

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 10-K

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

For the fiscal year ended November 30, 2016

OR

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

Commission file number 1-12879

GRIFFIN INDUSTRIAL REALTY, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

06-0868496
(I.R.S. Employer
Identification No.)

641 Lexington Avenue
New York, New York
(Address of principal executive offices)

10022 (Zip Code)

(212) 218-7910

(Registrant's telephone number, including area code)

SECURITIES REGISTERED PURSUANT TO SECTION 12 (b) OF THE ACT:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock \$0.01 par value per share	The NASDAQ Stock Market LLC

SECURITIES REGISTERED PURSUANT TO SECTION 12 (g) OF THE ACT: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined by Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

The aggregate market value of the Common Stock held by non-affiliates of the registrant was approximately \$86,495,000 based on the closing sales price on The NASDAQ Stock Market LLC on May 31, 2016, the last business day of the registrant's most recently completed second quarter. Shares of Common Stock held by each executive officer, director and persons or entities known to the registrant to be affiliates of the foregoing have been excluded in that such persons may be deemed to be affiliates. This assumption regarding affiliate status is not necessarily a conclusive determination for other purposes.

As of February 6, 2017, 5,028,535 shares of common stock were outstanding.

FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K (the “Annual Report”) contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). For this purpose, any statements contained in this Annual Report that relate to future events or conditions, including without limitation, the statements in Part I, Item 1. “Business” and Item 1A. “Risk Factors” and in Part II Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operations” as well as located elsewhere in this Annual Report regarding industry prospects or Griffin Industrial Realty, Inc.’s (“Griffin”) plans, expectations, or prospective results of operations or financial position, may be deemed to be forward-looking statements. Without limiting the foregoing, the words “believes,” “anticipates,” “plans,” “expects,” and similar expressions are intended to identify forward-looking statements. Such forward-looking statements represent management’s current expectations and are inherently uncertain. There are a number of important factors that could materially impact the value of Griffin’s common stock or cause actual results to differ materially from those indicated by such forward-looking statements. Such factors include: adverse economic conditions and credit markets; a downturn in the commercial and residential real estate markets; risks associated with concentration of real estate holdings; risks associated with entering new real estate markets; risks associated with competition with other parties for acquisition of properties; risks associated with the use of third-party managers for day-to-day property management; risks relating to reliance on lease revenues; risks associated with nonrecourse mortgage loans; risks of financing arrangements that include balloon payment obligations; risks associated with failure to effectively hedge against interest rate changes; risks associated with volatility in the capital markets; risks associated with increased operating expenses; potential environmental liabilities; governmental regulations; inadequate insurance coverage; risks of environmental factors; risks associated with the cost of raw materials or energy costs; risks of investing in a foreign company; risks associated with deficiencies in disclosure controls and procedures or internal control over financial reporting; risks associated with information technology security breaches; litigation risks; and the concentrated ownership of Griffin common stock by members of the Cullman and Ernst families. These and the important factors discussed under the caption “Risk Factors” in Part I, Item 1A of this Annual Report for the fiscal year ended November 30, 2016, among others, could cause actual results to differ materially from those indicated by forward-looking statements made in this Annual Report and presented elsewhere by management from time to time. Any such forward-looking statements represent management’s estimates as of the date of this Annual Report. While Griffin may elect to update such forward-looking statements at some point in the future, Griffin disclaims any obligation to do so, even if subsequent events cause Griffin’s views to change. These forward-looking statements should not be relied upon as representing Griffin’s views as of any date subsequent to the date of this Annual Report.

PART I

ITEM 1. BUSINESS.

Griffin Industrial Realty, Inc. (“Griffin”) is a real estate business principally engaged in developing, managing and leasing industrial/warehouse properties, and to a lesser extent, office/flex properties. Periodically, Griffin may sell certain portions of its undeveloped land that it has owned for an extended time period and the use of which is not consistent with Griffin’s core development and leasing strategy. Griffin seeks to add to its property portfolio through the acquisition and development of land or the purchase of buildings. Prior to May 13, 2015, Griffin was known as Griffin Land & Nurseries, Inc. On May 13, 2015, Griffin changed its name to better reflect its ongoing real estate business and focus on industrial/warehouse properties after the sale in fiscal 2014 of the landscape nursery business that Griffin had operated through its wholly owned subsidiary, Imperial Nurseries, Inc. (see Landscape Nursery Business on page 10).

As of November 30, 2016, Griffin owned thirty-three buildings comprising approximately 3,297,000 square feet that was 93% leased. Approximately 87% of Griffin’s currently owned square footage is industrial/warehouse space, with the balance principally being office/flex space. As of November 30, 2016, approximately 96% of Griffin’s industrial/warehouse space was leased and approximately 74% of Griffin’s office/flex space was leased. Subsequent to November 30, 2016, Griffin completed the signing of two leases for industrial/warehouse space aggregating approximately 104,000 square feet, resulting in Griffin’s total portfolio being approximately 96% leased, with industrial/warehouse space being approximately 99% leased. As stated in “Item 2. Properties” below, Griffin uses nonrecourse mortgages to finance some of its real estate development activities, and as of November 30, 2016, approximately \$111.1 million was outstanding under such loans. In fiscal 2016, Griffin’s profit from leasing activities (which Griffin defines as rental revenue less operating expenses of rental properties)¹ was approximately \$18.2 million, while debt service on Griffin’s nonrecourse mortgages was approximately \$7.3 million.

Through fiscal 2009, all of Griffin’s buildings were located in the north submarket of Hartford, Connecticut. In fiscal 2010, Griffin started the expansion of its real estate holdings to areas outside of Hartford by purchasing an industrial building and undeveloped land in the Lehigh Valley of Pennsylvania (see Lehigh Valley on page 7). Griffin expects to continue to seek to acquire and develop properties that are consistent with its core strategy of developing and leasing industrial properties. Griffin expects that most of such potential acquisitions of either undeveloped land or land and buildings will likely be located outside of the Hartford area.

A national real estate services company reported that as of December 31, 2016, there was approximately 73.5 million square feet of industrial/warehouse space in the greater Hartford market and that the overall vacancy rate in the greater Hartford industrial market decreased from 12.3% at the end of 2014 to 9.2% at the end of 2016, with approximately 1.0 million square feet of net absorption in 2016. The greater Hartford industrial market had been stagnant in the years 2012 through 2014, but improved in 2015 and 2016. In the greater Hartford area, there are a number of fully or partially vacant industrial/warehouse buildings that are competitive with Griffin’s industrial/warehouse buildings. Griffin believes that it benefits from its reputation as a stable landlord with sufficient resources to meet its obligations and deliver space to tenants timely and in accordance with the terms of their lease agreements.

A national real estate services company reported that as of December 31, 2016, there was approximately 74.2 million square feet of industrial/warehouse space in the Lehigh Valley region of Pennsylvania, and that the vacancy rate in that market was 5.2% at that date, with a net absorption of approximately 7.6 million square feet in 2016. The Lehigh Valley industrial market has experienced strong growth and leasing activity during the past two years with an increase of approximately 11.5 million square feet of industrial/warehouse space.

All of Griffin’s office/flex space is in the north submarket of Hartford. A national real estate services company reported that as of December 31, 2016, there was approximately 24.6 million square feet of office space in the greater Hartford market, including approximately 14.9 million square feet of suburban office space. They also reported that the overall vacancy rate has remained at approximately 16% over the past two years, with the vacancy rate in the north submarket being 21% during that period. As of November 30, 2016, square footage of office/flex buildings comprised approximately 13% of Griffin’s total square footage, and Griffin expects that its office/flex space will continue to

¹ Profit from leasing activities is not a financial measure in conformity with U.S. GAAP. It is presented because Griffin believes it is a useful financial indicator for measuring results of its real estate leasing activities. However, it should not be considered as an alternative to operating income as a measure of operating results in accordance with U.S. GAAP.

become a smaller percentage of its total space as Griffin expects to focus on the growth of its industrial/warehouse building portfolio either through acquisition of fully or partially leased buildings, development of buildings on land currently owned or to be acquired, or both.

Additional capacity or an increase in vacancies in either the industrial or office markets could adversely affect Griffin's operating results by potentially resulting in longer times to lease vacant space, eroding lease rates in Griffin's properties or hindering renewals by existing tenants. There can be no assurances as to the directions of the Hartford and Lehigh Valley real estate markets in the near future.

In fiscal 2016, Griffin completed and placed in service an approximately 252,000 square foot industrial building ("5210 Jaendl") in the Lehigh Valley of Pennsylvania, thus completing the development of an approximately 50 acre parcel of undeveloped land acquired in December 2013. As of November 30, 2016, Griffin had entered into two leases for 5210 Jaendl resulting in that building being fully leased. Both of those leases are expected to become effective in the first half of fiscal 2017. In addition to the two leases at 5210 Jaendl, Griffin entered into several other leases aggregating approximately 240,000 square feet in fiscal 2016, all but approximately 21,000 square feet of which was for industrial/warehouse space. Included in the fiscal 2016 leasing activity was a lease for approximately 101,000 square feet in 4270 Fritch Drive ("4270 Fritch"), an approximately 303,000 square foot industrial/warehouse building in the Lehigh Valley built in fiscal 2014. As of November 30, 2016, Griffin's five Lehigh Valley industrial/warehouse buildings aggregating approximately 1,183,000 square feet were fully leased. In addition to the Lehigh Valley leasing, Griffin completed several leases aggregating approximately 139,000 square feet for its Connecticut properties, including approximately 118,000 square feet of industrial/warehouse space, mostly in New England Tradeport ("NE Tradeport"), Griffin's master-planned industrial park near Bradley International Airport and Interstate 91, located in Windsor and East Granby, Connecticut. In fiscal 2016, Griffin also extended leases aggregating approximately 248,000 square feet, most of which was NE Tradeport industrial/warehouse space. Also in fiscal 2016, leases for approximately 132,000 square feet expired, which included a lease for an entire approximately 57,000 square foot NE Tradeport industrial/warehouse building that was subsequently re-leased during the year. The net effect of these transactions was an increase of approximately 410,000 square feet in industrial/warehouse space under lease as of November 30, 2016 as compared to November 30, 2015 and a decrease of approximately 51,000 square feet in office/flex space under lease as of November 30, 2016 as compared to November 30, 2015.

In fiscal 2015, Griffin completed and placed in service an approximately 280,000 square foot industrial building ("5220 Jaendl") in the Lehigh Valley of Pennsylvania. The tenant that initially leased approximately 196,000 square feet in 5220 Jaendl when the building was placed in service subsequently exercised its option under the lease to lease the balance of the building. Rental revenue on the additional space commenced in fiscal 2016. In addition to fully leasing 5220 Jaendl in fiscal 2015, Griffin completed several other leases aggregating approximately 191,000 square feet, of which approximately 90% was for industrial/warehouse space and approximately 10% was for office/flex space. In fiscal 2015, several leases aggregating approximately 52,000 square feet of office/flex space expired and were not renewed and a lease of approximately 31,000 square feet of industrial/warehouse space was terminated early for which Griffin received a lease termination fee. The net effect of these transactions was an increase of approximately 421,000 square feet in industrial/warehouse space under lease as of November 30, 2015 as compared to November 30, 2014 and a decrease of approximately 33,000 square feet in office/flex space under lease as of November 30, 2015 as compared to November 30, 2014. In fiscal 2015, Griffin also renewed and extended several leases aggregating approximately 326,000 square feet of industrial/warehouse space and approximately 71,000 square feet of office/flex space.

In fiscal 2014, Griffin entered into three new leases of industrial/warehouse space for an aggregate of approximately 371,000 square feet and three new leases of office/flex space for an aggregate of approximately 38,000 square feet. The leasing of industrial/warehouse space in fiscal 2014 included a five year lease for approximately 202,000 square feet at 4270 Fritch. In fiscal 2014, Griffin also entered into a ten year full building lease for approximately 138,000 square feet in one of its industrial buildings in NE Tradeport. In fiscal 2014, leases of industrial/warehouse space aggregating approximately 43,000 square feet expired and were not renewed, and a lease of industrial/warehouse space increased by approximately 47,000 square feet as the remaining vacant space in the building was added to the leased space in accordance with the lease terms. The net effect of these transactions was an increase of approximately 374,000 square feet in industrial/warehouse space under lease during fiscal 2014, while office/flex space under lease was essentially unchanged during fiscal 2014. Griffin also renewed and extended several leases aggregating approximately 27,000 square feet of office/flex space and approximately 11,000 square feet of industrial/warehouse space in fiscal 2014.

Periodically, Griffin may sell certain portions of its undeveloped land that it has owned for an extended time period and the use of which does not fit into Griffin's core strategy of developing and leasing industrial and commercial properties. Such sale transactions may take place either before or after obtaining development approvals and building basic infrastructure.

