

MONMOUTH REAL ESTATE INVESTMENT CORP
Form DEFM14A
June 08, 2007
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As filed with the Securities and Exchange Commission on June 8, 2007

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a)

of the Securities Exchange Act of 1934

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, For Use of the Commission (as permitted by Rule 14a-6(e)(2))Only**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to § 240.14a-12

MONMOUTH REAL ESTATE INVESTMENT CORPORATION

(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

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(1) Amount previously paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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JOINT PROXY STATEMENT/PROSPECTUS

DATED JUNE 8, 2007

On March 26, 2007, Monmouth Real Estate Investment Corporation, which we refer to as Monmouth REIT, and Monmouth Capital Corporation, which we refer to as Monmouth Capital, entered into an Agreement and Plan of Merger, providing for the merger of a wholly-owned subsidiary of Monmouth REIT with and into Monmouth Capital. The boards of directors of Monmouth REIT and Monmouth Capital believe the merger will enhance the combined company's prospects for continued growth and exposure in the marketplace. The boards of directors believe that the combined company's increased market capitalization and expanded stockholder base will enable management to utilize existing capital and resources more efficiently, while providing stockholders with a portfolio of assets with enhanced tenant and geographic diversification, and will result in productivity savings.

If the merger is completed, each outstanding share of Monmouth Capital common stock will be converted into and exchanged for the right to receive 0.655 shares of Monmouth REIT common stock, in accordance with the merger agreement, and Monmouth Capital will survive the merger as a wholly-owned subsidiary of Monmouth REIT. After the merger, based on the number of shares of Monmouth Capital common stock outstanding on June 1, 2007, we estimate that Monmouth REIT common stockholders will own approximately 81% and Monmouth Capital common stockholders will own approximately 19% of the common stock of the combined company on a fully-diluted basis. Monmouth REIT common stock is listed on the NASDAQ Global Select Market under the symbol MNRTA. Upon completion of the merger, Monmouth Capital common stock, which is listed on the NASDAQ Global Market under the symbol MONM, will be delisted.

At the Monmouth REIT annual meeting of stockholders to be held on Thursday, July 26, 2007, at 2:00 p.m. local time, at the offices of Monmouth REIT, located at Juniper Business Plaza, 3499 Route 9 North, Suite 3-C, Freehold, New Jersey, Monmouth REIT common stockholders will be asked to approve the merger transaction, including the issuance of shares of Monmouth REIT common stock in the merger to stockholders of Monmouth Capital, on the terms set forth in the merger agreement. Monmouth REIT common stockholders will also be asked to elect three directors, each to hold office until the 2010 annual meeting of Monmouth REIT stockholders and until his or her successor is duly elected and qualifies, and to consider and vote on additional proposals described in this joint proxy statement/prospectus. Only Monmouth REIT common stockholders of record as of the close of business on June 1, 2007, the record date for the annual meeting, are entitled to notice of, and to vote at, the annual meeting. **Monmouth REIT's board of directors unanimously recommends that Monmouth REIT common stockholders vote FOR the proposal to approve the merger transaction, FOR each nominee for election as a director identified in the enclosed joint proxy statement/prospectus and FOR each other proposal to be considered at the Monmouth REIT annual meeting of stockholders.**

At the Monmouth Capital special meeting of stockholders to be held on Thursday, July 26, 2007, at 10:00 a.m., local time, at the offices of Monmouth Capital, located at Juniper Business Plaza, 3499 Route 9 North, Suite 3-C, Freehold, New Jersey, Monmouth Capital common stockholders will be asked to approve the merger agreement and the merger on the terms set forth in the merger agreement. Only Monmouth Capital common stockholders of record as of the close of business on June 1, 2007, the record date for the special meeting, will be entitled to vote at the special meeting. **Monmouth Capital's board of directors unanimously recommends that Monmouth Capital common stockholders vote FOR the proposal to approve the merger agreement and the merger on the terms set forth in the merger agreement.**

Please read this joint proxy statement/prospectus carefully. **In particular, please consider carefully the matters discussed under the heading Risk Factors, beginning on page 25 of this joint proxy statement/prospectus.** You may obtain additional information about Monmouth REIT and Monmouth Capital from the documents that each company has filed with the Securities and Exchange Commission. See Where You Can Find More Information, beginning on page 190 of this joint proxy statement/prospectus.

Your vote is very important. Whether or not you plan to attend the meetings, please authorize your proxy by completing and returning the enclosed proxy card(s) as promptly as possible.

We are very excited about the combined company's future and the opportunities the proposed merger brings to both Monmouth REIT and Monmouth Capital stockholders, and we thank you for your consideration and continued support.

Eugene W. Landy, President and Chairman,
Monmouth Real Estate Investment Corporation

Eugene W. Landy, President and Chairman,
Monmouth Capital Corporation

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved the securities to be issued under this joint proxy statement/prospectus, or determined if this joint proxy statement/prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

This joint proxy statement/prospectus is dated June 8, 2007, and is first being mailed to stockholders on or about June 15, 2007.

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ADDITIONAL INFORMATION

Except where we indicate otherwise, as used in this joint proxy statement/prospectus, *Monmouth REIT* refers to Monmouth Real Estate Investment Corporation, a Maryland corporation, and its consolidated subsidiaries and *Monmouth Capital* refers to Monmouth Capital Corporation, a New Jersey corporation, and its consolidated subsidiaries. *We* or *us* refers to the management team that manages both Monmouth REIT and Monmouth Capital. This joint proxy statement/prospectus incorporates important business and financial information about Monmouth REIT from documents that it has filed with the Securities and Exchange Commission, which we refer to as the SEC, but that have not been included in or delivered with this joint proxy statement/prospectus. This joint proxy statement/prospectus incorporates the annual report on Form 10-K of Monmouth REIT for the fiscal year ended September 30, 2006, and the quarterly reports on Form 10-Q of Monmouth REIT for the quarters ended December 31, 2006 and March 31, 2007. For a list of documents incorporated by reference into this joint proxy statement/prospectus and how you may obtain them, see *Where You Can Find More Information*, beginning on page 190 of this joint proxy statement/prospectus.

This information is available to you without charge upon your written or oral request. You can obtain the documents incorporated by reference into this joint proxy statement/prospectus by accessing the SEC's website at www.sec.gov.

In addition, Monmouth REIT's SEC filings are available to the public on Monmouth REIT's website, www.mreic.com, and Monmouth Capital's SEC filings are available to the public on Monmouth Capital's website, www.monmouthcapital.com. Information contained on Monmouth REIT's website, Monmouth Capital's website or the website of any other person is not incorporated by reference into this joint proxy statement/prospectus, and you should not consider information contained on those websites as part of this joint proxy statement/prospectus.

Monmouth REIT will provide you with copies of this information relating to Monmouth REIT, and Monmouth Capital will provide you with copies of this information relating to Monmouth Capital, if you request them in writing or by telephone from:

Monmouth Real Estate Investment Corporation/Monmouth Capital Corporation

Attention: Stockholder Relations

3499 Route 9 North, Suite 3-C

Juniper Business Plaza

Freehold, NJ 07728

(732) 577-9996

If you would like to request documents, please do so by July 19, 2007, in order to receive them before the stockholders' meetings.

Monmouth REIT has supplied all information contained in or incorporated by reference in this joint proxy statement/prospectus relating to Monmouth REIT, and Monmouth Capital has supplied all information contained in this joint proxy statement/prospectus relating to Monmouth Capital.

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MONMOUTH REAL ESTATE INVESTMENT CORPORATION

Juniper Business Plaza, 3499 Route 9 North, Suite 3-C

Freehold, New Jersey 07728

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

JULY 26, 2007

To the stockholders of Monmouth Real Estate Investment Corporation:

You are cordially invited to attend the Annual Meeting of Stockholders of Monmouth Real Estate Investment Corporation, a Maryland corporation (Monmouth REIT), to be held on Thursday, July 26, 2007, at 2:00 p.m., local time, at the offices of Monmouth REIT, located at Juniper Business Plaza, 3499 Route 9 North, Suite 3-C, Freehold, New Jersey, for the following purposes, each as more fully described in the enclosed joint proxy statement/prospectus:

1. To elect three directors, each to hold office until the Monmouth REIT annual meeting of stockholders in 2010 and until his or her successor is duly elected and qualifies;
2. To consider and vote on a proposal to approve the merger of Route 9 Acquisition, Inc., a New Jersey corporation and a wholly-owned subsidiary of Monmouth REIT (Route 9), with and into Monmouth Capital Corporation, a New Jersey corporation (Monmouth Capital), including the issuance of shares of Monmouth REIT common stock, par value \$0.01 per share, in the merger to stockholders of Monmouth Capital, on the terms set forth in the Agreement and Plan of Merger, dated March 26, 2007, by and among Monmouth Capital, Monmouth REIT and Route 9;
3. To consider and vote on a proposal to approve Monmouth REIT 's 2007 Stock Option Plan;
4. To consider and vote on a proposal to approve the appointment of Reznick Group, P.C. as Monmouth REIT 's independent registered public accounting firm for the fiscal year ending September 30, 2007; and
5. To transact such other business as may properly come before the annual meeting and any adjournment or postponement thereof.

Monmouth REIT 's board of directors has fixed the close of business on June 1, 2007, as the record date for the determination of stockholders entitled to notice of, and to vote at, the Monmouth REIT annual meeting of stockholders and any adjournment or postponement of the annual meeting. Only holders of record of Monmouth REIT common stock as of the record date will be entitled to notice of, or to vote at, the annual meeting and at any adjournment or postponement of the annual meeting.

We hope you will attend the annual meeting. Whether or not you plan to attend the annual meeting, in order that your shares may be represented at the annual meeting, please date, execute, and promptly mail the enclosed proxy in the accompanying postage-paid envelope.

By order of the board of directors,

Elizabeth Chiarella,

Secretary

June 8, 2007

YOUR VOTE IS IMPORTANT.

PLEASE PROMPTLY MARK, DATE, SIGN AND RETURN YOUR PROXY CARD IN THE ENCLOSED ENVELOPE.

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MONMOUTH CAPITAL CORPORATION

Juniper Business Plaza, 3499 Route 9 North, Suite 3-C

Freehold, New Jersey 07728

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS

JULY 26, 2007

To the stockholders of Monmouth Capital Corporation:

A special meeting of stockholders of Monmouth Capital Corporation, a New Jersey corporation (Monmouth Capital), will be held on Thursday, July 26, 2007, at 10:00 a.m., local time, at the offices of Monmouth Capital, located at Juniper Business Plaza, 3499 Route 9 North, Suite 3-C, Freehold, New Jersey, for the following purposes, each as more fully described in the enclosed joint proxy statement/prospectus:

1. To consider and vote on a proposal to approve the Agreement and Plan of Merger, dated as of March 26, 2007, by and among Monmouth Capital, Monmouth Real Estate Investment Corporation, a Maryland corporation (Monmouth REIT) and Route 9 Acquisition, Inc., a New Jersey corporation and a wholly-owned subsidiary of Monmouth REIT (Route 9) and the merger of Route 9 with and into Monmouth Capital on the terms set forth in the merger agreement; and
2. To transact such other business as may properly come before the special meeting and any adjournment or postponement thereof.

Monmouth Capital's board of directors has fixed the close of business on June 1, 2007, as the record date for determination of stockholders entitled to notice of, and to vote at, the special meeting and any adjournment or postponement thereof. Only holders of record of Monmouth Capital common stock as of the record date will be entitled to vote at the special meeting and at any adjournment or postponement of the special meeting.

We hope you will attend the meeting. Whether or not you plan to attend the meeting, in order that your shares may be represented at the meeting, please date, execute, and promptly mail the enclosed proxy in the accompanying postage-paid envelope.

By order of the board of directors,

Eugene W. Landy,

President and Chairman

June 8, 2007

YOUR VOTE IS IMPORTANT.

PLEASE PROMPTLY MARK, DATE, SIGN AND RETURN YOUR PROXY CARD IN THE ENCLOSED ENVELOPE.

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QUESTIONS AND ANSWERS ABOUT THE MERGER

The following section provides answers to frequently asked questions about the effect of the merger on the holders of Monmouth REIT and Monmouth Capital common stock. Monmouth REIT and Monmouth Capital urge you to read carefully the remainder of this joint proxy statement/prospectus, including the documents attached to this joint proxy statement/prospectus, because the information in this section does not provide all the information that might be important to you about the merger and the other matters being considered at the Monmouth REIT annual meeting of stockholders and the Monmouth Capital special meeting of stockholders.

The Merger

Q: Why am I receiving this joint proxy statement/prospectus?

A: Monmouth Real Estate Investment Corporation, a Maryland corporation, which we refer to as Monmouth REIT, and Monmouth Capital Corporation, a New Jersey corporation, which we refer to as Monmouth Capital, have entered into an Agreement and Plan of Merger, dated as of March 26, 2007, which we refer to as the merger agreement, providing for the merger of Route 9 Acquisition, Inc., a New Jersey corporation and a wholly-owned subsidiary of Monmouth REIT, which we refer to as Route 9, with and into Monmouth Capital, which we refer to as the merger. The merger agreement is described in this joint proxy statement/prospectus and a copy of the merger agreement is attached to this joint proxy statement/prospectus as Annex A.

In order to complete the merger, Monmouth REIT common stockholders must approve the merger, including the issuance of shares of Monmouth REIT common stock in the merger to stockholders of Monmouth Capital, on the terms set forth in the merger agreement, which we refer to as the merger transaction, and Monmouth Capital common stockholders must approve the merger agreement and the merger on the terms set forth in the merger agreement. Monmouth REIT and Monmouth Capital will hold separate meetings of their respective stockholders to obtain these approvals, as well as, in the case of Monmouth REIT common stockholders, to consider various other proposals unrelated to the merger transaction.

This joint proxy statement/prospectus contains important information about the merger agreement, the merger transaction, the annual meeting of stockholders of Monmouth REIT and the special meeting of stockholders of Monmouth Capital, which you should read carefully. The enclosed proxy materials allow you to authorize your proxy to vote on your behalf without attending your company's stockholders' meeting.

Your vote is very important. We encourage you to authorize your proxy as soon as possible.

Q: Why are Monmouth REIT and Monmouth Capital proposing the merger?

A: Monmouth REIT and Monmouth Capital are proposing the merger as a strategic transaction to enhance both companies' prospects for continued growth and exposure in the marketplace. We believe that the increased market capitalization and expanded stockholder base of the combined company will enable us to utilize existing capital and resources more efficiently and will enhance each company's tenant and geographic diversification. We also anticipate productivity improvements and cost savings as a result of the merger.

Q: What will happen in the proposed merger?

A: In the proposed merger, Route 9 will merge with and into Monmouth Capital, with Monmouth Capital continuing as the surviving corporation and a wholly-owned subsidiary of Monmouth REIT. As a result of the merger, each outstanding share of Monmouth Capital common stock, par value \$1.00 per share, will be converted into and exchanged for the right to receive 0.655 shares of Monmouth REIT common stock, par value \$0.01 per share, in accordance with the merger agreement. Following the merger, Monmouth

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Capital's outstanding convertible debentures will remain outstanding obligations of Monmouth Capital and will become convertible into Monmouth REIT common stock at a conversion price adjusted to reflect the exchange ratio. Each outstanding option to purchase shares of Monmouth Capital common stock, whether or not vested at the effective time of the merger, will become exercisable in accordance with its terms for a number of shares of Monmouth REIT common stock, at an exercise price adjusted to reflect the exchange ratio, and will remain subject to the same terms and conditions of vesting as were in effect immediately before the effective time of the merger. Upon completion of the merger, Monmouth Capital common stock, which is listed on the NASDAQ Global Market under the symbol MONM, will be delisted.

Q: If the merger is completed, when can Monmouth Capital common stockholders expect to receive shares of Monmouth REIT common stock in exchange for their shares of Monmouth Capital common stock?

A: Promptly after the completion of the merger, Monmouth Capital common stockholders will receive a letter of transmittal describing how Monmouth Capital common stockholders may exchange their shares of Monmouth Capital common stock for shares of Monmouth REIT common stock. Monmouth Capital common stockholders should not send their common share certificates to us or anyone else until they receive these instructions.

Q: Who will be the directors of Monmouth REIT after the merger?

A: Upon completion of the merger, the number of directors of Monmouth REIT will be increased to thirteen directors, and Anna T. Chew, Joshua Kahr, Michael P. Landy and Eugene D. Rothenberg, currently members of the board of directors of Monmouth Capital, will be appointed to the board of directors of Monmouth REIT. The directors of Monmouth REIT will also serve as the directors of Monmouth Capital after the merger.

Q: Will the rights of Monmouth Capital common stockholders change as a result of the merger?

A: Yes. Monmouth Capital common stockholders will become Monmouth REIT common stockholders and their rights as Monmouth REIT common stockholders will be governed by Maryland law and Monmouth REIT's charter and bylaws. The material differences between the rights of Monmouth Capital common stockholders and Monmouth REIT common stockholders are described under the caption Comparison of Rights of Stockholders. For a copy of Monmouth REIT's charter and bylaws, see Where You Can Find More Information, beginning on page 190 of this joint proxy statement/prospectus.

Q: Will the rights of Monmouth REIT common stockholders change as a result of the merger?

A: No. Monmouth REIT common stockholders will retain their shares of Monmouth REIT common stock and their rights will continue to be governed by Maryland law and Monmouth REIT's charter and bylaws. The issuance of shares of Monmouth REIT common stock to Monmouth Capital stockholders in the merger will dilute the ownership position of the current stockholders of Monmouth REIT.

Q: Where does Monmouth REIT common stock trade?

A: Shares of Monmouth REIT common stock trade on the NASDAQ Global Select Market under the symbol MNRTA.

Q: When do you expect to complete the merger?

- A: If the stockholders of both Monmouth Capital and Monmouth REIT approve the merger, we expect to complete the merger in the third quarter of 2007. For more information about the timing for completion of the merger, see [The Merger Agreement Completion and Effectiveness of the Merger](#).

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Q: Are there risks involved in undertaking the merger?

A: Yes. In evaluating the merger, Monmouth REIT and Monmouth Capital common stockholders should consider carefully the factors disclosed in the section of this joint proxy statement/prospectus entitled Risk Factors, beginning on page 25 of this joint proxy statement/prospectus, the other information included in this joint proxy statement/prospectus and the documents incorporated by reference in this joint proxy statement/prospectus.

Q: Must Monmouth REIT and Monmouth Capital common stockholders approve the merger?

A: Monmouth REIT common stockholders are being asked to consider and vote on a proposal to approve the merger transaction, including the issuance of shares of Monmouth REIT common stock in the merger to stockholders of Monmouth Capital, on the terms set forth in the merger agreement. Monmouth Capital common stockholders are being asked to consider and vote on a proposal to approve the merger agreement and the merger on the terms set forth in the merger agreement. The approval of both of these proposals is a condition to the effectiveness of the merger.

Q: What vote of Monmouth REIT common stockholders is required to approve the merger transaction?

A: The proposal to approve the merger transaction must be approved by the affirmative vote of a majority of the votes cast on the proposal at the Monmouth REIT annual meeting of stockholders by the Monmouth REIT common stockholders.

Q: What vote of Monmouth Capital common stockholders is required to approve the merger agreement and the merger on the terms set forth in the merger agreement?

A: The proposal to approve the merger agreement and the merger on the terms set forth in the merger agreement must be approved by a majority vote of the shares of Monmouth Capital common stock represented in person or by proxy at a duly called meeting of Monmouth Capital stockholders at which a quorum is present.

Q: Have any stockholders already agreed to approve the merger?

A: No. There are no agreements between Monmouth Capital or Monmouth REIT and any of their stockholders in which a stockholder has agreed to vote in favor of the proposal to approve the merger transaction or proposal to approve the merger agreement and the merger on the terms set forth in the merger agreement.

Q: What rights do I have if I oppose the merger?

A: If you are a Monmouth REIT common stockholder as of the record date for the Monmouth REIT annual meeting of stockholders, you can vote against the proposal to approve the merger transaction and if you are a Monmouth Capital common stockholder as of the record date for the Monmouth Capital special meeting of stockholders, you can vote against the proposal to approve the merger agreement and the merger on the terms set forth in the merger agreement. Monmouth REIT and Monmouth Capital common stockholders are not, however, entitled to dissenters or appraisal rights.

Q: Should Monmouth Capital common stockholders send in their stock certificates now?

A: No. If the merger is completed, Monmouth REIT will send Monmouth Capital common stockholders written instructions for sending in their stock certificates.

Q: Do any of Monmouth REIT's or Monmouth Capital's directors and executive officers have any interest in the merger that is different than mine?

A: Monmouth REIT's and Monmouth Capital's directors and executive officers may have interests in the merger that are different from, or in addition to, yours, including rights of executive officers under

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employment agreements with Monmouth Capital, ownership of Monmouth Capital common stock and rights to continued indemnification by Monmouth REIT after the merger. Please see *The Merger Interests of Monmouth REIT's Directors and Executive Officers in the Merger* and *The Merger Interests of Monmouth Capital's Directors and Executive Officers in the Merger* for additional information about possible interests that Monmouth REIT's and Monmouth Capital's directors and executive officers may have in the merger that are different than yours.

The Monmouth REIT Annual Meeting of Stockholders

Q: When and where is the Monmouth REIT annual meeting of stockholders?

A: The Monmouth REIT annual meeting of stockholders will take place on Thursday, July 26, 2007, at 2:00 p.m., local time, at the offices of Monmouth REIT, located at Juniper Business Plaza, 3499 Route 9 North, Suite 3-C, Freehold, New Jersey.

Q: Who can vote at and attend the Monmouth REIT annual meeting of stockholders?

A: All of the Monmouth REIT common stockholders of record as of the close of business on June 1, 2007, the record date for the Monmouth REIT annual meeting of stockholders, are entitled to receive notice of, attend and vote at the annual meeting and any adjournments or postponements of the annual meeting. Only Monmouth REIT common stockholders of record as of the record date are entitled to vote at the annual meeting or any postponements or adjournments of the annual meeting. For each share of Monmouth REIT common stock owned of record as of the record date, a Monmouth REIT common stockholder may vote for as many individuals as there are directors to be elected at the annual meeting and may cast one vote on each other matter properly brought before the annual meeting. The vote of Monmouth REIT preferred stockholders is not required to approve the merger transaction or any other matter to be considered at the annual meeting and is not being solicited.

Q: On what other proposals are Monmouth REIT common stockholders being asked to vote at the Monmouth REIT annual meeting of stockholders?

A: At the Monmouth REIT annual meeting of stockholders, in addition to voting on the proposal to approve the merger transaction, Monmouth REIT common stockholders will be asked to:

Elect three directors, each to hold office until the Monmouth REIT annual meeting of stockholders in 2010 and until his or her successor is duly elected and qualifies;

Consider and vote on a proposal to approve Monmouth REIT's 2007 Stock Option Plan;

Consider and vote on a proposal to approve the appointment of Reznick Group, P.C. as Monmouth REIT's independent registered public accounting firm for the fiscal year ending September 30, 2007; and

Transact such other business as may properly come before the annual meeting and any adjournment or postponement thereof.

Q: What vote is required to elect a director at the Monmouth REIT annual meeting of stockholders?

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A: A plurality of the votes cast at the Monmouth REIT annual meeting of stockholders in the election of directors is required to elect a director.

Q: What vote is required to approve the other proposals to be considered at the Monmouth REIT annual meeting of stockholders?

A: The proposal to approve Monmouth REIT's 2007 Stock Option Plan and the proposal to approve the appointment of Reznick Group, P.C. as Monmouth REIT's independent registered public accounting

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firm must each be approved by a majority of the votes cast on the proposal by Monmouth REIT common stockholders.

Q: How may a Monmouth REIT common stockholder vote?

A: If you are a Monmouth REIT common stockholder of record as of the record date for the Monmouth REIT annual meeting of stockholders, you may vote in person at the annual meeting or authorize a proxy for the annual meeting. You can authorize your proxy by completing, signing, dating and returning the enclosed proxy card in the accompanying pre-addressed, postage-paid envelope. If you attend the annual meeting in person, you may request a ballot at the annual meeting.

Q: What will happen if a Monmouth REIT common stockholder abstains from voting or fails to vote?

A: If you are a Monmouth REIT common stockholder of record as of the record date for the Monmouth REIT annual meeting of stockholders and you abstain from voting, or if you fail to cast your vote in person or by proxy, assuming that a quorum is present at the Monmouth REIT annual meeting of stockholders, it will have no effect on any of the matters to be considered at the Monmouth REIT annual meeting of stockholders.

Q: How do I vote if I hold shares of Monmouth REIT common stock in street name ?

A: If you hold shares of Monmouth REIT common stock in street name through a broker or other nominee, your broker or nominee will not cast your vote with respect to the proposal to approve the merger transaction or the proposal to approve the 2007 Stock Option Plan unless you provide instructions on how to vote. If you hold your shares of Monmouth REIT common stock in street name, please refer to the voting instruction card used by your broker, bank or other nominee, or contact it directly, to see if you may submit voting instructions using the Internet or telephone.

Q: What happens if a Monmouth REIT common stockholder fails to provide voting instructions to his or her broker or other nominee?

A: Generally, a broker may only vote the shares of Monmouth REIT common stock that it holds in accordance with instructions it receives from the beneficial owner of the shares. However, if a broker has not received instructions, the broker has the discretion to vote on certain matters that are considered routine, including the election of directors and the proposal to approve the appointment of Reznick Group, P.C. as Monmouth REIT's independent registered public accounting firm. A broker non-vote results as to a particular matter when a broker properly executes and returns a proxy without specific voting instructions from the beneficial owner. Under the rules of the New York Stock Exchange, brokers may not vote with respect to the approval of non-routine matters, including the proposal to approve the merger transaction and the proposal to approve Monmouth REIT's 2007 Stock Option Plan, without instructions from the beneficial owner of the shares. If a quorum is present at the Monmouth REIT annual meeting of stockholders, a properly-executed broker non-vote will have no effect on any of the matters to be voted on at the Monmouth REIT annual meeting of stockholders.

Q: If I am planning to attend the Monmouth REIT annual meeting of stockholders, should I return my proxy card(s) or voting instruction card(s)?

A: Yes. Returning your signed and dated proxy card(s) or voting instruction card(s) ensures that you will be represented and your votes will be cast at the Monmouth REIT annual meeting of stockholders.

Q: How will the proxy holders vote shares of Monmouth REIT common stock?

A: If you are a Monmouth REIT common stockholder and you properly authorize a proxy before the Monmouth REIT annual meeting of stockholders, the votes you are entitled to cast at the annual meeting

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will be cast as you direct. If you authorize a proxy but do not provide any direction to the proxy holders, the votes you are entitled to cast will be cast FOR the proposal to approve the merger transaction, FOR the election of each director named in this joint proxy statement/prospectus, FOR the proposal to approve Monmouth REIT's 2007 Stock Option Plan and FOR the proposal to approve the appointment of Reznick Group, P.C. as Monmouth REIT's independent registered public accounting firm. The proxy holders will vote in their discretion upon such other matters as may properly come before the annual meeting or any adjournment or postponement of the annual meeting.

Q: What happens if I sell shares of Monmouth REIT common stock after the record date for the Monmouth REIT annual meeting of stockholders?

A: If you owned shares of Monmouth REIT common stock as of the record date for the Monmouth REIT annual meeting of stockholders but transfer them before the date of the annual meeting, you will retain your right to vote at the Monmouth REIT annual meeting of stockholders.

Q: Can I change my vote after I have mailed my proxy card?

A: Yes. If you owned shares of Monmouth REIT common stock as of the record date for the Monmouth REIT annual meeting of stockholders, you may revoke a previously authorized proxy at any time before it is exercised by filing with Monmouth REIT's secretary a notice of revocation or a duly authorized proxy bearing a later date or by attending the annual meeting and voting in person. Attendance at the annual meeting will not, in itself, constitute revocation of a previously authorized proxy. If you have instructed a broker to vote your shares, the foregoing options for changing your vote do not apply and instead you must follow the instructions received from your broker to change your vote.

Q: How does Monmouth REIT's board of directors recommend that Monmouth REIT common stockholders vote?

A: Monmouth REIT's board of directors unanimously recommends that Monmouth REIT common stockholders vote FOR the proposal to approve the merger transaction, FOR the election of each director named in this joint proxy statement/prospectus, FOR the proposal to approve Monmouth REIT's 2007 Stock Option Plan and FOR the proposal to approve the appointment of Reznick Group, P.C. as Monmouth REIT's independent registered public accounting firm.

The Monmouth Capital Special Meeting of Stockholders

Q: When and where is the Monmouth Capital special meeting of stockholders?

A: The Monmouth Capital special meeting of stockholders will take place on Thursday, July 26, 2007, at 10:00 a.m., local time, at the offices of Monmouth Capital, located at Juniper Business Plaza, 3499 Route 9 North, Suite 3-C, Freehold, New Jersey.

Q: Who can vote and attend the special meeting of Monmouth Capital stockholders?

A: All of the Monmouth Capital common stockholders of record as of the close of business on June 1, 2007, the record date for the Monmouth Capital special meeting of stockholders, are entitled to receive notice of, attend and vote at the special meeting and any adjournments or postponements of the special meeting. Only Monmouth Capital common stockholders as of the record date are entitled to vote at the special meeting or any postponements or adjournments of the special meeting. Each Monmouth Capital common stockholder is entitled to cast one vote on each matter properly brought before the special meeting for each share of Monmouth Capital common stock.

that such stockholder owned of record as of the record date for the special meeting.

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Q: What vote of Monmouth Capital stockholders is required to approve the merger agreement and the merger on the terms set forth in the merger agreement?

A: The proposal to approve the merger agreement and the merger on the terms set forth in the merger agreement must be approved by the affirmative vote of a majority of the shares of Monmouth Capital common stock represented in person or by proxy at the Monmouth Capital special meeting of stockholders.

Q: On what other proposals are Monmouth Capital stockholders being asked to vote at the Monmouth Capital special meeting of stockholders?

A: No other matters are currently scheduled to be voted on at the Monmouth Capital special meeting of stockholders.

Q: How may a Monmouth Capital stockholder vote?

A: If you are a Monmouth Capital common stockholder of record as of the record date for the Monmouth Capital special meeting of stockholders, you may vote in person at the special meeting or authorize a proxy for the special meeting. You can authorize your proxy by completing, signing, dating and returning the enclosed proxy card in the accompanying pre-addressed, postage-paid envelope. If you attend the special meeting in person, you may request a ballot at the special meeting.

Q: What will happen if a Monmouth Capital common stockholder abstains from voting or fails to vote?

A: If you are a Monmouth Capital common stockholder of record as of the record date for the Monmouth Capital special meeting of stockholders and you fail to cast your vote in person or by proxy, your shares will not count towards a quorum and, if a quorum is present, your shares will have no effect on the vote to approve the merger agreement and the merger on the terms set forth in the merger agreement. However, abstentions and properly-executed broker non-votes will count towards a quorum but will not be counted as votes cast and will have the effect of a vote against the merger proposal.

Q: How do I vote if I hold shares of Monmouth Capital common stock in street name ?

A: If you hold shares of Monmouth Capital common stock in street name through a broker or other nominee, your broker or nominee will not cast your vote with respect to the proposal to approve the merger agreement and the merger on the terms set forth in the merger agreement unless you provide instructions on how to vote. If you hold shares of Monmouth Capital common stock in street name, please refer to the voting instruction card used by your broker, bank or other nominee, or contact it directly, to see if you may submit voting instructions using the Internet or telephone.

Q: What happens if a Monmouth Capital common stockholder fails to provide voting instructions to his or her broker or other nominee?

A: Your broker will NOT vote your Monmouth Capital common stock with respect to the proposal to approve the merger agreement and the merger on the terms set forth in the merger agreement unless you tell your broker how to vote. To do so, you should follow the directions that your broker provides you.

Q: If I am planning to attend the Monmouth Capital special meeting of stockholders, should I return my proxy card(s) or voting instruction card(s)?

A: Yes. Returning your signed and dated proxy card(s) or voting instruction card(s), ensures that you will be represented and your votes will be cast at the Monmouth Capital special meeting of stockholders. See The Monmouth Capital Special Meeting of Stockholders.

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Q: How will proxy holders vote shares of Monmouth Capital common stock?

A: If you are a Monmouth Capital common stockholder and you properly authorize a proxy before the Monmouth Capital special meeting of stockholders, the votes you are entitled to cast will be cast at the special meeting as you direct. If you authorize a proxy but do not provide any direction to the proxy holders, the votes you are entitled to cast will be cast FOR the proposal to approve the merger agreement and the merger on the terms set forth in the merger agreement. The proxy holders will vote in their discretion upon such other matters as may properly come before the special meeting or any adjournment or postponement of the special meeting.

Q: What happens if I sell shares of Monmouth Capital common stock after the record date for the Monmouth Capital special meeting of stockholders?

A: If you owned shares of Monmouth Capital common stock as of the record date for the Monmouth Capital special meeting of stockholders but transfer them before the date of the special meeting, you will retain your right to vote at the special meeting.

Q: Can I change my vote after I have mailed my proxy card?

A: Yes. If you owned shares of Monmouth Capital common stock as a record holder as of the record date for the Monmouth Capital special meeting of stockholders, you may revoke a previously authorized proxy at any time before it is exercised by filing with Monmouth Capital's secretary a notice of revocation or a duly authorized proxy bearing a later date or by attending the special meeting and voting in person. Attendance at the special meeting will not, in itself, constitute revocation of a previously authorized proxy. If you have instructed a broker to vote your shares, the foregoing options for changing your vote do not apply and instead you must follow the instructions received from your broker to change your vote.

Q: How does Monmouth Capital's board of directors recommend that Monmouth Capital common stockholders vote?

A: Monmouth Capital's board of directors unanimously recommends that Monmouth Capital common stockholders vote FOR the proposal to approve the merger agreement and the merger on the terms set forth in the merger agreement.

General

Q: What should I do now?

A: You should read this joint proxy statement/prospectus carefully, including the annexes, and return your completed, signed and dated proxy card(s) or voting instruction card(s) by July 25, 2007.

Q: What does it mean if I receive multiple proxy cards?

A: If you are a common stockholder of both Monmouth REIT and Monmouth Capital, you may receive two proxy cards. In addition, your shares may be registered in more than one account, such as brokerage accounts and 401(k) accounts. It is important that you complete, sign, date and return each proxy card or voting instruction card you receive.

Q: Where can I find more information about Monmouth REIT and Monmouth Capital?

A: You can find more information about Monmouth REIT and Monmouth Capital from various sources described under the caption Where You Can Find More Information, beginning on page 190 of this joint proxy statement/prospectus.

