

MONMOUTH REAL ESTATE INVESTMENT CORP  
Form 10-K  
December 09, 2015

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, DC 20549**

**FORM 10-K**

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended September 30, 2015

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 001-33177

**MONMOUTH REAL ESTATE INVESTMENT CORPORATION**

(Exact name of registrant as specified in its charter)

**Maryland 22-1897375**

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

incorporation or organization) Identification No.)

**3499 Route 9 North, Suite 3-D, Freehold, NJ 07728**

(Address of Principal Executive Offices) (Zip Code)

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

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

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

7.625% Series A Cumulative Redeemable Preferred Stock, \$0.01 par value per share, \$25 liquidation value per share – New York Stock Exchange

7.875% Series B Cumulative Redeemable Preferred Stock, \$0.01 par value per share, \$25 liquidation value per share – New York Stock Exchange

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.  Yes  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.

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Yes  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.  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.

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

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  No

The aggregate market value of the voting and non-voting common equity of the registrant held by non-affiliates of the registrant at March 31, 2015 was approximately \$621,571,000 (based on the \$11.11 closing price per share of common stock on March 31, 2015).

There were 63,084,752 shares of Common Stock outstanding as of December 1, 2015.

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, together with its predecessors and subsidiaries, unless the context requires otherwise.

The Company is a corporation operating as a qualified real estate investment trust (REIT) under Sections 856-860 of the Internal Revenue Code of 1986, as amended (the Code). The Company has been a REIT since 1969 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).

Narrative Description of Business

The Company’s primary business is the ownership of real estate. Its investment focus is to own well-located, modern industrial buildings, leased primarily to investment-grade tenants on long-term net-leases. In addition, the Company owns a portfolio of REIT investment securities which the Company generally limits to no more than approximately 10% of its undepreciated assets.

At September 30, 2015, the Company held investments in ninety-one properties totaling approximately 13,919,000 square feet with an occupancy rate of 97.7% (See Item 2 for a detailed description of the properties). These properties are located in twenty-eight states: Alabama, Arizona, Colorado, Connecticut, Florida, Georgia, Illinois, Indiana, Iowa, Kansas, Kentucky, Maryland, Michigan, Minnesota, Mississippi, Missouri, Nebraska, New Jersey, New York, North Carolina, Ohio, Oklahoma, Pennsylvania, South Carolina, Tennessee, Texas, Virginia, and Wisconsin. All of these properties are wholly-owned with the exception of the two properties in New Jersey in which the Company owns a majority interest. All properties in which the Company has investments are leased on a net basis except an industrial park in Monaca, Pennsylvania and the shopping center located in Somerset, New Jersey.

During fiscal 2015, the Company purchased ten industrial properties totaling approximately 2,729,000 square feet with net-leased terms ranging from seven to fifteen years resulting in a weighted average lease maturity of 11.9 years. Approximately 964,000 square feet, or 35%, is leased to FedEx Ground Package System, Inc., a subsidiary of FedEx Corporation (FDX). The purchase price for the ten properties was approximately \$191,985,000 and they are located in Florida, Illinois, Indiana, Kentucky, Missouri, Ohio and Texas. These ten properties generate annualized rental income over the life of their leases of approximately \$13,368,000. The funds for these ten acquisitions were provided by eight property level mortgage loans totaling approximately \$122,173,000, draws on an unsecured line of credit and cash on hand. The eight mortgages have a weighted average fixed rate of 4.14% with a weighted average maturity of 13.7 years.

On September 18, 2015, the Company sold its 160,000 square foot industrial building located in Monroe, NC for \$9,000,000, with net sale proceeds to the Company of approximately \$8,847,000. The property was sold to Charlotte Pipe and Foundry Company, the tenant that was leasing the property from the Company through July 31, 2017 at an annual rental rate of approximately \$571,000. The Company purchased this property in 2001 and it had a historic cost basis of approximately \$5,557,000 and a net book value (net of accumulated depreciation) of approximately \$3,825,000. Under Accounting Principles Generally Accepted in the United States of America ("U.S. GAAP"), the sale resulted in a realized gain of approximately \$5,021,000, representing a 131% gain over the depreciated U.S. GAAP basis and a realized gain on a historic cost of approximately \$3,290,000, representing a 59% gain over the Company's historic cost basis.

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In the first quarter of fiscal 2016 to date, the Company purchased two industrial properties totaling approximately 506,000 square feet with net-leased terms of ten years each. Both properties are leased to FedEx Ground Package System, Inc. The purchase price for the two properties was approximately \$50,386,000 and they are located in Louisiana and North Carolina. These two properties generate annualized rental income over the life of their respective leases of approximately \$3,336,000. In addition, these two industrial properties purchased during fiscal 2016 to date, increased our current total leasable square feet to approximately 14,425,000 and our occupancy rate to 97.8%. The funds for these acquisitions were provided by two property level mortgage loans totaling \$33,670,000, draws on an unsecured line of credit and cash on hand. The two mortgages are at fixed rates ranging from 3.87% to 4.08% and have a weighted average interest rate of 3.95%. Each of these mortgages is a fifteen year, self-amortizing loan.

In addition to the two properties purchased during the first quarter of fiscal 2016 to date, we have entered into agreements to purchase seven new build-to-suit, industrial buildings that are currently being developed in Florida, Kansas, Kentucky, Michigan, New York and Washington totaling approximately 1,869,000 square feet with net-leased terms ranging from ten to fifteen years resulting in a weighted average lease maturity of 14.1 years. Approximately 1,732,000 square feet, or 93%, is leased to FedEx Ground Package System, Inc. The purchase price for the seven properties is approximately \$198,804,000. Subject to satisfactory due diligence, we anticipate closing these seven transactions during fiscal 2016 and fiscal 2017. In connection with four of the seven properties, the Company has entered into commitments to obtain four mortgages totaling approximately \$92,116,000 at fixed rates ranging from 3.55% to 3.95%, with a weighted average interest rate of 3.81%. Each of these mortgages is a fifteen year, self-amortizing loan. The Company may make additional acquisitions in fiscal 2016 and fiscal 2017 and the funds for these acquisitions may come from mortgages, draws on our unsecured line of credit, cash on hand, sale of marketable securities, other bank borrowings, proceeds from the Dividend Reinvestment and Stock Purchase Plan (DRIP), private placements and public offerings of additional common or preferred stock or other securities. To the extent that funds or appropriate properties are not available, fewer acquisitions will be made.

Currently, the Company derives its income primarily from real estate rental operations. Rental and Reimbursement Revenue (excluding Lease Termination Income in fiscal 2015, 2014 and 2013 of \$238,625, \$1,182,890 and \$690,730, respectively) was \$77,775,497, \$64,672,341 and \$54,607,086 for the years ended September 30, 2015, 2014 and 2013, respectively. Total assets were \$915,991,942 and \$743,756,700 as of September 30, 2015 and 2014, respectively.

As of September 30, 2015, the Company had approximately 13,919,000 square feet of property, of which approximately 6,002,000 square feet, or 43%, consisting of forty-seven separate stand-alone leases, were leased to FedEx Corporation (FDX) and its subsidiaries, (7% to FDX and 36% to FDX subsidiaries). These properties are located in twenty different states. As of September 30, 2015, the only tenants that leased 5% or more of the Company's total square footage were FDX and its subsidiaries and ULTA, Inc., which leased approximately 671,000 square feet, comprising approximately 5% of the Company's rental space.

During fiscal 2015, the only tenant that accounted for 5% or more of our rental and reimbursement revenue was FDX (including its subsidiaries). Our rental and reimbursement revenue from FDX and its subsidiaries totaled approximately \$41,954,000, \$35,007,000 and \$29,241,000, or 54% (8% from FDX and 46% from FDX subsidiaries), 54% (10% from FDX and 44% from FDX subsidiaries) and 53% (12% from FDX and 41% from FDX subsidiaries) of total rent and reimbursement revenues for the fiscal years ended September 30, 2015, 2014 and 2013, respectively.

