term perspective. The number of options or shares of restricted stock granted to each employee is determined by consideration of various factors including but not limited to the employees’ title, responsibilities, and years of service.

Role of Employment Agreements in Determining Executive Compensation

Each of the Company's currently employed named executive officers is a party to an employment agreement. These agreements provide for base salaries, bonuses and customary fringe benefits. The key elements of our compensation program for the named executive officers are base salary, bonuses, stock options and perquisites and other benefits. Each of these is addressed separately below. In determining initial compensation, the compensation committee considers all elements of a named executive officer’s total compensation package in comparison to current market practices and other benefits.

Shareholder Advisory Vote

One way to determine if the Company’s compensation program reflects the interests of shareholders is through their non-binding vote. At the Annual Meeting of Shareholders held on May 5, 2011, the Company’s shareholders approved by their advisory vote the compensation of the named executive officers.

Table of Contents

Base Salaries

Base salaries are paid for ongoing performance throughout the year. In order to compete for and retain talented executives who are critical to the Company's long-term success, the Compensation Committee has determined that the base salaries of named executive officers should approximate those of executives of other equity REITs that compete with the Company for employees, investors and business, while also taking into account the named executive officers' performance and tenure, and the Company's performance relative to its peer companies within the REIT industry using the NAREIT Compensation Survey described above.

Bonuses

In addition to the provisions for base salaries under the terms of our employment agreements, the Chairman of the Board, and effective October 1, 2013, the President and Chief Executive Officer, are entitled to receive annual cash bonuses for each year during the terms of each respective agreement. These bonuses are based on the achievement of certain performance goals set by the Compensation Committee as described below.

For the Chairman of the Board:

Growth in market cap	7.5%	12.5%	20%
Bonus	$20,000	$45,000	$90,000
Growth in FFO/share	7.5%	12.5%	20%
Bonus	$20,000	$45,000	$90,000
Growth in dividend/share	5%	10%	15%
Bonus	$30,000	$60,000	$120,000
Total Bonus Potential	$70,000	$150,000	$300,000

Effective October 1, 2013, for the President and Chief Executive Officer:

Growth in market cap	10%	15%	20%
Bonus	$20,000	$40,000	$60,000

Growth in AFFO/share	15%	20%	25%
Bonus (1)	$20,000	$45,000	$90,000
Growth in dividend/share	5%	10%	15%
Bonus	$30,000	$60,000	$120,000
Total Bonus Potential	$70,000	$145,000	$270,000

(1) Provided that FFO is in excess of the dividend

In addition to its determination of the executives' individual performance levels for 2013, the Committee also compared the executives' total compensation for 2013 to that of similarly-situated personnel in the REIT industry using the NAREIT Compensation Survey described above.

Bonuses awarded to the other named executive officers are recommended by the Chairman of the Board and the President and Chief Executive Officer and are approved by the Compensation Committee. The Chairman of the Board, the President and Chief Executive Officer and the Compensation Committee believe that short-term rewards in the form of cash bonuses to senior executives generally should reflect short-term results and should take into consideration both the profitability and performance of the Company and the performance of the individual, which

Table of Contents

may include comparing such individual's performance to the preceding year, reviewing the breadth and nature of the senior executives' responsibilities and valuing special contributions by each such individual. In evaluating performance of the Company annually, the Compensation Committee considers a variety of factors, including, among others, Funds From Operations (FFO), Adjusted Funds From Operations (AFFO), net income, growth in asset size, amount of space under lease and total return to shareholders. The Company considers FFO to be an important measure of an equity REIT's operating performance and has adopted the definition suggested by the National Association of Real Estate Investment Trusts (NAREIT), which defines FFO to mean net income computed in accordance with U.S. GAAP, excluding gains or losses from sales of property, plus real estate related depreciation and amortization. The Company defines AFFO as FFO plus acquisition costs less recurring capital expenditures and excluding the following: gains or losses on securities transactions, stock compensation expense, amortization of financing and leasing costs, and straight line rent adjustments. The Company considers FFO and AFFO to be meaningful additional measures of operating performance, primarily because they exclude the assumption that the value of its real estate assets diminishes predictably over time and because industry analysts have accepted these as performance measures.