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Q: Who can help answer my questions?

A: If you have any questions about the merger or your meeting, need assistance in authorizing your proxy or need additional copies of this joint proxy statement/prospectus or the enclosed proxy card(s) or voting instructions, you should contact:
Monmouth Real Estate Investment Corporation/Monmouth Capital Corporation

Attention: Stockholder Relations

3499 Route 9 North, Suite 3-C

Juniper Business Plaza

Freehold, NJ 07728

(732) 577-9996

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SUMMARY

*This summary of the material information contained in this joint proxy statement/prospectus may not include all the information that is important to you. To understand fully the proposed merger, and for a more detailed description of the terms and conditions of the merger and other matters being considered at your meeting, you should read this entire joint proxy statement/prospectus and the documents to which we have referred you. See *Where You Can Find More Information*, beginning on page 190 of this joint proxy statement/prospectus. We have included references parenthetically in this summary to direct you to a more detailed description of each topic presented in this summary.*

The Companies

Monmouth Real Estate Investment Corporation, or Monmouth REIT, is a Maryland corporation that operates as a real estate investment trust, which we refer to as a REIT, under Sections 856-860 of the Internal Revenue Code of 1986, as amended, or the Internal Revenue Code, specializing in net-leased industrial properties. Monmouth REIT's equity portfolio consists of forty-two industrial properties and one shopping center located in New Jersey, New York, Connecticut, Maryland, Michigan, Mississippi, Missouri, Massachusetts, Iowa, Illinois, Nebraska, North Carolina, South Carolina, Kansas, Pennsylvania, Florida, Virginia, Ohio, Wisconsin, Arizona, Georgia, and Colorado. In addition, Monmouth REIT owns a portfolio of REIT securities.

Monmouth Capital Corporation, or Monmouth Capital, is a New Jersey corporation organized in 1961 that operates as a REIT, deriving its income primarily through real estate rental operations and from dividend and interest income. Monmouth Capital's equity portfolio consists of thirteen industrial properties in Florida, Georgia, Illinois, Minnesota, New Jersey, New York, Ohio, Pennsylvania, Tennessee, Texas and Virginia. Monmouth Capital also owns a portfolio of REIT securities.

Route 9 Acquisition, Inc., or Route 9, is a New Jersey corporation, recently organized as a wholly-owned subsidiary of Monmouth REIT solely for the purpose of effecting the merger. Currently, Route 9 has no material assets and has not engaged in any activities except in connection with the execution of the merger agreement.

The address and telephone number of the principal executive offices of Monmouth Capital, Monmouth REIT and Route 9 are Juniper Business Plaza, 3499 Route 9 North, Suite 3-C, Freehold, New Jersey 07728, 732-577-9996.

The Merger (page 56)

In the merger, Route 9 will merge with and into Monmouth Capital on the terms set forth in the merger agreement and Monmouth Capital will survive the merger transaction as a wholly-owned subsidiary of Monmouth REIT. As part of the merger transaction, each outstanding share of Monmouth Capital common stock, par value \$1.00 per share, will be converted into and exchanged for the right to receive 0.655 shares of Monmouth REIT common stock, par value \$0.01 per share, in accordance with the merger agreement. Following the merger, Monmouth Capital's outstanding convertible debentures will remain outstanding and will become convertible into shares of Monmouth REIT common stock at a conversion price adjusted to reflect the exchange ratio. The new conversion prices will be \$9.16 per share for Monmouth Capital's 8% Convertible Subordinated Debentures due 2013 and \$11.45 per share for Monmouth Capital's 8% Convertible Subordinated Debentures due 2015. Each outstanding option to purchase shares of Monmouth Capital common stock, whether or not vested at the effective time of the merger, will become exercisable in accordance with its terms for a number of shares of Monmouth REIT common stock, at an exercise price adjusted to reflect the exchange ratio, and will remain subject to the same terms and conditions of vesting as in effect immediately before the effective time of the merger. Upon completion of the merger, Monmouth Capital common stock, which is listed on the NASDAQ Global Market under the symbol MONM, will be delisted.

Table of Contents**Merger Consideration** (page 96)

Holders of Monmouth Capital common stock (other than Monmouth REIT, Route 9 and any other subsidiary of Monmouth REIT) will be entitled to receive 0.655 shares of Monmouth REIT common stock for each share of Monmouth Capital common stock that they own immediately before the effective time of the merger, in accordance with the merger agreement. As a result, Monmouth REIT will issue approximately 3,757,650 shares of its common stock in the merger, based on the number of shares of Monmouth Capital common stock outstanding as of the record date for the Monmouth Capital special meeting of stockholders. We refer to the stock consideration to be paid to Monmouth Capital common stockholders by Monmouth REIT as the merger consideration.

The total value of the merger consideration that a Monmouth Capital common stockholder will receive in the merger is not fixed and will depend on the value of 0.655 shares of Monmouth REIT common stock at the effective time of the merger. This value may be obtained by multiplying the trading price of Monmouth REIT common stock at the effective time of the merger by 0.655.

As illustrated in the table below, the value of 0.655 shares of Monmouth REIT common stock may be less than or greater than \$5.71, which was the value of 0.655 shares of Monmouth REIT common stock as of March 26, 2007, the day we announced the merger, based on the closing price of Monmouth REIT common stock as of March 26, 2007. In particular, if the closing price of Monmouth REIT common stock upon completion of the merger is greater than \$8.72, then the value of 0.655 shares of Monmouth REIT common stock will be greater than \$5.71. If the closing price of Monmouth REIT common stock upon completion of the merger is less than \$8.72, then the value of 0.655 shares of Monmouth REIT common stock will be less than \$5.71.

Closing Price of Monmouth REIT Common Stock	Value of per-share merger consideration
\$ 7.70	\$5.04
7.80	5.11
7.90	5.17
8.00	5.24
8.10	5.31
8.20	5.37
8.30	5.44
8.40	5.50
8.50	5.57
8.60	5.63
8.70	5.70
8.72	5.71
8.80	5.76
8.90	5.83
9.00	5.90
9.10	5.96
9.20	6.03
9.30	6.09
9.40	6.16
9.50	6.22
9.60	6.29
9.70	6.35
9.80	6.42
9.90	6.48
10.00	6.55

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No fractional shares of Monmouth REIT common stock will be issued in the merger. Each Monmouth Capital common stockholder immediately before the effective time of the merger who would otherwise have been entitled to receive a fraction of a share of Monmouth REIT common stock in the merger (after taking into account all shares of Monmouth Capital common stock surrendered by the stockholder in the merger) will receive, in lieu of a fraction of a share of Monmouth REIT common stock, cash (rounded up to the nearest whole cent and without interest) in an amount equal to the fraction of a share of Monmouth REIT common stock multiplied by the average closing price of Monmouth REIT common stock on the NASDAQ Global Select Market during the ten trading-day period ending two trading days before the closing date of the merger.

Reasons for the Merger and Recommendations to Stockholders (page 64 for Monmouth REIT and page 75 for Monmouth Capital)

Monmouth REIT's board of directors, for the reasons discussed under the caption "The Merger Recommendation of Monmouth REIT's Board of Directors and its Reasons for the Merger," has determined that the merger transaction is in the best interest of Monmouth REIT and recommends that Monmouth REIT common stockholders vote FOR the proposal to approve the merger transaction.

Monmouth Capital's board of directors, for the reasons discussed under the caption "The Merger Recommendation of Monmouth Capital's Board of Directors and its Reasons for the Merger," has determined that the merger agreement and the merger on the terms set forth in the merger agreement are fair to, and in the best interest of, Monmouth Capital common stockholders and recommends that Monmouth Capital common stockholders vote FOR the proposal to approve the merger agreement and the merger on the terms set forth in merger agreement.

We encourage you to read the merger agreement, which is attached as Annex A to this joint proxy statement/prospectus, because it governs the merger and sets forth the terms of the merger of Route 9 with and into Monmouth Capital.

Opinions of Financial Advisors (page 66 for Monmouth REIT and page 77 for Monmouth Capital)

The Monmouth REIT Special Committee. Cohen & Steers Capital Advisors, LLC, which we refer to as Cohen & Steers, delivered its opinion to the special transaction committee of the board of directors of Monmouth REIT, which we refer to as the Monmouth REIT Special Committee, that, as of the date of Cohen & Steers' written fairness opinion and based upon and subject to the factors and assumptions set forth therein, the exchange ratio of 0.655 shares of Monmouth REIT common stock to be issued in exchange for each share of Monmouth Capital common stock in accordance with the merger agreement is fair from a financial point of view to the holders of Monmouth REIT common stock.

The full text of the written opinion of Cohen & Steers, dated March 26, 2007, which sets forth assumptions made, procedures followed, matters considered and limitations on the review undertaken in connection with its opinion, is attached as Annex C to this joint proxy statement/prospectus. Cohen & Steers provided its opinion for the information and assistance of the Monmouth REIT Special Committee in connection with its consideration of the merger. The Cohen & Steers opinion is not a recommendation as to how any holder of Monmouth REIT common stock should vote with respect to the proposal to approve the merger transaction.

The Monmouth Capital Special Committee. Ferris, Baker Watts, Incorporated, which we refer to as FBW, delivered its opinion to the special transaction committee of the board of directors of Monmouth Capital, which we refer to as the Monmouth Capital Special Committee, that, as of the date of FBW's written fairness opinion and based upon and subject to the factors and assumptions set forth therein, the exchange ratio of 0.655 shares of Monmouth REIT common stock to be issued in exchange for each share of Monmouth Capital common stock in

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accordance with the merger agreement is fair from a financial point of view to the Monmouth Capital stockholders other than Monmouth REIT and those Monmouth Capital stockholders that are significant holders of Monmouth REIT common stock.

The full text of the written opinion of FBW, dated March 26, 2007, which sets forth assumptions made, procedures followed, matters considered and limitations on the review undertaken in connection with its opinion, is attached as Annex D to this joint proxy statement/prospectus. FBW provided its opinion for the information and assistance of the Monmouth Capital Special Committee in connection with its consideration of the merger. The FBW opinion is not a recommendation as to how any holder of Monmouth Capital common stock should vote with respect to the merger.

Monmouth REIT's Board of Directors after the Merger (page 97)

Upon completion of the merger, the number of directors of Monmouth REIT will be increased to thirteen, and Anna T. Chew, Joshua Kahr, Michael P. Landy and Eugene D. Rothenberg, currently members of Monmouth Capital's board of directors, will be appointed to Monmouth REIT's board of directors. The directors of Monmouth REIT will also serve as the directors of Monmouth Capital after the merger.

Ownership of Monmouth REIT after the Merger (page 96)

Based on the number of shares of Monmouth REIT and Monmouth Capital common stock outstanding on the record date for the Monmouth Capital special meeting of stockholders, after completion of the merger, Monmouth REIT expects to issue approximately 3,757,650 shares of Monmouth REIT common stock which will represent approximately 19% of the fully-diluted shares of Monmouth REIT common stock.

The Monmouth REIT Annual Meeting of Stockholders (page 43)

The Monmouth REIT annual meeting of stockholders will take place on Thursday, July 26, 2007, at 2:00 p.m., local time, at the offices of Monmouth REIT, located at Juniper Business Plaza, 3499 Route 9 North, Suite 3-C, Freehold, New Jersey. At the Monmouth REIT annual meeting of stockholders, Monmouth REIT common stockholders will be asked to:

Elect three directors, each to hold office until the Monmouth REIT annual meeting of stockholders in 2010 and until his or her successor is duly elected and qualifies;

Consider and vote on a proposal to approve the merger transaction, including the issuance of shares of Monmouth REIT common stock in the merger to stockholders of Monmouth Capital, on the terms set forth in the merger agreement;

Consider and vote on a proposal to approve Monmouth REIT's 2007 Stock Option Plan; and

Consider and vote on a proposal to approve the appointment of Reznick Group, P.C. as Monmouth REIT's independent registered public accounting firm for the fiscal year ending September 30, 2007.

Monmouth REIT common stockholders may vote at the Monmouth REIT annual meeting of stockholders if they owned shares of Monmouth REIT common stock of record at the close of business on June 1, 2007, the record date for the annual meeting. With respect to the election of directors, Monmouth REIT common stockholders may vote for as many individuals as there are directors to be elected for each share of Monmouth REIT common stock registered in their names as of the record date and, with respect to all other matters, Monmouth REIT common stockholders may cast one vote for each share of Monmouth REIT common stock registered in their names as of the record date. As of the record date for the annual meeting, there were 20,212,990 shares of Monmouth REIT common stock outstanding and entitled to vote at the annual meeting and holders of Monmouth REIT common stock were entitled to cast a total of 20,212,990 votes.

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The proposal to approve the merger transaction, the proposal to approve Monmouth REIT's 2007 Stock Option Plan and the proposal to approve the appointment of Reznick Group, P.C. as Monmouth REIT's independent registered public accounting firm for the fiscal year ending September 30, 2007 must each be approved by a majority of the votes cast on the proposal by Monmouth REIT common stockholders. A plurality of the votes cast at the Monmouth REIT annual meeting of stockholders in the election of directors is required to elect a director.

The Monmouth Capital Special Meeting of Stockholders (page 53)

The Monmouth Capital special meeting of stockholders will be held on Thursday, July 26, 2007, at 10:00 a.m., local time, at the offices of Monmouth Capital, located at Juniper Business Plaza, 3499 Route 9 North, Suite 3-C, Freehold, New Jersey. At the Monmouth Capital special meeting of stockholders, Monmouth Capital common stockholders will be asked to approve the merger agreement and the merger on the terms set forth in the merger agreement.

Monmouth Capital common stockholders may vote at the Monmouth Capital special meeting of stockholders if they owned shares of Monmouth Capital common stock of record at the close of business on June 1, 2007, the record date for the special meeting. As of the record date for the special meeting, there were 5,736,849 shares of Monmouth Capital common stock outstanding and entitled to vote at the special meeting, and holders of Monmouth Capital common stock were entitled to cast a total of 5,736,849 votes. The proposal to approve the merger agreement and the merger on the terms set forth in the merger agreement must be approved by the affirmative vote of a majority of the shares of Monmouth Capital common stock represented in person or by proxy at the Monmouth Capital special meeting of stockholders.

Dissenters' Rights (page 93)

Under applicable Maryland and New Jersey law, neither Monmouth REIT nor Monmouth Capital common stockholders are entitled to dissenters' or appraisal rights in connection with the merger, the issuance of shares of Monmouth REIT common stock in accordance with the merger agreement or the consummation of any of the other transactions contemplated by the merger agreement.

Comparison of Rights of Stockholders (page 179)

As a result of the merger, the holders of Monmouth Capital common stock will become holders of Monmouth REIT common stock. Following the merger, Monmouth Capital common stockholders will have different rights as stockholders of Monmouth REIT than as stockholders of Monmouth Capital due to differences between the laws of the states of incorporation, charter or certificate of incorporation and bylaws of Monmouth REIT and Monmouth Capital.

The material differences between the rights of Monmouth REIT common stockholders and Monmouth Capital common stockholders are described under the caption "Comparison of Rights of Stockholders."

Comparative Per Share Data and Comparative Market Prices (page 24)

The following table sets forth the closing sale prices of Monmouth REIT and Monmouth Capital common stock as reported on the NASDAQ Global Select Market and NASDAQ Global Market, respectively, on March 26, 2007, the last trading day before the announcement of the merger agreement, and on June 1, 2007, the last trading day before the printing of this joint proxy statement/prospectus for which it was practicable to obtain this information. This table also shows the equivalent per share price of Monmouth Capital common stock.

Date	Closing Price of Monmouth REIT Common Stock	Closing Price of Monmouth Capital Common Stock	Value of per-share merger consideration
March 26, 2007	\$ 8.72	\$ 5.66	\$ 5.71
June 1, 2007	\$ 8.71	\$ 5.58	\$ 5.71

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The market price of Monmouth REIT common stock will change before the merger, while the exchange ratio is fixed. You should obtain current stock price quotations for Monmouth REIT and Monmouth Capital common stock. You can get these quotations from a newspaper, on the Internet or by calling your broker.

Stock Ownership of Directors and Executive Officers (page 114 for Monmouth REIT and page 167 for Monmouth Capital)

Monmouth REIT. As of the record date for the Monmouth REIT annual meeting of stockholders, there were 20,212,990 shares of Monmouth REIT common stock outstanding and entitled to vote at the annual meeting, and the directors and executive officers of Monmouth REIT and their affiliates beneficially owned and were entitled to vote 1,552,018 shares of Monmouth REIT common stock, collectively representing approximately 8% of the shares of Monmouth REIT common stock outstanding as of the record date.

Monmouth Capital. As of the record date for the Monmouth Capital special meeting of stockholders, there were 5,736,849 shares of Monmouth Capital common stock outstanding and entitled to vote at the special meeting, and the directors and executive officers of Monmouth Capital and their affiliates beneficially owned and were entitled to vote 378,116 shares of Monmouth Capital common stock, collectively representing approximately 7% of the shares of Monmouth Capital common stock outstanding as of the record date.

Interests of Monmouth REIT Directors and Executive Officers in the Merger (page 85)

In considering the recommendation of Monmouth REIT's board of directors with respect to the merger transaction, Monmouth REIT common stockholders should be aware that certain directors and executive officers of Monmouth REIT have interests in the merger that may be different from, or in addition to, the interests of Monmouth REIT common stockholders generally. These interests include rights under employment agreements with Monmouth Capital, ownership of Monmouth Capital securities, positions on the post-merger board of directors of Monmouth REIT and rights to continued indemnification. In addition, many of the directors and executive officers of Monmouth REIT are also directors or executive officers of Monmouth Capital. The Monmouth REIT Special Committee and Monmouth REIT's board of directors were aware of these interests and considered them, among other matters, when approving the merger agreement and the merger.

Interests of Monmouth Capital Directors and Executive Officers in the Merger (page 89)

In considering the recommendation of Monmouth Capital's board of directors with respect to the merger agreement and the merger, Monmouth Capital common stockholders should be aware that certain executive officers and directors of Monmouth Capital have interests in the merger that may be different from, or in addition to, the interests of Monmouth Capital common stockholders generally. These interests include rights of Monmouth Capital's executive officers under employment agreements with Monmouth Capital, ownership of Monmouth REIT common stock and rights to continued indemnification by Monmouth REIT after the merger. In addition, many of the members of Monmouth Capital's board of directors are also directors of Monmouth REIT. Monmouth Capital's board of directors was aware of these interests and considered them, among other matters, when approving the merger agreement and the merger.

Conditions to Completion of the Merger (page 101)

As more fully described in this joint proxy statement/prospectus and the merger agreement, the completion of the merger depends on the satisfaction or waiver of a number of conditions, including:

the approval of both Monmouth REIT and Monmouth Capital common stockholders;

the absence of any injunction or other order prohibiting the consummation of the merger by a court, governmental entity or provision of law;

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the listing on the NASDAQ Global Select Market of the shares of Monmouth REIT common stock to be issued in the merger; and

the registration statement of which this joint proxy statement/prospectus forms a part having become effective and not being subject to any stop order or proceeding seeking a stop order.

Monmouth REIT's and Route 9's obligations to effect the merger are separately subject to satisfaction or waiver of certain other conditions, including the following:

the representations and warranties of Monmouth Capital being true and correct, subject to the materiality standards contained in the merger agreement;

Monmouth Capital's performance of and compliance with, in all material respects, all agreements and covenants required by the merger agreement;

there not having occurred an event that has, or is reasonably likely to have, a material adverse effect on Monmouth Capital since March 26, 2007;

the parties to the merger agreement having obtained all permits and consents legally required to consummate the merger, subject to the materiality standards contained in the merger agreement; and

Monmouth Capital's delivery of an opinion of tax counsel with respect to Monmouth Capital's status as a REIT for United States federal income tax purposes.

Monmouth Capital's obligations to effect the merger are separately subject to satisfaction or waiver of certain other conditions, including the following:

the representations and warranties of Monmouth REIT and Route 9 being true and correct, subject to the materiality standards contained in the merger agreement;

Monmouth REIT's performance of and compliance with, in all material respects, all agreements and covenants required by the merger agreement;

there not having occurred an event that has, or is reasonably likely to have, a material adverse effect on Monmouth REIT since March 26, 2007;

the parties to the merger agreement having obtained all permits and consents legally required to consummate the merger, subject to the materiality standards contained in the merger agreement;

Monmouth REIT's delivery of an opinion of tax counsel to the effect that the merger will constitute a reorganization within the meaning of Section 368(a) of the Internal Revenue Code; and

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Monmouth REIT's delivery of an opinion of tax counsel with respect to Monmouth REIT's status as a REIT for United States federal income tax purposes.

Required Regulatory Approvals (page 93)

Neither Monmouth REIT nor Monmouth Capital is aware of any material regulatory approvals that are required in order to consummate the merger.

Termination of the Merger Agreement (page 102)

The boards of directors of Monmouth REIT and Monmouth Capital can agree at any time to terminate the merger agreement, even if Monmouth REIT and Monmouth Capital common stockholders have approved the merger. Either Monmouth REIT or Monmouth Capital can terminate the merger agreement if:

any governmental entity has issued a final non-appealable order, decree, judgment, injunction or taken any other action, which permanently restrains, enjoins or otherwise prohibits or makes illegal the consummation of the merger;

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the merger has not occurred on or before November 15, 2007, if the failure to complete the merger by that date did not result from the failure to fulfill an obligation under the merger agreement by the party seeking termination;

Monmouth REIT common stockholders do not approve the merger transaction; or

Monmouth Capital common stockholders do not approve the merger agreement and the merger on the terms set forth in the merger agreement.

Monmouth REIT may terminate the merger agreement if:

Monmouth Capital is in breach of any of its representations, warranties, covenants or other agreements contained in the merger agreement and the breach would give rise to a failure of a condition to the consummation of the merger or Monmouth Capital suffers a material adverse effect;

Monmouth Capital enters into a definitive agreement to effect an alternative acquisition proposal;

Monmouth Capital's board of directors recommends that Monmouth Capital common stockholders accept or approve any alternative acquisition proposal; or

Monmouth Capital's board of directors withdraws or modifies its recommendation that Monmouth Capital common stockholders vote to approve the merger agreement and the merger on the terms set forth in the merger agreement.

In addition, Monmouth Capital may terminate the merger agreement if:

Monmouth REIT is in breach of any of its representations, warranties, covenants or other agreements contained in the merger agreement and the breach would give rise to a failure of a condition to the consummation of the merger or Monmouth REIT suffers a material adverse effect; or

Monmouth Capital enters into a definitive agreement to effect certain alternative acquisition proposals, if it has complied with certain obligations relating to nonsolicitation of alternative acquisition proposals and has paid the termination fee described below.

Termination Fees and Expenses (page 103)

Monmouth Capital agreed to pay to Monmouth REIT a termination fee of \$1 million, less the amount of any of Monmouth REIT's termination costs and expenses that have already been paid by Monmouth Capital (up to a maximum of \$500,000), if the merger agreement is terminated under any of the circumstances described under the caption "The Merger Agreement - Termination Fees and Expenses."

No Solicitation of Alternative Acquisition Proposals by Monmouth Capital (page 99)

Subject to certain exceptions, the merger agreement precludes Monmouth Capital or any of its subsidiaries, whether directly or indirectly through its officers, directors, employees, agents or representatives, from soliciting, encouraging, initiating or facilitating any inquiries that could reasonably be expected to lead to, participating in any discussions or negotiations regarding or entering into any agreement with respect to, any third party's proposal with respect to the acquisition of assets representing 20% or more of the consolidated assets of Monmouth Capital or of an equity interest representing a 20% or greater economic interest in Monmouth Capital, its subsidiaries, or its assets.

Material United States Federal Income Tax Consequences (page 93)

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The merger is intended to qualify as a reorganization under the Internal Revenue Code so that, assuming the merger does qualify, Monmouth Capital common stockholders will not recognize any gain or loss upon the

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conversion and exchange of their shares of Monmouth Capital common stock for shares of Monmouth REIT common stock in the merger, although they will recognize gain (or loss) for United States federal income tax purposes as a result of the merger to the extent of any cash received in lieu of a fractional share of Monmouth REIT common stock. We anticipate that the merger will have no material United States federal income tax consequences to Monmouth REIT stockholders who do not own any shares of Monmouth Capital common stock.

The tax consequences to you of the merger will depend on your own situation. You should consult your own tax advisor for a full understanding of the tax consequences to you of the merger. For more information regarding the tax consequences of the merger to Monmouth Capital common stockholders, please see [The Merger](#) [Material United States Federal Income Tax Consequences of the Merger](#).

Accounting Treatment (page 92)

Monmouth REIT will account for the merger as a purchase by Monmouth REIT of Monmouth Capital for financial reporting purposes, as required by Statement of Financial Accounting Standards No. 141. Under that method of accounting, the aggregate merger consideration paid, merger costs incurred and the fair value of Monmouth Capital options will be allocated to the fair value of the assets acquired and liabilities assumed in the merger.

Risks (page 25)

In evaluating the merger, the merger agreement or the issuance of shares of Monmouth REIT common stock in the merger, you should carefully read this joint proxy statement/prospectus and especially consider the factors discussed in the section entitled [Risk Factors](#), beginning on page 25 of this joint proxy statement/prospectus.

Table of Contents**FINANCIAL SUMMARY****Selected Historical Financial Data of Monmouth REIT**

The following table shows selected historical financial data for Monmouth REIT. The data as of and for each of the five years ended September 30, 2006, was derived from Monmouth REIT's audited consolidated financial statements. The income statement data for the six months ended March 31, 2007 and 2006, and the balance sheet data at March 31, 2007, was derived from Monmouth REIT's unaudited financial statements.

Detailed historical financial information is included in the audited consolidated balance sheets of Monmouth REIT as of September 30, 2006 and 2005, and the related consolidated statements of income, shareholders' equity and comprehensive income and cash flows for each of the years in the three-year period ended September 30, 2006, included in Monmouth REIT's Annual Report on Form 10-K for the fiscal year ended September 30, 2006, filed with the SEC on December 14, 2006, as well as Monmouth REIT's Quarterly Report on Form 10-Q for the quarter ended March 31, 2007, filed with the SEC on May 9, 2007. You should read the following selected financial data together with Monmouth REIT's historical consolidated financial statements, including the related notes, and the other information contained or incorporated by reference in this joint proxy statement/prospectus. See "Where You Can Find More Information."

	Six Months ended		For the Year ended				
	March 31,		2006	2005	2004	2003	2002
	2007	2006					
	(unaudited)	(unaudited)					
OPERATING DATA:							
Rental and Occupancy Charges	\$ 13,956,265	\$ 13,039,651	\$ 26,533,882	\$ 24,302,300	\$ 21,048,278	\$ 19,412,732	\$ 15,898,542
Gains on Securities Transactions, Net	34,596	321,641	50,983	1,541,952	1,714,395	1,018,862	909,704
Interest and Dividend Income	581,087	566,172	1,028,151	1,525,325	1,801,107	1,688,448	1,027,220
Total Expenses	7,436,314	6,459,188	13,077,627	11,788,655	10,215,318	9,423,083	7,443,225
(Loss) on Sales of Assets							
Investment Property	-0-	-0-	(28,385)	-0-	-0-	-0-	(175,376)
Income from Equity Investment	-0-	-0-	-0-	82,500	110,000	110,000	110,000
Gain on Dissolution of Equity Investment	-0-	-0-	-0-	1,269,179 ₁	-0-	-0-	-0-
Interest Expense	4,163,486	4,070,150	8,298,077	8,001,956	6,979,007	6,906,078	6,059,415
Income from Continuing Operations	2,978,381	3,398,126	6,237,312	8,930,645	7,479,455	5,900,881	4,442,826
Net Income	2,978,381	3,324,329	6,165,588	9,046,822	7,672,635	6,120,343	4,478,145
Income from Continuing Operations Per Share							
Basic and Diluted	0.15	0.17	0.32	0.50	0.46	0.43	0.40
Net Income Per Common Share - Basic	0.11	0.17	0.32	0.50	0.47	0.44	0.40
Diluted	0.11	0.17	0.31	0.50	0.47	0.44	0.40

	At March 31,		At September 30,				
	2007		2006	2005	2004	2003	2002
	(unaudited)	(unaudited)					
	(unaudited)	(unaudited)					
BALANCE SHEET DATA:							
Total Assets	\$ 258,731,610	\$ 229,791,374	\$ 241,906,933	\$ 217,841,402	\$ 195,487,662	\$ 183,173,874	\$ 149,011,493
Real Estate Investments, Net	224,071,593	208,384,347	220,210,796	191,744,473	166,879,808	152,770,335	129,107,256
Securities Available for Sale	14,239,422	11,612,833	10,395,767	13,789,400	23,084,270	25,421,551	15,223,942
Mortgage Notes Payable	118,412,384	118,140,534	122,194,039	111,968,518	97,530,963	90,909,299	78,220,163
Shareholders' Equity	136,224,635	106,459,732	107,566,977	102,560,241	92,907,840	78,313,289	59,005,016

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	Six Months ended		For the Year ended				
	March 31,		September 30,				
	2007	2006	2006	2005	2004	2003	2002
	(unaudited)	(unaudited)					
CASH FLOW DATA:							
Net Cash Provided (Used) By:							
Operating Activities	\$ 6,616,229	\$ 5,865,388	\$ 11,991,556	\$ 11,429,276	\$ 10,385,410	\$ 9,725,898	\$ 6,792,043
Investing Activities	(11,536,431)	(18,167,739)	(32,691,106)	(19,643,014)	(15,215,218)	(35,417,062)	(30,564,641)
Financing Activities	13,116,795	8,191,148	16,806,026	13,211,677	4,684,267	26,068,148	24,318,591
OTHER INFORMATION:							
Average Number of Common Shares							
Outstanding Basic	20,208,618	19,185,255	19,555,278	17,967,360	16,206,433	13,844,056	11,177,294
Cash Dividends Per Common Share	\$ 0.30	\$ 0.30	\$ 0.60	\$ 0.58	\$ 0.58	\$ 0.58	\$ 0.58

Notes:

- The results for the year ended September 30, 2005, included a one-time gain on the dissolution of the investment in Hollister 97, LLC. On June 27, 2005, Hollister 97, LLC sold Hollister Corporate Park for a selling price of approximately \$13,800,000. Simultaneous with the sale, Monmouth REIT withdrew from Hollister 97, LLC. Upon withdrawal, Monmouth REIT received \$2,169,578, resulting in a gain of \$1,269,179.

Table of Contents**Selected Historical Financial Data of Monmouth Capital**

The following table shows selected historical financial data for Monmouth Capital. The data as of and for each of the five years ended December 31, 2006, was derived from Monmouth Capital's audited consolidated financial statements. The income statement data for the three months ended March 31, 2007 and 2006, and the balance sheet data for the three months ended March 31, 2007 and 2006 was derived from Monmouth Capital's unaudited financial statements.

Detailed historical financial information is included in the consolidated balance sheets as of December 31, 2006 and 2005, and the related consolidated statements of operations, shareholders' equity and cash flows for each of the years in the three-year period ended December 31, 2006, and you should read the following selected financial data together with Monmouth Capital's historical consolidated financial statements, including the related notes, and the other information contained in this joint proxy statement/prospectus. See Consolidated Financial Statements of Monmouth Capital Corporation.

	For the Year ended						
	Three Months ended March 31,		December 31,				
	2007 (unaudited)	2006 (unaudited)	2006	2005	2004	2003	2002
OPERATING DATA:							
Rental Income and Reimbursements	\$ 1,695,177	\$ 1,425,049	\$ 6,111,082	\$ 4,881,491	\$ 2,835,614	\$ 1,734,583	\$ 1,016,513
Interest and Dividend Income	158,413	181,775	722,288	1,135,290	1,247,988	1,091,924	1,247,379
Sales of Manufactured Homes	-0-	-0-	51,425	79,305	165,324	269,690	394,500
Gain on Securities Transactions, Net	624,058	156,594	87,956	644,674	815,844	710,491	181,002
Total Expenses	1,798,662	1,503,542	6,425,340	5,386,767	3,936,849	2,425,468	2,239,932
Minority Interest	54,147	60,130	195,918	186,779	134,730	98,829	45,507
Net Income	624,829	199,746	358,776	1,167,261	1,237,361	1,283,432	554,638
Average Number of Shares Outstanding							
Basic	5,704,939	4,754,898	5,177,777	4,142,355	3,362,018	2,824,809	1,924,860
Diluted	5,727,773	4,780,863	5,202,376	4,175,929	3,404,950	3,747,584	1,941,477
Net Income per Share Basic	\$ 0.11	\$ 0.04	\$ 0.07	\$ 0.28	\$ 0.37	\$ 0.45	\$ 0.29
Net Income per Share Diluted	\$ 0.11	\$ 0.04	\$ 0.07	\$ 0.28	\$ 0.36	\$ 0.34	\$ 0.29

	At March 31,				At December 31,		
	2007 (unaudited)	2006 (unaudited)	2006	2005	2004	2003	2002
	BALANCE SHEET DATA:						
Total Assets	\$ 79,703,810	\$ 70,371,637	\$ 75,742,364	\$ 69,254,054	\$ 54,149,086	\$ 41,569,008	\$ 27,101,532
Real Estate Investments, Net	67,225,465	54,652,131	61,171,411	54,609,067	39,054,571	23,088,247	11,849,213
Securities Available for Sale	4,397,591	7,650,981	8,205,110	8,107,492	12,130,692	15,443,909	12,844,937
Loans Receivable, Net	562,223	787,382	617,476	868,543	1,145,922	1,515,625	1,888,094
Mortgages Payable	33,555,931	30,715,161	29,852,441	30,977,186	21,663,355	15,889,239	8,616,405
Convertible Subordinated Debentures	15,490,000	15,740,000	15,490,000	15,740,000	5,370,000	-0-	-0-
Shareholders' Equity	22,438,901	20,157,045	21,908,317	18,439,983	15,446,093	12,371,005	9,110,010

	For the Year Ended						
	Three Months ended March 31,		December 31,				
	2007 (unaudited)	2006 (unaudited)	2006	2005	2004	2003	2002
CASH FLOW DATA:							
Net Cash Provided by							
Operating Activities	\$ 1,015,578	\$ 992,767	\$ 2,003,980	\$ 1,768,790	\$ 1,428,602	\$ 898,188	\$ 1,401,577
Net Cash Used by							
Investing Activities	(2,846,795)	557,278	(7,110,353)	(14,537,039)	(13,085,511)	(13,190,104)	(5,018,312)
Net Cash Provided by							
Financing Activities	3,275,567	199,464	5,025,712	13,974,554	11,876,504	12,431,908	3,183,391
OTHER DATA:							
Cash Dividends per Share	0.25	0.25	0.50	0.50	0.50	0.40	0.35

Table of Contents**Selected Unaudited Pro Forma Condensed Consolidated Financial Data of Monmouth REIT and Monmouth Capital**

The following table shows information about Monmouth REIT's and Monmouth Capital's financial condition and results of operations, including per share data, after giving effect to the consummation of the merger. The table sets forth the information as if the merger had become effective on September 30, 2006 and March 31, 2007, in the case of balance sheet information, or on the first day of the period shown, in the case of income statement information. The pro forma financial data presented are based on the purchase method of accounting.