The Company's weighted-average lease expiration was 7.2 and 6.7 years as of September 30, 2015 and 2014, respectively, and its average annualized rent per occupied square foot as of September 30, 2015 and 2014 was \$5.48 and \$5.51, respectively. The Company's occupancy rate as of September 30, 2015 and 2014 was 97.7% and 95.9%, respectively.

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The Company competes with other investors in real estate for attractive investment opportunities. These investors include other equity real estate investment trusts, limited partnerships, syndications and private investors, among others. Competition in the market areas in which the Company operates is significant and affects the Company's ability to acquire or expand properties, occupancy levels, rental rates, and operating expenses of certain properties. Management has built relationships with merchant builders which have historically provided the Company with investment opportunities that fit the Company's investment policy. The amount of new construction of industrial properties on the national level has been increasing the past three years following several years of historically low levels of new supply. These levels of new supply, although increasing, still remain below historical norms. Demand for industrial space continues to be very strong. For further discussion of potential impact of competitive conditions on our business, see Item 1A: Risk Factors below.

The Company continues to invest in marketable securities of other REITs, which the Company generally limits to no more than approximately 10% of its undepreciated assets. The Company from time to time may purchase these securities on margin when the interest and dividend yields exceed the cost of the funds. As of September 30, 2015 and 2014, there were no draws against the margin. The REIT securities portfolio, to the extent not pledged to secure borrowings, provides the Company with additional liquidity and additional income. Such securities are subject to risks arising from adverse changes in market rates and prices, primarily interest rate risk relating to debt securities and market price risk relating to equity securities. From time to time, the Company may use derivative instruments to mitigate interest rate risk, however, this has not occurred during any periods presented. At September 30, 2015 and 2014, the Company had \$54,541,237 and \$59,311,403, respectively, of securities available for sale. The unrealized net gain (loss) on securities available for sale at September 30, 2015 and 2014 was \$(5,441,603) and \$121,356, respectively. For the fiscal years ended September 30, 2015, 2014 and 2013, the Company's net realized gains from the sale of securities were \$805,513, \$2,166,766 and \$7,133,252, respectively.

### Investment and Other Policies

The Company's investment policy is to concentrate its investments in the area of long-term net-leased industrial properties, leased primarily to investment-grade tenants. The Company's strategy is to obtain a favorable yield spread between the income from the net-leased industrial properties and interest costs. In addition, management believes that investments in well-located industrial properties provide a potential for long-term capital appreciation. There is the risk that, upon expiration of leases, the properties will become vacant or will be re-leased at lower rents. The results obtained by the Company by re-leasing the properties will depend on the market for industrial properties at that time. The Company has renewed all six leases, or 100% of the gross leasable area that was scheduled to expire during fiscal 2015 at an increase in the weighted average lease rate of 6% on a U.S. GAAP straight-line basis and an increase in the weighted average lease rate of 1% on a cash basis.

The Company seeks to invest in well-located, modern buildings, leased pursuant to long-term net-leases, primarily to investment-grade tenants. In management's opinion, the newly built facilities meet these criteria. The Company has a concentration of properties leased to FDX and FDX subsidiaries. This is a risk factor that shareholders should consider. FDX is a publicly-owned corporation and financial information related to FDX is available at the SEC's website, [www.sec.gov](http://www.sec.gov). The reference in this report to the SEC's website is not intended to and does not include or incorporate by reference into this report the information on this website.



The Company currently has fourteen full-time employees and one part-time employee. One of the Company's employees (Director of Investor Relations, promoted to Vice President of Investor Relations in June 2015) was shared with an affiliated entity, UMH Properties, Inc. (UMH) through September 30, 2015. Through September 30, 2015, the Vice President of Investor Relations' salary was allocated 70% to the Company and 30% to UMH based on the time she worked for each entity. Effective October 1, 2015, the Vice President of Investor Relations began working solely for the Company at which point the Company no longer allocates any portion of her salary to UMH. In addition, the Company's Chairman of the Board is also the Chairman of the Board of UMH. Effective as of October 1, 2015, other than the Company's Chairman of the Board, the Company does not share any employees with UMH.

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Allocations of salaries and benefits were made based on the amount of the employees' time that was dedicated to each affiliated company. Some general and administrative expenses are allocated between the Company and UMH based on use or services provided. In fiscal 2015, total shared expense, including salaries and rent billed by UMH to the Company, were \$158,727. On August 22, 2014, the Company entered into a seven-year lease agreement to occupy 5,680 square feet for the Company's new corporate office space. The lease became effective in January 2015, after which time, the Company ceased to share rent expense with UMH.

The Company may issue securities for property; however, this has not occurred to date. The Company may repurchase or reacquire its shares from time to time if, in the opinion of the Board of Directors, such acquisition is advantageous to the Company. No shares were repurchased or reacquired during fiscal 2015 and, as of September 30, 2015, the Company does not own any of its own shares.

### Property Management

Currently, all ninety-one properties owned by the Company, with the exception of two properties that are located in Streetsboro, Ohio and Carlstadt, New Jersey, are self-managed by the Company.

The Company paid fees directly to local property management subagents in the amount of \$306,487, \$264,811 and \$228,476 for fiscal years ended September 30, 2015, 2014 and 2013, respectively.

Until October 31, 2014, the Company's two industrial properties in Olive Branch, Mississippi, were managed by Industrial Developments International (IDI). Management fees paid to IDI for the fiscal years ended September 30, 2015, 2014 and 2013 were \$8,274, \$49,476 and \$42,550, respectively. These management fees were reimbursed to the Company by the tenants. Effective November 1, 2014, the Company began to self-manage these properties.

The Company's industrial property in Streetsboro, Ohio is managed by GEIS Companies (GEIS). Management fees paid to GEIS for the fiscal years ended September 30, 2015, 2014 and 2013 were \$50,112, \$50,138 and \$50,385, respectively. These management fees were reimbursed to the Company by the tenants.

The Company's industrial property in Carlstadt, New Jersey is owned by Palmer Terrace Realty Associates, LLC. The Company owns 51% of Palmer Terrace Realty Associates, LLC. This property is managed by Marcus Associates, an entity affiliated with the owner of the 49% non-controlling interest. Management fees paid by Palmer Terrace Realty Associates, LLC to Marcus Associates for each of the fiscal years ended September 30, 2015, 2014 and 2013 totaled \$15,804 each year.

Environmental Matters

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

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

### Contact Information

Additional information about the Company can be found on the Company's website which is located at [www.mreic.com](http://www.mreic.com). Information contained on or hyperlinked from our Web site is not incorporated by reference into and should not be considered part of this Annual Report on Form 10-K or our other filings with the Securities and Exchange Commission (SEC). 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 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.

### Financial Information

Management views the Company as a single segment based on its method of internal reporting in addition to its allocation of capital and resources. For required financial information related to our operations and assets, please refer to our consolidated financial statements, including the notes thereto, included in Item 8 "Financial Statements and Supplementary Data" in this Annual Report.

### ITEM 1A – RISK FACTORS

*The following risk factors address the material risks concerning our business. If any of the risks discussed in this report were to occur, our business, prospects, financial condition, results of operation and our ability to service our debt and make distributions to our shareholders could be materially and adversely affected and the market price per share of our stock could decline significantly. Some statements in this report, including statements in the following risk factors, constitute forward-looking statements. Please refer to the section entitled "Cautionary Statement Regarding Forward-Looking Statements."*

## 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 could have a negative effect on us.

Other factors that may affect general economic conditions or local real estate conditions include but are not limited to:

- population and demographic trends;
- employment and personal income trends;
- zoning, use and other regulatory restrictions;

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income tax laws;  
changes in interest rates and availability and costs of financing;  
competition from other available real estate.

