MONMOUTH REAL ESTATE INVESTMENT CORP
Form 10-K
December 09, 2010

**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, 2010

[ ] 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 incorporation or organization) | (I.R.S. Employer 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 | $.01 par value per share | New York Stock Exchange |

7.625% Series A Cumulative Redeemable Preferred Stock $.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). __ 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, 2010 was approximately $212,870,000 (based on the $8.41 closing price per share of common stock).

There were 34,098,940 shares of Common Stock outstanding as of December 1, 2010.

Documents Incorporated by Reference: None.

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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, to 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. had no activity from inception through September 30, 2010.

On July 31, 2007, the Company completed its strategic combination with Monmouth Capital Corporation (Monmouth Capital), a New Jersey Corporation (the merger). As a result of the merger, each share of Monmouth Capital s common stock outstanding at the time of the merger was converted into and exchanged for the right to receive .655 shares of the Company s common stock and the Company became the owner of all of the outstanding stock of Monmouth Capital. As a result of this transaction, the Company issued 3,727,706 shares of common stock valued at approximately $32,400,000. The total cost of the merger paid by the Company was approximately $33,970,000, which included the value of outstanding stock options of Monmouth Capital and certain transaction costs. The assets and liabilities of Monmouth Capital as of the effective time of the merger were recorded by the Company at their respective fair values and added to those of the Company. Monmouth Capital remains a wholly-owned subsidiary of the Company.

The Company s primary business is the ownership of real estate. Its investment focus is to own 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.

Narrative Description of Business

Currently, the Company derives its income primarily from real estate rental operations. Rental and reimbursement revenue was $45,212,822, $41,318,498 and $39,148,259 for the years ended September 30, 2010, 2009 and 2008, respectively. Total assets were $454,118,797 and $394,994,437 as of September 30, 2010 and 2009, respectively.

As of September 30, 2010, the Company had approximately 6,971,000 square feet of property, of which approximately 3,393,000 square feet, or approximately 49%, was leased to Federal Express Corporation (FDX) and subsidiaries (15% to FDX and 34% to FDX subsidiaries) and approximately 388,700 square feet in St Joseph, Missouri, or approximately 6% was leased to Mead Corporation, which subleased the space to Hallmark Cards, Incorporated. During fiscal 2010, 2009, and 2008, the only tenants that accounted for more than 5% of our total rental and reimbursement revenue were FDX and subsidiaries and Keebler/Kellogg. Rental and reimbursement revenue from FDX and subsidiaries totaled approximately $26,160,000, $24,526,000 and $21,918,000 for the years ended September 30, 2010, 2009 and 2008, respectively. During fiscal 2010, 2009 and 2008, rental income and occupancy charges from properties leased to these tenants was approximated 61%, 64% and 61% of total rental and reimbursement revenue, respectively. Rental and reimbursement revenue from Keebler/Kellogg totaled approximately $1,838,000, $2,044,000 and $2,081,000 for the years ended September 30, 2010, 2009 and 2008, respectively.

The Company s weighted-average lease expiration was approximately 5.0 years as of September 30, 2010 and 2009 and its average rent per occupied square foot as of September 30, 2010 and 2009 was $5.81 and $5.64, respectively. At September 30, 2010 and 2009, the Company s occupancy was 96%.

At September 30, 2010, the Company owned sixty-three rental properties. (See Item 2 for a detailed description of the properties.) These properties are located in twenty-five states: Alabama, Arizona, Colorado, Connecticut, Florida, Georgia, Illinois, Iowa, Kansas, Maryland, Michigan, Minnesota, Missouri, Mississippi, North Carolina, Nebraska, New Jersey, New York, Ohio, Pennsylvania, South Carolina, Tennessee, Texas, Virginia, and

Wisconsin. All properties are leased on a net basis except an industrial park in Monaca, Pennsylvania and a shopping center in Somerset, New Jersey.

In fiscal 2010, the Company purchased four industrial properties totaling approximately 838,000 square feet for a total cost of approximately $53,140,000. In fiscal 2009, the Company purchased a 40,000 square foot industrial property in Topeka, Kansas for a total cost of approximately $4,088,000. In addition, in fiscal 2010, the Company completed the acquisition of the remaining 35% noncontrolling interest in Jones EPI, LLC (Jones EPI), for approximately $949,000. Jones EPI owns a 92,000 square foot industrial building in El Paso, Texas.

In the first quarter of 2011, the Company purchased two industrial properties totaling approximately 448,000 square feet for approximately $20,350,000. The Company anticipates additional acquisitions in 2011. The funds for these additional acquisitions are expected to come from mortgages, other bank borrowings, proceeds from the Dividend Reinvestment and Stock Purchase Plan (DRIP), private placements and public offerings or placements 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. Because of the contingent nature of contracts to purchase real property, the Company generally announces acquisitions only upon closing.

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 which 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 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 equity price risk relating to equity securities. From time to time, the Company may use derivative instruments to mitigate interest rate risk. At September 30, 2010 and 2009, the

Company had $42,517,725 and $27,824,665, respectively, of securities available for sale. The unrealized net gain on securities available for sale at September 30, 2010 and 2009 was $10,116,057 and $3,796,831, 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 primarily to investment-grade tenants. The Company s strategy is to obtain a favorable yield spread between the income from the net-leased industrial properties and mortgage 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 current leases, the properties will become vacant or 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 leased to FDX or FDX

subsidiaries 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 and business operations is readily available to the Company s shareholders.

The Company had operated as part of a group of three public companies (all REITs) which included UMH Properties, Inc. (UMH) and Monmouth Capital (the affiliated companies). Monmouth Capital was 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. 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 currently has nine employees. Allocations of salaries and benefits are made between the affiliated companies based on the amount of the employees time dedicated to each affiliated company.

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.

Property Management

All of the Company s wholly-owned properties and the shopping center in Somerset, N.J. in which the Company holds a two-thirds interest are managed on behalf of the Company by Cronheim Management Services, Inc. (CMS), a division of David Cronheim Company, a related party as discussed in Note No. 13 to the Consolidated Financial Statements. CMS provides sub-agents as regional managers for the Company s properties. During fiscal 2010, 2009 and 2008, the Company was subject to management contracts with CMS. For calendar 2010, the management fee was fixed at $380,000 per year, plus the estimated cost of the subagents fees of $76,000. For each of the calendar years 2009 and 2008, the management fee was fixed at $380,000, from which CMS compensated the subagents. CMS also received $22,773, $20,352 and $3,219 in lease commissions in 2010, 2009 and 2008, respectively. The David Cronheim Mortgage Corporation, an affiliated company, received $100,000, $-0- and $-0- in mortgage brokerage commissions in 2010, 2009 and 2008.

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 49% noncontrolling interest. Management fees paid to Marcus Associates for 2010, 2009 and 2008 totaled $15,804, $14,399, $12,993, respectively.

The industrial property in Wheeling, Illinois is owned by Wheeling Partners, LLC. The Company owns approximately 63% of Wheeling Partners, LLC. This property is managed by Jones Development Company, an entity affiliated with the 37% noncontrolling interest. Management fees paid to Jones Development Company for 2010, 2009 and 2008 were $13,855, $13,855, and $13,651, respectively.

The industrial property in El Paso, Texas, is owned by Jones EPI, LLC. During 2010, the Company purchased the remaining 35% noncontrolling interest in Jones EPI, LLC. This property was managed by Jones Development Company, an entity affiliated with the former 35% noncontrolling interest. Management fees paid to Jones Development Company for 2010, 2009 and 2008 were $2,782, $6,676 and $6,676, respectively.

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.

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 damage 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 the conduct of the business 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.

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:

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population and demographic trends;

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employment and personal income trends;

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zoning, use and other regulatory restrictions;

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income tax laws;

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changes in interest rates and availability and costs of financing;

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competition from other available real estate;

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our ability to provide adequate maintenance and insurance; and

increased operating costs, including insurance premiums, utilities and real estate taxes, which may not be offset by increased rents.

***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, many of whom 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 cannot predict what requirements may be enacted or amended or what costs we will incur to comply with such 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.

**Risks Associated with Our Properties**

***We may be unable to renew leases or relet 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 it. We may not be able to relet the property on similar terms, if we are able to relet the property at all. The terms of renewal 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 relet all or a substantial portion of our properties, or if the rental rates upon such reletting 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 reletting 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 Federal Express Corporation.*** FDX is our largest tenant. As of September 30, 2010, FDX and its subsidiaries leased approximately 49% of the total square footage that we own. Annualized rental income and occupancy charges from FDX and its subsidiaries are estimated at approximately 57% of total rental and reimbursement revenue for fiscal 2010. If FDX 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 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, cash available for distribution, market price of our preferred and common stock and ability to satisfy our debt service obligations could be materially adversely affected.

***Coverage under our existing insurance policies may be inadequate to cover losses.*** 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:

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

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acquired properties may fail to perform as expected;

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

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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;

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

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we may acquire properties subject to liabilities and without any recourse, or with only limited recourse. 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.

**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:

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rising interest rates on our variable rate debt;

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failure to repay or refinance existing debt as it matures, which may result in forced disposition of assets on disadvantageous terms;

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refinancing terms less favorable than the terms of existing debt; and

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failure 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, then 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 be able to refinance the debt on favorable terms or at all. To the extent we cannot refinance 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 would 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 issuance 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 vote 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 in 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 credit agreements 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, our financial condition would be adversely affected.

**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 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 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 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 distribution to shareholders will 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 your 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 would adversely affect the market price of our stock. In addition, rising interest rates would result in increased expense, thereby adversely affecting cash flow and our ability to service our indebtedness and pay distributions.

***There are restrictions on the 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 and bylaws contain provisions restricting the transfer of our capital stock.

***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 real estate investment trusts. 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:

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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.

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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 assure our ability to remain a qualified 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.

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The request of the holders of a majority or more of our common stock is necessary for stockholders to call a special meeting. We also require advance notice by common 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 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.*** Maryland law provides protection for Maryland corporations against unsolicited takeovers by limiting, among other things, the duties of the directors in unsolicited takeover situations. The duties of directors of Maryland corporations do not require them to (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, 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. Moreover, under Maryland law the act of a director of a Maryland corporation relating to or affecting an acquisition or potential acquisition of control is not subject to any higher duty or greater scrutiny than is applied to any other act of a director. Maryland law also contains a statutory presumption that an act of a director of a Maryland corporation satisfies the applicable standards of conduct for directors under Maryland law.

The Maryland Business Combination Act provides that unless exempted, a Maryland corporation may not engage in 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 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 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 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 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 2010. 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 requirements applicable to REITs.*** 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 distribution requirements. Difficulties in meeting the distribution requirements 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 distribution requirements and interest and penalties could apply which could adversely affect our financial condition. If we fail to make a required distribution, we would cease to be taxed as a REIT.

***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 would 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.

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. It is believed 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, 2010:

| State | City | Fiscal Year Acquisition | Type | Square Footage | Mortgage Balance 9/30/10 |
|---|---|---|---|---|---|
| AL | Huntsville | 2005 | Industrial | 56,698 | $1,810,614 |
| AZ | Tolleson | 2003 | Industrial | 288,211 | 6,682,378 |
| CO | Colorado Springs | 2006 | Industrial | 68,370 | 2,773,111 |
| CO | Denver | 2005 | Industrial | 69,865 | 2,569,648 |
| CT | Newington | 2001 | Industrial | 54,812 | 1,261,380 |
| FL | Cocoa | 2008 | Industrial | 89,101 | 6,595,167 |
| FL | Ft. Myers | 2003 | Industrial | 90,020 | 2,392,393 |
| FL | Jacksonville | 1999 | Industrial | 95,883 | 3,024,551 |
| FL | Lakeland | 2007 | Industrial | 31,096 | 1,375,000 |
| FL | Orlando | 2008 | Industrial | 110,638 | 5,499,752 |
| FL | Punta Gorda | 2007 | Industrial | 34,624 | 2,605,395 |
| FL | Tampa (FDX Gr) | 2004 | Industrial | 170,779 | 10,124,312 |
| FL | Tampa (FDX) | 2006 | Industrial | 95,662 | 5,101,276 |
| FL | Tampa (Kellogg) | 2007 | Industrial | 68,385 | 2,811,162 |
| GA | Augusta (FDX Gr) | 2005 | Industrial | 59,358 | 1,825,238 |
| GA | Augusta (FDX) | 2007 | Industrial | 30,332 | 1,119,967 |
| GA | Griffin | 2006 | Industrial | 217,970 | 8,871,154 |
| IA | Urbandale | 1994 | Industrial | 36,150 | -0- |
| IL | Burr Ridge | 1997 | Industrial | 12,477 | 279,567 |
| IL | Elgin | 2002 | Industrial | 89,052 | 2,863,756 |
| IL | Granite City | 2001 | Industrial | 184,800 | 5,083,024 |
| IL | Montgomery | 2007 | Industrial | 171,200 | 5,508,809 |
| IL | Schaumburg | 1997 | Industrial | 73,500 | 669,648 |
| IL | Wheeling (1) | 2007 | Industrial | 123,000 | 5,564,064 |
| KS | Edwardsville | 2003 | Industrial | 179,280 | 2,898,618 |
| KS | Topeka | 2009 | Industrial | 40,000 | 2,519,764 |

| | | | | | |
|---|---|---|---|---|---|
| MD | Beltsville | 2001 | Industrial | 149,384 | 8,855,438 |
| MI | Orion | 2007 | Industrial | 193,371 | 11,221,324 |
| MI | Romulus | 1998 | Industrial | 72,000 | 774,038 |
| MN | White Bear Lake | 2007 | Industrial | 59,425 | 1,874,187 |
| MO | Kansas City | 2007 | Industrial | 65,067 | 2,968,112 |
| MO | Liberty | 1998 | Industrial | 98,200 | 1,174,449 |
| MO | O' Fallon | 1994 | Industrial | 102,135 | -0- |
| MO | St. Joseph | 2001 | Industrial | 388,671 | 4,468,055 |
| MS | Ridgeland (Jackson) | 1993 | Industrial | 26,340 | -0- |
| MS | Richland | 1994 | Industrial | 36,000 | -0- |
| NC | Fayetteville | 1997 | Industrial | 148,000 | 3,534,119 |
| NC | Greensboro | 1993 | Industrial | 40,560 | -0- |

| State | City | Fiscal Year Acquisition | Type | Square Footage | Mortgage Balance 9/30/2010 |
|---|---|---|---|---|---|
| NC | Monroe | 2001 | Industrial | 160,000 | 2,214,178 |
| NC | Winston-Salem | 2002 | Industrial | 106,507 | 3,496,982 |
| NE | Omaha | 1999 | Industrial | 88,140 | 1,291,038 |
| NJ | Carlstadt (2) | 2007 | Industrial | 59,400 | 2,563,586 |
| NJ | Somerset (3) | 1970 | Shopping Center | 42,773 | -0- |
| NY | Cheektowaga | 2007 | Industrial | 104,981 | 1,834,042 |
| NY | Orangeburg | 1993 | Industrial | 50,400 | -0- |
| OH | Bedford Heights | 2007 | Industrial | 84,600 | 3,594,886 |
| OH | Richfield | 2006 | Industrial | 79,485 | 4,855,143 |
| OH | West Chester Twp | 2000 | Industrial | 103,818 | 3,250,388 |
| PA | Monaca | 1997 | Industrial | 291,474 | -0- |
| PA | Quakertown | 2007 | Industrial | 37,660 | 2,437,500 |
| SC | Hanahan (Norton) | 2005 | Industrial | 306,000 | 7,268,255 |
| SC | Hanahan (FDX Gr) | 2005 | Industrial | 91,776 | 2,509,252 |
| SC | Ft. Mill | 2010 | Industrial | 112,784 | 4,642,008 |
| TN | Chattanooga | 2007 | Industrial | 67,775 | 2,712,769 |
| TN | Memphis | 2010 | Industrial | 449,900 | 9,731,034 |
| TN | Shelby County | 2007 | Land | N/A | -0- |
| TX | Carrollton (Dallas) | 2010 | Industrial | 184,317 | 11,431,445 |
| TX | El Paso | 2007 | Industrial | 91,854 | 5,084,847 |
| TX | Houston | 2010 | Industrial | 91,295 | 5,172,685 |
| VA | Charlottesville | 1999 | Industrial | 49,900 | 971,514 |
| VA | Richmond (Carrier) | 2007 | Industrial | 60,000 | -0- |
| VA | Richmond (FDX) | 2001 | Industrial | 112,870 | 2,543,582 |
| VA | Roanoke | 2007 | Industrial | 83,000 | 4,073,232 |
| WI | Cudahy | 2001 | Industrial | 139,564 | 2,200,025 |
| | | | | 6,970,689 | $210,577,861 |

(1)

The Company owns a 63.336% controlling equity interest.

(2)

The Company owns a 51% controlling equity interest.

(3)

The Company has an undivided 2/3 interest.

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 | $278,000 | 08/31/14 |
| AZ | Tolleson | Western Container Corp | 1,248,000 | 04/30/12 |
| 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 | Keebler Company | 340,000 | 02/28/11 (1) |
| FL | Cocoa | FedEx Ground Package System. Inc | 739,000 | 11/19/16 |
| FL | Ft. Myers | FedEx Ground Package System. Inc | 400,000 | 10/31/11 |
| FL | Jacksonville | Federal Express Corporation | 575,000 | 05/31/13 |
| FL | Lakeland | Federal Express Corporation | 165,000 | 11/30/12 |
| FL | Orlando | Federal Express Corporation | 646,000 | 11/30/17 |
| FL | Punta Gorda | Federal Express Corporation | 304,000 | 06/30/17 |
| FL | Tampa | FedEx Ground Package System. Inc | 1,412,000 | 01/31/19 |
| FL | Tampa | Federal Express Corporation | 572,000 | 09/30/17 |
| FL | Tampa | Kellogg Sales Company | 444,000 | 12/31/11 |
| GA | Augusta | FedEx Ground Package System. Inc | 453,000 | 06/30/18 |
| GA | Augusta | Federal Express Corporation | 142,000 | 11/30/12 |
| GA | Griffin | Caterpillar Logistics Services, Inc. | 1,169,000 | 11/30/16 |
| IA | Urbandale | Keystone Automotive | 129,000 | 03/31/17 |
| IL | Burr Ridge | Sherwin-Williams Company | 161,000 | 10/31/14 |
| IL | Elgin | Joseph T. Ryerson | 614,000 | 01/31/12 |
| IL | Granite City | Anheuser-Busch, Inc. | 1,147,000 | 05/31/11 (1) |
| IL | Montgomery | Home Depot USA, Inc. | 875,000 | 06/30/15 |
| IL | Schaumburg (2) | Federal Express Corporation | 496,000 | 03/31/17 |
| IL | Wheeling (3) | FedEx Ground Package System. Inc | 1,386,000 | 05/31/17 |
| KS | Edwardsville | Carlisle Tire & Wheel Company | 675,000 | 05/31/12 |
| 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 | Orion | FedEx Ground Package System. Inc | 1,285,000 | 06/30/17 |
| MI | Romulus | Federal Express Corporation | 450,000 | 05/31/11 (1) |
| MN | White Bear Lake | Federal Express Corporation | 433,000 | 04/30/11 (1) |
| MO | Kansas City | Kellogg Sales Company | 368,000 | 07/31/12 |
| MO | Liberty | Vacant | -0- | N/A |
| MO | O' Fallon | Pittsburgh Glass Works | 449,000 | 06/30/12 |
| MO | St. Joseph (4) | Mead Corporation | 1,204,000 | 11/30/15 |
| MS | Jackson (5) | Graybar Electric Company | 109,000 | 07/31/19 |

| | | | | |
|---|---|---|---|---|
| MS | Richland | Federal Express Corporation | 140,000 | 03/31/14 |
| NC | Fayetteville | Maidenform, Inc. | 396,000 | 12/31/12 |
| NC | Greensboro | Vacant | -0- | N/A |

| State | City | Tenant | Annualized Rent | Lease Expiration |
|---|---|---|---|---|
| NC | Monroe | HD Supply, Inc. | 594,000 | 10/31/11 |
| NC | Winston-Salem | FedEx Ground Package System, Inc. | 637,000 | 12/31/11 |
| NE | Omaha | Federal Express Corporation | 535,000 | 10/31/13 |
| NJ | Carlstadt (3) | Macy s East, Inc. | 451,000 | 03/31/14 |
| NJ | Somerset (6) | Various | 455,000 | Various |
| NY | Cheektowaga | FedEx Ground Package System, Inc | 966,000 | 08/31/19 |
| NY | Orangeburg | Keebler Company | 353,000 | 02/28/11 (1) |
| OH | Bedford Heights | Federal Express Corporation | 456,000 | 08/31/13 |
| OH | Richfield | FedEx Ground Package System, Inc. | 645,000 | 10/31/16 |
| OH | West Chester Twp | RPS Ground (FDX) | 499,000 | 08/31/13 |
| PA | Monaca | Various | 447,000 | Various |
| PA | Quakertown | MagiKitch n | 286,000 | 03/31/15 |
| SC | Ft. Mill | FedEx Ground Package System, Inc. | 1,024,000 | 09/30/19 |
| SC | Hanahan | Norton McNaughton of Squire, Inc. | 1,301,000 | 04/29/15 |
| SC | Hanahan | FedEx Ground Package System, Inc. | 675,000 | 07/31/18 |
| TN | Chattanooga | Federal Express Corporation | 370,000 | 10/27/12 |
| TN | Memphis | FedEx Supply Chain Services, Inc. | 1,281,000 | 05/31/19 |
| TN | Shelby County | N/A- Land | -0- | N/A |
| TX | Dallas (Carrollton) | Carrier Enterprises, LLC. | 1,518,000 | 01/11/19 |
| TX | El Paso | FedEx Ground Package System, Inc. | 668,000 | 09/30/15 |
| TX | Houston | National Oilwell DHT, L.P. | 721,000 | 09/30/22 |
| VA | Charlottesville | Federal Express Corporation | 368,000 | 08/31/12 |
| VA | Richmond | Carrier Sales | 396,000 | 05/31/11 |
| VA | Richmond | Federal Express Corporation | 677,000 | 10/21/14 |
| VA | Roanoke | DHL | 562,000 | 12/07/16 |
| WI | Cudahy | FedEx Ground Package System, Inc. | 901,000 | 06/30/17 |
| | | | $38,956,000 | |

(1)

Extension has been executed. See renewal chart below.

(2)

Lease has an early termination option in 2012.

(3)

Estimated annual rent is the full rent per the lease. The Company consolidates the results of these properties due to its controlling equity interest.

(4)

Subleased to Hallmark.

(5)

Lease has an early termination option in 2014.

(6)

The Company owns an undivided 2/3 interest. Estimated annual rent reflects the Company s proportionate share of the total rent.

All improved properties were 100% occupied at September 30, 2010 except for the following:

| Property | Square Footage | Occupancy |
|---|---|---|
| Monaca, PA | 291,474 | 58% |
| Somerset, NJ | 42,773 | 96% |
| Liberty, MO | 98,200 | -0-% |
| Greensboro, NC | 40,560 | -0-% |

The Company s weighted-average lease expiration was 4.9 and 5.0 years as of September 30, 2010 and 2009, respectively.

Our average occupancy rates for the years 2010, 2009, 2008, 2007 and 2006 were 96%, 96%, 97%, 98% and 96%, respectively. The average effective annual rent per square foot for 2010, 2009, 2008, 2007 and 2006 was $5.81, $5.64, $5.28, $5.47 and $4.94, respectively.

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The Company extended the following leases which were scheduled to expire in fiscal 2010:

| Property | Tenant | Square feet | Former Rent PSF | Previous Lease Expiration | Renewal Rent PSF | New Lease Expiration | Renewal Term (years) |
|---|---|---|---|---|---|---|---|
| Richmond, VA | FDX | 112,870 | $6.43 | 10/21/09 | $6.00 | 10/21/14 | 5.0 |
| Burr Ridge, IL | Sherwin Williams | 12,477 | 12.08 | 10/31/09 | 12.92 | 10/31/14 | 5.0 |
| Orangeburg, NY | Keebler | 50,400 | 7.00 | 12/31/09 | 7.00 | 2/28/11 | 1.2 |
| Tampa, FL | Kelloggs | 68,385 | 6.49 | 12/31/09 | 5.50 | 12/31/11 | 2.0 |
| Montgomery, IL | Home Depot | 171,200 | 5.24 | 6/30/10 | 5.11 | 6/30/15 | 5.0 |
| Charlottesville, VA | FDX | 49,900 | 7.37 | 8/31/10 | 7.37 | 8/31/12 | 2.0 |
| Weighted Average | | | $6.43 | | $6.04 | | 3.8 |

The Company extended the following leases which were scheduled to expire in fiscal 2011:

| Property | Tenant | Square feet | Former Rent PSF | Previous Lease Expiration | Renewal Rent PSF | New Lease Expiration | Renewal Term (years) |
|---|---|---|---|---|---|---|---|
| Orangeburg, NY | Keebler | 50,400 | $7.00 | 2/28/11 | $7.00 | 2/28/12 | 1.0 |
| Newington, CT | Keebler | 54,812 | 6.54 | 2/28/11 | 6.54 | 2/28/12 | 1.0 |
| White Bear Lake, MN | FDX | 59,425 | 7.29 | 4/30/11 | 7.29 | 11/30/12 | 1.6 |
| Granite City, IL | Anheuser Busch | 184,800 | 6.21 | 5/31/11 | 4.16 | 5/31/16 | 5.0 |
| Romulus, MI | FDX | 72,000 | 6.24 | 5/31/11 | 5.15 | 5/31/21 | 10.0 |
| Weighted Average | | | $6.50 | | $5.42 | | 4.4 |

The following table presents certain information with respect to the Company s leases expiring in the next ten years:

| Fiscal Year of Expiration | No. of Tenants | Total Area Expiring (Sq Ft) | Current Annual Rent - $ | Percent of Gross Annual Rent - % |
|---|---|---|---|---|
| Vacant | | 263,667 | $-0- | -0- |
| 2011 | 2 | 219,586 | 1,055,283 | 3 |
| 2012 | 14 | 1,338,019 | 6,859,087 | 19 |
| 2013 | 8 | 620,929 | 3,092,559 | 8 |
| 2014 | 6 | 243,268 | 1,234,444 | 3 |
| 2015 | 8 | 735,679 | 3,979,494 | 11 |
| 2016 | 3 | 654,327 | 2,592,769 | 7 |
| 2017 | 11 | 1,165,427 | 7,664,483 | 21 |
| 2018 | 6 | 549,391 | 4,409,168 | 12 |
| 2019 | 6 | 1,049,101 | 4,854,847 | 13 |
| 2020 | 0 | -0- | -0- | -0- |
| Thereafter | 2 | 131,295 | 830,103 | 3 |
| Total | 66 | 6,970,689 | $36,572,237 | 100 |

ITEM 3 LEGAL PROCEEDINGS

None.

ITEM 4 REMOVED AND RESERVED

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 2010 | | | | Fiscal 2009 | | | |
|---|---|---|---|---|---|---|---|
| Market Price | | | | Market Price | | | |
| Fiscal Qtr. | High | Low | Distrib. | Fiscal Qtr. | High | Low | Distrib. |
| First | $7.55 | $6.60 | $.15 | First | $7.80 | $5.05 | $.15 |
| Second | 8.74 | 6.92 | .15 | Second | 7.05 | 4.36 | .15 |
| Third | 8.87 | 7.00 | .15 | Third | 6.92 | 5.53 | .15 |
| Fourth | 8.10 | 7.11 | .15 | Fourth | 7.21 | 5.70 | .15 |

| | |
|---|---|
| $ .60 | $ .60 |

On November 30, 2010, the closing price of our common stock was $8.13.

As of November 30, 2010, there were 1,218 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, 2010, the Company declared a dividend of $.15 per share to be paid on December 15, 2010 to common shareholders of record on November 15, 2010. 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.

During fiscal 2010, the Company sold 5,730,200 shares of common stock in two registered direct placements. The Company received net proceeds from these two offerings of approximately $38,600,000. The Company invested most of the proceeds of these offerings in acquisitions of four industrial properties.

As of September 30, 2010, the Company had outstanding 1,322,500 shares of 7.625% Series A Cumulative Redeemable Preferred Stock, par value $.01 per share (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.

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 intends to use such net proceeds to purchase additional properties in the ordinary course of business and for general corporate purposes, including the possible repayment of indebtedness. The Company now has a total of 2,139,750 shares of Series A Preferred Stock outstanding with an aggregate liquidation preference of approximately $53,500,000.

On October 1, 2010, the board of directors declared a quarterly dividend of $0.4766 per share on the Company's Series A Preferred Stock payable December 15, 2010, to shareholders of record on November 15, 2010. Series A preferred share dividends are cumulative and payable quarterly at an annual rate of $1.90625 per share.

Issuer Purchases of Equity Securities

On March 3, 2009, the board of directors approved a 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 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. Shares of stock repurchased under the repurchase program will be held as treasury shares. During fiscal year 2009, the Company purchased 5,000 shares of its common stock for $4.92 per share for a total $24,905 on the open market. There were no purchases under the repurchase program in fiscal year 2010. The maximum dollar value that may be purchased under the repurchase program as of September 30, 2010 is $9,975,095.

Equity Compensation Plan Information

The following table summarizes information, as of September 30, 2010, relating to equity compensation plans of the Company (including individual compensation arrangements) pursuant to which equity securities of the Company are authorized for issuance:

| | Number of Securities to be Issued Upon |
|---|---|

| Plan Category | Exercise of Outstanding Options, Warrants and Rights (a) | Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (b) | Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (excluding Securities reflected in column (a)) (c) |
|---|---|---|---|
| Equity Compensation Plans Approved by Security Holders | 1,378,600 | $7.81 | 1,024,485 |
| Equity Compensation Plans not Approved by Security Holders | N/A | N/A | N/A |
| Total | 1,378,600 | $7.81 | 1,024,485 |

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.

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, | | | | |
|---|---|---|---|---|---|
| | **2010** | **2009** | **2008** | **2007** | **2006** |
| **OPERATING DATA:** | | | | | |
| Rental and Reimbursement Revenue | $45,212,822 | $41,318,498 | $39,148,259 | $28,237,404 | $24,698,242 |
| Gain (Loss) on Securities Transactions, net | 2,609,149 | (6,601,460) | (3,660,283) | 156,723 | 50,983 |
| Interest and Dividend Income | 2,510,909 | 2,502,253 | 1,871,262 | 1,467,444 | 1,028,151 |
| Total Expenses | 24,156,744 | 21,338,477 | 20,494,612 | 15,217,382 | 12,389,029 |
| Gain (Loss) on Sale of Investment Property | -0- | -0- | 6,790,616 | 4,634,564 | (28,385) |
| Interest Expense | 14,822,725 | 13,897,398 | 13,138,767 | 8,969,087 | 8,298,077 |
| Income from Continuing Operations | 11,353,411 | 1,983,416 | 3,725,859 | 5,699,804 | 5,090,270 |
| Discontinued Operations | (138,159) | (176,532) | 7,436,780 | 5,117,834 | 1,075,318 |
| Net Income | 11,215,252 | 1,806,884 | 11,162,639 | 10,842,340 | 6,165,588 |
| Net Income (Loss) Applicable to MREIC s Common | 8,486,301 | (868,313) | 8,501,551 | 8,947,885 | 6,165,588 |

| | | | | | |
|---|---|---|---|---|---|
| Shareholders | | | | | |
| Income from Continuing | | | | | |
| Operations Per Share | .37 | .07 | .15 | .27 | .26 |
| Basic | | | | | |
| Diluted | .37 | .07 | .15 | .27 | .26 |
| Net Income (Loss) Attributable | | | | | |
| to MREIC s Common | | | | | |
| Shareholders per share | | | | | |
| Basic | .28 | (.03) | .35 | .41 | .32 |
| Diluted | .28 | (.03) | .35 | .41 | .31 |
| **BALANCE SHEET DATA:** | | | | | |
| Total Assets | $454,118,797 | $394,994,437 | $389,077,597 | $366,908,245 | $241,906,933 |
| Real Estate Investments, Net | 389,588,435 | 345,880,581 | 346,605,272 | 321,409,179 | 220,210,796 |
| Mortgage Notes Payable | 210,577,861 | 192,050,283 | 191,947,632 | 174,352,038 | 122,194,039 |
| Subordinated Convertible | | | | | |
| Debentures | 13,990,000 | 13,990,000 | 14,990,000 | 14,990,000 | -0- |
| 7.625% Cumulative | | | | | |
| Redeemable Preferred Stock | 33,062,500 | 33,062,500 | 33,062,500 | 33,062,500 | -0- |
| Shareholders Equity | 215,512,472 | 164,891,150 | 159,910,964 | 167,214,302 | 107,566,977 |
| **CASH FLOW DATA:** | | | | | |
| Net Cash Provided (Used) By: | | | | | |
| Operating Activities | $18,995,659 | $19,591,455 | $17,438,835 | $13,224,299 | $11,991,556 |
| Investing Activities | (55,701,769) | (11,655,914) | (39,831,002) | (25,526,868) | (32,691,106) |
| Financing Activities | 37,439,775 | (7,202,915) | 16,345,092 | 21,668,476 | 16,806,026 |

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| OTHER INFORMATION: | 2010 | 2009 | September 30, 2008 | 2007 | 2006 |
|---|---|---|---|---|---|
| Average Number of Common Shares Outstanding - Basic | 30,371,217 | 24,981,427 | 24,131,497 | 21,050,803 | 19,555,278 |
| Funds from Operations* | $19,108,910 | $9,152,310 | $11,397,238 | $11,606,920 | $11,753,324 |
| Cash Dividends Per Common Share | .60 | .60 | .60 | .60 | .60 |

* Funds from operations (FFO), is defined as net income applicable to common shareholders, excluding gains (or losses) from sales of depreciable assets, plus depreciation and amortization of intangible assets. FFO should be considered as a supplemental measure of operating performance used by REITs. The Company believes that FFO is helpful to investors as one of several measures of the performance of a REIT. 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 are significant components in understanding the Company's financial performance.

FFO (1) does not represent cash flow from operations as defined by generally accepted accounting principles; (2) should not be considered as an alternative to net income as a measure of operating performance or cash flows from operating, investing and financing activities; and (3) is not an alternative to cash flow as a measure of liquidity. FFO, as calculated by the Company, may not be comparable to similarly entitled measures reported by other REITs.

The Company s FFO is calculated as follows:

| | 2010 | 2009 | 2008 | 2007 | 2006 |
|---|---|---|---|---|---|
| Net Income | $11,215,252 | $1,806,884 | $11,162,639 | $10,792,936 | $6,165,588 |

| | | | | | |
|---|---|---|---|---|---|
| Less: Net (Income)Loss to Noncontrolling Interest | (207,737) | (153,983) | (139,744) | 24,702 | -0- |
| Less: Preferred Dividend | (2,521,214) | (2,521,214) | (2,521,344) | (1,869,753) | -0- |
| (Gain) Loss on Sale of Investment Property (A) | -0- | -0- | (6,790,616) | (4,634,564) | 28,385 |
| Depreciation | 9,282,829 | 8,553,869 | 7,892,129 | 6,302,512 | 4,869,134 |
| Depreciation Related to Discontinued Operations | 123,983 | 23,118 | 135,056 | 255,405 | 320,409 |
| Amortization of In-Place Lease Intangible Assets | 1,215,797 | 1,443,636 | 1,659,118 | 735,682 | 369,808 |
| FFO | $19,108,910 | $9,152,310 | $11,397,238 | $11,606,920 | $11,753,324 |

(A) Consists of the gain on sale of the Franklin, MA and Ramsey, NJ properties in 2008, the gain on sale of the South Brunswick, NJ property in 2007 and the loss on sale of the Wichita, KS property in 2006. These gains (losses) are included in discontinued operations.

ITEM 7 - MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL

CONDITION AND RESULTS OF OPERATION

Safe Harbor Statement

Statements contained in this Form 10-K, including the documents that are incorporated by reference, 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 ). Also, when we use any of the words anticipate, assume, believe, estimate, expect, intends, plans, may, or similar expressions, we are making forward-looking statements. These forward-looking statements are not guaranteed and are based on our current intentions and on our current expectations and assumptions. These statements, intentions, expectations and assumptions involve risks and uncertainties, some of which are beyond our control, which could cause actual results or events to differ materially from those we anticipate or project, such as:

.