In fiscal 2016, Griffin completed one land sale for approximately \$3.8 million. In each of fiscal 2015 and fiscal 2014, Griffin completed one land sale for approximately \$0.6 million. In fiscal 2013, Griffin completed a sale of approximately 90 acres of undeveloped land in Windsor, Connecticut (the "Windsor Land Sale") for cash proceeds of approximately \$9.0 million, before transaction expenses. The land sold under the Windsor Land Sale is part of an approximately 268 acre parcel of undeveloped land in Bloomfield and Windsor, Connecticut known as Phoenix Crossing that has been held by Griffin for an extended time period. Under the terms of the Windsor Land Sale, Griffin and the buyer were each required to construct roadways connecting the land parcel that was sold to existing town roads. The roads constructed by the buyer and the road being constructed by Griffin will become new town roads, thereby providing access to the remaining acreage in Griffin's land parcel. As a result of Griffin's continuing involvement with the land sold, the Windsor Land Sale is being accounted for under the percentage of completion method, under which the revenue and gain on sale are recognized as the costs related to the property sold are incurred. Griffin recognized revenue of approximately \$0.6 million, approximately \$2.5 million and approximately \$3.1 million from the Windsor Land Sale in fiscal 2016, fiscal 2015 and fiscal 2014, respectively. As of November 30, 2016, approximately \$0.1 million of revenue from the Windsor Land Sale remains to be recognized.

The weakness in the residential real estate market has adversely affected Griffin's residential real estate development activities. The continued weakness of the residential real estate market could result in lower selling prices for Griffin's land intended for residential use or delay the sale of such land.

Griffin's development of its land is affected by regulatory and other constraints. Subdivision and other residential development may also be affected by the potential adoption of initiatives meant to limit or concentrate residential growth. Industrial/warehouse development activities on Griffin's undeveloped land may also be affected by traffic considerations, potential environmental issues, community opposition and other restrictions to development imposed by governmental agencies.

Griffin maintains a corporate website at www.griffinindustrial.com. Griffin's Annual Report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and the proxy statement for Griffin's Annual Meeting of Stockholders can be accessed through Griffin's website or through the SEC website at www.sec.gov. Griffin will provide electronic or paper copies of its foregoing filings free of charge upon request. Griffin was incorporated in 1970.

Industrial/Warehouse Properties

Connecticut

A significant portion of Griffin's industrial development in Connecticut has been focused on NE Tradeport, where Griffin has built and currently owns thirteen industrial/warehouse buildings aggregating approximately 1,466,000 square feet, of which approximately 92% was leased as of November 30, 2016. Subsequent to November 30, 2016, Griffin entered into two leases in NE Tradeport for industrial/warehouse space aggregating approximately 104,000 square feet, resulting in Griffin's portfolio of industrial/warehouse space in Connecticut being approximately 99% leased.

In NE Tradeport, Griffin holds the rights to 795,000 square feet available for development under the State Traffic Certificate ("STC") which relates to four approved building sites on approximately 70 acres and an approved addition to one of Griffin's existing buildings. Griffin owns an additional 95 acres of undeveloped land within NE Tradeport, 60 acres of which are located in Windsor and the abutting 35 acres of which are located in East Granby. There are no STC or other approvals currently in place (other than zoning in the case of Windsor) for the development of this remaining land for industrial use. Griffin believes that additional infrastructure improvements, which may be significant, may be required to obtain approvals to develop portions of this land, particularly the portions in East Granby. Griffin expects to continue to direct much of its real estate efforts in Connecticut on the construction and leasing of its industrial/warehouse facilities at NE Tradeport.

In fiscal 2016, Griffin leased approximately 87,000 square feet in NE Tradeport, including a new full building lease of approximately 57,000 square feet that replaced an existing full building lease that expired and was not renewed during fiscal 2016. Also in fiscal 2016, Griffin renewed several leases aggregating approximately 222,000 square feet. The rental rates for leases in NE Tradeport that were renewed in fiscal 2016 were, on average, essentially unchanged from the rental rates of the expiring leases. Management believes that the rental rates on the two NE Tradeport leases aggregating approximately 33,000 square feet that are scheduled to expire in fiscal 2017 are slightly above the market rates for similar space.

In addition to its industrial/warehouse buildings in NE Tradeport, Griffin owns a 165,000 square foot industrial building (“1985 Blue Hills”) in Griffin Center, Griffin’s office park in Windsor and Bloomfield, Connecticut, that is being used principally as a data center and call center, an approximately 31,000 square foot industrial/warehouse building (“131 Phoenix”) in Bloomfield, Connecticut that is being used principally as a research and development facility and an approximately 18,000 square foot industrial/warehouse building (“210 West Newberry”) in Griffin Center South, Griffin’s office/flex park in Bloomfield, Connecticut. 131 Phoenix is on an approximately 5 acre site that is part of Phoenix Crossing. In fiscal 2013, Griffin sold approximately 90 acres of undeveloped Phoenix Crossing land in the Windsor Land Sale. As of November 30, 2016, Griffin owns approximately 159 acres of undeveloped land in Phoenix Crossing that is zoned for industrial and commercial development. On December 23, 2016, Griffin entered into an agreement to sell approximately 67 acres of its undeveloped land in Phoenix Crossing for approximately \$10.25 million. Completion of this transaction is subject to a number of factors, including the buyer obtaining all necessary final permits from governmental authorities for development plans of the site and the buyer receiving municipal and state economic development incentives it deems adequate. There is no guarantee that this transaction will be completed under its current terms, or at all.

As of November 30, 2016, approximately \$66.2 million was invested (net book value) by Griffin in its Connecticut industrial/warehouse buildings, approximately \$4.4 million was invested (net book value) by Griffin in the undeveloped NE Tradeport land and approximately \$4.2 million was invested in the undeveloped Phoenix Crossing land, including the acreage under contract to be sold (see above). As of November 30, 2016, twelve of Griffin’s Connecticut industrial/warehouse buildings were mortgaged for an aggregate of approximately \$54.0 million and 210 West Newberry was included in the collateral for Griffin’s \$15.0 million revolving line of credit (see below). Subsequent to November 30, 2016, Griffin agreed to terms on a nonrecourse mortgage loan on two NE Tradeport industrial/warehouse buildings aggregating approximately 275,000 square feet that were not mortgaged as of November 30, 2016. Completion of this proposed new mortgage loan is subject to a number of contingencies, including the entry into a definitive loan agreement. There is no guarantee that this transaction will be completed under its current terms, or at all.

A summary of Griffin’s Connecticut industrial/warehouse square footage owned and leased at the end of each of the past three fiscal years and leases in Griffin’s Connecticut industrial/warehouse buildings scheduled to expire during each of the next three fiscal years are as follows:

	Square Footage Owned	Square Footage Leased	Percentage Leased
November 30, 2014	1,681,000	1,365,000	81 %
November 30, 2015	1,681,000	1,507,000	90 %
November 30, 2016	1,681,000	1,564,000	93 %
	2017	2018	2019
Square footage of leases expiring	33,000	116,000	476,000
Percentage of total leased space at			
November 30, 2016	1 %	4 %	16 %
Number of tenants with leases expiring	2	4	5
Annual rental revenue of expiring leases	\$ 258,000	\$ 877,000	\$ 3,383,000
Annual rental revenue of expiring leases as a percentage of Griffin’s total fiscal 2016 rental revenue	1 %	3 %	13 %

Lehigh Valley

In fiscal 2010, Griffin completed its first acquisition of property outside of the Hartford, Connecticut area, when it acquired a fully leased approximately 120,000 square foot industrial building at 871 Nestle Way (“871 Nestle”) in Breinigsville, Pennsylvania, which is located in the Lehigh Valley. Also in fiscal 2010, Griffin acquired approximately 51 acres of undeveloped land in Lower Nazareth, Pennsylvania, a major industrial area of the Lehigh Valley, which Griffin named Lehigh Valley Tradeport I. In fiscal 2012, Griffin completed construction, on speculation, of 4275 Fritch Drive (“4275 Fritch”), an approximately 228,000 square foot industrial building, the first of the two buildings built in Lehigh Valley Tradeport I. In fiscal 2013, Griffin entered into a five-year full building lease of this building. In fiscal 2014, Griffin completed construction, also on speculation, of 4270 Fritch, an approximately 303,000 square foot industrial building, that was the second of two buildings built in Lehigh Valley Tradeport I. In fiscal 2014, Griffin entered into a five year lease of approximately 201,000 square feet of 4270 Fritch and the lease became effective in the fiscal 2015 second quarter upon completion of tenant improvements. In fiscal 2016, Griffin leased the remaining approximately 102,000 square feet of 4270 Fritch. In fiscal 2015, Griffin completed construction of 5220 Jandl, the first of the two industrial/warehouse buildings built on the undeveloped land in Hanover Township of the Lehigh Valley acquired in December 2013, known as Lehigh Valley Tradeport II. In fiscal 2015, Griffin leased approximately 196,000 square feet of 5220 Jandl. The lease commenced at the beginning of the fiscal 2015 fourth quarter, and in November 2015, the tenant exercised its option to lease the balance of the building. Rental revenue for the remaining space in 5220 Jandl commenced in fiscal 2016. In fiscal 2016, Griffin completed construction of 5210 Jandl, an approximately 252,000 square foot industrial/warehouse building that was the second building built in Lehigh Valley Tradeport II. Griffin leased 5210 Jandl in fiscal 2016, with rental revenue on the leases for 5210 Jandl expected to begin in the first half of fiscal 2017.

As of November 30, 2016, Griffin owned five fully leased industrial/warehouse buildings in the Lehigh Valley aggregating approximately 1,183,000 square feet. Approximately \$65.5 million was invested (net book value) in these buildings as of November 30, 2016. All five Lehigh Valley industrial/warehouse buildings are mortgaged under three separate nonrecourse mortgage loans for a total of approximately \$51.1 million as of November 30, 2016.

A summary of Griffin’s Lehigh Valley industrial/warehouse square footage owned and leased at the end of each of the past three fiscal years and leases in Griffin’s Lehigh Valley industrial/warehouse buildings scheduled to expire during each of the next three fiscal years are as follows:

	Square Footage Owned	Square Footage Leased	Percentage Leased
November 30, 2014	651,000	549,000	84 %
November 30, 2015	931,000	829,000	89 %
November 30, 2016	1,183,000	1,183,000	100 %
	2017	2018	2019
Square footage of leases expiring	—	228,000	—
Percentage of total leased space at November 30, 2016	—	7 %	—
Number of tenants with leases expiring	—	1	—
Annual rental revenue of expiring leases	\$ —	\$ 1,475,000	\$ —
Annual rental revenue of expiring leases as a percentage of Griffin’s total fiscal 2016 rental revenue	—	6 %	—

On March 23, 2016, Griffin entered into an Agreement of Sale and Purchase (the “East Allen Purchase Agreement”) to acquire an approximately 31 acre site in East Allen Township, Northampton County, Pennsylvania for development of an industrial/warehouse building. Subsequently, Griffin exercised its right to terminate the East Allen Purchase Agreement based on its due diligence findings. After the East Allen Purchase Agreement was terminated, Griffin has continued negotiations with the seller to reach a new agreement. Completion of a new purchase agreement is uncertain at this time.

On May 4, 2016, Griffin entered into an Agreement of Sale and Purchase, as amended (the “Macungie Purchase Agreement”), to acquire, for a purchase price of \$1.8 million, an approximately 14 acre site in Upper Macungie Township, Lehigh County, Pennsylvania for development of an approximately 134,000 square foot industrial/warehouse building. A closing on the land acquisition contemplated by the Macungie Purchase Agreement is subject to significant contingencies, including Griffin obtaining all governmental approvals for its planned development of the land that would be acquired. There is no guarantee that the land acquisition as contemplated under the Macungie Purchase Agreement will be completed under its current terms, or at all.

Griffin may seek to acquire additional properties and/or undeveloped land parcels to expand the industrial/warehouse portion of its real estate business. Griffin continues to examine potential properties for acquisition in New England, the Mid-Atlantic states and other areas.

Office/Flex Properties

Griffin’s office/flex properties are located in Griffin Center in Windsor and Bloomfield, Connecticut and Griffin Center South in Bloomfield. In Griffin Center, Griffin currently owns two multi-story office buildings that have an aggregate of approximately 161,000 square feet, a single story office building of approximately 48,000 square feet and a small restaurant building of approximately 7,000 square feet. In Griffin Center South, Griffin currently owns eight office/flex buildings with an aggregate of approximately 217,000 square feet of single story office/flex space. As of November 30, 2016, approximately 319,000 square feet of Griffin’s office/flex square footage was leased, comprising approximately 74% of Griffin’s total office/flex space.

