

## **MONMOUTH REAL ESTATE INVESTMENT CORPORATION CORPORATE GOVERNANCE GUIDELINES**

The Board of Directors (“Board”) of Monmouth Real Estate Investment Corporation (“Company”) is elected by the Company’s shareholders to oversee management’s actions in conducting the business and affairs of the Company and to assure that the long-term interests of the shareholders are being served. The Board has adopted the following Corporate Governance Guidelines (“Guidelines”) which, together with the charters of the Board’s committees and the bylaws of the Company, provide the framework for the governance of the Company. The Guidelines include discussion of the following:

1. Director Qualification Standards
2. Director Responsibilities
3. Board Committees
4. Access to Management and Independent Advisors
5. Director Compensation
6. Director Orientation and Education
7. Management Succession
8. Annual Evaluations
9. Exhibits

### **1. Director Qualification Standards**

#### **A. Qualifications**

The Nominating Committee is responsible for identifying, screening and recommending to the Board candidates for membership on the Board. This Committee has recommended, and the Board has approved, the Nominating Committee Charter, which sets forth criteria that are considered in evaluating the candidacy of an individual for membership on the Board. A copy of the Nominating Committee Charter is attached hereto. The Nominating Committee will review with the Board, on an annual basis, its Charter and recommend changes when appropriate. The Committee will consider nominations made by shareholders of the Company which meet the criteria identified in the Nominating Committee Charter and which are submitted in compliance with the bylaws of the Company.

#### **B. Independence**

A majority of the Board of Directors must meet the criteria for “independence” required by the New York Stock Exchange (“NYSE”) and any other applicable regulations, as they may be amended from time to time. For a Director to be considered

independent under the current NYSE listing standards, the Board must affirmatively determine that such Director does not have any direct or indirect material relationship with the Company. To assist in making that determination, the Board follows the NYSE's Director Independence Standards, utilizing a Director Independence Compliance Questionnaire, a copy of which is attached hereto.

C. Size and Classes of the Board

The Board of Directors presently has nine members. The size of the Board is intended to achieve an effective working group that may vary in number from time to time. The Board and the Nominating Committee periodically review the size of the Board and assess its ability to function effectively and with appropriate diversity of skills and expertise. The Board is divided into three classes that have staggered three year terms and are as nearly equal in number as possible. With a classified Board, generally two-thirds of the Directors at all time will have had prior experience and familiarity with the Company's business and ongoing affairs. This enhances continuity and stability and enables the Directors to build on past experience.

D. Financial Background

Each Director appointed to the Audit Committee shall, at the time of his or her appointment, satisfy the financial literacy requirements of the NYSE. At least one member of the Audit Committee shall meet the criteria established by the Securities and Exchange Commission ("SEC") as an "audit committee financial expert."

E. Term Limits

The Board does not believe it is advisable to establish term limits for its members since such limits may deprive the Company and its shareholders of the contribution from Directors who, over time, have developed valuable insight into the real estate industry, the business of net leased industrial properties and the Company's operations.

F. Membership on Other Boards

The Board recognizes that its members benefit from service on the boards of other companies. Accordingly, the Board encourages such service and places no specific limits on the number of directorships as individual member of the Board may hold. The Board believes, however, that each Director must dedicate sufficient time to service on the Board and in considering nominees for election, the Board takes into account the other demands on the time of a candidate and, with respect to current members of the Board, their attendance at, preparedness for and participation in Board and committee meetings.

## **2. Director Responsibilities**

### **A. The Role of the Board**

The Company's senior management team has day-to-day responsibility for the conduct of the Company's business. The Board acts as an advisor and counselor to senior management and monitors management's performance. The basic responsibility of the Directors is to exercise their business judgment and to act in a manner which they reasonably believe to be consistent with the best interests of the Company and its shareholders. In discharging that obligation, the Directors are entitled to rely on the Company's management and outside advisors and auditors.