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

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

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

**Risks Associated with Our Properties**

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

***Our business is substantially dependent on FedEx Corporation.*** FDX, together with its subsidiaries, is our largest tenant, consisting of forty-seven separate stand-alone leases located in twenty different states as of September 30, 2015. As of September 30, 2015, the Company had approximately 13,919,000 square feet of property, of which approximately 6,002,000 square feet, or 43%, were leased to FDX and its subsidiaries, (7% from FDX and 36% from FDX subsidiaries). Rental and reimbursement revenue from FDX and its subsidiaries is approximately 54% (8% from FDX and 46% from FDX subsidiaries) of total rental and reimbursement revenue for fiscal 2015. No other tenant accounted for 5% or more of the Company's total Rental and Reimbursement revenue for the fiscal 2015. As a result of this concentration, our business, financial condition and results of operations, including the amount of cash available for distribution to our stockholders, could be adversely affected if we are unable to do business with FDX or FDX

reduces its business with us or FDX and its subsidiaries were to become unable to make lease payments because of a downturn in its business or otherwise.

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***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.

***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 may limit 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 shareholders.

***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 and cash available for distribution, the market price of our preferred and common stock and our ability to satisfy our debt service obligations could be materially and adversely affected.





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

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

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

· acquired properties may fail to perform as expected;

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

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

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

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

## **Financing Risks**

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

· rising interest rates on our variable rate debt;

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

· One or more lenders under our \$130.0 million unsecured line of credit could refuse to fund their financing

· commitment to us or could fail, and we may not be able to replace the financing commitment of any such lenders on favorable terms, or at all;

· refinancing terms that are less favorable than the terms of existing debt; and

· inability to meet required payments of principal and/or interest.

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

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

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

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

***Fluctuations in interest rates could materially affect our financial results.*** Because a portion of our debt bears interest at variable rates, increases in interest rates could materially increase our interest expense. If the United States Federal Reserve increases short-term interest rates, this may have a significant upward impact on shorter-term interest rates, including the interest rates that our variable rate debt is based upon. Potential future increases in interest rates and credit spreads may increase our interest expense and therefore negatively affect our financial condition and results of operations, and reduce our access to the debt or equity capital markets.

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

## **Risks Related to our Status as a REIT**

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.

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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 shareholders 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 shareholders in a manner intended to satisfy the 90 percent distribution requirement. Differences in timing between the recognition of income and the related cash receipts or the effect of required debt amortization payments could require us to borrow money or sell assets to pay out enough of our taxable income to satisfy the 90 percent distribution requirement and to avoid corporate income tax.

***We may not have sufficient cash available from operations to pay distributions, and, therefore, distributions may be made from borrowings.*** The actual amount and timing of distributions will be determined by our Board of Directors in its discretion and typically will depend on the amount of cash available for distribution, which will depend on items such as current and projected cash requirements, limitations on distributions imposed by law or our financing arrangements 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. It is our intent that we and our subsidiaries will hold the interests in the real estate for investment with a view to long-term appreciation, engage in the business of acquiring and owning real estate, and make occasional sales as are consistent with our investment objectives. We do not intend to engage in prohibited transactions. We cannot assure you, however, that we will only make sales that satisfy the requirements of the safe harbors or that the IRS will not successfully assert that one or more of such sales are prohibited transactions.

We may be adversely affected if we fail to qualify as a REIT. If we fail to qualify as a REIT, we will not be allowed to deduct distributions to shareholders 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 shareholders and for debt service. Furthermore, we would no longer be required to make any distributions to our shareholders as a condition to REIT qualification. Any distributions to shareholders 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 20% through 2015. Corporate distributees, however, may be eligible for the dividends received deduction on the distributions, subject to limitations under the Code.

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

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

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

***If we were considered to actually or constructively pay a “preferential dividend” to certain of our shareholders, our status as a REIT could be adversely affected.*** In order to qualify as a REIT, we must distribute annually to our shareholders at least 90% of our REIT taxable income, which does not equal net income as calculated in accordance with U.S. GAAP, determined without regard to the deduction for dividends paid and excluding net capital gain. In order for distributions to be counted as satisfying the annual distribution requirements for REITs, and to provide us with a REIT-level tax deduction, the distributions must not be “preferential dividends”. A dividend is not a preferential dividend if the distribution is pro rata among all outstanding shares of stock within a particular class, and in accordance with the preferences among different classes of stock as set forth in our organizational documents. Currently, there is uncertainty as to the application of the law in certain circumstances and the IRS’s position regarding whether certain arrangements that REITs have with their shareholders could give rise to the inadvertent payment of a preferential dividend (e.g., the pricing methodology for stock purchased under a distribution reinvestment plan inadvertently causing a greater than 5% discount on the price of such stock purchased). There is no de minimis exception with respect to preferential dividends; therefore, if the IRS were to take the position that we inadvertently paid a preferential dividend, we may be deemed to have failed the 90% distribution test, and our status as a REIT could be terminated for the year in which such determination is made if we were unable to cure such failure. While we believe that our operations have been structured in such a manner that we will not be treated as inadvertently paying preferential dividends, we can provide no assurance to this effect.

***Notwithstanding our status as a REIT, we are subject to various federal, state and local taxes on our income and property.*** For example, we will be taxed at regular corporate rates on any undistributed taxable income, including undistributed net capital gains; provided, however, that properly designated undistributed capital gains will effectively avoid taxation at the shareholder 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.

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**Other Risks**

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

***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 shareholder approval.*** Our Board of Directors determines our growth, investment, financing, capitalization, borrowing, operations and distributions policies. In addition, our charter provides that our board of directors may revoke or otherwise terminate our REIT election, without the approval of our shareholders, if it determines that it is no longer in our best interest to continue to qualify as a REIT. 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 shareholders. Accordingly, shareholders 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 shareholders.

***The market value of our preferred and common stock could decrease based on our performance and market perception and conditions.*** The market value of our preferred and common stock may be based primarily upon the market's perception of our growth potential and current and future cash dividends, and may be secondarily based upon the real estate market value of our underlying assets. The market price of our preferred and common stock is influenced by their respective distributions relative to market interest rates. Rising interest rates may lead potential buyers of our stock to expect a higher distribution rate, which could adversely affect the market price of our stock. In addition, rising interest rates could result in increased expense, thereby adversely affecting cash flow and our ability to service our indebtedness and pay distributions.

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

***Our earnings are dependent, in part, upon the performance of our investment portfolio.*** As permitted by the Code, we invest in and own marketable securities of other REITs, which we generally limit to no more than approximately 10% of our undepreciated assets. 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 shareholders from voting on the election of more than one class of directors at any annual meeting of shareholders, 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 shareholders may desire.

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

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

Our Board of Directors may authorize and cause us to issue securities without shareholder 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.

"Business combination" provisions that provide that, unless exempted, a Maryland corporation may not engage in certain business combinations, including mergers, dispositions of 10 percent or more of its assets, certain issuances of shares of stock and other specified transactions, with an "interested shareholder" or an affiliate of an interested shareholder for five years after the most recent date on which the interested shareholder became an interested shareholder, and thereafter unless specified criteria are met. An interested shareholder is defined generally as any person who beneficially owns 10% or more of the voting power of our shares or an affiliate thereof or an affiliate or associate of ours who was the beneficial owner, directly or indirectly, of 10% or more of the voting power of our then outstanding voting stock at any time within the two-year period immediately prior to the date in question. 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.

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

***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 and is subject to limitations under our financing arrangements and Maryland law. We cannot guarantee that we will be able to pay distributions on a regular quarterly basis in the future.

***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.

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

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

ITEM 1B – UNRESOLVED STAFF COMMENTS

None.