In fiscal 2016, Griffin entered into two new leases for office/flex space aggregating approximately 21,000 square feet, including a lease for approximately 16,000 square feet in the single story Griffin Center office building that resulted in that building becoming fully leased. Also in fiscal 2016, two leases of office/flex space aggregating approximately 26,000 square feet were renewed, while leases aggregating approximately 72,000 square feet of office/flex space expired. The tenant of one of the expired office/flex leases (approximately 21,000 square feet) did not renew because they entered into a full building lease for 131 Phoenix, Griffin’s approximately 31,000 square foot industrial/warehouse building in Phoenix Crossing. The rental rates for office/flex leases that were renewed in fiscal 2016 were, on average, approximately 5% lower than the rental rates of the expiring leases. Management believes that the rental rates on the three leases of office/flex space aggregating approximately 49,000 square feet that are scheduled to expire in fiscal 2017 are slightly above the market rates for similar space. Subsequent to November 30, 2016, Griffin entered into a ten year full building lease for the approximately 23,000 square feet at 206 West Newberry Road. The full building tenant there had previously informed Griffin that it would not be renewing its lease when it expires in fiscal 2017. The rental rate of the new lease is equivalent to the rate on the expiring lease; however, Griffin expects to incur higher operating expenses in servicing the new tenant than have been incurred in servicing the existing tenant.

In the fiscal 2016 fourth quarter, Griffin closed on the sale of approximately 29 acres of an approximately 45 acre parcel of the undeveloped land in Griffin Center for approximately \$3.8 million. An additional approximately 15 acres of that land parcel, much of which is wetlands with very limited development potential, was donated to an affiliate of the purchaser at the time of the closing.

Currently there are approximately 162 acres of undeveloped land in Griffin Center and approximately 68 acres of undeveloped land in Griffin Center South that are owned by Griffin. As of November 30, 2016, approximately \$18.4 million was invested (net book value) in Griffin’s office/flex buildings and approximately \$1.6 million was invested by Griffin in the undeveloped land in Griffin Center and Griffin Center South. Griffin’s two multi-story office buildings in Griffin Center are mortgaged for approximately \$6.0 million as of November 30, 2016, and Griffin’s single story office building in Griffin Center and the eight single-story office/flex buildings and industrial/warehouse building in Griffin Center South are the collateral for Griffin’s \$15.0 million revolving line of credit. There were no borrowings under the revolving line of credit as of November 30, 2016.

A summary of Griffin’s office/flex square footage owned and leased at the end of each of the past three fiscal years and leases in Griffin’s office/flex buildings scheduled to expire (excluding the space where a replacement lease has been secured) during each of the next three fiscal years are as follows:

	Square Footage Owned	Square Footage Leased	Percentage Leased
November 30, 2014	433,000	403,000	93 %
November 30, 2015	433,000	370,000	85 %
November 30, 2016	433,000	319,000	74 %
	<u>2017</u>	<u>2018</u>	<u>2019</u>
Square footage of leases expiring	27,000	25,000	40,000
Percentage of total leased space at November 30, 2016	1 %	1 %	1 %
Number of tenants with leases expiring	2	3	2
Annual rental revenue of expiring leases	\$ 326,000	\$ 437,000	\$ 729,000
Annual rental revenue of expiring leases as a percentage of Griffin’s total fiscal 2016 rental revenue	1 %	2 %	3 %

Residential Developments

Simsbury, Connecticut

Several years ago, Griffin filed plans for the creation of a residential community, called Meadowood, on a 363 acre site in the Town of Simsbury, Connecticut (“Simsbury”). After several years of litigation with the town regarding this proposed residential development, a settlement was reached. The settlement terms included, among other things, approval for up to 296 homes, certain remediation measures and offsite road improvements to be performed by Griffin and the purchase by Simsbury of a portion of the Meadowood land for open space. The sale of land to Simsbury closed in fiscal 2008. In fiscal 2012, Griffin performed a portion of the required remediation work on the site and completed the required offsite road improvements. In fiscal 2014, Griffin completed the required remediation work. As of November 30, 2016, the book value of the land for this development, including design, development and legal costs, was approximately \$8.5 million. Griffin is continuing to evaluate its plans for Meadowood.

Griffin owns another approximate 432 acres of undeveloped land in Simsbury, portions of which are zoned for residential use and other portions of which are zoned for industrial use. Not all of this land is developable. The land currently zoned for industrial use is probably more suited to commercial or mixed-use development. Griffin may seek to develop or sell such land.

Suffield, Connecticut

In fiscal 2006, Griffin completed the infrastructure for a fifty lot residential subdivision in Suffield, Connecticut called Stratton Farms. Griffin sold twenty-five residential lots in Stratton Farms to a local homebuilder in fiscal 2006 and fiscal 2007. In fiscal 2010, Griffin entered into an agreement with a privately owned regional homebuilder under which in exchange for a payment of \$100,000, the homebuilder obtained an option to purchase the remaining twenty-five residential lots of Stratton Farms. The option agreement terminated after four lots were sold. Subsequently, Griffin sold one Stratton Farms residential lot in fiscal 2013. As of November 30, 2016, Griffin held twenty Stratton Farms residential lots. The book value for Griffin’s Stratton Farms holdings was approximately \$1.1 million at November 30, 2016.

Other

Concurrently with the sale of the landscape nursery business effective January 8, 2014, Imperial Nurseries, Inc. (“Imperial”), Griffin and Monrovia Connecticut LLC (“Monrovia”) entered into a Lease and Option Agreement, which was amended in fiscal 2016 (as amended, the “Imperial Lease”) pursuant to which Monrovia leased Imperial’s production nursery located in Granby and East Granby, Connecticut (the “Connecticut Farm”) for a ten year period, with

options to extend for up to an additional fifteen years exercisable by Monrovia. The Imperial Lease also grants Monrovia an option to purchase the land, land improvements and other operating assets that were used by Imperial on the Connecticut Farm during the first thirteen years of the lease period for \$9.5 million, or \$7.0 million if only a certain portion of the Connecticut Farm is purchased, subject in each case to certain adjustments as provided for in the Imperial Lease.

Prior to the fiscal 2009 third quarter, Imperial operated a production nursery in Quincy, Florida (the “Florida Farm”). In fiscal 2009, Imperial shut down its growing operations on the Florida Farm and leased that facility to a grower of landscape nursery plants. In fiscal 2015, the tenant exercised its option to acquire the Florida Farm, but subsequently informed Imperial that it would not close the acquisition. As a result, Griffin retained the tenant’s deposit of \$400,000 and the Florida Farm lease was extended through April 30, 2016. After the expiration of that lease, Griffin then entered into a new lease of the Florida Farm with another grower of landscape nursery plants that started July 1, 2016. The new lease of the Florida Farm has a three year term and contains an option for the tenant to purchase the Florida Farm at any time during the lease period for a purchase price between \$3.4 million and \$3.9 million depending upon the date of sale.

In fiscal 2016, Griffin leased approximately 650 acres of undeveloped land in Connecticut and Massachusetts to local farmers. Approximately 550 acres and 485 acres were leased to local farmers in fiscal 2015 and fiscal 2014, respectively. The revenue generated from the leasing of farmland is not material to Griffin’s total revenue.

On January 25, 2016, Griffin entered into an Option Purchase Agreement (the “Option Agreement”) whereby Griffin granted the buyer an exclusive option, in exchange for a nominal fee, to purchase approximately 280 acres of undeveloped land in Simsbury for approximately \$7.7 million. The buyer may extend the option period up to three years upon payment of additional option fees. Subsequent to November 30, 2016, the buyer paid Griffin to extend the option period. The land subject to the Option Agreement does not have any of the approvals that would be required for the buyer’s planned use of the land. A closing on the land sale contemplated by the Option Agreement is subject to several significant contingencies, including the buyer securing contracts under a competitive bidding process that would require changes in the use of the land and obtaining local and state approvals for that planned use. There is no guarantee that the sale of undeveloped land as contemplated under the Option Agreement will be completed under its current terms, or at all.

Griffin is evaluating its other properties for development or sale in the future. Griffin anticipates that obtaining subdivision approvals for residential development in many of the towns where it owns residentially-zoned land will be an extended process.

Landscape Nursery Business

Through January 7, 2014, Imperial operated a landscape nursery business that grew containerized plants on the Connecticut Farm for sale to independent retail garden centers and rewholesalers, whose main customers are landscape contractors. Imperial discontinued its nursery operations on January 8, 2014, when Griffin, Imperial and Monrovia entered into an Asset Purchase Agreement whereby Imperial’s inventory and certain of its assets were sold to Monrovia for approximately \$0.7 million in cash, before transaction and severance costs, and a non-interest bearing note receivable (which Griffin subsequently collected) of \$4.25 million (the “Imperial Sale”). Pursuant to the terms of the Imperial Sale, Griffin and Imperial agreed to indemnify Monrovia for any potential environmental liabilities on the Connecticut Farm relating to periods prior to the effective date of the Imperial Sale.

Investments

Centaur Media plc

Centaur Media plc (“Centaur Media”) is a publicly traded company listed on the London Stock Exchange. As of November 30, 2016, Griffin held 1,952,462 shares of Centaur Media and accounts for its investment in Centaur Media as an available-for-sale security. Accordingly, changes in the fair value of Griffin’s investment in Centaur Media, including both changes in the stock price and changes in the foreign currency exchange rate, are not included in Griffin’s net income but are included in Griffin’s other comprehensive income. As of November 30, 2016, the fair value of Griffin’s investment in Centaur was approximately \$1.0 million. In fiscal 2014, Griffin sold 500,000 shares of its Centaur Media common stock for total cash proceeds of approximately \$566,000, net of transaction costs. Griffin did not sell any of its

stock in Centaur Media in fiscal 2015 and fiscal 2016. Griffin expects that it will sell its Centaur Media common stock when it believes sales terms are favorable.

Employees

As of November 30, 2016, Griffin employed 33 people on a full-time basis. Presently, none of Griffin's employees are represented by a union. Griffin believes that its relations with its employees are satisfactory.

Competition

The market for leasing industrial/warehouse space and office/flex space is highly competitive. Griffin competes for tenants with owners of numerous properties located in the portions of Connecticut, Massachusetts and the Lehigh Valley region of Pennsylvania in which Griffin's real estate holdings are concentrated. Some of these competitors have greater financial resources than Griffin. Griffin's real estate business competes on the bases of location, price, availability of space, convenience and amenities.

There is a great amount of competition for the acquisition of industrial/warehouse buildings and for the acquisition of undeveloped land for construction of such buildings. Griffin competes for the acquisition of industrial/warehouse properties with real estate investment trusts ("REITs") and institutional investors, such as pension funds, private real estate investment funds, insurance company investment accounts, public and private investment companies, individuals and other entities engaged in real estate investment activities. Some of these competitors have greater financial resources than Griffin, and may be able to accept more risk, including risk related to the creditworthiness of tenants or the degree of leverage they may be willing to take on. Competitors for acquisitions may also have advantages from a lower cost of capital or greater operating efficiencies associated with being a larger entity.

Regulation: Environmental Matters

Under various federal, state and local laws, ordinances and regulations, an owner or operator of real estate may be required to investigate and clean up hazardous or toxic substances or petroleum product releases at such property and may be held liable to a governmental entity or to third parties for property damage and for investigation and cleanup costs incurred by such parties in connection with contamination. The cost of investigation, remediation or removal of such substances may be substantial, and the presence of such substances, or the failure to remediate properly such substances, may adversely affect the owner's ability to sell or rent such property or to borrow using such property as collateral. In connection with the ownership (direct or indirect), operation, management and development of real estate properties, Griffin may be considered an owner or operator of such properties or as having arranged for the disposal or treatment of hazardous or toxic substances and, therefore, potentially liable for removal or remediation costs, as well as certain other related costs, including governmental fines and injuries to persons and property. The value of Griffin's land may be affected by the presence of residual chemicals from the prior use of the land for farming, principally on a portion of the land that is intended for residential use. In the event that Griffin is unable to remediate adequately any of its land intended for residential use, Griffin's ability to develop such property for its intended purposes would be materially affected.

Griffin periodically reviews its properties for the purpose of evaluating such properties' compliance with applicable state and federal environmental laws. In connection with the Imperial Sale, Griffin has incurred a small amount of costs to remediate a small area of the Connecticut Farm that is leased to Monrovia under the Imperial Lease. As of the date of this Annual Report on Form 10-K, Griffin is in discussions with the Connecticut Department of Energy and Environmental Protection ("DEEP") regarding the recent findings of exceedances of certain residual pesticides on a limited portion of the Connecticut Farm being leased to Monrovia. At this time, Griffin does not anticipate experiencing, in the next twelve months, any material expense in complying with such laws. Griffin may incur remediation costs in the future in connection with its development operations. Such costs are not expected to be significant as compared to expected proceeds from development projects or property sales.