The information is based on, and should be read together with, Monmouth REIT's historical consolidated financial statements, including the related notes, that are incorporated by reference in this joint proxy statement/prospectus, Monmouth Capital's consolidated financial statements included in this joint proxy statement/prospectus, and the more detailed pro forma financial information, including the notes thereto, included in this joint proxy statement/prospectus under the caption "Unaudited Pro Forma Condensed Consolidated Financial Information." See "Where You Can Find More Information."

We anticipate that the merger will provide the combined company with financial benefits that include cost savings and additional revenue opportunities. The pro forma information, while helpful in illustrating the financial characteristics of the combined company under one set of assumptions, does not reflect benefits of expected cost savings or opportunities to earn additional revenue and, accordingly, does not attempt to predict or suggest future results. It also does not necessarily reflect what the historical results of the combined company would have been had our companies been combined during these periods.

	Six Months ended March 31, 2007 (Unaudited)	Year ended September 30, 2006 (Unaudited)
Income:		
Rental & Occupancy Charges	\$ 17,136,979	\$ 32,644,964
Sales of Manufactured Homes	31,015	51,425
Other Income	6,415	7,283
Total Income:	17,174,409	32,703,672
Expenses:		
Cost of Sales of Manufactured Homes	35,823	58,738
Management Fees	167,582	446,062
Real Estate Taxes	2,629,042	4,521,936
Operating Expenses	1,210,378	1,941,945
General & Administrative Expense	1,628,337	2,937,228
Depreciation	3,648,574	6,686,835
Total Expenses:	9,319,736	16,592,744
Other Income (Expense):		
Interest & Dividend Income	886,562	1,686,718
Gain on Securities Transactions, Net	689,814	138,939
Interest Expense	(5,510,530)	(10,819,257)
Total Other Income (Expense)	(3,934,154)	(8,993,600)
Income before Minority Interest	3,920,519	7,117,328
Minority Interest in Income	54,130	195,918
Income from Continuing Operations	\$ 3,866,389	\$ 6,921,410
Per Common Share:		
Income from Continuing Operations Basic and Diluted	\$ 0.16	\$ 0.30
Weighted average common shares Basic	23,877,580	22,946,722

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Weighted average common shares Diluted	23,968,655	23,012,625
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Balance Sheet Data at March 31, 2007:

Total Assets	\$	345,234,186
Total Debt		172,175,818
Minority Interest		3,230,199
Shareholders Equity		169,828,169

Table of Contents**COMPARATIVE PER SHARE INFORMATION**

We present below for Monmouth REIT and Monmouth Capital historical, unaudited pro forma combined and pro forma equivalent per share financial data for the year ended September 30, 2006 and the six months ended March 31, 2007. You should read the information below together with Monmouth REIT's historical consolidated financial statements, including the related notes, that are incorporated by reference in this joint proxy statement/prospectus, Monmouth Capital's consolidated financial statements included in this joint proxy statement/prospectus, and the more detailed pro forma financial information, including the notes thereto, included in this joint proxy statement/prospectus under the caption *Unaudited Pro Forma Condensed Consolidated Financial Information*. See *Where You Can Find More Information*.

	Six Months ended	
	March 31, 2007	Twelve Months ended September 30, 2006
Monmouth REIT Historical		
Income per basic share from continuing operations	\$ 0.15	\$ 0.32
Income per diluted share from continuing operations	0.15	0.31
Book value per share at period end	6.74	5.33
Monmouth Capital Historical		
Income per basic share from continuing operations	\$ 0.13	\$ 0.07
Income per diluted share from continuing operations	0.13	0.07
Book value per share at period end	3.91	3.88
Unaudited Pro Forma Combined		
Income per basic share from continuing operations	\$ 0.16	\$ 0.30
Income per diluted share from continuing operations	0.16	0.30
Book value per share at March 31, 2007	7.09	
Unaudited Pro Forma Combined Monmouth Capital Equivalents		
Income per basic share from continuing operations	\$ 0.10	\$ 0.20
Income per diluted share from continuing operations	0.10	0.20
Book value per share at March 31, 2007	4.64	

1. Represents unaudited proforma combined amounts multiplied by the exchange ratio of 0.655 of Monmouth REIT common stock for each outstanding share of Monmouth Capital common stock

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Monmouth REIT common stock is listed on the NASDAQ Global Select Market under the symbol MNRTA. Monmouth Capital common stock is listed on the NASDAQ Global Market under the symbol MONM.

The table below sets forth the high and low sales prices per share reported on the NASDAQ Global Select Market and the NASDAQ Global Market, as applicable, and the dividends declared on Monmouth REIT common stock and on Monmouth Capital common stock during the calendar quarters indicated and during the partial quarterly period beginning April 1, 2007 and ended June 1, 2007.

	Monmouth REIT Common Stock			Monmouth Capital Common Stock		
	High	Low	Dividends	High	Low	Dividends
2007						
Period ended June 1, 2007	\$ 9.05	\$ 8.39	\$ 0.15	\$ 6.05	\$ 5.41	\$ 0.25
March 31, 2007	\$ 8.95	\$ 8.16	\$ 0.15	\$ 6.10	\$ 5.13	N/A
2006						
December 31, 2006	\$ 8.59	\$ 7.95	\$ 0.15	\$ 5.93	\$ 5.05	\$ 0.25
September 30, 2006	\$ 8.34	\$ 7.94	\$ 0.15	\$ 5.41	\$ 5.00	N/A
June 30, 2006	\$ 8.53	\$ 7.85	\$ 0.15	\$ 5.84	\$ 4.84	\$ 0.25
March 31, 2006	\$ 8.55	\$ 7.89	\$ 0.15	\$ 6.03	\$ 5.45	N/A
2005						
December 31, 2005	\$ 8.30	\$ 7.81	\$ 0.15	\$ 5.98	\$ 4.88	\$ 0.25
September 30, 2005	\$ 8.50	\$ 8.04	\$ 0.145	\$ 6.15	\$ 5.50	N/A
June 30, 2005	\$ 8.80	\$ 7.69	\$ 0.145	\$ 7.01	\$ 5.84	\$ 0.25
March 31, 2005	\$ 8.97	\$ 8.34	\$ 0.145	\$ 7.50	\$ 6.20	N/A
2004						
December 31, 2004	\$ 8.74	\$ 8.01	\$ 0.145	\$ 6.90	\$ 6.14	\$ 0.25

The market price of Monmouth REIT common stock will change before the merger, while the exchange ratio is fixed. We urge you to obtain current stock price quotations for Monmouth REIT and Monmouth Capital common stock before making any decision regarding the merger. You can get these quotations from a newspaper, on the Internet or by calling your broker.

On March 26, 2007, the last full trading day before the merger was publicly announced, the high and low sale prices of Monmouth REIT common stock on the NASDAQ Global Select Market were \$8.78 and \$8.61, respectively, and the high and low sale prices of Monmouth Capital common stock on the NASDAQ Global Market were \$5.70 and \$5.52, respectively.

On June 1, 2007, the last full trading day for which it was practicable to obtain this information before the date of this joint proxy statement/prospectus, the high and low sale prices of Monmouth REIT common stock on the NASDAQ Global Select Market were \$8.73 and \$8.62, respectively, and the high and low sale prices of Monmouth Capital common stock on the NASDAQ Global Market were \$5.59 and \$5.55, respectively.

As of the close of business on June 1, 2007, the last date for which it was practicable to obtain this information before the printing of this joint proxy statement/prospectus, there were 1,076 registered holders of Monmouth REIT common stock and 435 registered holders of Monmouth Capital common stock.

Holders of shares of Monmouth Capital common stock are entitled to receive distributions when declared by Monmouth Capital's board of directors out of any assets legally available for payment. In order to maintain its REIT status for United States federal income tax purposes, Monmouth Capital must distribute annually to its stockholders at least 90% of its REIT taxable income, which, as defined by the relevant tax statutes and regulations, is generally equivalent to net taxable ordinary income. Under the merger agreement, Monmouth Capital's dividends for periods ending after June 30, 2007, are restricted to its Funds From Operations, as defined in the merger agreement.

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RISK FACTORS

Material risks of this offering are identified in the risk factors included in this joint proxy statement/prospectus. In addition to the other information contained in or incorporated by reference into this joint proxy statement/prospectus, including the matters addressed under the caption Cautionary Information Regarding Forward-Looking Statements, you should carefully consider the following risk factors in deciding whether to vote for approval of the merger agreement.

Risks relating to the Merger

Because the market price of Monmouth REIT common stock may fluctuate, Monmouth Capital common stockholders cannot be sure of the market value of the Monmouth REIT common stock to be issued in the merger.

Upon completion of the merger, each share of Monmouth Capital common stock will be converted into 0.655 shares of Monmouth REIT common stock. This exchange ratio will not be adjusted for changes in the market price of either Monmouth REIT or Monmouth Capital common stock. Changes in the market price of Monmouth REIT common stock before the merger will affect the market value that Monmouth Capital common stockholders will receive on the date of the merger. Stock price changes may result from a variety of factors, including general market and economic conditions, changes in business, operations and prospects and regulatory considerations, many of which factors are beyond Monmouth REIT's control. Neither Monmouth REIT nor Monmouth Capital is permitted to terminate the merger agreement or re-solicit the vote of its stockholders solely because of changes in the market price of either company's common stock.

The prices of Monmouth REIT and Monmouth Capital common stock at the closing of the merger may vary from their respective prices on the date the merger agreement was executed, on the date of this document and on the date of the stockholders' meetings. As a result, the value represented by the exchange ratio will also vary. For example, based on the range of closing prices of Monmouth REIT common stock during the period from March 26, 2007, the last trading day before public announcement of the merger, through June 1, 2007, the exchange ratio represented a value ranging from a high of \$5.93 to a low of \$5.55 for each share of Monmouth Capital common stock. Because the date that the merger is completed will be later than the date of the meetings, at the time of the Monmouth REIT annual meeting of stockholders and the Monmouth Capital special meeting of stockholders, you will not know the exact market value of the Monmouth REIT common stock that Monmouth Capital stockholders will receive upon completion of the merger.

We may fail to realize the anticipated benefits of the merger and, even if the merger is consummated, Monmouth REIT will continue to have a small asset base and a small market capitalization compared to many other publicly traded REITs.

The success of the merger will depend, in part, on our ability to realize the anticipated cost savings from combining the businesses of Monmouth REIT and Monmouth Capital in one public company and our ability to realize the benefits of an enhanced asset base and increased market capitalization. However, to realize the anticipated cost savings from the merger, we must successfully combine the businesses of Monmouth REIT and Monmouth Capital in a manner that permits those cost savings to be realized. If we are not able to successfully achieve these objectives, the anticipated benefits of the merger may not be realized fully or at all or may take longer or cost more to realize than expected. Additionally, after the merger, Monmouth REIT's asset base and market capitalization will remain small compared to many other publicly traded REITs and we may not realize any benefit from the increase in Monmouth REIT's asset base and market capitalization as a result of the merger.

There may be unexpected delays in the consummation of the merger.

The merger is expected to close by the end of the third quarter of 2007. However, certain events may delay the consummation of the merger. Some of the events that could delay the consummation of the merger include

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difficulties in obtaining the approval of Monmouth REIT or Monmouth Capital common stockholders and satisfying the closing conditions to which the merger is subject, including the requirement that Monmouth Capital obtain consents from third parties.

The merger is subject to certain closing conditions that, if not satisfied or waived, will result in the merger not being completed, which may cause the market price of Monmouth REIT common stock or Monmouth Capital common stock, or both, to decline.

The merger is subject to customary conditions to closing, including the receipt of required approvals of the common stockholders of Monmouth Capital and Monmouth REIT. If any condition to the merger is not satisfied or, if permissible, waived, the merger will not be completed. In addition, Monmouth REIT and Monmouth Capital may terminate the merger agreement in certain circumstances. If Monmouth REIT and Monmouth Capital do not complete the merger, the market price of Monmouth REIT or Monmouth Capital common stock may fluctuate to the extent that the current market prices of those shares reflect a market assumption that the merger will be completed. Monmouth REIT and Monmouth Capital will also be obligated to pay certain investment banking, financing, legal and accounting fees and related expenses in connection with the merger, whether or not the merger is completed. In addition, Monmouth REIT and Monmouth Capital have each diverted significant management resources in an effort to complete the merger and are each subject to restrictions contained in the merger agreement on the conduct of its business. If the merger is not completed, Monmouth REIT and Monmouth Capital will have incurred significant costs, including the diversion of management resources, for which they will have received little or no benefit. Further, in specified circumstances, Monmouth Capital may be required to pay to Monmouth REIT a termination fee of \$1 million if the merger agreement is terminated. The circumstances in which such termination fee will be paid are described under the caption *The Merger Agreement Termination Fees and Expenses*.

Monmouth REIT would incur adverse tax consequences if it or Monmouth Capital failed to qualify as a REIT for United States federal income tax purposes.

Monmouth REIT has assumed that Monmouth Capital has qualified and will continue to qualify as a real estate investment trust, or REIT, for United States federal income tax purposes and that Monmouth REIT will be able to continue to qualify as a REIT following the merger. However, if Monmouth Capital has failed or fails to qualify as a REIT, Monmouth REIT and Route 9 generally would succeed to or incur significant tax liabilities (including the significant tax liability that would result from the deemed sale of assets by Monmouth Capital pursuant to the merger), and Monmouth REIT could possibly lose its REIT status should disqualifying activities continue after the merger.

For any taxable year that Monmouth REIT fails to qualify as a REIT and is unable to avail itself of certain savings provisions set forth in the Internal Revenue Code, it would be subject to United States federal income tax at the regular corporate rates on all of its taxable income, whether or not it makes any distributions to its stockholders. Those taxes would reduce the amount of cash available for distribution to its stockholders or for reinvestment and would adversely affect Monmouth REIT's earnings. As a result, Monmouth REIT's failure to qualify as a REIT during any taxable year could have a material adverse effect upon Monmouth REIT and its stockholders. Furthermore, unless certain relief provisions apply, Monmouth REIT would not be eligible to elect REIT status again until the fifth taxable year that begins after the first year for which it failed to qualify.

Just as Monmouth REIT would be adversely affected if Monmouth Capital failed to qualify as a REIT, Monmouth Capital stockholders who become stockholders of Monmouth REIT will face adverse consequences if Monmouth REIT fails to qualify as a REIT.

Monmouth REIT and Monmouth Capital stockholders will become subject to the risks of new real estate markets.

Monmouth Capital stockholders will become subject to the risks of the real estate markets in the United States in which Monmouth REIT currently operates, or in which its operations are more concentrated as

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compared with Monmouth Capital. Conversely, Monmouth REIT stockholders will become subject to the risks of the real estate markets in the United States in which Monmouth Capital currently operates, or in which its operations are more concentrated as compared with Monmouth REIT.

There could be an increase in the exposure of Monmouth REIT to interest rate and refinancing risks.

Monmouth Capital is more leveraged than Monmouth REIT, with more fixed-rate debt that Monmouth REIT will assume. This additional leverage could result in an increase in Monmouth REIT's exposure to interest rate and refinancing risks.

Monmouth REIT's directors and executive officers have interests and arrangements that could have influenced their decisions to support or approve the merger.

The interests of some of Monmouth REIT's directors and executive officers are different from those of Monmouth REIT common stockholders, and Monmouth REIT's directors and executive officers may have participated in arrangements that are different from, or in addition to, those of Monmouth REIT common stockholders. For a description of the benefits Monmouth REIT's directors and executive officers will receive in connection with the merger, please see the section titled "The Merger - Interests of Monmouth REIT's Directors and Executive Officers in the Merger."

Monmouth Capital's directors and executive officers have interests and arrangements that could have influenced their decisions to support or approve the merger.

The interests of some of Monmouth Capital's directors and executive officers are different from those of Monmouth Capital stockholders, and Monmouth Capital's directors and executive officers may have participated in arrangements that are different from, or in addition to, those of Monmouth Capital stockholders. For a description of the benefits Monmouth Capital's directors and executive officers will receive in connection with the merger, please see the section titled "The Merger - Interests of Monmouth Capital's Directors and Executive Officers in the Merger."

The issuance of shares of Monmouth REIT common stock to Monmouth Capital stockholders in the merger will dilute the ownership position of current Monmouth REIT common stockholders.

If the merger is completed, based on the number of shares of Monmouth REIT and Monmouth Capital common stock outstanding on the record date for the Monmouth Capital annual meeting of stockholders, Monmouth REIT and Monmouth Capital expect that approximately 3,757,650 shares of Monmouth REIT common stock will be issued to Monmouth Capital stockholders in the merger. Based on the number of shares of Monmouth REIT and Monmouth Capital common stock outstanding on that date, the stockholders of Monmouth Capital before the merger will own, in the aggregate, approximately 19% of the fully diluted shares of Monmouth REIT common stock immediately after the merger. The issuance of shares of Monmouth REIT common stock to Monmouth Capital stockholders in the merger will dilute the ownership position of the current Monmouth REIT common stockholders.

Risks relating to Monmouth REIT

Monmouth REIT may be unable to renew leases or relet space as leases expire.

While Monmouth REIT seeks to invest in well-located, modern buildings leased to credit-worthy tenants on long-term leases, a number of Monmouth REIT's properties are subject to short-term leases. When a lease expires, a tenant may elect not to renew the lease. Monmouth REIT may not be able to relet the property on similar terms, if Monmouth REIT is able to relet the property at all. The terms of renewal or re-lease (including the cost of required renovations and/or concessions to tenants) may be less favorable to Monmouth REIT than the

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prior lease. If Monmouth REIT is unable to relet all or a substantial portion of its properties, or if the rental rates upon such reletting are significantly lower than expected rates, Monmouth REIT's cash generated before debt repayments and capital expenditures, and Monmouth REIT's ability to make expected distributions to stockholders, may be adversely affected. Monmouth REIT has established an annual budget for renovation and reletting expenses that it believes is reasonable in light of each property's operating history and local market characteristics. This budget, however, may not be sufficient to cover these expenses.

Monmouth REIT's business is substantially dependent on Federal Express Corporation.

Federal Express Corporation, which we refer to as FDX, is Monmouth REIT's largest tenant. As of December 31, 2006, FDX leased approximately 35% of the total square footage that Monmouth REIT owns and rent and reimbursement revenue from FDX was 53% of Monmouth REIT's rental and reimbursement revenue for its fiscal year ended September 30, 2006. If FDX terminates its leases with Monmouth REIT or is unable to make lease payments because of a downturn in its business or otherwise, Monmouth REIT's financial condition and ability to make distributions to stockholders would be materially and adversely affected.

Monmouth REIT has been and may continue to 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 Monmouth REIT's industrial properties. As a result, Monmouth REIT's 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 Monmouth REIT, resulting in a decrease of distributions to Monmouth REIT common stockholders. Monmouth REIT receives a substantial portion of its 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 sales, Monmouth REIT, in its sole discretion, may deem it advisable to modify lease terms to allow tenants to pay a lower rental or a smaller share of operating costs, taxes and insurance. If a tenant becomes insolvent or bankrupt, Monmouth REIT cannot be sure that it could recover the premises from the tenant promptly or from a trustee or debtor-in-possession in any bankruptcy proceeding relating to the tenant. Monmouth REIT also cannot be sure that it would receive rent in the proceeding sufficient to cover its 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 Monmouth REIT's claims against the tenant. A tenant's default on its obligations to Monmouth REIT could adversely affect Monmouth REIT's financial condition and the cash it has available for distribution.

Monmouth REIT 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 Monmouth REIT's ability to vary its property portfolio promptly in response to changes in economic or other conditions. In addition, the Internal Revenue Code limits Monmouth REIT's ability to sell its properties. The inability to respond promptly to changes in the performance of Monmouth REIT's property portfolio could adversely affect its financial condition and ability to service debt and make distributions to its stockholders.

Environmental liabilities could affect Monmouth REIT's profitability.

Monmouth REIT faces possible environmental liabilities. Environmental laws today can impose liability on a prior 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, Monmouth REIT may be required by law to investigate and clean up hazardous substances released at the properties it currently owns or operates, or has in the past owned or operated. Monmouth REIT may also be liable to the

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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 affect adversely Monmouth REIT's ability to sell or lease real estate or to borrow using the real estate as collateral. Monmouth REIT is not aware of any environmental liabilities relating to its investment properties that would have a material adverse effect on its business, assets, or results of operations. However, Monmouth REIT cannot assure you that environmental liabilities will not arise in the future.

Actions by Monmouth REIT's competitors may decrease or prevent increases of the occupancy and rental rates of its properties.

Monmouth REIT competes with other owners and operators of real estate, some of which own properties similar to Monmouth REIT's in the same submarkets in which Monmouth REIT's properties are located. If Monmouth REIT's competitors offer space at rental rates below current market rates or below the rental rates Monmouth REIT currently charges its tenants, Monmouth REIT may lose potential tenants and may be pressured to reduce its rental rates below those it currently charges in order to retain tenants when its tenants' leases expire. As a result, Monmouth REIT's financial condition, cash flow, cash available for distribution, trading price of its common stock and ability to satisfy its debt service obligations could be materially adversely affected.

Coverage under Monmouth REIT's existing insurance policies may be inadequate to cover losses.

Monmouth REIT generally maintains insurance policies related to its business, including casualty, general liability and other policies, covering Monmouth REIT's business operations, employees and assets. However, Monmouth REIT 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 occurs with respect to one or more of Monmouth REIT's properties, then Monmouth REIT could lose the capital it 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 Monmouth REIT, Monmouth REIT would remain obligated for any mortgage debt or other financial obligations related to the properties. Although Monmouth REIT believes that its insurance programs are adequate, Monmouth REIT cannot assure you that it will not incur losses in excess of its insurance coverage or that it will be able to obtain insurance in the future at acceptable levels and reasonable costs.

Monmouth REIT faces risks associated with property acquisitions.

Monmouth REIT acquires individual properties and portfolios of properties and intends to continue to do so. Monmouth REIT's acquisition activities and its success are subject to the following risks:

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

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

acquired properties may be located in new markets where Monmouth REIT faces 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;

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

Monmouth REIT may acquire properties subject to liabilities and without any recourse, or with only limited recourse, to the prior owner with respect to unknown liabilities. As a result, if a claim were

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asserted against Monmouth REIT based upon ownership of those properties, Monmouth REIT might have to pay substantial sums to settle the claim, which could adversely affect Monmouth REIT's cash flow.

Monmouth REIT faces risks generally associated with its debt.

Monmouth REIT finances a portion of its investments in properties and marketable securities through debt. This debt creates risks, including risks resulting from:

rising interest rates on Monmouth REIT's floating rate debt;

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

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

the failure to meet required payments of principal and/or interest.

Any of the above events could adversely affect Monmouth REIT's financial condition, results of operations, cash flow and ability to pay dividends on, and the market price of, its stock.

Monmouth REIT faces risks associated with the use of debt to fund acquisitions, including refinancing risk.

Monmouth REIT is subject to the risks normally associated with debt financing, including the risk that its cash flow will be insufficient to meet required payments of principal and interest. In addition, if Monmouth REIT mortgages one or more of its properties to secure payment of indebtedness and Monmouth REIT is unable to meet mortgage payments, then the property could be foreclosed upon or transferred to the mortgagee with a consequent loss of income and asset value. A foreclosure of one or more of Monmouth REIT's properties could adversely affect its financial condition, results of operations, cash flow and ability to pay dividends on, and the market price of, its stock.

Monmouth REIT faces risks related to balloon payments.

Certain of Monmouth REIT's mortgages will have significant outstanding principal balances on their maturity dates, commonly known as balloon payments. There can be no assurance that Monmouth REIT will be able to refinance such balloon payments on the maturity of the loans, which may force disposition of properties on disadvantageous terms or require replacement with debt with higher interest rates, either of which would have an adverse impact on Monmouth REIT's financial performance and ability to pay dividends to its stockholders.

Monmouth REIT faces risks associated with its dependence on external sources of capital.

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

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A lack of any limitation on Monmouth REIT's debt could result in Monmouth REIT becoming more highly leveraged.

Monmouth REIT's governing documents do not limit the amount of indebtedness it may incur. Accordingly, Monmouth REIT's board of directors may incur additional debt and would do so, for example, if it were necessary to maintain Monmouth REIT's status as a REIT. Monmouth REIT might become more highly leveraged as a result and its financial condition and cash available for distribution to stockholders might be negatively affected and the risk of default on its indebtedness could increase.

Covenants in Monmouth REIT's credit agreements could limit its flexibility and adversely affect its financial condition.

The terms of Monmouth REIT's various credit agreements and other indebtedness require Monmouth REIT 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 Monmouth REIT's flexibility in its operations and breaches of these covenants could result in defaults under the instruments governing the applicable indebtedness even if Monmouth REIT had satisfied its payment obligations. If Monmouth REIT is unable to refinance its indebtedness at maturity or meet its payment obligations, the amount of its distributable cash flow and its financial condition would be adversely affected.

Monmouth REIT may amend its business policies without your approval.

Monmouth REIT's board of directors determines its growth, investment, financing, capitalization, borrowing, REIT status, operations and distributions policies. Although Monmouth REIT's board of directors has no present intention to amend or reverse any of these policies, they may be amended or revised without notice to stockholders. Accordingly, stockholders may not have control over changes in Monmouth REIT's policies. Monmouth REIT cannot assure you that changes in its policies will serve fully the interests of all of its stockholders.

The market value of Monmouth REIT common stock could decrease based on Monmouth REIT's performance and market perception and conditions.

The market value of Monmouth REIT common stock may be based primarily upon the market's perception of Monmouth REIT's growth potential and current and future cash dividends and may be secondarily based upon the real estate market value of its underlying assets. The market price of Monmouth REIT common stock is influenced by the dividend on Monmouth REIT common stock relative to market interest rates. Rising interest rates may lead potential buyers of Monmouth REIT common stock to expect a higher dividend rate, which would adversely affect the market price of Monmouth REIT common stock. In addition, rising interest rates would result in increased expense, thereby adversely affecting cash flow and Monmouth REIT's ability to service its indebtedness and pay dividends.

There are restrictions on the ownership and transfer of Monmouth REIT stock.

To maintain Monmouth REIT's qualification as a REIT under the Internal Revenue Code, no more than 50% in value of its outstanding stock may be owned, actually or by attribution, by five or fewer individuals, as defined in the Internal Revenue Code to also include certain entities, during the last half of a taxable year. In addition, at least 100 persons must beneficially own Monmouth REIT stock during at least 335 days of a taxable year. Monmouth REIT's charter contains provisions that generally prohibit any person from owning shares of Monmouth REIT stock if the person would, directly or indirectly, beneficially own more than 9.8% of the outstanding shares of Monmouth REIT stock, if the outstanding shares of Monmouth REIT stock would be owned by fewer than 100 persons or if such person's ownership would otherwise result in Monmouth REIT failing to qualify as a REIT under the Internal Revenue Code. If a person acquires or owns (or attempts to acquire

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or own) shares of Monmouth REIT stock in violation of these restrictions, which are described in more detail under the caption Description of Monmouth REIT Stock Restrictions on Ownership and Transfer, the shares may be converted into and exchanged for shares of excess stock, which will be held in a charitable trust for the benefit of a charitable beneficiary and may be sold by the trustee of the charitable trust or redeemed by Monmouth REIT. These restrictions on ownership and transfer of Monmouth REIT stock will not apply if Monmouth REIT ceases to qualify as a REIT or if Monmouth REIT's board of directors determines that it is no longer in Monmouth REIT's best interest to continue to qualify as a REIT. These restrictions may not be effective to ensure that Monmouth REIT continues to have at least 100 beneficial owners of its stock or that there will not be five or fewer individuals who own more than 50% in value of the outstanding shares of Monmouth REIT stock, which could cause Monmouth REIT to fail to qualify as a REIT.

Monmouth REIT's earnings are dependent, in part, upon the performance of its investment portfolio.

As permitted by the Internal Revenue Code, Monmouth REIT invests in and owns securities of other REITs. To the extent that the value of those investments declines or those investments do not provide a return, Monmouth REIT's earnings could be adversely affected.

Monmouth REIT is subject to restrictions that may impede its ability to effect a change in control.

Certain provisions of Monmouth REIT's charter and bylaws, described more fully under the caption Certain Provisions of Maryland Law and Monmouth REIT's Charter and Bylaws, may have the effect of discouraging a third party from making an acquisition proposal for Monmouth REIT and thereby inhibit a change in control. These provisions include the following:

Monmouth REIT's 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 stockholders from voting on the election of more than one class of directors at any annual meeting of stockholders, this provision may have the effect of keeping the current members of Monmouth REIT's board of directors in control for a longer period of time than stockholders may desire.

Monmouth REIT's charter generally limits any stockholder from acquiring more than 9.8% (in value or in number, whichever is more restrictive) of its outstanding stock of any class or series other than excess stock. While this provision is intended to assure Monmouth REIT's ability to remain a qualified REIT for United States federal income tax purposes, the ownership limit may also limit the opportunity for stockholders to receive a premium for their shares of common stock that might otherwise exist if an investor were attempting to assemble a block of shares in excess of 9.8% of the outstanding shares of Monmouth REIT stock or otherwise effect a change in control.

The request of the stockholders entitled to cast a majority of the votes entitled to be cast at such meeting is necessary for stockholders to call a special meeting. Monmouth REIT also requires advance notice by stockholders for the nomination of directors or proposals of business to be considered at a meeting of stockholders.

Monmouth REIT's board of directors may authorize and issue securities without stockholder approval.

Under Monmouth REIT's charter, its board of directors has the power to classify and reclassify any of its unissued shares of stock into one or more classes or series of stock, with such preferences, rights and other terms as the board of directors may determine. The classification or reclassification and issuance of shares of a new class of stock could delay or prevent a transaction involving a change in control of Monmouth REIT, even if a change in control were in its stockholders' best interest.

Certain provisions of Maryland law may limit the ability of a third party to acquire control of Monmouth REIT.

The Maryland Business Combination Act prohibits certain business combinations between a Maryland corporation and certain interested stockholders for five years after the most recent date on which the interested

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stockholder becomes an interested stockholder. After the five-year prohibition, any business combination between the Maryland corporation and an interested stockholder generally must be recommended by the board of directors of the corporation and approved by certain supermajority votes, unless the corporation's common stockholders receive a minimum price, as defined under Maryland law, for their shares in the form of cash or other consideration in the same form as previously paid by the interested stockholder for its shares. Monmouth REIT's charter exempts business combinations involving Monmouth Capital or UMH Properties, Inc., which we refer to as UMH Properties, however, business combinations between Monmouth REIT and other persons would be subject to the restrictions of the Maryland Business Combination Act.

These provisions, and other provisions of Maryland law and of Monmouth REIT's charter and bylaws described under the caption "Certain Provisions of Maryland Law and of Monmouth REIT's Charter and Bylaws," may delay or prevent a transaction or a change in control that might involve a premium price for the holders of Monmouth REIT common stock or otherwise be in the best interest of Monmouth REIT stockholders.

Monmouth REIT may fail to qualify as a REIT.

If Monmouth REIT fails to qualify as a REIT, it will not be allowed to deduct distributions to stockholders in computing its taxable income and will be subject to United States federal income tax, including any applicable alternative minimum tax, at regular corporate rates. In addition, Monmouth REIT could be barred from qualification as a REIT for the four years following a disqualification. The additional tax incurred at regular corporate rates would reduce significantly the cash flow available for distribution to stockholders and for debt service.

Furthermore, Monmouth REIT would no longer be required to make any distributions to its stockholders as a condition of its REIT qualification. Any distributions to stockholders would be taxable as ordinary income to the extent of Monmouth REIT's current and accumulated earnings and profits, although such dividend distributions would be subject to a top federal tax rate of 15% through 2010. Recipients of these distributions, however, may be eligible for the dividends received deduction on the distributions, subject to limitations under the Internal Revenue Code.

To qualify as a REIT, Monmouth REIT must comply with certain highly technical and complex requirements.

Monmouth REIT cannot be certain it has 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 Monmouth REIT's control may affect its ability to continue to qualify as a REIT. Monmouth REIT cannot assure you that new legislation, regulations, administrative interpretations or court decisions will not change the tax laws significantly with respect to its qualification as a REIT or with respect to the United States federal income tax consequences of qualification as a REIT. Monmouth REIT believes that it has qualified as a REIT since its inception and intends to continue to qualify as a REIT. However, Monmouth REIT cannot assure you that it is or will remain so qualified.

Tax laws applicable to REITs may change.

Because the Internal Revenue Service, the United States Treasury Department and Congress frequently revise United States federal income tax laws, rules and regulations, Monmouth REIT cannot predict whether, when or to what extent new federal tax laws, regulations, interpretations or rulings will be adopted. Any of such legislative or regulatory action may prospectively or retroactively modify Monmouth REIT's tax treatment and, therefore, may adversely affect taxation of Monmouth REIT and/or its stockholders.

Monmouth REIT may be unable to comply with the strict income distribution requirements applicable to REITs.

To maintain qualification as a REIT under the Internal Revenue Code, a REIT must annually distribute to its stockholders at least 90% of its REIT taxable income, excluding the dividends paid deduction and net capital

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gains. This requirement limits Monmouth REIT's ability to accumulate capital. Monmouth REIT may not have sufficient cash or other liquid assets to meet the distribution requirements. Difficulties in meeting the distribution requirements might arise due to competing demands for Monmouth REIT's 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 or because deductions may be disallowed or limited, or the Internal Revenue Service may make a determination that adjusts reported income. In those situations, Monmouth REIT might be required to borrow funds or sell properties on adverse terms in order to meet the distribution requirements and interest and penalties could apply which could adversely affect its financial condition. If Monmouth REIT fails to make a required distribution, it would cease to be taxed as a REIT.

Notwithstanding Monmouth REIT's United States federal income tax status as a REIT, it is subject to various United States federal, state and local taxes on its income and property. For example, Monmouth REIT 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 generally not be taxable to stockholders. Monmouth REIT may be subject to other United States federal income taxes as more fully described under the caption

Material United States Federal Income Tax Considerations of Monmouth REIT and its Stockholders Taxation of Monmouth REIT as a REIT. Monmouth REIT 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 United States federal income tax purposes.