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

The following table sets forth certain information concerning the Company's real estate investments as of September 30, 2015:

<b>State</b>	<b>City (MSA)</b>	<b>Fiscal Year Acquisition</b>	<b>Type</b>	<b>Square Footage</b>	<b>Mortgage Balance 9/30/2015</b>
AL	Huntsville	2005	Industrial	73,712	\$991,088
AZ	Tolleson (Phoenix)	2003	Industrial	283,358	6,043,710
CO	Colorado Springs	2006	Industrial	68,370	1,600,686
CO	Denver	2005	Industrial	69,865	1,354,284
CT	Newington (Hartford)	2001	Industrial	54,812	-0-
FL	Cocoa	2008	Industrial	144,138	5,364,157
FL	Ft. Myers	2003	Industrial	87,500	-0-
FL	Jacksonville (FDX)	1999	Industrial	95,883	1,706,962
FL	Jacksonville (FDX Ground)	2015	Industrial	297,579	19,494,453
FL	Lakeland	2006	Industrial	32,105	-0-
FL	Orlando	2008	Industrial	110,638	4,570,915
FL	Punta Gorda	2007	Industrial	34,624	2,111,294
FL	Tampa (FDX Gr)	2004	Industrial	170,779	7,313,195
FL	Tampa (FDX)	2006	Industrial	95,662	4,132,523
FL	Tampa (Tampa Bay Grand Prix)	2005	Industrial	68,385	-0-
GA	Augusta (FDX Gr)	2005	Industrial	59,358	974,351
GA	Augusta (FDX)	2006	Industrial	30,184	-0-
GA	Griffin (Atlanta)	2006	Industrial	218,120	7,026,763
IA	Urbandale (Des Moines)	1994	Industrial	36,270	-0-
IL	Burr Ridge (Chicago)	1997	Industrial	12,500	-0-
IL	Elgin (Chicago)	2002	Industrial	89,052	844,690
IL	Granite City (St. Louis, MO)	2001	Industrial	184,800	1,151,798
IL	Montgomery (Chicago)	2004	Industrial	171,200	-0-
IL	Rockford (B/E Aerospace, Inc.)	2015	Industrial	38,833	-0-
IL	Rockford (Sherwin-Williams Company)	2011	Industrial	66,387	-0-
IL	Sauget (St. Louis, MO)	2015	Industrial	198,773	10,233,837
IL	Schaumburg (Chicago)	1997	Industrial	73,500	-0-
IL	Wheeling (Chicago)	2003	Industrial	123,000	3,457,456
IN	Greenwood (Indianapolis)	2015	Industrial	671,354	23,987,008
IN	Indianapolis	2014	Industrial	327,822	13,161,911
KS	Edwardsville (Kansas City) (Carlisle Tire)	2003	Industrial	179,280	894,552
KS	Edwardsville (Kansas City) (International Paper)	2014	Industrial	280,000	11,340,664
KS	Topeka	2009	Industrial	40,000	1,590,945

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KY	Buckner (Louisville)	2014	Industrial	558,600	17,347,243
KY	Frankfort (Lexington)	2015	Industrial	599,840	19,078,153
MD	Beltsville (Washington, DC)	2001	Industrial	144,523	5,164,724
MI	Livonia (Detroit)	2013	Industrial	172,005	8,068,751
MI	Orion	2007	Industrial	245,633	9,095,386
MI	Romulus (Detroit)	1998	Industrial	71,933	-0-
MN	Stewartville (Rochester) (1)	2013	Industrial	60,398	2,846,710
MN	White Bear Lake (Minneapolis/St. Paul)	2001	Industrial	59,425	-0-
MO	Kansas City (Bunzl Distribution Midcentral, Inc.)	2015	Industrial	158,417	7,107,312
MO	Kansas City (Kellogg Sales Company)	2007	Industrial	65,067	2,381,917
MO	Liberty (Kansas City)	1998	Industrial	95,898	-0-
MO	O' Fallon (St. Louis)	1994	Industrial	102,135	-0-



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State	City (MSA)	Fiscal Year	Acquisition Type	Square Footage	Mortgage Balance 9/30/2015
MO	St. Joseph	2001	Industrial	382,880	\$417,435
MS	Olive Branch (Memphis, TN) (Anda)	2012	Industrial	234,660	9,302,178
MS	Olive Branch (Memphis, TN) (Milwaukee Tool)	2013	Industrial	615,305	14,312,846
MS	Ridgeland (Jackson)	1993	Industrial	26,340	-0-
MS	Richland (Jackson)	1994	Industrial	36,000	-0-
NC	Fayetteville	1997	Industrial	148,000	-0-
NC	Winston-Salem	2002	Industrial	106,507	-0-
NE	Omaha	1999	Industrial	89,115	-0-
NJ	Carlstadt (New York, NY) (2)	2001	Industrial	60,400	2,045,141
NJ	Somerset (3)	1970	Shopping Center	64,138	-0-
NY	Cheektowaga (Buffalo)	2000	Industrial	104,981	639,095
NY	Halfmoon (Albany)	2012	Industrial	75,000	3,886,331
NY	Orangeburg (New York)	1993	Industrial	50,400	-0-
OH	Bedford Heights (Cleveland)	2007	Industrial	82,269	2,862,734
OH	Cincinnati	2015	Industrial	63,840	-0-
OH	Lebanon (Cincinnati)	2012	Industrial	51,130	2,695,845
OH	Monroe (Cincinnati)	2015	Industrial	232,200	8,518,754
OH	Richfield (Cleveland)	2006	Industrial	131,152	3,414,645
OH	Streetsboro (Cleveland)	2012	Industrial	368,060	10,972,757
OH	West Chester Twp. (Cincinnati)	1999	Industrial	103,818	2,305,050
OK	Oklahoma City	2012	Industrial	158,340	4,863,512
OK	Tulsa	2014	Industrial	46,240	2,050,342
PA	Altoona (1)	2014	Industrial	122,522	4,376,801
PA	Monaca (Pittsburgh)	1988	Industrial	255,658	-0-
SC	Ft. Mill (Charlotte, NC)	2010	Industrial	176,939	2,468,015
SC	Hanahan (Charleston) (SAIC)	2005	Industrial	302,400	5,939,583
SC	Hanahan (Charleston) (FDX Gr)	2005	Industrial	91,776	1,339,490
TN	Chattanooga	2007	Industrial	60,637	1,774,568
TN	Lebanon (Nashville)	2011	Industrial	381,240	7,856,077
TN	Memphis	2010	Industrial	449,900	7,418,616
TN	Shelby County	2007	Land	N/A	-0-
TX	Carrollton (Dallas)	2010	Industrial	184,317	8,640,732
TX	Corpus Christi	2012	Industrial	46,253	-0-
TX	Edinburg	2011	Industrial	113,582	-0-
TX	El Paso	2006	Industrial	144,149	3,611,052
TX	El Paso	2011	Land	N/A	-0-
TX	Fort Worth (Dallas)	2015	Industrial	304,608	24,700,000
TX	Houston	2010	Industrial	91,295	3,531,824
TX	Lindale (Tyler)	2015	Industrial	163,378	6,723,881
TX	Spring (Houston)	2014	Industrial	181,176	9,692,678
TX	Waco	2012	Industrial	150,710	5,063,021
VA	Charlottesville	1999	Industrial	48,064	-0-
VA	Mechanicsville (Richmond) (FDX)	2001	Industrial	112,799	-0-
VA	Richmond (United Technologies)	2004	Industrial	60,000	-0-
VA	Roanoke (CHEP)	2007	Industrial	83,000	2,819,927

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VA	Roanoke (FDX Gr)	2013	Industrial	103,402	5,758,502
WI	Cudahy (Milwaukee)	2001	Industrial	139,564	-0-
WI	Green Bay (1)	2013	Industrial	99,102	3,552,304
				13,918,963	\$373,991,174

- (1) One loan is secured by the properties located in Green Bay, WI, Stewartville, MN and Altoona, PA.
- (2) The Company owns a 51% controlling equity interest.
- (3) The Company has a 67% controlling equity interest.