ITEM 1A. RISK FACTORS.

Griffin's real estate business has a number of risk factors. The risk factors discussed below are those that management deems to be material, but they may not be the only risks facing Griffin. Additional risks not currently known or currently deemed not to be material may also impact Griffin. If any of the following risks occur, Griffin's

business, financial condition, operating results and cash flows could be adversely affected. Investors should also refer to Griffin's quarterly reports on Form 10-Q for any material updates to these risk factors.

Adverse Economic Conditions and Credit Markets

Griffin's real estate business may be affected by market conditions and economic challenges experienced by the U.S. economy as a whole, conditions in the credit markets or by local economic conditions in the markets in which its properties are located. Such conditions may impact Griffin's results of operations, financial condition or ability to expand its operations as a result of the following:

- The financial condition of Griffin's tenants may be adversely affected, which may result in tenant defaults under leases due to bankruptcy, lack of liquidity, operational failures or for other reasons;
- A decrease in investment spending, the curtailment of expansion plans or significant job losses may decrease demand for Griffin's industrial/warehouse and office/flex space, causing market rental rates and property values to be negatively impacted;
- Griffin's ability to borrow on terms and conditions that it finds acceptable, or at all, may be limited, which could reduce its ability to pursue acquisition and development opportunities, refinance existing debt, and/or increase future interest expense;
- Reduced values of Griffin's properties may limit its ability to obtain debt financing collateralized by its properties or may limit the proceeds from such potential financings;
- A weak economy may limit sales of land intended for commercial/industrial use;
- Changes in supply or demand for similar or competing properties in an area may adversely affect Griffin's competitive position; and
- Long periods of time may elapse between the commencement and the completion of Griffin's projects.

Downturn in the Residential Real Estate Market

Weakness in the residential real estate market may adversely affect Griffin's residential real estate development activities, including lowering selling prices and/or delaying the development and/or sale of Griffin's undeveloped land intended for residential use.

Risks Associated with Concentration of Real Estate Holdings

Griffin's real estate holdings are concentrated in the Hartford, Connecticut area and the Lehigh Valley of Pennsylvania. Adverse changes in the local economies, state or local governmental regulations or real estate markets, including the market's ability to absorb newly constructed space, could impact Griffin's real estate operations, including Griffin's ability to re-lease vacant space and have an adverse effect on rental rates.

Griffin's real estate properties compete with other properties in the areas where it operates. The construction of new facilities by competitors would increase capacity in the marketplace, and an increase in the amount of vacancies in competitors' properties and negative absorption of space could result in Griffin experiencing longer times to lease vacant space, eroding lease rates or hindering renewals by existing tenants.

Additionally, real estate properties are not as liquid as other types of investments and this lack of liquidity could limit Griffin's ability to react promptly to changes in economic, financial, investment or other conditions.

Risks Associated with Entering New Real Estate Markets

Griffin expects to continue to seek to acquire properties either in the Lehigh Valley or other markets outside of the Hartford, Connecticut area. Operating in a real estate market that is new for Griffin creates additional risks and uncertainties to Griffin's operations.

Competition with Other Parties for Property Investments

There is a great amount of competition for the acquisition of industrial/warehouse buildings and for the acquisition of undeveloped land for construction of such buildings. Griffin competes for the acquisition of industrial/warehouse properties with REITs and institutional investors, such as pension funds, private real estate investment funds, insurance company investment accounts, public and private investment companies, individuals and other entities engaged in real estate investment activities. Some of these competitors have greater financial resources than Griffin, and may be able to accept more risk, including risk related to the creditworthiness of tenants or the degree of leverage they may be willing to take on. Competitors for acquisitions may also have advantages from a lower cost of capital or greater operating efficiencies associated with being a larger entity.

Risks Associated with the Use of Third Party Managers for Day-to-Day Property Management

Griffin currently utilizes a local third party manager for the day-to-day management of its Lehigh Valley properties. To the extent that Griffin uses a third party manager, the cash flows from its Lehigh Valley properties may be adversely affected if the property manager fails to provide quality services. Additionally, the third party manager manages and owns other properties that may compete with Griffin's properties, which may result in conflicts of interest and decisions regarding the operation of Griffin's properties that are not in Griffin's best interests.

Risks Relating to Reliance on Lease Revenue

The substantial majority of Griffin's revenue is derived from lease revenue from its industrial/warehouse and office/flex buildings. Griffin's revenue would be adversely affected if a significant number of Griffin's tenants were unable to meet their obligations to Griffin or if Griffin were unable to lease a significant amount of space in its properties on economically favorable lease terms. In addition, there can be no assurance that any tenant whose lease expires in the future will renew such lease or that Griffin will be able to re-lease space on economically favorable terms. Griffin's inability to re-lease space on economically favorable terms could adversely affect its financial condition and results of operations.

Risks Associated with Nonrecourse Mortgage Loans

As of November 30, 2016, Griffin had indebtedness under nonrecourse mortgage loans of approximately \$111.1 million, collateralized by approximately 82% of the total square footage of its industrial/warehouse and office/flex buildings. If a significant number of Griffin's tenants were unable to meet their obligations to Griffin or if Griffin were unable to lease a significant amount of space in its properties on economically favorable lease terms, there would be a risk that Griffin would not have sufficient cash flow from operations for payments of required principal and interest on these loans. If Griffin were unable to make such payments and were to default, the property collateralizing the mortgage loan could be foreclosed upon, and Griffin's financial condition and results of operations would be adversely affected. In addition, two of Griffin's nonrecourse mortgage loans contain cross default provisions. A default under a mortgage loan that has cross default provisions may cause Griffin to automatically default on another loan.

Risks Associated with Financing Arrangements that Include Balloon Payment Obligations

Certain of Griffin's nonrecourse mortgage loans require a lump-sum or "balloon" payment at maturity. Griffin's ability to make a balloon payment at maturity may be uncertain and may depend upon its ability to obtain additional financing. At the time the balloon payment is due, Griffin may or may not be able to refinance the balloon payment on terms as favorable as the original mortgage terms.

Risks Associated with Failure to Effectively Hedge Against Interest Rate Fluctuation

Griffin has entered into several interest rate swap agreements to hedge its interest rate exposures related to its variable rate nonrecourse mortgages on certain of its industrial/warehouse and office/flex buildings. These agreements have costs and involve the risks that these arrangements may not be effective in reducing Griffin's exposure to interest rate fluctuations and that a court could rule that such agreements are not legally enforceable. The failure to hedge effectively against interest rate fluctuations may materially and adversely affect Griffin's results of operations. Additionally, any settlement charges incurred to terminate an interest rate swap agreement may result in increased interest expense, which may also have an adverse effect on Griffin's results of operations.

Risks Associated with Volatility in the Capital and Credit Markets

Volatility and disruption in the capital and credit markets could make it more difficult to borrow money. Market volatility could hinder Griffin's ability to obtain new debt financing or refinance maturing debt on favorable terms, or at all. Any financing or refinancing issues could materially and adversely affect Griffin. Market turmoil and the tightening of credit can lead to an increased lack of consumer confidence and widespread reduction of business activity in general, which also could materially and adversely impact Griffin, including its ability to acquire and dispose of assets on favorable terms, or at all.

Risks Associated with Increased Operating Expenses

Operating expenses such as real estate taxes, fuel, utilities, labor, repairs and maintenance, building materials and insurance, are not fixed and may increase in the future. Griffin may not be able to pass these costs on to its tenants and, therefore, any such increases could have an adverse effect on Griffin's results of operations and cash flow.

Potential Environmental Liabilities

Griffin has extensive land holdings in Connecticut and Massachusetts and in fiscal 2010 started acquiring properties in the Lehigh Valley of Pennsylvania. Under federal, state and local environmental laws, ordinances and regulations, Griffin may be required to investigate and clean up the effects of releases of hazardous substances or petroleum products at its properties because of its current or past ownership or operation of the real estate. If previously unidentified environmental problems arise, Griffin may have to make substantial payments, which could adversely affect its cash flow. As an owner or operator of properties, Griffin may have to pay for property damage and for investigation and clean-up costs incurred in connection with a contamination. The law typically imposes cleanup responsibility and liability regardless of whether the owner or operator knew of or caused the contamination. Changes in environmental regulations may impact the development potential of Griffin's undeveloped land or could increase operating costs due to the cost of complying with new regulations.

Governmental Regulations

Griffin's operations are subject to governmental regulations that affect real estate development, such as local zoning ordinances. Any changes in such regulations may impact the ability of Griffin to develop its properties or increase Griffin's costs of development. Subdivision and other residential development may also be affected by the potential adoption of initiatives meant to limit or concentrate residential growth. Commercial and industrial development activities of Griffin's undeveloped land may also be affected by traffic considerations, potential environmental issues, community opposition and other restrictions to development imposed by governmental agencies.

Insurance Coverage Does Not Include All Potential Losses in the Real Estate Business

Griffin carries comprehensive insurance coverage, including property, fire, terrorism and loss of rental revenue. The insurance coverage contains policy specifications and insured limits. However, there are certain losses that are not generally insured against or that are not fully insured against. If an uninsured loss or a loss in excess of insured limits occurs with respect to one or more of Griffin's properties, Griffin could experience a significant loss of capital invested and potential revenue from the properties affected.

Risks Associated with the Cost of Raw Materials and Energy Costs

Griffin's construction activities and maintenance of its current portfolio could be adversely affected by increases in raw materials or energy costs. As petroleum and other energy costs increase, products used in the construction of Griffin's facilities, such as steel, masonry, asphalt, cement and building products may increase. An increase in the cost of building new facilities could negatively impact Griffin's future operating results through increased depreciation expense. An increase in construction costs would also require increased investment in Griffin's real estate assets, which may lower the return on investment in new facilities. An increase in energy costs could increase Griffin's building operating expenses and thereby lower Griffin's operating results.

Investment in a Foreign Company

Griffin has an investment in Centaur Media plc, a public company based in the United Kingdom. The ultimate liquidation of that investment and conversion of proceeds into United States currency is subject to future foreign currency exchange rates.

Risks Associated with Deficiencies in Disclosure Controls and Procedures or Internal Control over Financial Reporting

Griffin's design and effectiveness of disclosure controls and procedures and internal controls over financial reporting may not prevent all errors, misstatements or misrepresentations. While Griffin continues to review the effectiveness of its disclosure controls and procedures and internal controls over financial reporting, there can be no guarantee that its internal controls over financial reporting will be effective in accomplishing all control objectives all of the time. Deficiencies, including any material weakness or significant deficiency, in its internal controls over financial reporting which may occur in the future could result in misstatements of Griffin's results of operations, restatements of its financial statements and a decline in its stock price, or otherwise materially adversely affect Griffin's business, reputation, results of operations, financial condition or liquidity.

Risks Associated with Information Technology ("IT") Security Breaches

As part of Griffin's normal business activities, it uses information technology and other computer resources to carry out important operational activities and to maintain its business records. Griffin's computer systems, including its backup systems, are subject to interruption or damage from power outages, computers and telecommunications failures, computer viruses, security breaches (including through cyber-attack and data theft), usage errors and catastrophic events, such as fires, floods, tornadoes and hurricanes. If Griffin's computer systems and its backup systems are compromised, degraded, damaged or breached, or otherwise cease to function properly, Griffin could suffer interruptions in its operations or unintentionally allow misappropriation of proprietary or confidential information, which could damage its reputation and require Griffin to incur significant costs to remediate or otherwise resolve these issues. Although Griffin makes efforts to maintain the security and integrity of its IT networks and related systems, there can be no assurance that the security efforts and measures will be effective or that attempted security breaches or disruptions would not be successful or damaging.

Griffin is Subject to Litigation That May Adversely Impact Operating Results

Griffin is, and may in the future be, a party to a number of legal proceedings and claims arising in the ordinary course of business which could become significant. Given the inherent uncertainty of litigation, Griffin can offer no assurance that a future adverse development related to existing litigation or any future litigation will not have a material adverse impact on its business, consolidated financial position, results of operations or cash flows.

The Concentrated Ownership of Griffin Common Stock by Members of the Cullman and Ernst Families

Members of the Cullman and Ernst families (the "Cullman and Ernst Group"), which include Frederick M. Danziger, Griffin's Executive Chairman, Michael S. Gamzon, a director and Griffin's President and Chief Executive Officer and Edgar M. Cullman, Jr., a director of Griffin, members of their families and trusts for their benefit, partnerships in which they own substantial interests and charitable foundations on whose boards of directors they sit, owned, directly or indirectly, approximately 46.2% of the outstanding common stock of Griffin as of November 30, 2016. There is an informal understanding that the persons and entities included in the Cullman and Ernst Group will vote together the shares owned by each of them. As a result, the Cullman and Ernst Group may effectively control the determination of Griffin's corporate and management policies and may limit other Griffin stockholders' ability to influence Griffin's corporate and management policies.