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 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 certain debt covenants;

.

our ability to integrate acquired properties and operations into existing operations;

.

continued ability to access the debt or equity markets ;

.

the availability of other debt and equity financing alternatives;

.

changes in interest rates under our current credit facilities 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 processes 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; and

.

our ability to qualify as a real estate investment trust for federal income tax purposes.

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 and its primary business is the ownership and management of industrial buildings subject to long-term leases primarily to investment grade tenants. At September 30, 2010, the Company owned sixty-two industrial properties and a two-thirds interest in one shopping center totaling approximately 6,971,000 square feet. Total real estate investments were $389,588,435 at September 30, 2010. These properties are located in twenty-five states: Alabama, Arizona, Colorado, Connecticut, Florida, Georgia, Illinois, Iowa, Kansas, Maryland, Michigan, Minnesota, Missouri, Mississippi, North Carolina, Nebraska, New Jersey, New York, Ohio, Pennsylvania, South Carolina, Tennessee, Texas, Virginia, and Wisconsin.

The Company s weighted-average lease expiration was 4.9 and 5.0 as of September 30, 2010 and 2009, respectively and its average rent per occupied square foot as of September 30, 2010 and 2009 was $5.81 and $5.64, respectively. At September 30, 2010 and 2009, the Company s occupancy was 96%. During fiscal 2010, the Company acquired four industrial properties totaling approximately 838,000 square feet for approximately $53,140,000.

The Company has a concentration of FDX leased properties. At September 30, 2010, the total FDX and FDX subsidiaries leased square footage as a percentage of the Company s total rental space was 49%, with 15% leased to FDX and 34% leased to FDX subsidiaries. The percentage of rental and reimbursement revenue from FDX was 57% for the year ended September 30, 2010.

The Company s revenue primarily consists of rental and reimbursement revenue from the ownership of industrial rental property. Rental and reimbursement revenue increased $3,894,324, or 9%, for the year ended September 30, 2010 as compared to the year ended September 30, 2009. Total expenses (excluding interest expense) increased $2,818,267, or 13%, for the year ended September 30, 2010 as compared to the year ended September 30, 2009. The increases were due mainly to the revenue and expenses relating to the property acquisitions made during fiscal 2010 and an increase in general and administrative expenses of $953,494. The increases in general and administrative costs relate mainly to increases in compensation and benefits and public relations expenses related to the Company s move to the New York Stock Exchange in fiscal 2010 and other expenses. Interest expense increased $925,327 or 7% due mainly to the origination or assumption of approximately $31,864,000 in mortgages in fiscal 2010.

The Company intends to continue to increase its real estate investments in fiscal 2011 through acquisitions or 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 gain (loss) on securities transactions. The Company holds a portfolio of securities of other REITs with a fair value of $42,517,725 as of September 30, 2010. 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 suitable acquisitions are not available. As of September 30, 2010, the Company s portfolio consisted primarily of 36% REIT preferred stocks and 64% REIT common stocks. The Company s weighed-average yield on the securities portfolio for 2010 was approximately 7.2%. Interest and dividend income remained relatively constant

at $2,510,909 for fiscal 2010 as compared to $2,502,253 in fiscal 2009. The increase in average balance was offset by the decrease in average yield. During fiscal 2010, the Company recognized $2,609,149 in gains on securities transactions. In fiscal 2009, the Company recognized $6,000,678 in non-cash impairment losses due to the writing down of the carrying value of certain securities which were considered other than temporarily impaired. The market for REIT securities has significantly improved during fiscal 2010 and the Company has unrealized gains of $10,116,057 in its REIT securities portfolio as of September 30, 2010. The dividends received from our securities investments continue to meet our expectations. It is our intent to hold these securities long-term.

During fiscal 2010, the Company sold 5,730,200 shares of common stock in two registered direct placements. The Company received net proceeds from these two offerings of approximately $38,600,000. The Company invested most of the net proceeds from these offerings in acquisitions of four industrial properties. On October 14, 2010, the Company issued 817,250 shares of 7.625% Series A Cumulative Redeemable Preferred Stock in a registered direct placement at a price of $24.00 per share. The Company received net proceeds of approximately $19,000,000 from the preferred stock offering and intends to use the net proceeds to acquire additional properties in the ordinary course of business and for general corporate purposes, including possible repayment of indebtedness.

The Company has approximately $6,800,000 in cash and $42,500,000 in REIT securities as of September 30, 2010. The Company believes that funds generated from operations and the Dividend Reinvestment and Stock Purchase Plan (the DRIP), and the 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.

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 accounting principles generally accepted in the United States of America. 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 No. 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 in-place leases and above and below market leases. The Company allocates the purchase price to the fair value of the tangible assets of an acquired property determined by third party appraisal of the property obtained in conjunction with the purchase. Acquired above and below market leases are valued based on the present value of the difference between prevailing market rates and the in-place rates over the remaining lease term.

The purchase price is further allocated to in-place lease values based on management's evaluation of the specific characteristics of each tenant's lease and the Company's overall relationship with the respective tenant. Acquired above and below market leases are amortized over the remaining non-cancelable terms of the respective leases. The value of in-place lease intangibles is amortized to expense over the remaining lease term. If a tenant terminates its lease early, the unamortized portion of the tenant improvements, leasing commissions above and below market leases and the in-place lease value is immediately charged to expense.

The Company conducted a comprehensive review of all real estate asset classes in accordance with ASC 360-10-35-21, 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 360-10-35-17, 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 property manager and 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 property in Monaca, PA, which had an occupancy rate of 58% as of September 30, 2010, 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 noted that the sum of the discounted cash flows expected for potential leases of these properties exceeded their historical net cost basis. Management evaluates 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 evaluated 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 360-10 and determined that, as of September 30, 2010, 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.

*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, 2010 and 2009 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.

*Revenue Recognition and Estimates*

Rental income from tenants with leases having scheduled rental increases 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.

Results of Operations

*Occupancy and Rent per Occupied Square Foot*

The Company s weighted-average lease expiration was 4.9 and 5.0 years as of September 30, 2010 and 2009, respectively and its average rent per occupied square foot for fiscal 2010 and 2009 was $5.81 and $5.64, respectively. As of September 30, 2010 and 2009, the Company s occupancy rate was 96%. All improved properties were 100% occupied at September 30, 2010 except for the following:

| Property | Square Footage | Occupancy |
|---|---|---|
| Monaca, PA | 291,474 | 58% |
| Somerset, NJ | 42,773 | 96% |
| Liberty, MO | 98,200 | -0-% |
| Greensboro, NC | 40,560 | -0-% |

*Lease Renewals and Extensions*

The Company extended the following leases which were scheduled to expire in fiscal 2010:

| Property | Tenant | Square feet | Former Rent PSF | Previous Lease Expiration | Renewal Rent PSF | New Lease Expiration | Renewal Term (years) |
|---|---|---|---|---|---|---|---|
| Richmond, VA | FDX | 112,870 | $6.43 | 10/21/09 | $6.00 | 10/21/14 | 5.0 |
| Burr Ridge, IL | Sherwin Williams | 12,477 | 12.08 | 10/31/09 | 12.92 | 10/31/14 | 5.0 |
| Orangeburg, NY | Keebler | 50,400 | 7.00 | 12/31/09 | 7.00 | 2/28/11 | 1.2 |
| Tampa, FL | Kelloggs | 68,385 | 6.49 | 12/31/09 | 5.50 | 12/31/11 | 2.0 |
| Montgomery, IL | Home Depot | 171,200 | 5.24 | 6/30/10 | 5.11 | 6/30/15 | 5.0 |
| Charlottesville, VA | FDX | 49,900 | 7.37 | 8/31/10 | 7.37 | 8/31/12 | 2.0 |
| Weighted Average | | | $6.43 | | $6.04 | | 3.8 |

The Company extended the following leases which were scheduled to expire in fiscal 2011:

| Property | Tenant | Square feet | Former Rent PSF | Previous Lease Expiration | Renewal Rent PSF | New Lease Expiration | Renewal Term (years) |
|---|---|---|---|---|---|---|---|
| Orangeburg, NY | Keebler | 50,400 | $7.00 | 2/28/11 | $7.00 | 2/28/12 | 1.0 |
| Newington, CT | Keebler | 54,812 | 6.54 | 2/28/11 | 6.54 | 2/28/12 | 1.0 |
| White Bear Lake, MN | FDX | 59,425 | 7.29 | 4/30/11 | 7.29 | 11/30/12 | 1.6 |
| Granite City, IL | Anheuser Busch | 184,800 | 6.21 | 5/31/11 | 5.50 | 5/31/16 | 5.0 |
| Romulus, MI | FDX | 72,000 | 6.24 | 5/31/11 | 5.15 | 5/31/21 | 10.0 |
| Weighted Average | | | $6.50 | | $5.42 | | 4.4 |

*Acquisitions*

On October 22, 2009, the Company purchased a 449,900 square foot industrial building in Memphis, Tennessee. The building is 100% net-leased to FedEx Supply Chain Services, Inc. a subsidiary of FedEx Ground Package Systems, Inc., through May 31, 2019. The purchase price was approximately $14,600,000. The Company obtained a mortgage of $10,000,000 at a fixed interest rate of 6.25% which matures on October 15, 2014 and paid the remainder in cash from the proceeds of the registered direct placement of common stock completed in October 2009. Annualized rental income over the term of this lease is approximately $1,281,000 per year.

On December 23, 2009, the Company purchased a 91,295 square foot industrial building in Houston, Texas. The building is 100% net-leased to National Oilwell DHT, L.P., a subsidiary of National Oilwell Varco, Inc., through September 30, 2022. The purchase price was approximately $8,100,000. The Company obtained a mortgage of $5,400,000 at a fixed interest rate of 6.875% which matures on September 10, 2022 and paid the remainder in cash from the proceeds of the registered direct placement of common stock completed in October 2009. Annualized rental income over the term of this lease is approximately $721,000 per year.

On January 27, 2010, the Company purchased an 184,317 square foot industrial building in Dallas, Texas. The building is 100% net-leased to Carrier Corporation through Carrier Enterprises, LLC, a wholly owned subsidiary of United Technologies. Inc, through January 11, 2019. The purchase price was $17,900,000. The Company recorded an intangible asset related to the lease in-place of $60,000. The Company obtained a mortgage of $11,700,000 at a fixed interest rate of 6.75% which matures on February 1, 2025 and paid the remainder using a draw on the margin loan. Annualized rental income over the term of this lease is approximately $1,518,000 per year.

On March 2, 2010, the Company completed the acquisition of the remaining 35% noncontrolling interest in Jones EPI, LLC (Jones EPI), a Delaware limited liability company, for approximately $949,000. Jones EPI owns a

92,000 square foot industrial building in El Paso, Texas which is leased to FedEx Ground Package Systems, Inc. through 2015. The noncontrolling interest was purchased from Jones Willmar, LLC, a Missouri limited liability company, which constructed the building for the tenant in 2005. Prior to this acquisition, the Company owned 65% of Jones EPI. The Company paid for the noncontrolling interest using a draw on the margin loan.

On June 15, 2010, the Company purchased a 112,784 square foot industrial building in Ft. Mill, South Carolina. The building is 100% net-leased to FedEx Ground Package Systems, Inc. through September 30, 2019. The purchase price was approximately $12,540,000. The Company recorded an intangible asset related to the lease in-place of $824,600. The Company assumed the existing mortgage with an outstanding balance of approximately $4,764,000 at a fixed interest rate of 7% which matures on October 10, 2019 and paid the remainder in cash using proceeds of the registered direct placement of common stock completed in April 2010. Annualized rental income over the term of this lease is approximately $1,024,000.

Comparison of Year Ended September 30, 2010 to Year Ended September 30, 2009

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, 2008 that have not been subsequently expanded. Expanded properties are properties which were expanded in fiscal 2009. Acquired properties are properties that were acquired subsequent to September 30, 2008. Other amounts relate to general corporate expenditures.

As of September 30, 2010 and 2009, the occupancy rates of the Company s same store properties were 96%.

| Rental Revenues | 2010 | 2009 | $ Change | % Change |
|---|---|---|---|---|
| Same Store Properties | 31,798,400 | 32,250,125 | (451,725) | (1%) |
| Expanded Properties | 2,131,633 | 1,825,096 | 306,537 | 17% |
| Acquired Properties | 3,393,422 | 10,112 | 3,383,310 | n/a |
| Total | $37,323,455 | $34,085,333 | 3,238,122 | 10% |

Rental revenue from same store properties decreased slightly due mainly to decreased rent of $420,811 related to two properties which became vacant during fiscal 2009 in Liberty, MO and Greensboro, NC. In addition, the Company renewed or extended leases as described in the above table during fiscal 2010. Increases in rent from expanded properties relates to the full year of rent related to amended leases in connection with the expansions in Griffin, GA and Cheektowaga, NY which were substantially completed in fiscal 2009. Rent from acquired properties included rental revenue from the properties located in Topeka, KS (acquired in fiscal 2009), Memphis, TN, Houston, TX, Carrollton, TX and Ft. Mill, SC (all acquired in fiscal 2010), as described under acquisitions above.

| Reimbursement Revenues | 2010 | 2009 | $ Change | % Change |
|---|---|---|---|---|
| Same Store Properties | $7,082,084 | $7,027,481 | $54,603 | 1% |
| Expanded Properties | 236,309 | 205,684 | 30,625 | 15% |
| Acquired Properties | 570,974 | -0- | 570,974 | n/a |

| | | | | |
|---|---|---|---|---|
| Total | $7,889,367 | $7,233,165 | $656,202 | 9% |

Reimbursement revenues from same store properties increased slightly due mainly to increases in billings related to real estate taxes, insurance and other reimbursable expenses of $104,044. The increase was partially offset by decreases in reimbursement revenue of $49,441 related to two properties which became vacant during fiscal 2009 in Liberty, MO and Greensboro, NC.

| Real Estate Taxes | 2010 | 2009 | $ Change | % Change |
|---|---|---|---|---|
| Same Store Properties | $6,337,237 | 6,395,194 | (57,957) | (1%) |
| Expanded Properties | 207,981 | 191,745 | 16,236 | 8% |
| Acquired Properties | 553,073 | -0- | 553,073 | n/a |
| Total | $7,098,291 | $6,586,939 | $511,352 | 8% |

Real estate taxes from same store properties remained stable. Real estate taxes from the expanded properties increased due mainly to the increase in assessed values from the completed expansions in 2009. 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 | 2010 | 2009 | $ Change | % Change |
|---|---|---|---|---|
| Same Store Properties | $1,886,307 | $1,824,714 | $61,593 | 3% |
| Expanded Properties | 28,653 | 22,706 | 5,947 | 26% |
| Acquired Properties | 26,703 | -0- | 26,703 | n/a |
| Total | $1,941,663 | $1,847,420 | $94,243 | 5% |

Operating expenses from same store properties and expanded properties increased slightly due mainly to an increase in insurance costs, repairs and maintenance, utilities related to vacant buildings and management fees.

| Depreciation | 2010 | 2009 | $ Change | % Change |
|---|---|---|---|---|
| Same Store Properties | $8,051,818 | $8,022,855 | $28,963 | $-0- |
| Expanded Properties | 546,991 | 483,835 | 63,156 | 13% |
| Acquired Properties | 684,020 | 47,179 | 636,841 | 1350% |
| Total | $9,282,829 | $8,553,869 | $728,960 | 9% |

Depreciation from same store properties increased slightly due mainly to capital projects placed in service during the year. Depreciation expense from the expanded properties increased due to the full year of depreciation on the completed expansions.

| Interest Expense | 2010 | 2009 | $ Change | % Change |
|---|---|---|---|---|
| Same Store Properties | $11,016,154 | $11,515,646 | ($499,492) | 4% |
| Expanded Properties | 707,579 | 739,603 | (32,024) | (4%) |
| Acquired Properties | 1,657,629 | -0- | 1,657,629 | n/a |
| Debentures | 1,119,200 | 1,132,526 | (13,326) | (1%) |
| Other | 322,163 | 545,623 | (223,460) | (41%) |

| | | | | |
|---|---|---|---|---|
| Capitalized Interest | -0- | (36,000) | 36,000 | 100% |
| Total | $14,822,725 | $13,897,398 | $985,327 | 7% |

Interest expense for same store properties decreased due mainly to the decrease in the outstanding balances of the mortgages due to principal payment made in fiscal 2010 of $13,336,548. Interest expense related to the debentures decreased due to the repurchase of $1,000,000 in debentures at the beginning of fiscal 2009. Other interest relates to interest on the Company s line of credit and margin loans. The decrease relates mainly to a decrease in interest rates and outstanding balances. Capitalized interest relates to the amount of interest capitalized related to property expansions in 2009.

General and administrative expenses increased $953,494 during fiscal 2010 as compared to fiscal 2009. The increases related mainly to increases in executive compensation and employee benefits of $707,518, increases in directors fees of $80,600, increases in stock listing costs of $34,239, increases in travel costs related to acquisition of $64,603 and increases in other expenses of $66,534.

Interest and dividend income increased $8,656 in fiscal 2010 as compared to fiscal 2009. This is due mainly to an increase in the size of the REIT securities portfolio and a decrease in the yield from this portfolio. The securities portfolio increased from $27,824,665 as of September 30, 2009 to $42,517,725 as of September 30, 2010. The REIT securities portfolio yield for fiscal 2010 was 7.2% as compared to 12.0% for fiscal 2009.

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

| | 2010 | 2009 |
|---|---|---|
| Gross realized gains | $2,609,775 | $98,844 |
| Gross realized losses | (626) | (699,626) |
| Impairment loss | -0- | (6,000,678) |
| Total Gain (Loss) on Securities Transactions, net | $2,609,149 | ($6,601,460) |

During fiscal 2010, the Company had a gain on securities transactions of $2,609,149. The Company had an accumulated unrealized gain on its securities portfolio of $10,116,057 as of September 30, 2010. During fiscal 2009, the Company had a loss on securities transactions of $6,601,460 which was due mainly to an impairment loss of $6,000,678 due to the writing down of the carrying value of twenty-two REIT securities which were considered other than temporarily impaired. The change in loss from securities transactions in 2009 to a gain in securities transactions in 2010 approximated $9,200,000 and was the primary reason for the increase in net income from approximately $1,800,000 in fiscal 2009 to approximately $11,200,000 in fiscal 2010.

Comparison of Year Ended September 30, 2009 to Year Ended September 30, 2008

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, 2007 that have not been subsequently expanded. Expanded properties are properties which were expanded in fiscal 2008. Acquired properties are properties that were acquired subsequent to September 30, 2007. Other amounts relate to general corporate expenditures.

As of September 30, 2009 and 2008, the occupancy rates of the Company s same store properties were 96% and 98%, respectively.

| Rental and Reimbursement Revenues | 2009 | 2008 | $ Change | % Change |
|---|---|---|---|---|
| Same Store Properties | $32,789,884 | $32,989,373 | ($199,489) | (1%) |
| Expanded Properties | 6,397,182 | 5,075,660 | 1,321,522 | 26% |
| Acquired Properties | 2,131,432 | 1,083,226 | 1,048,206 | 97% |
| Total | $41,318,498 | $39,148,259 | $2,170,239 | 8% |

Rental and reimbursement revenue from same store properties decreased slightly due mainly to two properties which became vacant during fiscal 2009 in Liberty, MO and Greensboro, NC. The Company renewed or extended leases as described above during fiscal 2009. Rental and reimbursement revenue from expanded properties increased due to the collection of full years rents on expansions completed in 2008 in Beltsville, MD, Denver, CO,

Augusta, GA (FDX Gr), Colorado Springs, CO and Hanahan, SC (FDX Gr) buildings in late fiscal 2008. Rental and reimbursement revenue from acquired properties increased due to the full years rents and reimbursement from the two industrial properties totaling 199,739 square feet purchased during fiscal 2008 in Cocoa, FL and Orlando, FL. The Company also purchased one 40,000 square foot industrial property in September 2009 in Topeka, KS.

| Real Estate Taxes | 2009 | 2008 | $ Change | % Change |
|---|---|---|---|---|
| Same Store Properties | $5,602,436 | $5,385,214 | $217,222 | 4% |
| Expanded Properties | 698,683 | 639,776 | 58,907 | 9% |
| Acquired Properties | 285,820 | 58,961 | 226,859 | 385% |
| Total | $6,586,939 | $6,083,951 | $502,988 | 3% |

Real estate taxes from same store properties increased due to an increase in estimated taxes assessed in certain property locations. Real estate taxes from the expanded properties increased due mainly to the increase in assessed values from the completed expansions. Real estate taxes for acquired properties increased due to the full year s expenses of the two industrial properties totaling 199,739 square feet purchased during fiscal 2008 in Cocoa, FL and Orlando, FL. 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. The reimbursement income is included in rental and reimbursement revenue.

| Operating Expenses | 2009 | 2008 | $ Change | % Change |
|---|---|---|---|---|
| Same Store Properties | $2,892,516 | $3,234,547 | ($342,031) | (11%) |
| Expanded Properties | 291,512 | 353,119 | (61,607) | (17%) |
| Acquired Properties | 210,422 | 132,861 | 77,561 | 58% |
| Total | $3,394,450 | $3,720,527 | ($326,077) | (9%) |

Operating expenses from same store properties and expanded properties decreased due mainly to a decrease in insurance costs and amortization of the intangible assets. Operating expenses from acquired properties increased due to the full year s expenses of the two industrial properties totaling 199,739 square feet purchased during fiscal 2008 in Cocoa, FL and Orlando, FL.

| Depreciation | 2009 | 2008 | $ Change | % Change |
|---|---|---|---|---|

| | | | | |
|---|---|---|---|---|
| Same Store Properties | $6,703,184 | $6,462,199 | $240,985 | 4% |
| Expanded Properties | 1,336,337 | 1,158,178 | 178,159 | 15% |
| Acquired Properties | 514,348 | 271,752 | 242,596 | 89% |
| Total | $8,553,869 | $7,892,129 | $661,740 | 8% |

Depreciation from same store properties increased slightly due mainly to capital projects placed in service during the year. Depreciation expense from the expanded properties increased due to the full year of depreciation on the completed expansions. Depreciation expense from acquired properties increased due to the full year s depreciation of the two industrial properties totaling 199,739 square feet purchased during fiscal 2008 in Cocoa, FL and Orlando, FL.

| Interest Expense | 2009 | 2008 | $ Change | % Change |
|---|---|---|---|---|
| Same Store Properties | $9,545,515 | $9,307,917 | $237,598 | 3% |
| Expanded Properties | 1,727,213 | 1,712,776 | 14,437 | 1% |
| Acquired Properties | 982,521 | 554,281 | 428,240 | 77% |
| Debentures | 1,132,526 | 1,199,200 | (66,674) | (6%) |
| Other | 545,623 | 626,677 | (81,054) | (13%) |
| Capitalized Interest | (36,000) | (262,084) | 226,084 | 86% |
| Total | $13,897,398 | $13,138,767 | $758,631 | 6% |

Interest expense for same store properties increased due mainly to the full year of interest expense on the interest-only mortgages originated in June 2008 for Fayetteville, NC, Lakeland, FL, and August, GA (FDX). The increase in interest from these new mortgages was partially offset by reduced interest expense related to principal repayments made during the year. Interest expense for acquired properties increased primarily due to the full year of interest expense on the mortgages for the two industrial properties totaling 199,739 square feet purchased during fiscal 2008 in Cocoa, FL and Orlando, FL. Interest expense related to the debentures decreased due to the repurchase of $1,000,000 in debentures at the beginning of fiscal 2009. Other interest relates to interest on the Company s line of credit and margin loans. The decrease related mainly to a decrease in interest rates. Capitalized interest related to the amount of interest capitalized related to property expansions. There were fewer expansions in fiscal 2009 as compared to 2008.

General and administrative expenses remained relatively consistent in fiscal 2009 as compared to 2008. Increases in personnel costs were partially offset by decreases in travel expenses and other professional fees.

Interest and dividend income increased $630,991, or 34%, in 2009 as compared to 2008. This was due mainly to an increase in the size of the REIT securities portfolio and an increase in the yield from this portfolio. The securities portfolio increased from $21,005,663 as of September 30, 2008 to $27,824,665 as of September 30, 2009. The REIT securities portfolio yield for 2009 was 12.0% as compared to 9.5% for 2008.

Loss on securities transactions, net consisted of the following:

| | 2009 | 2008 |
|---|---|---|
| Gross realized gains | $98,844 | $225,678 |
| Gross realized losses | (699,626) | (38,880) |
| Net gain (loss) on closed futures contracts | -0- | (742,307) |
| Impairment loss | (6,000,678) | (3,104,774) |
| Total Loss on Securities Transactions, net | ($6,601,460) | ($3,660,283) |

Gain (loss) on securities transactions decreased $2,941,177 in fiscal 2009 as compared to fiscal 2008. The decrease was due mainly to the impairment loss of $6,000,678 due to the writing down of the carrying value of twenty-two REIT securities which were considered other than temporarily impaired. The market for REIT securities improved during fiscal 2009 and the Company had an unrealized gain of $3,796,831 in its REIT securities portfolio as of September 30, 2009.

Discontinued Operations

Discontinued operations in fiscal 2010 and 2009 include the operations of the property in Quakertown, Pennsylvania which was classified as held for sale as of September 30, 2010 and 2009. Discontinued operations in fiscal 2008 included the operations of properties in Quakertown, Pennsylvania as well as properties in Franklin, Massachusetts and Ramsey, New Jersey, both of which were sold in 2008. The following table summarizes the components of discontinued operations:

| | **2010** | **2009** | **2008** |
|---|---|---|---|
| Rental and reimbursement revenue | $359,858 | $349,015 | $1,040,366 |
| Real Estate Taxes | (50,975) | (47,241) | (120,757) |
| Operating Expenses | (3,415) | (22,880) | (138,389) |
| Depreciation & Amortization | (320,059) | (383,029) | (135,056) |
| Interest expense | (123,568) | (72,397) | -0- |
| Income (Loss) from Operations of Disposed Property and Property Held for Sale | (138,159) | (176,532) | 646,164 |
| Gain on Sale of Investment Property | -0- | -0- | 6,790,616 |
| Income (Loss) from Discontinued Operations | ($138,159) | ($176,532) | $7,436,780 |

Cash flows from discontinued operations for the year ended September 30, 2010, 2009 and 2008 are combined with the cash flows from operations within each of the three categories presented. Cash flows from discontinued operations were as follows:

| | **2010** | **2009** | **2008** |
|---|---|---|---|
| Cash flows from Operations | $181,900 | $206,677 | ($6,009,396) |

| | | | |
|---|---|---|---|
| Cash flows from Investing Activities | -0- | -0- | 10,486,277 |
| Cash flows from Financing Activities | (181,900) | (206,677) | (4,476,881) |

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

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, 2010:

| Contractual Obligations | Total | Less than 1 year | 1-3 years | 3-5 years | More than 5 years |
|---|---|---|---|---|---|
| Mortgage Notes Payable | $210,577,861 | $16,626,525 | $51,745,182 | $38,238,584 | $103,967,570 |
| Debentures | 13,990,000 | -0- | -0- | 3,770,000 | 10,220,000 |
| Purchase of Property | 20,350,000 | 20,350,000 | -0- | -0- | -0- |
| Retirement Benefits | 683,247 | 60,000 | 120,000 | 120,000 | 383,247 |
| Total | $245,601,108 | $37,036,525 | $51,865,182 | $42,128,584 | $114,570,817 |

Mortgage notes payable represents the principal amounts outstanding by scheduled maturity. Interest is payable on these mortgages at fixed rates ranging from 5.22% to 8.48%, with a weighted average of 6.46%. The above table does not include the Company s obligation under its line of credit and margin loan as described in Note No. 9 of the Notes to Consolidated Financial Statements.

Debentures represent the repayment of the 8% Convertible Subordinated debentures of $3,770,000 due October 2013 (fiscal 2014) and $10,220,000 in April 2015.

Purchase of property represents the purchase price of two industrial properties under contract as of September 30, 2010. One acquisition for approximately $14,500,000 was completed on October 28, 2010. The other acquisition for approximately $5,850,000 was completed on November 1, 2010.

Retirement benefits represent post-retirement benefits that are unfunded and therefore will be paid from the assets of the Company. The liability is being accrued and expensed over the payment terms.

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 $164,891,150 as of September 30, 2009 to $215,512,472 as of September 30, 2010, principally due to issuance of common shares in registered direct placements with net proceeds of $38,638,938 and an increase in the unrealized gain of available for sale securities of $6,319,226 and net income attributable to common shareholders of $8,486,301. The increases were partially offset by payments of distributions in excess of income of $9,979,924. 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 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 existing 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 rents, reduce the amount of available cash flow which can adversely affect the market value of the property.

The current global economic situation and the continued lack of liquidity in the lending environment may impact management s ability to grow by acquiring additional properties or REIT securities. Industrial space demand is very closely correlated to GDP growth. Current economic indicators show the U.S. economy to be slowly

emerging from a deep and protracted recession. Whether this return to economic growth is sustainable remains to be seen especially in light of the end of the massive government stimulus programs. However, the high caliber of our tenants, coupled with the long duration of our leases, should enable the Company to perform well despite the weak economy. As of September 30, 2010, the Company had $6,814,553 in cash and cash equivalents and $42,517,725 in marketable securities subject to margin loans of $4,273,913. The Company also had $10,000,000 available on its $15,000,000 line of credit.

During fiscal 2010, the Company sold 5,730,200 shares of common stock in two registered direct placements. The Company received net proceeds from these two offerings of approximately $38,600,000. The Company invested most of the net proceeds from these offerings in acquisitions of four industrial properties. On October 14, 2010, the Company sold 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 of approximately $19,000,000 from the Series A Preferred Stock offering and intends to use such net proceeds to purchase additional properties in the ordinary course of business and for general corporate purposes, including the possible repayment of indebtedness. The Company has been raising equity capital through its DRIP, registered direct placements and the public placement 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.

At September 30, 2010, the Company owned sixty-three properties of which nine are not subject to mortgages; however the Company s line of credit contains covenants which may restrict the Company s ability to place financing on unencumbered properties.

The Company has a variable rate line of credit with Capital One, N.A. maturing in March 2013 of $15,000,000. The line had $5,000,000 outstanding as of September 30, 2010. The interest rate is based on LIBOR plus 200 basis points and interest is due monthly. The interest rate was 2.25% as of September 30, 2010. The Company must keep not less than $1,000,000 in average net collected balances at Capital One, N.A. and meet certain loan covenants as contained in the loan agreement, including a 65% loan to value ratio on certain negatively pledged properties.

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, 2010 and 2009. The margin loans are due on demand. At September 30, 2010 and 2009, the margin loans totaled $4,273,913 and $4,063,750, respectively and are collateralized by the Company s securities portfolio. The Company must maintain a coverage ratio of approximately 50%.

The Company s subsidiary Monmouth Capital has outstanding $3,770,000 of 8% Convertible Subordinated Debentures due 2013 (the 2013 Debentures), and $10,220,000 of 8% Convertible Subordinated Debentures due 2015 (the 2015 Debentures). These Debentures are convertible into common stock of the Company at any time prior to redemption or maturity, at the conversion price of $9.16 per share in the case of the 2013 Debentures (equivalent to a rate of 109.17 shares of common stock for each $1,000 principal amount), and a conversion price of

$11.45 per share in the case of the 2015 Debentures (equivalent to a rate of 87.336 shares of common stock for each $1,000 principal amount), in each case subject to adjustment under certain conditions.

The Company s focus is on real estate investments. The Company has historically financed purchases of real estate primarily through mortgages. During 2010, the Company made acquisitions of four industrial properties totaling approximately 838,000 square feet for approximately $53,140,000, which were funded through new mortgages and an assumed mortgage of approximately $31,864,000 at fixed interest rates ranging from 6.25% to 7.0% per year and cash available from the registered direct placements of common stock. During the first quarter of fiscal 2011, the Company made acquisitions of two industrial properties totaling approximately $20,350,000, which was funded through assumption of mortgages of approximately $10,578,000 at fixed rates of 7.6% (on $8,645,181 outstanding) and 5.5% (on $1,932,807 outstanding) per year and the remainder from funds raised through the registered direct

placements. In fiscal 2011, 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 and proceeds from the DRIP or private placements or 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 suitable acquisitions 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 2010, the Company s securities portfolio increased $14,693,060, primarily due to purchases of $19,001,455 and increase in the unrealized gain of $6,319,226, partially offset by sales of securities with a cost of $10,627,621. The Company earned interest and dividend income of $2,510,909 during fiscal 2010. The margin loan balance was $4,273,913 and $4,063,750 as of September 30, 2010 and 2009, respectively.

Cash flows provided from operating activities were $18,995,659, $19,591,455 and $17,438,835 for fiscal years 2010, 2009 and 2008, respectively. The Company paid cash dividends (net of reinvestments), of $13,819,627, $10,656,151, and $11,587,118 for fiscal 2010, 2009 and 2008, respectively.

Cash flows used in investing activities were $55,701,769, $11,655,914 and $39,831,002 for fiscal years 2010, 2009 and 2008, respectively. Cash flows used in investing activities in fiscal 2010 increased as compared to

2009 due mainly to increased property acquisitions and the purchase of REIT securities. Cash flows used in investing activities decreased in fiscal 2009 as compared to 2008 due mainly to fewer acquisitions of industrial properties, fewer property expansions, and decreased purchases of REIT securities.

Cash flows provided from (used in) financing activities were $37,439,775, ($7,202,915) and $16,345,092 for fiscal years 2010, 2009 and 2008, respectively. Cash flows from financing activities increased in fiscal 2010 as compared to 2009 due mainly to the registered direct placement of common shares with net proceeds of $38,661,466 in 2010. Cash flows from financing activities decreased in fiscal 2009 as compared to 2008 due mainly to decreased proceeds from mortgages and loans payable.

As of September 30, 2010, the Company had total assets of $454,118,797 and liabilities of $238,606,325. The Company s total debt plus Series A Preferred Stock to market capitalization as of September 30, 2010 and 2009 was approximately 49% and 59%, 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. The DRIP plan also allows for the DRIP to purchase shares on the open market at market value for participants. Currently, DRIP shares are purchased directly from the Company at a 5% discount. It is anticipated, although no assurances can be given, that the level of participation in the DRIP in 2011 will be comparable to 2010.

During 2010, the Company paid distributions of $18,466,224 or $0.60 per common share. Of the $18,466,225 in dividends paid, $4,646,598 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 2010, the Company paid $2,521,214 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 7.625% Series A Cumulative Redeemable Preferred Stock outstanding representing an aggregate liquidation preference of approximately $53,500,000.

During the year ended September 30, 2010, stock options to purchase 116,185 shares of common stock were exercised. Total proceeds received by the Company were $764,296.

During the year ended September 30, 2002, nine officers, directors and key employees exercised stock options and purchased 255,000 shares for a total of $1,617,488. Of this amount, 225,000 shares, for a total of $1,439,363, were exercised through the issuance of notes receivable from officers. These notes receivable are at an interest rate of 5%, mature on April 30, 2012 and are collateralized by the underlying common shares. As of September 30, 2010 and 2009, the balance of these notes receivable was $1,201,563.

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.

New Accounting Pronouncements

Accounting Standards Codification (ASC) 805-10, Business Combinations and ASC 810-10, Consolidation, require most identifiable assets, liabilities, noncontrolling interests and goodwill acquired in a business combination to be recorded at full fair value and require noncontrolling interests (previously referred to as minority interests) to be reported as a component of equity, which changes the accounting for transactions with

noncontrolling interest holders. The provisions of ASC 805-10 and ASC 810-10 are effective for this fiscal year beginning October 1, 2009. ASC 805-10 is being applied to business combinations occurring after October 1, 2009 and ASC 810-10 will be applied prospectively to all changes in noncontrolling interests, including any that existed at the effective date. The adoption of ASC 805-10 on October 1, 2009 for future business combinations resulted in the recognition of $459,030 in professional fees and other acquisition expenses in our results of operations for the year ended September 30, 2010. These expenses would have been capitalized previously, pursuant to previous accounting standards. The Company adopted ASC 810-10 on October 1, 2009 and changed the presentation of minority interest on the financial statements. The noncontrolling interest is now reported separately within the shareholders equity section of the consolidated balance sheets.