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The following table sets forth certain information concerning the principal tenants and leases for the Company's properties shown above as of September 30, 2015:

State	City (MSA)	Tenant	Annualized Rent	Lease Expiration
AL	Huntsville	FedEx Ground Package System, Inc.	\$412,000	08 /31/22 (1 )
AZ	Tolleson (Phoenix)	Western Container Corp.	1,270,000	04 /30/17
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 (Hartford)	Kellogg Sales Company	329,000	02 /28/17
FL	Cocoa	FedEx Ground Package System, Inc.	1,104,000	09 /30/24
FL	Ft. Myers	FedEx Ground Package System, Inc.	432,000	10 /31/16 (2 )
FL	Jacksonville	FedEx Corporation	518,000	05 /31/19
FL	Jacksonville	FedEx Ground Package System, Inc.	1,992,000	12 /31/29
FL	Lakeland	FedEx Corporation	155,000	11 /30/17
FL	Orlando	FedEx Corporation	666,000	11 /30/17
FL	Punta Gorda	FedEx Corporation	304,000	06 /30/17
FL	Tampa	FedEx Ground Package System, Inc.	1,493,000	06 /30/24 (3 )
FL	Tampa	FedEx Corporation	603,000	09 /30/17
FL	Tampa	Tampa Bay Grand Prix	285,000	09 /30/20
GA	Augusta	FedEx Ground Package System, Inc.	453,000	06 /30/18
GA	Augusta	FedEx Corporation	121,000	11 /30/22
GA	Griffin (Atlanta)	Caterpillar Logistics Services, Inc.	1,169,000	11 /30/16
IA	Urbandale (Des Moines)	Keystone Automotive Industries MN, Inc.	139,000	03 /31/17
IL	Burr Ridge (Chicago)	Sherwin-Williams Company	160,000	10 /31/21
IL	Elgin (Chicago)	Joseph T. Ryerson and Son, Inc.	506,000	01 /31/17
IL	Granite City (St. Louis, MO)	Anheuser-Busch, Inc.	792,000	05 /31/16 (4 )
IL	Montgomery (Chicago)	Home Depot USA, Inc.	966,000	06 /30/20 (2 )
IL	Rockford	B/E Aerospace, Inc.	359,000	06 /30/27
IL	Rockford	Sherwin-Williams Company	475,000	12 /31/23
IL	Sauget (St. Louis, MO)	FedEx Ground Package System, Inc.	1,036,000	05 /31/29
IL	Schaumburg (Chicago)	FedEx Corporation	515,000	03 /31/17
IL	Wheeling (Chicago)	FedEx Ground Package System, Inc.	1,386,000	05 /31/17
IN	Greenwood (Indianapolis)	ULTA, Inc.	2,644,000	07 /31/25
IN	Indianapolis	FedEx Ground Package System, Inc.	1,533,000	04 /30/24
KS	Edwardsville (Kansas City)	Carlisle Tire & Wheel Company	774,000	05 /31/18
KS	Edwardsville (Kansas City)	International Paper Company	1,314,000	08 /31/23
KS	Topeka	The Coca-Cola Company	332,000	09 /30/21
KY	Buckner (Louisville)	Ralcorp Holdings, Inc.	2,146,000	10 /31/33
KY	Frankfort (Lexington)	Jim Beam Brands Company	1,989,000	01 /31/25
MD	Beltsville (Washington, DC)	FedEx Ground Package System, Inc.	1,426,000	07 /31/18
MI	Livonia (Detroit)	FedEx Ground Package System, Inc.	1,194,000	03 /31/22
MI	Orion	FedEx Ground Package System, Inc.	1,908,000	06 /30/23
MI	Romulus (Detroit)	FedEx Corporation	370,000	05 /31/21
MN	Stewartville (Rochester)	FedEx Ground Package System, Inc.	372,000	05 /30/23
MN	White Bear Lake (Minneapolis/St. Paul)	Vacant	-0-	N/A

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MO	Kansas City	Bunzl Distribution Midcentral, Inc.	736,000	09 /30/21	
MO	Kansas City	Kellogg Sales Company	331,000	07 /31/18	(2 )
MO	Liberty (Kansas City)	Holland 1916 Inc.	337,000	06 /30/19	
MO	O' Fallon (St. Louis)	Pittsburgh Glass Works LLC	427,000	06 /30/18	(2)(16)
MO	St. Joseph	Woodstream Corporation	896,000	09 /30/17	(5 )
MO	St. Joseph	Altec Industries, Inc.	349,000	02 /28/18	(5 )
MS	Olive Branch (Memphis, TN)	Anda Pharmaceuticals, Inc.	1,191,000	07 /31/22	
MS	Olive Branch (Memphis, TN)	Milwaukee Electric Tool Corporation	1,995,000	04 /30/23	
MS	Richland (Jackson)	FedEx Corporation	120,000	03 /31/24	
MS	Ridgeland (Jackson)	Graybar Electric Company	109,000	07 /31/19	(6 )
NC	Fayetteville	Vacant	-0-	N/A	(7 )
NC	Winston-Salem	Vacant	-0-	N/A	(8 )
NE	Omaha	FedEx Corporation	446,000	10 /31/23	
NJ	Carlstadt (New York, NY)	SOFIVE, Inc.	512,000	01 /31/25	(9 )

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State	City (MSA)	Tenant	Annualized Rent	Lease Expiration	
NJ	Somerset	Various Tenants at Retail Shopping Center	\$546,000	Various	(10 )
NY	Cheektowaga (Buffalo)	FedEx Ground Package System, Inc.	966,000	08	/31/19
NY	Halfmoon (Albany)	RGH Enterprises, Inc.	590,000	11	/30/21
NY	Orangeburg (New York)	Kellogg Sales Company	331,000	02	/28/18 (2 )
OH	Bedford Heights (Cleveland)	FedEx Corporation	408,000	08	/31/18
OH	Cincinnati	The American Bottling Company	480,000	09	/30/29
OH	Lebanon (Cincinnati)	Siemens Real Estate	467,000	04	/30/19
OH	Monroe (Cincinnati)	UGN, Inc.	1,045,000	02	/28/30
OH	Richfield (Cleveland)	FedEx Ground Package System, Inc.	1,490,000	09	/30/24
OH	Streetsboro (Cleveland)	Best Buy Warehousing Logistics, Inc.	1,626,000	01	/31/22
OH	West Chester Twp. (Cincinnati)	FedEx Ground Package System, Inc.	525,000	08	/31/23
OK	Oklahoma City	FedEx Ground Package System, Inc.	1,022,000	06	/30/25 (11 )
OK	Tulsa	The American Bottling Company	255,000	02	/28/24
PA	Altoona	FedEx Ground Package System, Inc.	651,000	08	/31/23
PA	Monaca (Pittsburgh)	NF&M International, Inc.	820,000	12	/31/24 (5)(12)
PA	Monaca (Pittsburgh)	Datatel Resources Corporation	239,000	11	/30/17 (2)(5)
SC	Ft. Mill (Charlotte, NC)	FedEx Ground Package System, Inc.	1,415,000	10	/31/23
SC	Hanahan (Charleston)	Science Applications International Corporation	1,412,000	04	/30/19 (2 )
SC	Hanahan (Charleston)	FedEx Ground Package System, Inc.	675,000	07	/31/18
TN	Chattanooga	FedEx Corporation	311,000	10	/31/17
TN	Lebanon (Nashville)	CBOCS Distribution, Inc.	1,406,000	06	/30/24
TN	Memphis	FedEx Supply Chain Services, Inc.	1,327,000	05	/31/19
TN	Shelby County	N/A- Land	-0-	N/A	
TX	Carrollton (Dallas)	United Technologies Corporation	1,576,000	01	/11/19
TX	Corpus Christi	FedEx Ground Package System, Inc.	458,000	08	/31/21
TX	Edinburg	FedEx Ground Package System, Inc.	598,000	08	/31/21 (13 )
TX	El Paso	FedEx Ground Package System, Inc.	1,320,000	09	/30/23 (14 )
TX	El Paso	N/A- Land	-0-	N/A	(14 )
TX	Fort Worth (Dallas)	FedEx Ground Package System, Inc.	2,362,000	04	/30/30
TX	Houston	National Oilwell Varco, Inc.	741,000	09	/30/22
TX	Lindale (Tyler)	FedEx Ground Package System, Inc.	725,000	06	/30/24
TX	Spring (Houston)	FedEx Ground Package System, Inc.	1,577,000	09	/30/24
TX	Waco	FedEx Ground Package System, Inc.	1,045,000	08	/31/25 (15 )
VA	Charlottesville	FedEx Corporation	329,000	08	/31/17
VA	Mechanicsville (Richmond)	FedEx Corporation	541,000	04	/30/23
VA	Richmond	United Technologies Corporation	312,000	05	/31/16 (4 )
VA	Roanoke	CHEP USA, Inc.	473,000	02	/28/25 (17 )
VA	Roanoke	FedEx Ground Package System, Inc.	755,000	04	/30/23
WI	Cudahy (Milwaukee)	FedEx Ground Package System, Inc.	901,000	06	/30/17
WI	Green Bay	FedEx Ground Package System, Inc.	468,000	05	/30/23
			\$74,487,000		