ITEM 1B. UNRESOLVED STAFF COMMENTS.

Not applicable.

ITEM 2. PROPERTIES.

Land Holdings

Griffin is a major landholder in the state of Connecticut, owning approximately 2,907 acres. Griffin also owns approximately 422 acres of land in Massachusetts, approximately 117 acres of land in Pennsylvania and approximately 1,066 acres in northern Florida. Griffin believes the fair market value of such land is substantially in excess of its book value.

Listings of the locations of Griffin's land holdings, a portion of which, principally in Bloomfield, East Granby and Windsor, Connecticut and Breinigsville, Lower Nazareth Township and Hanover Township, Pennsylvania have been developed, are as follows:

<u>Location</u>	<u>Land Area</u> <u>(in acres)</u>
Connecticut	
Bloomfield	267 (a)
East Granby	540 (b)
East Windsor	116
Granby	333 (b)
Simsbury	774 (a)
Suffield	66
Windsor	811
Florida	
Quincy	1,066 (c)
Massachusetts	
Southwick	422
Pennsylvania	
Lower Nazareth Township	51
Hanover Township	49
Breinigsville	17

- (a) Includes approximately 67 acres of land in Bloomfield that is under an agreement for sale and approximately 280 acres of land in Simsbury that is under the Option Agreement.
- (b) Includes approximately 424 acres of land in East Granby and 305 acres of land in Granby that had been used by Imperial in its growing operation. Effective January 8, 2014, most of such acreage is leased to Monrovia under the Imperial Lease.
- (c) The acreage in Florida was used in Imperial's landscape nursery business prior to fiscal 2009. Imperial shut down that facility in fiscal 2009 and now leases that facility to another grower of containerized nursery plants.

Developed Properties

As of November 30, 2016, Griffin owned thirty-three buildings, comprised of twenty-one industrial/warehouse buildings, eleven office/flex buildings and a small restaurant building. A listing of those facilities is as follows:

Connecticut Industrial/Warehouse Properties

100 International Drive, Windsor, CT*	304,200 sq. ft.
1985 Blue Hills Avenue, Windsor, CT*	165,000 sq. ft.
755 Rainbow Road, Windsor, CT**	148,500 sq. ft.
758 Rainbow Road, Windsor, CT*	138,400 sq. ft.
754 Rainbow Road, Windsor, CT*	136,900 sq. ft.
759 Rainbow Road, Windsor, CT**	126,900 sq. ft.
75 International Drive, Windsor, CT*	117,000 sq. ft.
20 International Drive, Windsor, CT*	99,800 sq. ft.
40 International Drive, Windsor, CT*	99,800 sq. ft.
35 International Drive, Windsor, CT*	97,600 sq. ft.
16 International Drive, East Granby, CT*	58,400 sq. ft.
25 International Drive, Windsor, CT*	57,200 sq. ft.
15 International Drive, East Granby, CT*	41,600 sq. ft.
14 International Drive, East Granby, CT*	40,100 sq. ft.
131 Phoenix Crossing, Bloomfield, CT	31,200 sq. ft.
210 West Newberry Road, Bloomfield, CT*	18,400 sq. ft.

Pennsylvania Industrial/Warehouse Properties

4270 Fritch Drive, Lower Nazareth, PA*	302,600 sq. ft.
5220 Jandl Blvd., Hanover Township, PA*	280,000 sq. ft.
5210 Jandl Blvd., Hanover Township, PA*	252,000 sq. ft.
4275 Fritch Drive, Lower Nazareth, PA*	228,000 sq. ft.
871 Nestle Way, Breinigsville, PA*	119,900 sq. ft.

Office/Flex Properties

5 Waterside Crossing, Windsor, CT*	80,500 sq. ft.
7 Waterside Crossing, Windsor, CT*	80,500 sq. ft.
29 - 35 Griffin Road South, Bloomfield, CT*	57,500 sq. ft.
21 Griffin Road North, Windsor, CT*	48,300 sq. ft.
55 Griffin Road South, Bloomfield, CT*	40,300 sq. ft.
340 West Newberry Road, Bloomfield, CT*	39,000 sq. ft.
206 West Newberry Road, Bloomfield, CT*	22,800 sq. ft.
204 West Newberry Road, Bloomfield, CT*	22,300 sq. ft.
330 West Newberry Road, Bloomfield, CT*	11,900 sq. ft.
310 West Newberry Road, Bloomfield, CT*	11,400 sq. ft.
320 West Newberry Road, Bloomfield, CT*	11,100 sq. ft.
1936 Blue Hills Avenue, Windsor, CT	7,200 sq. ft.

* Included as collateral under one of Griffin's nonrecourse mortgage loans or Griffin's revolving line of credit as of November 30, 2016.

** Subsequent to November 30, 2016, Griffin agreed to terms on a nonrecourse mortgage loan on these buildings. Completion of this proposed new mortgage loan is subject to a number of contingencies, including entry into a definitive loan agreement. There is no guarantee that this transaction will be completed under its current terms, or at all.

Griffin subleases approximately 1,920 square feet in New York City for its executive offices from Bloomingdale Properties, Inc. ("Bloomingdale Properties"), an entity that is controlled by certain members of the

Cullman and Ernst Group. The sublease with Bloomingdale Properties was approved by Griffin's Audit Committee and the lease rates under the sublease were at market rate at the time the sublease was signed.

As with many companies engaged in real estate investment and development, Griffin holds its real estate portfolio subject to mortgage debt. See Note 5 to Griffin's consolidated financial statements for information concerning the mortgage debt associated with Griffin's properties.

ITEM 3. LEGAL PROCEEDINGS.

Griffin is involved, as a defendant, in various litigation matters arising in the ordinary course of business. In the opinion of management, based on the advice of legal counsel, the ultimate liability, if any, with respect to these matters is not expected to be material to Griffin's financial position, results of operations or cash flows.

ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

Market Information

The following are the high and low prices of Griffin's common stock as traded on The NASDAQ Stock Market LLC:

	1st Quarter		2nd Quarter		3rd Quarter		4th Quarter	
	High	Low	High	Low	High	Low	High	Low
2016	\$ 26.99	\$ 22.50	\$ 32.50	\$ 22.00	\$ 32.60	\$ 25.75	\$ 32.00	\$ 28.94
2015	\$ 32.13	\$ 26.81	\$ 32.52	\$ 30.00	\$ 32.75	\$ 30.04	\$ 32.62	\$ 24.22

On February 6, 2017, the number of record holders of common stock of Griffin was approximately 174 which does not include beneficial owners whose shares are held of record in the names of brokers or nominees. The closing market price as quoted on The NASDAQ Stock Market LLC on such date was \$31.26 per share.

Dividend Policy

Griffin's dividend policy is to consider the payment of an annual dividend at the end of its fiscal year, which enables the Board of Directors to evaluate both Griffin's prior full year results and its cash needs for the succeeding year when determining whether to declare an annual dividend. In fiscal 2016 and fiscal 2015, Griffin declared an annual dividend of \$0.30 per share.

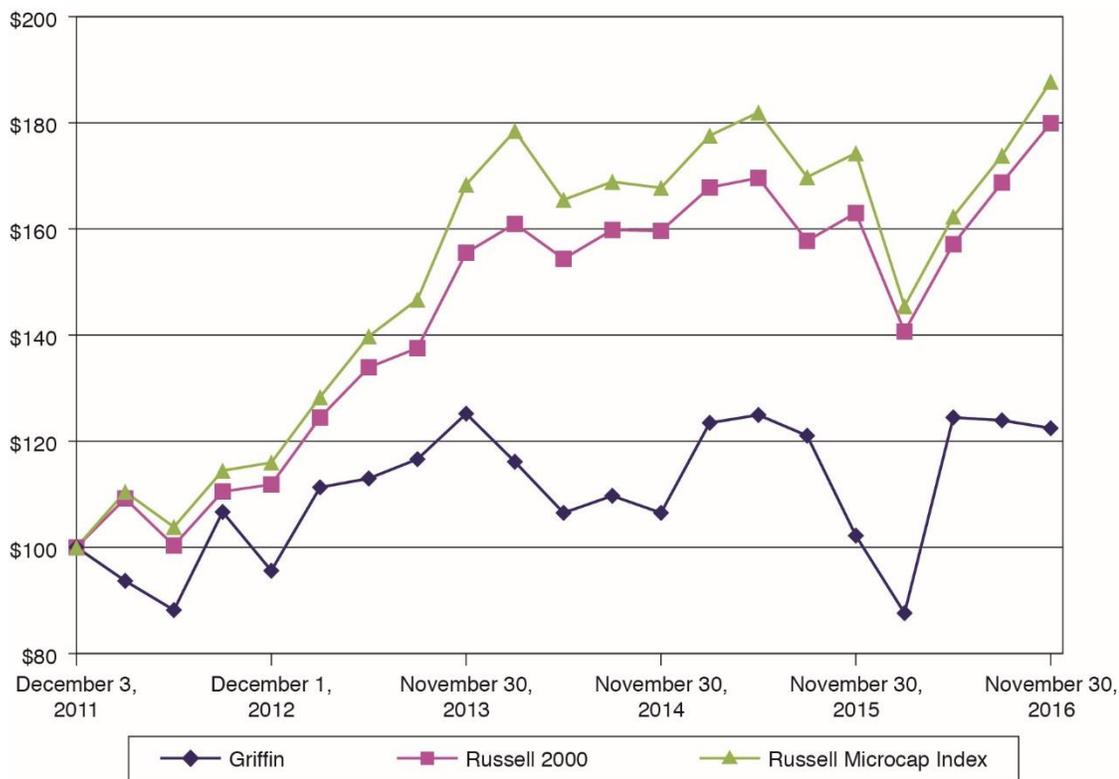
Issuer Purchases of Equity Securities

Date	(a) Total Number of Shares Purchased	(b) Average Price Paid per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	(d) Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
September 1, 2016 – September 30, 2016	–	–	–	–
October 1, 2016 – October 31, 2016	45,000	\$31.17	45,000	\$1,646,150
November 1, 2016 – November 30, 2016	–	–	–	–

On March 31, 2016, Griffin's Board of Directors authorized a stock repurchase program whereby Griffin may repurchase up to \$5.0 million in outstanding shares of its common stock in privately negotiated transactions. The repurchase program expires on May 10, 2017. The repurchase program does not obligate Griffin to repurchase any specific number of shares, and may be suspended at any time at management's discretion.

Stock Performance Graph

The following graph compares the total percentage changes in the cumulative total stockholder return (assuming the reinvestment of dividends) on Griffin’s common stock with the cumulative total return of the Russell 2000 Index and the Russell Microcap Index from December 3, 2011 to November 30, 2016. It is assumed in the graph that the value of each investment was \$100 at December 3, 2011. Griffin has selected an index of companies with a similar market capitalization because, for the period from December 3, 2011 to January 8, 2014, when Griffin sold its landscape nursery business, Griffin is not aware of any other company that substantially participated in both the landscape nursery and real estate businesses, and would therefore be suitable for comparison to Griffin as a “peer issuer” within Griffin’s lines of business. In addition, following the sale of the landscape nursery business, Griffin has not been able to identify issuers in the real estate business that are comparable peers, as most of those companies are significantly larger in size or have real estate holdings that either differ geographically or by type of property from Griffin’s holdings. Accordingly, Griffin selected an index of companies with a similar market capitalization.



ITEM 6. SELECTED FINANCIAL DATA.

The following table sets forth selected statement of operations data for fiscal years 2012 through 2016 and balance sheet data as of the end of each fiscal year. The selected statement of operations data for fiscal 2014, fiscal 2015 and fiscal 2016 and the selected balance sheet data for fiscal 2015 and fiscal 2016 are derived from the audited consolidated financial statements included in Item 8 of this Annual Report. The selected statement of operations data for fiscal 2012 and fiscal 2013 and the balance sheet data for fiscal 2012, fiscal 2013 and fiscal 2014 were derived from the audited consolidated financial statements for those years. This selected financial data should be read in conjunction with the consolidated financial statements and accompanying notes, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and other financial information included elsewhere in this Annual Report. Historical results are not necessarily indicative of future performance.