### **B. Meetings**

The Board has at least four quarterly meetings annually, supplemented by additional meetings as needed, at which it reviews and discusses reports by management on the real estate assets of the Company including acquisitions and sales of property, significant leasing events, the performance of the Company, financial matters and other important issues facing the Company. Directors are expected to attend substantially all meetings of the Board and meetings of the committees of the Board on which they serve.

### **C. Advance Review of Board Materials**

Information that is important to the Board's understanding of the business to be conducted at a Board or committee meeting is, to the extent practicable, distributed sufficient in advance to give Directors an opportunity to review such materials. Directors are expected to be prepared for all meetings and to devote the time necessary to properly discharge their responsibilities. Occasionally, materials to be reviewed at a Board or committee meeting are extremely sensitive and advance distribution may not be appropriate.

### **D. Executive Sessions**

The independent Directors of the Company shall meet in executive session on a regular basis without management present. An Independent Director shall preside at such executive sessions.

## **3. Board Committees**

### **A. Committees**

The Board maintains an Audit Committee, Compensation Committee, and a Nominating Committee. All members of these committees shall be independent

Directors. Committee members are appointed by the Board upon recommendation of the Nominating Committee.

The principal responsibilities of the named committees include the following:

**Audit Committee** – The Audit Committee’s primary responsibilities are to 1) monitor the integrity of the Company’s financial statements, financial reporting processes and systems of internal controls regarding finance and accounting matters, 2) monitor the Company’s compliance with legal and regulatory requirements relating to the foregoing, 3) monitor the independence and performance of the Company’s independent auditors and internal auditing function, 4) provide an avenue of communication among the Board, the independent auditors, management and persons responsible for the internal audit function, and 5) prepare the disclosures required of the Committee in accordance with applicable rules and regulations.

**Compensation Committee** – The key responsibilities of the Compensation Committee include 1) reviewing the Company’s overall compensation strategy to assure that it promotes shareholder interests and supports the Company’s strategic objectives, 2) reviewing and approving corporate goals and objectives relevant to compensation of the Company’s Chief Executive Officer and senior management, evaluating those officers’ performance in light of those goals and objectives and establishing the compensation for said officers, 3) reviewing and recommending to the Board compensation for Directors, 4) reviewing and approving grants pursuant to the Company’s Stock Option and Stock Award Plan and approving bonus or cash incentive plans used to compensate officers and other employees, and 5) reviewing and discussing with management the Compensation Discussion and Analysis disclosures required in accordance with applicable rules and regulations.

**Nominating Committee** – The principal responsibilities of the Nominating Committee are to 1) establish criteria for Board membership and selection of new Directors, 2) recommend nominees to stand for election to the Board, including incumbent Board members and candidates for new Directors, 3) develop and recommend a set of corporate governance principles and evaluate compliance by management and the Board with those principles and the Company’s Code of Business conduct and Ethics, and 4) with the assistance of the Chief Executive officer and other members of the Board, develop and periodically review succession planning for the Chief Executive Officer.

#### B. Committee Charters

Each of the Audit Committee, Compensation Committee and Nominating Committee has adopted a written charter that is in compliance with the listing standards of the NYSE, and is posted on our website, [www.mreic.com](http://www.mreic.com). The charters set forth the membership, purposes, powers, authority and responsibilities of the committees as well as certain qualifications for committee membership. Each committee shall review its charter annually and recommend appropriate modifications to the full Board.

## C. Meetings

The members of each committee, in consultation with management, will schedule regular committee meetings and develop an appropriate agenda for such meetings. Special committee meetings may be called as needed. Committee members may participate in meetings via teleconference.

## 4. Access to Management and Independent Advisors

### A. Meetings with Management

Directors have full access to officers and employees of the Company. Any meetings or contacts that a Director wishes to initiate may be arranged through the Chief Executive Officer, the Secretary or personally by a Director. At the request of the Chairman, members of senior management may be invited to attend Board or committee meetings to present information concerning their areas of responsibility.