(1) The Company has entered into a lease amendment that will become effective upon completion of a 14,941 square foot expansion of the building, which is expected to be completed in August 2016. At that time, annualized rent will increase from \$412,255, or \$5.59 per square foot, to \$604,785 or \$6.82 per square foot, and the lease term will be extended from August 31, 2022 to July 31, 2026.

(2) Extension has been executed. See fiscal 2015 and fiscal 2016 renewal and extension chart.

(3) The Company has entered into a lease amendment that will become effective upon completion of a parking lot expansion, which is expected to be completed in August 2016. At that time, annualized rent will increase from \$1,493,325, or \$8.74 per square foot, to \$1,623,608, or \$9.51 per square foot, and the lease term will be extended from June 30, 2024 to July 31, 2026.

(4) Renewal is in discussion for leases expiring in fiscal 2016.

(5) Property is leased to two tenants.

(6) Lease has an early termination option which may be exercised if tenant gives six months notice at any time.

(7) The Company entered into a 5.25 year lease agreement through February 28, 2021. The lease commenced December 1, 2015 and is with Victory Packaging, L.P., a wholly-owned subsidiary of KapStone Paper and Packaging Corporation, a publicly-owned company. The initial annual rent of \$469,160, representing \$3.17 per square foot, will commence on March 1, 2016, with 2.5% annual increases thereafter.

(8) The Company entered into a 5.25 year lease agreement through March 31, 2021. The lease is with Style Crest, Inc. and will commence on January 1, 2016. Initial annual rent of \$356,798, representing \$3.35 per square foot, will commence on April 1, 2016 with 3.0% annual increases thereafter.

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- (9) Estimated annual rent is the full annual rent per the lease. The Company consolidates the results of this property due to its 51% controlling equity interest.
- (10) The Company owns a 67% controlling equity interest. Estimated annual rent reflects the Company's proportionate share of the total rent. The Company has recently entered into three leasing agreements that have become or will become effective subsequent to September 30, 2015, at which time the Company's 64,138 square foot shopping center will be 100% occupied.
- (11) During June 2015, a 38,428 square foot expansion of the building was completed for a cost of approximately \$3,332,000, resulting in a new 10 year lease which extended the current lease expiration date from March 31, 2022 to June 30, 2025. In addition, the expansion resulted in an increase in annual rent effective August 1, 2015 from \$712,532, or \$5.94 per square foot, to \$1,048,250, or \$6.62 per square foot.
- (12) During December 2014, a 62,260 square foot expansion of the building was completed for a cost of approximately \$4,503,000, resulting in a new 10 year lease which extended the current lease expiration date from September 30, 2018 to December 31, 2024. In addition, the expansion resulted in an initial increase in annual rent effective January 1, 2015 from \$381,805, or \$3.39 per square foot, to \$820,000, or \$4.69 per square foot. Furthermore, annual rent will increase in year five of the lease effective January 1, 2020 to \$841,600, or \$4.81 per square foot, resulting in an annualized rent over the new ten year period of \$830,800, or \$4.75 per square foot.
- (13) The Company has entered into a lease amendment that will become effective upon completion of a 50,741 square foot expansion of the building, which is expected to be completed in October 2016. At that time, annualized rent will increase from \$598,333, or \$5.27 per square foot, to \$1,052,037, or \$6.40 per square foot, and the lease term will be extended from August 31, 2021 to September 30, 2026.
- (14) During June 2015, a parking lot expansion for the property was completed for a cost of approximately \$2,472,000 resulting in an increase in annual rent effective July 1, 2015 from \$1,045,610, or \$7.25 per square foot, to \$1,345,289, or \$9.33 per square foot.
- (15) During August 2015, a 48,116 square foot expansion of the building was completed for a cost of approximately \$4,125,000, resulting in a new 10 year lease which extended the current lease expiration date from May 29, 2022 to August 31, 2025. In addition, the expansion resulted in an increase in annual rent effective August 15, 2015 from \$659,324, or \$6.43 per square foot, to \$1,078,383, or \$7.16 per square foot.
- (16) Lease has an early termination option which may be exercised after January 1, 2016 but before December 31, 2016, on the condition that the Company is provided with six months notice and the tenant pays the Company a \$213,462 termination fee. Additionally, the lease has an early termination option which may be exercised after January 1, 2017, on the condition that the Company is provided with six months notice and the tenant pays the Company a \$106,731 termination fee.
- (17) Lease has an early termination option which may be exercised after August 2021, on the condition that the Company is provided with six months notice and the tenant pays the Company a \$500,000 termination fee.

All improved properties were 100% occupied at September 30, 2015 except for the following:

<u>Property</u>	<u>Square</u>	
	<u>Footage</u>	<u>Occupancy</u>
Fayetteville, NC (1)	148,000	0%
Winston-Salem, NC (2)	106,507	0%
Somerset, NJ (3)	64,138	84%
White Bear Lake, MN	59,425	0%

In September 2015, the Company entered into a 5.25 year lease agreement for its 148,000 square foot building located in Fayetteville, NC through February 28, 2021. The lease commenced December 1, 2015 and is with (1) Victory Packaging, L.P., a wholly-owned subsidiary of KapStone Paper and Packaging Corporation, a publicly-owned company. The initial annual rent of \$469,160, representing \$3.17 per square foot, will commence on March 1, 2016 with 2.5% annual increases thereafter.

In October 2015, the Company entered into a 5.25 year lease agreement for its 106,507 square foot building located in Winston-Salem, NC through March 31, 2021. The lease is with Style Crest, Inc. and will commence on (2) January 1, 2016. Initial annual rent of \$356,798, representing \$3.35 per square foot, will commence on April 1, 2016 with 3.0% annual increases thereafter.

The Company has recently entered into three leasing agreements that have become or will become effective (3) subsequent to September 30, 2015, at which time the Company's 64,138 square foot shopping center will be 100% occupied.

The Company's weighted-average lease expiration was 7.2 and 6.7 years as of September 30, 2015 and 2014, respectively.

Our average occupancy rates as of the years ended September 30, 2015, 2014, 2013, 2012 and 2011 were 97.7%, 95.9%, 96.0%, 95.2% and 97.1%, respectively. The average effective annualized rent per square foot for the years ended September 30, 2015, 2014, 2013, 2012 and 2011 was \$5.48, \$5.51, \$5.53, \$5.62 and \$5.59, respectively.

*Completed expansions that have resulted in increased rents over the fiscal years ended September 30, 2014 and 2015*

E-Commerce has been a major catalyst driving increased demand for the industrial property type, causing an ongoing shift from traditional brick and mortar retail shopping to shopping on-line. Due to the increased demand for industrial space, we have been experiencing an increase in expansion activity at our existing properties.