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
	(dollars in thousands, except per share data)				
Statement of Operations Data:					
Total revenue	\$ 30,851	\$ 28,088	\$ 24,219	\$ 25,526	\$ 24,215
Depreciation and amortization expense	8,797	7,668	6,729	6,673	6,303
Operating income	5,627	4,314	1,809	2,436	3,386
Income (loss) from continuing operations	576	425	(1,248)	1,910	196
Income (loss) from discontinued operations (1)	—	—	144	(7,731)	770
Net income (loss)	576	425	(1,104)	(5,821)	966
Basic income (loss) per share from continuing operations	0.11	0.08	(0.24)	0.37	0.04
Basic income (loss) per share from discontinued operations (1)	—	—	0.03	(1.50)	0.15
Basic net income (loss) per share	0.11	0.08	(0.21)	(1.13)	0.19
Diluted income (loss) per share from continuing operations	0.11	0.08	(0.24)	0.37	0.04
Diluted income (loss) per share from discontinued operations (1)	—	—	0.03	(1.50)	0.15
Diluted net income (loss) per share	0.11	0.08	(0.21)	(1.13)	0.19
Balance Sheet Data:					
Total assets	223,623	208,050	185,690	183,958	179,216
Mortgage loans, net of debt issuance costs	109,697	89,185	69,481	65,939	58,591
Stockholders' equity	90,803	94,809	95,879	98,115	104,146
Cash dividends declared per common share	0.30	0.30	0.20	0.20	0.20

- (1) Fiscal years 2012 through 2014 include the results from the growing operations of the landscape nursery business, which was sold on January 8, 2014. See "Business-Landscape Nursery Business." Results of discontinued operations in fiscal year 2012 also includes the results from the operations of a 308,000 square foot warehouse facility in Manchester, Connecticut and the gain on the sale of that warehouse.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

Overview

Griffin Industrial Realty, Inc. ("Griffin") is a real estate business principally engaged in developing, managing and leasing industrial/warehouse properties, and to a lesser extent, office/flex properties. Periodically, Griffin may sell certain portions of its undeveloped land that it has owned for an extended time period and the use of which is not consistent with Griffin's core development and leasing strategy. Griffin seeks to add to its property portfolio through the acquisition and development of land or the purchase of buildings. Prior to May 13, 2015, Griffin was known as Griffin Land & Nurseries, Inc. On May 13, 2015, Griffin changed its name to better reflect its ongoing real estate business and focus on industrial/warehouse properties after the sale in fiscal 2014 of the landscape nursery business that Griffin had operated through its wholly owned subsidiary, Imperial Nurseries, Inc. ("Imperial"). Effective January 8, 2014, Griffin, Imperial and Monrovia Connecticut LLC ("Monrovia") entered into an Asset Purchase Agreement whereby Imperial's inventory and certain of its assets were sold to Monrovia for approximately \$0.7 million in cash, before transaction and severance costs, and a non-interest bearing note receivable (which Griffin subsequently collected) of \$4.25 million (the "Imperial Sale").

The notes to Griffin's consolidated financial statements included in Item 8 of this Annual Report contain a summary of the significant accounting policies and methods used in the preparation of Griffin's consolidated financial statements. In the opinion of management, because of the relative magnitude of Griffin's real estate assets, accounting methods and estimates related to those assets are critical to the preparation of Griffin's consolidated financial statements. Griffin uses accounting policies and methods under accounting principles generally accepted in the United States of America ("U.S. GAAP"). The following are the critical accounting estimates and methods used by Griffin:

Income taxes: In accounting for income taxes under Financial Accounting Standards Board ("FASB") ASC 740, "Income Taxes," management estimates future taxable income from operations, the sale of appreciated assets, the remaining years before the expiration of loss credit carryforwards, future reversals of existing temporary differences and tax planning strategies in determining if it is more likely than not that Griffin will realize the benefits of its deferred tax assets.

Impairment of long-lived assets: Griffin reviews annually, as well as when conditions may indicate, its long-lived assets to determine if there are any indications of impairment, such as a prolonged vacancy in one of Griffin's rental properties. If indications of impairment are present, Griffin evaluates the carrying value of the assets in relation to undiscounted cash flows or the estimated fair value of the underlying assets. Development costs that have been capitalized are reviewed periodically for future recoverability.

Revenue and gain recognition: Revenue includes rental revenue from Griffin's industrial and commercial properties and proceeds from property sales. Rental revenue is accounted for on a straight-line basis over the applicable lease term in accordance with the FASB ASC 840, "Leases." Gains on property sales are recognized in accordance with FASB ASC 360-20 "Property, Plant and Equipment-Real Estate Sales" based on the specific terms of each sale. When the percentage of completion method is used to account for a sale of real estate, costs included in determining the percentage of completion include the costs of the land sold, allocated master planning costs, selling and transaction costs and estimated future costs related to the land sold.

Stock based compensation: Griffin determines stock based compensation based on the estimated fair values of stock options as determined on their grant dates using the Black-Scholes option-pricing model. In determining the estimated fair values of stock options issued, Griffin makes assumptions on expected volatility, risk free interest rates, expected option terms and dividend yields.

Derivative instruments: Griffin evaluates each interest rate swap agreement to determine if it qualifies as an effective cash flow hedge. Changes in the fair value of each interest rate swap agreement that management determines to be an effective cash flow hedge are recorded as a component of other comprehensive income. The fair value of each interest rate swap agreement is determined based on observable market participant data, such as yield curves, as of the fair value measurement date.

Summary

In the fiscal year ended November 30, 2016 (“fiscal 2016”), Griffin had net income of approximately \$0.6 million as compared to net income of approximately \$0.4 million in the fiscal year ended November 30, 2015 (“fiscal 2015”). The slightly higher net income in fiscal 2016 as compared to fiscal 2015 principally reflects an increase of approximately \$1.3 million in operating income in fiscal 2016 as compared to fiscal 2015 partially offset by an increase of approximately \$0.8 million in interest expense and an increase of approximately \$0.3 million in income taxes in fiscal 2016 as compared to fiscal 2015.

The approximately \$1.3 million increase in operating income in fiscal 2016, as compared to fiscal 2015, principally reflects an increase of approximately \$2.0 million in profit from leasing activities (which Griffin defines as rental revenue less operating expenses of rental properties)² and an increase of approximately \$0.7 million in gain on property sales (revenue from property sales less costs related to property sales), partially offset by increases in depreciation and amortization expense and general and administrative expenses of approximately \$1.1 million and approximately \$0.3 million, respectively. The increase in profit from leasing activities in fiscal 2016, as compared to fiscal 2015, was driven by an increase in rental revenue from more space being leased in fiscal 2016 than fiscal 2015. The higher gain on property sales in fiscal 2016, as compared to fiscal 2015, principally reflects the gain of approximately \$3.2 million from the sale of undeveloped Griffin Center land that closed in fiscal 2016. The increase in depreciation and amortization expense in fiscal 2016, as compared to fiscal 2015, principally reflects a full year of depreciation expense in fiscal 2016, as compared to a partial year in fiscal 2015, on 5220 Jandl Boulevard (“5220 Jandl”), an approximately 280,000 square foot industrial/warehouse building in the Lehigh Valley of Pennsylvania that was completed and placed in service at the end of the fiscal 2015 third quarter and depreciation expense on tenant improvements related to new leases being higher in fiscal 2016 than fiscal 2015. The increase in general and administrative expenses in fiscal 2016, as compared to fiscal 2015, principally reflects higher expenses related to Griffin’s non-qualified deferred compensation plan.

The higher interest expense in fiscal 2016, as compared to fiscal 2015, principally reflects less interest capitalized in fiscal 2016 than in fiscal 2015 and the higher amount of mortgage loans outstanding in fiscal 2016 as compared to fiscal 2015. The higher income tax expense in fiscal 2016 as compared to fiscal 2015 reflects the higher pretax income in fiscal 2016, as compared to fiscal 2015, and an increase in income tax expense related to the higher pretax income in fiscal 2016 and a reduction in the valuation of certain state deferred tax assets.

Results of Operations

Fiscal 2016 Compared to Fiscal 2015

Total revenue increased to approximately \$30.9 million in fiscal 2016 from approximately \$28.1 million in fiscal 2015, reflecting an increase of approximately \$1.9 million in rental revenue and approximately \$0.9 million in revenue from property sales. Rental revenue increased to approximately \$26.5 million in fiscal 2016 from approximately \$24.6 million in fiscal 2015 principally reflecting: (a) an increase of approximately \$1.9 million from leasing previously vacant space; and (b) an increase of approximately \$1.6 million from leasing space in 5220 Jandl, which was completed and placed in service at the start of the fiscal 2015 fourth quarter; partially offset by (c) a decrease of approximately \$1.5 million from leases that expired; and (d) a decrease of approximately \$0.2 million of rental revenue from lower expense reimbursements from tenants and other changes.

A summary of the total square footage and leased square footage of the buildings in Griffin’s real estate portfolio is as follows:

	Total Square Footage	Square Footage Leased	Percentage Leased
As of November 30, 2016	3,297,000	3,066,000	93%
As of November 30, 2015	3,045,000	2,706,000	89%

² Profit from leasing activities is not a financial measure in conformity with U.S. GAAP. It is presented because Griffin believes it is a useful financial indicator for measuring results of its real estate leasing activities. However, it should not be considered as an alternative to operating income as a measure of operating results in accordance with U.S. GAAP.

The increase in total square footage as of November 30, 2016, as compared to November 30, 2015, reflects the construction in fiscal 2016 of 5210 Jaindl Boulevard (“5210 Jaindl”), an approximately 252,000 square foot industrial/warehouse building which is the second of the two buildings built on an approximately 50 acre parcel of land known as Lehigh Valley Tradeport II. 5210 Jaindl was completed in the 2016 third quarter and Griffin entered into two leases for that building, resulting in 5210 Jaindl being fully leased as of November 30, 2016. Both of the new leases at 5210 Jaindl will become effective upon completion of tenant improvements, which are expected to be completed in the first half of fiscal 2017. As a result of leasing 5210 Jaindl, Griffin now has five fully leased industrial/warehouse buildings in the Lehigh Valley aggregating approximately 1,183,000 square feet.

The net increase of approximately 360,000 square feet leased as of November 30, 2016, as compared to November 30, 2015, reflects the approximately 252,000 square feet leased at 5210 Jaindl and several new leases aggregating approximately 240,000 square feet in other buildings, partially offset by several leases aggregating approximately 132,000 square feet that expired. Included in the approximately 240,000 square feet of new leasing in fiscal 2016 are a lease of approximately 101,000 square feet in 4270 Fritch Drive (“4270 Fritch”), one of Griffin’s other industrial/warehouse buildings in the Lehigh Valley, a full building lease of 25 International Drive (“25 International”), an approximately 57,000 square foot industrial/warehouse building in New England Tradeport (“NE Tradeport”), Griffin’s industrial park in Windsor and East Granby, Connecticut, a full building lease of an approximately 31,000 square foot industrial/warehouse building in Bloomfield, Connecticut, and a lease of approximately 16,000 square feet in a single story office building in Griffin Center. The new lease of 25 International replaced a lease that expired earlier in the year. The tenant of the expired lease had, in fiscal 2014, entered into a ten year full building lease of 758 Rainbow Road (“758 Rainbow”), an approximately 138,000 square foot building in NE Tradeport, while remaining in 25 International during its period of transition to the larger facility.

Also in the third quarter of fiscal 2016, Griffin entered into a new three year lease of its production nursery in Quincy, Florida (the “Florida Farm”). The Florida Farm had been leased to a nursery grower since fiscal 2009, but that lease ended in the fiscal 2016 second quarter. The new lease contains an option for the tenant to purchase the Florida Farm for a purchase price between \$3.4 million and \$3.9 million depending upon the date of sale.

All of Griffin’s Connecticut industrial/warehouse and office/flex buildings are in the north submarket of Hartford. The real estate market for industrial/warehouse space in the Hartford, Connecticut area has improved over the last two years. A national real estate services company reported that the overall vacancy rate in the greater Hartford industrial market decreased from 12.3% at the end of 2014 to 9.2% at the end of 2016, with approximately 1.0 million square feet of net absorption in 2016. The Hartford office/flex market remained weak in 2016, with a national real estate services company reporting that the overall vacancy rate has remained at approximately 16% over the past two years, with vacancy in the north submarket of Hartford at approximately 21% over the past two years. Griffin’s office/flex space was approximately 13% of Griffin’s total square footage as of November 30, 2016. Griffin expects that its office/flex buildings will continue to become a smaller percentage of its total real estate portfolio as Griffin expects to focus on the growth of its industrial/warehouse building portfolio either through acquisition of fully or partially leased buildings, development of buildings on land currently owned or to be acquired or both. The real estate market for industrial/warehouse space in the Lehigh Valley has experienced strong growth and leasing activity during the past two years. The vacancy rate of Lehigh Valley industrial/warehouse properties as reported by a national real estate services company was 5.2% at the end of the 2016, with a net absorption of approximately 7.6 million square feet in 2016. There is no guarantee that an active or strong real estate market or an increase in inquiries from prospective tenants will result in leasing space that was vacant as of November 30, 2016.