In May 2009, the Financial Accounting Standards Board (FASB) issued guidance on the accounting for and disclosure of events that occur after the balance sheet date. This guidance was effective for interim and annual financial periods ending after June 15, 2009. In February 2010, the FASB issued Accounting Standards Update (ASU) 2010-09, Subsequent Events: Amendments to Certain Recognition and Disclosure Requirements. This ASU retracts the requirement to disclose the date through which subsequent events have been evaluated and whether that date is the date the financial statements were issued or were available to be issued. ASU 2010-09 requires an entity that is a SEC filer to evaluate subsequent events through the date that the financial statements are issued. ASU 2010-09 is effective for interim and annual financial periods ending after February 24, 2010. The adoption of this guidance did not have an impact on our consolidated financial statements.

In December 2009, the FASB issued ASU No. 2009-17, Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities (ASU 2009-17). ASU 2009-17 changes how a reporting entity determines when an entity that is insufficiently capitalized or is not controlled through voting (or similar rights) should be consolidated. The determination of whether a reporting entity is required to consolidate another entity is based on, among other things, the other entity s purpose and design and the reporting entity s ability to direct the activities of the other entity that most significantly impact the other entity s economic performance. The new standard will require a number of new disclosures, including additional disclosures about the reporting entity s involvement with variable interest entities and any significant changes in risk exposure due to that involvement. A reporting entity will be required to disclose how its involvement with a variable interest entity affects the reporting entity s financial statements. ASU 2009-17 will be effective at the start of a reporting entity s first fiscal year beginning after November 15, 2009. Based on the Company s evaluation of ASU 2009-17, the adoption of this statement on October 1, 2010 will not have a material impact on the Company s consolidated financial statements.

In January 2010, the FASB issued ASU 2010-01, Equity (Topic 505) Accounting for Distributions to Shareholders with Components of Stock and Cash. ASU 2010-01 clarifies that the stock portion of a distribution to shareholders that allows them to elect to receive cash or shares with a potential limitation on the amount of cash that

all shareholders can elect to receive is considered a share issuance. ASU 2010-01 is effective for interim and annual periods ending on or after December 15, 2009 and should be applied on a retrospective basis. The adoption of ASU 2010-01 did not have any impact on our financial position, results of operations or cash flows. All of the Company s distributions have been made in cash.

In January 2010, the FASB issued ASU 2010-06, Fair Value Measurements and Disclosures (Topic 820) Improving Disclosures about Fair Value Measurements. This ASU requires new disclosures and clarifies certain existing disclosure requirements about fair value measurements. ASU 2010-06 requires a reporting entity to disclose significant transfers in and out of Level 1 and Level 2 fair value measurements, to describe the reasons for the transfers and to present separately information about purchases, sales, issuances and settlements for fair value measurements using significant unobservable inputs. ASU 2010-06 is effective for interim and annual reporting periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances and settlements in the roll forward of activity in Level 3 fair value measurements, which is effective for interim and annual reporting periods beginning after December 15, 2010; early adoption is permitted. We do not expect that the full adoption of ASU 2010-06 will have a material impact on our financial position, results of operations or cash flows.

In July 2010, the FASB issued ASU 2010-20, Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses, which amends ASC Topic 310, Receivables, which will require significant new disclosures about the allowance for credit losses and the credit quality of an entity s financing receivables. The requirements are intended to enhance transparency regarding credit losses and the credit quality of financing receivables by disclosing an evaluation of (i) the nature of credit risk inherent in the entity s portfolio of financing receivables, (ii) how that risk is analyzed and assessed in arriving at the allowance for credit losses and (iii) the changes and reasons for those changes in the allowance for credit losses. The new and amended disclosures as of the end of a reporting period are effective for interim and annual reporting periods ending on or after December 15, 2010. The new and amended disclosures about activity that occurs during a reporting period are effective for interim and annual reporting periods beginning on or after December 15, 2010. The adoption of ASU 2010-20 will impact disclosures and is not expected to have any impact on our results of operations or financial condition.

ITEM 7A QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET

RISK

The Company is exposed to interest rate changes primarily as a result of its 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. During 2008 and 2007, the Company invested in futures contracts of 10-year treasury notes with the objective of reducing exposure of the preferred equity and debt securities portfolio to interest rate fluctuations and to mitigate the risk of rolling over fixed-rate debt at higher interest rates upon maturity. The Company has discontinued its hedging program and closed out its futures contracts in May 2008. There are no open contracts as of September 30, 2010 or 2009.

The following table sets forth information as of September 30, 2010, concerning the Company s long-term debt obligations, including principal payments by scheduled maturity, weighted average interest rates and estimated fair value:

| Long Term Debt: | | | Average | |
|---|---|---|---|---|
| Fixed Rate | Fiscal | Carrying Value | Interest Rate | Fair Value |

| | | | | | |
|---|---|---|---|---|---|
| 2011 | | $2,437,500 | 5.00% | | |
| 2012 | | 6,040,817 | 7.23% | | |
| 2013 | | 22,561,153 | 6.38% | | |
| 2014 | | 2,542,119 | 7.15% | | |
| 2015 | | 12,542,196 | 6.13% | | |
| Thereafter | | 164,454,076 | 6.48% | | |
| Total | $ | 210,577,861 | 6.46% | $ | 209,052,519 |

The Company has $13,990,000 in 8% debentures outstanding as of September 30, 2010, with $3,770,000 due in October 2013 and $10,220,000 due in April 2015.

The Company also has a variable rate line of credit with Capital One, N.A. maturing in March 2013 of $15,000,000. As of September 30, 2010, the outstanding balance was $5,000,000. The interest rate is based on LIBOR plus 200 basis points and interest is due monthly. The interest rate was 2.25% as of September 30, 2010.

Additionally, the Company obtains margin loans, secured by its marketable securities. The balance outstanding on the margin loan was $4,273,913 as of September 30, 2010. The interest rate on the margin account is the bank s margin rate and was 2.0% as of September 30, 2010. The value of marketable securities was $42,517,725 as of September 30, 2010.

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

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 2010 | 12/31/09 | 3/31/10 | 6/30/10 | 9/30/10 |
|---|---|---|---|---|
| Rental and Reimbursement Revenue | $10,689,383 | $11,267,270 | $11,505,709 | $11,750,460 |
| Total Expenses | 5,581,492 | 5,654,107 | 6,725,444 | 6,175,409 |
| Other Income (Expense) | (2,612,978) | (2,468,679) | (2,387,056) | (2,233,950) |
| Income from Continuing Operations | 2,494,913 | 3,144,484 | 2,393,209 | 3,343,802 |
| Income (Loss) from Discontinued Operations (1) | 32,838 | 33,841 | 22,689 | (250,823) |
| Net Income | 2,527,751 | 3,178,325 | 2,415,898 | 3,093,278 |
| Net Income Attributable to | | | | |

| | | | | |
|---|---|---|---|---|
| Noncontrolling Interests | 53,477 | 45,789 | 52,362 | 56,109 |
| Net Income Attributable to MREIC s Shareholders | 2,474,274 | 3,132,536 | 2,363,536 | 3,037,169 |
| Net Income Attributable to MREIC s Common Shareholders | 1,843,970 | 2,502,232 | 1,733,232 | 2,406,866 |
| Net Income Attributable to MREIC s Common Shareholders per share | $0.07 | $0.09 | $0.05 | $0.07 |

| FISCAL 2009 | 12/31/08 | 3/31/09 | 6/30/09 | 9/30/09 |
|---|---|---|---|---|
| Rental and Reimbursement Revenue | $10,282,379 | $10,552,266 | $10,242,682 | $10,241,123 |
| Total Expenses | 5,112,738 | 5,469,304 | 5,395,253 | 5,361,177 |
| Other Income (Expense) | (6,175,106) | (6,167,891) | (2,954,752) | (2,698,856) |
| Income (Loss) from Continuing Operations | (1,005,465) | (1,084,929) | 1,892,677 | 2,181,090 |
| Income (Loss) from Discontinued Operations (1) | 40,337 | (285,595) | 34,460 | 34,269 |
| Net Income (Loss) | (965,128) | (1,370,524) | 1,927,137 | 2,154,147 |
| Net Income Attributable to Noncontrolling Interests | 28,912 | 25,775 | 38,084 | 61,212 |
| Net Income (Loss) Attributable to MREIC s Shareholders | (994,040) | (1,396,299) | 1,889,053 | 2,154,147 |
| Net Income (Loss) Attributable to MREIC s Common Shareholders | (1,624,344) | (2,026,603) | 1,258,749 | 1,523,844 |
| Net Income Attributable to MREIC s Common Shareholders per share | ($0.07) | ($0.08) | $0.05 | $0.06 |

(1) During 2010 and 2009, the Company designated the Quakertown, Pennsylvania property as held for sale.

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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, 2010 and 2009.

ITEM 9A- CONTROLS AND PROCEDURES

**(a) Disclosure Controls and Procedures**

The Company maintains controls and procedures designed to ensure that it is able to collect the information that is required to be disclosed in the reports it files with the SEC, and to process, summarize and disclose this information within the time period specified by the rules of the SEC. The Company s Chief Executive Officer and the Chief Financial and Accounting Officer are responsible for establishing, maintaining and enhancing these controls and procedures. Based on their evaluation of the Company s disclosure controls and procedures as of September 30, 2010, the Company s Chief Executive Officer and Chief Financial and Accounting Officer concluded that the Company s disclosure controls and procedures were effective.

**(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. The Company s internal control system was designed to provide reasonable assurance regarding the preparation and fair presentation of published financial statements. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance regarding the reliability of financial statement preparation and presentation.

Management assessed the Company s internal control over financial reporting as of September 30, 2010. 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. Based on this assessment, management has concluded that the Company s internal control over financial reporting was effective as of September 30, 2010.

PKF LLP, 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, 2010, based on criteria established in Internal Control–Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO 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.

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, 2010 based on the COSO 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, 2010 and 2009, and the related consolidated statements of income, shareholders equity, and cash flows for each of the three years then ended and our report dated December 8, 2010 expressed an unqualified opinion thereon.

/s/ PKF LLP

New York, New York

December 8, 2010

**(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, 2010 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

ITEM 9B OTHER INFORMATION

None.

ITEM 10 DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The following are the Directors and Executive Officers of the Company as of September 30, 2010:

| Name | Age | Present Position with the Company; Business Experience During Past Five Years; Other Directorships | Director Since |
|---|---|---|---|
| Anna T. Chew | 52 | Treasurer (2010 to present) and Director. Chief Financial Officer (1991 to 2010), Vice President (1995 to present) and Director (1994 to present) of UMH Properties, Inc., an affiliated company. Certified Public Accountant. | 2007 |
| Daniel D. Cronheim | 56 | Director. Attorney at Law (1979 to present). Certified Property Manager (2010). 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. | 1989 |
| Catherine B. Elflein | 49 | **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. | 2007 |
| Neal Herstik | 51 | **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). | 2004 |

| | | | |
|---|---|---|---|
| Matthew I. Hirsch | 51 | **Independent Director**. Attorney at law (1985 to present). Adjunct Professor of Law (1993 to present) Widener University School of Law. | 2000 |
| Joshua Kahr | 36 | **Independent Director**. Principal of Kahr Real Estate Services (2002 to present), a real estate advisory firm based in New York City. Senior Director, GVA Williams (2000 to 2002). | 2007 |
| Eugene W. Landy | 76 | President and Chief Executive Officer (1968 to present) and Director. Attorney at Law. Chairman of the Board (1995 to present), President (1969 to 1995) of UMH Properties, Inc., an affiliated company. | 1968 |

| Name | Age | Present Position with the Company; Business Experience During Past Five Years; Other Directorships | Director Since |
|---|---|---|---|
| Michael P. Landy | 48 | Chairman of the Executive Committee and Executive Vice President (2010 to present) and Director**.** Vice President Investments (2001 to present) of UMH Properties, Inc., an affiliated company. President (1998 to 2001) of Siam Records, LLC. Chief Engineer and Technical Director (1987 to 1998) of GRP Recording Company. | 2007 |
| Samuel A. Landy | 50 | 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. | 1989 |
| Cynthia J. Morgenstern (1) | 41 | Executive Vice President (2001 to 2010) and Director. Vice President (1996 to 2001) Summit Bank, Commercial Real Estate Division. | 2002 |
| Allison Nagelberg | 45 | General Counsel (2000 to present). Attorney at Law (1989 to present) General Counsel (2000 to present) of UMH Properties, Inc. an affiliated company. | N/A |
| Scott L. Robinson | 40 | **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). | 2005 |
| Eugene Rothenberg | 77 | **Independent Director.** Investor. Retired physician. Director (1977 to present) of UMH Properties, Inc. an affiliated company. | 2007 |

| | | | |
|---|---|---|---|
| Maureen E. Vecere | 41 | Chief Financial and Accounting Officer (2010 to present) Controller (2003 to 2010) and Treasurer (2004 to 2010). Certified Public Accountant. | N/A |
| Stephen B. Wolgin | 56 | **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); prior affiliations with J.P. Morgan, Odyssey Associates, The Prudential Realty Group, Standard & Poor s Corporation, and Grubb and Ellis. | 2003 |

(1) Effective November 8, 2010, Cynthia J. Morgenstern's employment as Executive Vice President of Monmouth Real Estate Investment Corporation terminated. In accordance with her Employment Agreement, it is expected that she will be resigning from the Board of Directors.

Family Relationships

There are no family relationships between any of the directors or executive officers, except that Samuel A. Landy and Michael P. Landy are the sons of Eugene W. Landy, the President 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 Wolgin (Chairman), Matthew I. Hirsch, Scott Robinson and Catherine B. Elflein. The Company s board of directors has determined that Stephen B. Wolgin and Catherine B. Elflein are financial experts and that all members of the audit committee are independent. 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.

Delinquent Filers

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 (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 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 plans, policies and programs of the Company. The Committee's primary objectives include serving as an independent and objective party to review such compensation plans, policies and programs.

Throughout this report, the individuals who served as the Company s President and Chief Executive Officer and Executive Vice President during fiscal 2010, as well as the other individuals 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 chief executive officer, and that a significant part of the executive's 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 executive's 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;

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 President and Chief Executive Officer and Executive Vice Presidents, 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 President annually reviews the performance of the Executive Vice Presidents and Chief Financial Officer and then presents his 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 the president.

*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.

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 President is entitled to receive annual cash bonuses for each calendar year during the term of the agreement, based on the achievement of certain performance goals set by the Compensation Committee. The following are the bonus targets and recommended compensation for the president which the Compensation Committee uses as a guide in determining the bonus, if any:

| | Threshold | Target | Outstanding |
|---|---|---|---|
| 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 |

In addition to its determination of the executive's individual performance levels for 2010, the Committee also compared the executive's total compensation for 2010 to that of similarly-situated personnel in the REIT industry using the NAREIT Compensation Survey described above.

Bonuses awarded to the other senior executives are recommended by the President and are approved by the Compensation Committee. The President 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 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), 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 generally accepted accounting principles (GAAP), excluding gains or losses from sales of property, plus real estate related depreciation and amortization. The Company considers FFO to be a meaningful, additional measure of operating performance primarily because it excludes the assumption that the value of its real estate assets diminishes predictably over time and because industry analysts have accepted it as a performance measure.

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 senior executives, 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 president states that the President will receive stock options to purchase 65,000 shares annually. For the other senior executives, the President makes 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 2010, the Compensation Committee received the recommendations from the President for the number of options or restricted stock to be awarded. The factors that were considered in awarding the stock options included the following progress that was made by management:

.

Located and acquired four industrial properties as per its investment strategy without placing undue burden on its liquidity.

.

Raised approximately $40 million in equity via registered direct placements of common stock.

.

Continued its conservative approach to management of the properties and maintained its cash distributions to shareholders.

.

Renewed 100% of expiring leases on favorable terms.

.

Managed general and administrative costs to an appropriate level.

The individual awards were allocated based on the named officers individual contributions to these accomplishments. Other factors included the named officers title, responsibilities and years of service. In addition, the awards were compared to each named 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 long-term disability insurance, at the Company's cost, as agreed to by the Company and the executive. Attributed costs of the personal benefits described above for the named executive officers for the fiscal year ended September 30, 2010, 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 with 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 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 (Award) in the amount of $300,000 per year for three years. This Award is to recognize Mr. Eugene Landy s exceptional leadership as president and chief executive officer for over 40 years.

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. During 2010, the Company met the 20% growth in market capitalization criteria. During 2010, the Company s market capitalization increased 48%, FFO per share, as calculated for this employment agreement, which excluded gains or losses on securities transactions, decreased 14%, and dividends per share remained consistent at $0.60 per share. Accordingly, the Compensation Committee approved a bonus for the president of $90,000.

The Committee also reviewed the progress made by Ms. Cynthia J. Morgenstern, Executive Vice President. Ms. Morgenstern was under an employment agreement with the Company. Her base compensation under this contract is $241,006 for 2010. Ms. Morgenstern received bonuses totaling $14,404 and $59,660 of restricted stock and director s fees and fringe benefits. Effective November 8, 2010, Cynthia J. Morgenstern's employment as Executive Vice President terminated. In accordance with her employment agreement, it is expected that she will be resigning from the Board of Directors.

The Committee has also approved the recommendations of the President concerning the other named executives annual salaries, bonuses, option and 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

Summary Compensation Table

The following Summary Compensation Table shows compensation paid or accrued by the Company for services rendered during 2010, 2009, and 2008 to the named executive officers. There were no other executive officers whose aggregate compensation allocated to the Company exceeded $100,000.

| Name and Principal Position | Fiscal Year | Salary ($) | Bonus ($) | Option Awards ($) (6) | Restricted Stock Awards (7) | Change in Pension Value And Nonqualified Deferred Compensation Earnings ($) | All Other Compensation ($) | Total ($) |
|---|---|---|---|---|---|---|---|---|

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Eugene W. Landy | 2010 | $250,000 | $390,000 | $21,450 | $135,805 | $206,794(1) | $38,000 (2) | $1,042,049 |
| President and CEO | 2009 | 225,000 | -0- | 14,950 | | 43,320 (1) | 16,000 (2) | 299,270 |
| | 2008 | 225,000 | -0- | 22,750 | | 43,815 (1) | 35,500 (2) | 327,065 |
| Cynthia J. Morgenstern | 2010 | $241,005 | $14,404 | $-0- | $59,660 | $-0- | $45,133(3) | $360,202 |
| Executive Vice | 2009 | 241,005 | 12,934 | 11,500 | -0- | -0- | 40,033 (3) | 305,472 |
| President (8) | 2008 | 224,191 | 17,542 | 11,500 | -0- | -0- | 39,583 (3) | 292,816 |
| Michael P. Landy | 2010 | $200,103 | $111,445 | $-0- | $59,660 | $-0- | $28,863 (4) | $400,071 |
| Chairman of Executive | 2009 | 190,575 | 10,471 | 5,750 | -0- | -0- | 23,674 (4) | 230,470 |
| Committee and Executive Vice President | 2008 | 181,500 | 14,192 | 5,750 | -0- | -0- | 23,376 (4) | 224,818 |
| Maureen E. Vecere | 2010 | $161,917 | $8,519 | $-0- | $59,660 | $-0- | $6,110 (5) | $236,206 |
| Chief Financial and | 2009 | 139,000 | 7,504 | 5,750 | | -0- | 5,500 (5) | 157,754 |
| Accounting Officer | 2008 | 130,075 | 10,596 | 5,750 | | -0- | 4,465 (5) | 150,886 |
| Anna T. Chew (9) | 2010 | $65,150 | -0- | $-0- | $59,660 | $-0- | $-0- | $124,810 |
| Treasurer | 2009 | 62,050 | -0- | 11,500 | -0- | -0- | -0- | 73,550 |
| | 2008 | 73,400 | -0- | 11,500 | -0- | -0- | -0- | 84,900 |

Notes:

(1)

Amount is accrual for pension and other benefits of $206,794, $43,320 and $43,815 for 2010, 2009 and 2008, respectively, in accordance with Mr. Landy s employment contract.

(2)

Represents Director s fees of $20,500, $16,000 and $18,000 for 2010, 2009 and 2008, respectively, paid to Mr. Landy; and legal fees paid to the firm of Eugene W. Landy of $17,500, $-0- and $17,500 for 2010, 2009 and 2008, respectively.

(3)

Represents Director s fees of $20,500, $16,000 and $18,000 in 2010, 2009 and 2008, respectively and fringe benefits (including the use of an automobile) and discretionary contributions by the Company to the Company s 401(k) Plan allocated to an account of the named executive officer.

(4)

Represents Director s fees of $20,500, $16,000 and $18,000 in 2010, 2009 and 2008, 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. Approximately 30%, 35% and 35% of this employee s compensation cost is allocated to and reimbursed by UMH, pursuant to a cost sharing agreement between the Company and UMH in 2010, 2009 and 2008, respectively.

(5)

Represents discretionary contributions by the Company to the Company s 401(k) Plan allocated to an account of the named executive officer

(6)

These grant date fair values were established using the Black-Scholes stock option valuation model. See Note No. 11 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.

(7)

These values were established based on the number of shares granted during fiscal 2010 at the fair value on the date of grant of $7.85.

(8)

Effective November 8, 2010, Cynthia J. Morgenstern's employment as Executive Vice President terminated. In accordance with her employment agreement, it is expected that she will be resigning from the Board of Directors.

(9)

Anna T. Chew, the Company s Treasurer, is an employee of UMH. Ms. Chew served as the Company s Chief Financial Officer from 2003 through June 2010. Her compensation disclosure can be found in the filings of UMH. During 2010, 2009, and 2008, approximately 25% of her compensation cost was allocated to and reimbursed by the Company for her services, pursuant to a cost sharing arrangement between the Company and UMH. Ms. Chew is an inside director and her directors fees are disclosed in the directors compensation table.

Stock Compensation Plans

Options to purchase 65,000 shares were granted in 2010 and options to purchase 116,185 shares were exercised during 2010. During fiscal 2010, 67,900 shares of restricted common stock were granted at a grant date fair value of $7.85 per share. As of September 30, 2010, the number of shares remaining for future grant of stock options or restricted stock is 1,024,485.

Grants of Plan-Based Awards

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.

Stock Options

Options may be granted any time up through December 31, 2016. 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.

The following table sets forth, for the executive officers named in the Summary Compensation Table, information regarding individual grants of stock options made during the year ended September 30, 2010:

| Name | Grant Date (1) | Number of Shares Underlying Options | Exercise Price of Option Award | Grant Date Fair Value (2) |
|---|---|---|---|---|
| Eugene W. Landy | 01/05/10 | 65,000 | $7.22 | $21,450 |

(1)

These options expire 8 years from grant date.

(2)

These values were established using the Black-Scholes stock option valuation model. The following weighted-average assumptions were used in the model: expected volatility of 19.30%; risk-free interest rate of 3.25%; dividend yield of 8.31%; expected life of options of 8 years; and -0- estimated forfeitures. 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.

Restricted Stock

Under the 2007 Plan, the Compensation Committee determines the recipients of restricted stock award; 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.

The following table sets forth, for the executive officers named in the Summary Compensation Table, information regarding individual grants of restricted stock made during the year ended September 30, 2010:

| Name | Grant Date | Number of Shares of Restricted Stock | Grant Date Fair Value Per Share | Grant Date Fair Value |
|---|---|---|---|---|
| Eugene W. Landy | 8/2/10 | 17,300 | $7.85 | $135,805 |
| Cynthia J. Morgenstern (1) | 8/2/10 | 7,600 | 7.85 | 59,660 |
| Michael P. Landy | 8/2/10 | 7,600 | 7.85 | 59,660 |
| Maureen E. Vecere | 8/2/10 | 7,600 | 7.85 | 59,660 |
| Anna T. Chew | 8/2/10 | 7,600 | 7.85 | 59,660 |

(1) Effective November 8, 2010, Cynthia J. Morgenstern's employment as Executive Vice President of Monmouth Real Estate Investment Corporation terminated.

Option Exercises and Stock Vested

The following table sets forth summary information concerning option exercises and vesting of restricted Stock awards for each of the named executive officers during the year ended September 30, 2010:

| | **Option Awards** | | **Restricted Stock Awards** | |
|---|---|---|---|---|
| Name | Number of Shares Acquired on Exercise (#) | Value Realized on Exercise ($) | Number of Shares Acquired on Vesting (#) | Value realized on Vesting ($) |
| Eugene W. Landy | 32,750 | $61,570 | -0- | -0- |
| Cynthia J. Morgenstern (1) | 36,200 | 20,272 | -0- | -0- |
| Michael P. Landy | -0- | -0- | -0- | -0- |
| Maureen E. Vecere | -0- | -0- | -0- | -0- |
| Anna T. Chew | 16,000 | 320 | -0- | -0- |

(1)

Effective November 8, 2010, Cynthia J. Morgenstern s employment as Executive Vice President terminated.

The following table sets forth for the executive officers named in the Summary Compensation Table, information regarding stock options and restricted stock outstanding at September 30, 2010:

Outstanding Equity Awards at Fiscal Year End

| | Option Awards | | | | Restricted Stock Awards | |
|---|---|---|---|---|---|---|
| Name | Number of Securities Underlying Unexercised Options Exercisable | Number of Securities Underlying Unexercised Options Unexercisable (2) | Option exercise price ($) | Option expiration date | Number of Shares That Have Not Vested | Market Value Of Shares that Have Not Vested (3) |
| Eugene W. Landy | | | | | 17,300 | $135,286 |
| | -0- | 65,000 (1) | $7.22 | 01/05/18 | | |
| | 65,000 | -0- | 7.25 | 10/20/16 | | |
| | 65,000 | -0- | 8.22 | 12/12/15 | | |
| | 16,375 | -0- | 8.05 | 01/22/15 | | |
| | 65,000 | -0- | 8.15 | 08/02/14 | | |
| | 16,375 | -0- | 8.70 | 09/21/13 | | |
| | 65,000 | -0- | 8.28 | 08/10/13 | | |
| | 65,000 | -0- | 7.89 | 08/03/12 | | |
| | 65,000 | -0- | 6.90 | 01/22/11 | | |
| Cynthia J. Morgenstern (4) | | | | | 7,600 | $59,432 |
| | 13,800 | -0- | $7.25 | 10/20/16 | | |
| | 50,000 | -0- | 7.80 | 03/10/16 | | |
| | 6,550 | -0- | 8.05 | 01/22/15 | | |
| | 50,000 | -0- | 8.04 | 09/12/14 | | |
| | 6,550 | -0- | 8.70 | 09/21/13 | | |
| | 50,000 | -0- | 8.28 | 08/10/13 | | |
| | 50,000 | -0- | 7.41 | 05/20/12 | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| Michael P. Landy | | | | | 7,600 | $59,432 |
| | 25,000 | -0- | $7.25 | 10/20/16 | | |
| | 25,000 | -0- | 7.80 | 03/10/16 | | |
| | 9,825 | -0- | 8.05 | 01/22/15 | | |
| | 25,000 | -0- | 8.04 | 09/12/14 | | |
| | 9,825 | -0- | 8.70 | 09/21/13 | | |
| | 25,000 | -0- | 8.28 | 08/10/13 | | |
| Maureen E. Vecere | | | | | 7,600 | $59,432 |
| | 25,000 | -0- | $7.25 | 10/20/16 | | |
| | 25,000 | -0- | 7.80 | 03/10/16 | | |
| | 6,550 | -0- | 8.05 | 01/22/15 | | |
| | 25,000 | -0- | 8.04 | 09/12/14 | | |
| | 6,550 | -0- | 8.70 | 09/21/13 | | |
| | 25,000 | -0- | 8.28 | 08/10/13 | | |
| | 15,000 | -0- | 7.41 | 05/20/12 | | |
| Anna T. Chew | | | | | 7,600 | $59,432 |
| | 50,000 | -0- | $7.25 | 10/20/16 | | |
| | 50,000 | -0- | 7.80 | 03/10/16 | | |
| | 6,550 | -0- | 8.05 | 01/22/15 | | |
| | 50,000 | -0- | 8.04 | 09/12/14 | | |
| | 6,550 | -0- | 8.70 | 09/21/13 | | |
| | 50,000 | -0- | 8.28 | 08/10/13 | | |
| | 50,000 | -0- | 7.41 | 05/20/12 | | |

(1)

These options will become exercisable on January 5, 2011.

(2)

All options are exercisable one year from date of grant.

(3)

Based on the closing price of our common stock on September 30, 2010 of $7.82. Restricted stock awards vest over 5 years.

(4)

Effective November 8, 2010, Cynthia J. Morgenstern's employment as Executive Vice President terminated.

Employment Agreements

During fiscal 2010, the Company executed the Fourth Amendment to the Employment Contract (Fourth Amendment) with Eugene W. Landy, the Company s President and Chief Executive Officer. The existing amended employment agreement had originally expired on December 31, 2009 but was automatically renewed for a one-year term in accordance with the terms of the agreement. The Fourth Amendment increases Mr. Eugene Landy s base salary from $225,000 per year to $275,000 per year, extends the pension payments of $50,000 per year through 2020, awards an Outstanding Leadership Achievement Award in the amount of $300,000 per year for three years for a total of $900,000 and revises the employee s incentive bonus schedule as detailed in the Fourth Amendment. The Company has accrued additional compensation expense related to the additional pension benefits of $164,000. Pursuant to the amended employment agreement, Mr. Eugene Landy will receive, each year, an option to purchase 65,000 shares of the Company common stock and may receive bonuses in amounts determined by the Company s board of directors, based upon progress towards achieving certain target levels of growth in market capitalization, funds from operations and dividends per share. The amended employment agreement provides that Mr. Eugene Landy is entitled to five weeks paid vacation and to participate in the Company s employee benefits plans at any time he is entitled to receive pension benefits.

The amended employment agreement also provides for aggregate severance payments of $500,000, payable to Mr. Eugene Landy upon the termination of his employment for any reason, in increments of $100,000 per year for five years, disability payments, payable to Mr. Eugene Landy in the event of his disability (as defined in the amended employment agreement) for a period of three years, equal to Mr. Eugene Landy s salary and a death benefit of $500,000 payable to Mr. Eugene Landy s designated beneficiary. Upon the termination of Mr. Eugene Landy s employment following or as a result of certain types of transactions that lead to a significant increase in the Company s market capitalization, the amended employment agreement provides that Mr. Eugene Landy will receive a grant of 35,000 to 65,000 shares of the Company common stock, depending on the amount of the increase in the Company s market capitalization, all of his outstanding options to purchase shares of the Company common stock will become immediately vested and he will be entitled to continue to receive benefits under the Company s health, dental, insurance and similar plans for one year. The merger does not trigger any of these provisions of the amended employment agreement, although the growth in market capitalization of the Company that would occur upon closing of the merger is one of many factors that the Company s board of directors may consider in determining the amount of Mr. Eugene Landy s bonus, if any. The amended employment agreement is terminable by the Company s board of directors at any time by reason of Mr. Eugene Landy s death or disability or for cause, which is defined in the amended employment agreement as a termination of the agreement if the Company s board of directors determines in good faith that Mr. Eugene Landy failed to substantially perform his duties to the Company (other than due to his death or disability), or has engaged in conduct the consequences of which are materially adverse to the Company, monetarily

or otherwise. Upon termination of the amended employment agreement, Mr. Eugene Landy will remain entitled to the disability, severance, death and pension benefits provided for in the amended employment agreement. In the event of a change in control of the Company, Eugene W. Landy shall receive a lump sum payment of $2,500,000, provided that the sale price of the Company is at least $10 per share of common stock. A change of control shall be defined as the consummation of a reorganization, merger, share exchange, consolidation, or sale or disposition of all or substantially all of the assets of the Company. This change of control provision shall not apply to any combination between the Company and UMH. Payment shall be made simultaneously with the closing of the transaction, and only in the event that the transaction closes.

During fiscal 2010, the Company executed a two-year employment agreement with Cynthia J. Morgenstern, the Executive Vice President, which is effective January 1, 2010 through December 31, 2011. Effective November 8, 2010, Cynthia J. Morgenstern's employment as Executive Vice President terminated. In accordance with her Employment Agreement, it is expected that she will be resigning from the Board of Directors.

Under this employment agreement, Ms. Morgenstern was entitled to receive a base salary of $241,005 for the year ending December 31, 2010, and was entitled to increases of 5% for the year ending December 31, 2011, plus bonuses, if any, in amounts determined by the Company s board of directors or president. Ms. Morgenstern s employment agreement provided for four weeks paid vacation, the use of an automobile, reimbursement of her

reasonable and necessary business expenses and that Ms. Morgenstern was entitled to participate in the Company s employee benefit plans. Ms. Morgenstern s employment agreement also required the Company to reimburse Ms. Morgenstern for the cost of a disability insurance policy such that, in the event of Ms. Morgenstern s disability for a period of more than 90 days, Ms. Morgenstern would have received benefits equal to 60% of her then-current salary. In the event of a merger, sale or change of control of the Company, which is defined as a change in voting control and excludes transactions between the Company and UMH, Ms. Morgenstern would have had the right to terminate the employment agreement or extend the employment agreement for two years from the date of merger, sale or change in control. If there is a termination of employment by the Company for any reason, either involuntary or voluntary, including the death of Ms. Morgenstern, other than a termination for cause as defined by the agreement, she is entitled to the greater of the salary due under the remaining term of the agreement or one year s compensation at the date of termination, paid monthly over the remaining term or life of the agreement.

Effective January 1, 2009, the Company and Michael P. Landy, Chairman of the Executive Committee and Executive Vice President, entered into a three-year employment agreement, under which Mr. Michael Landy receives an annual base salary of $190,575 for 2009 with increases of 5% for 2010 and 2011, plus bonuses and customary fringe benefits. The employment agreement renews for successive one-year terms, unless either party gives written notice of termination to the other party. Mr. Michael Landy will also receive four weeks paid vacation. The Company will reimburse the Mr. Michael Landy for the cost of a disability insurance policy such that, in the event of his disability for a period of more than 90 days, he will receive benefits up to 60% of his then-current salary. In the event of a merger, sale or change of voting control of the Company, excluding transactions between the Company and UMH, Mr. Michael Landy will have the right to extend and renew this employment agreement so that the expiration date will be three years from the date of merger, sale or change of voting control, or the employee may terminate the employment agreement and be entitled to receive one year s compensation in accordance with the agreement. If there is a termination of employment by the Company for any reason, either involuntary or voluntary, including the death of Mr. Michael Landy, other than a termination for cause as defined by the agreement, he shall be entitled to the greater of the salary due under the remaining term of the agreement or one year s compensation at the date of termination, paid monthly over the remaining term or life of the agreement. Approximately 30% of Mr. Michael Landy s compensation is allocated to UMH pursuant to a cost sharing arrangement between the Company and UMH.

The Company amended the employment agreement with Maureen E. Vecere, who was appointed the Company s Chief Financial and Accounting Officer on June 2, 2010. Prior to that date, Ms. Vecere was the Company s Controller and Treasurer since 2003. The amendment provides for an increase in Ms. Vecere s base salary from $149,000 per year to $180,000 per year for the remainder of calendar 2010 with an increase of 5% for calendar 2011. The other terms of the contract remained unchanged. The employment agreement renews for successive one-year terms, unless either party gives written notice of termination to the other party. The employment agreement also provides for bonuses and customary fringe benefits and four weeks paid vacation. The Company will reimburse Ms. Vecere for the cost of a disability insurance policy such that, in the event of her disability for a period of more than 90 days, she will receive benefits up to 60% of her then-current salary. In the event of a merger, sale or change of voting control of the Company, excluding transactions between the Company and UMH, Ms. Vecere will have the right to extend and

renew this employment agreement so that the expiration date will be three years from the date of merger, sale or change of voting control, or the employee may terminate the employment agreement and be entitled to receive one year s compensation in accordance with the agreement. If there is a termination of employment by the Company for any reason, either involuntary or voluntary, including the death of Ms. Vecere, other than a termination for cause as defined by the agreement, she shall be entitled to the greater of the salary due under the remaining term of the agreement or one year s compensation at the date of termination, paid monthly over the remaining term or life of the agreement.