If Monmouth REIT's leases are not respected as true leases for United States federal income tax purposes, Monmouth REIT would fail to qualify as a REIT.

To qualify as a REIT, Monmouth REIT must, among other things, satisfy two gross income tests, under which specified percentages of Monmouth REIT's gross income must be passive income, such as rent. For the rent paid pursuant to Monmouth REIT's leases to qualify for purposes of the gross income tests, the leases must be respected as true leases for United States federal income tax purposes and not be treated as service contracts, joint ventures or some other type of arrangement. Monmouth REIT believes that its leases will be respected as true leases for United States federal income tax purposes. However, there can be no assurance that the Internal Revenue Service will agree with this view. If the leases are not respected as true leases for United States federal income tax purposes, Monmouth REIT would not be able to satisfy either of the two gross income tests applicable to REITs, and it would most likely lose its REIT status.

Failure to make required distributions would subject Monmouth REIT to additional tax.

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

85% of its ordinary income for that year;

95% of its capital gain net earnings for that year; and

100% of its undistributed taxable income from prior years.

To the extent Monmouth REIT pays out in excess of 100% of its taxable income for any tax year, it may be able to carry forward such excess to subsequent years to reduce its required distributions in such years. Monmouth REIT intends to pay out its income to its stockholders in a manner intended to satisfy the distribution requirement. Differences in timing between the recognition of income and the related cash receipts or the effect

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of required debt amortization payments could require Monmouth REIT to borrow money or sell assets to pay out enough of its taxable income to satisfy the distribution requirement and to avoid corporate income tax.

Monmouth REIT 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 Monmouth REIT's board of directors in its discretion and typically will depend on the amount of cash available for distribution, which will depend on items such as current and projected cash requirements and tax considerations. As a result, Monmouth REIT may not have sufficient cash available from operations to pay distributions as required to maintain its status as a REIT. Therefore, Monmouth REIT may need to borrow funds to make sufficient cash distributions in order to maintain its status as a REIT, which may cause it to incur additional interest expense as a result of an increase in borrowed funds for the purpose of paying distributions.

Monmouth REIT may be required to pay a penalty tax upon the sale of a property.

The United States 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% 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. Monmouth REIT intends that it and its 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 to make occasional sales as are consistent with its investment objectives. Monmouth REIT does not intend to engage in prohibited transactions. Monmouth REIT cannot assure you, however, that it will only make sales that satisfy the requirements of the safe harbors or that the Internal Revenue Service will not successfully assert that one or more of such sales are prohibited transactions.

Monmouth REIT may also be subject to various other federal, state and local taxes on its income and property.

Monmouth REIT may be subject to other United States federal income taxes as more fully described in Material United States Federal Income Tax Considerations of Monmouth REIT and its Stockholders Taxation of Monmouth REIT as a REIT. Monmouth REIT 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 United States federal income tax purposes.

Risks relating to Monmouth Capital

Monmouth Capital faces risks associated with local real estate conditions in areas where Monmouth Capital owns properties.

Monmouth Capital 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 its properties to tenants would have a negative effect on Monmouth Capital.

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

population and demographic trends;

employment and personal income trends;

zoning, use and other regulatory restrictions;

income tax laws;

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changes in interest rates and availability and costs of financing;

competition from other available real estate;

Monmouth Capital's ability to provide adequate maintenance and insurance; and

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

Monmouth Capital may be unable to compete with its larger competitors and other alternatives available to tenants or potential tenants of its properties.

The real estate business is highly competitive. Monmouth Capital competes for properties with other real estate investors and purchasers, including other REITs, limited partnerships, syndications and private investors, many of whom have greater financial resources, revenues, and geographical diversity than Monmouth Capital. Furthermore, Monmouth Capital competes for tenants with other property owners. All of Monmouth Capital's industrial properties are subject to significant local competition. Monmouth Capital also competes with a wide variety of institutions and other investors for capital funds necessary to support its investment activities and asset growth. In addition, Monmouth Capital's portfolio of industrial properties faces competition from other properties within each submarket where its industrial properties are located. To the extent that Monmouth Capital is unable to effectively compete in the marketplace, its business may be adversely affected.

Monmouth Capital is subject to significant regulation that inhibits its activities and may increase its costs.

Local zoning and use laws, environmental statutes and other governmental requirements may restrict expansion, rehabilitation and reconstruction activities. These regulations may prevent Monmouth Capital from taking advantage of economic opportunities. Legislation such as the Americans with Disabilities Act may require Monmouth Capital to modify its properties and noncompliance could result in the imposition of fines or an award of damages to private litigants. Future legislation may impose additional requirements. Monmouth Capital cannot predict what requirements may be enacted or amended or what costs it will incur to comply with such requirements.

Monmouth Capital's investments are concentrated in the industrial sector and its business would be adversely affected by an economic downturn in that sector.

Monmouth Capital's investments in real estate assets are primarily concentrated in the industrial distribution sector. This concentration may expose Monmouth Capital to the risk of economic downturns in this sector to a greater extent than if its business activities included a more significant portion of other sectors of the real estate industry.

Monmouth Capital may be unable to renew leases or relet space as leases expire.

A number of Monmouth Capital's properties are subject to short-term leases. When a lease expires, a tenant may elect not to renew it. Monmouth Capital may not be able to relet the property on similar terms, if Monmouth Capital is able to relet the property at all. The terms of renewal or re-lease (including the cost of required renovations and/or concessions to tenants) may be less favorable to Monmouth Capital than the prior lease. If Monmouth Capital is unable to relet all or a substantial portion of its properties, or if the rental rates upon such reletting are significantly lower than expected rates, Monmouth Capital's cash generated before debt repayments and capital expenditures, and Monmouth Capital's ability to make expected distributions to stockholders, may be adversely affected. Monmouth Capital has established an annual budget for renovation and reletting expenses that it believes is reasonable in light of each property's operating history and local market characteristics. This budget, however, may not be sufficient to cover these expenses.

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Monmouth Capital's business is substantially dependent on Federal Express Corporation and subsidiaries.

Federal Express Corporation and subsidiaries, or FDX, is Monmouth Capital's largest tenant. As of December 31, 2006, FDX leased approximately 54% of the total square footage that Monmouth Capital owns. If FDX terminated its leases with Monmouth Capital or was unable to make lease payments because of a downturn in its business or otherwise, Monmouth Capital's financial condition and ability to make distributions to its stockholders will be materially and adversely affected.

Monmouth Capital 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 Monmouth Capital's industrial properties. As a result, Monmouth Capital's 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 Monmouth Capital, resulting in a decrease of distributions to investors. Monmouth Capital receives a substantial portion of its income as rents under medium-term leases. If tenants are unable to comply with the terms of their leases because of rising costs or falling sales, Monmouth Capital, in its sole discretion, may deem it advisable to modify lease terms to allow tenants to pay a lower rental or a smaller share of operating costs, taxes and insurance. If a tenant becomes insolvent or bankrupt, Monmouth Capital cannot be sure that it could recover the premises from the tenant promptly or from a trustee or debtor-in-possession in any bankruptcy proceeding relating to the tenant. Monmouth Capital also cannot be sure that it would receive rent in the proceeding sufficient to cover its 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 Monmouth Capital's claims against the tenant. A tenant's default on its obligations to Monmouth Capital could adversely affect Monmouth Capital's financial condition and the cash it has available for distribution.

Monmouth Capital 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 Monmouth Capital's ability to vary its property portfolio promptly in response to changes in economic or other conditions. In addition, the Internal Revenue Code limits Monmouth Capital's ability to sell its properties. The inability to respond promptly to changes in the performance of its property portfolio could adversely affect Monmouth Capital's financial condition and ability to service debt and make distributions to Monmouth Capital's stockholders.

Environmental liabilities could affect Monmouth Capital's profitability.

Monmouth Capital faces 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, Monmouth Capital may be required by law to investigate and clean up hazardous substances released at the properties Monmouth Capital currently owns or operates, or has in the past owned or operated. Monmouth Capital 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 affect adversely Monmouth Capital's ability to sell or lease real estate or to borrow using the real estate as collateral. Monmouth Capital is not aware of any environmental liabilities relating to its investment properties which would have a material adverse effect on its business, assets, or results of operations. However, Monmouth Capital cannot assure you that environmental liabilities will not arise in the future.

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Actions by its competitors may decrease or prevent increases of the occupancy and rental rates of Monmouth Capital's properties.

Monmouth Capital competes with other owners and operators of real estate, some of which own properties similar to Monmouth Capital's in the same submarkets in which its properties are located. If Monmouth Capital's competitors offer space at rental rates below current market rates or below the rental rates Monmouth Capital currently charges its tenants, Monmouth Capital may lose potential tenants, and Monmouth Capital may be pressured to reduce its rental rates below those it currently charges in order to retain tenants when its tenants' leases expire. As a result, Monmouth Capital's financial condition, cash flow, cash available for distribution, trading price of its common stock and ability to satisfy its debt service obligations could be materially adversely affected.

Coverage under Monmouth Capital's existing insurance policies may be inadequate to cover losses.

Monmouth Capital generally maintains insurance policies related to its business, including casualty, general liability and other policies, covering its business operations, employees and assets. However, Monmouth Capital 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 occurs with respect to one or more of its properties, then Monmouth Capital could lose the capital it 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 Monmouth Capital, Monmouth Capital would remain obligated for any mortgage debt or other financial obligations related to the properties. Although Monmouth Capital believes that its insurance programs are adequate, Monmouth Capital cannot assure you that it will not incur losses in excess of its insurance coverage, or that it will be able to obtain insurance in the future at acceptable levels and reasonable costs.

Monmouth Capital faces risks associated with property acquisitions.

Monmouth Capital acquires individual properties and portfolios of properties and intends to continue to do so. Monmouth Capital's acquisition activities and their success are subject to the following risks:

when Monmouth Capital is 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 Monmouth Capital's estimates;

acquired properties may be located in new markets where Monmouth Capital faces 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;

Monmouth Capital may be unable to quickly and efficiently integrate new acquisitions, particularly acquisitions of portfolios of properties, into its existing operations and, as a result, Monmouth Capital's results of operations and financial condition could be adversely affected; and

Monmouth Capital may acquire properties subject to liabilities and without any recourse, or with only limited recourse, with respect to unknown liabilities.

As a result, if a claim were asserted against Monmouth Capital based upon ownership of those properties, Monmouth Capital might have to pay substantial sums to settle it, which could adversely affect its cash flow.

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Monmouth Capital faces risks generally associated with its debt.

Monmouth Capital finances a portion of its investments in properties and marketable securities through debt. This debt creates risks, including:

rising interest rates on Monmouth Capital's floating rate debt;

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

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

failure to meet required payments of principal and/or interest.

Monmouth Capital faces risks associated with the use of debt to fund acquisitions, including refinancing risk.

Monmouth Capital is subject to the risks normally associated with debt financing, including the risk that its cash flow will be insufficient to meet required payments of principal and interest. In addition, if Monmouth Capital mortgages one or more of its properties to secure payment of indebtedness and Monmouth Capital is unable to meet mortgage payments, then the property could be foreclosed upon or transferred to the mortgagee with a consequent loss of income and asset value. A foreclosure of one or more of Monmouth Capital's properties could adversely affect Monmouth Capital's financial condition, results of operations, cash flow and ability to pay dividends on, and the market price of, Monmouth Capital's stock.

Monmouth Capital faces risks related to balloon payments.

Certain mortgages will have significant outstanding principal balances on their maturity dates, commonly known as balloon payments. There can be no assurance whether Monmouth Capital will be able to refinance such balloon payments on the maturity of the loans, which may force disposition of properties on disadvantageous terms or require replacement with debt with higher interest rates, either of which would have an adverse impact on Monmouth Capital's financial performance and ability to pay dividends to investors.

Monmouth Capital faces risks associated with its dependence on external sources of capital.

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

A lack of any limitation on its debt could result in Monmouth Capital becoming more highly leveraged.

Monmouth Capital's governing documents do not limit the amount of indebtedness Monmouth Capital may incur. Accordingly, Monmouth Capital's board of directors may incur additional debt and would do so, for example, if it were necessary to maintain its status as a REIT. Monmouth Capital might become more highly leveraged as a result, and Monmouth Capital's financial condition and cash available for distribution to its stockholders might be negatively affected and the risk of default on its indebtedness could increase.

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Covenants in Monmouth Capital's credit agreements could limit its flexibility and adversely affect Monmouth Capital's financial condition.

The terms of Monmouth Capital's various credit agreements and other indebtedness require Monmouth Capital 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 Monmouth Capital's flexibility in its operations, and breaches of these covenants could result in defaults under the instruments governing the applicable indebtedness even if Monmouth Capital had satisfied its payment obligations. If Monmouth Capital were unable to refinance its indebtedness at maturity or meet its payment obligations, the amount of its distributable cash flow and its financial condition would be adversely affected.

Monmouth Capital may amend its business policies without the approval of Monmouth Capital's stockholders.

Monmouth Capital's board of directors determines its growth, investment, financing, capitalization, borrowing, REIT status, operations and distributions policies. Although Monmouth Capital's board of directors has no present intention to amend or reverse any of these policies, they may be amended or revised without notice to Monmouth Capital's stockholders. Accordingly, Monmouth Capital's stockholders may not have control over changes in Monmouth Capital's policies. Monmouth Capital cannot assure its stockholders that changes in its policies will serve fully the interests of all Monmouth Capital stockholders.

The market value of Monmouth Capital's common stock could decrease based on Monmouth Capital's performance and market perception and conditions.

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

Transfer of Monmouth Capital's capital stock may jeopardize Monmouth Capital's status as a REIT.

To maintain its qualification as a REIT under the Internal Revenue Code, no more than 50% in value of Monmouth Capital's outstanding capital stock may be owned, actually or by attribution, by five or fewer individuals, as defined in the Internal Revenue Code to also include certain entities, during the last half of a taxable year. Furthermore, Monmouth Capital has no mechanism to ensure that it continues to meet the ownership requirements as a REIT under the Internal Revenue Code.

Monmouth Capital's earnings are dependent, in part, upon the performance of its investment portfolio.

As permitted by the Internal Revenue Code, Monmouth Capital invests in and owns securities of other REITs. To the extent that the value of those investments declines or those investments do not provide a return, Monmouth Capital's earnings could be adversely affected.

Monmouth Capital may fail to qualify as a REIT.

If Monmouth Capital fails to qualify as a REIT, Monmouth Capital will not be allowed to deduct distributions to its stockholders in computing its taxable income and will be subject to United States federal income tax, including any applicable alternative minimum tax, at regular corporate rates. In addition, Monmouth Capital 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 Monmouth Capital stockholders and for debt service.

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Furthermore, Monmouth Capital would no longer be required to make any distributions to its stockholders as a condition to REIT qualification. Any distributions to Monmouth Capital stockholders would be taxable as ordinary income to the extent of Monmouth Capital's current and accumulated earnings and profits, although such dividend distributions would be subject to a top federal tax rate of 15% through 2010. Corporate distributees, however, may be eligible for the dividends received deduction on the distributions, subject to limitations under the Internal Revenue Code.

To qualify as a REIT, Monmouth Capital must comply with certain highly technical and complex requirements.

Monmouth Capital cannot be certain it has 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 Monmouth Capital's control may affect its ability to continue to qualify as a REIT. Monmouth Capital cannot assure its stockholders that new legislation, regulations, administrative interpretations or court decisions will not change the tax laws significantly with respect to its qualification as a REIT or with respect to the United States federal income tax consequences of qualification. Monmouth Capital believes that it has qualified as a REIT since its inception and intends to continue to qualify as a REIT. However, Monmouth Capital cannot assure its stockholders that Monmouth Capital is qualified or will remain qualified.

There is a risk of changes in the tax law applicable to REITs.

Because the Internal Revenue Service, the United States Treasury Department and Congress frequently review United States federal income tax legislation, Monmouth Capital 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 Monmouth Capital's tax treatment and, therefore, may adversely affect taxation of Monmouth Capital and/or its stockholders.

Monmouth Capital may be unable to comply with the strict income distribution requirements applicable to REITs.

To maintain qualification as a REIT under the Internal Revenue Code, a REIT must annually distribute to its stockholders at least 90% of its REIT taxable income, excluding the dividends paid deduction and net capital gains. This requirement limits Monmouth Capital's ability to accumulate capital. Monmouth Capital may not have sufficient cash or other liquid assets to meet the distribution requirements. Difficulties in meeting the distribution requirements might arise due to competing demands for Monmouth Capital's 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 or because deductions may be disallowed or limited, or the Internal Revenue Service may make a determination that adjusts reported income. In those situations, Monmouth Capital might be required to borrow funds or sell properties on adverse terms in order to meet the distribution requirements and interest and penalties could apply which could adversely affect Monmouth Capital's financial condition. If Monmouth Capital fails to make a required distribution, Monmouth Capital would cease to be taxed as a REIT.

Notwithstanding Monmouth Capital's status as a REIT, Monmouth Capital is subject to various federal, state and local taxes on its income and property. For example, Monmouth Capital will be taxed at regular corporate rates on any undistributed taxable income, including undistributed net capital gains, provided, however, that properly designated undistributed capital gains will effectively avoid taxation at the stockholder level. Monmouth Capital may be subject to other United States federal income tax and Monmouth Capital 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 United States federal income tax purposes.

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CAUTIONARY INFORMATION REGARDING FORWARD-LOOKING STATEMENTS

From time to time, Monmouth REIT and Monmouth Capital may make forward-looking statements (within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21F of the Securities Exchange Act of 1934, as amended, or the Exchange Act) in documents filed under the Securities Act, the Exchange Act, press releases or other public statements with respect to their respective financial condition, results of operations and business. Words such as anticipates, expects, intends, plans, believes, seeks, estimates and other expressions as they relate to us or our management are intended to identify forward-looking statements. These forward-looking statements are not guarantees of future performance and are subject to risks and uncertainties. Factors that may cause actual results or earnings to differ materially from such forward-looking statements include those set forth below under Risk Factors beginning on page 25, as well as, among others, the following:

those identified in public filings with the SEC made by Monmouth REIT that are incorporated by reference;

those identified under the caption Information about Monmouth Capital Management's Discussion and Analysis of Financial Condition and Results of Operation;

completion of the merger is dependent on, among other things, receipt of stockholder approvals, the timing of which cannot be predicted with precision and which may not be received at all;

the merger may be more difficult or expensive to complete than anticipated, including as a result of unexpected factors or events; and

the anticipated cost savings and other synergies of the merger may take longer to be realized or may not be achieved in their entirety. Because these forward-looking statements are subject to assumptions and uncertainties, actual results may differ materially from those expressed or implied by these forward-looking statements. You are cautioned not to place undue reliance on these statements, which speak only as of the date of this document or the date of any document incorporated by reference in this document.

All subsequent written and oral forward-looking statements concerning the merger or other matters addressed in this document and attributable to Monmouth REIT or Monmouth Capital or any person acting on their behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this document. Except to the extent required by applicable law or regulation, Monmouth REIT and Monmouth Capital undertake no obligation to update these forward-looking statements to reflect events or circumstances after the date of this document or to reflect the occurrence of unanticipated events.

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THE MONMOUTH REIT ANNUAL MEETING OF STOCKHOLDERS

General

This joint proxy statement/prospectus is being provided to Monmouth REIT common stockholders as part of a solicitation of proxies by Monmouth REIT's board of directors for use at the Monmouth REIT annual meeting of stockholders and at any adjournment or postponement of the annual meeting. This joint proxy statement/prospectus is first being furnished to Monmouth REIT common stockholders on or about June 15, 2007. This joint proxy statement/prospectus provides Monmouth REIT common stockholders with the information they need to know to be able to vote or instruct their vote to be cast at the annual meeting.

Date, Time and Place of the Monmouth REIT Annual Meeting of Stockholders

The Monmouth REIT annual meeting of stockholders will be held on Thursday, July 26, 2007, at 2:00 p.m., local time, at the offices of Monmouth REIT, located at Juniper Business Plaza, 3499 Route 9 North, Suite 3-C, Freehold, New Jersey.

Business to be Considered at the Monmouth REIT Annual Meeting of Stockholders

At the Monmouth REIT annual meeting of stockholders, Monmouth REIT common stockholders will be asked to:

Elect three directors, each to hold office until the Monmouth REIT annual meeting of stockholders in 2010 and until his or her successor is duly elected and qualifies;

Consider and vote on a proposal to approve the merger transaction, including the issuance of shares of Monmouth REIT common stock in the merger to stockholders of Monmouth Capital, on the terms set forth in the merger agreement;

Consider and vote on a proposal to approve Monmouth REIT's 2007 Stock Option Plan;

Consider and vote on a proposal to approve the appointment of Reznick Group, P.C. as Monmouth REIT's independent registered public accounting firm for the fiscal year ending September 30, 2007; and

Transact such other business as may properly come before the annual meeting and any adjournment or postponement thereof. We are not aware of any other matters that may be properly presented at the annual meeting.

Record Date, Notice and Quorum

All of the Monmouth REIT common stockholders of record as of the close of business on June 1, 2007, the record date for the Monmouth REIT annual meeting of stockholders, are entitled to receive notice of, attend and vote at the annual meeting and any postponements or adjournments of the annual meeting. As of the record date for the annual meeting, there were 20,212,990 shares of Monmouth REIT common stock outstanding.

The presence of Monmouth REIT common stockholders entitled to cast a majority of the votes that are entitled to be cast at the annual meeting, in person or by proxy, will constitute a quorum for purposes of the annual meeting. A quorum is necessary to hold the annual meeting. Abstentions and properly executed broker non-votes will be counted in determining the presence of a quorum. A broker non-vote results as to a particular matter when a broker or other nominee properly executes and returns a proxy without specific voting instructions from the beneficial owner. Under the rules of the New York Stock Exchange, brokers are precluded from exercising their voting discretion with respect to the approval of certain non-routine matters, including the proposals to approve the merger transaction or the 2007 Stock Option Plan.

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Required Vote

If a quorum is present, a plurality of the votes cast at the Monmouth REIT annual meeting of stockholders is required to elect a director. Cumulative voting in the election of directors is not permitted. Approval of the proposal to approve the merger transaction, the proposal to approve the 2007 Stock Option Plan or the proposal to ratify the selection of Reznick Group, P.C. as Monmouth REIT's independent registered public accounting firm require the affirmative vote of a majority of the votes cast on the proposal at the annual meeting. Abstentions and properly executed broker non-votes are not considered votes cast and will have no effect on the results of the election of directors or on the vote in the in any of the proposals to be considered at the annual meeting.

Voting and Authorization of Proxies

Each Monmouth REIT common stockholder as of the record date for the Monmouth REIT annual meeting of stockholders is entitled to vote for as many individuals as there are directors to be elected at the Monmouth REIT annual meeting of stockholders and cast one vote on each other matter properly brought before the annual meeting for each share of Monmouth REIT common stock registered in the stockholder's name. In order for your votes to be cast at the annual meeting, if you are a Monmouth REIT common stockholder of record, you must either authorize your proxy to cast your votes by returning the enclosed proxy card or attend the annual meeting and vote in person. Regardless of whether you plan to attend the annual meeting, we request that you authorize a proxy as promptly as possible.

If you authorize a proxy, the votes you would be entitled to cast at the annual meeting will be cast as you indicate on your proxy card. If you do not indicate instructions when you authorize your proxy, your votes will be cast:

FOR each nominee named in this joint proxy statement/prospectus for election as a director;

FOR the proposal to approve the merger transaction;

FOR the proposal to approve the 2007 Stock Option Plan; and

FOR the proposal to ratify the selection of Reznick Group, P.C. as Monmouth REIT's independent registered public accounting firm. We are not aware of any other matters that may properly be presented at the annual meeting. If, however, such a matter is properly presented at the annual meeting or any adjournments or postponements of the annual meeting, the persons appointed as proxies will vote in accordance with their discretion.

If you own shares of Monmouth REIT common stock through a bank, brokerage firm or nominee (i.e., in street name), you must provide voting instructions in accordance with the instructions on the voting instruction card that your bank, brokerage firm or nominee provides to you. Your broker will NOT vote your Monmouth REIT common stock with respect to the proposal to approve the merger transaction or the proposal to approve the 2007 Stock Option Plan unless you instruct your broker how to vote. You should instruct your bank, brokerage firm or nominee as to how to cast your votes at the annual meeting, following the directions contained in such voting instruction card. If you have not received voting instructions or require further information regarding the voting instructions, contact your broker who can give you directions on how to cast your votes.

Monmouth REIT will pay the costs of soliciting proxies for the annual meeting. Monmouth REIT's directors, officers and employees may solicit proxies by telephone and facsimile, by mail, on the Internet or in person. They will not be paid any additional amounts for soliciting proxies. We will also request that individuals and entities holding shares of Monmouth REIT common stock in their names, or in the names of their nominees, that are beneficially owned by others, send proxy materials to and obtain proxies from those beneficial owners,

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and, upon request, Monmouth REIT will reimburse those holders for their reasonable expenses in performing those services.

Your vote is important. Whether or not you plan to attend the annual meeting, if you are a Monmouth REIT common stockholder, we urge you to authorize your proxy promptly.

Revocation of Proxies

If you are a record owner of Monmouth REIT common stock, you may revoke your proxy at any time before the proxy is exercised at the Monmouth REIT annual meeting of stockholders, in any one of three ways, by:

delivering, before the date of the annual meeting, a written revocation of your proxy dated after the date of the proxy that is being revoked to Monmouth REIT's secretary at Juniper Business Plaza, 3499 Route 9 North, Suite 3-C, Freehold, New Jersey; or

delivering a later-dated, duly executed proxy; or

attending the annual meeting and voting in person by ballot.

Attendance at the annual meeting will not, in itself, revoke a previously granted proxy.

If you own shares of Monmouth REIT common stock in street name as of the record date for the annual meeting, you may revoke or change previously granted voting instructions by following the instructions provided by the bank, brokerage firm, nominee or other party that is the registered owner of the shares of Monmouth REIT common stock.

Adjournments

Although it is not currently expected, the Monmouth REIT annual meeting of stockholders may be adjourned for the purpose of soliciting additional proxies if sufficient Monmouth REIT common stockholders are not present at the annual meeting, in person or by proxy, to constitute a quorum. Any adjournments may be made to a date not more than 120 days after the original record date without notice, other than by an announcement at the annual meeting, by the affirmative vote of a majority of the votes cast on the proposal, even if a quorum is not present, or by the chairperson of the annual meeting for any reason. Any adjournment or postponement of the annual meeting for the purpose of soliciting additional proxies will allow Monmouth REIT common stockholders who have already authorized their proxies to revoke them at any time before their use.

MATTERS TO BE CONSIDERED AT THE MONMOUTH REIT

ANNUAL MEETING OF STOCKHOLDERS

ITEM 1: Election of Directors

Monmouth REIT's charter and bylaws provide for a classified board of directors comprised of Class I, II, and III directors. Class I directors are scheduled to be elected at the annual meeting to serve until the Monmouth REIT annual meeting of stockholders in 2010 and until their successors are duly elected and qualify. The three nominees for election as Class I directors are set forth below. In the event any nominee is unable to serve or will not serve as a director before the annual meeting, the proxy holders will vote all proxies received by them for any nominee designated by Monmouth REIT's board of directors. In the event that additional persons are nominated for election as Class I directors, the proxy holders intend to vote all proxies received by them for the nominees listed below and against any other nominee. As of the date of this joint proxy statement/prospectus, Monmouth REIT's board of directors is not aware of any other individual who may properly be nominated for election as Class I directors at the annual meeting or of any nominee who is unable or unwilling to serve as director. The

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nominees listed below are currently each serving as a director of Monmouth REIT. Neal Herstik is also currently serving as a director of Monmouth Capital.

Class I nominees to Monmouth REIT's board of directors:

Name	Age	Business Experience during the Past Five Years; Other Directorships	Director Since
Daniel D. Cronheim	53	Attorney at Law (1982 to present); Executive Vice President (1989 to present) and General Counsel (1983 to present) of David Cronheim Company. President (1997 to present) of David Cronheim Mortgage Corporation; President (2000 to present) of Cronheim Management Services, Inc. and Director (2000 to present) of Hilltop Community Bankcorp.	1989
Neal Herstik	48	Attorney at Law, Gross, Truss & Herstik, PC (1997 to present); Director of Monmouth Capital Corporation (2002 to present); First Vice President, Marlboro Community Players, Inc., a non-profit corporation (2000 to 2002); Co-founder and former President, Manalapan-Englishtown Education Foundation, Inc., a non-profit corporation (1995 to 2001).	2004
Scott L. Robinson	37	Vice President of Investment Banking and Securitization (2006 to present) at Citigroup. Senior REIT and CMBS analyst of Standard & Poor's, (1998 to present); Adjunct Professor at New York University, The Real Estate Institute (2003 to present).	2005

The following individuals are the Class II directors of Monmouth REIT, whose terms will expire at the annual meeting of Monmouth REIT's stockholders in 2008:

Name	Age	Present Position with Monmouth REIT; Business Experience During Past Five Years; Other Directorships	Director Since
Matthew I. Hirsch	47	Independent Director. Attorney at law (1985 to present); Adjunct Professor of Law (1993 to present) Widener University School of Law.	2000
Cynthia J. Morgenstern	37	Executive Vice President and Director. Vice President (1996 to 2001) Summit Bank, Commercial Real Estate Division.	2002
Stephen B. Wolgin	53	Independent Director. Managing Director of U.S. Real Estate Advisors, Inc. (2000 to present), a real estate advisory services group based in New York; Principal of the Wolgin Group (2000-2003); prior affiliations with J.P. Morgan, Odyssey Associates, The Prudential Realty Group, Standard & Poor's Corporation, and Grubb and Ellis.	2003

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The following individuals are the Class III directors of Monmouth REIT, whose terms will expire at the annual meeting of Monmouth REIT's stockholders in 2009:

Name	Age	Present Position with Monmouth REIT; Business Experience During Past Five Years; Other Directorships	Director Since
Eugene W. Landy	73	President (1968 to present) and Director . Attorney at Law; President and Director (1961 to present) of Monmouth Capital; Chairman of the Board (1995 to present), President (1969 to 1995) of UMH Properties.	1968
Samuel A. Landy	46	Director . Attorney at Law (1985 to present); President (1995 to present), Vice President (1991 to 1995) and Director (1992 to present) of UMH Properties; Director (1994 to 2004) of Monmouth Capital.	1989
Peter J. Weidhorn	60	Independent Director . Investor; Director (2000-2003) of real estate acquisitions at Kushner Companies; Chairman of the Board, President/CEO (1998-2000) WNY Group, Inc., a REIT that owned and operated 8,000 apartments prior to its sale to the Kushner Companies; Director BNP Residential Properties, Inc. (2001 to 2007); Chairman (2006 to present) and Director (2003 to 2006) of The Community Development Trust, Inc.; Vice Chairman and Trustee of the Union for Reform Judaism.	2001

For additional information regarding the directors nominated for reelection and Monmouth REIT's board of directors as a whole, see Information about Monmouth REIT Directors, Executive Officers and Corporate Governance.

Monmouth REIT's board of directors recommends that you vote

FOR the election of the nominees named above.

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ITEM 2: Approval of the merger transaction, including the issuance of shares of Monmouth REIT common stock in the merger to stockholders of Monmouth Capital, on the terms set forth in the merger agreement

As discussed elsewhere in this joint proxy statement/prospectus, the provisions of the merger agreement require that the merger transaction be approved by the Monmouth REIT common stockholders, by the vote of a majority of the votes cast on the matter at a meeting of stockholders at which a quorum is present.

In addition, the rules of The NASDAQ Stock Market, Inc. require that a company with common stock listed on the NASDAQ Global Select Market, such as Monmouth REIT, obtain the approval of its stockholders before it issues more than 5% of its voting securities in connection with the acquisition of the stock or assets of another company, if any director, officer or substantial stockholder of the issuer has a 5% or greater interest (or such persons collectively have a 10% or greater interest), directly or indirectly, in the company or assets to be acquired or in the consideration to be paid in the transaction.

As of June 1, 2007, none of Monmouth REIT's directors, officers or significant stockholders owned, directly or indirectly, more than 5% of the outstanding shares of Monmouth Capital common stock and no group of Monmouth REIT's directors, officers and significant stockholders owned, directly or indirectly, more than 10% of the outstanding shares of Monmouth Capital common stock, calculated in accordance with the rules of The NASDAQ Stock Market to exclude shares that may be acquired upon the exercise of options or conversion of convertible securities. However, if Eugene W. Landy, Monmouth REIT's president and the chairman of its board of directors, were to exercise all of his vested and exercisable options to purchase Monmouth Capital common stock, Mr. Eugene Landy would own, directly or indirectly, more than 5% of the outstanding shares of Monmouth Capital common stock and would be expected to receive more than 5% of the merger consideration payable to Monmouth Capital common stockholders in the merger. Similarly, if Monmouth REIT's directors and executive officers were to convert all of their 8% Convertible Subordinated Debentures due 2013 and 8% Convertible Subordinated Debentures due 2015 of Monmouth Capital, which we refer to as the Monmouth Capital Debentures, and exercise all of their vested and exercisable options to purchase Monmouth Capital common stock, Monmouth REIT's directors and officers, as a group, would own, directly or indirectly, more than 10% of the outstanding shares of Monmouth Capital common stock and would be expected to receive more than 10% of the merger consideration payable to Monmouth Capital common stockholders in the merger.

None of Monmouth REIT's directors and executive officers have agreed to not exercise their options to purchase Monmouth Capital common stock or convert their Monmouth Capital Debentures before the effective time of the merger. None of Monmouth REIT's directors and executive officers have agreed to not otherwise acquire shares of Monmouth Capital common stock before the effective time of the merger. Many of Monmouth REIT's directors and officers participate in Monmouth Capital's dividend reinvestment plan and will receive approximately 12,900 additional shares of Monmouth Capital common stock in connection with the dividend payable on June 15, 2007, to Monmouth Capital common stockholders of record on May 15, 2007. Monmouth REIT cannot determine whether, at the effective time of the merger, the rules of The NASDAQ Stock Market will require Monmouth REIT to have obtained the approval of its common stockholders in order to consummate the merger transaction.

At the Monmouth REIT annual meeting of stockholders, Monmouth REIT common stockholders will consider and vote on a proposal to approve the merger transaction, including the issuance of shares of Monmouth REIT common stock in the merger to stockholders of Monmouth Capital, on the terms set forth in the merger agreement. Monmouth REIT common stockholders should read carefully this joint proxy statement/prospectus in its entirety for more detailed information concerning the merger transaction and the merger agreement. In particular, Monmouth REIT common stockholders are directed to the merger agreement, which is attached as Annex A to this joint proxy statement/prospectus.