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On December 21, 2012, the Company purchased approximately 4.1 acres of land adjacent to its property which is leased to FedEx Ground Package System, Inc. located in Orion, MI for \$988,579 in order to construct a parking lot. In addition, a 52,154 square foot expansion of a building was completed in June 2013 for a cost of approximately \$3,800,000 resulting in an increase in annual rent effective July 1, 2013 from \$1,285,265, or \$6.64 per square foot, to \$1,744,853, or \$7.10 per square foot. The parking lot expansion was completed in September 2013 for a total cost of approximately \$1,500,000 resulting in an increase in annual rent effective October 1, 2013 to \$1,908,221, or \$7.77 per square foot. In addition, the expansion resulted in a new 10 year lease which extended the current lease expiration date from June 30, 2017 to June 30, 2023.

In June 2013, Phase I of a 64,240 square foot expansion of a building leased to FedEx Ground Package System, Inc. located in Fort Mill, SC, which is located in the Charlotte, NC Metropolitan Statistical Area (“MSA”), was completed for a cost of approximately \$3,483,000 resulting in an increase in annual rent effective July 1, 2013 from \$1,023,745, or \$9.08 per square foot, to \$1,364,761, or \$7.71 per square foot. Phase II of the expansion, which consisted of a parking lot expansion, cost approximately \$426,000. Phase II was completed in November 2013, resulting in an increase in annual rent effective November 1, 2013 to \$1,414,639, or \$8.00 per square foot. In addition, the expansion resulted in a new 10 year lease which extended the current lease expiration date from September 30, 2019 to October 31, 2023.

On July 11, 2013, the Company purchased approximately 14 acres of land adjacent to its property which is leased to FedEx Ground Package System, Inc. located in Richfield, OH, which is located in the Cleveland MSA, for \$1,655,166 in order to construct a parking lot. The parking lot expansion was completed in October 2013 and cost approximately \$3,142,000. As a result, effective November 1, 2013, the annual rent increased from \$644,640, or \$8.11 per square foot, to \$1,124,384, or \$14.15 per square foot. In addition, the Company completed a 51,677 square foot expansion of a building in August 2014, which cost approximately \$3,655,000, at which time the annual rent increased to \$1,489,907, or \$11.36 per square foot. In addition, the expansion resulted in a new 10 year lease which extended the current lease expiration date from October 31, 2016 to September 30, 2024.

In September 2013, a 51,765 square foot expansion of a building leased to FedEx Ground Package System, Inc. located in El Paso, TX was completed for a cost of approximately \$3,800,000 resulting in an increase in annual rent effective October 1, 2013 from \$667,584, or \$7.27 per square foot, to \$1,045,610, or \$7.25 per square foot. In addition, the expansion resulted in a new 10 year lease which extended the current lease expiration date from September 30, 2015 to September 30, 2023. During June 2015, a parking lot expansion for the same property was completed for a cost of approximately \$2,472,000 resulting in an increase in annual rent effective July 1, 2015 to \$1,345,289, or \$9.33 per square foot.

In June 2014, a parking lot expansion for a property leased to FedEx Ground Package System, Inc. located in Tampa, FL was completed for a cost of approximately \$788,000 resulting in an increase in annual rent effective July 1, 2014 from \$1,412,177, or \$8.27 per square foot to \$1,493,325, or \$8.74 per square foot. In addition, the expansion resulted in a new 10 year lease which extended the current lease expiration date from January 31, 2019 to June 30, 2024.

In July 2014, a 55,037 square foot expansion of a building leased to FedEx Ground Package System, Inc. located in Cocoa, FL was completed for a cost of approximately \$3,734,000 resulting in an increase in annual rent effective September 25, 2014 from \$738,504, or \$8.29 per square foot to \$1,111,908, or \$7.71 per square foot. In addition, the expansion resulted in a new 10 year lease which extended the current lease expiration date from November 19, 2016 to September 30, 2024.

In August 2014, a 66,253 square foot expansion of a building leased to FedEx Ground Package System, Inc. located in Spring, TX, which is located in the Houston MSA, was completed for a cost of approximately \$4,345,000 resulting in an increase in annual rent effective September 24, 2014 from \$1,146,099, or \$9.97 per square foot to \$1,580,572, or \$8.72 per square foot. In addition, the expansion resulted in a new 10 year lease which extended the current lease expiration date from August 31, 2023 to September 30, 2024.

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During December 2014, a 62,260 square foot expansion of a building leased to NF&M International, Inc. located in Monaca, PA was completed for a cost of approximately \$4,503,000, resulting in a new 10 year lease which extended the current lease expiration date from September 30, 2018 to December 31, 2024. In addition, the expansion resulted in an initial increase in annual rent effective January 1, 2015 from \$381,805, or \$3.39 per square foot, to \$820,000, or \$4.69 per square foot. Furthermore, annual rent will increase in year five of the lease effective January 1, 2020 to \$841,600, or \$4.81 per square foot, resulting in an annualized rent over the new ten year period of \$830,800, or \$4.75 per square foot.

During June 2015, a 38,428 square foot expansion of a building leased to FedEx Ground Package System, Inc. located in Oklahoma City, OK was completed for a cost of approximately \$3,332,000, resulting in a new 10 year lease which extended the current lease expiration date from March 31, 2022 to June 30, 2025. In addition, the expansion resulted in an increase in annual rent effective August 1, 2015 from \$712,532, or \$5.94 per square foot, to \$1,048,250, or \$6.62 per square foot.

During August 2015, a 48,116 square foot expansion of a building leased to FedEx Ground Package System, Inc. located in Waco, TX was completed for a cost of approximately \$4,125,000, resulting in a new 10 year lease which extended the current lease expiration date from May 29, 2022 to August 31, 2025. In addition, the expansion resulted in an increase in annual rent effective August 15, 2015 from \$659,324, or \$6.43 per square foot, to \$1,078,383, or \$7.16 per square foot.

Fiscal 2015 renewals

Approximately 6% of the Company's gross leasable area, consisting of six leases totaling 778,702 square feet, were scheduled to expire during fiscal 2015. The Company has renewed all six leases, or 100% of the gross leasable area that were scheduled to expire during fiscal 2015. The Company has incurred or expects to incur tenant improvement costs of approximately \$665,200 and leasing costs of approximately \$438,300 in connection with these six lease renewals. The table below summarizes the lease terms of the six leases which were renewed and includes both the tenant improvement costs and the leasing costs, which are presented on a per square foot (PSF) basis averaged over the renewal term.

Property	Tenant	Square Feet	Former U.S. GAAP Straight-Rent PSF	Former Cash Rent PSF	Former Lease Expiration	Renewal U.S. GAAP Straight-Line Rent PSF	Renewal Initial Cash Rent PSF	Renewal Lease Expiration	Renewal Term (years)	Tenant Improvement Cost PSF over Renewal Term (1)	Leasing Commissions Cost PSF over Renewal Term (1)
		50,400	\$ 7.00	\$ 7.00	2/28/15	\$ 6.50	\$ 6.50	2/28/18	3.0	\$ 0.21	\$ 0.26

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Orangeburg, NY	Kellogg Sales Co.											
Hanahan, SC	SAIC (2)	302,400	4.25	4.54	4/29/15	4.79	4.65	4/30/19	4.3	0.22	0.28	
Montgomery, IL	Home Depot	171,200	5.11	5.27	6/30/15	5.70	5.48	6/30/20	5.0	-0-	-0-	
O'Fallon, MO	Pittsburgh Glass Works	102,135	4.18	4.18	6/30/15	4.18	4.18	6/30/18	3.0	0.99	-0-	
Kansas City, MO	Kellogg Sales Co.	65,067	5.38	5.38	7/31/15	5.00	5.00	7/31/18	3.0	0.22	0.20	
Ft. Myers, FL	FedEx Ground	87,500	4.76	4.76	10/31/14	4.95	4.95	10/31/16	2.0	-0-	-0-	
	Total	778,702										
Weighted Average			\$ 4.76	\$ 4.91		\$ 5.06	\$ 4.95		3.8	\$ 0.22	\$ 0.15	

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

In December 2014, the Company entered into a lease termination agreement with its tenant, Norton McNaughton of Squire, Inc. (Norton), whereby the Company received a lease termination fee of \$238,625, terminating the lease effective January 31, 2015. Prior to the lease termination, Norton leased the Company's 302,400 square foot building located in its Hanahan, SC location through April 29, 2015 at an annualized rent of approximately (2) \$1,389,000 or \$4.54 per square foot. Prior to the lease termination, Norton sub-leased the Company's space to Science Applications International Corporation (SAIC). In conjunction with the lease termination, the Company simultaneously entered into a lease agreement for four years and three months with SAIC from February 1, 2015 through April 30, 2019 at an initial annualized rent of approximately \$1,406,000, or \$4.65 per square foot, with 2% increases each year.