Various other factors considered include the employee's title and years of service. The employee's title generally reflects the employee's responsibilities and the employee's years of service may be considered in determining the level of bonus in comparison to base salary. The President and the Compensation Committee have declined to use specific performance formulas with respect to the other named executive officers, believing that with respect to Company performance, such formulas do not adequately account for many factors, including, among others, the relative performance of the Company compared to its competitors during variations in the economic cycle, and that with respect to individual performance, such formulas are not a substitute for the subjective evaluation by the President and Compensation Committee of a wide range of management and leadership skills of each of the senior executives.

Stock Options and Restricted Stock

The employment agreement for the Chairman of the Board states that he will receive stock options to purchase 65,000 shares annually. For the other senior executives, the Chairman of the Board and the President and Chief Executive Officer make a recommendation to the Compensation Committee of specific stock option or restricted stock grants. In making its decisions, the Compensation Committee does not use an established formula or focus on a specific performance target. The Compensation Committee recognizes that often outside forces beyond the control of management, such as economic conditions, changing leasing and real estate markets and other factors, may contribute to less favorable near term results even when sound strategic decisions have been made by the senior executives to position the Company for longer term profitability. Thus, the Compensation Committee also attempts to identify whether the senior executives are exercising the kind of judgment and making the types of decisions that will lead to future growth and enhanced asset value, even if the same are difficult to measure on a current basis. For example, in determining appropriate stock option and restricted stock awards, the Compensation Committee considers, among other matters, whether the senior executives have executed strategies that will provide adequate funding or appropriate borrowing capacity for future growth, whether acquisition and leasing strategies have been developed to ensure a future stream of reliable and increasing revenues for the Company, whether the selection of properties, tenants and tenant mix evidence appropriate risk management, including risks associated with real estate markets and tenant credit, and whether the administration of staff size and compensation appropriately balances the current and projected operating requirements of the Company with the need to effectively control overhead costs.

In fiscal 2013, the Compensation Committee received the recommendations from the Chairman of the Board and the President and Chief Executive Officer for the amount of restricted stock and cash bonuses to be awarded. The factors that were considered in awarding the restricted stock and cash bonuses included the following progress that was made by the Company due to the efforts of management:

- Located and acquired five industrial properties as per its investment strategy without placing undue burden on liquidity
- Entered into commitments to acquire eight industrial properties in fiscal 2014

Table of Contents

- Raised approximately $31.1 million through the DRIP
- Renewed and expanded the unsecured line of credit on favorable terms
- Renewed 93% of expiring leases expiring in fiscal 2013 on favorable terms
- Continued its conservative approach to management of the properties and maintained its cash distributions to shareholders
- Managed general and administrative costs to an appropriate level
- Refinanced debt at lower interest rates

The individual awards were allocated based on the named executive officers' individual contributions to these accomplishments. Other factors included the named executive officers' responsibilities and years of service. In addition, the awards were compared to each named executive officers' total compensation and compared with comparable Real Estate Investment Trusts (REITS) using the annual Compensation Survey published by NAREIT as a guide for setting total compensation.

Perquisites and Other Personal Benefits

The Company's employment agreements provide the named executive officers with perquisites and other personal benefits that the Company and the Committee believe are reasonable and consistent with its overall compensation program to better enable the Company to attract and retain superior employees for key positions. The Committee periodically reviews the levels of perquisites and other personal benefits provided to the executive officers.

The named executive officers are provided the following benefits under the terms of their employment agreements: an allotted number of paid vacation weeks; eligibility for the executive, spouse and dependents in all Company sponsored employee benefits plans, including 401(k) plan, group health, accident, and life insurance, on terms no less favorable than applicable to any other executive; use of an automobile; and, supplemental disability insurance, at the Company's cost, as agreed to by the Company and the named executive officer. Attributed costs of the personal benefits described above for the named executive officers for the fiscal year ended September 30, 2013, are included in "All Other Compensation" of the Summary Compensation Table provided below under Item 11 of this report.