Monmouth REIT's board of directors recommends that you vote

FOR the proposal to approve the merger transaction.

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ITEM 3: Approval of Monmouth REIT's 2007 Stock Option Plan

Monmouth REIT is asking its common stockholders to approve its 2007 Stock Option Plan, which we refer to as the 2007 Plan. The 2007 Plan is designed to provide a means to attract, motivate and retain officers and key employees and to further the growth and financial success of Monmouth REIT by aligning the interests of Monmouth REIT's officers and key employees with the interests of Monmouth REIT common stockholders through the ownership of equity in Monmouth REIT and other incentives. The 2007 Plan replaces Monmouth REIT's existing 1997 Stock Option Plan, which we refer to as the 1997 Plan, which, pursuant to its terms, terminated on December 31, 2006. The 1997 Plan provided for the grant of options to purchase 1,500,000 shares of Monmouth REIT common stock, of which 15,000 shares remained available to be granted when the 1997 Plan terminated on December 31, 2006. No future awards will be granted under the 1997 Plan, although outstanding grants will continue to be subject to the terms of the 1997 Plan.

Description of the 2007 Stock Option Plan:

The following paragraphs provide a summary of the principal features of the 2007 Plan and its operation. The following summary is qualified in its entirety by reference to the 2007 Plan, a copy of which is attached as Annex B hereto.

Administration of the 2007 Plan. Monmouth REIT's board of directors adopted the 2007 Plan on March 26, 2007, subject to stockholder approval. The 2007 Plan will be administered by the compensation committee of Monmouth REIT's board of directors, comprised of two or more directors of Monmouth REIT, none of whom may be officers or employees of Monmouth REIT and all of whom will be non-employee directors (within the meaning of Rule 16b-3 promulgated under the Exchange Act) and outside directors (as required by Section 162(m) of the Internal Revenue Code). The members of Monmouth REIT's compensation committee will be appointed from time to time by, and will serve at the pleasure of, its board of directors. Currently, Monmouth REIT's compensation committee consists of Matthew I. Hirsch and Stephen B. Wolgin.

Monmouth REIT's compensation committee has the sole discretion to administer and construe the 2007 Plan in accordance with its provisions. Subject to the terms of the 2007 Plan, the compensation committee's authority includes the power to:

determine persons eligible for awards;

prescribe the terms and conditions of the awards;

accelerate the time at which all or any part of an option awarded under the 2007 Plan may be exercised;

amend or modify the terms and conditions of an award with the consent of the participant;

interpret the 2007 Plan and the awards;

adopt rules for administration, interpretation and application of the 2007 Plan as are consistent with the terms of the plan;

interpret, amend or revoke any such rules; and

make determinations necessary or advisable for the administration of the 2007 Plan.

Shares Subject to Awards. 1,500,000 shares of Monmouth REIT common stock are reserved for issuance upon the exercise of options granted under the 2007 Plan. The last sale price of Monmouth REIT common stock on June 1, 2007, the record date for the Monmouth REIT annual meeting of stockholders, was \$8.71 per share. If options granted under the 2007 Plan expire or terminate for any reason without having been exercised in full, the shares subject to, but not delivered under, such options will become available for additional option grants under the 2007

Plan. Currently, the number of option awards to be granted under the 2007 Plan is not determinable.

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Eligibility to Receive Awards. Key employees of Monmouth REIT and any of its subsidiaries, including officers and directors who are employees, will be eligible to receive one or more grants of options under the 2007 Plan. Currently, there are approximately eleven individuals that we consider to be key employees of Monmouth REIT.

In determining the persons to whom an option award may be granted, Monmouth REIT's compensation committee may take into account an individual's salary and tenure, duties and responsibilities, his or her present and potential contributions to the success of Monmouth REIT, the recommendation of supervisors, and such other factors as the compensation committee may deem important in connection with accomplishing the purposes of the 2007 Plan.

Option Terms. Subject to the terms and provisions of the 2007 Plan, options may be granted to participants at any time and from time to time as determined by Monmouth REIT's compensation committee. The compensation committee will determine the number of shares subject to each option. The compensation committee may grant incentive stock options (ISOs), which are entitled to favorable tax treatment, to employees of Monmouth REIT or one of its subsidiaries, nonqualified stock options (NSOs), or any combination thereof. Not more than 200,000 shares of Monmouth REIT common stock may be granted as options in any one fiscal year to a participant under the 2007 Plan. Each option may be exercised only after one year of continued employment with Monmouth REIT or one of its subsidiaries immediately after the date the option is granted.

Monmouth REIT's compensation committee will set the exercise price of each option. In the case of a NSO, the exercise price must equal at least 100% of the fair market value of a share on the date granted. In the case of an ISO, the exercise price must equal at least 100% of the fair market value of a share on the date granted or, consistent with Section 422(c)(5) of the Internal Revenue Code, if the participant (together with persons whose stock ownership is attributed to the participant pursuant to Section 424(d) of the Internal Revenue Code) owns stock possessing more than 10% of the total combined voting power of all classes of Monmouth REIT stock or any of its subsidiaries on the date the option is granted, 110% of the fair market value of a share.

The aggregate fair market value (determined on the date of grant) of the shares with respect to which ISOs are exercisable for the first time by any participant during any calendar year (under all plans of Monmouth REIT and its subsidiaries) may not exceed \$100,000.

The exercise price of each option must be paid in full in cash at the time of exercise. Monmouth REIT's compensation committee may also allow exercise by other means, including by tendering previously acquired shares. Options expire at the times established by the compensation committee (or earlier in the event that the participant's employment is terminated), but generally not later than 10 years after the date of grant.

Nontransferability of Options. Except as otherwise permitted by Monmouth REIT's compensation committee, an option granted under the 2007 Plan generally may not be transferred. The compensation committee may permit a transfer, upon a participant's death, to beneficiaries designated by the participant.

Amendments and Termination of the 2007 Plan. Monmouth REIT's board of directors generally may amend or terminate the 2007 Plan, or any part of the 2007 Plan, at any time and for any reason, except that an amendment will not be effective without the approval of the Monmouth REIT common stockholders if and to the extent required to maintain the 2007 Plan's qualification under the Internal Revenue Code, by the applicable rules of any national securities exchange or by any applicable law. The amendment, suspension or termination of the 2007 Plan will not, without the consent of a participant, alter or impair any rights or obligations under any award granted to such participant. No award may be granted during any period of suspension or after termination of the 2007 Plan.

Table of Contents**Tax Aspects of the 2007 Plan.**

The following discussion is intended to provide an overview of the United States federal income tax laws which are generally applicable to options granted under the 2007 Plan as of the date of this joint proxy statement/ prospectus. People or entities in differing circumstances may have different tax consequences, and the tax laws may change in the future. This discussion is not to be construed as tax advice.

A recipient of a stock option will not have taxable income on the date of grant. Upon exercise of NSOs, the participant will recognize ordinary income equal to the difference between the fair market value of the shares of Monmouth REIT common stock on the date of exercise and the price paid for the shares. Any gain or loss recognized upon any later disposition of the shares generally will be capital gain or loss if the shares are held for more than 12 months after exercise.

The purchase of shares of Monmouth REIT common stock upon exercise of an ISO will not result in any taxable income to the participant, except for purposes of the alternative minimum tax. Gain or loss recognized by the participant on a later sale or other disposition of the shares either will be long-term capital gain or loss or ordinary income, depending upon how long the participant holds the shares. Any ordinary income recognized will be in the amount, if any, by which the lesser of (1) the fair market value of such shares on the date of exercise, or (2) the amount realized from the sale, exceeds the exercise price.

Monmouth REIT will be entitled to a tax deduction for an option granted under the 2007 Plan in an amount equal to the ordinary income realized by the participant at the time the participant recognizes such income.

Equity Compensation Plan Information

The following table provides information about Monmouth REIT common stock that may be issued upon the exercise of options as of September 30, 2006, under Monmouth REIT's 1997 Stock Option Plan. The following table does not include shares that may be issued under Monmouth REIT's proposed 2007 Stock Option Plan.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	961,000	\$ 7.75	15,000
Equity compensation plans not approved by security holders	N/A	N/A	N/A
Total:	961,000	\$ 7.75	15,000

Monmouth REIT's board of directors recommends that you vote

FOR the proposal to approve Monmouth REIT's 2007 Stock Option Plan.

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ITEM 4: Approval of the appointment of Reznick Group, P.C. as Monmouth REIT's independent registered public accounting firm for the fiscal year ending September 30, 2007

The audit committee of Monmouth REIT's board of directors, under authority granted by Monmouth REIT's board of directors, has appointed Reznick Group, P.C., as Monmouth REIT's independent registered public accounting firm, to audit the accounts of Monmouth REIT for the fiscal year ending September 30, 2007. There are no affiliations between Monmouth REIT and Reznick Group, P.C., its partners, associates or employees, other than its employment as Monmouth REIT's independent registered public accounting firm. Reznick Group, P.C. informed Monmouth REIT that it has no direct or indirect financial interest in Monmouth REIT. Monmouth REIT expects a representative of Reznick Group, P.C. to be present at the Monmouth REIT annual meeting of stockholders either to make a statement or to respond to appropriate questions.

At the Monmouth REIT annual meeting of stockholders, Monmouth REIT common stockholders will be asked to consider and vote on a proposal to approve the appointment of Reznick Group, P.C. as Monmouth REIT's independent registered public accounting firm for the fiscal year ending September 30, 2007. Monmouth REIT's charter and bylaws do not require that its stockholders ratify the appointment of Reznick Group, P.C. as Monmouth REIT's independent registered public accounting firm. Monmouth REIT is asking its common stockholders to ratify this appointment as a matter of good corporate practice. If Monmouth REIT common stockholders do not ratify the appointment of Reznick Group, P.C., Monmouth REIT's audit committee will reconsider whether or not to retain Reznick Group, P.C. as Monmouth REIT's independent registered public accounting firm, but may determine to do so. Even if the appointment of Reznick Group, P.C. is ratified by Monmouth REIT common stockholders, the audit committee may change the appointment at any time during the year if it determines that a change would be in the best interest of Monmouth REIT.

Monmouth REIT's board of directors recommends that you vote

FOR the proposal to approve the appointment of Reznick Group, P.C.

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THE MONMOUTH CAPITAL SPECIAL MEETING OF STOCKHOLDERS

General

This joint proxy statement/prospectus is being provided to Monmouth Capital common stockholders as part of a solicitation of proxies by Monmouth Capital's board of directors for use at the Monmouth Capital special meeting of stockholders and at any adjournment or postponement of the special meeting. This joint proxy statement/prospectus is first being furnished to Monmouth Capital stockholders on or about June 15, 2007. This joint proxy statement/prospectus provides Monmouth Capital common stockholders with the information they need to know to be able to vote or instruct their vote to be cast at the special meeting.

At the special meeting, Monmouth Capital will ask holders of its common stock to approve the merger agreement and the merger on the terms set forth in the merger agreement. The Monmouth Capital Special Committee and Monmouth Capital's board of directors have approved and declared advisable the merger agreement and the merger and have declared that it is in the best interest of Monmouth Capital common stockholders that Monmouth Capital enter into the merger agreement and complete the merger on the terms and conditions set forth in the merger agreement. The Monmouth Capital Special Committee and Monmouth Capital's board of directors recommend that Monmouth Capital common stockholders vote **FOR** the proposal to approve the merger agreement and the merger on the terms set forth in the merger agreement.

Date, Time and Place of the Monmouth Capital Special Meeting of Stockholders

The Monmouth Capital special meeting of stockholders will be held on Thursday, July 26, 2007, at 10:00 a.m., local time, at the offices of Monmouth Capital, located at Juniper Business Plaza, 3499 Route 9 North, Suite 3-C, Freehold, New Jersey.

Record Date, Notice and Quorum

All of the Monmouth Capital common stockholders as of the close of business on June 1, 2007, the record date for the Monmouth Capital special meeting of stockholders, are entitled to receive notice of, attend and vote at the special meeting and any postponements or adjournments of the special meeting. As of the record date for the special meeting, there were 5,736,849 shares of Monmouth Capital common stock outstanding.

The presence of Monmouth Capital common stockholders entitled to cast a majority of the votes that are entitled to be cast at the special meeting, in person or by proxy, will constitute a quorum for purposes of the special meeting. A quorum is necessary to hold the special meeting. Abstentions and properly executed broker non-votes will be counted in determining the presence of a quorum. A broker non-vote results as to a particular matter when a broker properly executes and returns a proxy without specific voting instructions from the beneficial owner. Under the rules of the New York Stock Exchange, brokers are precluded from exercising their voting discretion with respect to the approval of non-routine matters, such as the proposal to approve the merger agreement and the merger on the terms set forth in the merger agreement.

Required Vote

If a quorum is present, approval of the proposal to approve the merger agreement and the merger on the terms set forth in the merger agreement requires the affirmative vote of a majority of the shares of Monmouth Capital common stock represented in person or by proxy at the Monmouth Capital special meeting of stockholders. Abstentions and properly executed broker non-votes are considered shares represented in person or by proxy at the special meeting and will have the effect of a vote against the proposal to approve the merger agreement and the merger on the terms set forth in the merger agreement.

Voting; Authorization of Proxies

Each holder of Monmouth Capital common stock as of the record date for the Monmouth Capital special meeting of stockholders is entitled to cast one vote for each share of Monmouth Capital common stock registered

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in the stockholder's name. In order for your votes to be cast at the Monmouth Capital special meeting of stockholders, if you are a Monmouth Capital common stockholder of record, you must either authorize your proxy to cast your votes by returning the enclosed proxy card or attend the special meeting and vote in person. Regardless of whether you plan to attend the special meeting, we request that you authorize a proxy as promptly as possible.

If you authorize a proxy, the votes you would be entitled to cast at the special meeting will be cast as you indicate on your proxy card. If you do not indicate instructions when you authorize your proxy, your votes will be cast **FOR** the proposal to approve the merger agreement and the merger on the terms set forth in the merger agreement. We are not aware of any other matters that may properly be presented at the special meeting. If, however, such a matter is properly presented at the special meeting or any adjournments or postponements of the special meeting, the persons appointed as proxies will vote in accordance with their discretion.

If you own shares of Monmouth Capital common stock through a bank, brokerage firm or nominee (i.e., in street name), you must provide voting instructions in accordance with the instructions on the voting instruction card that your bank, brokerage firm or nominee provides to you. You should instruct your bank, brokerage firm or nominee as to how to cast your votes at the special meeting, following the directions contained in such voting instruction card. Your broker will NOT vote your Monmouth Capital common stock with respect to the proposal to approve the merger agreement and the merger on the terms set forth in the merger agreement unless you instruct your broker how to vote. If you have not received voting instructions or require further information regarding the voting instructions, contact your broker who can give you directions on how to cast your votes.

Monmouth Capital will pay the costs of soliciting proxies for the special meeting. Monmouth Capital's directors, officers and employees may solicit proxies by telephone and facsimile, by mail, on the Internet or in person. They will not be paid any additional amounts for soliciting proxies. We will also request that individuals and entities holding shares of Monmouth Capital common stock in their names, or in the names of their nominees, that are beneficially owned by others, send proxy materials to and obtain proxies from those beneficial owners, and, upon request, Monmouth Capital will reimburse those holders for their reasonable expenses in performing those services.

Your vote is important. Whether or not you plan to attend the special meeting, if you are a Monmouth Capital common stockholder, we urge you to authorize your proxy promptly.

Revocation of Proxies

If you are a record owner of Monmouth Capital common stock, you may revoke your proxy at any time before the proxy is exercised at the Monmouth Capital special meeting of stockholders, in any one of three ways, by:

delivering, before the date of the special meeting, a written revocation of your proxy dated after the date of the proxy that is being revoked to Monmouth Capital's Secretary at Juniper Business Plaza, 3499 Route 9 North, Suite 3-C, Freehold, New Jersey; or

delivering a later-dated, duly executed proxy; or

attending the special meeting and voting in person by ballot.

Attendance at the special meeting will not, in itself, constitute revocation of a previously granted proxy.

If you owned shares of Monmouth Capital common stock in street name as of the record date for the special meeting, you may revoke or change previously granted voting instructions by following the instructions provided by the bank, brokerage firm, nominee or other party that is the registered owner of the shares of Monmouth Capital common stock.

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Adjournments

Although it is not currently expected, the Monmouth Capital special meeting of stockholders may be adjourned for the purpose of soliciting additional proxies if sufficient Monmouth Capital common stockholders are not present at the special meeting, in person or by proxy, to constitute a quorum. Any adjournments may be made to a date not more than 30 days after the date originally scheduled for the meeting without notice, other than by an announcement at the special meeting, by the affirmative vote of a majority of the shares represented at the special meeting even if a quorum is not present. Any adjournment or postponement of the special meeting for the purpose of soliciting additional proxies will allow Monmouth Capital common stockholders who have already authorized their proxies to revoke them at any time before their use.

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THE MERGER

General

In the merger, Route 9 will merge with and into Monmouth Capital on the terms set forth in the Agreement and Plan of Merger, dated as of March 26, 2007, which we refer to as the merger agreement, by and among Monmouth REIT, Monmouth Capital and Route 9, and Monmouth Capital will survive the merger transaction as a wholly-owned subsidiary of Monmouth REIT. In the merger, each outstanding share of Monmouth Capital common stock will be converted into, and exchanged for the right to receive, 0.655 shares of Monmouth REIT common stock, in accordance with the merger agreement. The merger transaction, including the issuance of shares of Monmouth REIT common stock in the merger, must be approved by a majority of the votes cast by Monmouth REIT common stockholders at a meeting of Monmouth REIT stockholders at which a quorum is present, and the merger agreement and the merger on the terms set forth in the merger agreement must be approved by the affirmative vote of a majority of the shares of Monmouth Capital common stock represented in person or by proxy at a meeting of the Monmouth Capital stockholders at which a quorum is present.

Background of the Merger

For more than 35 years, Monmouth REIT and Monmouth Capital, together with UMH Properties, Inc., a Maryland corporation that also operates as a REIT, or UMH Properties, have operated as successful public companies with a common management team and a number of common non-management directors. Because the companies have operated under common management, the companies share certain general and administrative expenses.

Monmouth REIT seeks to invest in well-located, modern industrial properties leased to creditworthy tenants on long-term net leases and seeks to obtain a favorable yield spread between the yield from the net-leased industrial properties and mortgage interest costs. Although Monmouth Capital has no specific policy relating to the types of properties in which it invests, all of Monmouth Capital's current properties are industrial warehouse properties and 64% of Monmouth Capital's rental income and reimbursements for its fiscal year ended December 31, 2006 was derived from tenants who are also tenants of Monmouth REIT. By contrast, UMH Properties owns and operates twenty-eight manufactured home communities. Each company also invests in a portfolio of REIT securities. Management believes that each company's basic long-term business plan can perform well without any change in the current independent operations.

Stock in each company is thinly traded and, in part because of the small size and public float of each company, management believes that increasing the market capitalization of Monmouth REIT and Monmouth Capital will assist each company's stockholders in realizing the intrinsic fair value of each company's business. Recent regulatory changes, including the Sarbanes-Oxley Act of 2002, have also increased the costs of operating as a public company and the amount of time Monmouth REIT and Monmouth Capital must devote to compliance with regulatory and financial reporting requirements. As a result, in early 2006, management of the companies began to consider the consolidations of Monmouth REIT, Monmouth Capital and, possibly, UMH Properties, as a way to enhance each company's stockholders' value. Early in 2006, management asked Cohen & Steers Capital Advisors, LLC, or Cohen & Steers, to prepare a preliminary analysis of a strategic combination of Monmouth REIT and Monmouth Capital at a range of potential exchange ratios and assuming various levels of cost savings and sensitivities, which Cohen & Steers presented to management on February 28, 2006. As a result of this meeting, management provided additional information to Cohen & Steers and Cohen & Steers provided a more detailed written presentation to management on March 15, 2006, which management shared with the members of the boards of directors of Monmouth REIT, Monmouth Capital and UMH Properties at the companies' annual directors' retreat in March 2006.

At their meetings in late June 2006, the boards of directors of Monmouth REIT, Monmouth Capital and UMH Properties began to consider the benefits and risks of consolidating all three companies. On July 6, 2006,

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and again on July 28, 2006, Cohen & Steers presented analyses outlining the preliminary financial profiles and the risks and benefits of a combination of all three companies, a combination of Monmouth REIT and Monmouth Capital, and a combination of Monmouth REIT and UMH Properties. During the third and fourth quarters of 2006, the companies continued to consider the consolidation of some or all of Monmouth REIT, Monmouth Capital and UMH Properties. Management also discussed these possible strategic transactions, as well as the roles and potential composition of special committees of each company, with Venable LLP, which we refer to as Venable, and informally discussed the risks and benefits of potential combinations with members of each company's board of directors. After these discussions, management determined that the similarity of the assets of Monmouth REIT and Monmouth Capital, as well as potential cost savings, could make a strategic combination of the two companies advisable.

Over the past two years, there has been a substantial amount of merger and acquisition activity in the REIT industry, and a number of business combinations involving REITs have taken place. In this environment, the management of Monmouth Capital has been approached on a few occasions by third parties expressing a possible interest in entering into discussions regarding a potential acquisition of Monmouth Capital. No such discussions have progressed beyond a preliminary stage. While management has no current plans to change its long-term investment strategy and pursue an acquisition by a third party, management believes that the combination of Monmouth REIT and Monmouth Capital should not adversely affect, and might even enhance, the combined company's ability to engage in this type of transaction with a third party in the future should a suitable opportunity be presented.

As each member of Monmouth REIT's management team and many members of Monmouth REIT's board of directors are also members of Monmouth Capital's management team or directors of Monmouth Capital, on January 4, 2007, Monmouth REIT's board of directors formed a special transaction committee, or the Monmouth REIT Special Committee, composed of Peter Weidhorn, Matthew I. Hirsch and Scott L. Robinson, with the power to consider, negotiate and cause Monmouth REIT to enter into a definitive agreement to consummate a strategic transaction with Monmouth Capital or any third party proposing such a transaction. None of Messrs. Weidhorn, Hirsch and Robinson are directors or officers of Monmouth Capital and Monmouth REIT's board of directors considered the interests of each in Monmouth Capital, including Mr. Weidhorn's ownership of Monmouth Capital securities, and determined that none of them has any interest in Monmouth Capital that would be of such significance as to reasonably be expected to influence his judgment if he were called upon to vote on a transaction between Monmouth REIT and Monmouth Capital. Monmouth REIT's board of directors authorized the Monmouth REIT Special Committee to engage financial and legal advisors to assist the Monmouth REIT Special Committee.

On January 10, 2007, the Monmouth REIT Special Committee held an initial meeting to consider a potential combination of Monmouth REIT and Monmouth Capital. The Monmouth REIT Special Committee engaged Cohen & Steers and Venable as its outside financial and legal advisors, respectively. Representatives of Venable reviewed with members of the Monmouth REIT Special Committee their duties as members of a special committee of the board of directors of a Maryland corporation in considering a merger with a related company. Representatives of Cohen & Steers then presented to members of the Monmouth REIT Special Committee a preliminary financial analysis of a merger of Monmouth REIT and Monmouth Capital and, following this presentation, the Monmouth REIT Special Committee discussed the potential advantages and disadvantages of a combination of Monmouth REIT and Monmouth Capital with representatives of Cohen & Steers, including the similarity of the assets of each company, the benefits of increased market capitalization, the benefits of further diversification of tenant and geographic mix of real estate assets and the cost and productivity savings that might be achieved by combining the two companies. During this meeting, the Monmouth REIT Special Committee authorized Venable and Cohen & Steers to conduct legal and financial due diligence investigations of Monmouth Capital in connection with such a combination. At the meeting of Monmouth REIT's board of directors that followed the meeting of the Monmouth REIT Special Committee, Cohen & Steers also presented to Monmouth REIT's board of directors summary preliminary financial analysis of a combination of Monmouth REIT and Monmouth Capital.

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On January 11, 2007, Monmouth Capital's board of directors held a regularly scheduled meeting. At that meeting, Monmouth Capital's board of directors adopted a resolution appointing a special transaction committee, or the Monmouth Capital Special Committee, composed of Joshua Kahr and Eugene Rothenberg, with the power to consider, negotiate and make a recommendation to Monmouth Capital's board of directors with respect to any combination proposal that may be received from Monmouth REIT or any other party that may propose a strategic transaction with Monmouth Capital. Neither Messrs. Kahr and Rothenberg are directors or officers of Monmouth REIT and Monmouth Capital's board of directors considered the interests of each in Monmouth REIT, including Mr. Rothenberg's ownership of Monmouth REIT securities, and determined that neither of them has any interest in Monmouth REIT that would be of such significance as to reasonably be expected to influence his judgment if he were called upon to vote on a transaction between Monmouth Capital and Monmouth REIT. Monmouth Capital's board of directors authorized the Monmouth Capital Special Committee to engage financial and legal advisors to assist the Monmouth Capital Special Committee.

On January 11, 2007, immediately following the meeting of Monmouth Capital's board of directors, the Monmouth Capital Special Committee held its initial meeting to consider a potential combination of Monmouth Capital and Monmouth REIT. The Monmouth Capital Special Committee engaged Ferris, Baker Watts, Incorporated, which we refer to as FBW, and Stroock & Stroock & Lavan LLP, which we refer to as Stroock, as its outside financial and legal advisors, respectively. Representatives of Stroock reviewed with members of the Monmouth Capital Special Committee their duties as members of a special committee of a New Jersey corporation in considering a combination with a related company. During this meeting, the Monmouth Capital Special Committee authorized Stroock and FBW to conduct legal and financial due diligence investigations of Monmouth REIT in connection with such a combination.

On January 12, 2007, representatives of Cohen & Steers, FBW, Stroock and Venable met telephonically to discuss their respective due diligence investigations of Monmouth REIT and Monmouth Capital. Over the following three weeks, representatives of Cohen & Steers, FBW, Stroock and Venable held numerous meetings and telephone calls with management to conduct legal and financial due diligence investigations of Monmouth REIT and Monmouth Capital and representatives of Venable and Stroock reviewed corporate records and other legal documentation with respect to Monmouth Capital and Monmouth REIT, respectively.

On January 22, 2007, the Monmouth Capital Special Committee held a telephonic meeting at which representatives of FBW and Stroock were present to discuss the scope of Stroock's due diligence investigation of Monmouth REIT as well as plans to attend a presentation by management regarding Monmouth Capital and Monmouth REIT as part of the due diligence investigation of Monmouth REIT being conducted by the advisors to the Monmouth Capital Special Committee.

On January 31, 2007, the Monmouth REIT Special Committee held a telephonic meeting at which representatives of Cohen & Steers and Venable were present to discuss a strategic combination in which Monmouth REIT would acquire the stock of Monmouth Capital and each share of outstanding Monmouth Capital common stock would be converted into shares of Monmouth REIT common stock. Representatives of Venable and Cohen & Steers reviewed with members of the Monmouth REIT Special Committee their financial and legal due diligence investigations, and representatives of Cohen & Steers discussed with the members of the Monmouth REIT Special Committee the exchange ratio for which shares of Monmouth Capital common stock could be exchanged for shares of Monmouth REIT common stock in a strategic combination with Monmouth Capital. Representatives of Cohen & Steers discussed with the Special Committee the advantages and disadvantages of fixed and floating exchange ratios, including the use of a walk-away right or collar, among other possible adjustments. Cohen & Steers noted that, given the limited market liquidity and low average daily trading volumes of common shares of each of Monmouth REIT and Monmouth Capital, the use of a walk-away right or collar could be triggered by minimal trading activity. Cohen & Steers also noted that the use of a fixed exchange ratio would enable each of Monmouth REIT and Monmouth Capital to determine with a greater level of certainty the financial impact resulting from the transaction, including any potential per share accretion to stand alone funds from operations per share.

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At its meeting on January 31, 2007, the Monmouth REIT Special Committee also discussed the terms of an offer letter that the Monmouth REIT Special Committee proposed to send to Monmouth Capital, outlining a strategic combination in which Monmouth Capital would merge with a subsidiary of Monmouth REIT and all of the outstanding shares of Monmouth Capital would be exchanged for shares of Monmouth REIT common stock. After discussion, the Monmouth REIT Special Committee determined to send a letter to Monmouth Capital, containing a non-binding indication of interest to engage in a strategic transaction with Monmouth Capital, in which each outstanding share of Monmouth Capital common stock would be exchanged for 0.63 shares of Monmouth REIT's common stock. The Monmouth REIT Special Committee determined that the letter would also specify that any transaction would be subject to the approval of Monmouth REIT and Monmouth Capital common stockholders and that any definitive agreement would contain other usual and customary provisions, including representations and warranties, a provision restricting Monmouth Capital's ability to negotiate or enter into other strategic transactions, certain other deal protection provisions and closing conditions and provide for a \$1.25 million termination fee payable under certain circumstances. The Monmouth REIT Special Committee also directed Venable to begin preparation of a draft merger agreement reflecting the terms set forth in the letter. During the course of the day on February 1 and February 2, 2007, members of the Monmouth REIT Special Committee and representatives of Venable and Cohen & Steers corresponded by electronic mail regarding the contents of the proposed letter, which Mr. Weidhorn sent to Monmouth Capital on February 2, 2007.

On February 2, 2007, members of the Monmouth Capital Special Committee and representatives of Stroock and FBW visited the office of Monmouth Capital and Monmouth REIT to attend a presentation by management regarding Monmouth Capital and Monmouth REIT. During this visit FBW also conducted due diligence that included interviews with management, as well as a review of various documents, including leasing agreements, loan documents, and joint venture agreements among others. Shortly after the presentation, the Monmouth Capital Special Committee, Stroock and FBW were presented with a copy of a letter dated February 2, 2007 from Mr. Weidhorn, chairman of the Monmouth REIT Special Committee, describing a non-binding offer to acquire, pursuant to a merger, all the outstanding shares of common stock of Monmouth Capital in exchange for shares of common stock of Monmouth REIT.

On February 7, 2007, the Monmouth Capital Special Committee held a telephonic meeting at which representatives of FBW and Stroock were present to review the proposal from the Monmouth REIT Special Committee set forth in the February 2, 2007 letter. At this meeting, members of the Monmouth Capital Special Committee also discussed the preliminary financial analysis of a potential combination with Monmouth REIT being conducted by FBW. The Monmouth Capital Special Committee determined to send a letter in reply to Mr. Weidhorn's February 2, 2007 letter, indicating that the Monmouth Capital Special Committee would consider the proposal set forth in the letter sent by Mr. Weidhorn and respond in due course. Mr. Kahr, the chairman of the Monmouth Capital Special Committee, sent this letter to Mr. Weidhorn on February 8, 2007.

On February 12, 2007, the Monmouth Capital Special Committee held a telephonic meeting at which representatives of FBW and Stroock were present and at which FBW presented its preliminary financial analysis of a merger of Monmouth Capital with and into Monmouth REIT, including information about the 0.63 exchange ratio proposed by the Monmouth REIT Special Committee and the merger premium reflected by such ratio, as well as various other considerations, including the companies' interrelationships. Following this presentation, the Monmouth Capital Special Committee discussed the terms of a possible substantive response to the Monmouth REIT Special Committee proposal contained in Mr. Weidhorn's February 2, 2007 letter. The Monmouth Capital Special Committee determined to draft a letter to the Monmouth REIT Special Committee indicating the willingness of the Monmouth Capital Special Committee to further discuss the proposal and suggesting that, while the proposed exchange ratio of 0.63 represented a slight premium over the recent relative trading prices of the common stock of Monmouth Capital and Monmouth REIT, when considering the ratio of the companies' respective stock prices over a longer and more representative period, such as the prior twelve months, rather than the one-week and one-month periods preceding the February 2, 2007 letter from Mr. Weidhorn, a more appropriate exchange ratio for a strategic combination of Monmouth REIT and Monmouth Capital would be closer to 0.70. The Monmouth Capital Special Committee also determined that the response letter would indicate

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that the \$1.25 million termination fee proposed by the Monmouth REIT Special Committee appeared to be on the high side for this type of transaction and that the Monmouth Capital Special Committee believed a termination fee of \$1 million would be more appropriate. The letter also requested a better understanding of the circumstances under which a termination fee would be payable, both by Monmouth Capital and by Monmouth REIT. In addition, the Monmouth Capital Special Committee determined to include in the response letter a request for clarification that the proposed no-shop provision to be contained in the definitive agreement (a) would not preclude Monmouth Capital from providing information to any third party (or its representatives) who may contact Monmouth Capital in connection with a potential transaction that may be superior to the transaction with Monmouth REIT or from engaging in discussions and negotiations with any such third party and (b) would permit Monmouth Capital to terminate the merger agreement with Monmouth REIT in order to enter into an agreement with such third party, should the Monmouth Capital Special Committee determine, in the exercise of its fiduciary duties, that the third party's proposal was superior to the transaction with Monmouth REIT. The Monmouth Capital Special Committee decided that the letter should also request that the Monmouth REIT Special Committee elaborate on what deal protections and closing conditions would be considered customary and, therefore, appropriate for this transaction. The Monmouth Capital Special Committee discussed the element of uncertainty introduced by the request that the transaction be subject to approval from Monmouth REIT common stockholders, given that such stockholder approval might not be required by the rules of The NASDAQ Stock Market or applicable law. The Monmouth Capital Special Committee resolved to request that the Monmouth REIT Special Committee consider mitigating this risk by entering into lock-up or similar agreements for certain of Monmouth REIT's major stockholders and to clarify whether the Monmouth REIT common stockholder vote would require approval of the holders of a majority of the outstanding shares of Monmouth REIT common stock or a majority of the votes actually cast on the merger, in which latter case, the uncertainty would be greatly reduced. During the course of the day on February 12, 13, 14 and 15, 2007, members of the Monmouth Capital Special Committee and representatives of Stroock and FBW corresponded by electronic mail regarding the contents of the response letter.

On February 15, 2007, the Monmouth Capital Special Committee held a telephonic meeting at which representatives of FBW and Stroock were present and approved the response letter, which Mr. Kahr sent to Mr. Weidhorn, chairman of the Monmouth REIT Special Committee, on that day.