Potential Payments upon Termination of Employment or Change-in-Control

Under the employment agreements with our President and Chief Executive Officer and certain other named executive officers, our President and Chief Executive Officer and such other named executive officers are entitled to receive the following estimated payments and benefits upon a termination of employment or voluntary resignation (with or without a change-in-control). These disclosed amounts are estimates only and do not necessarily reflect the actual amounts that would be paid to the named executive officers, which would only be known at the time that they become eligible for payment and would only be payable if a termination of employment, or voluntary resignation, were to occur. The table below reflects the amount that could be payable under the various arrangements assuming that the termination of employment had occurred at September 30, 2010.

| | Voluntary Resignation on 9/30/10 (2) | Termination Not for Cause Or Good Reason Resignation on 9/30/10 | Termination For Cause on 9/30/10 (2) | Termination Not for Cause or Good Reason Resignation (After a Change-in-Control) on 9/30/10 | Disability/ Death on 9/30/10 |
|---|---|---|---|---|---|
| Eugene W. Landy | $5,288 | $519,400 (3) | $5,288 | $3,019,400 (4) | $844,400 (5) |
| Cynthia J. Morgenstern (1) | -0- | 313,307 (6) | -0- | 313,307 (6) | 313,307 (6) |
| Michael P. Landy | 3,848 | 260,134 (6) | 3,848 | 260,134 (6) | 260,134 (6) |
| Maureen E. Vecere | 3,462 | 234,000 (6) | 3,462 | 234,000 (6) | 234,000 (6) |

(1)

Effective November 8, 2010, Cynthia J. Morgenstern's employment as Executive Vice President terminated.

(2)

Consists of accrued vacation time.

(3)

Consists of severance payments of $500,000, payable $100,000 per year for 5 years plus the estimated cost of continuation of benefits for one year following termination and accrued vacation.

(4)

Mr. Landy shall receive a lump-sum payment of $2,500,000 in the event of a change in control, provided that the sale price of the Company is at least $10 per share of common stock. In addition, if Mr. Landy s employment agreement is terminated, he receives severance payments of $500,000, continuation of benefits for one year following termination and accrued vacation.

(5)

In the event of a disability, as defined in the agreement, Mr. Landy shall receive disability payments equal to his base salary for a period of three years, continuation of benefits for one year following termination and accrued vacation. He has a death benefit of $500,000 payable to Mr. Landy s beneficiary.

(6)

Payments represent 15 months salary under the respective employment agreements.

(7)

Anna T. Chew is an employee of UMH.

The Company retains the discretion to compensate any officer upon any future termination of employment or a change-in-control.

Director Compensation

Prior to the July 1, 2010 directors meeting, the Directors received a fee of $1,500 for each Board Meeting attended, $500 for each Board phone meeting, and an additional fixed annual fee of $10,000 payable quarterly. Directors appointed to board committees receive $150 for each meeting attended. Those specific committees are Nominating Committee, Compensation Committee and Audit Committee.

Effective July 1, 2010, Directors receive a fee of $2,250 for each Board meeting attended, $500 for each Board phone meeting, and an additional fixed annual fee of $15,000 payable quarterly. Directors appointed to board committees receive $500 for each meeting attended.

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The table below sets forth a summary of director compensation for the fiscal year ended September 30, 2010:

| Director | Annual Board Cash Retainer ($) | Meeting Fees ($) | Committee Fees ($) | Option Awards ($) | Total Fees Earned or Paid in Cash ($) |
|---|---|---|---|---|---|
| Ernest Bencivenga (1) | $12,500 | 6,500 | $-0- | $-0- | $19,000 |
| Anna T. Chew | 12,500 | 8,000 | -0- | -0- | 20,500 |
| Daniel D. Cronheim | 12,500 | 8,000 | -0- | -0- | 20,500 |
| Catherine B. Elflein (3) | 12,500 | 8,000 | 1,300 | -0- | 21,800 |
| Neal Herstik (2)(5) | 12,500 | 8,000 | 3,650 | -0- | 24,150 |
| Matthew I. Hirsch (3)(4)(5) | 12,500 | 8,000 | 2,250 | -0- | 22,750 |
| Charles Kaempffer (1) | 12,500 | 4,500 | 1,300 | -0- | 18,300 |
| Joshua Kahr | 12,500 | 8,000 | -0- | -0- | 20,500 |
| Eugene W. Landy (7) | 12,500 | 8,000 | -0- | -0- | 20,500 |
| Michael P. Landy | 12,500 | 8,000 | -0- | -0- | 20,500 |
| Samuel A. Landy | 12,500 | 8,000 | -0- | -0- | 20,500 |
| Cynthia J. Morgenstern (6) | 12,500 | 8,000 | -0- | -0- | 20,500 |
| Scott L. Robinson (3) | 12,500 | 8,000 | 1,300 | -0- | 21,800 |
| Eugene Rothenberg | 12,500 | 8,000 | -0- | -0- | 20,500 |
| Stephen B. Wolgin (2)(3)(4)(5) | 12,500 | 8,000 | 7,400 | -0- | 27,900 |
| Total | $187,500 | $115,000 | $17,200 | $-0- | $319,700 |

(1)

Emeritus directors are retired directors who are not entitled to vote on board resolutions however they receive directors fees for participation in the board meetings.

(2)

These directors act as lead directors when attending the Company s Executive Committee meetings.

(3)

The Audit Committee for 2010 consists of Mr. Hirsch, Mr. Wolgin, Mr. Robinson and Ms. Elflein. The board had determined that Mr. Wolgin and Ms. Elflein are considered audit committee financial experts within the meaning of the rules of the SEC and are financially sophisticated within the meaning of the listing requirements of the New York Stock Exchange.

(4)

Mr. Hirsch and Mr. Wolgin are members of the Compensation Committee.

(5)

Mr. Herstik, Mr. Hirsch, and Mr. Wolgin are members of the Nominating Committee.

(6)

Effective November 8, 2010, Cynthia J. Morgenstern's employment as Executive Vice President terminated. In accordance with her employment agreement, it is expected that she will be resigning from the Board of Directors.

(7)

Mr. Landy s equity awards for compensation as an employee are disclosed in the Summary Compensation Table.

Pension Benefits and Nonqualified Deferred Compensation Plans

Except as provided in the specific agreements described above, the Company does not have a pension or other post-retirement plans in effect for officers, directors or employees or a nonqualified deferred compensation plan. The Company s employees may elect to participate in the 401(k) plan of UMH Properties, Inc.

Other Information

Daniel D. Cronheim is an inside Director of the Company and Executive Vice President of David Cronheim Company (Cronheim) and CMS. Daniel Cronheim received $20,500, $16,000 and $18,000 for Director s fees in 2010, 2009 and 2008, respectively. The David Cronheim Company received $22,773, $20,352 and $3,219 in lease commissions in 2010, 2009 and 2008, respectively. The David Cronheim Mortgage Corporation, an affiliated company, received $100,000, $-0- and $-0- in mortgage brokerage commissions in 2010, 2009 and 2008, respectively.

During fiscal 2010, 2009 and 2008, the Company was subject to management contracts with CMS for a fixed fee of $380,000. During 2010, the Company also agreed to reimburse CMS for fees paid to subagents. CMS provides sub-agents as regional managers for the Company s properties and in 2009 and 2008, compensated the subagents out of the $380,000 management fee. The Company paid CMS management fees (net of allocation to the minority owner of the Somerset, New Jersey shopping center) of $421,647, $375,477 and $375,477 fiscal 2010, 2009 and 2008, respectively, for the management of the properties subject to the management contract.

Compensation Committee Interlocks and Insider Participation

There are no compensation committee interlocks and no member of the compensation committee has served as an officer or employee of the Company or any of its subsidiaries at any time.

ITEM 12 - SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND

MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The following table lists information with respect to the beneficial ownership of the Company s common stock (the shares) as of September 30, 2010 by:

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each person known by the Company to beneficially own more than five percent of the Company s outstanding shares;

.

the Company s directors;

.

the Company s executive officers; and

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all of the Company s executive officers and directors as a group.

Unless otherwise indicated, the person or persons named below have sole voting and investment power and that person s address is c/o Monmouth Real Estate Investment Corporation, Juniper Business Plaza, 3499 Route 9 North, Suite 3-C, Freehold, New Jersey 07728. In determining the number and percentage of shares beneficially owned by each person, shares that may be acquired by that person under options exercisable within 60 days of September 30, 2010 are deemed beneficially owned by that person and are deemed outstanding for purposes of determining the total number of outstanding shares for that person and are not deemed outstanding for that purpose for all other shareholders.

| Name and Address of Beneficial Owner | Amount and Nature of Beneficial Ownership(1) | Percentage of Shares Outstanding(2) |
|---|---|---|
| Oakland Financial Corporation<br>34200 Mound Road<br><br>Sterling Heights, Michigan 48310 | 2,402,847(3) | 7.08% |

| | | |
|---|---|---|
| UMH Properties, Inc. | 2,047,592(4) | 6.03% |
| Anna T. Chew | 388,331(5) | 1.13% |
| Daniel D. Cronheim | 78,100 | * |
| Catherine B. Elflein | 3,875(6) | * |
| Neal Herstik | 7,527(7) | * |
| Matthew I. Hirsch | 61,102(8) | * |
| Joshua Kahr | 982 | * |
| Eugene W. Landy | 1,796,990(9) | 5.22% |
| Samuel A. Landy | 319,657(10) | * |
| Michael P. Landy | 304,393(11) | * |

| Name and Address of Beneficial Owner | Amount and Nature of Beneficial Ownership(1) | Percentage of Shares Outstanding(2) |
|---|---|---|
| Cynthia J. Morgenstern (17) | 333,068(12) | * |
| Allison Nagelberg | 8,464(13) | * |
| Scott Robinson | 7,000(14) | * |
| Eugene D. Rothenberg | 75,940 | * |
| Maureen E. Vecere | 139,403(15) | * |
| Stephen B. Wolgin | 19,898(16) | * |
| Directors and Officers as a group | 3,544,730 | 10.07% |

*Less than 1%.

(1)

Except as indicated in the footnotes to this table and pursuant to applicable community property laws, the Company believes that the persons named in the table have sole voting and investment power with respect to all shares listed.

(2)

Based on the number of outstanding shares on September 30, 2010, which was 33,956,138.

(3)

Based on Schedule 13D as of July 7, 2008, filed with the SEC by Oakland Financial Corporation ( Oakland ), Liberty Bell Agency, Inc. ( Liberty Bell ), and Cherokee Insurance Company ( Cherokee ), as of July 7, 2008, Oakland owns 110,602, Liberty Bell owns 594,813, Cherokee owns 1,574,322, Erie Manufactured Home Properties, LLC, owns 82,542, Apache Ventures, LLC, owns 15,000, and Matthew T. Maroun owns 25,568. This filing with the SEC by Oakland, indicates that Oakland shares voting and dispositive power with respect to those shares with Liberty Bell, Cherokee, Erie Manufactured Homes, Apache Ventures, LLC, all of which are wholly-owned subsidiaries of Oakland.

Matthew T. Moroun is the Chairman of the Board and controlling stockholder of Oakland, Liberty Bell and Cherokee.

(4)

Based on Schedule Form 4 filed on September 15, 2010, filed with the SEC by UMH Properties, Inc. which indicates that UMH has sole voting and dispositive power with respect to 2,047,592 shares. Included in the 2,047,592 shares held, UMH owns $5,000,000 of the 2005 Debentures, representing 436,681 shares on a converted basis at $11.45 per share.

(5)

Includes (a) 106,554 shares owned jointly with Ms. Chew s husband; and (b) 18,677 Shares held in Ms. Chew s 401(k) Plan. As a co-trustee of the UMH 401(k), Ms. Chew has shared voting power over the shares held by the UMH 401(k). She, however, disclaims beneficial ownership of all of the shares held by the UMH 401(k), except for the 18,677 shares held by the UMH 401(k) for her benefit. Includes 263,100 shares issuable upon exercise of stock options. Additionally, the number of shares includes 7,600 shares of restricted stock of which none are currently vested.

(6)

Includes 2,300 shares owned jointly with Ms. Elflein s husband.

(7)

Includes 5,000 shares issuable upon the exercise of a stock option.

(8)

Includes 60,102 shares owned jointly with Mr. Hirsch s wife.

(9)

Includes (a) 140,291 shares owned by Mr. Landy s wife; (b) 223,923 shares held in the E.W. Landy Profit Sharing Plan of which Mr. Landy is a trustee and has shared voting and dispositive power; (c) 185,847 shares held in the E.W. Landy Pension Plan over which Mr. Landy has shared voting and dispositive power; (d) 13,048 Shares held in Landy Investments Ltd., over which Mr. Landy has shared voting and dispositive power; (e) 86,200 shares held in the Eugene W. and Gloria Landy Family Foundation, a charitable trust, over which Mr. Landy has shared voting and dispositive power; and (f) 12,957 shares in Juniper Plaza Associates, and (g) 3,008 shares held in Windsor Industrial

Park Associates, over which Mr. Landy has shared voting and dispositive power. Includes 487,750 shares issuable upon the exercise of stock options. Additionally, the number of shares includes 17,300 shares of restricted stock of which none are currently vested.

(10)

Includes (a) 20,535 shares owned by Mr. Landy s wife; (b) 84,977 shares held in custodial accounts for Mr. Landy s minor children under the New Jersey Uniform Transfers to Minors Act with respect to which he disclaims any beneficial interest but he has sole dispositive and voting power; (c) 24,379 shares in the Samuel Landy Family Limited Partnership; and (d) 42,816 shares held in the UMH 401(k) Plan. As a co-trustee of the UMH 401(k), Mr. Landy has shared voting power over the shares held by the UMH 401(k). He, however, disclaims beneficial ownership of all of the shares held by the UMH 401(k), except for the 42,816 shares held by the UMH 401(k) for his benefit.

(11)

Includes (a) 13,707 shares owned by Mr. Landy s wife; and (b) 103,680 shares held in custodial accounts for Mr. Landy s minor children under the New Jersey Uniform Transfer to Minors Act in which he disclaims any beneficial interest but has power to vote, and (c) 6,067 shares held in 401(k) Plan. Includes 119,650 shares issuable upon the exercise of stock options. Additionally, the number of shares includes 7,600 shares of restricted stock of which none are currently vested.

(12)

Includes 2,152 shares held in Ms. Morgenstern s 401(k) Plan over which she has sole dispositive power. Includes 226,900 shares issuable upon the exercise of stock options. Additionally, the number of shares includes 7,600 shares of restricted stock of which none are currently vested.

(13)

Includes 1,133 shares held in custodial accounts for Ms. Nagelberg s minor children under the New Jersey Uniform Transfers to Minors Act with respect to which she disclaims any beneficial interest but she has sole dispositive and voting power. Additionally, the number of shares includes 5,500 shares of restricted stock of which none are currently vested.

(14)

Includes 5,000 shares issuable upon the exercise of a stock option.

(15)

Includes (a) 3,261 shares held in custodial accounts for Ms. Vecere s minor children under the New Jersey Uniform Transfers to Minors Act with respect to which she disclaims any beneficial interest but she has sole dispositive and voting power, and (b) 219 shares held in 401(k) Plan. Includes 128,100 shares issuable upon the exercise of stock options. Additionally, the number of shares includes 7,600 shares of restricted stock of which none are currently vested.

(16)

Includes (a) 1,538 shares owned by Mr. Wolgin s wife, and (b) 104 shares held in custodial accounts for Mr. Wolgin s minor children under the New Jersey Uniform Transfer to Minors Act in which he disclaims any beneficial interest but has power to vote.

(17)

Effective November 8, 2010, Cynthia J. Morgenstern's employment as Executive Vice President of Monmouth Real Estate Investment Corporation terminated. In accordance with her Employment Agreement, it is expected that she will be resigning from the Board of Directors.

ITEM 13 - CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE

The Company has a note receivable from Mr. Eugene W. Landy with a balance of $984,375 at September 30, 2010 and 2009 which is included in Loans to Officers, Directors and Key Employees included under Shareholders Equity. This note was signed on April 30, 2002 and is due on April 30, 2012. The interest rate is fixed at 5% and the note is collateralized by 150,000 shares of the Company stock. Interest earned by the Company on this note is $49,219 per year.

Daniel D. Cronheim is an inside Director of the Company and Executive Vice President of David Cronheim Company (Cronheim) and CMS. Daniel Cronheim received $20,500, $16,000 and $18,000 for Director s fees in 2010, 2009 and 2008, respectively. The David Cronheim Company received $22,773, $20,352 and $3,219 in lease commissions in 2010, 2009 and 2008, respectively. The David Cronheim Mortgage Corporation, an affiliated company, received $100,000, $-0- and $-0- in mortgage brokerage commissions in 2010, 2009 and 2008, respectively.

During fiscal 2010, 2009 and 2008, the Company was subject to management contracts with CMS for a fixed fee of $380,000. During 2010, the Company also agreed to reimburse CMS for fees paid to subagents. CMS provides sub-agents as regional managers for the Company s properties and during 2009 and 2008, had compensated the subagents out of the $380,000 management fee. The Company paid CMS management fees (net of allocation to the minority owner of the Somerset, New Jersey shopping center) of $421,647, $375,477 and $375,477 fiscal 2010, 2009 and 2008, respectively, for the management of the properties subject to the management contract. Management believes that the aforesaid fees are no more than what the Company would pay for comparable services elsewhere.

The Company operates in conjunction with UMH Properties, Inc. (UMH). Some general and administrative expenses are allocated between the Company and UMH based on use or services provided. Allocations of salaries and benefits are made based on the amount of the employees time dedicated to each.

There are five Directors of the Company who are also Directors and shareholders of UMH. The Company holds common stock of UMH in its securities portfolio. On October 10, 2008, the Company repurchased $1,000,000 principal amount at par of 2013 Debentures which were held by UMH as of September 30, 2008.

On July 22, 2008, the Company sold its 44,719 square foot industrial property in Ramsey, New Jersey to HSM Acquisitions Partners, Inc. and other related parties, for a selling price of $4,050,000. The decision to sell the property and the terms of the sale were recommended by the Company s Business Judgment Committee, whose members consist of independent directors. The Business Judgment Committee obtained an independent appraisal of the property to assist in determining the contract terms. The Company believes that the terms of the sale are comparable to what the Company could have agreed to with an unrelated party. A one-third interest in the purchasing group is held by the President of CMS, the Company s real estate advisor, who is also the father of one of the inside Directors of the Company. The majority of the purchasing group is unrelated to the Company. No real estate commission was paid on this transaction.

No director, executive officer, or any immediate family member of such director or executive officer may enter into any transaction or arrangement with the Company without the prior approval of the Board of Directors. The Board of Directors will appoint a Business Judgment Committee consisting of independent directors who are also independent of the transaction or arrangement. This Committee will recommend to the Board of Directors approval or disapproval of the transaction or arrangement. In determining whether to approve such a transaction or arrangement, the Business Judgment Committee will take into account, among other factors, whether the transaction was on terms no less favorable to the Company than terms generally available to third parties and the extent of the executive officer s or director s involvement in such transaction or arrangement. While the Company does not have specific written standards for approving such related party transactions, such transactions are only approved if it is in the best interest of the Company and its shareholders. Additionally, the Company s Code of Business Conduct and Ethics requires all directors, officers and employees who may have a potential or apparent conflict of interest to immediately notify the Company s General Counsel. Further, to identify related party transactions, the Company submits and requires our directors and executive officers to complete director and officer questionnaires identifying any transactions with the Company in which the director, executive officer or their immediate family members have an interest.

See identification of independent directors under Item 10 and committee members under Item 11.

## ITEM 14 - PRINCIPAL ACCOUNTING FEES AND SERVICES

PKF LLP served as the Company s independent registered public accountants for the years ended September 30, 2010, 2009 and 2008. The following are fees billed by and accrued to PKF LLP in connection with services rendered:

| | 2010 | 2009 |
|---|---|---|
| Audit Fees | $172,500 | $168,000 |
| Audit Related Fees | 43,045 | 3,450 |
| Tax Fees | 40,000 | 40,000 |
| All Other Fees | -0- | -0- |
| Total Fees | $255,545 | $211,450 |

Audit fees include professional services rendered for the audit of the Company s annual financial statements, management s assessment of internal controls, and reviews of financial statements included in the Company s quarterly reports on Form 10-Q.

Audit related fees include services that are normally provided by the Company s independent auditors in connection with statutory and regulatory filings, such as consents and assistance with and review of documents filed with the Securities and Exchange Commission.

Tax fees include professional services rendered for the preparation of the Company s federal and state corporate tax returns and supporting schedules as may be required by the Internal Revenue Service and applicable

state taxing authorities. Tax fees also include other work directly affecting or supporting the payment of taxes, including planning and research of various tax issues.

Audit Committee Pre-Approval Policy

The Audit Committee has adopted a policy for the pre-approval of audit and permitted non-audit services provided by the Company s principal independent accountants. The policy requires that all services provided by our independent registered public accountants to the Company, including audit services, audit-related services, tax services and other services, must be pre-approved by the Committee, and all have been so approved. The pre-approval requirements do not prohibit day-to-day normal tax consulting services, which matters will not exceed $10,000 in the aggregate.

The Audit Committee has determined that the provision of the non-audit services described above is compatible with maintaining PKF s independence.

PART IV

ITEM 15 - EXHIBITS, FINANCIAL STATEMENT SCHEDULES


| | PAGE(S) |
|---|---|
| (a) (1) | |
| The following Financial Statements are filed as part of this report: | |
| (i) Report of Independent Registered Public Accounting Firm | 73 |
| (ii) Consolidated Balance Sheets as of September 30, 2010 and 2009 | 74 - 74 |
| (iii) | |
| Consolidated Statements of Income for the years ended | 76 -77 |
| September 30, 2010, 2009 and 2008 | |
| (iv) | |
| Consolidated Statements of Shareholders Equity for the years ended | 78 - 79 |
| September 30, 2010, 2009 and 2008 | |
| (v) | |

Consolidated Statements of Cash Flows for the years ended 80

September 30, 2010, 2009 and 2008

(vi) 81 - 114

Notes to the Consolidated Financial Statements

(a) (2)

The following Financial Statement Schedule is filed as part

of this report:

(i) 115 - 123

Schedule III - Real Estate and Accumulated Depreciation

as of September 30, 2010

All other schedules are omitted for the reason that they are not required, are not applicable, or the required information is set forth in the Consolidated Financial Statements or Notes hereto.

ITEM 15 - EXHIBITS, FINANCIAL STATEMENT SCHEDULES (CONT_D)

(a) (3) Exhibits

(2) Plan of Acquisition, Reorganization, Arrangement, Liquidation, or Succession

2.1 Agreement and Plan of Merger dated March 24, 2003 by and between MREIC Maryland, Inc., a Maryland corporation ("Monmouth Maryland"), and Monmouth Real Estate Investment Corporation, a Delaware corporation ("Monmouth Delaware"), dated March 24, 2003 (incorporated by reference to the 2002 proxy filed by the Registrant with The Securities and Exchange Commission on April 7, 2003).(Registration No. 000-04258).

2.2 Agreement and Plan of Merger Among Monmouth Capital Corporation, Monmouth Real Estate Investment Corporation, and Route 9 Acquisition, Inc., dated as of March 26, 2007, (incorporated by reference to the 2007 proxy filed by the Registrant with The Securities and Exchange Commission on June 8, 2007) (Registration No. 001-33177).

(3) Articles of Incorporation and By-Laws

3.1 Articles of Incorporation of the Company, as amended (incorporated by reference to the S-3 filed by the Registrant with the Securities and Exchange Commission on September 1, 2009). (Registration No. 333-161668).

3.2 Bylaws of the Company, as amended (incorporated by reference to the S-3 filed by the Registrant with the Securities and Exchange Commission on September 1, 2009). (Registration No. 333-161668).

(10) Material Contracts

10.1 Employment Agreement with Mr. Eugene W. Landy dated December 9, 1994 (incorporated by reference to Form 10-K filed by the Registrant with the Securities and Exchange Commission on December 28, 1994).

10.2 Amended Employment Agreement with Mr. Eugene W. Landy dated June 26, 1997 (incorporated by reference to the 2009 10-K filed by the Registrant with the Securities and Exchange Committee on December 10, 2009) (Registration No. 001-33177).

10.3 Amendment to Employment agreement with Mr. Eugene W. Landy dated November 5, 2003 (incorporated by reference to the 2004 proxy filed by the Registrant with the Securities and Exchange Committee on April 1, 2004) (Registration No. 000-04248).

10.4 Third Amendment to Employment Contract of Eugene W. Landy, dated April 14, 2008. (incorporated by reference to the 8-K filed by the Registrant with the Securities and Exchange Commission on April 16, 2008) (Registration No. 001-33177).

10.5 Fourth Amendment to Employment Agreement Eugene W. Landy, dated July 13, 2010 (incorporated by reference to the 8-K filed by the Registrant with the Securities and Exchange Commission on July 13, 2010).(Registration No. 001-33177).

10.6 Employment Agreement with Cynthia J. Morgenstern dated May 18, 2010 (incorporated by reference to Form 8-K filed by the Registrant with the Securities and Exchange Commission on May 19, 2010). (Registration No. 001-33177).

10.7 Employment Agreement - Michael P. Landy, dated January 21, 2009. (incorporated by reference to the 8-K filed by the Registrant with the Securities and Exchange Commission on January 21, 2009). (Registration No. 001-33177).

10.8 Employment Agreement Maureen E. Vecere, dated January 21, 2009 (incorporated by reference to the 8-K filed by the Registrant with the Securities and Exchange Commission on January 21, 2009). (Registration No. 001-33177).

10.9 Amendment to Employment Agreement Maureen E. Vecere, dated June 7, 2010 (incorporated by reference to the 8-K filed by the Registrant with the Securities and Exchange Commission on June 7, 2010)(Registration No. 001-33177).

10.10 Management Agreement with Cronheim Management Services dated August 1, 2006 (incorporated by reference to Form 10-K filed with the Securities and Exchange Commission on December 14, 2006). (Registration No. 001-33177).

10.11 Second Supplemental Indenture, dated November 20, 2007 among Monmouth Capital Corporation, Monmouth Real Estate Investment Corporation, and Wilmington Trust Company, as trustee, to Indenture, dated as of October 23, 2003 between Monmouth Capital Corporation and the Wilmington Trust Company, as trustee. (incorporated by reference to the 2009 10-K filed by the Registrant with the Securities and Exchange Committee on December 10, 2009) (Registration No. 001-33177).

10.12 First Supplemental Indenture, dated July 31, 2007, among Monmouth Capital Corporation, Monmouth Real Estate Investment Corporation and Wilmington Trust Company, as trustee, to Indenture, dated as of October 23, 2003, between Monmouth Capital Corporation and Wilmington Trust Company, as trustee (incorporated by reference to Form 8-K filed by the Registrant with the Securities Exchange Commission on August 2, 2007). (Registration No. 001-33177).

10.13 Indenture, dated as of October 23, 2003, between Monmouth Capital Corporation and Wilmington Trust Company, as trustee (incorporated by reference to Form 8-K filed by the Registrant with the Securities Exchange Commission on August 2, 2007). (Registration No. 001-33177).

10.14 Second Supplemental Indenture, dated November 20, 2007 among Monmouth Capital Corporation, Monmouth Real Estate Investment Corporation, and Wilmington Trust Company, as trustee, to Indenture, dated March 30, 2005, between Monmouth Capital Corporation and the Wilmington Trust Company, as trustee. (incorporated by reference to the 2009 10-K filed by the Registrant with the Securities and Exchange Committee on December 10, 2009) (Registration No. 001-33177).

10.15 First Supplemental Indenture, dated July 31, 2007, among Monmouth Capital Corporation, Monmouth Real Estate Investment Corporation and Wilmington Trust Company, as trustee, to Indenture, dated as of March 30, 2005, between Monmouth Capital Corporation and Wilmington Trust Company, as trustee (incorporated by reference to Form 8-K filed by the Registrant with the Securities Exchange Commission on August 2, 2007). (Registration No. 001-33177).

10.16 Indenture, dated as of March 30, 2005, between Monmouth Capital Corporation and Wilmington Trust Company, as trustee (incorporated by reference to Form 8-K filed by the Registrant with the Securities Exchange Commission on August 2, 2007). (Registration No.

001-33177).

10.17 Dividend Reinvestment and Stock Purchase Plan of Monmouth Real Estate Investment Corporation (incorporated by reference to Form S-3D filed by the Registrant with the Securities and Exchange Commission on February 5, 2010). (Registration No. 333-164711).

10.18 Monmouth Real Estate Investment Corporation s 2007 Stock Option Plan, Amended and Restated. (incorporated herein by reference to the Registrant's proxy statement, filed on March 36, 2010). (Registration No.001-33177).

(14) Code of Business Conduct and Ethics (incorporated by reference to Form 10-K filed by the Registrant with the Securities and Exchange Commission on December 14, 2004). (Registration No. 000-04258).

(21) Subsidiaries of the Registrant

(a) Monmouth Capital Corporation, a New Jersey corporation

(b) MRC I LLC, a Wisconsin limited liability company

(c) MREIC Financial, Inc., a Maryland corporation

(d) Palmer Terrace Realty Associates, LLC, a New Jersey limited liability company

(e) Wheeling Partners, LLC, an Illinois limited liability company

(f) Jones EPI, LLC, a Delaware limited liability company

(g) MREIC South Carolina, LLC, a South Carolina limited liability company

(h) MREIC Illinois, LLC, an Illinois limited liability company

(i) MREIC Lebanon, Tennessee, LLC, a Tennessee limited liability company

(23) Consent of PKF LLP.

(31.1) Certification pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

(31.2) Certification pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

(32) Certification pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(99) Audit Committee Charter, as amended January 16, 2008 (incorporated by reference from the Company s 2008 10-K as filed with the Securities and Exchange Commission on December 11, 2008.) (Registration No. 01-33177).

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders

Monmouth Real Estate Investment Corporation

We have audited the accompanying consolidated balance sheets of Monmouth Real Estate Investment Corporation (the Company ) as of September 30, 2010 and 2009 and the related consolidated statements of income, shareholders equity, and cash flows for each of the three years in the period ended September 30, 2010. Our audit also included the financial statement schedule listed in the Index at Item 15(a)(2)(i). These financial statements and schedule are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits 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 the financial statements and schedule are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Monmouth Real Estate Investment Corporation at September 30, 2010 and 2009, and the consolidated results of its operations and its cash flows for each of the three years in the period ended September 30, 2010, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company s internal control over financial reporting as of September 30, 2010 based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated December 8, 2010, expressed an unqualified opinion thereon.

/s/ PKF LLP

New York, New York

December 8, 2010

* * *

**MONMOUTH REAL ESTATE INVESTMENT CORPORATION AND SUBSIDIARIES**

**CONSOLIDATED BALANCE SHEETS**

**AS OF SEPTEMBER 30,**

| **ASSETS** | **2010** | **2009** |
|---|---|---|
| Real Estate Investments: | | |
| Land | $ 76,650,817 | $ 70,530,817 |
| Buildings, Improvements and Equipment, net of Accumulated Depreciation of ––––$58,581,019 and $49,298,190, respectively | 312,937,618 | 275,349,764 |
| **Total Real Estate Investments** | 389,588,435 | 345,880,581 |
| Real Estate Held for Sale | 2,600,278 | 2,724,261 |
| Cash and Cash Equivalents | 6,814,553 | 6,080,888 |
| Securities Available for Sale at Fair Value | 42,517,725 | 27,824,665 |
| Tenant and Other Receivables | 647,261 | 586,917 |
| Deferred Rent Receivable | 1,574,933 | 1,202,420 |
| Loans Receivable, net | 268,817 | 391,692 |
| Prepaid Expenses | 613,994 | 590,265 |
| Financing Costs, net of Accumulated Amortization of $1,731,822 and $1,333,133, respectively | 2,443,616 | 2,317,679 |
| Lease Costs, net of Accumulated Amortization of $571,324 and $361,486, respectively | 1,020,402 | 858,368 |
| Intangible Assets, net of Accumulated Amortization of $4,697,265 and $3,561,925, respectively | 5,835,274 | 6,200,014 |

| | | |
|---|---|---|
| Other Assets | 193,509 | 336,687 |
| **TOTAL ASSETS** | $ 454,118,797 | $ 394,994,437 |

See Accompanying Notes to the Consolidated Financial Statements

**MONMOUTH REAL ESTATE INVESTMENT CORPORATION AND SUBSIDIARIES**

**CONSOLIDATED BALANCE SHEETS (CONT_D)**

**AS OF SEPTEMBER 30,**

| **LIABILITIES AND SHAREHOLDERS' EQUITY** | **2010** | **2009** |
|---|---|---|
| Liabilities: | | |
| Mortgage Notes Payable | $ 210,577,861 | $ 192,050,283 |
| Subordinated Convertible Debentures | 13,990,000 | 13,990,000 |
| Loans Payable | 9,273,913 | 19,063,750 |
| Accounts Payable and Accrued Expenses | 2,088,853 | 2,083,542 |
| Other Liabilities | 2,675,698 | 2,915,712 |
| **Total Liabilities** | 238,606,325 | 230,103,287 |
| Shareholders' Equity: | | |
| Series A 7.625% Cumulative Redeemable Preferred Stock, $33,062,500 liquidation value, 1,322,500 Shares Authorized, Issued and Outstanding as of September 30, 2010 and 2009, respectively | $ 33,062,500 | $ 33,062,500 |
| Common Stock - $.01 Par Value, 40,000,000 Shares Authorized; 33,956,138 and 25,788,779 Issued as of September 30, 2010 and 2009, respectively and 33,951,138 | | |

| | | |
|---|---|---|
| and 25,783,779 Shares Outstanding as of September 30, 2010 | 339,561 | 257,888 |
| and 2009, respectively | | |
| Excess Stock - $.01 Par Value, 5,000,000 Shares | | |
| Authorized; No Shares Issued or Outstanding | -0- | -0- |
| Treasury Stock at Cost - 5,000 Shares | (24,905) | (24,905) |
| Additional Paid-In Capital | 170,743,069 | 125,606,953 |
| Accumulated Other Comprehensive Income | 10,116,057 | 3,796,831 |
| Loans to Officers, Directors and Key Employees | (1,201,563) | (1,201,563) |
| Undistributed Income | -0- | -0- |
| **Total MREIC s Shareholders' Equity** | 213,034,719 | 161,497,704 |
| Noncontrolling Interests | 2,477,753 | 3,393,446 |
| **Total Shareholders Equity** | 215,512,472 | 164,891,150 |
| **TOTAL LIABILITIES & SHAREHOLDERS' EQUITY** | | |
| | $ 454,118,797 | $ 394,994,437 |

See Accompanying Notes to the Consolidated Financial Statements

**MONMOUTH REAL ESTATE INVESTMENT CORPORATION AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF INCOME**

**FOR THE YEARS ENDED SEPTEMBER 30,**

| | 2010 | 2009 | 2008 |
|---|---|---|---|
| **INCOME:** | | | |
| Rental Revenue | $37,323,455 | $34,085,333 | $32,201,597 |
| Reimbursement Revenue | 7,889,367 | 7,233,165 | 6,946,662 |
| **TOTAL INCOME** | 45,212,822 | 41,318,498 | 39,148,259 |
| | | | |
| **EXPENSES:** | | | |
| Real Estate Taxes | 7,098,291 | 6,586,939 | 6,083,951 |
| Operating Expenses | 1,941,663 | 1,847,420 | 1,771,891 |
| General & Administrative Expense | 3,735,687 | 2,782,193 | 2,753,044 |
| Acquisition Costs | 459,030 | -0- | -0- |
| Depreciation | 9,282,829 | 8,553,869 | 7,892,129 |
| Amortization | 1,639,244 | 1,568,056 | 1,993,597 |
| **TOTAL EXPENSES** | 24,156,744 | 21,338,477 | 20,494,612 |
| | | | |
| **OTHER INCOME (EXPENSE):** | | | |
| Interest and Dividend Income | 2,510,909 | 2,502,253 | 1,871,262 |
| Gain (Loss) on Securities Transactions, net | 2,609,149 | (6,601,460) | (3,660,283) |
| Interest Expense | (14,822,725) | (13,897,398) | (13,138,767) |
| **TOTAL OTHER INCOME** | | | |
| **(EXPENSE)** | (9,702,667) | (17,996,605) | (14,927,788) |
| | | | |
| **INCOME FROM CONTINUING** | | | |
| **OPERATIONS** | 11,353,411 | 1,983,416 | 3,725,859 |
| | | | |
| **DISCONTINUED OPERATIONS:** | | | |
| Income (Loss) from Operations of | | | |

| | | | |
|---|---|---|---|
| Disposed Property and Property Held for Sale | (138,159) | (176,532) | 646,164 |
| Gain on Sale of Investment Property | -0- | -0- | 6,790,616 |
| **INCOME (LOSS) FROM DISCONTINUED OPERATIONS** | (138,159) | (176,532) | 7,436,780 |
| **NET INCOME** | 11,215,252 | 1,806,884 | 11,162,639 |
| Less: Net Income Attributable to Noncontrolling Interests | 207,737 | 153,983 | 139,744 |
| **NET INCOME ATTRIBUTABLE TO MREIC S SHAREHOLDERS** | 11,007,515 | 1,652,901 | 11,022,895 |
| Preferred Dividend | 2,521,214 | 2,521,214 | 2,521,344 |
| **NET INCOME (LOSS) ATTRIBUTABLE TO MREIC S COMMON SHAREHOLDERS** | $8,486,301 | ($868,313) | $8,501,551 |