Payments upon Termination or Change in Control

In addition, the named executive officers' employment agreements each contain provisions relating to change in control events and severance upon termination for events other than for cause or good reason (as defined under the terms of the employment agreements). These change in control and severance terms are designed to promote stability and continuity of senior management. Information regarding these provisions is included in "Employment Agreements" provided below in Item 11 of this report. There are no other agreements or arrangements governing change in control payments.

Evaluation

Mr. Eugene Landy is employed under an Amended Employment Agreement with the Company. In July 2010, based on the Compensation Committees' evaluation of his performance, his base compensation under his amended contract was increased from $225,000 to $275,000 per year.

In evaluating Mr. Eugene Landy's leadership performance, during 2010, the Committee awarded Mr. Eugene Landy an Outstanding Leadership Achievement Award (the Award) in the amount of $300,000 per year for the three fiscal years ended September 30, 2010, 2011 and 2012. This Award was to recognize Mr. Eugene Landy's exceptional leadership as President and Chief Executive Officer for over 40 years.

Table of Contents

In evaluating Mr. Eugene Landy's eligibility for an annual bonus, the Committee used the bonus schedule included in Mr. Eugene Landy's amended contract as a guide.

Mr. Michael Landy was appointed the Company's President and Chief Executive Officer on April 9th, 2013. In September 2013, based on his recent promotion, as well as the compensation committees' evaluation of his performance, his base compensation under his new employment agreement (dated September 23, 2013) was increased from $330,750 to $500,000 per year, effective October 1, 2013.

The Committee has also approved the recommendations of the Chairman of the Board and the President and Chief Executive Officer concerning the other named executive officers' annual salaries, bonuses, restricted stock grants and fringe benefits.

Compensation Committee Report

The Compensation Committee of the Company has reviewed and discussed the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K with management and, based on such review and discussions, the Compensation Committee recommended to the board that the Compensation Discussion and Analysis be included in this report.

Compensation Committee:

Stephen B. Wolgin

Matthew I. Hirsch

Table of Contents
Summary Compensation Table

The following Summary Compensation Table shows compensation paid or accrued by the Company for services rendered during 2013, 2012, and 2011 to the named executive officers. There were no other executive officers whose aggregate compensation allocated to the Company for fiscal 2013 exceeded $100,000.

Name and Principal Position	Fiscal Year	Salary ($)	Bonus ($)	Restricted Stock Awards (4)	Option Awards ($) (5)	Change in Pension Value And Nonqualified Deferred Compensation Earnings ($)	All Other Compensation ($)	Total ($)
Eugene W. Landy	2013	$275,000	$-0-	$-0-	$39,991	$59,838 (1)	$36,750 (2)	$411,579
Chairman of the Board	2012	275,000	390,000	210,510	31,850	59,109 (1)	27,250 (2)	993,719
	2011	275,000	320,000	157,197	39,650	54,608 (1)	42,500 (2)	888,955
Michael P. Landy	2013	$326,813	$67,500	$-0-	$-0-	$-0-	$48,350 (3)	$442,663
President and Chief Executive	2012	307,527	266,449	126,560	-0-	-0-	39,066 (3)	739,602
Officer	2011	263,858	61,544	94,490	-0-	-0-	36,630 (3)	456,522
Kevin S. Miller (6)	2013	$215,000	$67,500	$98,700	$-0-	$-0-	$1,260	$382,460
Chief Financial and Accounting Officer	2012	76,923	-0-	-0-	-0-	-0-	-0-	$76,923
Allison Nagelberg (7)	2013	$181,563	$50,000	-0-	$-0-	-0-	-0-	$231,563
General Counsel	2012	116,016	35,000	87,400	-0-	-0-	-0-	238,416
	2011	44,532	20,000	65,284	-0-	-0-	-0-	129,816

Notes:

(1) Accrual for pension and other benefits of $59,838, $59,109 and $54,608 for 2013, 2012 and 2011, respectively, in accordance with Mr. Landy’s employment contract.