On February 16, 2007, the Monmouth REIT Special Committee held a telephonic meeting at which representatives of Cohen & Steers and Venable were present to discuss the letter received by Mr. Weidhorn on February 15, 2007 from Mr. Kahr. Representatives of Venable discussed with the Monmouth REIT Special Committee possible provisions relating to restrictions on Monmouth Capital's ability to negotiate or enter into another strategic transaction, and possible termination provisions of, a definitive agreement with Monmouth Capital as well as the potential requirement of The NASDAQ Stock Market that the proposed transaction be approved by a majority of the votes cast by Monmouth REIT common stockholders. The Monmouth REIT Special Committee determined that Mr. Weidhorn, along with representatives of Cohen & Steers and Venable, should respond by telephone to the points raised in Mr. Kahr's letter of February 15, 2007, and that Mr. Weidhorn and the Monmouth REIT Special Committee's legal and financial advisors should negotiate the further terms of a definitive agreement with Monmouth Capital in accordance with the terms discussed in the meeting, including an exchange ratio of up to 0.655 shares of Monmouth REIT common stock for each share of Monmouth Capital common stock.

On February 22, 2007, Mr. Weidhorn met by telephone with the members of the Monmouth Capital Special Committee and representatives of Cohen & Steers, FBW, Stroock and Venable, to discuss Mr. Kahr's letter of February 15, 2007. Mr. Weidhorn and the members of the Monmouth Capital Special Committee discussed the ratio at which shares of Monmouth Capital common stock would be converted into shares of Monmouth REIT common stock in a merger between Monmouth Capital and a subsidiary of Monmouth REIT and, along with their respective legal and financial advisors, discussed certain other terms of a definitive merger agreement.

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Following the meeting with Mr. Weidhorn on February 22, 2007, the Monmouth Capital Special Committee held a telephonic meeting at which representatives of FBW and Stroock were present to discuss the exchange ratio. The Monmouth Capital Special Committee determined that it would be comfortable with an exchange ratio no lower than 0.655.

The following day, representatives of Venable sent a draft definitive merger agreement to representatives of FBW and Stroock, containing the terms discussed between Mr. Weidhorn and the members of the Monmouth Capital Special Committee on February 22, 2007.

On February 27, 2007, the Monmouth Capital Special Committee held a telephonic meeting at which representatives of FBW and Stroock were present to discuss the first draft merger agreement, including the provisions in the draft merger agreement relating to the exchange ratio, Monmouth REIT common stockholder approval of the merger, the composition of Monmouth REIT's board of directors following the proposed merger, third party acquisition proposals, the termination fee payable upon termination and other termination provisions and the provisions relating to the date upon which the merger agreement would terminate if the merger had not been consummated. The Monmouth Capital Special Committee also discussed whether the incorporation in the merger agreement of provisions regarding walk-away rights or a collar with respect to the exchange ratio would be appropriate. The Monmouth Capital Special Committee directed Stroock to compile comments on the draft merger agreement on behalf of the Monmouth Capital Special Committee.

During the period between February 22 and March 2, 2007, members of the Monmouth REIT Special Committee discussed several issues relating to the merger transaction and agreement, including the scope of the representations, restrictions on the parties' conduct of business, closing conditions and Monmouth Capital's past and future dividend practice, which had, in the recent past, resulted in payment of dividends in excess of Monmouth Capital's earnings and, after discussing the matter with Cohen & Steers, determined that it was unlikely that Monmouth Capital would be able to continue to fund payments of dividends at historical levels for the remainder of Monmouth Capital's current fiscal year. On March 5, 2007, Mr. Weidhorn met with Eugene W. Landy, Monmouth REIT's and Monmouth Capital's president, to discuss operational issues relating to the proposed merger including, among other things, Monmouth Capital's ability to continue to fund dividend payments at historical levels.

On March 5, 2007, the Monmouth Capital Special Committee held a telephonic meeting at which representatives of FBW and Stroock were present to review the comments prepared by Stroock to the draft merger agreement. At this meeting, the Monmouth Capital Special Committee discussed FBW's analysis of mergers in which an exchange ratio collar provision was included. The Monmouth Capital Special Committee decided not to request a collar for the exchange ratio. The Monmouth Capital Special Committee also discussed payment of dividends by Monmouth Capital prior to the consummation of the proposed merger.

On March 5, 2007, representatives of Stroock delivered comments on the draft merger agreement to Venable. On March 6, 2007, Venable delivered a revised draft merger agreement to Stroock and, on March 7, 2007, representatives of Stroock and Venable met telephonically to discuss Stroock's comments to the draft merger agreement, as well as new provisions proposed by the Monmouth REIT Special Committee relating to the payment of dividends by Monmouth Capital before the closing of proposed merger.

On March 9, 2007, the Monmouth Capital Special Committee held a telephonic meeting at which representatives of FBW and Stroock were present to discuss the revised draft merger agreement delivered to Stroock by Venable on March 6, 2007.

On March 9, 2007, and again on March 12, 2007, Mr. Weidhorn and Eugene Landy discussed telephonically provisions of the draft merger agreement, including the composition of the board of directors of Monmouth REIT following the proposed merger. Throughout this period, Mr. Weidhorn continued to discuss the terms of the merger agreement with Venable.

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On March 12, 2007, the Monmouth Capital Special Committee held a telephonic meeting at which representatives of FBW and Stroock were present to discuss the unresolved provisions of the draft merger agreement, including the exchange ratio, the provisions of the merger agreement relating to competing offers made by third parties to acquire Monmouth Capital, restrictions on Monmouth Capital's dividends, directors' and officers' liability insurance and the composition of Monmouth REIT's board of directors after the proposed merger.

During the week of March 12, 2007, Mr. Weidhorn and Mr. Kahr discussed by telephone certain terms of the draft merger agreement, including the exchange ratio and the conditions under which Monmouth Capital would be entitled to pay dividends before the closing of the proposed merger. On March 18, 2007, Mr. Weidhorn and Mr. Kahr agreed that an exchange ratio of 0.655 shares would be fair to both parties and that, in light of the common management team and shared knowledge of each company's assets, the scope of the representations and warranties included in the merger agreement need not be as extensive as might otherwise be included in an agreement between unaffiliated parties. That week, representatives of Stroock and Venable continued to negotiate other terms of the definitive agreement. On March 16, 2007, Mr. Weidhorn again consulted with Mr. Eugene Landy regarding certain terms of the draft merger agreement, including Monmouth Capital's ability to pay dividends before the closing of the proposed merger and other provisions relating to each company's operations after signing the agreement.

On March 19, 2007, the members of the Monmouth REIT Special Committee received copies of the revised merger agreement. On March 20, 2007, the Monmouth REIT Special Committee held a meeting at which representatives of Cohen & Steers and Venable were present to consider the merger transaction and the terms of the proposed merger agreement. At the meeting, Mr. Weidhorn and representatives of Venable updated the members of the Monmouth REIT Special Committee on the progress of the negotiation of the merger agreement with the Monmouth Capital Special Committee and Mr. Weidhorn reported on his discussions with management relating to provisions of the merger agreement governing the operations of Monmouth REIT and Monmouth Capital both before and after the closing of the merger. Representatives of Venable reviewed with the Monmouth REIT Special Committee the terms of the proposed merger agreement and the duties of the members of the Monmouth REIT Special Committee under Maryland law in considering a strategic transaction with an affiliated company. Representatives of Cohen & Steers presented to the members of the Monmouth REIT Special Committee its financial analysis of the combined companies and, during and following this presentation, the members of the Monmouth REIT Special Committee discussed the assumptions used by Cohen & Steers to reach its conclusion that the proposed merger would be accretive to Monmouth REIT's stand-alone funds from operations per share. Representatives of Cohen & Steers again discussed with the Special Committee the advantages and disadvantages of fixed and floating exchange ratios, including the use of a walk-away right or collar, among other possible adjustments. Cohen & Steers noted that, given the limited market liquidity and low average daily trading volumes of common shares of each of Monmouth REIT and Monmouth Capital, the use of a walk-away right or collar could be triggered by minimal trading activity. Cohen & Steers also noted that the use of a fixed exchange ratio would enable each of Monmouth REIT and Monmouth Capital to determine with a greater level of certainty the financial impact resulting from the transaction, including any potential per share accretion to stand alone funds from operations per share. At the meeting, representatives of Cohen & Steers indicated that, were they asked to do so on that day, they would be able to deliver an opinion that the exchange ratio contained in the proposed merger agreement was fair from a financial point of view to the Monmouth REIT common stockholders. The Monmouth REIT Special Committee then recognized that Monmouth Capital's board of directors was not available to meet to consider the merger agreement until the morning of March 26, 2007, and the Monmouth REIT Special Committee determined to hold a meeting on that day to consider any further developments and receive the opinion of Cohen & Steers with respect to the merger transaction.

At the conclusion of its meeting on March 20, 2007, the members of the Monmouth REIT Committee unanimously determined that, subject to the receipt of a favorable opinion from Cohen & Steers on March 26, 2007, the merger transaction on the terms set forth in the merger agreement, was in the best interest of Monmouth REIT, approved the merger transaction and the merger agreement and recommended that Monmouth REIT's board of directors determine that the merger transaction, including the issuance of shares of Monmouth REIT common stock, on the terms set forth in the merger agreement, is advisable, submit the merger transaction

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to the Monmouth REIT common stockholders for approval and recommend that the Monmouth REIT common stockholders approve the merger transaction.

Also on March 20, 2007, the board of directors of Monmouth REIT held a special meeting at which representatives of Cohen & Steers and Venable were present to consider the merger transaction and the terms of the merger agreement. At the meeting, Mr. Weidhorn reported that the Monmouth REIT Special Committee had negotiated and approved the terms of the merger transaction and the merger agreement and recommended that Monmouth REIT's board of directors determine that the merger transaction, on the terms set forth in the merger agreement, is advisable, submit the merger transaction to the stockholders of Monmouth REIT for approval and recommend that the stockholders of Monmouth REIT approve the merger transaction. Representatives of Venable then reviewed the terms of the merger agreement with Monmouth REIT's board of directors and representatives of Cohen & Steers presented to Monmouth REIT's board of directors a summary of the financial terms of the merger transaction. Eugene Landy also expressed his view that the proposed combination of Monmouth REIT and Monmouth Capital would provide Monmouth REIT stockholders benefits in cost and productivity savings and could increase Monmouth REIT common stock prices through increased analyst coverage and increased liquidity as a result of increased market capitalization. Subject to the receipt of a favorable opinion of Cohen & Steers on March 26, 2007, Monmouth REIT's board of directors unanimously determined that the merger transaction, including the issuance of shares of Monmouth REIT common stock, on the terms set forth in the merger agreement, was in the best interest of Monmouth REIT, approved the merger agreement, directed that the merger transaction be submitted for consideration by the Monmouth REIT common stockholders and recommended that the Monmouth REIT common stockholders vote in favor of the proposal to approve the merger transaction.

On March 23, 2007, members of the Monmouth Capital Special Committee received copies of the merger agreement. On the morning of March 26, 2007, the Monmouth Capital Special Committee held a meeting at which representatives of FBW and Stroock were present to consider the merger transaction and the terms of the proposed merger agreement, including the exchange ratio and other terms negotiated between Mr. Weidhorn and Mr. Kahr. At the meeting, Mr. Kahr and representatives of Stroock updated the members of the Monmouth Capital Special Committee on the status of the negotiation of the merger agreement with the Monmouth REIT Special Committee and reported that all significant issues under the merger agreement had been resolved and the merger agreement was in substantially final form, subject to approval by the Monmouth Capital Special Committee and by Monmouth Capital's board of directors. Representatives of Stroock reviewed with members of the Monmouth Capital Special Committee the terms of the proposed merger agreement and the duties of the members of the Monmouth Capital Special Committee under New Jersey law in considering a merger with an affiliated company. Representatives of FBW presented to the members of the Monmouth Capital Special Committee its financial analysis of the combined company and its opinion that, as of that date, the exchange ratio contained in the merger agreement was fair from a financial point of view to the Monmouth Capital stockholders, excluding Monmouth REIT and those Monmouth Capital stockholders that are significant stockholders of Monmouth REIT. At the meeting, Eugene Rothenberg, a member of the Monmouth Capital Special Committee, reaffirmed that he believed he was capable of exercising independent judgment on behalf of the stockholders of Monmouth Capital as a member of the Monmouth Capital Special Committee, notwithstanding his ownership of securities of Monmouth REIT.

At the conclusion of its meeting on the morning of March 26, 2007, the members of the Monmouth Capital Special Committee unanimously determined that the merger agreement and the merger on the terms set forth in the merger agreement were advisable and in the best interest of the Monmouth Capital stockholders, approved the merger agreement, in substantially the form presented to the Monmouth Capital Special Committee, the merger and the other transactions contemplated by the merger agreement and recommended that Monmouth Capital's board of directors determine that the merger agreement and the merger on the terms set forth in the merger agreement are advisable, submit the merger agreement and the merger on the terms set forth in the merger agreement to the Monmouth Capital stockholders for approval and recommend that the Monmouth Capital stockholders approve the merger agreement and the merger on the terms set forth in the merger agreement.

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Also on the morning of March 26, 2007, the board of directors of Monmouth Capital held a special meeting at which representatives of FBW and Stroock were present to consider the merger transaction and the terms of the merger agreement. At the meeting, Mr. Kahr reported that the Monmouth Capital Special Committee had negotiated and approved the terms of the merger transaction and the merger agreement and recommended that Monmouth Capital's board of directors determine that the merger agreement and the merger on the terms set forth in the merger agreement are advisable, submit the merger agreement and the merger on the terms set forth in the merger agreement to the Monmouth Capital stockholders for approval and recommend that the stockholders of Monmouth Capital approve the merger agreement and the merger on the terms set forth in the merger agreement. Representatives of Stroock then reviewed the terms of the merger agreement with Monmouth Capital's board of directors and representatives of FBW presented to Monmouth Capital's board of directors a summary of its financial analysis of the combined company and its opinion that, as of March 26, 2007, the exchange ratio of 0.655 was fair, from a financial point of view, to the Monmouth Capital stockholders, excluding Monmouth REIT and those Monmouth Capital stockholders that are significant stockholders of Monmouth REIT. Monmouth Capital's board of directors unanimously determined that the merger agreement and the merger on the terms set forth in the merger agreement were advisable and in the best interest of the Monmouth Capital stockholders, approved the merger agreement, in substantially the form presented to Monmouth Capital's board of directors, the merger and the other transactions contemplated by the merger agreement, directed that the merger agreement and the merger on the terms set forth in the merger agreement be submitted for consideration by the Monmouth Capital stockholders and recommended that the Monmouth Capital stockholders vote in favor of the proposal to approve the merger agreement and the merger on the terms set forth in the merger agreement.

At a special meeting of the Monmouth REIT Special Committee held in the early afternoon of March 26, 2007, at which representatives of Cohen & Steers and Venable were present by telephone, representatives of Cohen & Steers delivered its opinion that, as of that date, the exchange ratio contained in the merger agreement was fair from a financial point of view to Monmouth REIT common stockholders. At that meeting, the members of the Monmouth REIT Special Committee determined that it remained advisable for Monmouth REIT to enter into the merger agreement and consummate the merger transaction and determined to not withdraw or modify its prior approval or recommendation of the merger transaction or the merger agreement.

Recommendation of Monmouth REIT's Board of Directors and its Reasons for the Merger

At special meetings held on March 20, 2007, after due consideration and consultation with legal and financial advisors, the Monmouth REIT Special Committee unanimously approved the merger agreement and determined that the merger transaction, on the terms set forth in the merger agreement, was in the best interest of Monmouth REIT. At a special meeting that same day, upon the unanimous recommendation of the Monmouth REIT Special Committee, Monmouth REIT's board of directors unanimously:

determined that the merger transaction, on the terms set forth in the merger agreement, was in the best interest of Monmouth REIT;

approved the merger agreement;

directed that the merger transaction, including the issuance of shares of Monmouth REIT common stock, on the terms set forth in the merger agreement, be submitted for consideration by the Monmouth REIT common stockholders; and

recommended that the Monmouth REIT common stockholders vote in favor of the proposal to approve the merger transaction, including the issuance of shares of Monmouth REIT common stock, on the terms set forth in the merger agreement.

In the course of evaluating the merger, the Monmouth REIT Special Committee consulted with its outside legal counsel and its financial advisors, as well as Monmouth REIT's management. In determining that the merger transaction, including the issuance of shares of Monmouth REIT common stock, on the terms set forth in

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the merger agreement, was in the best interest of Monmouth REIT, the Monmouth REIT Special Committee and Monmouth REIT's board of directors considered the following material factors:

Productivity Savings. Combining Monmouth REIT and Monmouth Capital would eliminate the need for separate audits and public company reporting obligations and allow Monmouth REIT's management to utilize capital and resources more efficiently and provide management with more time to focus on implementing its business plan and enhancing stockholder value. These savings were not quantified for the consideration of the Monmouth REIT Special Committee or Monmouth REIT's board of directors, and the Monmouth REIT Special Committee did not address the specific timing of the future benefits.

Increased Market Capitalization. The merger transaction will increase Monmouth REIT's market capitalization, which may provide increased liquidity for the Monmouth REIT common stockholders and greater market exposure and analyst coverage of Monmouth REIT, resulting in trading prices of Monmouth REIT common stock more closely approximating the intrinsic fair value of its assets and the potential for inclusion of Monmouth REIT common stock in a major index such as the Russell 2000.

Diversification of Real Estate Assets. The acquisition of Monmouth Capital's assets would provide Monmouth REIT stockholders with a portfolio of assets with enhanced tenant and geographic diversification.

Accretion to Funds from Operations. The merger transaction is projected to be accretive to Monmouth REIT's stand-alone funds from operations per share for the fiscal years ending September 30, 2007 and 2008.

Tax Treatment. The merger transaction is intended to qualify as a tax-free reorganization for United States federal income tax purposes.

Type of Merger Consideration. Monmouth REIT will acquire the assets of Monmouth Capital through the issuance of equity securities.

Opinion of Cohen & Steers. Cohen & Steers delivered its oral opinion to the Monmouth REIT Special Committee, which was subsequently confirmed in writing, to the effect that, as of March 26, 2007, the exchange ratio of 0.655 shares of Monmouth REIT common stock to be issued for each share of Monmouth Capital common stock pursuant to the merger agreement was fair from a financial point of view to Monmouth REIT common stockholders. The written opinion of Cohen & Steers is attached as Annex C to this joint proxy statement/prospectus and discussed in detail under "Opinion of the Monmouth REIT Special Committee's Financial Advisor."

In reaching their conclusions that the merger transaction is in the best interest of Monmouth REIT, the Monmouth REIT Special Committee and Monmouth REIT's board of directors also considered, but did not assign relative weights to, the following factors. Although the Monmouth REIT Special Committee and Monmouth REIT's board of directors viewed these as potentially negative factors, they believed these factors to be outweighed by the positive factors set forth above:

The combined company would be subject to increased leverage.

The combined company, based on assets and market capitalization, continues to be small in relation to other public REITs.

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The merger transaction will be dilutive to Monmouth REIT common stockholders in terms of their relative ownership percentages of the combined company, as described under the caption Risk Factors. The issuance of shares of Monmouth REIT common stock to Monmouth Capital stockholders in the merger will dilute the ownership position of current Monmouth REIT common stockholders.

The merger transaction might not be completed as a result of the failure to satisfy certain closing conditions, including the approval of the Monmouth REIT and Monmouth Capital common stockholders and the requirement that Monmouth Capital obtain consents from certain third parties.

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The merger transaction may be expensive and disruptive to management, affecting the combined company's earnings, and implementation of the merger transaction may divert management's attention from other strategic priorities.

The Monmouth REIT Special Committee and Monmouth REIT's board of directors realize that there can be no assurance about future results, including results expected or considered in the factors listed above. However, the Monmouth REIT Special Committee and Monmouth REIT's board of directors concluded that the potential positive factors outweighed the potential risks of completing the merger.

The foregoing discussion of the information and factors considered by the Monmouth REIT Special Committee and Monmouth REIT's board of directors is not exhaustive, but includes material factors considered by the Monmouth REIT Special Committee and Monmouth REIT's board of directors. In view of the wide variety of factors considered by the Monmouth REIT Special Committee and Monmouth REIT's board of directors in connection with their respective evaluations of the merger and the complexity of such matters, the Monmouth REIT Special Committee and Monmouth REIT's board of directors did not consider it practical to, nor did it attempt to, quantify, rank or otherwise assign relative weights to the specific factors that it considered in reaching a decision. The Monmouth REIT Special Committee and Monmouth REIT's board of directors each discussed the factors described above, asked questions of Monmouth REIT's management and the Monmouth REIT Special Committee's legal and financial advisors and reached general consensus that the merger was advisable to Monmouth REIT. In considering the factors described above, individual members of the Monmouth REIT Special Committee or Monmouth REIT's board of directors may have given different weight to different factors and may have applied different analyses to each of the material factors considered by the Monmouth REIT Special Committee and Monmouth REIT's board of directors.

Opinion of the Monmouth REIT Special Committee's Financial Advisor

On March 20, 2007, and March 26, 2007, at meetings of the Monmouth REIT Special Committee, Cohen & Steers presented certain financial analyses as further described below. On March 26, 2007, Cohen & Steers rendered its oral opinion, which it subsequently confirmed in writing, to the Monmouth REIT Special Committee to the effect that, based upon and subject to the various considerations described in its opinion, the exchange ratio of 0.655 shares of Monmouth REIT common stock to be issued in the merger for each share of Monmouth Capital common stock, in accordance with the merger agreement, which we refer to as the exchange ratio, is fair, from a financial point of view, to the Monmouth REIT common stockholders.

The full text of Cohen & Steers' written opinion, dated March 26, 2007, which sets forth the assumptions made, general procedures followed, matters considered and limitations on the scope of review undertaken by Cohen & Steers in rendering its opinion, is attached as Annex C to this joint proxy statement/prospectus and is incorporated into this summary by reference. Cohen & Steers' opinion is directed only to the fairness, as of the date of its opinion and from a financial point of view, of the exchange ratio to the holders of Monmouth REIT common stock and does not constitute a recommendation to stockholders as to how stockholders should vote with respect to the merger agreement and the merger. The summary of Cohen & Steers' opinion, set forth below, is qualified in its entirety by reference to the full text of the opinion. You are urged to read the opinion carefully in its entirety.

In connection with its opinion, Cohen & Steers reviewed and considered such financial and other matters as it deemed relevant, including, among other things:

- (i) certain publicly available financial statements and other publicly available business and financial information relating to Monmouth REIT and Monmouth Capital;
- (ii) certain internal non-public financial due diligence information and operating data, including historical and projected financial information relating to the business, earnings, cash flow, assets, liabilities, capitalization and future results of Monmouth REIT and Monmouth Capital, as prepared by management of Monmouth REIT and Monmouth Capital, as the case may be;

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- (iii) a draft of the merger agreement distributed on March 19, 2007, provided to it by management and the legal advisors of the Monmouth REIT Special Committee;
- (iv) discussions with the management of Monmouth REIT and Monmouth Capital, the Monmouth REIT Special Committee and the Monmouth Capital Special Committee concerning the matters described herein, as well as the business and prospects of Monmouth REIT and Monmouth Capital;
- (v) terms of certain agreements of Monmouth REIT and Monmouth Capital that Cohen & Steers deemed relevant to its analysis;
- (vi) the historical trading prices and volumes of Monmouth REIT and Monmouth Capital common stock;
- (vii) the financial terms, to the extent available, of certain unrelated acquisition transactions that Cohen & Steers deemed relevant to its analysis;
- (viii) financial and stock market data for publicly traded companies that Cohen & Steers deemed relevant to its analysis;
- (ix) various financial analyses as Cohen & Steers deemed appropriate, using generally accepted analytical valuation methodologies; and
- (x) such other analyses and such other factors as Cohen & Steers deemed appropriate.

Cohen & Steers assumed and relied upon, without independent verification, the accuracy and completeness of all financial and other information publicly available, furnished to or otherwise made available to or discussed with Cohen & Steers including, without limitation, the items listed above as reviewed by Cohen & Steers, financial statements and financial projections, as provided by the management and/or representatives of Monmouth REIT or Monmouth Capital. With respect to financial information, financial projections (including the realization of projected cost savings) and other information provided to or otherwise discussed with Cohen & Steers, Cohen & Steers assumed and was advised by the management of Monmouth REIT and Monmouth Capital that such financial information, projections and other information were reasonably prepared on a basis that reflected the best currently available estimates and judgments of the management of Monmouth REIT and Monmouth Capital as to the historical and expected future financial performance of Monmouth REIT and Monmouth Capital, and that there had been no material adverse change in the assets, financial condition, business or prospects of Monmouth REIT or Monmouth Capital.

Cohen & Steers did not independently verify the accuracy or completeness of any of such information, nor did it express any opinion with respect thereto. Cohen & Steers relied upon the assurances of the management of Monmouth REIT that they were not aware of any information or facts that would make the information provided or otherwise made available to Cohen & Steers materially inaccurate or misleading with regard to Monmouth REIT or Monmouth Capital. Cohen & Steers has not independently verified such information, performed no audit of assets or liabilities and no physical inspection of any properties, did not attempt to assess or value any of the intangible assets of Monmouth REIT (including goodwill) and made no appraisal of assets or liabilities, contingent or otherwise, including contractual rights or obligations, of Monmouth REIT, or has been furnished with any such appraisals.

Cohen & Steers made numerous assumptions with respect to the real estate industry and general business and economic conditions that are beyond the control of those managing and operating Monmouth REIT or Monmouth Capital. While Cohen & Steers believed these assumptions to be reasonable, the analyses performed by Cohen & Steers were not necessarily indicative of actual values or actual future results, which may be significantly more or less favorable than suggested by such analyses.

Cohen & Steers was not engaged to and did not review, nor did it express any opinion with respect to, any alternative merger, financing transaction or other strategic alternatives that may be available to Monmouth REIT. Further, Cohen & Steers was not engaged to, and did not, assess or consider the tax, legal and accounting implications of the merger to Monmouth REIT or any Monmouth REIT stockholder.

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Cohen & Steers' opinion was necessarily based on economic, market, financial and other conditions and circumstances as in effect on, and the information made available to it, as of the date thereof. It should be understood that subsequent developments may affect Cohen & Steers' opinion, and Cohen & Steers does not have any obligation to update, revise or reaffirm its opinion and it expressly disclaims any responsibility to do so.

Cohen & Steers' opinion does not constitute a recommendation as to any action any Monmouth REIT stockholder should take in connection with the merger agreement, the merger or any aspect thereof, including whether to vote in favor of the merger or to purchase, sell or hold Monmouth REIT common stock or take or refrain from taking any other action, and should not be relied upon as such.

The following is a summary of certain financial analyses performed by Cohen & Steers in arriving at its opinion and was provided by Cohen & Steers for inclusion herein. In support of several of its analyses, Cohen & Steers used certain financial projections, which we refer to as the Financial Projections, that were prepared by the management of Monmouth REIT and Monmouth Capital. In the case of the Monmouth REIT Financial Projections, Cohen & Steers reviewed projections prepared by Monmouth REIT excluding unidentified future acquisitions, which we refer to as the Monmouth REIT Base Projections, and projections prepared by Monmouth REIT including unidentified future acquisitions, which we refer to as the Monmouth REIT Acquisition Projections and, together with the Monmouth REIT Base Projections, as the Monmouth REIT Projections. Cohen & Steers assumed that the Financial Projections were reasonably prepared on a basis reflecting the best current estimates and good faith judgments of the management teams' view as to each respective company's anticipated future financial condition and operating results.

The Financial Projections include several measures of cash flow including EBITDA, funds from operations, or FFO, and adjusted funds from operations, or AFFO. EBITDA represents net earnings before interest, taxes, depreciation, amortization, dividend payments and any other non-recurring charges or adjustments. FFO represents GAAP net earnings available to common stockholders, excluding the effects of asset dispositions plus depreciation and amortization associated with real estate investments. AFFO represents FFO less the effects of straight-line rents for GAAP purposes less any real estate capital expenditures. Diluted FFO or AFFO assumes, if dilutive, the conversion of convertible subordinated debentures, the conversion of convertible preferred stock, if any, and the exercise of stock options using the treasury method. Cohen & Steers notes that while EBITDA, FFO and AFFO are recognizable measures of operating performance for REITs created by the REIT industry, measures of EBITDA, FFO and AFFO may not be directly comparable to similarly titled measures across companies. Additionally, EBITDA, FFO and AFFO do not represent cash generated from operating activities in accordance with GAAP (FFO does not include changes in operating assets and liabilities) and therefore should not be considered an alternative to net earnings as an indication of operating performance, or to net cash flow from operating activities as determined by GAAP in the United States, as a measure of liquidity, and is not necessarily indicative of cash available to fund cash needs.

Discounted Cash Flow Analyses.

Monmouth REIT: Cohen & Steers performed discounted cash flow analyses of the recurring projected free cash flow before debt financing costs of Monmouth REIT using the Monmouth REIT Base Projections and the Monmouth REIT Acquisition Projections. For purposes of these analyses, Cohen & Steers used a range of capitalization rates ranging from 7.0% to 9.0% to calculate terminal valuations and, in the case of the Monmouth REIT Base Projections, discount rates of 6.0% to 10.0% and in the case of the Monmouth REIT Acquisition Projections, discount rates of 7.0% to 11.0%. Cohen & Steers applied the terminal value capitalization rates to the projected calendar year 2011 EBITDA. Cohen & Steers then discounted the terminal value and the net free cash flow before debt financing costs for Monmouth REIT using certain of the aforementioned discount rates. Net free cash flow also reflects certain required sources and uses of capital during such period including, but not limited to, gains from sales of securities, capital expenditures and acquisition costs, where appropriate. The range of discount rates in each of the analyses reflect Cohen & Steers' estimate of the weighted average cost of capital of Monmouth REIT and other publicly traded REITs of comparable size.

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Cohen & Steers calculated the implied equity values per share of Monmouth REIT common stock on a diluted basis. The implied equity values per share of Monmouth REIT common stock were then compared to the closing market price of Monmouth REIT common stock as of March 23, 2007. The following table sets forth the implied high, mean, median and low equity values per share of Monmouth REIT common stock based upon the discounted cash flow analyses:

Monmouth REIT Implied Equity Value Per Share

	(Base Projections)	(Acquisition Projections)
High	\$ 12.45	\$ 11.56
Mean	9.69	8.69
Median	9.59	8.57
Low	7.40	6.31
Monmouth REIT Closing Price on March 23, 2007		\$ 8.77

Monmouth Capital: Cohen & Steers performed discounted cash flow analyses of the recurring projected free cash flow before debt financing costs of Monmouth Capital. For purposes of these analyses, Cohen & Steers used a range of capitalization rates ranging from 7.0% to 9.0% to calculate terminal valuations and discount rates of 6.0% to 10.0%. Cohen & Steers applied the terminal value capitalization rates to the projected calendar year 2011 EBITDA. Cohen & Steers then discounted the terminal value and the net free cash flow before debt financing costs for Monmouth Capital using certain of the aforementioned discount rates. Net free cash flow also reflects certain required sources and uses of capital during such period including, but not limited to, gains from sales of securities, capital expenditures and acquisition costs, where appropriate. The range of discount rates in each of the analyses reflect Cohen & Steers' estimate of the weighted average cost of capital of Monmouth Capital and other publicly traded REITs of comparable size.

Cohen & Steers calculated the implied equity values per share of Monmouth Capital common stock on a diluted basis. The implied equity values per share of Monmouth Capital common stock were then divided by the closing market price of Monmouth Capital common stock as of March 23, 2007, to determine implied exchange ratios to compare to the exchange ratio in the merger. The following table sets forth the implied high, mean, median and low equity values per share of Monmouth Capital common stock and the resulting implied exchange ratios based upon the discounted cash flow analysis:

Monmouth Capital Implied Equity Value Per Share /Implied Exchange Ratio

	Monmouth Capital	Implied Exchange Ratio ¹
High	\$ 6.12	0.6999
Mean	3.77	0.4295
Median	3.69	0.4205
Low	1.80	0.2049
Merger Exchange Ratio		0.6550

- The implied exchange ratio is calculated by dividing the implied equity value per share of Monmouth Capital common stock by the closing market price of Monmouth REIT common stock on March 23, 2007.

NAV Analyses.

Monmouth REIT: Using information provided by the management of Monmouth REIT, Cohen & Steers calculated the net asset value, or NAV, per share for Monmouth REIT. For this analysis, Cohen & Steers applied ranges of current industrial REIT market capitalization rates to Monmouth REIT's current in-place real estate net operating income, or NOI, for each of its asset classes and respective markets. The overall capitalization rates ranged from 5.6% to 9.0%, with a mean of 7.2% and median of 7.0%. In the case where properties had no NOI, asset values were calculated using an average minimum \$85.50 per square foot market valuation. The capitalization

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rates and average minimum per square foot market valuation used in these analyses were derived from historical data for comparable asset sales from an evaluation of transaction data obtained from market data services. Cohen & Steers then added the net book value of Monmouth REIT to the aggregate value of Monmouth REIT's real estate assets to calculate Monmouth REIT's NAV. Net book value of a company is defined as cash and cash equivalents, securities available for sale at fair value and net working capital less the company's total debt.

The implied Monmouth REIT NAV per share was then calculated by dividing Monmouth REIT's NAV by the number of the shares of Monmouth REIT common stock outstanding as calculated on a fully diluted basis. The resulting implied NAV per share of Monmouth REIT common stock was then compared to the closing market price of Monmouth REIT common stock as of March 23, 2007. The following table sets forth the implied high, mean, median and low NAV per share of Monmouth REIT common stock based upon the NAV analyses:

Monmouth REIT Implied Net Asset Value Per Share

	Monmouth REIT
High	\$ 13.93
Mean	9.98
Median	10.33
Low	7.20
Monmouth REIT common stock closing price on March 23, 2007	\$ 8.77

Monmouth Capital: Using information provided by the management of Monmouth Capital, Cohen & Steers calculated the NAV per share for Monmouth Capital. For this analysis, Cohen & Steers applied ranges of current industrial REIT market capitalization rates to Monmouth Capital's current in-place real estate NOI for each of its asset classes and respective markets. The overall capitalization rates ranged from 4.8% to 8.1%, with a mean of 6.4% and median of 6.4%. In the case where properties had no NOI, asset values were calculated using an average minimum \$85.50 per square foot market valuation. The capitalization rates and average minimum per square foot market valuation used in these analyses were derived from historical data for comparable asset sales from an evaluation of transaction data from certain market data services. Cohen & Steers then added the net book value of Monmouth Capital to the aggregate value of Monmouth Capital's real estate assets to calculate Monmouth Capital's NAV. Net book value of a company is defined as cash and cash equivalents, securities available for sale at fair value and net working capital less the company's total debt.