See Accompanying Notes to the Consolidated Financial Statements

**MONMOUTH REAL ESTATE INVESTMENT CORPORATION AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF INCOME**

**FOR THE YEARS ENDED SEPTEMBER 30,**

| | 2010 | 2009 | 2008 |
|---|---|---|---|
| **BASIC INCOME (LOSS) PER SHARE** | | | |
| Income from Continuing Operations | $.37 | $.07 | $.15 |
| Income from Discontinued Operations | -0- | -0- | .30 |
| Net Income | .37 | .07 | .45 |
| Less: Net Income Attributable to Noncontrolling Interests | (.01) | (-0-) | (-0-) |
| Net Income Attributable to MREIC s Shareholders | .36 | .07 | .45 |
| Less: Preferred Dividend | (.08) | (.10) | (.10) |
| Net Income (Loss) Attributable to MREIC s Common Shareholders | $.28 | ($.03) | $.35 |
| **DILUTED INCOME (LOSS) PER SHARE** | | | |
| Income from Continuing Operations | $.37 | $.07 | $.15 |
| Income from Discontinued Operations | -0- | -0- | .30 |
| Net Income | .37 | .07 | .45 |
| Less: Net Income Attributable to Noncontrolling Interests | (.01) | (-0-) | (-0-) |
| Net Income Attributable to MREIC s Shareholders | .36 | .07 | .45 |
| Less: Preferred Dividend | (.08) | (.10) | (.10) |
| Net Income (Loss) Attributable to MREIC s Common Shareholders | $.28 | ($.03) | $.35 |

| | | | |
|---|---|---|---|
| **WEIGHTED AVERAGE** | | | |
| **SHARES OUTSTANDING** | | | |
| Basic | 30,371,217 | 24,981,427 | 24,131,497 |
| Diluted | 30,382,396 | 24,988,386 | 24,172,194 |

See Accompanying Notes to the Consolidated Financial Statements

**MONMOUTH REAL ESTATE INVESTMENT CORPORATION AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF SHAREHOLDERS EQUITY**

**FOR THE YEARS ENDED SEPTEMBER 30, 2010, 2009, AND 2008**

| | Common Stock | Preferred Stock | Treasury Stock | Additional Paid in Capital | Loans to Officers Directors and Key Employees |
|---|---|---|---|---|---|
| Balance September 30, 2007 | $239,407 | $33,062,500 | $-0- | $135,547,916 | ($1,201,563) |
| Shares Issued in Connection with the DRIP | 6,124 | -0- | -0- | 4,226,318 | -0- |
| Shares Issued Through the Exercise of Stock Options | 140 | -0- | -0- | 99,680 | -0- |
| Distributions | -0- | -0- | -0- | (5,972,560) | -0- |
| Distributions to Noncontrolling Interest | -0- | -0- | -0- | -0- | -0- |
| Net Income Attributable to MREIC s Common Shareholders | -0- | -0- | -0- | -0- | -0- |
| Net Income Attributable to Noncontrolling Interest | -0- | -0- | -0- | -0- | -0- |
| Stock Based Compensation Expense | -0- | -0- | -0- | 42,453 | -0- |
| Unrealized Net Holding Loss on Securities Available for Sale, Net of Reclassification | | | | | |

| | | | | | |
|---|---|---|---|---|---|
| Adjustment | -0- | -0- | -0- | -0- | -0- |
| Balance September 30, 2008 | 245,671 | 33,062,500 | -0- | 133,943,807 | ($1,201,563) |
| Shares Issued in Connection with the DRIP | 12,217 | -0- | -0- | 7,438,287 | -0- |
| Purchase of Treasury Stock | -0- | -0- | (24,905) | -0- | -0- |
| Distributions | -0- | -0- | -0- | (15,852,492) | -0- |
| Distributions to Noncontrolling Interest | -0- | -0- | -0- | -0- | -0- |
| Net Income Attributable to MREIC s Common Shareholders | -0- | -0- | -0- | -0- | -0- |
| Net Income Attributable to Noncontrolling Interest | -0- | -0- | -0- | -0- | -0- |
| Stock Based Compensation Expense | -0- | -0- | -0- | 77,351 | -0- |
| Unrealized Net Holding Gain on Securities Available for Sale, Net of Reclassification Adjustment | -0- | -0- | -0- | -0- | -0- |
| Balance September 30, 2009 | 257,888 | 33,062,500 | (24,905) | 125,606,953 | ($1,201,563) |
| Shares Issued in Connection with the DRIP | 22,529 | -0- | -0- | 15,907,876 | -0- |
| Shares Issued in Connection with Registered Direct Placements, net of offering costs | 57,302 | -0- | -0- | 38,581,635 | -0- |
| Shares Issued Through the Exercise of Stock Options | 1,163 | -0- | -0- | 763,134 | -0- |
| Shares Issued Through Restricted Stock Awards | 679 | | | (679) | |
| Stock Based Compensation Expense | -0- | -0- | -0- | 33,860 | -0- |
| Purchase of Noncontrolling Interest | -0- | -0- | -0- | (169,786) | -0- |
| Distributions | -0- | -0- | -0- | (9,979,924) | -0- |

| | | | | | |
|---|---|---|---|---|---|
| Distributions to Noncontrolling Interest | -0- | -0- | -0- | -0- | -0- |
| Net Income Attributable to MREIC s Common Shareholders | -0- | -0- | -0- | -0- | -0- |
| Net Income Attributable to Noncontrolling Interest | -0- | -0- | -0- | -0- | -0- |
| Unrealized Net Holding Gain on Securities Available for Sale, Net of Reclassification Adjustment | -0- | -0- | -0- | -0- | -0- |
| Balance September 30, 2010 | $339,561 | $33,062,500 | ($24,905) | $170,743,069 | ($1,201,563) |

See Accompanying Notes to the Consolidated Financial Statements

**MONMOUTH REAL ESTATE INVESTMENT CORPORATION AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF SHAREHOLDERS EQUITY**

**FOR THE YEARS ENDED SEPTEMBER 30, 2010, 2009 AND 2008, CONT D.**

| | Undistributed Income (Loss) | Accumulated Other Compre-hensive Income (Loss) | Noncontrolling Interest | Total Shareholders Equity | Comprehensive Income |
|---|---|---|---|---|---|
| Balance September 30, 2007 | $-0- | ($433,958) | $3,486,060 | $170,700,362 | |
| Shares Issued in Connection with the DRIP | -0- | -0- | -0- | 4,232,442 | |
| Shares Issued Through the Exercise of Stock Options | -0- | -0- | -0- | 99,820 | |
| Distributions | (8,501,551) | -0- | -0- | (14,474,111) | |
| Distributions to Noncontrolling Interest | -0- | -0- | (6,648) | (6,648) | |
| Net Income Attributable to MREIC s Common Shareholders | 8,501,551 | -0- | -0- | 8,501,551 | $8,501,551 |

| | | | | | |
|---|---|---|---|---|---|
| Net Income Attributable to Noncontrolling Interest | -0- | -0- | 139,744 | 139,744 | 139,744 |
| Stock Based Compensation Expense | -0- | -0- | -0- | 42,453 | |
| Unrealized Net Holding Loss on Securities Available for Sale, Net of Reclassification Adjustment | -0- | (5,705,493) | -0- | (5,705,493) | (5,705,493) |
| Balance September 30, 2008 | -0- | (6,139,451) | 3,619,156 | 163,530,120 | $2,935,802 |
| Shares Issued in Connection with the DRIP | -0- | -0- | -0- | 7,450,504 | |
| Purchase of Treasury Stock | -0- | -0- | -0- | (24,905) | |
| Distributions | 868,313 | -0- | -0- | (14,984,179) | |
| Distributions to Noncontrolling Interest | -0- | -0- | (379,693) | (379,693) | |
| Net Loss Attributable to MREIC s Common Shareholders | (868,313) | -0- | -0- | (868,313) | ($868,313) |
| Net Income Attributable to Noncontrolling Interest | -0- | -0- | 153,983 | 153,983 | 153,983 |
| Stock Based Compensation Expense | -0- | -0- | -0- | 77,351 | |
| Unrealized Net Holding Gain on Securities Available for | | | | | |

| | | | | | |
|---|---|---|---|---|---|
| Sale, Net of Reclassification | -0- | 9,936,282 | -0- | 9,936,282 | 9,936,282 |
| Adjustment Balance September 30, 2009 | $-0- | $3,796,831 | $3,393,446 | $164,891,150 | $9,221,952 |
| Shares Issued in Connection with the DRIP | -0- | -0- | -0- | 15,930,405 | |
| Shares Issued in Connection with Registered Direct Placements, net of offering costs | -0- | -0- | -0- | 38,638,938 | |
| Shares Issued Through the Exercise of Stock Options | -0- | -0- | -0- | 764,296 | |
| Shares Issued Through Restricted Stock Awards | -0- | -0- | -0- | -0- | |
| Stock Based Compensation Expense | -0- | -0- | -0- | 33,860 | |
| Purchase of Noncontrolling Interest | | | (779,016) | (948,802) | |
| Distributions | (8,486,301) | -0- | -0- | (18,466,225) | |
| Distributions to Noncontrolling Interest | | | (344,414) | (344,414) | |
| Net Income Attributable to MREIC s Common Shareholders | 8,486,301 | -0- | -0- | 8,486,301 | $8,486,301 |
| Net Income Attributable to Noncontrolling Interest | -0- | -0- | 207,737 | 207,737 | 207,737 |
| Unrealized Net Holding Gain | | | | | |

| | | | | | |
|---|---|---|---|---|---|
| on Securities Available for | | | | | |
| Sale, Net of Reclassification | -0- | 6,319,226 | -0- | 6,319,226 | 6,319,226 |
| Adjustment | | | | | |
| Balance September 30, 2010 | $-0- | $10,116,057 | $2,477,753 | $215,512,472 | $15,013,264 |

See Accompanying Notes to the Consolidated Financial Statements

**MONMOUTH REAL ESTATE INVESTMENT CORPORATION AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

**FOR THE YEARS ENDED SEPTEMBER 30,**

| | 2010 | 2009 | 2008 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Net Income | $11,215,252 | $1,806,884 | $11,162,639 |
| Noncash Items Included in Net Income: | | | |
| Depreciation & Amortization | 11,275,679 | 10,530,768 | 10,087,318 |
| Stock Based Compensation Expense | 33,860 | 77,351 | 42,453 |
| Loss (Gain) on Securities Transactions, net | (2,609,149) | 6,601,460 | 3,660,283 |
| Gain on Sale of Investment Property | | -0- | (6,790,616) |
| Changes in: | | | |
| Tenant, Deferred Rent & Other Receivables | (432,857) | 643,948 | (145,943) |
| Prepaid Expenses & Other Assets | (252,423) | (789,653) | (270,352) |
| Accounts Payable, Accrued Expenses & Other Liabilities | (234,703) | 720,697 | (306,947) |
| NET CASH PROVIDED FROM OPERATING ACTIVITIES | 18,995,659 | 19,591,455 | 17,438,835 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Purchase of Real Estate & Intangible Assets | (48,225,328) | (4,088,300) | (18,838,680) |
| Capital Improvements & Purchases of Equipment | (885,829) | (4,149,178) | (15,271,228) |
| Purchase of Noncontrolling Interest | (948,802) | -0- | -0- |
| Decrease (Increase) in Construction in Progress | -0- | -0- | 650,233 |
| Proceeds from Sale of Real Estate | -0- | -0- | 10,486,277 |
| Purchase of Securities Available for Sale | (19,001,455) | (5,890,534) | (17,897,269) |
| Proceeds from Sale of Securities Available for Sale | 13,236,770 | 2,406,354 | 962,822 |
| Collections on Loans Receivable | 122,875 | 65,744 | 76,843 |
| NET CASH USED IN INVESTING ACTIVITIES | (55,701,769) | (11,655,914) | (39,831,002) |
| **CASH FLOW FROM FINANCING ACTIVITIES** | | | |

| | | | |
|---|---|---|---|
| Proceeds from Mortgages | 27,100,000 | 11,125,073 | 29,400,000 |
| Principal Payments on Mortgages | (13,336,548) | (11,022,422) | (11,804,406) |
| Net Proceeds from (Payments on) Loans | (9,789,837) | 4,512,803 | 12,050,947 |
| Repurchase of Subordinated Convertible Debentures | -0- | (1,000,000) | -0- |
| Financing Costs on Debt | (535,626) | (358,882) | (631,608) |
| Net Distributions to Noncontrolling Interests | (344,414) | (379,693) | (6,648) |
| Proceeds from Registered Direct Placement of Common Stock, net of offering costs | 38,661,466 | -0- | -0- |
| Proceeds from Issuance of Common Stock in the DRIP, net of reinvestments | 11,261,278 | 3,122,476 | 1,345,449 |
| Proceeds from Exercise of Options | 764,297 | -0- | 99,820 |
| Repurchase of Common Stock, held in treasury | -0- | (24,905) | -0- |
| Preferred Dividends Paid | (2,521,214) | (2,521,214) | (2,521,344) |
| Dividends Paid, Net of Reinvestments | (13,819,627) | (10,656,151) | (11,587,118) |
| NET CASH (USED IN) PROVIDED FROM FINANCING ACTIVITIES | 37,439,775 | (7,202,915) | 16,345,092 |
| Net Increase (Decrease) in Cash and Cash Equivalents | 733,665 | 732,626 | (6,047,075) |
| Cash and Cash Equivalents at Beginning of Year | 6,080,888 | 5,348,262 | 11,395,337 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | $6,814,553 | $6,080,888 | $5,348,262 |

See Accompanying Notes to the Consolidated Financial Statements

MONMOUTH REAL ESTATE INVESTMENT CORPORATION AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2010

## NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Description of the Business

Monmouth Real Estate Investment Corporation (a Maryland corporation) and its subsidiaries (the Company) operate as a real estate investment trust (REIT), deriving its income primarily from real estate rental operations. As of September 30, 2010 and 2009, rental properties consisted of sixty-three and fifty-nine holdings, respectively. These properties are located in twenty-five states: Alabama, Arizona, Colorado, Connecticut, Florida, Georgia, Illinois, Iowa, Kansas, Maryland, Michigan, Minnesota, Missouri, Mississippi, North Carolina, Nebraska, New Jersey, New York, Ohio, Pennsylvania, South Carolina, Tennessee, Texas, Virginia, and Wisconsin. The Company also owns a portfolio of investment securities.

### Use of Estimates

In preparing the financial statements, management is required to make certain estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from these estimates.

### Principles of Consolidation and Noncontrolling Interest

The consolidated financial statements include the Company and its wholly-owned subsidiaries. In 2005, the Company formed MREIC Financial, Inc., a taxable REIT subsidiary which has had no activity since inception. In 2007, the Company merged with Monmouth Capital, with Monmouth Capital surviving as a wholly-owned subsidiary. At

September 30, 2010, Monmouth Capital owns the majority interest in the following limited liability companies:

| Entity | Organized | Interest |
|---|---|---|
| Palmer Terrace Realty Associates, LLC | New Jersey | 51% |
| Wheeling, Partners, LLC | Illinois | 63.336% |

During fiscal 2010, Monmouth Capital purchased the remaining 35% noncontrolling interest in Jones EPI, LLC, which owns the property in El Paso, Texas. The excess of the purchase price over the carrying value of the noncontrolling interest amounted to $169,786 and has been reflected as a change in additional paid in capital in the accompanying Statement of Shareholders Equity.

The Company consolidates the results of operations of the above limited liability companies with noncontrolling interests. Noncontrolling interest represents the equity of the noncontrolling members in the above entities. All intercompany transactions and balances have been eliminated in consolidation.

Buildings, Improvements and Equipment

Buildings, improvements and equipment are stated at the lower of depreciated cost or net realizable value. Depreciation is computed based on the straight-line method over the estimated useful lives of the assets, utilizing a half-year convention in the year of purchase. These lives range from 5 to 40 years.

If there is an event or change in circumstances that indicates that the basis of an investment property may not be recoverable, management assesses the possible impairment of value through evaluation of the estimated future cash flows of the property, on an undiscounted basis, as compared to the property s current carrying value. A

property s carrying value would be adjusted to fair value, if necessary, to reflect impairment in the value of the property.

Gains on Sale of Real Estate

Gains on the sale of real estate investments are recognized by the full accrual method when the criteria for the method are met. Generally, the criteria are met when the profit on a given sale is determinable, and the seller is not obliged to perform significant activities after the sale to earn the profit.

Acquisitions

The Company records direct costs and deposits associated with potential acquisitions to Other Assets. Upon closing of the acquisition, the costs are reclassified to real estate investments. The costs are expensed if the acquisition is not consummated.

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 in-place leases and above and below market 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 in-place lease values based on management's evaluation of the specific characteristics of each tenant's lease and the Company's overall relationship with the respective tenant. Acquired above and below market leases are valued based on the present value of the difference between prevailing market rates and the in-place rates over the remaining lease term. 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, above and below market leases and the in-place lease value is immediately charged to expense.

Securities Available for Sale

The Company classifies its securities among three categories: Held-to-maturity, trading and available-for-sale. The Company s securities at September 30, 2010 and 2009 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.

A decline in the market value of any security below cost that is deemed to be other than temporary, results in a reduction in the carrying amount to fair value. Any impairment would be charged to earnings and a new cost basis for the security established.

Derivative Financial Instruments

The Company invested in futures contracts of ten-year treasury notes to reduce exposure of the debt securities portfolio to market rate fluctuations and to reduce the risk of refinancing fixed rate debt at higher interest rates. These futures contracts did not qualify for hedge accounting under ASC 815-10, Derivatives and Hedging. The contracts were marked-to-market and the unrealized gain or loss was recorded in the consolidated statement of income in Gain on Securities Transactions, net with corresponding amounts recorded in Other Assets or Other Liabilities on the consolidated balance sheet. Gain or loss on settled futures contracts were also recorded as a component of Gain on Securities Transactions, net. The Company closed out its futures contracts in May 2008.

Cash Equivalents

Cash and cash equivalents include all cash and investments with an original maturity of three months or less. The Company maintains its cash in bank accounts in amounts that may exceed federally insured limits. The Company has not experienced any losses in these accounts in the past. The fair value of cash and cash equivalents approximates their current carrying amounts since all such items are short-term in nature.

Intangible Assets, Lease Costs and Financing Costs

Intangible assets, consisting primarily of the value of in-place leases, are amortized to expense over the remaining terms of the respective leases. Upon termination of a lease, the unamortized portion is immediately charged to expense. Amortization expense related to these intangible assets was $1,215,797, $1,443,636 and $1,659,118 for the years ended September 30, 2010, 2009 and 2008, respectively. The Company estimates that aggregate amortization expense for existing assets will be approximately $1,143,000, $1,140,000, $1,082,000, $787,000 and $670,000 for each of the years 2011, 2012, 2013, 2014 and 2015, respectively. The weighted-average amortization period upon acquisition for intangible assets recorded during 2010, 2009 and 2008 was 9 years, 12 years and -0- years, respectively.

Costs incurred in connection with the execution of leases are deferred and are amortized over the term of the respective leases. Unamortized lease costs are charged to expense upon cancellation of leases prior to the expiration of lease terms. Costs incurred in connection with obtaining mortgages and other financings and refinancing are deferred and are amortized over the term of the related obligations. Unamortized costs are charged to expense upon prepayment of the obligation. Amortization expense related to these deferred assets was $619,527, $480,839 and $425,399 for the years ended September 30, 2010, 2009 and 2008, respectively. The Company estimates that aggregate amortization expense for existing assets will be approximately $648,000, $606,000, $528,000, $452,000 and $381,000 for the fiscal years 2011, 2012, 2013, 2014 and 2015, respectively.

Revenue Recognition

Rental income from tenants with leases having scheduled rental increases 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.

The Company provides an allowance for doubtful accounts against the portion of tenant and other receivables, loans receivable and deferred rent receivable which are estimated to be uncollectible. For accounts receivable the Company deems uncollectible, the Company uses the direct write-off method.

Discontinued Operations

The Company has adopted ASC 360-10, Property Plant & Equipment (ASC 360-10). ASC 360-10 addresses financial accounting and reporting for the disposal of long-lived assets that are considered a component. A component is comprised of operations and cash flows that can clearly be distinguished, operationally and for financial reporting purposes, from the rest of the Company. ASC 360-10 requires that the results of operations and gains or losses on the sale of a component of an entity be presented in discontinued operations if both of the following criteria are met: (a) the operations and cash flows of the property have been (or will be) eliminated from the ongoing operations of the Company as a result of the disposal transaction and (b) the Company will not have any significant continuing involvement in the operations of the property after the disposal transaction. ASC 360-10 also requires prior period results of operations for these properties to be restated and presented in discontinued operations in prior consolidated statements of income.

Net Income (Loss) Per Share

Basic net income (loss) per share is calculated by dividing net income (loss) by the weighted-average number of common shares outstanding during the period. Diluted net income (loss) per share is calculated by dividing net income (loss) plus interest expense related to the Convertible Subordinated Debentures (the Debentures) by the weighted-average number of common shares outstanding plus the weighted-average number of net shares that would be issued upon exercise of stock options pursuant to the treasury stock method, plus the number of shares resulting from the possible conversion of the Debentures during the period. Interest expense of $1,119,200, $1,119,200 and $1,199,200 for 2010, 2009 and 2008, respectively and common shares totaling 1,304,148, 1,304,148 and 1,413,319 for 2010, 2009 and 2008, related to potential conversion of the Debentures are excluded from the calculation for 2010, 2009 and 2008, due to their antidilutive effect. Options to purchase common shares of 11,179, 6,959 and 32,241 are included in the diluted weighted average shares outstanding for 2010, 2009 and 2008, respectively. As of September 30, 2010, 2009 and 2008, options to purchase 82,828, 317,741 and 914,420 shares, respectively, were antidilutive.

Stock Compensation Plan

The Company accounts for awards of stock options and restricted stock in accordance with ASC 718-10, Compensation-Stock Compensation. ASC 718-10 requires that compensation cost for all stock awards be calculated and amortized over the service period (generally equal to the vesting period). The compensation cost for stock option grants is determined using option pricing models, intended to estimate the fair value of the awards at the grant date less estimated forfeitures. The compensation expense for restricted stock is recognized based on the fair value of the restricted stock awards less estimated forfeitures. The fair value of restricted stock awards is equal to the fair value of the Company s stock on the grant date. Compensation costs of $33,860, $77,351 and $42,453 have been recognized in 2010, 2009 and 2008, respectively. Included in Note No. 10 to these consolidated financial statements are the assumptions and methodology.

Income Tax

The Company has elected to be taxed as a REIT under Sections 856-860 of the Internal Revenue Code. The Company will not be taxed on the portion of its income which is distributed to shareholders, provided it distributes at least 90% of its taxable income, has at least 75% of its assets in real estate investments and meets certain other requirements for

qualification as a REIT. The Company is subject to franchise taxes in some of the states in which the Company owns property.

Comprehensive Income

Comprehensive income is comprised of net income (loss) (net of preferred stock dividends) and other comprehensive income (loss). Other comprehensive income (loss) consists of unrealized gains or losses on securities available for sale.

Reclassifications

Certain amounts in the consolidated financial statements for the prior years have been reclassified to conform to the financial statement presentation for the current year.

New Accounting Pronouncements

Accounting Standards Codification (ASC) 805-10, Business Combinations and ASC 810-10, Consolidation, require most identifiable assets, liabilities, noncontrolling interests and goodwill acquired in a business combination to be recorded at full fair value and require noncontrolling interests (previously referred to as minority interests) to be reported as a component of equity, which changes the accounting for transactions with noncontrolling interest holders. The provisions of ASC 805-10 and ASC 810-10 are effective for this fiscal year beginning October 1, 2009. ASC 805-10 is being applied to business combinations occurring after October 1, 2009 and ASC 810-10 will be applied prospectively to all changes in noncontrolling interests, including any that existed at the effective date. The adoption of ASC 805-10 on October 1, 2009 for future business combinations resulted in the recognition of $459,030 in professional fees and other acquisition expenses in our results of operations for the year ended September 30, 2010. These expenses would have been capitalized previously, pursuant to previous accounting standards. The Company adopted ASC 810-10 on October 1, 2009 and changed the presentation of minority interest on the financial statements. The noncontrolling interest is now reported separately within the shareholders equity section of the consolidated balance sheets.

In May 2009, the Financial Accounting Standards Board (FASB) issued guidance on the accounting for and disclosure of events that occur after the balance sheet date. This guidance was effective for interim and annual financial periods ending after June 15, 2009. In February 2010, the FASB issued Accounting Standards Update (ASU) 2010-09, Subsequent Events: Amendments to Certain Recognition and Disclosure Requirements. This ASU retracts the requirement to disclose the date through which subsequent events have been evaluated and whether that date is the date the financial statements were issued or were available to be issued. ASU 2010-09 requires an entity that is a SEC filer to evaluate subsequent events through the date that the financial statements are issued. ASU 2010-09 is effective for interim and annual financial periods ending after February 24, 2010. The adoption of this guidance did not have an impact on our consolidated financial statements.

In December 2009, the FASB issued ASU No. 2009-17, Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities (ASU 2009-17). ASU 2009-17 changes how a reporting entity determines when an entity that is insufficiently capitalized or is not controlled through voting (or similar rights) should be consolidated. The determination of whether a reporting entity is required to consolidate another entity is based on, among other things, the other entity s purpose and design and the reporting entity s ability to direct the activities of the other entity that most significantly impact the other entity s economic performance. The new standard will require a number of new disclosures, including additional disclosures about the reporting entity s involvement with variable interest entities and any significant changes in risk exposure due to that involvement. A reporting entity will be required to disclose how its involvement with a variable interest entity affects the reporting entity s financial statements. ASU 2009-17 will be effective at the start of a reporting entity s first fiscal year beginning after November 15, 2009. Based on the Company s evaluation of ASU 2009-17, the adoption of this statement on October

1, 2010 will not have a material impact on the Company s consolidated financial statements.

In January 2010, the FASB issued ASU 2010-01, Equity (Topic 505) Accounting for Distributions to Shareholders with Components of Stock and Cash. ASU 2010-01 clarifies that the stock portion of a distribution to shareholders that allows them to elect to receive cash or shares with a potential limitation on the amount of cash that all shareholders can elect to receive is considered a share issuance. ASU 2010-01 is effective for interim and annual periods ending on or after December 15, 2009 and should be applied on a retrospective basis. The adoption of ASU 2010-01 did not have any impact on our financial position, results of operations or cash flows. All of the Company s distributions have been made in cash.

In January 2010, the FASB issued ASU 2010-06, Fair Value Measurements and Disclosures (Topic 820) Improving Disclosures about Fair Value Measurements. This ASU requires new disclosures and clarifies certain existing disclosure requirements about fair value measurements. ASU 2010-06 requires a reporting entity to disclose significant transfers in and out of Level 1 and Level 2 fair value measurements, to describe the reasons for the transfers and to present separately information about purchases, sales, issuances and settlements for fair value measurements using significant unobservable inputs. ASU 2010-06 is effective for interim and annual reporting periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances and settlements in the roll forward of activity in Level 3 fair value measurements, which is effective for interim and annual reporting periods beginning after December 15, 2010; early adoption is permitted. We do not expect that the full adoption of ASU 2010-06 will have a material impact on our financial position, results of operations or cash flows.

In July 2010, the FASB issued ASU 2010-20, Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses, which amends ASC Topic 310, Receivables, which will require significant new disclosures about the allowance for credit losses and the credit quality of an entity s financing receivables. The requirements are intended to enhance transparency regarding credit losses and the credit quality of financing receivables by disclosing an evaluation of (i) the nature of credit risk inherent in the entity s portfolio of financing receivables, (ii) how that risk is analyzed and assessed in arriving at the allowance for credit losses and (iii) the changes and reasons for those changes in the allowance for credit losses. The new and amended disclosures as of the end of a reporting period are effective for interim and annual reporting periods ending on or after December 15, 2010. The new and amended disclosures about activity that occurs during a reporting period are effective for interim and annual reporting periods beginning on or after December 15, 2010. The adoption of ASU 2010-20 will impact disclosures and is not expected to have any impact on our results of operations or financial condition.

NOTE 2 REAL ESTATE INVESTMENTS

The following is a summary of the cost and accumulated depreciation of the Company's land, buildings, improvements and equipment at September 30, 2010 and 2009:

| September 30, 2010 | Property Type | Land | Buildings Improvements & Equipment | Accumulated Depreciation |
|---|---|---|---|---|
| **ALABAMA:** | | | | |
| Huntsville | Industrial | $742,500 | $ 2,724,418 | $364,713 |
| **ARIZONA:** | | | | |
| Tolleson | Industrial | 1,320,000 | 13,329,000 | 2,563,159 |
| **COLORADO:** | | | | |
| Colorado Springs | Industrial | 1,270,000 | 5,918,640 | 573,095 |
| Denver | Industrial | 1,150,000 | 5,198,816 | 632,501 |
| **CONNECTICUT:** | | | | |
| Newington | Industrial | 410,000 | 2,978,029 | 725,597 |
| **FLORIDA:** | | | | |
| Cocoa | Industrial | 1,881,316 | 8,628,280 | 552,976 |
| Ft. Myers | Industrial | 1,910,000 | 2,541,044 | 502,067 |
| Jacksonville | Industrial | 1,165,000 | 4,930,806 | 1,425,055 |
| Lakeland | Industrial | 261,000 | 1,621,163 | 145,484 |
| Orlando | Industrial | 2,200,000 | 6,270,908 | 403,228 |
| Punta Gorda | Industrial | 660,000 | 3,441,992 | 297,821 |
| Tampa (FDX Ground) | Industrial | 5,000,000 | 12,660,003 | 2,110,366 |
| Tampa (FDX) | Industrial | 2,830,000 | 4,704,302 | 522,678 |
| Tampa (Kelloggs) | Industrial | 1,867,000 | 3,728,904 | 341,802 |
| **GEORGIA:** | | | | |
| Augusta (FDX Ground) | Industrial | 613,000 | 4,711,968 | 527,935 |
| Augusta (FDX) | Industrial | 380,000 | 1,400,943 | 125,720 |
| Griffin | Industrial | 760,000 | 14,108,857 | 1,595,960 |
| **ILLINOIS:** | | | | |
| Burr Ridge | Industrial | 270,000 | 1,292,087 | 425,026 |
| Elgin | Industrial | 1,280,000 | 5,529,488 | 1,205,096 |

| | | | | |
|---|---|---|---|---|
| Granite City | Industrial | 340,000 | 12,046,675 | 2,626,426 |
| Montgomery | Industrial | 2,000,000 | 9,242,162 | 848,755 |
| Schaumburg | Industrial | 1,039,800 | 3,866,158 | 1,392,225 |
| Wheeling (1) | Industrial | 5,112,120 | 13,401,113 | 1,367,754 |
| **IOWA:** | | | | |
| Urbandale | Industrial | 310,000 | 1,854,515 | 780,329 |
| **KANSAS:** | | | | |
| Edwardsville | Industrial | 1,185,000 | 5,835,401 | 1,126,922 |
| Topeka | Industrial | -0- | 3,679,843 | 141,545 |
| **MARYLAND:** | | | | |
| Beltsville | Industrial | 3,200,000 | 11,175,829 | 1,778,745 |
| **MICHIGAN:** | | | | |
| Orion | Industrial | 3,630,000 | 13,053,289 | 1,136,349 |
| Romulus | Industrial | 531,000 | 3,686,432 | 1,177,751 |
| **MINNESOTA:** | | | | |
| White Bear Lake | Industrial | 1,393,000 | 3,764,126 | 342,819 |

**September 30, 2010**
**(cont d)**

| | Property Type | Land | Buildings Improvements & Equipment | Accumulated Depreciation |
|---|---|---|---|---|
| **MISSOURI:** | | | | |
| Kansas City | Industrial | $660,000 | $4,068,374 | $364,734 |
| Liberty | Industrial | 723,000 | 6,519,412 | 2,095,450 |
| O' Fallon | Industrial | 264,000 | 3,603,188 | 1,403,782 |
| St. Joseph | Industrial | 800,000 | 11,753,964 | 2,862,998 |
| **MISSISSIPPI:** | | | | |
| Ridgeland | Industrial | 218,000 | 1,629,106 | 761,061 |
| Richland | Industrial | 211,000 | 1,267,000 | 517,642 |
| **NORTH CAROLINA:** | | | | |
| Fayetteville | Industrial | 172,000 | 4,687,862 | 1,593,042 |
| Greensboro | Industrial | 327,100 | 1,870,900 | 1,013,163 |
| Monroe | Industrial | 500,000 | 4,983,272 | 1,085,615 |
| Winston-Salem | Industrial | 980,000 | 5,675,193 | 1,244,876 |
| **NEBRASKA:** | | | | |
| Omaha | Industrial | 1,170,000 | 4,514,245 | 1,340,278 |
| **NEW JERSEY:** | | | | |
| Carlstadt (1) | Industrial | 1,194,000 | 3,645,501 | 303,771 |
| Somerset (2) | Shopping Center | 55,182 | 1,302,315 | 1,203,294 |
| **NEW YORK:** | | | | |
| Cheektowaga | Industrial | 4,768,000 | 6,139,362 | 505,285 |
| Orangeburg | Industrial | 694,720 | 3,004,321 | 1,706,856 |
| **OHIO:** | | | | |
| Bedford Heights | Industrial | 990,000 | 4,952,526 | 446,117 |
| Richfield | Industrial | 1,000,000 | 7,200,383 | 830,666 |
| West Chester Township | Industrial | 695,000 | 4,366,253 | 1,072,189 |
| **PENNSYLVANIA:** | | | | |
| Monaca | Industrial | 330,772 | 2,959,800 | 1,997,547 |

| | | | | |
|---|---|---|---|---|
| **SOUTH CAROLINA:** | | | | |
| Hanahan (FDX) | Industrial | 930,000 | 6,676,670 | 688,223 |
| Hanahan (Norton) | Industrial | 1,129,000 | 11,843,474 | 1,669,476 |
| Ft. Mill | Industrial | 1,670,000 | 10,045,000 | 128,782 |
| **TENNESSEE:** | | | | |
| Chattanooga | Industrial | 300,000 | 4,467,271 | 400,815 |
| Memphis | Industrial | 1,220,000 | 13,380,000 | 171,540 |
| Shelby County | Vacant Land | 11,065 | -0- | |
| **TEXAS:** | | | | |
| Carrollton (Dallas) | Industrial | 1,500,000 | 16,240,000 | 208,205 |
| El Paso | Industrial | 2,088,242 | 4,514,427 | 405,125 |
| Houston | Industrial | 1,730,000 | 6,322,335 | 81,128 |

**September 30, 2010 (cont d)**

| | Property Type | Land | Buildings Improvements & Equipment | Accumulated Depreciation |
|---|---|---|---|---|
| **VIRGINIA:** | | | | |
| Charlottesville | Industrial | $1,170,000 | $2,852,700 | $839,916 |
| Richmond (FDX) | Industrial | 1,160,000 | 6,527,170 | 1,578,563 |
| Richmond (Carrier) | Industrial | 446,000 | 3,924,915 | 348,979 |
| Roanoke | Industrial | 1,853,000 | 4,869,463 | 427,301 |
| **WISCONSIN:** | | | | |
| Cudahy | Industrial | 980,000 | 8,387,044 | 1,524,701 |
| Total as of September 30, 2010 | | $76,650,817 | $371,518,637 | $58,581,019 |

(1)

The Company owns a majority interest in the entities which own these properties.