(2) Represents Director’s fees of $36,750, $27,250 and $25,000 for 2013, 2012 and 2011, respectively, paid to Mr. Landy; and legal fees paid to the firm of Eugene W. Landy of $-0-, $-0- and $17,500 for 2013, 2012 and 2011, respectively.

(3) Represents Director's fees of $36,750, $27,250 and $25,000 in 2013, 2012 and 2011, respectively, and fringe benefits and discretionary contributions by the Company to the Company's 401(k) Plan allocated to an account of the named executive officer and reimbursement of a disability policy. Prior to July 1 2012, approximately 25% for fiscal 2012 and 30% for fiscal 2011 of this employee's salary compensation cost was allocated to and reimbursed by UMH, pursuant to a cost sharing agreement between the Company and UMH. As of July 1, 2012, 100% of salary compensation has been allocated to the Company.

(4) The values were established based on the number of shares granted as follows, for fiscal 2013, 7/5/13 - $9.87; for fiscal 2012, 9/14/12 - $11.56 and 9/6/12 - $11.50 and for fiscal 2011, 7/5/11 - $8.59.

(5) The fair value of the stock option grant was based on the Black-Scholes valuation model. See Note 10 to the Consolidated Financial Statements for assumptions used in the model. The actual value of the options will depend upon the performance of the Company during the period of time the options are outstanding and the price of the Company's common stock on the date of exercise.

(6) Kevin S. Miller's employment with the company commenced in May 2012.

(7) Allison Nagelberg, the Company's General Counsel, is an employee of UMH. Her compensation disclosure can be found in the filings of UMH. During 2013, 2012 and 2011, approximately 70%, 50% and 25%, respectively, of her salary compensation cost was allocated to and reimbursed by the Company for her services, pursuant to a cost sharing arrangement between the Company and UMH.

Table of Contents

Stock Compensation Plan

On July 26, 2007, the 2007 Stock Option Plan (the 2007 Plan) was approved by the shareholders authorizing the grant to officers, directors and key employees, of options to purchase up to 1,500,000 shares of common stock. On May 6, 2010, the shareholders approved and ratified an amendment and restatement of the 2007 Plan. The amendment and restatement made two significant changes: (1) the inclusion of Directors as participants in the 2007 Plan, and (2) the ability to grant restricted stock to Directors, officers and key employees. The amendment and restatement also made other conforming, technical and other minor changes. The amendment also makes certain modifications and clarifications, including concerning administration and compliance with applicable tax rules, such as Section 162(m) of the Internal Revenue Code.

Grants of Plan-Based Awards

Options to purchase 65,000 shares were granted in 2013 and options to purchase 156,375 shares were exercised during 2013. During fiscal 2013, 10,000 shares of restricted common stock were granted at a grant date fair value of $9.87 per share. As of September 30, 2013, the number of shares remaining for future grant of stock options or restricted stock is 744,646.

Options may be granted any time up through March 26, 2017. No option shall be available for exercise beyond ten years. All options are exercisable after one year from the date of grant. The option price shall not be below the fair market value at date of grant. Canceled or expired options are added back to the “pool” of shares available under the Plan.

Under the 2007 Plan, the Compensation Committee determines the recipients of restricted stock awards; the number of restricted shares to be awarded; the length of the restricted period of the award; the restrictions applicable to the award including, without limitation, the employment or retirement status of the participant; rules governing forfeiture and restrictions applicable to any sale, assignment, transfer, pledge or other encumbrance of the restricted stock during the restricted period; and the eligibility to share in dividends and other distributions paid to the Company’s stockholders during the restricted period. The maximum number of shares underlying restricted stock awards that may be granted in any one fiscal year to a participant shall be 100,000.

All restricted stock awards granted during fiscal year 2013 vest over five years. The following table sets forth, for the executive officers named in the Summary Compensation Table, information regarding individual grants of restricted stock and individual grants of stock options made during the year ended September 30, 2013:

Name	Grant Date