Griffin’s revenue from property sales increased to approximately \$4.4 million in fiscal 2016 from approximately \$3.5 million in fiscal 2015. In fiscal 2016, Griffin completed one property sale of approximately 29 acres of undeveloped land in Griffin Center (the “Griffin Center Land Sale”) for approximately \$3.8 million in cash and a pretax gain of approximately \$3.2 million. In fiscal 2016, in addition to the Griffin Center Land Sale, Griffin recognized revenue of approximately \$0.6 million and a gain of approximately \$0.4 million from the sale of approximately 90 acres of undeveloped land in Windsor, Connecticut (the “Windsor Land Sale”) that closed in the fiscal year ended November 30, 2013 (“fiscal 2013”). Under the terms of the Windsor Land Sale, Griffin is required to construct roadways to connect the land sold to existing town roadways. Accordingly, because of Griffin’s continuing involvement with the land that was sold, the Windsor Land Sale is being accounted for under the percentage of completion method. From the closing of the Windsor Land Sale in fiscal 2013 through November 30, 2016, Griffin has recognized approximately \$8.8 million of

revenue from the Windsor Land Sale, reflecting approximately 99% of the total revenue to be recognized from such sale. The balance of the revenue from the Windsor Land Sale, approximately \$0.1 million, will be recognized as the remaining costs, expected to be less than \$0.1 million, of the required roadway construction are incurred, which is expected to be in fiscal 2017. While management has used its best estimates, based on industry knowledge and experience, in projecting the total costs of the required roadways being constructed, increases or decreases in future costs as compared with current estimated amounts would reduce or increase the gain recognized in future periods.

The approximately \$3.5 million of revenue from property sales in fiscal 2015 reflected: (a) approximately \$2.5 million from the recognition of revenue related to the Windsor Land Sale; (b) approximately \$0.6 million from the sale of land that had been part of the Connecticut farm used by Imperial but not part of the long-term lease to Monrovia; and (c) \$0.4 million from the retention of a deposit (the "Florida Farm Deposit") related to the sale of the Florida Farm, which did not close. Griffin received the Florida Farm Deposit in fiscal 2015 from the tenant that leased the Florida Farm at that time in connection with the tenant giving notice to Griffin that it was exercising its option under the lease to purchase the Florida Farm. The tenant subsequently notified Griffin that it would not close on the purchase and Griffin retained the Florida Farm Deposit and entered into an agreement with the tenant to extend its lease through April 30, 2016. Property sales occur periodically, and changes in revenue from year to year from those transactions may not be indicative of any trends in Griffin's real estate business.

Operating expenses of rental properties decreased to approximately \$8.2 million in fiscal 2016 from approximately \$8.4 million in fiscal 2015. The slight decrease of approximately \$0.2 million in operating expenses of rental properties in fiscal 2016, as compared to fiscal 2015, principally reflects decreases of approximately \$0.4 million in snow removal expenses, due to less severe winter weather in fiscal 2016 than fiscal 2015, and approximately \$0.3 million in utility expenses, partially offset by operating expense increases of approximately \$0.3 million at 5220 Jaendl, which was in service for the entire year in fiscal 2016 versus three months in fiscal 2015, approximately \$0.1 million of operating expenses at 5210 Jaendl, which was placed in service in fiscal 2016, and approximately \$0.1 million for real estate taxes.

Depreciation and amortization expense increased to approximately \$8.8 million in fiscal 2016 from approximately \$7.7 million in fiscal 2015. The increase of approximately \$1.1 million in depreciation and amortization expense in fiscal 2016, as compared to fiscal 2015, reflects increases in depreciation and amortization expense of approximately \$0.6 million related to 5220 Jaendl, which was in service for the entire year in fiscal 2016 versus three months in fiscal 2015, approximately \$0.2 million related to 5210 Jaendl, which was placed in service in fiscal 2016, and approximately \$0.5 million for tenant improvements related to new leases, offset by lower depreciation expense of approximately \$0.2 million due to assets becoming fully depreciated.

Griffin's general and administrative expenses increased to approximately \$7.4 million in fiscal 2016 from approximately \$7.1 million in fiscal 2015. The increase of approximately \$0.3 million in general and administrative expenses in fiscal 2016, as compared to fiscal 2015, principally reflects an increase of approximately \$0.2 million related to Griffin's non-qualified deferred compensation plan and approximately \$0.1 million for an increase in incentive compensation expense. The expense increase related to the non-qualified deferred compensation plan reflects the effect of higher stock market performance on participant balances in fiscal 2016, as compared to fiscal 2015, that resulted in a greater increase in Griffin's non-qualified deferred compensation plan liability in fiscal 2016 as compared to fiscal 2015. The increase in incentive compensation expense reflects Griffin's improved results in fiscal 2016 with regards to profit from leasing activities and gain on property sales as measured under Griffin's incentive compensation plan.

Griffin's interest expense increased to approximately \$4.5 million in fiscal 2016 from approximately \$3.7 million in fiscal 2015. The increase of approximately \$0.8 million in interest expense in fiscal 2016, as compared to fiscal 2015, principally reflects approximately \$0.5 million less interest capitalized in fiscal 2016 than fiscal 2015 and an increase in interest expense of approximately \$0.4 million due to the increase in the amount of nonrecourse mortgage loans in fiscal 2016 as compared to fiscal 2015. The lower amount of capitalized interest in fiscal 2016, as compared to fiscal 2015, reflects the higher amount of construction activity in fiscal 2015 than fiscal 2016. The increase in nonrecourse mortgage loans in fiscal 2016, as compared to fiscal 2015, reflects borrowings completed in the fiscal 2015 fourth quarter that were outstanding for the entire year in fiscal 2016, a new borrowing in fiscal 2016 on 5210 Jaendl, and adding a previously unleveraged NE Tradeport building to a mortgage on several other NE Tradeport buildings in fiscal 2016.

Griffin's income tax provision increased to approximately \$0.7 million in fiscal 2016 from approximately \$0.4 million in fiscal 2015. The increase of approximately \$0.3 million reflects approximately \$0.2 million as a result of the higher pretax income in fiscal 2016 than fiscal 2015 and approximately \$0.1 million related to decreases in the valuation of certain state income tax benefits in fiscal 2016. In fiscal 2016, Griffin's income tax provision included a charge of approximately \$0.2 million for the reduction of the expected realization rate of tax benefits from Connecticut state net operating loss carryforwards as a result of a change in Connecticut tax law, effective for Griffin beginning in fiscal 2016, that limits the future usage of loss carryforwards to 50% of taxable income. In fiscal 2015, Griffin's income tax provision included a charge of approximately \$0.1 million for the reduction of the expected realization rate of tax benefits from certain state net operating loss carryforwards and other temporary differences as a result of changes in the expected utilization of such benefits. Griffin's effective income tax rate increased to 56.1% in fiscal 2016 from 47.2% in fiscal 2015. The higher effective tax rate in fiscal 2016, as compared to fiscal 2015, principally reflects the effect in fiscal 2016 of a higher charge related to the reduction of certain state tax benefits.

Fiscal 2015 Compared to Fiscal 2014

Total revenue increased to approximately \$28.1 million in fiscal 2015 from approximately \$24.2 million in fiscal 2014, reflecting an increase of approximately \$4.1 million in rental revenue, partially offset by a decrease of approximately \$0.2 million in revenue from property sales. Rental revenue increased to approximately \$24.6 million in fiscal 2015 from approximately \$20.5 million in fiscal 2014 principally due to an increase in space leased in Griffin's buildings. The increase in rental revenue principally reflected: (a) an increase of approximately \$2.9 million of rental revenue from leasing previously vacant space; (b) approximately \$1.4 million of rental revenue from leasing space in two Lehigh Valley industrial/warehouse buildings that were placed in service in fiscal 2014 and fiscal 2015; (c) an increase of approximately \$0.4 million of rental revenue in connection with agreements to terminate leases before their scheduled termination dates; and (d) an increase in rental revenue of approximately \$0.3 million from all other leases; partially offset by (e) a decrease of approximately \$0.9 million of rental revenue from leases that expired and were not renewed.

A summary of the square footage of the buildings in Griffin's real estate portfolio is as follows:

	Total Square Footage	Square Footage Leased	Percentage Leased
As of November 30, 2015	3,045,000	2,706,000	89%
As of November 30, 2014	2,764,000	2,317,000	84%

The increase in total square footage as of November 30, 2015 as compared to November 30, 2014 reflected 5220 Jaindl, the approximately 280,000 square foot industrial building completed and placed in service at the end of the fiscal 2015 third quarter. 5220 Jaindl, located in the Lehigh Valley, was the first of two industrial buildings constructed on Lehigh Valley Tradeport II, the approximately 50 acre parcel of undeveloped land acquired mostly in fiscal 2013.

The net increase of approximately 389,000 square feet in space leased as of November 30, 2015 as compared to November 30, 2014 reflects leasing the entire approximately 280,000 square feet of 5220 Jaindl and several new leases in other buildings aggregating approximately 191,000 square feet of previously vacant space, partially offset by several leases aggregating approximately 52,000 square feet that expired and were not renewed and a lease of approximately 31,000 square feet that was terminated prior to its scheduled expiration date for which Griffin received a payment of approximately \$0.2 million. The leasing of 5220 Jaindl reflected a five year lease for approximately 196,000 square feet that became effective at the start of the fiscal 2015 fourth quarter. In November 2015, the tenant in 5220 Jaindl exercised its option to lease the balance of the building. Rental revenue on the additional space started in fiscal 2016. Most of the approximately 191,000 square feet of previously vacant space that was leased in fiscal 2015 was industrial/warehouse space in NE Tradeport. Griffin also extended several leases aggregating approximately 397,000 square feet that included approximately 326,000 square feet of industrial/warehouse space in NE Tradeport and approximately 71,000 square feet of office/flex space in Griffin Center and Griffin Center South. Subsequent to November 30, 2015, Griffin leased approximately 102,000 square feet in 4270 Fritch. Had that lease been completed as of November 30, 2015, the percentage of square footage leased in Griffin's buildings as of that date would have been 92%.

Activity by prospective tenants where Griffin's Connecticut properties are located (the north submarket of Hartford) was muted in fiscal 2014; however, there was an increase in inquiries from prospective tenants, mostly for

industrial/warehouse space, in the latter part of fiscal 2014 that continued through fiscal 2015. Leasing activity in the Lehigh Valley in fiscal 2015 was somewhat slower than the previous year; however, the reported overall vacancy rate there continued to remain low in fiscal 2015.

Revenue from property sales decreased to approximately \$3.5 million in fiscal 2015 from approximately \$3.7 million in fiscal 2014. Revenue from property sales in fiscal 2015 reflects: (a) the recognition of approximately \$2.5 million of revenue from the Windsor Land Sale; (b) approximately \$0.6 million from the sale of land that had been part of the Connecticut farm used by Imperial but not part of the long-term lease to Monrovia; and (c) \$0.4 million from the Florida Farm Deposit (see below). Property sales occur periodically, and changes in revenue from year to year from those transactions may not be indicative of any trends in Griffin's real estate business.

Under the terms of the Windsor Land Sale, Griffin is required to construct roadways that will connect the land sold to existing town roadways. Accordingly, because of Griffin's continuing involvement with the land that was sold, the Windsor Land Sale is being accounted for under the percentage of completion method. Through November 30, 2015, Griffin had recognized approximately \$8.3 million of revenue from the Windsor Land Sale.

In the fiscal 2015 third quarter, Griffin received the Florida Farm Deposit from the tenant that leased the Florida Farm in connection with the tenant giving notice to Griffin at that time that it was exercising its option under the lease to purchase the Florida Farm. The tenant subsequently notified Griffin that it would not close on the purchase of the Florida Farm. Griffin retained the Florida Farm Deposit and entered into an agreement with the tenant to extend the lease of the Florida Farm through April 30, 2016.

Operating expenses of rental properties increased to approximately \$8.4 million in fiscal 2015 from approximately \$7.8 million in fiscal 2014. The increase in operating expenses of rental properties of approximately \$0.6 million was due to a full year of operating expenses of 4270 Fritch in fiscal 2015 as compared to a partial year of such expenses in fiscal 2014, as that building was placed in service in the fiscal 2014 third quarter, and operating expenses of 5220 Jaendl, which was placed in service at the end of the fiscal 2015 third quarter. Operating expenses of all other rental properties were essentially unchanged in fiscal 2015 as compared to fiscal 2014.