(2)

This represents the Company's 2/3 undivided interest in the property.

**September 30, 2009**

| | Property Type | Land | Buildings Improvements & Equipment | Accumulated Depreciation |
|---|---|---|---|---|
| **ALABAMA:** | | | | |
| Huntsville | Industrial | $742,500 | $ 2,724,418 | $294,285 |
| **ARIZONA:** | | | | |
| Tolleson | Industrial | 1,320,000 | 13,329,000 | 2,221,404 |
| **COLORADO:** | | | | |
| Colorado Springs | Industrial | 1,270,000 | 5,918,640 | 421,355 |
| Denver | Industrial | 1,150,000 | 5,198,816 | 499,217 |

| | | | | |
|---|---|---|---|---|
| **CONNECTICUT:** | | | | |
| Newington | Industrial | 410,000 | 2,966,486 | 647,520 |
| **FLORIDA:** | | | | |
| Cocoa | Industrial | 1,881,316 | 8,623,564 | 331,668 |
| Ft. Myers | Industrial | 1,910,000 | 2,541,044 | 433,367 |
| Jacksonville | Industrial | 1,165,000 | 4,907,830 | 1,283,695 |
| Lakeland | Industrial | 261,000 | 1,621,163 | 103,919 |
| Orlando | Industrial | 2,200,000 | 6,146,662 | 236,226 |
| Punta Gorda | Industrial | 660,000 | 3,441,992 | 209,357 |
| Tampa (FDX Ground) | Industrial | 5,000,000 | 12,660,003 | 1,785,754 |
| Tampa (FDX) | Industrial | 2,830,000 | 4,704,531 | 401,292 |
| Tampa (Kelloggs) | Industrial | 1,867,000 | 3,684,794 | 243,565 |
| **GEORGIA:** | | | | |
| Augusta (FDX Ground) | Industrial | 613,000 | 4,707,993 | 406,879 |
| Augusta (FDX) | Industrial | 380,000 | 1,400,943 | 89,800 |
| Griffin | Industrial | 760,000 | 14,108,857 | 1,234,085 |
| **ILLINOIS:** | | | | |
| Burr Ridge | Industrial | 270,000 | 1,286,745 | 382,556 |
| Elgin | Industrial | 1,280,000 | 5,529,488 | 1,063,320 |
| Granite City | Industrial | 340,000 | 12,046,675 | 2,317,354 |
| Montgomery | Industrial | 2,000,000 | 9,225,683 | 611,333 |
| Schaumburg | Industrial | 1,039,800 | 3,866,158 | 1,264,099 |
| Wheeling (1) | Industrial | 5,112,120 | 13,401,113 | 909,453 |

**September 30, 2009**
**(cont d)**

| | Property Type | Land | Buildings Improvements & Equipment | Accumulated Depreciation |
|---|---|---|---|---|
| **IOWA:** | | | | |
| Urbandale | Industrial | $310,000 | $1,854,515 | $727,127 |
| **KANSAS:** | | | | |
| Edwardsville | Industrial | 1,185,000 | 5,835,401 | 973,836 |
| Topeka | Industrial | -0- | 3,680,000 | 47,179 |
| **MARYLAND:** | | | | |
| Beltsville | Industrial | 3,200,000 | 11,175,829 | 1,491,973 |
| **MICHIGAN:** | | | | |
| Orion | Industrial | 3,630,000 | 13,053,289 | 800,589 |
| Romulus | Industrial | 531,000 | 3,665,961 | 1,082,822 |
| **MINNESOTA:** | | | | |
| White Bear Lake | Industrial | 1,393,000 | 3,764,126 | 246,522 |
| **MISSOURI:** | | | | |
| Kansas City | Industrial | 660,000 | 4,068,374 | 258,707 |
| Liberty | Industrial | 723,000 | 6,519,412 | 1,927,692 |
| O' Fallon | Industrial | 264,000 | 3,569,775 | 1,297,335 |
| St. Joseph | Industrial | 800,000 | 11,753,964 | 2,561,633 |
| **MISSISSIPPI:** | | | | |
| Ridgeland | Industrial | 218,000 | 1,510,404 | 695,355 |
| Richland | Industrial | 211,000 | 1,267,000 | 485,136 |
| **NORTH CAROLINA:** | | | | |
| Fayetteville | Industrial | 172,000 | 4,687,862 | 1,464,650 |
| Greensboro | Industrial | 327,100 | 1,868,700 | 978,811 |
| Monroe | Industrial | 500,000 | 4,981,022 | 957,848 |
| Winston-Salem | Industrial | 980,000 | 5,670,918 | 1,103,539 |
| **NEBRASKA:** | | | | |
| Omaha | Industrial | 1,170,000 | 4,511,712 | 1,209,459 |
| **NEW JERSEY:** | | | | |
| Carlstadt (1) | Industrial | 1,194,000 | 3,645,501 | 210,296 |

| | | | | |
|---|---|---|---|---|
| Somerset (2) | Shopping Center | 55,182 | 1,302,315 | 1,176,435 |
| **NEW YORK:** | | | | |
| Cheektowaga | Industrial | 4,768,000 | 5,919,379 | 320,169 |
| Orangeburg | Industrial | 694,720 | 2,999,606 | 1,608,698 |
| **OHIO:** | | | | |
| Bedford Heights | Industrial | 990,000 | 4,895,670 | 314,335 |
| Richfield | Industrial | 1,000,000 | 7,197,945 | 645,967 |
| West Chester Township | Industrial | 695,000 | 4,366,253 | 959,631 |
| **PENNSYLVANIA:** | | | | |
| Monaca | Industrial | 330,772 | 2,952,565 | 1,871,178 |
| **SOUTH CAROLINA:** | | | | |
| Hanahan (FDX) | Industrial | 930,000 | 6,676,478 | 516,259 |
| Hanahan (Norton) | Industrial | 1,129,000 | 11,843,474 | 1,365,797 |
| **TENNESSEE:** | | | | |
| Chattanooga | Industrial | 300,000 | 4,464,711 | 286,193 |
| Shelby County | Vacant Land | 11,065 | -0- | -0- |

| **September 30, 2009 (cont d)** | **Property Type** | **Land** | **Buildings Improvements & Equipment** | **Accumulated Depreciation** |
|---|---|---|---|---|
| **TEXAS:** | | | | |
| El Paso | Industrial | 2,088,242 | 4,514,427 | 289,387 |
| **VIRGINIA:** | | | | |
| Charlottesville | Industrial | $1,170,000 | $2,849,200 | $766,374 |
| Richmond (FDX) | Industrial | 1,160,000 | 6,436,570 | 1,411,307 |
| Richmond (Carrier) | Industrial | 446,000 | 3,910,500 | 248,430 |
| Roanoke | Industrial | 1,853,000 | 4,817,298 | 302,983 |
| **WISCONSIN:** | | | | |
| Cudahy | Industrial | 980,000 | 8,375,200 | 1,303,035 |
| Total as of September 30, 2009 | | $70,530,817 | $324,647,954 | $49,298,190 |

(1)

The Company owns a majority interest in the entities which own these properties.

(2)

This represents the Company's 2/3 undivided interest in the property.

NOTE 3 ACQUISITIONS AND DISPOSITIONS

Fiscal 2010

Acquisitions

On October 22, 2009, the Company purchased a 449,900 square foot industrial building in Memphis, Tennessee. The building is 100% net-leased to FedEx Supply Chain Services, Inc. a subsidiary of FedEx Ground Package Systems, Inc., through May 31, 2019. The purchase price was approximately $14,600,000. The Company obtained a mortgage of $10,000,000 at a fixed interest rate of 6.25% which matures on October 15, 2014 and paid the remainder in cash from the proceeds of the registered direct placement of common stock completed in October 2009. Annualized rental income over the term of this lease is approximately $1,281,000 per year.

On December 23, 2009, the Company purchased a 91,295 square foot industrial building in Houston, Texas. The building is 100% net-leased to National Oilwell DHT, L.P., a subsidiary of National Oilwell Varco, Inc., through September 30, 2022. The purchase price was approximately $8,100,000. The Company obtained a mortgage of $5,400,000 at a fixed interest rate of 6.875% which matures on September 10, 2022 and paid the remainder in cash from the proceeds of the registered direct placement of common stock completed in October 2009. Annualized rental income over the term of this lease is approximately $721,000 per year.

On January 27, 2010, the Company purchased an 184,317 square foot industrial building in Carrollton (Dallas), Texas. The building is 100% net-leased to Carrier Corporation through Carrier Enterprises, LLC, a wholly owned subsidiary of United Technologies. Inc, through January 11, 2019. The purchase price was $17,900,000. The Company recorded an intangible asset related to the lease in-place of $60,000. The Company obtained a mortgage of $11,700,000 at a fixed interest rate of 6.75% which matures on February 1, 2025 and paid the remainder using a draw on the margin loan. Annualized rental income over the term of this lease is approximately $1,518,000 per year.

On March 2, 2010, the Company completed the acquisition of the remaining 35% noncontrolling interest in Jones EPI, LLC (Jones EPI), a Delaware limited liability company, for approximately $949,000. Jones EPI owns a 92,000 square foot industrial building in El Paso, Texas which is leased to FedEx Ground Package Systems, Inc. through 2015. The noncontrolling interest was purchased from Jones Willmar, LLC, a Missouri limited liability company, which constructed the building for the tenant in 2005. Prior to this acquisition, the Company owned 65% of Jones EPI. The Company paid for the noncontrolling interest using a draw on the margin loan.

On June 15, 2010, the Company purchased a 112,784 square foot industrial building in Ft. Mill, South Carolina. The building is 100% net-leased to FedEx Ground Package Systems, Inc. through September 30, 2019. The purchase price was approximately $12,540,000. The Company recorded an intangible asset related to the lease in-place of $824,600. The Company assumed the existing mortgage with an outstanding balance of approximately $4,764,000 at a fixed interest rate of 7% which matures on October 10, 2019 and paid the remainder in cash using proceeds of the registered direct placement of common stock completed in April 2010. Annualized rental income over the term of this lease is approximately $1,024,000.

The following unaudited pro forma condensed financial information has been prepared utilizing the historical financial statements of the Company and the effect of additional revenue and expenses from the properties acquired during fiscal 2010 assuming that the acquisitions had occurred as of the beginning of each of the fiscal periods presented, after giving effect to certain adjustments including (a) rental revenue adjustments resulting from the straight-lining of scheduled rent increases (b) interest expenses resulting from the assumed increase in mortgage notes payable related to the new acquisitions and (c) depreciation expense related to the new acquisitions. The unaudited pro forma condensed financial information is not indicative of the results of operations that would have been achieved had the acquisitions reflected herein been consummated on the dates indicated or that will be achieved in the future.

| | **2010** | **2009** |
|---|---|---|
| Rental and Reimbursement Revenues | $46,681,500 | $45,868,454 |
| Net Income Attributable to MREIC s Common Shareholders | $8,568,800 | $1,834,393 |
| Basic and Diluted Net Income (Attributable to MREIC s Common Share-holders | $0.28 | $0.07 |

The ultimate parents of these tenants, Federal Express Corporation, National Oilwell Varco, Inc. and Carrier Corporation, are public companies and financial information related to these tenants can be found on the Securities and Exchange Commission website at www.SEC.gov.

Fiscal 2009

Acquisitions

On September 17, 2009, the Company purchased a 40,000 square foot industrial building in Topeka, Kansas. The building is 100% net-leased to Coca-Cola Enterprises through September 30, 2021. The purchase price including closing costs was approximately $4,088,000. The Company obtained a mortgage of $2,687,573 (see Note No. 8) at a fixed interest rate of 6.50% per year which matures on August 10, 2021 and used the margin loan to fund the acquisition. Annualized rental income over the term of the lease is approximately $332,000. Management estimated that the value of the above market lease at purchase was approximately $408,300.

Expansions

The Company expanded the industrial building in Griffin, Georgia. Construction was completed in December 2008 and total costs were approximately $416,000. The building was expanded from 215,720 square feet to 217,970 square feet and the parking lot was expanded by 11,000 square feet. As of June 2009, the annual rent increased from $1,093,700 ($5.07 per square foot) to approximately $1,169,000 ($5.36 per square foot).

The Company expanded the industrial building in Cheektowaga, New York. Construction was substantially completed in August 2009 and total construction costs were approximately $2,200,000. The building was expanded from 84,923 square feet to 104,981 square feet. Annual rent increased from $686,479 ($8.08 per square foot) to $961,838 ($9.16 per square foot) and the lease was extended through August 2019.

NOTE 4 INTANGIBLE ASSETS

Intangible assets consist of the estimated value of the leases in-place at acquisition for the following properties and are amortized over the remaining term of the lease:

| | 9/30/10 | 9/30/09 |
|---|---|---|
| Denver, CO | $37,103 | $46,043 |
| Hanahan, SC (Norton) | 680,902 | 825,433 |
| Augusta, GA (FedEx Gr) | 88,053 | 109,573 |
| Richfield, OH | 250,717 | 290,566 |
| Colorado Springs, CO | 227,458 | 272,204 |
| Griffin, GA | 408,914 | 473,764 |
| Roanoke, VA | 295,412 | 348,051 |
| Wheeling, IL | 1,292,320 | 1,525,772 |
| Quakertown, PA | -0- | 166,017 |
| Lakeland, FL | 56,752 | 82,006 |
| El Paso, TX | 693,474 | 923,993 |
| Chattanooga, TN | 10,784 | 15,794 |
| Bedford Heights, OH | 160,202 | 213,455 |
| Kansas City, MO | 72,814 | 110,970 |
| Orion, MI | 337,886 | 390,868 |
| Topeka, KS | 371,961 | 405,505 |
| Carrollton, TX | 55,077 | -0- |
| Ft. Mill, SC | 795,445 | -0- |
| Total Intangible Assets, net | $5,835,274 | $6,200,014 |

Amortization expense related to these intangible assets was $1,215,797, $1,443,636 and $1,659,118 for the years ended September 30, 2010, 2009 and 2008, respectively. The Company estimates that aggregate amortization expense for existing assets will be approximately $1,143,000, $1,140,000, $1,082,000, $787,000 and $670,000 for each of the years 2011, 2012, 2013, 2014 and 2015, respectively.

NOTE 5 SIGNIFICANT CONCENTRATIONS OF CREDIT RISK

The Company has approximately 6,971,000 square feet of property, of which approximately 3,393,000 square feet, or 49%, is leased to FDX and subsidiaries (15% to FDX and 34% to FDX subsidiaries) and approximately 388,700 square feet in St Joseph, Missouri, or approximately 6% was leased to Mead Corporation, which subleased the space to Hallmark Cards, Incorporated.

During fiscal 2010, 2009, and 2008, the only tenants that accounted for more than 5% of our total rental and reimbursement revenue was FDX and subsidiaries and Keebler/Kellogg. Rental and reimbursement revenue from FDX and subsidiaries totaled approximately $26,160,000, $24,526,000 and $21,918,000 for the years ended September 30, 2010, 2009 and 2008, respectively. Rental and reimbursement revenue from Keebler/Kellogg totaled approximately $1,838,000, $2,044,000 and $2,081,000 for the years ended September 30, 2010, 2009 and 2008, respectively. During fiscal 2010, 2009 and 2008, rental income and occupancy charges from properties leased to these tenants was approximated 61%, 64% and 61% of total rental and reimbursement revenue, respectively.

Information on these tenants is provided below. The information has been obtained from sources believed to be reliable, but neither its accuracy nor its completeness is guaranteed.

| Tenant | S&P Credit Rating at September 30, 2010 |
|---|---|
| Federal Express Corporation (FDX) | BBB/Stable/NR |
| Kellogg Company (K) | BBB+/Stable/A-2 |

NOTE 6 DISCONTINUED OPERATIONS

Discontinued operations in fiscal 2010 and fiscal 2009 include the operations of the property in Quakertown, Pennsylvania which was classified as held for sale as of September 30, 2010 and 2009. Discontinued operations in fiscal 2008 include the operations of properties in Quakertown, Pennsylvania as well as properties in Franklin, Massachusetts and Ramsey, New Jersey, both of which were sold in fiscal 2008. The following table summarizes the components of discontinued operations:

| | 2010 | 2009 | 2008 |
|---|---|---|---|
| Rental and reimbursement revenue | $359,858 | $349,015 | $1,040,366 |
| Real Estate Taxes | (50,975) | (47,241) | (120,757) |
| Operating Expenses | (3,415) | (22,880) | (138,389) |
| Depreciation & Amortization | (320,059) | (383,029) | (135,056) |
| Interest expense | (123,568) | (72,397) | -0- |
| Income (Loss) from Operations of Disposed Property and | | | |

| | | | |
|---|---|---|---|
| Property Held for Sale | (138,159) | (176,532) | 646,164 |
| Gain on Sale of Investment Property | -0- | -0- | 6,790,616 |
| Income (Loss) from Discontinued Operations | ($138,159) | ($176,532) | $7,436,780 |

Cash flows from discontinued operations for the year ended September 30, 2010, 2009 and 2008 are combined with the cash flows from operations within each of the three categories presented. Cash flows from discontinued operations are as follows:

| | **2010** | **2009** | **2008** |
|---|---|---|---|
| Cash flows from Operations | $181,900 | $206,677 | ($6,009,396) |
| Cash flows from Investing Activities | -0- | -0- | 10,486,277 |
| Cash flows from Financing Activities | (181,900) | (206,677) | (4,476,881) |

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

NOTE 7 SECURITIES AVAILABLE FOR SALE

The Company s securities available for sale consist primarily of common and preferred stock of other REITs and debt securities. The Company does not own more than 10% of the outstanding shares of any of these issuers, nor does it have controlling financial interest.

The following is a listing of investments in debt and equity securities at September 30, 2010:

| Description | Series | Interest Rate/ Dividend | Number of Shares | Cost | Estimated Market Value |
|---|---|---|---|---|---|
| **Equity Securities - Preferred Stock:** | | | | | |
| AMB Property Corporation | O | 7.00% | 10,000 | $199,553 | $250,100 |
| American Land Lease, Inc. | A | 7.75% | 18,000 | 146,700 | 360,000 |
| Apartment Management and Investment Co. | T | 8.00% | 10,000 | 226,296 | 255,000 |
| Brandywine Realty Trust | D | 7.375% | 10,800 | 234,162 | 267,300 |
| CapLease, Inc. | A | 8.125% | 7,000 | 124,143 | 177,940 |
| CBL & Associates Properties, Inc. | C | 7.75% | 26,000 | 445,062 | 637,000 |
| CBL & Associates Properties, Inc | D | 7.375% | 6,000 | 116,672 | 143,040 |
| Commonwealth REIT | D | 9.500% | 80,000 | 1,058,297 | 1,777,600 |
| Corporate Office Properties Trust | H | 7.50% | 7,234 | 159,706 | 183,382 |
| Cousins Properties, Inc. | B | 7.50% | 49,000 | 1,059,108 | 1,195,600 |
| Developers Diversified Realty Corporation | H | 7.375% | 35,500 | 494,951 | 851,645 |
| Entertainment Properties Trust | D | 7.375% | 3,700 | 64,729 | 89,096 |
| FelCor Lodging Trust Incorporated | A | 7.875% (2) | 54,000 | 356,895 | 1,162,080 |
| FelCor Lodging Trust Incorporated | C | 8.00% (2) | 28,200 | 177,805 | 606,864 |

| | | | | | |
|---|---|---|---|---|---|
| Glimcher Realty Trust | G | 8.125% | 33,500 | 501,340 | 816,931 |
| Grace Acquisitions I | B | 8.75% (1) | 31,000 | 3,720 | 7,750 |
| Hospitality Properties Trust | B | 8.875% | 1,000 | 21,576 | 25,510 |
| Innkeepers USA | C | 8.00% (1) | 30,000 | 15,000 | 60,000 |
| iStar Financial, Inc. | E | 7.875% | 42,000 | 161,280 | 425,880 |
| LaSalle Hotel Properties | D | 7.50% | 33,000 | 620,323 | 812,790 |
| Lexington Realty Trust | B | 8.04% | 38,300 | 773,451 | 965,352 |
| Lexington Realty Trust | C | 6.50% | 18,000 | 530,033 | 765,900 |
| Lexington Realty Trust | D | 7.55% | 14,500 | 220,346 | 342,490 |
| MPG Office Trust, Inc. | A | 7.625% | 31,600 | 35,708 | 336,224 |
| National Retail Properties, Inc. | C | 7.375% | 8,000 | 172,712 | 202,160 |
| Post Properties, Inc. | B | 7.625% | 16,600 | 359,089 | 415,000 |
| PS Business Parks | H | 7.00% | 22,400 | 476,328 | 562,240 |
| PS Business Parks | M | 7.20% | 16,000 | 362,177 | 401,118 |
| Regency Centers Corp | E | 6.70% | 5,358 | 100,598 | 132,611 |
| Saul Centers, Inc. | A | 8.00% | 2,459 | 59,190 | 62,582 |
| SL Green Realty Corporation | C | 7.625% | 7,107 | 157,932 | 178,244 |
| Supertel Hospitality, Inc. | A | 8.00% | 17,000 | 170,005 | 151,638 |
| Vornado Realty Trust | I | 6.625% | 18,000 | 330,953 | 443,077 |
| Total Equity Securities - Preferred Stock | | | | $9,935,840 | $15,064,144 |

| Description | Series | Interest Rate/ Dividend | Number of Shares | Cost | Estimated Market Value |
|---|---|---|---|---|---|
| **Equity Securities - Common Stock** | | | | | |
| Agree Realty Corporation | | | 38,200 | 914,061 | 964,550 |
| AMB Property, Corporation | | | 20,000 | 471,856 | 529,400 |
| CapLease, Inc. | | | 26,000 | 71,351 | 145,340 |
| Colonial Properties Trust | | | 10,000 | 38,100 | 161,900 |
| Commonwealth REIT | | | 15,000 | 350,258 | 384,000 |
| Duke Realty Corporation | | | 5,000 | 27,500 | 57,950 |
| Eastgroup Properties, Inc. | | | 26,000 | 935,075 | 971,880 |
| FelCor Lodging Trust Incorporated | | | 45,000 | 82,800 | 207,000 |
| First Industrial Realty Trust, Inc. | | | 120,000 | 513,934 | 608,400 |
| Franklin Street Properties, Inc. | | | 10,000 | 116,901 | 124,200 |
| Getty Realty Corporation | | | 125,000 | 2,932,339 | 3,353,750 |
| Gladstone Commercial Corp | | | 30,600 | 497,658 | 525,096 |
| Glimcher Realty Trust | | | 32,000 | 103,695 | 196,800 |
| Health Care REIT, Inc. | | | 2,500 | 104,404 | 118,350 |
| Home Properties Inc | | | 45,000 | 2,130,772 | 2,380,500 |
| Hospitality Properties Trust | | | 20,000 | 240,000 | 446,600 |
| iStar Financial, Inc. | | | 29,400 | 65,562 | 89,964 |
| Liberty Property Trust | | | 2,000 | 37,880 | 63,800 |
| Mack-Cali Realty Corporation | | | 12,000 | 370,280 | 392,520 |
| Mission West Properties, Inc. | | | 58,100 | 371,840 | 393,918 |
| National Realty Properties, Inc. | | | 51,913 | 1,149,711 | 1,303,535 |
| Omega Healthcare | | | 12,000 | 261,220 | 269,400 |
| Pennsylvania Real Estate Investment Trust | | | 200,000 | 1,576,848 | 2,372,000 |
| Prologis Trust | | | 100,000 | 1,105,650 | 1,178,000 |
| PS Business Parks, Inc | | | 5,000 | 272,123 | 282,850 |
| Sun Communities, Inc. | | | 118,000 | 2,358,046 | 3,622,600 |

| | | | | |
|---|---|---|---|---|
| Urstadt Biddle Properties, Inc. | | 42,542 | 715,238 | 769,159 |
| UDR, Inc. | | 30,000 | 494,761 | 633,600 |
| UMH Properties, Inc. (3) | | 455,213 | 4,140,450 | 4,889,012 |
| Total Equity Securities - Common Stock | | | $22,450,313 | $27,436,074 |
| **Debt Securities:** | | | | |
| Government National Mortgage Association | | | | |
| (GNMA) | 6.5% | 500,000 | 15,515 | 17,507 |
| Total Debt Securities | | | $15,515 | $17,507 |
| Total Securities Available for Sale | | | $32,401,668 | $42,517,725 |

(1) Issuer suspended dividend during 2008.

(2) Issuer suspended dividend during 2009.

(3) Investment is an affiliate. See note no. 12 for further discussion.

The following is a listing of investments in debt and equity securities at September 30, 2009:

| Description | Series | Interest Rate/ Dividend | Number of Shares | Cost | Estimated Market Value |
|---|---|---|---|---|---|
| **Equity Securities - Preferred Stock:** | | | | | |
| AMB Property Corporation | O | 7.00% | 14,000 | $279,374 | $325,500 |
| American Land Lease, Inc. | A | 7.75% (2) | 18,000 | 146,700 | 162,000 |
| Apartment Management and Investment Co. | T | 8.00% | 38,000 | 865,763 | 810,540 |
| Brandywine Realty Trust | D | 7.375% | 19,700 | 428,658 | 419,610 |
| CapLease, Inc. | A | 8.125% | 7,000 | 124,143 | 144,060 |
| CBL & Associates Properties, Inc. | C | 7.75% | 31,000 | 530,651 | 599,850 |
| CBL & Associates Properties, Inc | D | 7.375% | 2,000 | 28,135 | 37,200 |
| Cedar Shopping Centers | A | 8.875% | 4,000 | 73,090 | 81,600 |
| Colonial Properties Trust | D | 8.125% | 2,000 | 37,645 | 45,900 |
| Corporate Office Properties Trust | H | 7.50% | 23,000 | 507,775 | 519,570 |
| Cousins Properties, Inc. | B | 7.50% | 49,000 | 1,059,108 | 960,400 |
| Developers Diversified Realty Corporation | G | 8.00% | 2,000 | 28,545 | 38,000 |
| Developers Diversified Realty Corporation | H | 7.375% | 54,000 | 752,886 | 947,700 |
| Developers Diversified Realty Corporation | I | 7.50% | 7,000 | 69,755 | 123,200 |
| Digital Realty Trust, Inc. | A | 8.50% | 10,000 | 223,598 | 244,000 |
| Digital Realty Trust, Inc. | B | 7.875% | 7,100 | 144,519 | 171,110 |
| Duke Realty Corp | O | 8.375% | 35,000 | 765,752 | 849,450 |
| Entertainment Properties Trust | D | 7.375% | 7,800 | 136,456 | 140,400 |
| FelCor Lodging Trust Incorporated | A | 7.80% (2) | 54,000 | 356,895 | 660,420 |
| FelCor Lodging Trust Incorporated | C | 8.00% (2) | 28,200 | 177,805 | 344,601 |
| First Industrial Realty Trust, Inc. | J | 7.25% | 2,000 | 24,120 | 30,000 |

| | | | | | |
|---|---|---|---|---|---|
| First Industrial Realty Trust, Inc. | K | 7.25% | 2,000 | 24,645 | 29,832 |
| Glimcher Realty Trust | F | 8.75% | 8,900 | 112,677 | 150,944 |
| Glimcher Realty Trust | G | 8.125% | 33,680 | 345,469 | 548,140 |
| Grace Acquisitions I | B | 8.75% (1) | 31,000 | 3,720 | 17,050 |
| Health Care REIT, Inc. | D | 7.875% | 10,000 | 232,999 | 244,000 |
| Hospitality Properties Trust | B | 8.875% | 27,500 | 601,200 | 650,378 |
| HRPT Properties Trust | B | 8.75% | 15,000 | 329,494 | 358,200 |
| HRPT Properties Trust | D | 6.05% | 80,000 | 1,058,297 | 1,480,000 |
| Innkeepers USA | C | 8.00% (1) | 30,000 | 15,000 | 33,000 |
| iStar Financial, Inc. | E | 7.875% | 42,000 | 161,280 | 353,220 |
| Kimco Realty Corporation | G | 7.75% | 27,500 | 576,495 | 669,625 |
| LaSalle Hotel Properties | B | 8.375% | 11,850 | 233,821 | 266,625 |
| LaSalle Hotel Properties | D | 7.50% | 34,900 | 656,039 | 710,913 |
| LaSalle Hotel Properties | E | 8.00% | 12,000 | 198,284 | 261,120 |
| Lexington Realty Trust | B | 8.04% | 28,900 | 612,194 | 523,668 |
| Lexington Realty Trust | C | 6.50% | 17,000 | 499,196 | 507,110 |
| Lexington Realty Trust | D | 7.55% | 9,000 | 110,723 | 153,000 |
| LTC Properties, Inc. | F | 8.00% | 15,000 | 360,994 | 351,000 |

| Description | Series | Interest Rate/ Dividend | Number of Shares | Cost | Estimated Market Value |
|---|---|---|---|---|---|
| Maguire Properties, Inc. | A | 7.625% (2) | 31,600 | 35,708 | 210,140 |
| Mid America Apartment Communities | H | 8.30% | 1,500 | 33,935 | 36,945 |
| National Retail Properties, Inc. | C | 7.375% | 18,000 | 390,143 | 410,310 |
| Omega Healthcare Investors, Inc. | D | 8.375% | 21,500 | 481,461 | 524,600 |
| Post Properties, Inc. | B | 7.625% | 16,600 | 359,089 | 381,800 |
| PS Business Parks | H | 7.00% | 25,000 | 531,616 | 555,750 |
| PS Business Parks | M | 7.20% | 16,000 | 362,177 | 343,040 |
| ProLogis Trust | G | 6.75% | 20,000 | 294,730 | 394,700 |
| Regency Centers Corp | E | 6.70% | 7,000 | 131,427 | 144,550 |
| Saul Centers, Inc. | A | 8.00% | 19,500 | 469,367 | 451,035 |
| SL Green Realty Corporation | C | 7.625% | 31,000 | 688,888 | 687,270 |
| SL Green Realty Corporation | D | 7.875% | 12,000 | 250,282 | 273,000 |
| Supertel Hospitality, Inc. | A | 8.00% | 17,000 | 170,005 | 126,310 |
| Taubman Centers, Inc. | G | 8.00% | 23,000 | 512,687 | 546,250 |
| Taubman Centers, Inc. | H | 7.625% | 8,500 | 167,555 | 195,075 |
| Thornburg Mortgage, Inc. | F | 10.00% (1) | 2,000 | -0- | 100 |
| Vornado Realty Trust | I | 6.625% | 19,500 | 358,552 | 414,375 |
| Total Equity Securities - Preferred Stock | | | | $18,131,522 | $20,658,186 |
| **Equity Securities - Common Stock** | | | | | |
| Brandywine Realty Trust | | | 18,679 | 53,235 | 206,216 |
| CapLease, Inc. | | | 26,000 | 71,351 | 104,780 |
| CBL & Associates Properties, Inc. | | | 21,296 | 51,218 | 206,571 |
| Colonial Properties Trust | | | 20,000 | 76,200 | 194,600 |
| Duke Realty Corp | | | 5,000 | 27,500 | 60,050 |

| | | | | |
|---|---|---|---|---|
| FelCor Lodging Trust Incorporated | | 45,000 | 82,800 | 203,850 |
| First Industrial Realty Trust, Inc. | | 20,000 | 49,000 | 105,000 |
| Glimcher Realty Trust | | 17,000 | 40,394 | 62,390 |
| Hospitality Properties Trust | | 20,000 | 240,000 | 407,400 |
| iStar Financial, Inc. | | 29,400 | 65,562 | 89,376 |
| Liberty Property Trust | | 2,000 | 37,880 | 65,060 |
| Mack-Cali Realty Corporation | | 3,100 | 93,165 | 100,223 |
| Mission West Properties, Inc. | | 58,100 | 371,840 | 391,013 |
| Pennsylvania Real Estate Investment Trust | | 107,000 | 512,473 | 814,270 |
| Sun Communities, Inc. | | 138,000 | 2,757,646 | 2,969,760 |
| Thornburg Mortgage, Inc. | | 4,050 | -0- | 146 |
| UMH Properties, Inc. (3) | | 109,745 | 1,349,268 | 1,168,115 |
| Total Equity Securities - Common Stock | | | $5,879,532 | $7,148,820 |
| **Debt Securities:** | | | | |
| Government National Mortgage Association (GNMA) | 6.5% | 500,000 | 16,780 | 17,659 |
| Total Debt Securities | | | $16,780 | $17,659 |
| Total Securities Available for Sale | | | $24,027,834 | $27,824,665 |

(1) Issuer suspended dividend during 2008.

(2) Issuer suspended dividend during 2009.

(3) Investment is an affiliate. See note no. 12 for further discussion.

The Company had 1 security that was a temporarily impaired investment as of September 30, 2010. The security is a preferred security with a fair value of $151,638 and an unrealized loss of 12 months or longer of $18,367 or 11%. The Company considers many factors in determining whether a security is other than temporarily impaired, including the nature of the security and the cause, severity and duration of the impairment. The Company has determined that this security is temporarily impaired as of September 30, 2010. The Company normally holds REIT securities long term and has the ability and intent to hold this security to recovery.

The Company had margin loan balances of $4,273,913 and $4,063,750 as of September 30, 2010 and 2009, respectively, which were collateralized by the securities portfolio.

Dividend income for the years ended September 30, 2010, 2009 and 2008 totaled $2,387,757, $2,362,521, and $1,659,665, respectively. Interest income for the years ended September 30, 2010, 2009 and 2008 totaled $123,152, $139,732 and $211,597, respectively.

The Company received proceeds of $13,236,770, $2,406,354 and $962,822 on sales or redemptions of securities available for sale during 2010, 2009 and 2008, respectively. The Company recorded the following Gain (Loss) on Securities Transactions, net:

| | **2010** | **2009** | **2008** |
|---|---|---|---|
| Gross realized gains | $2,609,775 | $98,844 | $225,678 |
| Gross realized losses | (626) | (699,626) | (38,880) |
| Net loss on closed futures contracts | -0- | -0- | (742,307) |
| Impairment loss | -0- | (6,000,678) | (3,104,774) |
| Gain (Loss) on Securities Transactions, net | $2,609,149 | ($6,601,460) | ($3,660,283) |

During 2008, the Company invested in futures contracts of ten-year treasury notes with a notional amount of $9,000,000 with the objective of reducing the exposure of the preferred equity and debt securities portfolio to interest

rate fluctuations and the risk of rolling over the fixed rate debt at higher rates. Changes in the market value of these derivatives have been recorded in gain on securities available for sale transactions, net with corresponding amounts recorded in other assets or other liabilities on the balance sheet. The Company closed out its contract as of May 2008 and during 2008, the Company recorded a loss of $742,307 on settled futures contracts.

During 2009 and 2008, the Company recognized a loss of $6,000,678 and $3,104,774, respectively, due to writing down the carrying value of securities available for sale, which were considered other than temporarily impaired.

NOTE 8- MORTGAGE NOTES, LOANS PAYABLE AND CONVERTIBLE SUBORDINATED DEBENTURES

Mortgage Notes Payable:

During fiscal 2010, the Company obtained $27,100,000 in mortgages in connection with the acquisition of the industrial properties in Memphis, Tennessee, Houston, Texas and Carrollton (Dallas), Texas as described in Note No. 3 During fiscal 2010, the Company assumed an existing mortgage with a balance of $4,764,000 in the acquisition of the industrial property in Ft. Mill, South Carolina.