The implied Monmouth Capital NAV per share of Monmouth Capital common stock was then calculated by dividing Monmouth Capital's NAV by the number of shares of Monmouth Capital common stock outstanding as calculated on a fully diluted basis. The implied NAV per share of Monmouth Capital common stock was then divided by the closing market price of Monmouth REIT common stock as of March 23, 2007 to determine implied exchange ratios to compare to the exchange ratio in the merger. The following table sets forth the implied high, mean, median and low NAV per share of Monmouth Capital common stock and the resulting implied exchange ratios based upon the NAV analyses:

Monmouth Capital Implied Net Asset Value Per Share / Implied Exchange Ratio

	Monmouth Capital	Implied Exchange Ratio¹
High	\$ 9.73	1.0925
Mean	5.99	0.6725
Median	6.11	0.6860
Low	3.03	0.3402
Merger Exchange Ratio		0.6550

1. The implied exchange ratio is calculated by dividing the implied NAV per share of Monmouth Capital common stock by the closing market price of Monmouth REIT common stock on March 23, 2007.

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Comparable Companies Analyses. Cohen & Steers compared select financial and operating data of Monmouth REIT to the corresponding data of certain publicly traded companies having business and other characteristics that it deemed to be reasonably comparable to Monmouth REIT on such basis. In determining the universe of comparable companies, Cohen & Steers considered a variety of factors including, but not limited to, market capitalization, business focus, cash flow, asset class and competitive considerations. Cohen & Steers selected five companies, which we refer to as the Comparable Companies, including:

First Potomac Realty Trust

Gladstone Commercial Corporation

Government Properties Trust, Inc.

Mission West Properties, Inc.

One Liberty Properties, Inc.

Additionally, in the case of analyzing Monmouth REIT, Monmouth Capital was used as a comparable company, and in the case of analyzing Monmouth Capital, Monmouth REIT was used as a comparable company. Using publicly available information and analyst estimates, Cohen & Steers analyzed certain trading multiples of the Comparable Companies, including multiples based on:

- (i) the ratios of the market value of equity to actual and projected FFO for the latest quarter ended December 31, 2006 annualized and calendar years 2006, 2007 and 2008; and
- (ii) the ratios of the market value of equity to actual and projected AFFO for the latest quarter ended December 31, 2006 annualized and calendar years 2006, 2007 and 2008.

Using the Comparable Companies analyses, Cohen & Steers calculated the implied equity values per share of Monmouth REIT and Monmouth Capital common stock on a diluted basis. The implied equity values per share of Monmouth REIT common stock were then compared to the closing market price of Monmouth REIT common stock as of March 23, 2007. The implied equity values per share of Monmouth Capital common stock were then divided by the closing market price of Monmouth REIT common stock as of March 23, 2007 to determine implied exchange ratios to compare to the exchange ratio in the merger. The following tables set forth the implied high, mean, median and low equity values per share of Monmouth REIT and Monmouth Capital common stock and the resulting implied exchange ratios based upon the Comparable Companies analyses:

Monmouth REIT Implied Equity Value Per Share

	(Incl. Acquisitions)	(Excl. Acquisitions)
High	\$ 13.28	\$ 12.94
Mean	10.08	9.84
Median	9.63	9.39
Low	8.03	7.85
Monmouth REIT Closing Price on March 23, 2007		\$ 8.77
Monmouth Capital Implied Equity Value Per Share / Implied Exchange Ratio		

	Monmouth Capital	Implied Exchange Ratio¹
High	\$ 7.73	0.8812
Mean	5.75	0.6557
Median	5.48	0.6254
Low	4.42	0.5043
Merger Exchange Ratio		0.6550

-
1. The implied exchange ratio is calculated by dividing the implied equity value per share of Monmouth Capital common stock by the closing market price of Monmouth REIT common stock on March 23, 2007.

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Comparable Transactions Analysis. Cohen & Steers considered the terms, to the extent publicly available, of select (i) stock and (ii) stock and cash transactions in the industrial and mixed use REIT industries, including announced and completed transactions that it deemed reasonably comparable to the merger, which we refer to as the Comparable Transactions, and compared the exchange ratio of the merger with the implied exchange ratio based on the implied aggregate equity values per share of Monmouth Capital common stock based on such Comparable Transactions. Cohen & Steers selected twelve Comparable Transactions as follows:

National HealthCare Corp / National Heath Realty Inc. Pending Closing

SL Green Realty Corp. / Reckson Associates Realty Corp January 2007

Lexington Corporate Properties / Newkirk Realty Trust January 2007

Healthcare REIT Inc. / Windrose Medical Properties December 2006

Kimco Realty Corp. / Pan Pacific Retail Properties October 2006

Public Storage Inc. / Shurguard Storage Centers Inc. August 2006

Kimco Realty Corp. / Atlantic Realty Trust March 2006

Brandywine Realty Trust / Prentiss Properties Trust January 2006

ProLogis / Catellus Development Corp. September 2005

Centro Properties / Watt Family Properties / Kramont Realty Trust April 2005

Colonial Properties Trust / Cornerstone Realty Income Trust April 2005

Camden Property Trust / Summit Properties Inc. February 2005

In determining the universe of Comparable Transactions, Cohen & Steers considered a variety of factors, including, but not limited to, the transaction values and the nature of the business of the target involved. Using publicly available information and analyst estimates, Cohen & Steers analyzed certain valuation multiples of the Comparable Transactions including multiples based on (i) the ratio of transaction value to the latest quarter annualized EBITDA, (ii) the ratio of the market value of equity to the latest quarter annualized FFO and (iii) the ratio of the market value of equity to the latest quarter annualized AFFO, all based upon the latest available reporting period prior to the deal announcement for such Comparable Transactions. Cohen & Steers calculated the implied equity values per share of Monmouth Capital common stock on a diluted basis based on the valuation multiples of the Comparable Transactions. The implied equity values per share of Monmouth Capital common stock were then divided by the closing market price of Monmouth REIT common stock as of March 23, 2007 to determine implied exchange ratios to compare to the exchange ratio in the merger. The following table sets forth the implied high, mean, median and low equity values per share of Monmouth Capital common stock and the resulting implied exchange ratios based upon the Comparable Transactions analysis:

Monmouth Capital Implied Equity Value Per Share / Implied Exchange Ratio

	Monmouth Capital	Implied Exchange Ratio¹
High	\$ 10.05	1.1459
Mean	6.98	0.7963
Median	6.68	0.7613
Low	4.18	0.4769
Merger Exchange Ratio		0.6550

-
1. The implied exchange ratio is calculated by dividing the implied equity value per share of Monmouth Capital common stock by the \$8.77 closing market price of Monmouth REIT common stock on March 23, 2007.

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Historical Exchange Ratio Trading Analysis. Cohen & Steers reviewed the history of the trading prices of Monmouth Capital common stock relative to Monmouth REIT common stock. In each instance the closing trading price of Monmouth Capital common stock was divided by the closing trading price of Monmouth REIT common stock on the same day to calculate an implied exchange ratio. The historical implied exchange ratios were observed for the one year, six months, three months and one month periods ended March 23, 2007 and compared to the 0.6550 exchange ratio being paid in the merger.

The following table sets forth the implied high, mean, and low implied exchange ratios based on the closing historical market prices of Monmouth REIT and Monmouth Capital common stock for each of the time periods observed:

Implied Exchange Ratio

	Mean	High	Low
Twelve Months ended March 23, 2007	0.6577	0.7241	0.6088
Six Months ended March 23, 2007	0.6494	0.7180	0.6088
Three Months ended March 23, 2007	0.6340	0.6627	0.6088
One Month ended March 23, 2007	0.6462	0.6627	0.6317

Relative Contribution Analysis. Cohen & Steers reviewed and compared the relative contributions of Monmouth REIT and Monmouth Capital to the combined company based on FFO and AFFO for each of the three months ended December 31, 2006 and the projected calendar years 2007 and 2008, and reviewed and compared certain balance sheet items (excluding debt) as of the latest reported period, and compared these ratios to the pro forma ownership of the stockholders of Monmouth REIT and Monmouth Capital in the combined company. According to this analysis, Monmouth REIT, based on the Monmouth REIT Acquisition Projections, would contribute to the combined company the approximate percentages: (i) 86.2%, 85.4% and 84.5% of FFO for the three months ended December 31, 2006 and the projected calendar years 2007 and 2008, respectively and (ii) 86.3%, 85.4% and 84.4% of AFFO for the three months ended December 31, 2006 and the projected calendar years 2007 and 2008, respectively. As of the latest reported balance sheet, Monmouth REIT contributed 87.1% of undepreciated GAAP book value and 78.3% of total cash, securities available for sale and gross real estate assets. The mean and median percentage contributions based on the Monmouth REIT Acquisition Projections were 84.7% and 85.4%, respectively. The implied exchange ratios based on these various percentages of relative contribution derived from the Monmouth REIT Acquisitions Projections ranged from 0.5250 to 0.9774 with a mean and median of 0.6420 and 0.6037, respectively.

According to the Monmouth REIT Base Projections, Monmouth REIT would contribute to the combined company the approximate percentages: (i) 86.2%, 85.2% and 83.2% of FFO for the three months ended December 31, 2006 and the projected calendar years 2007 and 2008, respectively and (ii) 86.3%, 85.2% and 83.1% of AFFO for the three months ended December 31, 2006 and the projected calendar years 2007 and 2008, respectively. As of the latest reported balance sheet, Monmouth REIT contributed 87.1% of undepreciated GAAP book value and 78.3% of total cash, securities available for sale and gross real estate assets. The mean and median percentage contributions based on the Monmouth REIT Base Projections were 84.3% and 85.2%, respectively. The implied exchange ratios based on the various percentages of relative contribution derived from the Monmouth REIT Base Projections ranged from 0.5250 to 0.9774 with a mean and median of 0.6608 and 0.6139, respectively.

These mean and median contribution percentages of stand-alone Monmouth REIT based on the Monmouth REIT Acquisition Projections and Monmouth REIT Base Projections compare to a pro forma Monmouth REIT ownership in the post-merger combined company of 84.5% on a fully diluted basis (including shares associated with options, but excluding shares associated with out-of-money anti-dilutive convertible debentures). The implied exchange ratios based on the Monmouth REIT Acquisition Projections and Monmouth REIT Base Projections were then compared to the 0.6550 exchange ratio being paid in the merger.

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Pro Forma Analysis of the Merger. Cohen & Steers analyzed certain pro forma effects of the merger on the earnings and capitalization of the combined company as well as on Monmouth REIT's FFO per share after taking into account the exchange ratio. These analyses were based on Monmouth REIT's and Monmouth Capital's respective estimates for fiscal years 2007 and 2008 FFO. The result of the pro forma merger analysis suggested that the merger could be accretive to Monmouth REIT's projected FFO per share based on both the Monmouth REIT Base Projections and the Monmouth REIT Acquisition Projections for each of the years 2007 and 2008, assuming the cost savings and synergies anticipated by the management of both companies resulting from the merger are achieved. The actual results achieved by the combined company may vary from projected results and such variations may be material.

Conclusion. The preparation of a fairness opinion is a complex process involving various determinations as to the most appropriate and relevant quantitative and qualitative methods of financial analysis and the application of those methods to the particular circumstances and, therefore, is not readily susceptible to partial analysis or summary description. In arriving at its opinion, Cohen & Steers considered the results of all its analyses as a whole and did not attribute any particular weight to any analysis or factor considered by it.

Subject to the matters set forth in its opinion, the judgments made by Cohen & Steers as to its analyses and the factors considered by it caused Cohen & Steers to be of the opinion, that, as of the date of its opinion, the exchange ratio in the merger is fair, from a financial point of view, to the holders of Monmouth REIT common stock. Cohen & Steers' analyses must be considered as a whole and considering any portion of such analyses or of the factors considered, without considering all analyses and factors, could create a misleading or incomplete view of the process underlying Cohen & Steers' opinion.

Any estimates contained in Cohen & Steers' analyses are not necessarily indicative of actual values or predictive of future results or values, which may be significantly more or less favorable than those contained in such analyses. Estimated values do not purport to be appraisals or to reflect the prices at which businesses or companies may be sold in the future, and such estimates are inherently subject to uncertainty.

Cohen & Steers is an investment banking firm regularly engaged in the valuation of businesses and their securities in connection with:

mergers, acquisitions, and leveraged buyouts;

public offerings and private placements of securities;

recapitalizations and restructurings; and

valuations for corporate and other purposes.

The extensive experience of Cohen & Steers' investment bankers in providing corporate finance and financial advisory services to companies in the real estate industry, including Monmouth REIT, was a significant factor in the decision of the Monmouth REIT Special Committee to select Cohen & Steers to be its financial advisor in connection with the merger and subsequently to engage Cohen & Steers to provide a fairness opinion.

Monmouth REIT agreed to pay Cohen & Steers a fairness opinion fee of \$150,000 for its services in connection with the fairness opinion. No portion of Cohen & Steers' fairness opinion fee is contingent upon the conclusions reached in its opinion nor upon the ultimate consummation of the merger. Monmouth REIT has agreed to indemnify and hold harmless Cohen & Steers or any subsidiary, affiliate, director, officer, employee, agent or any person who controls Cohen & Steers, against and from all losses arising out of or in connection with its engagement by Monmouth REIT. Cohen & Steers will also have the opportunity to earn a success fee from Monmouth REIT in connection with the consummation of the merger. Monmouth REIT has agreed to pay a success fee of the greater of (i) \$300,000 or (ii) 1.0% of the transaction value (defined as all cash and stock paid for the Monmouth Capital common stock, as determined on a fully diluted basis, but excluding the anti-dilutive Monmouth Capital Debentures which have not been converted). The fairness opinion fee is creditable against the

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success fee and Monmouth REIT may, at its option, elect to pay up to 75% of the success fee due to Cohen & Steers in registered and freely tradable shares of common stock of Monmouth REIT. Monmouth REIT has also agreed to reimburse Cohen & Steers for certain expenses and liabilities incurred in connection with its engagement. This fee for Cohen & Steers' opinion was not conditioned upon the conclusion reached by Cohen & Steers as to the fairness of the merger consideration. Except as expressly set forth above, no limitation was imposed by the Monmouth REIT Special Committee, Monmouth REIT or Monmouth REIT's board of directors on the nature or scope of, or methodologies and procedures used in, Cohen & Steers' financial analyses.

Recommendation of Monmouth Capital's Board of Directors and its Reasons for the Merger

At a special meeting held on March 26, 2007, after due consideration and consultation with legal and financial advisors, the Monmouth Capital Special Committee unanimously approved the merger agreement, in substantially the form presented to the Monmouth Capital Special Committee, and the merger and determined that the merger agreement and the merger on the terms set forth in the merger agreement were advisable and in the best interest of the Monmouth Capital stockholders. At a special meeting that same day, Monmouth Capital's board of directors, based on the recommendation of the Monmouth Capital Special Committee, unanimously:

determined that the merger agreement and the merger on the terms set forth in the merger agreement were in the best interest of the Monmouth Capital stockholders;

approved the merger agreement;

directed that the merger agreement and the merger on the terms set forth in the merger agreement be submitted for consideration by the Monmouth Capital stockholders; and

recommended that the Monmouth Capital stockholders vote in favor of the proposal to approve the merger agreement and the merger on the terms set forth in the merger agreement.

In the course of evaluating the merger agreement and the merger transaction contemplated by the merger agreement, the Monmouth Capital Special Committee consulted with its outside legal counsel and financial advisors, as well as Monmouth Capital's management.

In determining that the merger agreement was in the best interest of the Monmouth Capital stockholders, the Monmouth Capital Special Committee and Monmouth Capital's board of directors considered the following material factors:

Productivity Savings. Combining Monmouth Capital and Monmouth REIT would eliminate the need for separate audits and public company reporting obligations and allow management of the combined company to utilize capital and resources more efficiently and provide management with more time to focus on implementing a business plan and enhancing stockholder value. These savings were not quantified for the consideration of the Monmouth Capital Special Committee or Monmouth Capital's board of directors, and the Monmouth Capital Special Committee and Monmouth Capital's board of directors did not address the specific timing of the future benefits.

Increased Market Capitalization. The merger transaction will increase the combined company's market capitalization, which may provide increased liquidity for the stockholders of the combined company and result in trading prices of the combined company's common stock more closely approximating the intrinsic fair value of the combined company's assets. Increased market capitalization may also lead to increased market exposure and the potential for inclusion of the combined company's common stock in a major index such as the Russell 2000.

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Diversification of Real Estate Assets. The merger would provide the Monmouth Capital stockholders with a portfolio of assets with enhanced tenant and geographic diversification.

Tax Treatment. The merger transaction is intended to qualify as a tax-free reorganization for United States federal income tax purposes.

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Lower Leverage. The Monmouth Capital stockholders will receive common stock in an entity with lower leverage than Monmouth Capital's current leverage levels.

Elimination of Conflict of Interest. The combination will eliminate potential conflicts of interest between Monmouth Capital and Monmouth REIT related to the allocation of acquisition opportunities, as well as conflicts in the making of business decisions by members of management currently involved with both companies.

Opinion of Ferris, Baker Watts, Incorporated. The presentation by representatives of FBW, including FBW's oral opinion, subsequently confirmed in writing, to the effect that, as of March 26, 2007, the merger consideration to be received by the Monmouth Capital stockholders pursuant to the merger agreement was fair from a financial point of view to the Monmouth Capital stockholders, excluding Monmouth REIT and those Monmouth Capital stockholders that are significant stockholders of Monmouth REIT, as more fully described elsewhere in this joint proxy statement/prospectus. The written opinion of FBW is attached as Annex D to this joint proxy statement/prospectus.

Terms of the Merger Agreement. The financial and non-financial terms and conditions of the merger agreement, including the merger consideration, the parties' respective representations, warranties, covenants and other agreements, and a provision that permits the Monmouth Capital Special Committee, under certain conditions, to furnish information to, or engage in negotiations with, a third party which has submitted a bona fide unsolicited written proposal to acquire Monmouth Capital and a provision entitling Monmouth Capital to terminate the merger agreement in certain circumstances, subject to payment of a \$1 million termination fee to Monmouth REIT, and simultaneously enter into a definitive agreement with a third party that has submitted a bona fide unsolicited written acquisition proposal, if the Monmouth Capital Special Committee determines, in good faith, after consultation with outside counsel and a financial advisor of nationally-recognized reputation, that such action is necessary in order to comply with its duties to Monmouth Capital or its stockholders under applicable law, as well as the effect such termination fee could have on a third party's decision to propose a merger or similar transaction to Monmouth Capital at a higher price than that contemplated by the merger.

In reaching their conclusions that the merger is in the best interest of Monmouth Capital stockholders, the Monmouth Capital Special Committee and Monmouth Capital's board of directors also considered, but did not assign relative weights to, the following factors. Although the Monmouth Capital Special Committee and Monmouth Capital's board of directors viewed these as potentially negative factors, it believed these factors to be outweighed by the positive factors set forth above:

The fixed exchange ratio and the risk that the value of the merger consideration to be received by the Monmouth Capital stockholders could decrease.

The combined company, based on assets and market capitalization, will continue to be small in relation to other public REITs.

The merger might not be completed, as a result of the failure to satisfy one or more closing conditions, including approval by the stockholders of both Monmouth REIT and Monmouth Capital and the requirement that Monmouth Capital obtain consents from certain third parties.

The merger may be expensive and disruptive to management, affecting the combined company's earnings, and implementation of the merger transaction may divert management's attention from other strategic priorities.

The Monmouth Capital Special Committee and Monmouth Capital's board of directors also considered that the merger agreement provides for a fixed exchange ratio of 0.655 shares of Monmouth REIT common stock for each share of Monmouth Capital common stock outstanding at the effective time of the merger and that the value of the consideration to be paid in the merger would depend, in part, on the value of Monmouth REIT common

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stock at the time of consummation of the merger. The Monmouth Capital Special Committee and Monmouth Capital's board of directors realized that there can be no assurance about future results, including results expected or considered in the factors listed above. However, the Monmouth Capital Special Committee and Monmouth Capital's board of directors concluded that the potential positive factors outweighed the potential risks of completing the merger.

The foregoing discussion of the information and factors considered by the Monmouth Capital Special Committee and Monmouth Capital's board of directors is not exhaustive, but includes material factors considered by the Monmouth Capital Special Committee and Monmouth Capital's board of directors. In view of the wide variety of factors considered by the Monmouth Capital Special Committee and Monmouth Capital's board of directors in connection with their evaluation of the merger and the complexity of such matters, the Monmouth Capital Special Committee and Monmouth Capital's board of directors did not consider it practical to, nor did they attempt to, quantify, rank or otherwise assign relative weights to the specific factors that they considered in reaching a decision. The Monmouth Capital Special Committee and Monmouth Capital's board of directors discussed the factors described above, asked questions of Monmouth Capital's management and Monmouth Capital's legal and financial advisors and reached a general consensus that the merger was in the best interest of the Monmouth Capital stockholders. In considering the factors described above, individual members of the Monmouth Capital Special Committee or Monmouth Capital's board of directors may have given different weight to different factors and may have applied different analyses to each of the material factors considered by the Monmouth Capital Special Committee and Monmouth Capital's board of directors.

Opinion of the Monmouth Capital Special Committee's Financial Advisor

The Monmouth Capital Special Committee retained FBW in January 2007 to act as financial advisor to the Monmouth Capital Special Committee in connection with the potential combination of Monmouth Capital and Monmouth REIT. In selecting FBW, the Monmouth Capital Special Committee considered, among other things, that FBW is an established investment banking firm that regularly engages in the valuation of businesses and their securities in connection with mergers and acquisitions and other transactions. The Monmouth Capital Special Committee selected FBW as its financial advisor based upon the firm's reputation and experience.

In connection with the engagement of FBW, the Special Committee requested that FBW evaluate the fairness, from a financial point of view, to the Monmouth Capital stockholders, of the exchange ratio provided for in the merger agreement. On March 26, 2007, at meetings of the Monmouth Capital Special Committee and Monmouth Capital's board of directors, FBW delivered its oral opinion, which was subsequently confirmed in writing, that, as of March 26, 2007, the exchange ratio of 0.655, as provided for in the merger agreement, was fair from a financial point of view to Monmouth Capital stockholders other than Monmouth REIT and Monmouth Capital stockholders who are significant stockholders of Monmouth REIT.

The full text of FBW's written opinion, dated March 26, 2007, is attached as Annex D to this joint proxy statement/prospectus and is incorporated herein by reference. Monmouth Capital stockholders should read the opinion carefully and in its entirety. The opinion sets forth the assumptions made, some of the matters considered and qualifications to and limitations of the review undertaken by FBW. The FBW opinion is subject to the assumptions and conditions contained therein and is necessarily based on economic, market, financial and other conditions and information made available to FBW as of the date of the FBW opinion.

In reading the discussion of the fairness opinion set forth below, you should be aware that FBW's opinion:

was provided to Monmouth Capital's board of directors for its information and assistance in connection with its consideration of the merger contemplated by the merger agreement;

did not constitute a recommendation to Monmouth Capital's board of directors or to the Monmouth Capital common stockholders as to how to vote in connection with the merger or otherwise.

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Although FBW evaluated the fairness of the exchange ratio, from a financial point of view, to Monmouth Capital's public stockholders, the exchange ratio itself was determined by the Monmouth Capital and Monmouth REIT Special Committees through arm's-length negotiations. Monmouth Capital did not provide specific instructions to, or place any limitations on, FBW with respect to the procedures to be followed or factors to be considered by it in performing its analyses or providing its opinion.

In connection with rendering its opinion, FBW:

reviewed a draft dated March 23, 2007 of the merger agreement in substantially final form;

reviewed Monmouth Capital's Annual Reports to Stockholders and Annual Report on Form 10-K for the five fiscal years ended December 31, 2006 and certain interim reports to stockholders and Quarterly Reports on Form 10-Q for Monmouth Capital;

reviewed Monmouth REIT's Annual Reports to Stockholders and Annual Report on Form 10-K for the five fiscal years ended September 30, 2006 and certain interim reports to stockholders and Quarterly Reports on Form 10-Q for Monmouth REIT;

reviewed certain operating and financial information relating to Monmouth Capital's businesses and prospects, including income statement projections for the fiscal years ended or ending December 31, 2006, 2007 and 2008;

reviewed certain operating and financial information relating to Monmouth REIT's businesses and prospects, including income statement projections for the fiscal years ended or ending September 30, 2006, 2007 and 2008;

reviewed information provided by Monmouth Capital and Monmouth REIT in connection with property leases, including a schedule of such property leases dated as of December 31, 2006;

reviewed information provided by Monmouth Capital, Monmouth REIT and UMH Properties with respect to expense allocations, including a schedule of such expense allocations dated as of January 1, 2006;

reviewed Monmouth Capital's and Monmouth REIT's stock option plan, including a schedule of such stock option plan dated as of December 31, 2006;

reviewed information provided by Monmouth Capital and Monmouth REIT with respect to mortgages, including a schedule of such mortgages;

reviewed Monmouth REIT's November Preferred Stock Offering Roadshow presentation;

reviewed certain Monmouth Capital and Monmouth REIT property leasing agreements;

interviewed certain members of management of both Monmouth Capital and Monmouth REIT;

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reviewed the historical prices, trading multiples and trading volumes of Monmouth Capital and Monmouth REIT common stock;

reviewed and analyzed other publicly available information concerning Monmouth Capital and Monmouth REIT;

reviewed publicly available financial data, stock market performance data and trading multiples of companies which FBW deemed generally comparable to Monmouth Capital and Monmouth REIT;

reviewed the terms of recent mergers and acquisitions involving companies that FBW deemed generally comparable to Monmouth Capital;

performed discounted cash flow analyses based on various Monmouth Capital projections;

reviewed the relative contributions of Monmouth Capital and Monmouth REIT to the combined company on a pro forma basis;

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reviewed the pro forma financial results, financial condition and capitalization of the combined company giving effect to the merger; and

conducted such other studies, analyses, inquiries and investigations as FBW deemed appropriate.

FBW assumed and relied upon the accuracy and completeness of the financial and other information reviewed by it for purposes of the opinion, without independent verification, whether publicly available or provided to or discussed with it by Monmouth Capital and Monmouth REIT. FBW further assumed that the financial budgets and projections provided to it have been reasonably determined reflecting the best currently available estimates and judgments of the management of Monmouth Capital and Monmouth REIT as to the future performance of both companies. FBW did not assume any responsibility for the independent verification of any such information.

In arriving at its opinion, FBW did not perform or obtain any independent evaluations or appraisals of the assets or liabilities of Monmouth Capital or Monmouth REIT, nor was FBW furnished with any such appraisals. In rendering its opinion, FBW analyzed the merger as a strategic business combination and did not solicit, nor was it asked to solicit, third party acquisition interest in Monmouth Capital. FBW assumed that the merger will qualify as a tax-free reorganization within the meaning of Section 368(a) of the Internal Revenue Code. FBW further assumed that the merger will be consummated in accordance with the terms of the merger agreement without waiver of any material terms or conditions.

The FBW opinion was based upon industry performance, general business, economic, market, financial and other conditions and information made available to FBW as of the date of its opinion. Any material change in these circumstances and conditions would require a reevaluation of the opinion, which FBW has not been requested to undertake.

FBW did not express any opinion as to what the value of Monmouth REIT common stock actually will be when issued pursuant to the merger agreement or the prices at which Monmouth REIT common stock or Monmouth Capital common stock will trade at any time.

The Monmouth Capital Special Committee agreed that Monmouth Capital would pay FBW a fee of \$100,000 for its services in delivering the fairness opinion to the Monmouth Capital Special Committee. The fee became payable upon delivery of the fairness opinion.

In performing its analyses, FBW considered industry performance, general business, economic, market and financial conditions and other matters existing as of the date of the opinion, many of which are beyond the control of Monmouth Capital and Monmouth REIT. No company, business or transaction used in those analyses as a comparison is identical to Monmouth Capital, Monmouth REIT or the merger, and an evaluation of those analyses is not entirely mathematical. Rather, the analyses involve complex considerations and judgments concerning financial and operating characteristics and other factors that could affect the acquisition, public trading or other values of the companies, business segments or transactions analyzed.

The type and amount of consideration payable in the merger were determined through negotiations between the Monmouth Capital and Monmouth REIT Special Committees. The decision to enter into the merger agreement was solely that of Monmouth Capital's board of directors. FBW's fairness opinion was only one of many factors considered by the Monmouth Capital Special Committee and Monmouth Capital's board of directors in evaluating the merger and should not be viewed as determinative of the views of the Monmouth Capital Special Committee or Monmouth Capital's board of directors with respect to the merger or the exchange ratio.

In preparing its fairness opinion, FBW performed a variety of financial and comparative analyses, including those described below. The discussion set forth below is a summary of the material financial analyses presented by FBW to the Monmouth Capital Special Committee and is not a comprehensive description of all analyses undertaken by FBW. FBW did not assign any specific weight to any of the analyses described below. FBW arrived at its ultimate opinion based on the results of all analyses undertaken by it and assessed as a whole, and

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did not draw, in isolation, conclusions from or with regard to any one factor or method of analysis for purposes of its opinion. Accordingly, FBW believes that the analyses must be considered as a whole and that selecting portions of the analyses and factors or focusing on information presented in tabular format, without considering all analyses and factors or the narrative description of the analyses, could create a misleading or incomplete view of the processes underlying the analyses and the FBW opinion.

Historical Exchange Ratio Analysis. FBW examined the relative historical performance of Monmouth Capital common stock in relation to Monmouth REIT common stock over the twelve month period ended March 23, 2007, and calculated the historical exchange ratios by dividing the average price of shares of Monmouth Capital common stock for each specified time period by the average price of shares of Monmouth REIT common stock for the same periods. The periods reviewed were the one week, one month, three months, six months and one year periods ended March 23, 2007. The following table displays the average prices for each company's stock over various periods, and the implied exchange ratio of Monmouth Capital to Monmouth REIT from each period.

Period Ended 3/23/07	Monmouth Capital Average Price	Monmouth REIT Average Price	Implied Exchange Ratio
One week	\$ 5.69	\$ 8.79	0.6476x
One month	5.58	8.62	0.6464x
Three months	5.45	8.60	0.6339x
Six months	5.45	8.39	0.6493x
One year	5.42	8.25	0.6573x

As displayed in the above table, the implied exchange ratio is calculated by dividing Monmouth Capital's one-year average stock price by Monmouth REIT's one-year average stock price is approximately 0.6573x.

FBW also reviewed the daily pricing ratio of Monmouth Capital to Monmouth REIT over the one year period ending March 23, 2007 and noted that the average daily historical exchange ratio obtained by dividing the daily closing prices per share of Monmouth Capital common stock by those of Monmouth REIT common stock over the one year period ending March 23, 2007 was 0.6572x. The highest historical exchange ratio on any single day during the one-year period was approximately 0.7241x, and the lowest historical exchange ratio on any single day during this period was approximately 0.6088x. The proposed exchange ratio is 0.6550x.

Historical Stock Trading Analysis. FBW analyzed the historical common stock prices of both Monmouth Capital and Monmouth REIT. Over the twelve month period ended March 23, 2007, Monmouth Capital's stock price ranged between a low of \$5.04 and a high of \$5.83. Monmouth REIT's stock price ranged between a low of \$7.87 and a high of \$8.91 during that same time period.

Comparable Company Analysis Based on FFO Multiples. Using publicly available information, including estimated FFO per share for 2007 published by First Call, FBW analyzed certain trading multiples of selected publicly traded REITs that FBW judged to be comparable to Monmouth Capital and Monmouth REIT. FBW chose two sets of comparable companies for this analysis. The first set of comparable companies, chosen due to the small size of both Monmouth Capital and Monmouth REIT among other factors, is comprised of REITs below \$500 million of equity market capitalization. This first set of companies consists of the following:

Agree Realty Corporation

AmREIT

Associated Estates Realty Corporation

Capital Lease Funding, Inc.

Cogdell Spencer Inc.

Eagle Hospitality Properties Trust, Inc.

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Education Realty Trust, Inc.

Feldman Mall Properties, Inc.

Gladstone Commercial Corporation

Government Properties Trust Inc.

Hersha Hospitality Trust

MHI Hospitality Corporation

One Liberty Properties, Inc.

Republic Property Trust

Supertel Hospitality, Inc.

Universal Health Realty Income Trust

Urstadt Biddle Properties Inc.

Winston Hotels, Inc.

The second set, chosen due to specialization in the same property sector as Monmouth Capital and Monmouth REIT, is comprised of REITs in the industrial property sector. The second set of companies includes the following:

AMB Property Corporation

EastGroup Properties, Inc.

First Industrial Realty Trust, Inc.

First Potomac Realty Trust

Liberty Property Trust

ProLogis

FBW calculated the multiples of current stock prices of each of the above REITs as of March 23, 2007 to equity analysts' consensus estimates for 2007 FFO to determine each company's estimated 2007 trading multiples. The average FFO multiple from each of the two data sets was used to determine a minimum and maximum FFO multiple range. The following table reflects the average FFO multiple for each of the two data sets:

FFO Multiples Analysis	Average
2007 Price / FFO All REITs <\$500M Market Cap	13.5x
2007 Price / FFO All Industrial REITs	15.6x

These FFO multiple ranges were then applied to Monmouth Capital and Monmouth REIT's estimated 2007 FFO per share as projected by each company's management, yielding implied trading values for Monmouth Capital and Monmouth REIT common stock of approximately \$4.31 to \$4.99 and \$7.14 to \$8.27 per share, respectively.

This analysis results in exchange ratios between approximately 0.5215x and 0.6990x; the proposed exchange ratio of 0.6550x falls within this range.

Merger Premium Analysis. Using publicly available information, FBW reviewed selected transactions involving publicly traded REITs to determine the premium or discount paid by the acquiror relative to the closing

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market price of the target company's common stock one day prior to the public announcement of the respective transaction and relative to the average of the closing market prices of the target company's common stock for the 10 trading days and 30 trading days prior to the public announcement of the respective transaction. FBW selected all transactions that have closed since January 1, 2005 in which both parties were public REITs (nine total). A second less relevant list was compiled using all mergers that have closed since January 1, 1998 in which an industrial REIT was the target (seven total).

The merger premium data is calculated using the target's equity value per share at announcement. The analyses below examine the premiums paid over the average stock price in the days prior to announcement in each of the merger transactions, as described in the above paragraph. The selected transactions that have closed since January 1, 2005, in which both parties were public REITs, include the following:

Acquiror

Camden Property Trust
 Colonial Properties Trust
 Health Care REIT, Inc.
 ProLogis
 Brandywine Realty Trust
 Kimco Realty Corporation
 Public Storage, Inc.
 Lexington Corporate Properties Trust
 SL Green Realty Corp.

