

MONMOUTH REAL ESTATE INVESTMENT CORP  
Form DEFA14A  
May 11, 2016

**SCHEDULE 14A**

**(RULE 14a-101)**

**SCHEDULE 14A INFORMATION**

***Proxy Statement Pursuant to Section 14(a)  
of the Securities Exchange Act of 1934***

***Filed by the Registrant:***  [X]

***Filed by a Party other than the Registrant:***  [ ]

***Check the appropriate box:***

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**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.

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May 11, 2016

Kathy Cohen

Institutional Shareholder Services

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Dear Ms. Cohen,

Monmouth Real Estate Investment Corporation (“MREIC” or “the Company”) hereby notifies ISS that its Proxy Analysis, published on May 6, 2016 (the “Report”), relating to MREIC’s proxy for the upcoming annual shareholders’ meeting, to be held on May 19, 2016, contains material inaccuracies and omits material performance metrics that demonstrate MREIC’s above-average performance among the REIT sector. We wish to bring to your attention several erroneous aspects of the Report. We request that ISS issue a correction to its Report on the basis of the facts presented below.

1. Performance Metrics

MREIC has delivered excellent shareholder returns. It is very misleading for ISS to show a performance chart that ignores our dividend returns. REIT dividends are a large component of investor total returns. MREIC has paid out substantial dividends over our 48-year history. We were one of the few REITs that maintained its cash dividend throughout the Global Financial Crisis. MREIC increased its dividend by 6.7% at the beginning of this fiscal year. In our opinion, there is no better measurement of good corporate governance than a Company distributing a large portion of earnings to its shareholders.

As of MREIC's most recent quarter end (March 31, 2016), MREIC's 1-year total return of 13.22% is substantially greater than that of the broad REIT market as measured by the widely-followed MSCI US REIT Index ("REIT Index"), which returned 4.31%. MREIC's three-year total return as of March 31, 2016 is slightly less than the REIT Index, with MREIC delivering a total return of 28.96% versus the REIT Index returning 34.41%. Over a five-year period, MREIC again outperformed the broader REIT market by a wide margin, delivering a total return of 95.90% versus the REIT Index's total return of 74.88%. MREIC is most proud of its 10-year total return performance as it is more than twice that of the REIT Index, with MREIC delivering a total return of 185.02% versus 87.57% for the REIT Index.

The Report also incorrectly uses Net Income in its Price/Earnings analysis. It is standard industry practice for REITs to use Funds from Operations (FFO) in calculating Price to Earnings ratios.

## 2. The Majority Voting Proposal Was Not Approved By A Majority of Outstanding Shares

The MREIC Board of Directors has carefully considered the non-binding shareholder proposal on the ballot in 2015 regarding majority voting for Director elections. In 2015, 25% of shares held in street name – over 16 million shares in total – did not vote. Shares held in street name that did vote voted overwhelmingly, 90%, AGAINST this shareholder proposal. The shareholder proposal received a vote in favor from only a majority of the shares that voted on the proposal at the meeting. However, the proposal was approved by only 40% of the shares present in person or represented by proxy at the meeting and entitled to vote on the matter, and received less than 36% approval based on the number of shares outstanding. Furthermore, this same proposal was submitted by the same shareholder and it was rejected by the Company's shareholders at the May 2, 2013 annual meeting of shareholders. The Board of Directors, based on the advice of the Nominating Committee, concluded that it is not in the best interests of MREIC and its shareholders to implement a majority voting standard when the majority voting proposal was not approved by the majority of outstanding shares.

The Nominating Committee and the Board of Directors will consider the matter further in 2016. It is a vast oversimplification for ISS to conclude that MREIC's Directors were or were not following shareholder direction. Blacklisting of Directors is rarely justified. MREIC continues to perform exceptionally well and there is no reason to reach for reasons not to support its Board of Directors.

## 3. Single-Trigger Provisions in Employment Agreement

The amended employment agreement entered into by Eugene Landy in January 2016 simply increased his base salary by 5%, or \$20,500.00. No other changes were made to his employment agreement. ISS observes that his employment agreement continues to contain a single-trigger severance provision and a single trigger equity vesting acceleration. Per ISS's FAQs on Executive Compensation, amending an existing employment agreement without modifying a problematic practice does not trigger an automatic negative recommendation against directors, but a holistic review of the agreement. Eugene Landy founded the Company in 1968 and he is now 82 years old. Should a Change of Control event occur, the Company's compensation committee feels additional triggers are unnecessary. ISS should take the time and review these relevant factors rather than impose a "one size fits all" criteria.

Finally, the report lists total director stock ownership of 3%. This is incorrect. Total director ownership is 5.48%.

Accordingly, we request that ISS issue a correction to its Report.

MONMOUTH REAL ESTATE INVESTMENT CORPORATION (A Public REIT since 1968)

*/s/ Allison Nagelberg*  
Allison Nagelberg  
General Counsel