The following is a summary of mortgage notes payable at September 30, 2010 and 2009:

| Property | Fixed Rate | Maturity Date | Balance 9/30/10 | Balance 9/30/09 |
|---|---|---|---|---|
| Tampa, FL (Kellogg) | 5.24% | 03/01/10 | $-0- | $513,747 |
| Quakertown, PA | (1) | 3/4/2011 | 2,437,500 | 2,437,500 |
| White Bear Lake, MN | 7.04% | 01/01/12 | 1,874,187 | 2,101,132 |
| Winston Salem, NC | 7.10% | 02/01/12 | 3,496,982 | 3,691,183 |
| Schaumburg, IL | 8.48% | 07/01/12 | 669,648 | 1,010,120 |
| Montgomery, IL | 6.50% | 11/01/12 | 5,508,809 | 5,679,434 |
| Tolleson, AZ | 5.80% | 11/01/12 | 6,682,378 | 7,346,306 |
| Ft. Myers, FL | 6.33% | 12/01/12 | 2,392,393 | 2,519,038 |
| Liberty, MO | 7.065% | 03/01/13 | 1,174,449 | 1,604,858 |
| Fayetteville, NC | 6.63% | 06/01/13 | 3,534,119 | 3,550,000 |
| Augusta, GA (FDX) | 6.63% | 06/01/13 | 1,119,967 | 1,125,000 |
| Lakeland, FL | 6.63% | 06/01/13 | 1,375,000 | 1,375,000 |
| Romulus, MI | 7.56% | 07/01/13 | 774,038 | 1,018,037 |
| Burr Ridge, IL | 8.00% | 01/01/14 | 279,567 | 364,669 |
| Omaha, NE | 7.15% | 01/01/14 | 1,291,038 | 1,631,749 |
| Charlottesville, VA | 6.90% | 07/01/14 | 971,514 | 1,190,963 |
| Memphis,TN | 6.25% | 10/15/14 | 9,731,034 | -0- |
| Tampa, FL (Kellogg) | 5.71% | 03/01/15 | 2,811,162 | 2,932,394 |
| Richmond, VA (FDX) | 6.12% | 12/01/15 | 2,543,582 | 2,949,802 |
| St. Joseph, MO | 8.12% | 03/01/16 | 4,468,055 | 5,099,410 |
| Wheeling, IL | 5.68% | 03/01/16 | 5,564,064 | 5,918,380 |
| Beltsville, MD | 7.53% | 05/01/16 | 3,040,296 | 3,462,616 |
| Beltsville, MD | 6.65% | 05/01/16 | 5,815,142 | 5,964,930 |
| Cudahy, WI | 8.15% | 05/01/16 | 2,200,025 | 2,499,173 |
| Newington, CT | 8.10% | 05/01/16 | 1,261,380 | 1,436,403 |
| Griffin, GA | 6.37% | 10/01/16 | 8,871,154 | 9,180,801 |

| | | | | |
|---|---|---|---|---|
| Granite City, IL | 7.11% | 11/01/16 | 5,083,024 | 5,728,193 |
| Jacksonville, FL | 6.92% | 12/01/16 | 1,724,551 | 1,937,882 |
| Jacksonville, FL | 6.00% | 12/01/16 | 1,300,000 | 1,300,000 |
| Monroe, NC | 7.11% | 12/01/16 | 2,214,178 | 2,485,993 |
| El Paso, TX | 5.40% | 01/05/17 | 5,084,847 | 5,358,302 |
| Chattanooga, TN | 5.96% | 05/01/17 | 2,712,769 | 2,869,203 |
| Elgin, IL | 6.97% | 05/01/17 | 2,863,756 | 3,189,996 |
| Hanahan, SC (Norton) | 7.36% | 05/01/17 | 7,268,255 | 7,484,644 |
| Roanoke, VA | 5.96% | 05/30/17 | 4,073,232 | 4,282,495 |
| Kansas City, MO | 6.11% | 07/01/17 | 2,968,112 | 3,065,399 |
| Edwardsville, KS | 7.375% | 07/01/17 | 2,898,618 | 3,218,362 |
| Orion, MI | 6.57% | 08/01/17 | 11,221,324 | 11,569,142 |
| Cheektowaga, NY | 6.78% | 10/01/17 | 1,834,042 | 2,032,149 |
| Punta Gorda, FL | 6.29% | 10/01/17 | 2,605,395 | 2,688,550 |
| Cocoa, FL | 6.29% | 12/01/17 | 6,595,167 | 6,802,343 |
| Richfield, OH | 5.22% | 01/01/18 | 4,855,143 | 5,100,898 |
| Bedford Heights, OH | 5.96% | 01/05/18 | 3,594,886 | 3,719,356 |
| West Chester Twp, OH | 6.80% | 06/01/18 | 3,250,388 | 3,407,017 |
| Tampa, FL (FDX) | 5.65% | 04/01/18 | 5,101,276 | 5,267,537 |
| Orlando, FL | 6.56% | 10/01/18 | 5,499,752 | 5,654,785 |

| Property | Fixed Rate | Maturity Date | Balance 9/30/10 | Balance 9/30/09 |
|---|---|---|---|---|
| Tampa, FL (FDX Gr) | 6.00% | 03/01/19 | 10,124,312 | 10,601,634 |
| Ft Mill, SC | 7.00% | 10/10/19 | 4,642,008 | -0- |
| Denver, CO | 6.07% | 11/01/19 | 2,569,648 | 2,775,573 |
| Hanahan, SC (FDX Gr) | 5.54% | 01/21/20 | 2,509,252 | 2,706,852 |
| Augusta, GA (FDX Gr) | 5.54% | 01/27/20 | 1,825,238 | 1,968,973 |
| Huntsville, AL | 5.50% | 03/01/20 | 1,810,614 | 1,951,909 |
| Colorado Springs, CO | 5.41% | 01/01/21 | 2,773,111 | 2,952,379 |
| Topeka, KS | 6.50% | 08/10/21 | 2,519,764 | 2,687,573 |
| Carlstadt, NJ | 7.75% | 08/15/21 | 1,824,115 | 1,875,800 |
| Houston,TX | 6.875% | 09/10/22 | 5,172,685 | -0- |
| Carrollton,TX | 6.75% | 02/01/25 | 11,431,445 | -0- |
| Carlstadt, NJ | 5.95% | 05/17/27 | 739,471 | 764,699 |
| Total Mortgage Notes Payable | | | $210,577,861 | $192,050,283 |

(1) Interest rate is variable at Wall Street Journal Prime Rate plus 1% (but not less than 5%). As of September 30, 2010 and 2009, the rate was 5%. This mortgage was repaid on October 20, 2010.

Principal on the foregoing debt is scheduled to be paid as follows:

| | | |
|---|---|---|
| Year Ending September 30, | 2011 | $16,626,525 |
| | 2012 | 19,494,276 |
| | 2013 | 32,250,906 |
| | 2014 | 13,725,268 |
| | 2015 | 24,513,316 |
| | Thereafter | 103,967,570 |

$210,577,861

Loans Payable:

*Capital One, N.A.*

The Company has a line of credit agreement with Capital One, N.A. for $15,000,000. This $15,000,000 line is unsecured and can be used for working capital purposes or acquisitions. The line s rate is variable at LIBOR plus 200 basis points. The line originally matured on March 31, 2011 but was extended during fiscal 2010 through March 31, 2013. The interest rate was 2.25% as of September 30, 2010 and 2009. The Company must keep not less than $1,000,000 in average net collected balances at Capital One, N.A. and meet certain loan covenants as contained in the loan agreement, including a 65% loan to value ratio on certain negatively pledged properties. The Company was in compliance with these covenants as of September 30, 2010. The annual commitment fee paid in 2010 and 2009 was $37,500. Fees paid to originate this line in 2008 were $43,675 and are being amortized over the term of the modified line. The balance outstanding as of September 30, 2010 and 2009 was $5,000,000 and $15,000,000, respectively.

Margin Loans

The Company uses margin loans for purchasing securities, for temporarily funding of acquisitions, and for working capital purposes. The interest rate charged on the margin loan is the bank s margin rate and was 2.0% as of September 30, 2010 and 2009, respectively and is due on demand. At September 30, 2010 and 2009, the margin

loans totaled $4,273,913 and $4,063,750, respectively and are collateralized by the Company s securities portfolio. The Company must maintain a coverage ratio of approximately 50%.

Convertible Subordinated Debentures

*Debentures due 2013:*

Monmouth Capital has $3,770,000 of 8% Convertible Subordinated Debentures outstanding, due 2013 (the 2013 Debentures). Interest is paid semi-annually in arrears on April 30 and October 31 of each year. The 2013 Debentures are convertible into common stock of the Company at any time prior to redemption or maturity, at the conversion price of $9.16 per share (equivalent to a rate of 109.17 shares of common stock for each $1,000 principal amount), subject to adjustment under certain conditions. The Company may redeem the 2013 Debentures, at its option, in whole or in part, at any time after October 23, 2009 at par. The Company will pay accrued and unpaid interest to, but excluding, the date fixed for redemption. No sinking fund is provided for the 2013 Debentures.

*Debentures due 2015:*

Monmouth Capital has $10,220,000 of 8% Convertible Subordinated Debentures outstanding, due 2015 (the 2015 Debentures). Interest is paid semi-annually in arrears on April 30 and October 31 of each year, commencing October 31, 2005. The 2015 Debentures are convertible into common stock of the Company at any time prior to redemption or maturity, at the conversion price of $11.45 per share (equivalent to a rate of 87.336 shares of common stock for each $1,000 principal amount), subject to adjustment under certain conditions.

The Company may redeem the 2015 Debentures, at its option, in whole or in part, at any time on and after March 30, 2006 at the redemption prices set below. The redemption price, expressed as a percentage of the principal amount, is as follows for the 12-month periods beginning on:

**Redemption**

| Period | Price |
|---|---|
| March 30, 2010 | 105% |
| March 30, 2011 and Thereafter | 100% |

In each case, the Company will pay accrued and unpaid interest to, but excluding, the date fixed for redemption. No sinking fund is provided for the 2015 Debentures.

NOTE 9 - OTHER LIABILITIES

Other liabilities consist of the following:

| | 9/30/10 | 9/30/09 |
|---|---|---|
| Below-market lease intangible liability | $279,688 | $339,056 |
| Rent paid in advance | 1,975,517 | 2,044,360 |
| Unearned reimbursement revenue | 205,573 | 219,659 |
| Tenant security deposits | 160,158 | 158,800 |
| Other | 54,762 | 153,837 |
| Total | $2,675,698 | $2,915,712 |

NOTE 10 - 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.

Options or restricted stock may be granted any time as determined by the Company s Compensation Committee up through December 31, 2016. 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.

The Compensation Committee determines the recipients of restricted stock award; 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.

Unless otherwise provided for in an underlying restricted stock award agreement, if a participant s status as an employee or director of the Company is terminated by reason of death or disability, the restrictions will lapse on such date. Unless otherwise provided for in an underlying restricted stock award agreement, the Plan provides that if an individual s status as an employee or director is terminated by reason of retirement following an involuntary termination (other than for cause as defined in the Plan), the restrictions will generally lapse, unless the restricted stock award is intended to constitute performance based compensation for purposes of Section 162(m) of the Internal Revenue Code. If a participant s status as an employee or director terminates for any other reason, the Plan provides that a participant will generally forfeit any outstanding restricted stock awards, unless otherwise indicated in the applicable award agreement. Shares of restricted stock that are forfeited become available again for issuance under

the Plan. The Compensation Committee has the authority to accelerate the time at which the restrictions may lapse whenever it considers that such action is in the best interests of the Company and of its stockholders, whether by reason of changes in tax laws, a change in control as defined in the 2007 Plan or otherwise.

The Company accounts for stock options in accordance with ASC 718-10, Compensation-Stock Compensation. ASC 718-10 requires that compensation cost for all stock awards be calculated and amortized over the service period (generally equal to the vesting period).

Stock Options

During fiscal 2010, one employee was granted options to purchase 65,000 shares. During fiscal 2009 and 2008, eleven employees were granted options to purchase a total of 245,000 shares each year. The fair value of these options was approximately $21,450, $56,350 and $64,150 in fiscal 2010, 2009, and 2008, respectively based on the assumptions below and is being amortized over a one-year vesting period. The remaining unamortized stock option expense was $5,361 as of September 30, 2010 and that amount will be expensed in fiscal 2011.

The fair value of each option grant is estimated on the date of grant using the Black-Sholes option-pricing model with the following weighted-average assumptions used for grants in fiscal 2010, 2009 and 2008:

| | 2010 | 2009 | 2008 |
|---|---|---|---|
| Dividend yield | 8.31% | 8.30% | 7.59% |
| Expected volatility | 19.30% | 16.41% | 15.08% |
| Risk-free interest rate | 3.25% | 3.38% | 3.20% |
| Expected lives (years) | 8 | 8 | 8 |
| Estimated forfeitures | -0- | -0- | -0- |

A summary of the status of the Company s stock option plan as of September 30, 2010, 2009 and 2008 is as follows:

| | 2010 | 2010 Weighted Average | 2009 | 2009 Weighted Average | 2008 | 2008 Weighted Average |
|---|---|---|---|---|---|---|
| | Shares | Exercise Price | Shares | Exercise Price | Shares | Exercise Price |
| Outstanding at beginning of year | 1,544,550 | $7.69 | 1,332,170 | $7.77 | 1,101,170 | $7.75 |
| Granted | 65,000 | 7.22 | 245,000 | 7.25 | 245,000 | 7.91 |
| Exercised | (116,185) | 6.58 | (-0-) | -0- | (14,000) | 7.13 |
| Expired/Forfeited | (114,765) | 7.13 | (32,620) | 7.71 | (-0-) | -0- |
| Outstanding at end of year | 1,378,600 | 7.81 | 1,544,550 | 7.69 | 1,332,170 | 7.77 |
| Exercisable at end of year | 1,313,600 | | 1,304,550 | | 1,087,170 | |
| Weighted-average fair value of options granted | | | | | | |

| | | | |
|---|---|---|---|
| during the year | $0.33 | $0.23 | $0.26 |

The following is a summary of stock options outstanding as of September 30, 2010:

| Date of Grant | Number of Grants | Number of Shares | Option Price | Expiration Date |
|---|---|---|---|---|
| 01/22/03 | 1 | 65,000 | 6.90 | 01/22/11 |
| 05/20/04 | 9 | 150,000 | 7.41 | 05/20/12 |
| 08/03/04 | 1 | 65,000 | 7.89 | 08/03/12 |
| 08/10/05 | 10 | 240,000 | 8.28 | 08/10/13 |
| 09/21/05 | 10 | 52,400 | 8.70 | 09/21/13 |
| 08/02/06 | 1 | 65,000 | 8.15 | 08/02/14 |
| 09/12/06 | 10 | 180,000 | 8.04 | 09/12/14 |
| 01/22/07 | 10 | 52,400 | 8.05 | 01/22/15 |
| 12/12/07 | 1 | 65,000 | 8.22 | 12/12/15 |
| 03/10/08 | 9 | 175,000 | 7.80 | 03/10/16 |
| 10/20/08 | 10 | 203,800 | 7.25 | 10/20/16 |
| 01/05/10 | 1 | 65,000 | 7.22 | 01/05/18 |
| | | 1,378,600 | | |

The aggregate intrinsic value of options granted during fiscal 2010, 2009 and 2008 was $469,300, $1,776,250 and $1,938,300, respectively. The intrinsic value of options exercised in fiscal 2010, 2009 and 2008 was

$868,489, $-0- and $99,820, respectively. The weighted-average remaining contractual term of the above options was 3.8, 4.2 and 4.7 years as of September 30, 2010, 2009 and 2008, respectively.

Restricted Stock

In August 2010, the Company awarded 67,900 shares of common stock to 11 participants of the 2007 Plan. The grant date fair value of restricted stock grants awarded to participants was $533,015. As of September 30, 2010, there remained a total of $515,248 of unrecognized restricted stock compensation related to outstanding nonvested restricted stock grants awarded under the 2007 plan and outstanding at that date. Restricted stock compensation is expected to be expensed over a remaining weighted average period of 4.8 years. For the year ended September 30, 2010, amounts charged to compensation expense totaled $17,767.

A summary of the status of the Company s nonvested restricted stock awards as of September 30, 2010, and changes during the year ended September 30, 2010 are presented below:

| | 2010 Shares | 2010 Weighted-Average Grant Date Fair Value |
|---|---|---|
| Nonvested at beginning of year | -0- | $-0- |
| Granted | 67,900 | 7.85 |
| Vested | (-0-) | (-0-) |
| Forfeited | (-0-) | (-0-) |
| Nonvested at end of year | 67,900 | $7.85 |

As of September 30, 2010, there were options to purchase 1,024,485 shares available for grant under the 2007 Plan.

NOTE 11 - INCOME FROM LEASES

The Company derives income primarily from operating leases on its commercial properties. In general, these leases are written for periods up to ten years with various provisions for renewal. These leases generally contain clauses for reimbursement (or direct payment) of real estate taxes, maintenance, insurance and certain other operating expenses of the properties. Minimum base rents due under noncancellable leases as of September 30, 2010 are approximately scheduled as follows:

| Fiscal Year | Amount |
|---|---|
| 2011 | 37,632,000 |
| 2012 | 33,442,000 |
| 2013 | 27,490,000 |
| 2014 | 25,160,000 |
| 2015 | 23,029,000 |
| thereafter | 55,398,000 |
| Total | $202,151,000 |

NOTE 12 - RELATED PARTY TRANSACTIONS

During fiscal 2010, the Company executed the Fourth Amendment to the Employment Contract (Fourth Amendment) with Eugene W. Landy, the Company s President and Chief Executive Officer. The existing amended employment agreement had originally expired on December 31, 2009 but was automatically renewed for a one-year term in accordance with the terms of the agreement. The Fourth Amendment increases Mr. Eugene Landy s base salary from $225,000 per year to $275,000 per year, extends the pension payments of $50,000 per year through 2020, awards an Outstanding Leadership Achievement Award in the amount of $300,000 per year for three years for a total of $900,000 and revises the employee s incentive bonus schedule as detailed in the Fourth Amendment. The

Company has accrued additional compensation expense related to the additional pension benefits of $164,000. Mr. Landy receives customary fringe benefits, including health insurance and five weeks vacation. The Employment Agreement is terminable by either party at any time subject to certain notice requirements. In the event of a change in control of the Company, Eugene W. Landy shall receive a lump sum payment of $2,500,000, provided that the sale price of the Company is at least $10 per share of common stock. A change of control shall be defined as the consummation of a reorganization, merger, share exchange, consolidation, or sale or disposition of all or substantially all of the assets of the Company. This change of control provision shall not apply to any combination between the Company and UMH Properties, Inc. Payment shall be made simultaneously with the closing of the transaction, and only in the event that the transaction closes. Eugene W. Landy received $20,500, $16,000 and $18,000 during 2010, 2009 and 2008 as Director. The firm of Eugene W. Landy received $17,500, $-0- and $17,500 during 2010, 2009 and 2008, respectively, as legal fees.

The Company has a note receivable from Mr. Landy with a balance of $984,375 at September 30, 2010 and 2009 which is included in Loans to Officers, Directors and Key Employees included under Shareholders Equity. This note was signed on April 30, 2002 and is due on April 30, 2012. The interest rate is fixed at 5% and the note is collateralized by 150,000 shares of the Company stock. Interest earned by the Company on this note is $49,219 per year.

During fiscal 2010, the Company executed a two-year employment agreement with Cynthia J. Morgenstern, the Executive Vice President, which is effective January 1, 2010 through December 31, 2011. Under its terms, the employment agreement renews for successive one-year terms, unless either party gives written notice of termination to the other party. Effective November 8, 2010, Ms. Morgenstern s employment as Executive Vice President terminated. In accordance with her employment agreement, it is expected that she will be resigning from the Board of Directors. Under this employment agreement, Ms. Morgenstern was entitled to receive a base salary of $241,005 for the year ending December 31, 2010, and was entitled to increases of 5% for the year ending December 31, 2011, plus bonuses, if any, in amounts determined by the Company s board of directors or president. Ms. Morgenstern s employment agreement provided for four weeks paid vacation, the use of an automobile, reimbursement of her reasonable and necessary business expenses and that Ms. Morgenstern was entitled to participate in the Company s employee benefit plans. Ms. Morgenstern s employment agreement also required the Company to reimburse Ms. Morgenstern for the cost of a disability insurance policy such that, in the event of Ms. Morgenstern s disability for a period of more than 90 days, Ms. Morgenstern would have receive benefits equal to 60% of her then-current salary. In the event of a merger, sale or change of control of the Company, which is defined as a change in voting control and excludes transactions between the Company and UMH, Ms. Morgenstern would have had the right to terminate the employment agreement or extend the employment agreement for two years from the date of merger, sale or change in control. If there is a termination of employment for any reason, other than cause, Ms. Morgenstern is entitled to receive the greater of the salary due under the remaining term of the agreement or one year s compensation at the date of termination. Ms. Morgenstern received $20,500, $16,000 and $18,000 during 2010, 2009 and 2008, respectively, as Director.

Effective January 1, 2009, the Company and Michael P. Landy entered into a three-year employment agreement, under which Mr. Michael Landy receives an annual base salary of $190,575 for 2009 with increases of 5% for 2010 and 2011, plus bonuses and customary fringe benefits. Michael P. Landy will also receive four weeks vacation. Michael P. Landy s employment agreement also requires the Company to reimburse Michael P. Landy for the cost of a disability insurance policy such that, in the event of Michael P. Landy s disability for a period of more than 90 days, Michael P. Landy will receive benefits up to 60% of his then-current salary. In the event of a merger, sale or change of voting control of the Company, excluding transactions between the Company and UMH, Michael P. Landy will have the right to extend and renew this employment agreement so that the expiration date will be three years from the date of merger, sale or change of voting control, or Michael P. Landy may terminate the employment agreement and be entitled to receive one year s compensation in accordance with the agreement. If there is a termination of employment by the Company for any reason, either involuntary or voluntary, including the death of the employee, other than a termination for cause as defined by the agreement, Michael P. Landy shall be entitled to the greater of the salary due under the remaining term of the agreement or one year s compensation at the date of termination, paid monthly over the remaining term or life of the agreement. Approximately 30%, 35% and 35% of Michael P. Landy s compensation was allocated to UMH in 2010, 2009 and 2008, respectively, pursuant to a cost

sharing agreement between the Company and UMH. During fiscal 2010, the Compensation Committee of the Board of Directors awarded Michael P. Landy a bonus of $100,000 in recognition of his leadership accomplishments as Chairman of the Executive Committee. Mr. Michael Landy received $20,400, $16,000 and $18,000 during 2010, 2009 and 2008 respectively, as Director.

The Company amended the employment agreement with Maureen E. Vecere, who was appointed the Company s Chief Financial and Accounting Officer on June 2, 2010. Prior to that date, Ms. Vecere was the Company s Controller and Treasurer. The amendment provides for an increase in Ms. Vecere s base salary from $149,000 per year to $180,000 per year for the remainder of calendar 2010 with an increase of 5% for calendar 2011. The other terms of the contract remained unchanged. Ms. Vecere s employment agreement provides for bonuses and customary fringe benefits. Ms. Vecere also receives four weeks vacation. The Company will reimburse Ms. Vecere for the cost of a disability insurance policy such that, in the event of Ms. Vecere s disability for a period of more than 90 days, Ms. Vecere will receive benefits up to 60% of her then-current salary. In the event of a merger, sale or change of voting control of the Company, excluding transactions between the Company and UMH, Ms. Vecere will have the right to extend and renew this employment agreement so that the expiration date will be three years from the date of merger, sale or change of voting control, or the employee may terminate the employment agreement and be entitled to receive one year s compensation in accordance with the agreement. If there is a termination of employment by the Company for any reason, either involuntary or voluntary, including the death of the employee, other than a termination for cause as defined by the agreement, Ms. Vecere shall be entitled to the greater of the salary due under the remaining term of the agreement or one year s compensation at the date of termination, paid monthly over the remaining term or life of the agreement.

Daniel D. Cronheim is an inside Director of the Company and Executive Vice President of David Cronheim Company (Cronheim) and CMS. Daniel Cronheim received $20,500, $16,000 and $18,000 for Director s fees in 2010, 2009 and 2008, respectively. The David Cronheim Company received $22,773, $20,352 and $3,219 in lease commissions in 2010, 2009 and 2008, respectively. The David Cronheim Mortgage Corporation, an affiliated company, received $100,000, $-0- and $-0- in mortgage brokerage commissions in 2010, 2009 and 2008, respectively.

CMS, a division of David Cronheim Company, received the sum of $421,647, $375,477 and $375,477 and for property management fees during the years ended 2010, 2009 and 2008, respectively. During 2010, 2009 and 2008, the Company was subject to a management contract with CMS. For the calendar years 2010, the management fee was fixed at $380,000 per year plus the actual costs of subagents, up to a maximum of 1.5% of rents under management. In 2009 and 2008, the management fee was fixed at $380,000. Management believes that the aforesaid fees are no more than what the Company would pay for comparable services elsewhere.

Prior to the merger with Monmouth Capital on July 31, 2007, the Company operated as part of a group of three public companies (all REITs) which included the Company, UMH and Monmouth Capital Corporation (the affiliated companies). Some general and administrative expenses were allocated between the affiliated companies based on use or services provided. Allocations of salaries and benefits are made based on the amount of the employees time dedicated to each affiliated company. Shared expenses are allocated between the Company and UMH.

There are five Directors of the Company who are also Directors and shareholders of UMH. The Company holds common stock of UMH in its securities portfolio. See Note No. 7 for current holdings. UMH holds $5,000,000 in Debentures due 2015. On October 10, 2008, the Company repurchased $1,000,000 principal amount at par of 2013 Debentures which were held by UMH as of September 30, 2008.

On July 22, 2008, the Company sold its 44,719 square foot industrial property in Ramsey, New Jersey to HSM Acquisitions Partners, Inc. and other related parties, for a selling price of $4,050,000. The decision to sell the property and the terms of the sale were recommended by the Company s Business Judgment Committee, whose members consist of independent directors. The Business Judgment Committee obtained an independent appraisal of the property to assist in determining the contract terms. The Company believes that the terms of the sale are comparable to what the Company could have agreed to with an unrelated party. A one-third interest in the purchasing group is held by the President of CMS, the Company s real estate advisor, who is also the father of one of

the non-executive Directors of the Company. The majority of the purchasing group is unrelated to the Company. No real estate commission was paid on this transaction.

NOTE 13 - TAXES

Income Tax

The Company has elected to be taxed as a Real Estate Investment Trust under the applicable provisions of the Internal Revenue Code under Sections 856 to 860 and the comparable New Jersey Statutes. Under such provisions, the Company will not be taxed on that portion of its taxable income distributed currently to shareholders, provided that at least 90% of its taxable income is distributed. As the Company has and intends to continue to distribute all of its income currently, no provision has been made for income taxes. If the Company fails to qualify as a REIT in any taxable year, it will be subject to federal income taxes at regular corporate rates (including any applicable alternative minimum tax) and may not be able to qualify as a REIT for four subsequent taxable years. Even if the Company qualifies for taxation as a REIT, the Company may be subject to certain state and local taxes on its income and property, and to federal income and excise taxes on its undistributed taxable income. In addition, taxable income from non-REIT activities managed through taxable REIT subsidiaries is subject to federal, state, and local income taxes.

Federal Excise Tax

The Company does not have a Federal excise tax liability for the calendar years 2010, 2009 and 2008, since it intends to or has distributed all of its annual income.

Reconciliation Between GAAP Net Income and Taxable Income

The following table reconciles net income attributable to common shares to taxable income for the years ended September 30, 2010, 2009 and 2008:

| | 2010 Estimated (unaudited) | 2009 Actual | 2008 Actual |
|---|---|---|---|
| Net income (loss) applicable to common shareholders | $ 8,486,301 | $ (868,313) | $ 8,501,551 |
| Book / tax difference on gains / losses from capital transactions | 2,188,804 | 6,398,548 | (564,555) |
| Stock option expense | 33,860 | 77,351 | (57,367) |
| Deferred compensation | 156,832 | (6,680) | (6,185) |
| Other book / tax differences, net | 665,869 | 1,737,216 | 1,977,910 |
| Taxable income before adjustments | 11,531,666 | 7,338,122 | 9,851,354 |
| Add/Less capital (gains) losses | (2,609,149) | 600,782 | (2,674,026) |
| Estimated taxable income subject to 90% dividend requirement | $ 8,922,517 | $ 7,938,904 | $ 7,177,328 |

Reconciliation Between Cash Dividends Paid and Dividends Paid Deduction

The following table reconciles cash dividends paid with the dividends paid deduction for the years ended September 30, 2010, 2009 and 2008:

| | 2010 Estimated (unaudited) | 2009 Actual | 2008 Actual |
|---|---|---|---|
| Cash dividends paid | $ 18,466,225 | $ 14,984,179 | $ 14,474,111 |
| Less: Portion designated capital (gains) losses distribution | (2,609,149) | 600,782 | (2,674,026) |
| Less: Return of capital | (4,684,545) | (5,748,067) | (3,693,042) |
| Estimated dividends paid deduction | $ 11,172,531 | $ 9,836,894 | $ 13,455,095 |

NOTE 14 - SHAREHOLDERS EQUITY AND NONCONTROLLING INTEREST

Common Stock

The Company implemented a dividend reinvestment and stock purchase plan (the DRIP) effective December 15, 1987, as amended. Under the terms of the DRIP and subsequent amendments, shareholders who participate may reinvest all or part of their dividends in additional shares of the Company at a discounted price directly from the

Company, from authorized but unissued shares of the Company common stock or at market price when purchased by the Company s transfer agent on the open market. When purchased in the open market, the purchase price per share will be the weighted average purchase price per share paid by the transfer agent for all of the shares purchased. In determining the weighted average purchase price, purchases may be aggregated for both dividend reinvestment and optional cash purchases, or independent calculations may be made, at the discretion of the Company. According to the terms of the DRIP, shareholders may also purchase additional shares by making optional cash payments monthly.

Amounts received, including dividend reinvestment of $4,646,598, $4,328,028 and $2,886,993 in 2010, 2009 and 2008, respectively, and shares issued in connection with the DRIP for the years ended September 30, 2010, 2009 and 2008 were as follows:

| | 2010 | 2009 | 2008 |
|---|---|---|---|
| Amounts Received | $15,930,405 | $7,450,504 | $4,232,442 |
| Shares Issued | 2,253,074 | 1,221,753 | 612,330 |

During fiscal 2010, the Company sold 5,730,200 shares of common stock in two registered direct placements. The Company received net proceeds from these two offerings of approximately $38,600,000. The Company invested the proceeds in acquisitions of four industrial properties of $53,140,000.

The following cash distributions were paid to common shareholders during the years ended September 30, 2010, 2009 and 2008:

| | 2010 | | 2009 | | 2008 | |
|---|---|---|---|---|---|---|
| Quarter Ended | Amount | Per Share | Amount | Per Share | Amount | Per Share |
| December 31 | $4,176,791 | $ .15 | $3,687,878 | $ .15 | $3,593,204 | $ .15 |
| March 31 | 4,269,670 | .15 | 3,717,464 | .15 | 3,593,204 | .15 |
| June 30 | 4,964,914 | .15 | 3,757,306 | .15 | 3,626,840 | .15 |
| September 30 | 5,054,850 | .15 | 3,821,531 | .15 | 3,660,863 | .15 |
| | $18,466,225 | $ .60 | 14,984,179 | $ .60 | $14,474,111 | $ .60 |

On October 1, 2010 the board of directors declared a dividend of $.15 per share to be paid on December 15, 2010 to shareholders of record on November 15, 2010.

Preferred Stock

The Company had outstanding 1,322,500 shares of 7.625% Series A Cumulative Redeemable Preferred Stock, par value as of September 30, 2010 $.01 per share (Series A Preferred Stock). The annual dividend of $1.90625 per share, or 7.625% of the $25.00 per share liquidation value, is payable quarterly in arrears on March 15, June 15, September 15, and December 15. The Series A Preferred Stock has no maturity and will remain outstanding indefinitely unless redeemed or otherwise repurchased. Except in limited circumstances relating to the Company s qualification as a REIT, and as described below, the Series A Preferred Stock is not redeemable prior to December 5, 2011. On and after December 5, 2011, at any time and from time to time, the Series A Preferred Stock will be redeemable in whole, or in part, at the Company s option, at a cash redemption price of $25.00 per share, plus all accrued and unpaid dividends (whether or not declared) to the date of redemption.

During any period of time that both (i) the Series A Preferred Stock is not listed on the New York Stock Exchange or The NASDAQ Stock Market and (ii) the Company is not subject to the reporting requirements of the Securities Exchange Act of 1934, as amended (the Exchange Act), but any shares of Series A Preferred Stock are outstanding, the Company will (a) increase the cumulative cash dividends payable on the Series A Preferred Stock to a rate of 8.625% per year of the $25.00 liquidation value per share, which is equivalent to $2.15625 per share per year, and (b) have the option to redeem the outstanding Series A Preferred Stock, in whole but not in part, within 90 days after the date upon which the shares of the Company cease to be listed and cease to be subject to such reporting requirements, for a redemption price of $25.00 per share, plus accrued and unpaid dividends, if any, to the redemption date. Holders of the Series A Preferred Stock generally have no voting rights, except if the Company fails to pay dividends for six or more quarterly periods, whether or not consecutive, or with respect to certain specified events.

On October 14, 2010, the Company sold 817,250 shares of its 7.625% Series A Cumulative Redeemable Preferred Stock in a registered direct placement at $24.00 per share. The Company received net proceeds of approximately $19,000,000 and intends to use the net proceeds from the offering to purchase additional properties in the ordinary course of business and for general corporate purposes, including the possible repayment of indebtedness. The Company now has a total of 2,139,750 shares of 7.625% Series A Cumulative Redeemable Preferred Stock outstanding representing an aggregate liquidation preference of approximately $53,500,000.

The board of directors has declared and paid the following dividends on the Series A Preferred Stock for the years ended September 30, 2010, 2009 and 2008:

| Declaration Date | Record Date | Payment Date | Dividend | Dividend per Share |
|---|---|---|---|---|
| 10/6/09 | 11/16/09 | 12/15/09 | $630,303 | $0.4765625 |
| 1/13/10 | 2/16/10 | 3/15/10 | 630,304 | 0.4765625 |
| 4/9/10 | 5/17/10 | 6/15/10 | 630,303 | 0.4765625 |
| 7/1/10 | 8/16/10 | 9/15/10 | 630,304 | 0.4765625 |
| | | | $2,521,214 | $1.90625 |

| Declaration Date | Record Date | Payment Date | Dividend | Dividend per Share |
|---|---|---|---|---|
| 10/1/08 | 11/17/08 | 12/15/08 | $630,303 | $0.4765625 |
| 2/3/09 | 2/17/09 | 3/16/09 | 630,304 | 0.4765625 |
| 5/5/09 | 6/1/09 | 6/30/09 | 630,303 | 0.4765625 |
| 8/5/09 | 8/17/09 | 9/15/09 | 630,304 | 0.4765625 |
| | | | $2,521,214 | $1.90625 |

| Declaration Date | Record Date | Payment Date | Dividend | Dividend per Share |
|---|---|---|---|---|
| 10/1/07 | 11/15/07 | 12/17/07 | $630,336 | $0.4765625 |
| 1/17/08 | 2/15/08 | 3/17/08 | 630,336 | 0.4765625 |
| 4/15/08 | 5/15/08 | 6/16/08 | 630,336 | 0.4765625 |
| 7/1/08 | 8/15/08 | 9/15/08 | 630,336 | 0.4765625 |
| | | | $2,521,344 | $1.90625 |

On October 1, 2010, the board of directors declared a quarterly dividend of $0.4766 per share to be paid December 15, 2010 to shareholders of record as of November 15, 2010.

Treasury Stock

On March 3, 2009, the board of directors approved a 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 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. Shares of stock repurchased under the program will be held as treasury shares. During the year ended September 30, 2009, the Company repurchased 5,000 shares of its common stock for $24,905. There were no repurchases during the year ended September 30, 2010.