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The six lease renewals resulted in an additional weighted average lease term of 3.8 years and a U.S. GAAP straight-line weighted average lease rate of \$5.06 per square foot. The renewed weighted average initial cash rent per square foot is \$4.95. This compares to the former weighted average rent on a U.S. GAAP straight-line basis of \$4.76 per square foot and the former weighted average cash rent of \$4.91 per square foot, representing an increase in the weighted average lease rate of 6% on a U.S. GAAP straight-line basis and an increase in the weighted average lease rate of 1% on a cash basis.

During fiscal 2015, the Company completed work on three building expansions and one parking lot expansion, which resulted in extending the tenants' lease expirations by approximately ten years from the date of completion for each of the three buildings that were expanded and increasing the tenants' rent on each of the four expansions. Prior to the lease amendments being executed, these three properties had a remaining weighted average lease term of 5.7 years at the time of completion of the expansion work. By obtaining an additional ten years of lease term from the date of completion of the expansion work, an additional 4.3 years of weighted average term was added to these three leases. Commencing during fiscal 2015, these four lease amendments have resulted in an annual increase in base rent totaling approximately \$1,503,000 on a U.S. GAAP straight-line basis and approximately \$1,493,000 on a cash basis. The renewed U.S. GAAP straight-line weighted average lease rate for the properties that were expanded is \$6.85 per square foot and the renewed weighted average initial cash rent per square foot is \$6.83. This compares to the former weighted average rent of \$5.84 per square foot on a U.S. GAAP straight-line basis and on an average cash rent basis, representing an increase in the weighted average lease rate of 17.29% on a U.S. GAAP straight-line basis and an increase in the weighted average lease rate of 16.95% on a cash basis.

The six leases that renewed, that were scheduled to expire in fiscal 2015, combined with the four leases that were amended due to expansions, resulted in an increase in the weighted average lease rate for these ten properties of 13.3% on a U.S. GAAP straight-line basis and an increase in the weighted average lease rate of 10.1% on a cash basis. In addition, the six leases that renewed combined with the three leases that were amended in connection with building expansions, resulted in an additional 4.0 years of weighted average term being added to these nine leases.

New leasing activity

During January 2015, the Company entered into a thirty-seven month lease agreement commencing February 1, 2015 with Altec Industries, Inc. to lease 126,880 square feet of the Company's 382,880 square foot building located in St. Joseph, MO through February 28, 2018. This increased the occupancy of this building from 67% to 100%. Annual rent commenced March 1, 2015 for \$348,920, or \$2.75 per square foot. The remaining 256,000 square feet is currently being leased to Woodstream Corporation through September 30, 2017.

During September 2015, the Company entered into a 5.25 year lease agreement for its previously vacant 148,000 square foot building located in Fayetteville, NC through February 28, 2021. The lease commenced December 1, 2015 and is with Victory Packaging, L.P., a wholly-owned subsidiary of KapStone Paper and Packaging Corporation, a publicly-owned company. The initial annual rent of \$469,160, representing \$3.17 per square foot, will commence on March 1, 2016 with 2.5% annual increases thereafter.

During October 2015, the Company entered into a 5.25 year lease agreement for its previously vacant 106,507 square foot building located in Winston-Salem, NC through March 31, 2021. The lease is with Style Crest, Inc. and will commence on January 1, 2016. Initial annual rent of \$356,798, representing \$3.35 per square foot, will commence on April 1, 2016 with 3.0% annual increases thereafter. Once this lease to Style Crest, Inc. becomes effective, the Company's overall occupancy rate will increase to 99.5%.

*Fiscal 2016 renewals*

Approximately 2% of the Company's gross leasable area, consisting of three leases totaling 325,656 square feet, is scheduled to expire during fiscal 2016. The Company has renewed one of these three leases, consisting of 80,856 square feet or 25% of the gross leasable area scheduled to expire during fiscal 2016. The Company has not incurred any tenant improvement costs or any leasing costs in connection with this lease renewal. The table below summarizes the lease terms of the one lease that was renewed and includes both the tenant improvement costs and the leasing costs which are presented on a per square foot (PSF) basis averaged over the renewal term.

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Property	Tenant	Former		Renewal		Renewal		Tenant	Leasing		
		U.S. GAAP Straight-Line Rent PSF	Former Cash Rent PSF	Former Lease Expiration	U.S. GAAP Straight-Line Rent PSF	Initial Cash Rent PSF	Renewal Lease Expiration	Renewal Term (years)	Improvement Cost	Commissions Cost	
Monaca, PA	Datatel Resources	80,856	\$2.87	\$2.87	11/30/15	\$3.00	\$3.00	11/30/17	2.0	\$-0-	\$-0-

The lease renewal resulted in an additional term of 2.0 years and an initial cash and U.S. GAAP straight-line lease rate of \$3.00 per square foot. This compares to the former initial cash and U.S. GAAP straight-line lease rate of \$2.87 per square foot, representing an increase in the lease rate of 4.5%. The two remaining leases renewals are under discussion.

On September 30, 2015, the Company had a weighted average lease maturity of 7.2 years with weighted average gross annualized rent scheduled to expire each year of 10.4%.

The following table presents certain information as of September 30, 2015, with respect to the Company's leases expiring over the future fiscal years ended September 30<sup>th</sup>:

Expiration of Fiscal Year Ended September 30th	Property Count	Total Area Expiring (Sq. Ft.)	Annualized Rent \$	Percent of Gross Annualized Rent %	
Vacant (1)	3	324,250	\$-0-	0	%
Shopping Center (2)	1	53,820	546,000	1	%
2016	2	244,800	1,104,000	2	%
2017	13	1,539,526	8,779,000	12	%
2018	15	1,324,159	7,753,000	10	%
2019	8	1,310,849	6,712,000	9	%
2020	2	239,585	1,251,000	2	%
2021	5	430,185	2,494,000	3	%
2022	7	1,027,232	5,914,000	8	%
2023	11	1,917,312	9,970,000	13	%

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2024	12	1,914,366	12,039,000	16	%
2025	7	1,898,446	8,505,000	12	%
2027	1	38,833	359,000	0	%
2029	2	262,613	1,516,000	2	%
2030	3	834,387	5,399,000	7	%
2033	1	558,600	2,146,000	3	%
Total (3)	91	13,918,963	\$74,487,000	100	%

Included in “Vacant” are two properties with respect to each of which the Company has recently entered into a 5.25 (1) year lease agreement that has commenced or will commence subsequent to September 30, 2015. Both leases are for a combined total of 254,507 square feet and will generate a combined total of \$831,000 in annualized rent.

Shopping Center represents a multi-tenanted property which has lease expirations ranging from month-to-month to (2) 2029. The Company has recently entered into three leasing agreements that have become or will become effective subsequent to September 30, 2015, at which time the Company’s 64,138 square foot shopping center will be 100% occupied.

Included in 2018 is Datatel Resources and included in 2024 is NF&M International, which both occupy one (3) property and therefore are counted as one property in the property count total. Included in 2017 is Woodstream Corporation and included in 2018 is Altec Industries, Inc., which both occupy one property and therefore are counted as one property in the property count total.

ITEM 3 – LEGAL PROCEEDINGS

None.

ITEM 4 – MINE SAFETY DISCLOSURES

None.



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