Target

Summit Properties Inc.
 Cornerstone Realty Income Trust Inc.
 Windrose Medical Properties Trust
 Catellus Development Corporation
 Prentiss Properties Trust
 Pan Pacific Retail Properties, Inc.
 Shurgard Storage Centers, Inc.
 Newkirk Realty Trust, Inc.
 Reckson Associates Realty Corporation

Publicly available market data for all public REIT to REIT transactions completed since January 1, 2005 indicate the following premiums to be paid by the acquiror based on deal value at announcement and the target's common stock price for the following three time periods as described above:

	Mean	Median
One day prior to announcement:	6.16%	4.56%
Ten days prior to announcement:	7.45%	7.23%
Thirty days prior to announcement:	8.98%	8.47%

FBW noted that while the mean and median one-day premiums of the public REIT to REIT mergers are 6.16% and 4.56%, respectively, the announced deal value for four of the nine public REIT to REIT mergers that have closed since January 1, 2005 represented less than a 2.0% premium over the price one day prior to announcement.

The selected transactions that have closed since January 1, 1998 in which an industrial REIT was the target include the following:

Acquiror

ProLogis Trust
 Duke Realty Trust
 CalWest Industrial Properties, LLC
 Developers Diversified Realty Corporation
 Eaton Vance-ProLogis Partnership
 ProLogis
 CalEast Industrial Investors LLC

Target

Meridian Industrial Trust Inc.
 Weeks Corporation
 Cabot Industrial Trust
 American Industrial Properties REIT
 Keystone Property Trust
 Catellus Development Corporation
 CenterPoint Properties Trust

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Publicly available market data for all acquisitions of industrial REITs completed since January 1, 1998 indicate the following premiums to be paid by the acquiror based on deal value at announcement and the target's common stock price for the following three time periods as described above:

	Mean	Median
One day prior to announcement:	9.12%	9.69%
Ten days prior to announcement:	12.44%	14.84%
Thirty days prior to announcement:	11.22%	9.77%

The public REIT to public REIT merger data set is deemed by FBW to be more comparable than the industrial REIT merger data set. However, none of the mergers in either list of transactions are identical or directly comparable to the proposed business combination between Monmouth Capital and Monmouth REIT.

FBW noted that as of March 23, 2007, the closing share price of Monmouth Capital was \$5.62 and the closing share price of Monmouth REIT was \$8.77, which would imply an exchange ratio of 0.6410x. Based on the 0.6550x exchange ratio, the consideration for Monmouth Capital would be \$5.74, which represents a 2.2% premium over the \$5.62 per share market price of Monmouth Capital common stock as of March 23, 2007.

Comparable Transactions FFO Multiple Analysis. FBW examined the transaction forward FFO multiples for the mergers between public REITs that have closed since January 1, 2005. The transaction forward FFO multiple for each deal is a valuation metric calculated by FBW based on the deal value per share at deal announcement divided by the target's projected one-year First Call consensus FFO per share estimate prior to announcement of the merger. Utilizing Monmouth Capital and Monmouth REIT managements' projections of recurring 2007 FFO per share, FBW computed the implied share price for each company using the average comparable transaction forward FFO multiple.

FBW observed that the implied range of values for Monmouth Capital's and Monmouth REIT's common shares based on the average comparable transaction FFO multiple is \$2.56 to \$7.48 and \$4.24 to \$12.39, respectively, and the implied exchange ratio range is approximately 0.2068x to 1.7629x. The 0.6550x exchange ratio is within the range of exchange ratios implied by the high and low multiples.

Property-Level Discounted Cash Flow Analysis. FBW performed a property-level discounted cash flow analysis, or DCF, for Monmouth Capital. Under the property-level DCF methodology, FBW arrived at an equity NAV as of December 31, 2006, by calculating a gross real estate asset value and then adding securities available for sale at fair value and net working capital, and subtracting mortgages payable, convertible subordinated debentures, notes payable and an estimation of minority interest in the company's joint venture assets. FBW calculated the implied net asset value per share range by dividing the calculated aggregate net asset value by the number of diluted shares of Monmouth Capital common stock outstanding as of December 31, 2006.

To determine gross real estate asset value, FBW used each property's projected NOI over a six-year period beginning in 2007, less capital expenditures, and determined a terminal value by applying a range of capitalization rates to projected 2012 (year six) NOI after capital expenditures. The NOI and capital expenditure projections were provided by Monmouth Capital management. Based on the perceived quality of the properties, guidance from Monmouth Capital, publicly available information regarding capitalization rates and taking into consideration current market conditions, as well as uncertainty regarding residual capitalization rates five years in the future, FBW used a range of capitalization rates of 7.5% to 8.0%. A 1.5% selling commission was subtracted from the calculated terminal value. The projected aggregate property-level NOI for each of the calendar years 2007 through 2011 and the terminal value were then discounted to present values using a range of discount rates of 8.0% to 10.5%. The discount rates were based on expected industrial property returns per industry sources, including the Korpacz Real Estate Investor Survey.

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The property-level DCF implies a range of values for Monmouth Capital from \$4.45 to \$5.44, which is below the consideration of \$5.74 based on the March 23, 2007 stock price of \$8.77 for Monmouth REIT and the 0.6550x exchange ratio.

Monmouth Capital Liquidation Net Asset Value Per Share Analysis. FBW performed a liquidation NAV per share analysis for Monmouth Capital. To calculate aggregate property value, FBW applied a range of capitalization rates from 7.0% to 7.5% to projected 2007 property-by-property NOI, adjusted for a reserve for capital expenditures. The range of capitalization rates was derived taking into consideration the perceived quality of the properties, current market conditions, guidance from Monmouth Capital management and other publicly available information regarding capitalization rates. FBW took the present value of the aggregate property values assuming an average twelve months to liquidate assets and discount rates ranging from 10% to 15%.

Using December 31, 2006 balance sheet data, FBW then added securities available for sale at fair value and net working capital, and subtracted mortgages payable, convertible subordinated debentures, notes payable and an estimation of minority interest in the company's joint venture assets. FBW calculated the implied liquidation NAV per share range by dividing the calculated aggregate liquidation NAV by the number of diluted shares of Monmouth Capital common stock outstanding as of December 31, 2006.

FBW observed that the implied value of Monmouth Capital's common shares based on the liquidation NAV analysis ranged from \$4.15 to \$5.49 per share, which is below the consideration of \$5.74 based on the March 23, 2007 stock price of \$8.77 for Monmouth REIT and the 0.6550x exchange ratio.

Monmouth REIT Liquidation Net Asset Value Per Share Analysis. FBW also performed a liquidation NAV per share analysis for Monmouth REIT. To calculate aggregate property value, FBW applied market capitalization rates from 7.0% to 7.5% to projected 2007 property-by-property NOI, adjusted for a reserve for capital expenditures. The range of capitalization rates was derived taking into consideration the perceived quality of the properties, current market conditions, guidance from Monmouth REIT management and other publicly available information regarding capitalization rates. FBW took the present value of the aggregate property values assuming an average of twelve months to liquidate assets and discount rates ranging from 10% to 15%.

Using December 31, 2006 balance sheet data, FBW then added securities available for sale at fair value and net working capital, and subtracted mortgages payable. FBW calculated the implied liquidation NAV per share range by dividing the calculated aggregate liquidation NAV by the number of diluted shares of Monmouth REIT common stock outstanding as of December 31, 2006.

FBW observed that the implied value of Monmouth REIT's common shares based on the liquidation NAV analysis ranged from \$7.70 to \$9.17 per share. The Monmouth Capital and Monmouth REIT liquidation NAV analyses imply a range of exchange ratios from 0.4532x to 0.7128x. The 0.6550x exchange ratio is within this implied range.

Dividend Discount Analysis. Utilizing Monmouth Capital's management's projections for the calendar years 2007 through 2012, FBW calculated a range of implied equity values per share for Monmouth Capital by performing a dividend discount analysis. The dividend discount analysis is a method of evaluating a stock by taking the present value of projected dividends for the projection period plus the present value of the terminal value based on a range of required rates of return and varying terminal multiples applied to terminal year forward FFO (2012).

Monmouth Capital's annualized dividend as of March 26, 2007, was deemed to be unsustainable; therefore management projected the annual common dividend at \$0.35 per share, or approximately 100% of recurring FFO. FBW calculated the implied present value of projected dividends per share for 2007 through 2011 using discount rates ranging from 13.5% to 15.0%. FBW then calculated the implied terminal value in 2011 based on multiples ranging from 13.0x to 16.0x 2012 FFO per share. These implied terminal values were then discounted at discount rates ranging from 13.5% to 15.0% to arrive at implied present values. FBW derived a range of

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implied per share prices for FBW common stock based on the sum of the respective implied present value of Monmouth Capital's projected cash dividends and the implied present value of Monmouth Capital's terminal value in 2011.

The above analysis implies a range of values for Monmouth Capital from \$3.36 to \$4.09, which is below the consideration of \$5.74 based on the March 23, 2007 stock price of \$8.77 for Monmouth REIT and the 0.6550x exchange ratio.

Pro Forma Merger Analysis. FBW analyzed the potential pro forma financial effect of the merger on Monmouth REIT's estimated recurring FFO per share for 2007 and 2008, assuming that, in connection with the merger, Monmouth Capital's debt was assumed. Estimated financial data for Monmouth REIT was based on internal estimates of Monmouth REIT's management. Estimated financial data for Monmouth Capital was based on internal estimates of Monmouth Capital's management. The pro forma results were calculated as if the merger had occurred on December 31, 2006 and were based on estimated FFO as well as potential synergies derived from management of both Monmouth Capital and Monmouth REIT. Incorporating assumptions with respect to various structural considerations, transaction costs and estimated synergies, the pro forma merger analysis implied that the strategic business combination between Monmouth Capital and Monmouth REIT would be accretive to recurring FFO per share for the combined entity. The actual results achieved by the combined company may vary from projected results and the variations may be material.

Relative Contributions Analysis. FBW reviewed the relative contribution of Monmouth Capital and Monmouth REIT to the forecasted recurring FFO of the combined company based on Monmouth REIT's and Monmouth Capital's respective FFO estimates for fiscal years 2007 and 2008. The forecasted recurring FFO was based on management estimates, and did not include potential synergies from the business combination. FBW observed that Monmouth Capital stockholders would contribute 12.5% of 2007 recurring FFO and 13.1% of 2008 recurring FFO in return for 15.3% of the equity in the combined company.

As of March 23, 2007, the closing share price of Monmouth Capital common stock was \$5.62 and Monmouth REIT common stock was \$8.77, which would imply an exchange ratio of 0.6410x. The exchange ratio contained in the Agreement and Plan of Merger is 0.6550x. The exchange ratio represents a 2.2% premium over the \$5.62 per share market price of Monmouth Capital's common stock as of March 23, 2007. The range of exchange ratios implied by each valuation methodology that applies to both Monmouth Capital and Monmouth REIT is as follows:

Valuation Methodology	Range	
	Low	High
Historical Exchange Ratio	0.6088x	0.7241x
Comparable FFO Multiple Analysis	0.5215x	0.6990x
Comparable Transactions FFO Multiple Analysis	0.2068x	1.7629x
Liquidation NAV Analysis	0.4532x	0.7128x

Certain Information. Neither Monmouth REIT nor Monmouth Capital as a matter of course publicly discloses detailed forecasts or internal projections as to future revenues, earnings or financial condition. During FBW's review, Monmouth Capital prepared and made available to FBW certain business and financial data concerning projected future performance that Monmouth Capital believes was not publicly available.

Interests of Monmouth REIT's Directors and Executive Officers in the Merger

In considering the recommendation of Monmouth REIT's board of directors with respect to the merger transaction, Monmouth REIT common stockholders should be aware that certain directors and executive officers of Monmouth REIT have certain interests in the merger that may be different from, or in addition to, the interests of Monmouth REIT common stockholders generally. Monmouth REIT's board of directors was aware of the

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interests and considered them, among other matters, when approving the merger agreement and the merger. These interests relate to or arise from the following:

Shares of Stock and Options to Purchase Shares of Stock. As of June 1, 2007, Monmouth REIT's directors and executive officers beneficially owned, in the aggregate, 690,006 shares of Monmouth Capital common stock, representing approximately 11% of the outstanding shares of Monmouth Capital common stock as of that date, plus options to purchase an aggregate of 70,000 shares of Monmouth Capital common stock that will not become exercisable before January 22, 2008. From and after the effective time of the merger, each outstanding and unexercised option to acquire shares of Monmouth Capital common stock granted under Monmouth Capital's stock option plans will, in accordance with its terms, become exercisable for shares of Monmouth REIT common stock, based on the exchange ratio of 0.655, and will remain subject to the same terms and conditions of vesting in effect immediately before the effective time of the merger. From and after the effective time of the merger, the number of shares of Monmouth REIT common stock issuable upon exercise of each outstanding option to purchase Monmouth Capital common stock, and the exercise price of each such option, will be calculated as follows:

the number of shares of Monmouth REIT common stock issuable upon exercise of each stock option will be equal to the product of (a) the number of shares of Monmouth Capital common stock subject to the Monmouth Capital stock option immediately before the effective time of the merger and (b) 0.655, rounded down to the nearest whole share, and

the exercise price per share of Monmouth REIT common stock of each such stock option will be equal to (a) the exercise price per share of Monmouth Capital common stock under the Monmouth Capital stock option immediately before the effective time of the merger divided by (b) 0.655, rounded up to the nearest whole cent.

As of June 1, 2007, Peter J. Weidhorn, the chairman of the Monmouth REIT special committee, beneficially owned \$250,000 aggregate principal amount of Monmouth Capital's 8% Convertible Subordinated Debentures due 2013 and \$100,000 aggregate principal amount of Monmouth Capital's 8% Convertible Subordinated Debentures due 2015, which are currently convertible into 54,999 shares of Monmouth Capital common stock. After the merger, the Monmouth Capital Debentures will be convertible into an aggregate of 36,025 shares of Monmouth REIT common stock at conversion prices of \$9.16 and \$11.45, respectively.

As of June 1, 2007, Monmouth REIT's directors and executive officers beneficially owned, in the aggregate, 2,153,018 shares of Monmouth REIT common stock, representing approximately 10% of the outstanding shares of Monmouth REIT common stock as of that date, plus options to purchase an aggregate of 215,000 shares of Monmouth REIT common stock that will not become exercisable before August 2, 2007. If the merger is completed, based on the number of shares of Monmouth REIT and Monmouth Capital common stock beneficially owned as of June 1, 2007, the beneficial ownership of Monmouth REIT's directors and executive officers will remain approximately 10% of the outstanding shares of Monmouth REIT common stock. Monmouth REIT stock options will continue to be governed by the terms of the Monmouth REIT stock option plans under which they were granted. As of June 1, 2007, Monmouth REIT's directors and executive officers beneficially owned no shares of Monmouth REIT's 7.625% Series A Cumulative Redeemable Preferred Stock, which we refer to as the Series A preferred stock.

Indemnification. Pursuant to the merger agreement, Monmouth REIT, Monmouth Capital and Route 9 have agreed to provide certain indemnification rights to the present and former directors, officers, employees, fiduciaries or agents of Monmouth Capital, Monmouth REIT and Route 9 or any of their subsidiaries, described in more detail under the caption "The Merger Agreement - Indemnification of Directors and Executive Officers."

Board of Directors. There are three directors of Monmouth REIT who are also currently directors of Monmouth Capital. The merger agreement provides that, upon completion of the merger, Monmouth REIT and Monmouth Capital will take all actions necessary to cause Anna T. Chew, Joshua Kahr, Michael P. Landy and Eugene D. Rothenberg to be added to the board of directors of Monmouth REIT and for each director and

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executive officer of Monmouth REIT following the merger to be appointed or elected as a director or executive officer, as applicable, of Monmouth Capital following the merger.

Employment Agreements. Monmouth REIT is party to employment agreements with Eugene W. Landy, Cynthia J. Morgenstern and Maureen E. Vecere. Michael P. Landy is party to an employment agreement with Monmouth Capital and Anna T. Chew is party to an employment agreement with UMH Properties. We anticipate that all of the executive officers of Monmouth REIT will remain executive officers of Monmouth REIT after the merger and we do not expect that Monmouth REIT will enter into any new compensation arrangements with the executive officers of Monmouth REIT as a result of the merger.

Effective January 1, 2004, Eugene W. Landy entered into an amended employment agreement with Monmouth REIT that will expire on December 31, 2009. Mr. Eugene Landy's amended employment agreement provides for annual base compensation of \$175,000 and a pension payment of \$50,000 per year, payable each year through December 31, 2013, which will increase to \$55,000 per year if Monmouth REIT completes a transaction that results in a 100% increase in Monmouth REIT's market capitalization. Pursuant to the amended employment agreement, Mr. Eugene Landy will receive, each year, an option to purchase 65,000 shares of Monmouth REIT common stock and may receive bonuses in amounts determined by Monmouth REIT's board of directors, based upon progress towards achieving certain target levels of growth in market capitalization, funds from operations and dividends per share. The amended employment agreement provides that Mr. Eugene Landy is e;">

As of March 31, 2018, our unrecognized stock-based compensation expense associated with the stock options issued was \$323,230, which will be amortized over a weighted-average of 2.06 years.

Warrants. On August 29, 2016, in connection with the Breakaway Term Loan Agreement, we issued the lenders the Warrants to purchase 1,965,780 shares of our common stock at an initial exercise price of \$0.30 per share. On April 24, 2018, we paid \$1,333,333 to redeem the Warrants in full upon extinguishment of the Breakaway Term Loan (Note 16).

NOTE 15. FAIR VALUE OF FINANCIAL INSTRUMENTS

We estimate fair value for financial assets and liabilities in accordance with Accounting Standards Codification (“ASC”) Topic 820, Fair Value Measurement (“ASC 820”). ASC 820 defines fair value, provides guidance for measuring fair value, requires certain disclosures and discusses valuation techniques, such as the market approach (comparable market prices), the income approach (present value of future income or cash flow) and the cost approach (cost to replace the service capacity of an asset or replacement cost). ASC 820 utilizes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

Level 1: Observable inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly.

These include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active.

Level 3: Unobservable inputs that reflect the reporting entity’s own assumptions.

The estimated fair value of cash equivalents, restricted cash, accounts receivable and accounts payable approximates their carrying amount due to their short-term nature. The estimated fair value of our long-term debt and capital lease obligations approximates their carrying value based upon our expected borrowing rate for debt with similar remaining maturities and comparable risk. As of March 31, 2018, the Warrants were the only financial instrument measured at estimated fair value on a recurring basis based on level 2 inputs.

NOTE 16. SUBSEQUENT EVENTS

On April 24, 2018, we entered into the NSB Credit Agreement, which provides for the \$11.0 million NSB Term Loan and the \$1.0 million NSB Revolver. Outstanding balances under the NSB Term Loan and the NSB Revolver will accrue interest based on one-month US dollar London interbank offered rate (“LIBOR”) plus an Applicable Margin of 3.50%, or 4.00%, depending on our Leverage Ratio (as defined in the NSB Credit Agreement).

Effective May 1, 2018, we entered into an interest rate swap agreement with an affiliate of NSB (the “Swap Agreement”) to fix the interest rate on the NSB Term Loan at 6.43% (assuming a Leverage Ratio less than 2.0) for three years. The notional amount of the Swap Agreement is initially \$10.9 million but will decrease overtime as a result of the anticipated principal paydowns.

We are required to make monthly principal and interest payments, both of which are calculated over a seven-year term, with a balloon payment due on April 24, 2023. Borrowings under the NSB Credit Agreement are secured by a lien on substantially all of our assets.

The NSB Credit Agreement contains affirmative and negative financial covenants and other restrictions customary for borrowings of this nature. In particular, we are required to maintain a minimum trailing-four-quarters Fixed Charge Coverage Ratio (as defined in the NSB Credit Agreement) of 1.25x. The NSB Credit Agreement allows us to make share repurchases and to incur up to an additional \$1.0 million of unsecured indebtedness provided that we are in compliance with the covenants in the NSB Credit Agreement on a pro forma basis.

Upon the execution of the NSB Credit Agreement, we borrowed \$11.0 million under the NSB Term Loan and \$0.1 million under the NSB Revolver to repay in full the remaining principal amount under the Breakaway Term Loan, together with accrued but unpaid interest, an early redemption premium and associated legal fees. In addition, we redeemed the Warrants at \$1,333,333. The early redemption of the Breakaway Term Loan resulted in approximately \$1.3 million of loss on extinguishment of debt.

On April 24, 2018, our Board authorized the repurchase of shares of our common stock in an amount not to exceed \$1.0 million. Such repurchases may be made from time to time based on market conditions and may be completed in the open market or in privately-negotiated transactions. Repurchase transactions will be executed only when we believe that we will remain in compliance with the covenants of the NSB Credit Agreement. Finally, execution of share repurchases may require regulatory approval in one or more jurisdictions.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

The following discussion of the financial condition and results of operations of the Company should be read in conjunction with the condensed consolidated financial statements and the related notes thereto included elsewhere in this Quarterly Report on Form 10-Q. This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and Section 27A of the Securities Act, and is subject to the safe harbors created by those sections. Words such as "anticipates," "expects," "intends," "plans," "believes," "seeks," "estimates," "may," variations of these words or similar expressions are intended to identify forward-looking statements. In addition, any statements that refer to expectations, projections or other characterizations of future events or circumstances, including any underlying assumptions, are forward-looking statements. These statements are not guarantees of future performance and are subject to risks, uncertainties and assumptions that are difficult to predict. Therefore, our actual results could differ materially and adversely from those expressed in any forward-looking statements as a result of various factors. Such forward-looking statements speak only as of the date of this report; we undertake no obligation to revise or publicly release the results of any revisions to these forward-looking statements. Readers are urged to carefully review and consider the various disclosures made by us in this report, as well as the disclosures made in the Galaxy Gaming, Inc. Annual Report on Form 10-K for the year ended December 31, 2017 filed on April 2, 2018 (the "2017 10-K"), and other filings we make with the Securities and Exchange Commission, which attempt to advise interested parties of the risks, uncertainties, and other factors that affect our business, operating results, financial condition and stock price.

Due to possible uncertainties and risks, readers are cautioned not to place undue reliance on the forward-looking statements contained in this Quarterly Report, which speak only as of the date of this Quarterly Report, or to make predictions about future performance based solely on historical financial performance. We disclaim any obligation to update forward-looking statements contained in this Quarterly Report.

OVERVIEW

We develop, acquire, manufacture and market technology and entertainment-based products and services for the gaming industry for placement on the casino floor. Our products and services primarily relate to licensed casino operators' table games activities and focus on either increasing their profitability, productivity and security or expanding their gaming entertainment offerings in the form of proprietary table games, electronically enhanced table game platforms, fully-automated electronic tables and other ancillary equipment. Our products and services are offered in highly regulated markets throughout the world. Our products and services are manufactured at our headquarters and manufacturing facility in Las Vegas, Nevada, as well as outsourced for certain sub-assemblies in the United States.

Additional information regarding our products and product categories may be found in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations included in our 2017 10-K and on our web site, www.galaxygaming.com. Information found on the web site should not be considered part of this report.

Results of operations for the three months ended March 31, 2018 and 2017. For the three months ended March 31, 2018, our continuing operations generated gross revenues of \$4,360,695 compared to gross revenues of \$3,475,296 for the comparable prior-year period, representing an increase of 885,399, or 25.5%. This increase was primarily attributable to higher revenue from: (i) Bonus Jackpot System due to more game placements; (ii) Premium Games such as Heads Up Hold 'em and Player's Edge, which command a higher price point per unit; and (iii) internet-based

gaming activities. In addition, the adoption of ASC 606 resulted in \$206,697 of higher revenue reported for the three months ended March 31, 2018. Since we elected to adopt ASC 606 using the modified retrospective approach, no changes were made to our previously issued financial statements, including the statement of income for the three months ended March 31, 2017. Excluding the impact of the adoption of ASC 606, gross revenue for the three months ended March 31, 2018 would have been \$4,153,998, an increase of 19.5% over the comparable prior period.

Selling, general and administrative expenses for the three months ended March 31, 2018 were \$2,585,070 compared to \$2,086,169 for the comparable prior period, representing an increase of \$498,901, or 23.9%. The increase was primarily due to higher compensation and related expense as we continue to invest in personnel and attract new talent. Excluding the impact of the adoption of ASC 606, selling, general and administrative expenses for the three months ended March 31, 2018 would have been \$2,378,373, an increase of 8.4% over the comparable prior period.

Research and development expenses for the three months ended March 31, 2018 were \$193,402, compared to \$138,047 for the comparable prior-year period, representing an increase of \$55,355, or 40.1%. This increase was primarily due to increased costs associated with testing our products currently in development.

Stock-based compensation expenses for the three months ended March 31, 2018 was \$166,478, as compared to \$49,837 for the comparable prior-year period, representing an increase of \$116,641, or 234.0%. The increase was primarily due to higher amortization of stock options and restricted shares of common stock issued since April 2017 to executive officers, board members and independent contractors.

Income from operations increased \$197,151 or 26.5% to \$941,427 for the three months ended March 31, 2018, compared to \$744,276 for the comparable prior-year period. This increase was primarily attributable to higher revenue, partially offset by higher selling, general and administrative, research and development and share-based compensation expenses.

Total interest expense decreased \$79,239, or 17.8%, to \$366,093 for the three months ended March 31, 2018, compared to \$445,332 for the comparable prior-year period. The decrease was mainly attributable to lower outstanding balances under the Breakaway Term Loan and a reduction in interest rate beginning October 1, 2017 due to achievement of a specified leverage ratio.

There was no change in estimated fair value of warrants issued in connection with the Breakaway Term Loan for the three months ended March 31, 2018, compared to other income of \$66,500 for the comparable prior-year period. The estimated fair value was determined using the Black-Scholes pricing model, subject to a ceiling on the maximum amount we would have to pay to repurchase the warrants under certain circumstances.

Income tax provision was \$144,779 for the three months ended March 31, 2018, compared to \$77,974 for the comparable prior-year period. This increase was primarily attributable to the increase in income before provision for income taxes, partially offset by a reduction in the federal statutory rate as a result of the Tax Cuts and Jobs Act signed in December 2017.

Adjusted EBITDA. Adjusted EBITDA includes adjustment to net income to exclude interest, taxes, depreciation, amortization, share based compensation, loss on extinguishment of debt, foreign currency exchange gains, change in estimated fair value of warrant liability, and settlement income. Adjusted EBITDA is not a measure of performance defined in accordance with U.S. generally accepted accounting principles ("U.S. GAAP"). However, Adjusted EBITDA is used by management to evaluate our operating performance. Management believes that disclosure of the Adjusted EBITDA metric offers investors, regulators and other stakeholders a view of our operations in the same manner management evaluates our performance. When combined with U.S. GAAP results, management believes Adjusted EBITDA provides a comprehensive understanding of our financial results. Adjusted EBITDA should not be considered as an alternative to net income or to net cash provided by operating activities as a measure of operating results or of liquidity. It may not be comparable to similarly titled measures used by other companies, and it excludes financial information that some may consider important in evaluating our performance. A reconciliation of U.S. GAAP net income from operations to Adjusted EBITDA is as follows:

Adjusted EBITDA Reconciliation:	Three Months Ended	
	March 31, 2018	2017
Net income	\$536,798	\$162,267
Interest income	(442)	—
Interest expense	366,093	445,332
Income tax provision	144,779	77,974
Depreciation and amortization	451,560	436,085
Share based compensation expense	166,478	49,837
Foreign currency exchange gains	(105,801)	(7,797)

Change in estimated fair value of warrant liability	—	66,500
Adjusted EBITDA	\$1,559,465	\$1,230,198

Liquidity and capital resources. We expect that we will be able meet our operating, investing and financing needs for liquidity through cash on hand and anticipated positive cash flows from operations. In addition, as part of the refinancing transactions completed in April 2018, we have access to a revolving line of credit (borrowings on which may be restricted under certain circumstances). See Note 16 to our condensed financial statements included in Item 1 of this report. However, our expectations may not be realized, and the issuance of additional debt or equity financing may be required. There can be no assurance that we will be successful in raising additional funding, if necessary; and even if we are successful, it may not be on advantageous terms to us. If we are not able to secure additional funding, the implementation of our business plan could be impaired. Several unforeseen circumstances may affect our belief that our cash on hand and cash flows from operations will be adequate for our needs. For example, we may incur higher capital expenditures than anticipated to expand our operations. We may from time to time acquire products and businesses complementary to our business. We may also incur higher-than-expected expenses when applying for new licenses or in complying with current jurisdictional requirements.

As of March 31, 2018, we had total current assets of \$6,831,421 and total assets of \$18,797,067. This compares to \$6,770,189 and \$19,114,163, respectively, as of December 31, 2017. The increase in current assets as of March 31, 2018 was primarily due to an

increase in accounts receivable. Our total current liabilities as of March 31, 2018 were \$4,067,740 and \$4,869,335 as of December 31, 2017. This decrease was primarily driven by a decrease in accounts payable (mainly due to a January 2018 payment of \$774,645 for license fees previously accrued at December 31, 2017) and accrued expenses (principally due to payments made during the three months ended March 31, 2018 for compensation and related expenses previously accrued at December 31, 2017). Our business model continues to be profitable and we have several options to ensure we are able to meet our short-term and long-term obligations.

We have undertaken certain growth initiatives to expand our recurring revenue base. As such we have made investments in personnel and research related to the development of our enhanced table systems. Additionally, we increased our sales and marketing budget and spent funds on regulatory efforts for the purpose of expanding the jurisdictions in which we can operate in. We have filed applications for new or enhanced licenses in several jurisdictions, which may result in significant future legal and regulatory expenses. A significant increase in such expenses may require us to postpone growth initiatives or investments in personnel, inventory and research and development of our products. It is our intention to continue such initiatives and investments. However, to the extent we are not able to achieve our growth objectives or raise additional capital, we will need to evaluate the reduction of operating expenses.

At March 31, 2018, we do not have any available third-party lines or letters of credit or any written or oral commitments from officers or shareholders to provide us with loans or advances to support our operations or fund potential acquisitions. In April 2018, we completed a refinancing transaction which provided us with a \$1.0 million line of credit (borrowings on which may be restricted under certain circumstances). See Note 16 to our condensed financial statements included in Item 1 of this report.

Our operating activities provided \$68,523 in cash for the three months ended March 31, 2018, compared to \$977,903 for the three months ended March 31, 2017. The decrease in operating cash flow was primarily due to a January 2018 payment of \$774,645 for license fees previously accrued at December 31, 2017.

Additionally, investing activities used cash of \$31,458 for the three months ended March 31, 2018, which was due to the acquisition of property and equipment. Cash used in financing activities during the three months ended March 31, 2018 was \$310,925, which was primarily due to principal payments towards long-term debt and capital leases.

Critical accounting policies. The discussion of our financial condition and results of operations is based upon our financial statements, which have been prepared in accordance with U.S. GAAP. Critical accounting policies are those policies that, in management's view, are most important in the portrayal of our financial condition and results of operations. See Note 3 of our financial statements included in Item 8. "Financial Statements and Supplementary Data" of our 2017 10-K for further detail on these critical accounting policies.

Off balance sheet arrangements. As of March 31, 2018, there were no off balance sheet arrangements.

Recently issued accounting pronouncements. We do not expect the adoption of recently issued accounting pronouncements to have a significant impact on our results of operations, financial position or cash flow.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

A smaller reporting company is not required to provide the information required by this Item.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act are recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in our reports filed under the Exchange Act is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

We carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of the end of the period covered by this Quarterly Report. This evaluation was carried out under the supervision and with the participation of our Chief Executive Officer and our Chief Financial Officer. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of March 31, 2018 our disclosure controls and procedures were effective.

No change in our internal control over financial reporting occurred during our last fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Limitations on the effectiveness of internal controls

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Our management does not expect that our disclosure controls and procedures or our internal control over financial reporting will necessarily prevent all fraud and material error. Our disclosure controls and procedures are designed to provide reasonable assurance of achieving our objectives and our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective at that reasonable assurance level. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the internal control. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

In the ordinary course of conducting our business, we are, from time to time, involved in various legal proceedings, administrative proceedings, regulatory government investigations and other matters, including those in which we are a plaintiff, that are complex in nature and have outcomes that are difficult to predict. In accordance with topic ASC Topic 450, Contingencies, we record accruals for such contingencies to the extent that we conclude that it is probable that a liability will be incurred and the amount of the related loss can be reasonably estimated. Our assessment of each matter may change based on future unexpected events. An unexpected adverse judgment in any pending litigation could cause a material impact on our business operations, intellectual property, results of operations or financial position. Unless otherwise expressly stated, we believe costs associated with litigation will not have a material impact on our financial position or liquidity, but may be material to the results of operations in any given period. We assume no obligation to update the status of pending litigation, except as may be required by GAAP, applicable law, statute or regulation. For a complete description of the facts and circumstances surrounding material litigation to which we are a party, See Note 11 in Item 8. “Financial Statements and Supplementary Data” included in our 2017 10-K. There are no material updates to matters previously reported on our 2017 10-K.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

On March 31, 2018, we issued 13,000 shares of our restricted common stock valued at \$13,520 to each of Messrs. Norm DesRosiers, Bryan Waters and William Zender, who are members of our Board, in consideration of their service on the Board during the three months ended March 31, 2018. In each of the transactions listed above, the securities were issued pursuant to Section 4(a)(2) of the Securities Act of 1933, as amended, (the “Securities Act”) and rules and regulations promulgated thereunder.

Our reliance upon Section 4(a)(2) of the Securities Act in granting the aforementioned options to purchase shares of our common stock was based in part upon the following factors: (a) each of the issuances of the securities was in connection with an isolated private transaction which did not involve any public offering; (b) there were a limited number of offerees; (c) there were no subsequent or contemporaneous public offerings of the securities by us; and (d) the negotiations for the issuance of the securities took place directly between the offeree and us.

ITEM 6. EXHIBITS

Exhibit Number	Description	FormFile No.	Exhibit Filing Date	Filed Herewith
10.1	<u>Credit Agreement with ZB, N.A. dba Nevada State Bank, dated April 24, 2018</u>	8-K 000-30653	10.1 April 27, 2018	
31.1	<u>Certification of Chief Executive Officer pursuant to Securities Exchange Act Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>			X
31.2	<u>Certification of Chief Financial Officer pursuant to Securities Exchange Act Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>			X
32.1	<u>Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as</u>			X

adopted pursuant to Section 906 of the Sarbanes-Oxley
Act of 2002

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Galaxy Gaming, Inc.

Date: May 15, 2018

By: /s/ TODD P. CRAVENS

Todd P. Cravens

President and Chief Executive Officer (Principal Executive Officer)

Galaxy Gaming, Inc.

Date: May 15, 2018

By: /s/ HARRY C. HAGERTY

Harry C. Hagerty

Chief Financial Officer (Principal Accounting Officer)