Noncontrolling Interest

The following table summarizes the changes in the noncontrolling interests since October 1, 2008:

| | 2010 | 2009 |
|---|---|---|
| Beginning Balance | $3,393,446 | $3,619,196 |
| Net Income Attributable to Noncontrolling Interest | 207,737 | 153,983 |
| Distributions to Noncontrolling Interests | (344,414) | (379,693) |
| Purchase of Noncontrolling Interest in Jones EPI, LLC | (779,016) | -0- |
| Ending Balance | $2,477,753 | $3,393,446 |

NOTE 15 - FAIR VALUE MEASUREMENTS

The Company follows ASC 825, Financial Instruments, for financial assets and liabilities recognized at fair value on a recurring basis. We measure certain financial assets and liabilities at fair value on a recurring basis, including securities available for sale. The fair value of these certain financial assets was determined using the following inputs at September 30, 2010:

| | Fair Value Measurements at Reporting Date Using | | |
|---|---|---|---|
| Total | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |

| | | | | |
|---|---|---|---|---|
| Securities available for sale | $42,517,725 | $42,517,725 | $-0- | $-0- |
| Real estate held for sale | 2,600,278 | -0- | 2,600,278 | -0- |

The Company is also required to disclose certain information about fair values of financial instruments. Estimates of fair value are made at a specific point in time based upon where available, relevant market prices and information about the financial instrument. Such estimates do not include any premium or discount that could result from offering for sale at one time the Company s entire holdings of a particular financial instrument. For a portion of the Company s financial instruments, no quoted market value exists. Therefore, estimates of fair value are necessarily based on a number of significant assumptions (many of which involve events outside the control of management). Such assumptions include assessments of current economic conditions, perceived risks associated with these financial instruments and their counterparties; future expected loss experience and other factors. Given the uncertainties surrounding these assumptions, the reported fair values represent estimates only and, therefore, cannot be compared to the historical accounting model. Use of different assumptions or methodologies is likely to result in significantly different fair value estimates.

The fair value of cash and cash equivalents approximates their current carrying amounts since all such items are short-term in nature. The fair value of variable rate mortgage notes payable and loans payable approximate their current carrying amounts since such amounts payable are at approximately a weighted-average current market rate of interest. At September 30, 2010, the fair value (estimated based upon expected cash outflows discounted at current market rates) and carrying value of fixed rate mortgage notes payable amounted to $209,052,519 and $210,577,861, respectively. As of September 30, 2010, the real estate held for sale is recorded at estimated fair value. As of September 30, 2010, the above listed real estate held for sale consists of an industrial property in Quakertown, PA which was classified as held for sale as of September 30, 2010 and is recorded at estimated fair value.

NOTE 16 - CASH FLOW AND COMPREHENSIVE INCOME INFORMATION

During 2010, 2009 and 2008, the Company paid cash for interest of $15,111,877, $14,084,559 and $13,383,667, respectively. For 2010, 2009 and 2008, these amounts are net of interest capitalized of $-0-, $36,000 and $262,084, respectively.

During 2010, 2009 and 2008, the Company had $4,646,598, $4,328,028 and $2,886,993, respectively, of dividends which were reinvested that required no cash transfers.

The Company assumed a mortgage in connection with the acquisition of the industrial property in Ft. Mill, South Carolina with a balance of approximately $4,764,000 upon assumption.

The following are the reclassification adjustments related to securities available for sale included in Accumulated Other Comprehensive Income (Loss).

| | 2010 | 2009 | 2008 |
|---|---|---|---|
| Unrealized holding gains (losses) arising during the year | $8,928,375 | $9,335,550 | ($5,518,695) |
| Add/Less: reclassification adjustment for (gains) losses realized in income | (2,609,149) | 600,732 | (186,798) |
| Net unrealized gains (losses) | $6,319,226 | $9,936,282 | ($5,705,493) |

NOTE 17 CONTINGENCIES AND COMMITMENTS

From time to time, the Company can be subject to claims and litigation in the ordinary course of business. Management does not believe that any such claim or litigation will have a material adverse effect on the consolidated balance sheet or results of operations.

NOTE 18 SUBSEQUENT EVENTS

Material subsequent events have been evaluated and are disclosed herein.

On October 14, 2010, the Company issued 817,250 shares of its 7.625% Series A Cumulative Redeemable Preferred Stock in a registered direct placement at $24.00 per share. The Company received net proceeds of approximately $19,000,000 and intends to use the net proceeds from the offering to purchase additional properties in the ordinary course of business and for general corporate purposes, including the possible repayment of indebtedness. The Company now has a total of 2,139,750 shares of 7.625% Series A Cumulative Redeemable Preferred Stock outstanding representing an aggregate liquidation preference of approximately $53,500,000.

On October 20, 2010, the Company repaid the mortgage on the Quakertown, Pennsylvania property with a principal balance of $2,437,500 plus accrued interest and fees of $5,717.

On October 28, 2010, the Company purchased a 381,240 square foot industrial building located in Lebanon, Tennessee. The building is 100% net leased through June 30, 2024 to CBOCS Distribution, Inc., a subsidiary of Cracker Barrel Old Country Store, Inc., which guarantees the lease. The purchase price was approximately $14,500,000. The Company assumed the existing mortgage with an outstanding balance of $8,645,181 at a fixed interest rate of 7.6% which matures on July 1, 2019 and paid the remainder in cash from the proceeds of the registered direct placement of common stock completed in April 2010. Annualized rental income over the remaining term of the lease is approximately $1,364,000.

On November 1, 2010, the Company purchased a 66,387 square foot industrial building in Rockford, Illinois. The building is 100% net leased through December 31, 2023 to The Sherwin-Williams Company. The

purchase price was approximately $5,800,000. The Company assumed an existing mortgage with an outstanding balance of $1,932,807 at a fixed interest rate of 5.5% which matures on December 10, 2013 and paid the remainder in cash from the proceeds of the registered direct placement of common stock completed in April 2010. Annual rental income over the remaining term of the lease is approximately $464,000.

Effective November 8, 2010, Cynthia J. Morgenstern's employment as Executive Vice President of Monmouth Real Estate Investment Corporation terminated. In accordance with her Employment Agreement, it is expected that she will be resigning from the Board of Directors.

NOTE 19 SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

The following is the Unaudited Selected Quarterly Financial Data:

SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

THREE MONTHS ENDED

| FISCAL 2010 | 12/31/09 | 3/31/10 | 6/30/10 | 9/30/10 |
|---|---|---|---|---|
| Rental and Reimbursement | | | | |
| Revenue | $10,689,383 | $11,267,270 | $11,505,709 | $11,750,460 |
| Total Expenses | 5,581,492 | 5,654,107 | 6,725,444 | 6,175,409 |
| Other Income (Expense) | (2,612,978) | (2,468,679) | (2,387,056) | (2,233,950) |
| Income from Continuing Operations | 2,494,913 | 3,144,484 | 2,393,209 | 3,343,802 |
| Income (Loss) from Discontinued | | | 22,689 | |
| Operations (1) | 32,838 | 33,841 | | (250,823) |
| Net Income | 2,527,751 | 3,178,325 | 2,415,898 | 3,093,278 |
| Net Income Attributable to | | | | |

| | | | | |
|---|---|---|---|---|
| Noncontrolling Interest | 53,477 | 45,789 | 52,362 | 56,109 |
| Net Income Attributable to MREIC s Shareholders | 2,474,274 | 3,132,536 | 2,363,536 | 3,037,169 |
| Net Income Attributable to MREIC s Common Shareholders | 1,843,970 | 2,502,232 | 1,733,232 | 2,406,866 |
| Net Income Attributable to MREIC s Common Shareholders per share | $0.07 | $0.09 | $0.05 | $0.07 |

| FISCAL 2009 | 12/31/08 | 3/31/09 | 6/30/09 | 9/30/09 |
|---|---|---|---|---|
| Rental and Reimbursement Revenue | $10,282,379 | $10,552,266 | $10,242,682 | $10,241,123 |
| Total Expenses | 5,112,738 | 5,469,304 | 5,395,253 | 5,361,177 |
| Other Income (Expense) | (6,175,106) | (6,167,891) | (2,954,752) | (2,698,856) |
| Income (Loss) from Continuing Operations | (1,005,465) | (1,084,929) | 1,892,677 | 2,181,090 |
| Income (Loss) from Discontinued Operations (1) | 40,337 | (285,595) | 34,460 | 34,269 |
| Net Income (Loss) | (965,128) | (1,370,524) | 1,927,137 | 2,154,147 |
| Net Income Attributable to Noncontrolling Interest | 28,912 | 25,775 | 38,084 | 61,212 |
| Net Income (Loss) Attributable to MREIC s Shareholders | (994,040) | (1,396,299) | 1,889,053 | 2,154,147 |
| Net Income (Loss) Attributable to MREIC s Common Shareholders | (1,624,344) | (2,026,603) | 1,258,749 | 1,523,844 |
| Net Income Attributable to MREIC s Common Shareholders per share | ($0.07) | ($0.08) | $0.05 | $0.06 |

(1) During 2010 and 2009, the Company designated the Quakertown, Pennsylvania property as held for sale.

**MONMOUTH REAL ESTATE INVESTMENT CORPORATION**

**SCHEDULE III**

**REAL ESTATE AND ACCUMULATED DEPRECIATION**

**SEPTEMBER 30, 2010**

| Column A | Column B | Column C | | Column D |
|---|---|---|---|---|
| Description | Encumbrances | Land | Buildings and Improvements | Capitalization Subsequent to Acquisition |
| Shopping Center | | | | |
| Somerset, NJ | $ -0- | $ 55,182 | $ 637,097 | $ 665,218 |
| Vacant Land | | | | |
| Shelby County, TN | -0- | 11,065 | -0- | -0- |
| Industrial Buildings | | | | |
| Monaca, PA | -0- | 330,772 | 878,081 | 2,081,719 |
| Orangeburg, NY | -0- | 694,720 | 2,977,372 | 26,949 |
| Greensboro, NC | -0- | 327,100 | 1,853,700 | 17,200 |
| Jackson, MS | -0- | 218,000 | 1,233,500 | 395,606 |
| Urbandale, IA | -0- | 310,000 | 1,758,000 | 96,515 |
| Richland, MS | -0- | 211,000 | 1,195,000 | 72,000 |
| O'Fallon, MO | -0- | 264,000 | 3,302,000 | 301,188 |
| Fayetteville, NC | 3,534,119 | 172,000 | 4,467,885 | 219,977 |
| Schaumburg, IL | 669,648 | 1,039,800 | 3,694,320 | 171,838 |
| Burr Ridge, IL | 279,567 | 270,000 | 1,236,599 | 55,488 |
| Romulus, MI | 774,038 | 531,000 | 3,653,883 | 32,549 |
| Liberty, MO | 1,174,449 | 723,000 | 6,510,546 | 8,866 |
| Omaha, NE | 1,291,038 | 1,170,000 | 4,425,500 | 88,745 |
| Charlottesville, VA | 971,514 | 1,170,000 | 2,845,000 | 7,700 |
| Jacksonville, FL | 3,024,551 | 1,165,000 | 4,668,080 | 262,726 |
| West Chester Twp, OH | 3,250,388 | 695,000 | 3,342,000 | 1,024,253 |
| Richmond, VA | 2,543,582 | 1,160,000 | 6,413,305 | 113,865 |
| St. Joseph, MO | 4,468,055 | 800,000 | 11,753,964 | -0- |
| Newington, CT | 1,261,380 | 410,000 | 2,961,000 | 17,029 |

| | | | | |
|---|---|---|---|---|
| Cudahy, WI | 2,200,025 | 980,000 | 5,050,997 | 3,336,027 |
| Beltsville, MD | 8,855,438 | 3,200,000 | 5,958,773 | 5,217,056 |
| Granite City, IL | 5,083,024 | 340,000 | 12,046,675 | -0- |
| Monroe, NC | 2,214,178 | 500,000 | 4,981,022 | 2,250 |
| Winston-Salem, NC | 3,496,982 | 980,000 | 5,610,000 | 65,193 |
| Elgin, IL | 2,863,756 | 1,280,000 | 5,529,488 | -0- |
| Tolleson, AZ | 6,682,378 | 1,320,000 | 13,329,000 | -0- |
| Ft. Myers, FL | 2,392,393 | 1,910,000 | 2,499,093 | 41,951 |
| Edwardsville, KS | 2,898,618 | 1,185,000 | 5,815,148 | 20,253 |
| Tampa, FL | 10,124,312 | 5,000,000 | 12,660,003 | -0- |
| Denver, CO | 2,569,648 | 1,150,000 | 3,890,300 | 1,308,516 |
| Hanahan, SC (Norton) | 7,268,255 | 1,129,000 | 11,831,321 | 12,153 |
| Hanahan, SC (FDX) | 2,509,252 | 930,000 | 3,426,362 | 3,250,308 |
| Augusta, GA (FDX Gr) | 1,825,238 | 613,000 | 3,026,409 | 1,685,559 |
| Huntsville, AL | 1,810,614 | 742,500 | 2,724,418 | -0- |
| Richfield, OH | 4,855,143 | 1,000,000 | 7,197,945 | 2,438 |
| Colorado Springs, CO | 2,773,111 | 1,270,000 | 3,821,000 | 2,097,640 |
| Tampa, FL | 5,101,276 | 2,830,000 | 4,704,531 | (229) |
| Griffin, GA | 8,871,154 | 760,000 | 13,692,115 | 416,742 |
| Roanoke, VA | 4,073,232 | 1,853,000 | 4,817,298 | 52,165 |
| Orion, MI | 11,221,324 | 3,630,000 | 13,053,289 | -0- |

**MONMOUTH REAL ESTATE INVESTMENT CORPORATION**

**SCHEDULE III**

**REAL ESTATE AND ACCUMULATED DEPRECIATION**

**SEPTEMBER 30, 2010**

| Column A | Column B | Column C | | Column D |
|---|---|---|---|---|
| Description | Encumbrances | Land | Buildings and Improvements | Capitalization Subsequent to Acquisition |
| Carlstadt, NJ | 2,563,586 | 1,194,000 | 3,645,501 | -0- |
| Wheeling, IL | 5,564,064 | 5,112,120 | 9,186,606 | 4,214,507 |
| White Bear Lake, MN | 1,874,187 | 1,393,000 | 3,764,126 | -0- |
| Cheektowaga, NY | 1,834,042 | 4,768,000 | 3,883,971 | 2,255,391 |
| Richmond, VA (Carrier) | - | 446,000 | 3,910,500 | 14,415 |
| Quakertown, PA * | 2,437,500 | 1,014,000 | 1,806,000 | -0- |
| Montgomery, IL | 5,508,809 | 2,000,000 | 9,225,683 | 16,479 |
| Tampa, FL (Kellogg) | 2,811,162 | 1,867,000 | 3,684,794 | 44,110 |
| Augusta, GA (FDX) | 1,119,967 | 380,000 | 1,400,943 | -0- |
| Lakeland, FL | 1,375,000 | 261,000 | 1,621,163 | -0- |
| El Paso, TX | 5,084,847 | 2,088,242 | 4,514,427 | -0- |
| Chattanooga, TN | 2,712,769 | 300,000 | 4,464,711 | 2,560 |
| Bedford Heights, OH | 3,594,886 | 990,000 | 4,893,912 | 58,614 |
| Kansas City, MO | 2,968,112 | 660,000 | 4,049,832 | 18,542 |
| Punta Gorda, FL | 2,605,395 | 660,000 | 3,441,992 | -0- |
| Cocoa, FL | 6,595,167 | 1,881,316 | 8,623,564 | 4,716 |
| Orlando, FL | 5,499,752 | 2,200,000 | 6,133,800 | 137,108 |
| Topeka, KS | 2,519,764 | -0- | 3,679,843 | -0- |
| Memphis, TN | 9,731,034 | 1,220,000 | 13,380,000 | -0- |
| Houston, TX | 5,172,685 | 1,730,000 | 6,322,355 | -0- |
| Carrollton, TX | 11,431,445 | 1,500,000 | 16,240,000 | -0- |
| Ft. Mill, SC | 4,642,008 | 1,670,000 | 10,045,000 | -0- |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **$** | 210,577,861 | $ | 77,664,817 | $ | 343,390,742 | $ | 29,933,895 |

**MONMOUTH REAL ESTATE INVESTMENT CORPORATION**

**SCHEDULE III**

**REAL ESTATE AND ACCUMULATED DEPRECIATION**

**SEPTEMBER 30, 2010**

| Column A | Column E (1) (2) Gross Amount at Which Carried September 30, 2010 | | |
|---|---|---|---|
| Description | Land | Bldg & Imp | Total |
| Shopping Center | | | |
| Somerset, NJ | $ 55,182 | $ 1,302,315 | $ 1,357,497 |
| Vacant Land | | | |
| Shelby County, TN | 11,065 | -0- | 11,065 |
| Industrial Buildings | | | |
| Monaca, PA | 330,772 | 2,959,800 | 3,290,572 |
| Orangeburg, NY | 694,720 | 3,004,321 | 3,699,041 |
| Greensboro, NC | 327,100 | 1,870,900 | 2,198,000 |
| Jackson, MS | 218,000 | 1,629,106 | 1,847,106 |
| Urbandale, IA | 310,000 | 1,854,515 | 2,164,515 |
| Richland, MS | 211,000 | 1,267,000 | 1,478,000 |
| O'Fallon, MO | 264,000 | 3,603,188 | 3,867,188 |
| Fayetteville, NC | 172,000 | 4,687,862 | 4,859,862 |
| Schaumburg, IL | 1,039,800 | 3,866,158 | 4,905,958 |
| Burr Ridge, IL | 270,000 | 1,292,087 | 1,562,087 |
| Romulus, MI | 531,000 | 3,686,432 | 4,217,432 |
| Liberty, MO | 723,000 | 6,519,412 | 7,242,412 |
| Omaha, NE | 1,170,000 | 4,514,245 | 5,684,245 |
| Charlottesville, VA | 1,170,000 | 2,852,700 | 4,022,700 |
| Jacksonville, FL | 1,165,000 | 4,930,806 | 6,095,806 |
| West Chester Twp, OH | 695,000 | 4,366,253 | 5,061,253 |
| Richmond, VA | 1,160,000 | 6,527,170 | 7,687,170 |
| St. Joseph, MO | 800,000 | 11,753,964 | 12,553,964 |
| Newington, CT | 410,000 | 2,978,029 | 3,388,029 |

| | | | |
|---|---|---|---|
| Cudahy, WI | 980,000 | 8,387,024 | 9,367,024 |
| Beltsville, MD | 3,200,000 | 11,175,829 | 14,375,829 |
| Granite City, IL | 340,000 | 12,046,675 | 12,386,675 |
| Monroe, NC | 500,000 | 4,983,272 | 5,483,272 |
| Winston-Salem, NC | 980,000 | 5,675,193 | 6,655,193 |
| Elgin, IL | 1,280,000 | 5,529,488 | 6,809,488 |
| Tolleson, AZ | 1,320,000 | 13,329,000 | 14,649,000 |
| Ft. Myers, FL | 1,910,000 | 2,541,044 | 4,451,044 |
| Edwardsville, KS | 1,185,000 | 5,835,401 | 7,020,401 |
| Tampa, FL | 5,000,000 | 12,660,003 | 17,660,003 |
| Denver, CO | 1,150,000 | 5,198,816 | 6,348,816 |
| Hanahan, SC (Norton) | 1,129,000 | 11,843,474 | 12,972,474 |
| Hanahan, SC (FDX) | 930,000 | 6,676,670 | 7,606,670 |
| Augusta, GA (FDX Gr) | 613,000 | 4,711,968 | 5,324,968 |
| Huntsville, AL | 742,500 | 2,724,418 | 3,466,918 |
| Richfield, OH | 1,000,000 | 7,200,383 | 8,200,383 |
| Colorado Springs, CO | 1,270,000 | 5,918,640 | 7,188,640 |
| Tampa, FL | 2,830,000 | 4,704,302 | 7,534,302 |
| Griffin, GA | 760,000 | 14,108,857 | 14,868,857 |
| Roanoke, VA | 1,853,000 | 4,869,463 | 6,722,463 |
| Orion, MI | 3,630,000 | 13,053,289 | 16,683,289 |

**MONMOUTH REAL ESTATE INVESTMENT CORPORATION**

**SCHEDULE III**

**REAL ESTATE AND ACCUMULATED DEPRECIATION**

**SEPTEMBER 30, 2010**

| Column A | Column E (1) (2) Gross Amount at Which Carried September 30, 2010 | | |
|---|---|---|---|
| Description | Land | Bldg & Imp | Total |
| Carlstadt, NJ | 1,194,000 | 3,645,501 | 4,839,501 |
| Wheeling, IL | 5,112,120 | 13,401,113 | 18,513,233 |
| White Bear Lake, MN | 1,393,000 | 3,764,126 | 5,157,126 |
| Cheektowaga, NY | 4,768,000 | 6,139,362 | 10,907,362 |
| Richmond, VA (Carrier) | 446,000 | 3,924,915 | 4,370,915 |
| Quakertown, PA * | 1,014,000 | 1,806,000 | 2,820,000 |
| Montgomery, IL | 2,000,000 | 9,242,162 | 11,242,162 |
| Tampa, FL (Kellogg) | 1,867,000 | 3,728,904 | 5,595,904 |
| Augusta, GA (FDX) | 380,000 | 1,400,943 | 1,780,943 |
| Lakeland, FL | 261,000 | 1,621,163 | 1,882,163 |
| El Paso, TX | 2,088,242 | 4,514,427 | 6,602,669 |
| Chattanooga, TN | 300,000 | 4,467,271 | 4,767,271 |
| Bedford Heights, OH | 990,000 | 4,952,526 | 5,942,526 |
| Kansas City, MO | 660,000 | 4,068,374 | 4,728,374 |
| Punta Gorda, FL | 660,000 | 3,441,992 | 4,101,992 |
| Cocoa, FL | 1,881,316 | 8,628,280 | 10,509,596 |
| Orlando, FL | 2,200,000 | 6,270,908 | 8,470,908 |
| Topeka, KS | -0- | 3,679,843 | 3,679,843 |
| Memphis, TN | 1,220,000 | 13,380,000 | 14,600,000 |
| Houston, TX | 1,730,000 | 6,322,355 | 8,052,355 |

| | | | |
|---|---|---|---|
| Carrollton, TX | 1,500,000 | 16,240,000 | 17,740,000 |
| Ft. Mill, SC | 1,670,000 | 10,045,000 | 11,715,000 |
| | $ 77,664,817 | $ 373,324,637 | $ 450,989,454 |

**MONMOUTH REAL ESTATE INVESTMENT CORPORATION**

**SCHEDULE III**

**REAL ESTATE AND ACCUMULATED DEPRECIATION**

**SEPTEMBER 30, 2010**

| Column A | Column F | Column G | Column H | Column I |
|---|---|---|---|---|
| Description | Accumulated Depreciation | Date of Construction | Date Acquired | Depreciable Life |
| Shopping Center | | | | |
| Somerset, NJ | $ 1,203,294 | 1970 | 1970 | 10-33 |
| Vacant Land | | | | |
| Shelby County, TN | -0- | N/A | 2007 | N/A |
| Industrial Buildings | | | | |
| Monaca, PA | 1,997,547 | 1977 | 1977 (A) | 5-31.5 |
| Orangeburg, NY | 1,706,856 | 1990 | 1993 | 31.5 |
| Greensboro, NC | 1,013,163 | 1988 | 1993 | 31.5 |
| Jackson, MS | 761,061 | 1988 | 1993 | 39 |
| Urbandale, IA | 780,329 | 1985 | 1994 | 39 |
| Richland, MS | 517,642 | 1986 | 1994 | 39 |
| O'Fallon, MO | 1,403,782 | 1989 | 1994 | 39 |
| Fayetteville, NC | 1,593,024 | 1996 | 1997 | 39 |
| Schaumburg, IL | 1,392,225 | 1997 | 1997 | 39 |
| Burr Ridge, IL | 425,026 | 1997 | 1997 | 39 |
| Romulus, MI | 1,177,751 | 1998 | 1998 | 39 |
| Liberty, MO | 2,095,450 | 1997 | 1998 | 39 |
| Omaha, NE | 1,340,278 | 1999 | 1999 | 39 |
| Charlottesville, VA | 839,916 | 1998 | 1999 | 39 |
| Jacksonville, FL | 1,425,055 | 1998 | 1999 | 39 |
| West Chester Twp, OH | 1,072,189 | 1999 | 2000 | 39 |
| Richmond, VA | 1,578,563 | 2000 | 2001 | 39 |
| St. Joseph, MO | 2,862,998 | 2000 | 2001 | 39 |

| | | | | |
|---|---|---|---|---|
| Newington, CT | 725,597 | 2001 | 2001 | 39 |
| Cudahy, WI | 1,524,649 | 2001 | 2001 | 39 |
| Beltsville, MD | 1,778,745 | 2000 | 2001 | 39 |
| Granite City, IL | 2,626,426 | 2001 | 2001 | 39 |
| Monroe, NC | 1,085,615 | 2001 | 2001 | 39 |
| Winston-Salem, NC | 1,244,876 | 2001 | 2002 | 39 |
| Elgin, IL | 1,205,096 | 2002 | 2002 | 39 |
| Tolleson, AZ | 2,563,159 | 2002 | 2002 | 39 |
| Ft. Myers, FL | 502,067 | 1974 (B) | 2002 | 39 |
| Edwardsville, KS | 1,126,992 | 2002 | 2003 | 39 |
| Tampa, FL | 2,110,366 | 2004 | 2004 | 39 |
| Denver, CO | 632,501 | 2005 | 2005 | 39 |
| Hanahan, SC (Norton) | 1,669,476 | 2002 | 2005 | 39 |
| Hanahan, SC (FDX) | 688,223 | 2005 | 2005 | 39 |
| Augusta, GA (FDX Gr) | 527,935 | 2005 | 2005 | 39 |
| Huntsville, AL | 364,713 | 2005 | 2005 | 39 |
| Richfield, OH | 830,666 | 2005 | 2006 | 39 |
| Colorado Springs, CO | 573,095 | 2005 | 2006 | 39 |
| Tampa, FL | 522,678 | 1997 | 2006 | 39 |
| Griffin, GA | 1,595,960 | 2002/2005 (c) | 2006 | 39 |
| Roanoke, VA | 427,301 | 1996 | 2007 | 39 |
| Orion, MI | 1,136,349 | 2007 | 2007 | 39 |

**MONMOUTH REAL ESTATE INVESTMENT CORPORATION**

**SCHEDULE III**

**REAL ESTATE AND ACCUMULATED DEPRECIATION**

**SEPTEMBER 30, 2010**

| Column A | Column F | Column G | Column H | Column I |
|---|---|---|---|---|
| Description | Accumulated Depreciation | Date of Construction | Date Acquired | Depreciable Life |
| Carlstadt, NJ | 303,771 | 1977 | 2007 | 39 |
| Wheeling, IL | 1,367,754 | 2003 | 2007 | 39 |
| White Bear Lake, MN | 342,819 | 2001 | 2007 | 39 |
| Cheektowaga, NY | 505,285 | 2002 | 2007 | 39 |
| Richmond, VA (Carrier) | 348,979 | 2004 | 2007 | 39 |
| Quakertown, PA * | 219,722 | 1988 | 2007 | 39 |
| Montgomery, IL | 848,755 | 2004 | 2007 | 39 |
| Tampa, FL (Kellogg) | 341,802 | 1989 | 2007 | 39 |
| Augusta, GA (FDX) | 125,720 | 1993 | 2007 | 39 |
| Lakeland, FL | 145,484 | 1993 | 2007 | 39 |
| El Paso, TX | 405,125 | 2005 | 2007 | 39 |
| Chattanooga, TN | 400,815 | 2002 | 2007 | 39 |
| Bedford Heights, OH | 446,117 | 1998 | 2007 | 39 |
| Kansas City, MO | 364,734 | 2002 | 2007 | 39 |
| Punta Gorda, FL | 297,821 | 2007 | 2007 | 39 |
| Cocoa, FL | 552,976 | 2006 | 2008 | 39 |
| Orlando, FL | 403,228 | 1997 | 2008 | 39 |
| Topeka, KS | 141,545 | 2006 | 2009 | 39 |
| Memphis, TN | 171,540 | 1994 | 2010 | 39 |
| Houston, TX | 81,128 | 2005 | 2010 | 39 |
| Carrollton, TX | 208,205 | 2009 | 2010 | 39 |
| Ft. Mill, SC | 128,782 | 2009 | 2010 | 39 |

| | |
|---|---|
| | $ 58,800,741 |

(A) Buildings & improvements re-acquired in 1986.

(B) Property was renovated in 2001.

(C) Property consist of 2 buildings

* Property was classified as held for sale

MONMOUTH REAL ESTATE INVESTMENT CORPORATION AND SUBSIDIARIES

SCHEDULE III

REAL ESTATE AND ACCUMULATED DEPRECIATION (CONT_D.)

(1)

Reconciliation

REAL ESTATE INVESTMENTS

| | 9/30/10 | 9/30/09 | 9/30/08 |
|---|---|---|---|
| Balance-Beginning of Year | $ 397,998,771 | $ 390,175,072 | $ 356,651,751 |
| Additions: | | | |
| Acquisitions | 52,107,355 | 3,680,000 | 24,428,244 |
| Improvements | 883,328 | 4,143,699 | 15,238,074 |
| Total Additions | 52,990,683 | 7,823,699 | 39,666,318 |
| Sales | (-0-) | (-0-) | (6,142,997) |
| Balance-End of Year | $ $450,989,454 | $ 397,998,771 | $ 390,175,072 |

ACCUMULATED DEPRECIATION

| | 9/30/10 | 9/30/09 | 9/30/08 |
|---|---|---|---|
| Balance-Beginning of Year | $ 49,393,929 | $ 40,824,504 | $ 35,254,756 |
| Depreciation | 9,406,812 | 8,569,425 | 8,017,084 |
| Sales | -0- | -0- | (2,447,336) |
| Balance-End of Year | $ 58,800,741 | $ 49,393,929 | $ 40,824,504 |

MONMOUTH REAL ESTATE INVESTMENT CORPORATION AND SUBSIDIARIES

NOTES TO SCHEDULE III

SEPTEMBER 30,

(1)

Reconciliation

| | 2010 | 2009 | 2008 |
|---|---|---|---|
| Balance Beginning of Year | $ 397,998,771 | $ 390,175,072 | $ 356,651,751 |
| Additions: | | | |
| Somerset, NJ | -0- | 87,421 | 6,405 |
| Monaca, PA | 7,235 | 485,651 | 267,242 |
| Orangeburg, NY | 4,715 | -0- | -0- |
| Greensboro, NC | 2,200 | -0- | -0- |
| Jackson, MS | 118,702 | 150,000 | 3,135 |
| Urbandale, IA | -0- | -0- | -0- |
| Richland, MS | -0- | -0- | -0- |
| O Fallon, MO | 33,413 | -0- | -0- |
| Fayetteville, NC | -0- | -0- | 195,869 |
| Schaumburg, IL | -0- | -0- | -0- |
| Burr Ridge, IL | 5,342 | 26,951 | -0- |
| Romulus, MI | 20,471 | -0- | -0- |
| Liberty, MO | -0- | -0- | -0- |
| Omaha, NE | 2,533 | 44,295 | 41,917 |
| Charlottesville, VA | 3,500 | 4,200 | -0- |
| Jacksonville, FL | 22,976 | 102,814 | 19,750 |
| West Chester Twp, OH | -0- | -0- | -0- |
| Richmond, VA | 90,600 | -0- | -0- |
| St. Joseph, MO | -0- | -0- | -0- |

| | | | | |
|---|---|---|---|---|
| Newington, CT | 11,543 | -0- | 19,783 | |
| Cudahy, WI | 11,824 | -0- | -0- | |
| Beltsville, MD | -0- | 216,377 | 5,000,679 | |
| Granite City, IL | -0- | -0- | -0- | |
| Monroe, NC | 2,250 | -0- | -0- | |
| Winston Salem, NC | 4,275 | -0- | -0- | |
| Elgin, IL | -0- | -0- | -0- | |
| Tolleson, AZ | -0- | -0- | -0- | |
| Ft. Myers, FL | -0- | 3,076 | 4,393 | |
| Edwardsville, KS | -0- | -0- | 20,253 | |
| Tampa, FL (FDX Ground) | -0- | -0- | -0- | |
| Denver, CO | -0- | (3,451) | 1,311,967 | |
| Hanahan, SC (Norton) | -0- | -0- | -0- | |
| Hanahan, SC (FDX) | 192 | 202,502 | 2,778,523 | |
| Augusta, GA | 3,975 | 271,626 | 1,409,958 | |
| Huntsville, AL | -0- | -0- | -0- | |
| Richfield, OH | 2,438 | -0- | -0- | |
| Colorado Springs, CO | -0- | 85,870 | 2,011,770 | |
| Tampa, FL (FDX) | (229) | -0- | -0- | |
| Griffin, GA | -0- | 416,742 | -0- | |
| Roanoke, VA | 52,165 | -0- | -0- | |
| Orion, MI | -0- | -0- | 1,472,289 | (3) |
| Shelby County, TN | -0- | -0- | -0- | |
| Carlstadt, NJ | -0- | -0- | 849,501 | (3) |
| Wheeling, IL | -0- | 1,355 | 3,247,631 | (3) |
| White Bear Lake, MN | -0- | -0- | 121,126 | (3) |
| Cheektowaga, NY | 219,983 | 2,035,408 | 2,274,972 | (3) |
| Richmond, VA (Carrier) | 14,415 | -0- | 171,500 | (3) |

MONMOUTH REAL ESTATE INVESTMENT CORPORATION AND SUBSIDIARIES

NOTES TO SCHEDULE III, (CONT_D)

SEPTEMBER 30,

(1)

Reconciliation (cont_d)

| | 2010 | 2009 | 2008 | |
|---|---|---|---|---|
| Quakertown, PA | -0- | -0- | ($155,000) | (3) |
| Montgomery, IL | 16,479 | -0- | (413,317) | (3) |
| Tampa, FL (Kellogg) | 44,110 | -0- | (305,000) | (3) |
| Augusta, GA (FDX) | -0- | -0- | -0- | |
| Lakeland, FL | -0- | -0- | -0- | |
| El Paso, TX | -0- | -0- | -0- | |
| Chattanooga, TN | 2,560 | -0- | -0- | |
| Bedford Heights, OH | 56,856 | -0- | 1,758 | |
| Kansas City, MO | -0- | -0- | 18,542 | |
| Punta Gorda, FL | -0- | -0- | 451,992 | (3) |
| Cocoa, FL | 4,716 | -0- | 10,504,880 | |
| Orlando, FL | 124,246 | 12,862 | 8,333,800 | |
| Topeka, KS | (157) | 3,680,000 | -0- | |
| Memphis, TN | 14,600,000 | -0- | -0- | |
| Houston, TX | 8,052,355 | -0- | -0- | |
| Carrollton, TX | 17,740,000 | -0- | -0- | |
| Ft. Mill, SC | 11,715,000 | -0- | -0- | |
| Total Additions | 52,990,683 | 7,823,699 | 39,666,318 | |
| Total Disposals | (-0-) | (-0-) | (6,142,997) | |
| Balance End of Year | $ $450,989,454 | $ 397,998,771 | $ 390,175,072 | |

(2)

The aggregate cost for Federal tax purposes approximates historical cost.

(3)

In 2008, the increases and decreases were due to finalization of the purchase price allocation from the MCC merger in 2007.

SIGNATURES

Pursuant to the requirements of Section 13 of 15 (d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

MONMOUTH REAL ESTATE INVESTMENT

CORPORATION

(Registrant)

Date: December 9, 2010

By: /s/ Eugene W. Landy

Eugene W. Landy, President, Chief

Executive Officer and Director

Date: December 9, 2010

By: /s/ Maureen E. Vecere

Maureen E. Vecere, Chief Financial Officer and

Chief Accounting Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Date: December 9, 2010

By: /s/ Eugene W. Landy

Eugene W. Landy, President, Chief

Executive Officer and Director

Date: December 9, 2010

By: /s/ Anna T. Chew

Anna T. Chew, Treasurer and Director

Date: December 9, 2010

By: /s/ Daniel D. Cronheim

Daniel D. Cronheim, Director

Date: December 9, 2010

By: /s/ Catherine B. Elflein

Catherine B. Elflein, Director

Date: December 9, 2010

By: /s/ Neal Herstik

Neal Herstik, Director

Date: December 9, 2010

By: /s/ Matthew I. Hirsch

Matthew I. Hirsch, Director

Date: December 9, 2010

By: /s/ Joshua Kahr

Joshua Kahr, Director

Date: December 9, 2010

By: /s/ Michael P. Landy

Michael P. Landy

Chairman of Executive Committee, EVP

and Director

Date: December 9, 2010

By: /s/ Samuel A. Landy

Samuel A. Landy, Director

Date: December 9, 2010

By: /s/ Scott L. Robinson

Scott L. Robinson, Director

Date: December 9, 2010

By: /s/ Eugene Rothenberg

Eugene Rothenberg, Director

Date: December 9, 2010

By: /s/ Stephen B. Wolgin

Stephen B. Wolgin, Director