### B. Internal Reporting

The Board has established procedures for the submission and confidential treatment of complaints or concerns by employees regarding questionable accounting or auditing matters and alleged violations of the Company's Code of Business Conduct and Ethics (the "Code of Conduct"). As set forth in the Code of Conduct, any employee who, in good faith, reports a violation or possible violation of the Code of Conduct or the underlying corporate policy is protected against retaliatory measures.

### C. Outside Advisors

The Board and its committees may retain counsel or consultants with respect to any issue without obtaining the approval of officers of the Company in advance. In addition, as set forth in their respective charters:

- (1) The Audit Committee has sole authority to appoint and, when circumstances warrant, terminate the Company's independent auditor and must approve the appointment and replacement of persons responsible for the internal audit function,
- (2) The Compensation Committee has sole authority to retain, consult with and terminate any compensation consultant used to assist the committee with respect to compensation of Directors or executive officers, and
- (3) The Nominating Committee has sole authority to select and retain an outside consultant to be used to identify candidates for election as a Director.

## 5. Director Compensation

The Compensation Committee, in accordance with the principles and policies set forth in its charter, reviews and makes recommendations to the full Board with respect to the compensation of Directors. Currently, the Compensation Committee reviews the compensation of Directors annually and makes recommendations concerning the form and amount of compensation for non-employee Directors. In general, the Compensation Committee believes that compensation for outside Directors should consist of both a cash component designed to compensate Directors for their service on the Board and its committees and an equity component designed to align the interests of Directors and shareholders. Currently the cash component consists of an annual retainer and a fee for each Board meeting attended (with a supplemental retainer for serving as a committee member or Chair). The equity component may consist of restricted stock or stock options. The Compensation Committee has sole authority to retain, consult with and terminate a compensation consultant to assist the committee in determining appropriate compensation for Directors.

## **6. Director Orientation and Education**

The Nominating Committee, together with senior management, oversees the orientation of new Directors to ensure that they are fully informed about their responsibilities and the resources available to assist them in effectively discharging those responsibilities. The orientation program, which consists of meetings with the Nominating Committee and senior management, is designed to familiarize new Directors with the Company's a) real estate assets and leasing practices, b) strategic plans, c) significant financial, accounting and risk-management issues, d) compliance programs, including SEC reporting obligations and NYSE corporate governance listing standards, 3) Code of Business conduct and Ethics and these Corporate Governance Guidelines, f) principal officers, and g) independent auditors and persons responsible for the Company's internal audit function.

The Board of Directors periodically will receive presentations at Board meetings relating to the Company's business and operations, its compliance programs and significant financial, accounting, litigation and risk management issues as well as other matters of significance to the Directors, including periodic reviews of the responsibilities of Directors under applicable corporate and other laws.

## **7. Management Succession**

The Nominating Committee, with the assistance of the Chief Executive Officer and other members of the Board, develops and periodically reviews policies and procedures for the succession for the Chief Executive Officer, including policies regarding succession in the event of an emergency or the retirement of the CEO.

## **8. Annual Evaluations**

### **A. Board Evaluation**

At least annually, the Board shall conduct a self-evaluation to determine whether it and its Committees are functioning effectively. The purpose of this evaluation is to increase the effectiveness of the Board by reviewing specific areas in which the Board and/or management believes a better contribution could be made by the Board.

**B. Committee Evaluations**

Each of the Audit Committee, the Compensation Committee and the Nominating committee will perform an annual review of such Committee's performance, including a review of the Committee's compliance with its respective charter. The Nominating Committee will review these Corporate Governance Guidelines periodically and will recommend to the Board such revisions as it deems appropriate.

**9. Exhibits**

The following exhibits are attached to and made a part of these Corporate Governance Guidelines:

Nominating Committee Charter

Director Independence Compliance Questionnaire

**Adopted: April, 2013**