Depreciation and amortization expense increased to approximately \$7.7 million in fiscal 2015 from approximately \$6.7 million in fiscal 2014. The increase of approximately \$1.0 million in depreciation and amortization expense in fiscal 2015 as compared to fiscal 2014 reflects approximately \$0.4 million related to 4270 Fritch, approximately \$0.2 million related to 5220 Jaendl and an increase of approximately \$0.3 million related to building improvements and tenant improvements in Griffin's other properties.

Griffin's general and administrative expenses were essentially unchanged at approximately \$7.1 million in both fiscal 2015 and fiscal 2014. Increases of approximately \$0.3 million of incentive compensation expense and approximately \$0.2 million in expenses in real estate taxes and other expenses related to Griffin's undeveloped land, which are included in general and administrative expenses, were essentially offset by decreases of approximately \$0.2 million in expenses related to Griffin's non-qualified deferred compensation plan, approximately \$0.2 million in audit fee expenses and approximately \$0.1 million in all other general and administrative expenses. The lower expense related to Griffin's non-qualified deferred compensation plan reflects lower stock market performance in fiscal 2015, as compared to fiscal 2014, that resulted in a lower increase on participant balances in fiscal 2015 as compared to fiscal 2014.

Griffin's interest expense increased to approximately \$3.7 million in fiscal 2015 from approximately \$3.5 million in fiscal 2014. An increase in interest expense of approximately \$0.5 million as a result of new mortgage loans in fiscal 2015 was partially offset by decreases in interest expense of approximately \$0.2 million due to a higher amount of interest capitalized in fiscal 2015 as compared to fiscal 2014 and approximately \$0.1 million from refinancing a mortgage loan on three NE Tradeport buildings at a lower interest rate in fiscal 2015. The increase in the amount of interest capitalized in fiscal 2015 as compared to fiscal 2014 principally reflects an increase in construction activities in fiscal 2015 as compared to fiscal 2014, including the construction of 5220 Jaendl, which was completed and placed in service at the end of the fiscal 2015 third quarter.

Investment income decreased to approximately \$0.2 million in fiscal 2015 from approximately \$0.3 million in fiscal 2014. The decrease of approximately \$0.1 million principally reflects lower interest income from the amortization

of the discount on the note receivable from Monrovia related to the Imperial Sale that closed in January 2014. The note receivable from Monrovia was fully paid on June 1, 2015.

In fiscal 2014, Griffin reported an approximately \$0.3 million gain from the sale of 500,000 shares of its common stock in Centaur Media for cash proceeds of approximately \$0.6 million. Griffin did not sell any of its Centaur Media common stock in fiscal 2015. Griffin holds 1,952,462 shares of Centaur Media common stock and has not sold any Centaur Media common stock subsequent to the end of fiscal 2014. Management expects that it will continue to sell its Centaur Media common stock when it believes that sales terms are favorable. Also in fiscal 2014, Griffin incurred a loss on debt extinguishment of approximately \$0.1 million related to the refinancing of two mortgage loans.

Griffin's effective income tax rate was 47.2% in fiscal 2015 as compared to 8.3% in fiscal 2014. The fiscal 2015 effective income tax rate reflects the federal statutory rate of 35% and state income taxes, including adjustments to the expected realization rate that certain state tax benefits will provide to Griffin in future years. To the extent that actual results differ from current projections, the projected realization rate would be different than the rate presently being used. In fiscal 2014 there was an income tax provision as compared to a pretax loss because the effect of reductions to certain state income tax benefits exceeded the federal income tax benefit, resulting in an overall income tax provision. The reductions to certain state income tax benefits were based on management's projections of the expected realization rate that those state tax benefits will provide to Griffin.

Income from discontinued operations of approximately \$0.1 million, net of tax, in fiscal 2014 reflected approximately \$0.3 million, net of tax, for the effect of the termination of Griffin's postretirement benefits program and reclassification of actuarial gains previously reflected in other comprehensive income into net income, partially offset by approximately \$0.2 million, net of tax, for the loss from the growing operations of the landscape nursery business through the date of the Imperial Sale. As substantially all of the former participants in Griffin's postretirement benefits program had been employed in the growing operations of the landscape nursery business that was reported as a discontinued operation, the reclassification of the actuarial gains is mostly included in the results of discontinued operations in fiscal 2014.

Off Balance Sheet Arrangements

Griffin does not have any off balance sheet arrangements.

Liquidity and Capital Resources

Net cash provided by operating activities was approximately \$7.2 million in fiscal 2016 as compared to approximately \$13.0 million in fiscal 2015. The approximately \$5.8 million decrease in net cash provided by operating activities in fiscal 2016, as compared to fiscal 2015, principally reflects a decrease of approximately \$6.8 million of cash from changes in assets and liabilities in fiscal 2016 as compared to fiscal 2015, partially offset by an increase of approximately \$1.1 million in cash generated from the increase in net income as adjusted for noncash expenses and credits and gain on sale of properties in fiscal 2016 as compared to fiscal 2015, which principally reflects the increase in profit from leasing activities in fiscal 2016, driven by the increase in rental revenue.

The decrease in cash from changes in assets and liabilities in fiscal 2016, as compared to fiscal 2015, principally reflects fiscal 2016 having an approximately \$0.7 million decrease in cash from the change in deferred revenue as compared to an approximately \$4.9 million increase in cash from the change in deferred revenue in fiscal 2015 and fiscal 2016 having an approximately \$0.1 million increase in cash from the change in other assets as compared to an approximately \$1.1 million increase in cash from the change in other assets in fiscal 2015. The change in deferred revenue of approximately \$0.7 million in fiscal 2016 principally reflects the recognition of revenue from the Windsor Land Sale. The change in deferred revenue in fiscal 2015 principally reflects approximately \$6.4 million of cash received from the tenant in 758 Rainbow for building and tenant improvements that is being recognized as additional rental revenue over the lease term, offset by the reduction of deferred revenue from the recognition of approximately \$2.5 million of revenue from the Windsor Land Sale. The cash received by Griffin from the tenant in fiscal 2015 was related to building and tenant improvements in connection with a ten year full building lease of 758 Rainbow that commenced in the fourth quarter of fiscal 2014. The increase in cash from the change in other assets in fiscal 2015 principally reflected approximately \$0.9 million from a reduction in lease receivables.

Net cash provided by operating activities increased to approximately \$13.0 million in fiscal 2015 from approximately \$5.4 million in fiscal 2014. The approximately \$7.6 million increase in net cash provided by operating activities in fiscal 2015, as compared to fiscal 2014, principally reflects: (a) an increase of approximately \$4.6 million of cash generated from changes in assets and liabilities in fiscal 2015 as compared to fiscal 2014; and (b) an increase of approximately \$3.0 million in cash generated from continuing operations, including adjustments to reconcile income (loss) from continuing operations to net cash provided by operating activities of continuing operations. The increase in cash from changes in assets and liabilities in fiscal 2015, as compared to fiscal 2014, principally reflects approximately \$4.9 million of cash from an increase in deferred revenue in fiscal 2015 as compared to approximately \$3.0 million of cash in fiscal 2014 and approximately \$1.1 million of cash from a change in other assets in fiscal 2015 as compared to an approximately \$0.6 million decrease in cash in fiscal 2014. The change in deferred revenue in fiscal 2015 includes cash of approximately \$6.4 million received from the tenant in 758 Rainbow for building and tenant improvements that is being recognized as additional rental revenue over the lease term, offset principally by the reduction of deferred revenue from the recognition of approximately \$2.5 million of revenue from the Windsor Land Sale. The increase in cash from the change in other assets in fiscal 2015 principally reflects approximately \$0.9 million from a reduction in lease receivables and approximately \$0.4 million from a reduction in escrows related to Griffin's mortgage loans.

Net cash used in investing activities was approximately \$16.6 million in fiscal 2016 as compared to approximately \$29.7 million in fiscal 2015 and approximately \$3.9 million in fiscal 2014. The net cash used in investing activities in fiscal 2016 reflects cash payments of approximately \$15.7 million for additions to real estate assets and approximately \$0.9 million for deferred leasing costs and other uses. The cash spent on deferred leasing costs and other in fiscal 2016 principally reflects lease commissions paid to real estate brokers for new leases. The approximately \$3.5 million of proceeds, net of transaction expenses, received from the Griffin Center Land Sale were placed in escrow for potential acquisition of a replacement property in a like-kind exchange under Section 1031 of the Internal Revenue Code of 1986, as amended.

Cash payments for additions to real estate assets in fiscal 2016 reflect the following:

New building construction (including site work)	\$ 9.2 million
Tenant and building improvements related to leasing	\$ 5.4 million
Development costs and infrastructure improvements	\$ 0.6 million
Other	\$ 0.5 million

Cash payments in fiscal 2016 for new building construction reflect the construction, on speculation, of 5210 Jandl, which was started in the fiscal 2015 fourth quarter and completed in fiscal 2016. Through November 30, 2016, Griffin has made total cash payments of approximately \$12.0 million for the direct site work and building shell for 5210 Jandl. Cash payments in fiscal 2016 for tenant and building improvements principally reflect tenant improvement work related to leases signed in the latter part of fiscal 2015 and fiscal 2016. The cash spent on development costs and infrastructure improvements in fiscal 2016 principally reflects road improvements related to the Windsor Land Sale.

The net cash used in investing activities of approximately \$29.7 million in fiscal 2015 reflects cash payments of approximately \$31.2 million for additions to real estate assets and approximately \$1.0 million for deferred leasing costs and other uses, partially offset by \$1.5 million of cash received from the second and final payment under the note receivable from Monrovia and approximately \$1.0 million of cash proceeds from property sales.

Cash payments for additions to real estate assets in fiscal 2015 reflect the following:

New building construction (including site work)	\$ 14.5 million
Tenant and building improvements related to leasing	\$ 14.4 million
Development costs and infrastructure improvements	\$ 2.1 million
Other	\$ 0.2 million

Fiscal 2015 cash payments for new building construction, including site work, principally reflected the construction, on speculation, of 5220 Jandl and the start of site work for 5210 Jandl. The fiscal 2015 cash payments for tenant and building improvements related to leasing include approximately \$7.8 million for improvements in connection with the ten year full building lease of 758 Rainbow and approximately \$2.9 million of improvements at 5220 Jandl.

The cash payments for development costs and infrastructure improvements primarily reflected ongoing road construction and other offsite improvements required under the terms of the Windsor Land Sale.

Proceeds from property sales in fiscal 2015 reflect approximately \$0.6 million from the sale of land that had been part of the Connecticut farm used by Imperial but not part of the long-term lease to Monrovia and approximately \$0.4 million from the deposit retained on the sale of the Florida Farm that did not close.

The net cash used in investing activities of approximately \$3.9 million in fiscal 2014 reflects cash payments of approximately \$15.6 million for additions to real estate assets and approximately \$1.2 million for deferred leasing costs and other uses, substantially offset by: (a) cash proceeds of approximately \$8.9 million from the Windsor Land Sale that were returned from escrow; (b) cash proceeds of \$2.75 million received from the first payment under the note receivable from Monrovia; (c) cash proceeds of approximately \$0.6 million from sales of Centaur Media common stock; (d) cash proceeds of approximately \$0.6 million, net of expenses, from property sales; and (e) cash proceeds of approximately \$0.2 million from the Imperial Sale. At the closing of the Windsor Land Sale in the fiscal 2013 fourth quarter, the proceeds of approximately \$8.9 million were placed in escrow for a potential acquisition of a replacement property in a like-kind exchange under Section 1031 of the Internal Revenue Code of 1986, as amended. As Griffin did not acquire a replacement property, the cash proceeds were returned to Griffin in fiscal 2014.

Cash payments for additions to real estate assets in fiscal 2014 reflect the following:

New building construction (including site work)	\$10.2 million
Development costs and infrastructure improvements	\$ 3.0 million
Tenant and building improvements related to leasing	\$ 1.8 million
Other	\$ 0.6 million

Fiscal 2014 cash payments for new building construction principally reflected the completion of construction of 4270 Fritch. Cash payments for development costs and infrastructure improvements in fiscal 2014 included approximately \$2.0 million for site work on a residential project and approximately \$1.0 million for road construction required under the terms of the Windsor Land Sale.

Net cash provided by financing activities was approximately \$15.8 million in fiscal 2016 as compared to approximately \$18.0 million in fiscal 2015 and approximately \$1.4 million in fiscal 2014. The net cash provided by financing activities in fiscal 2016 reflects \$45.5 million of proceeds from new mortgage debt (see below) and \$0.6 million of mortgage proceeds released from escrow, partially offset by: (a) approximately \$24.8 million of principal payments on mortgage loans; (b) approximately \$3.4 million paid for the repurchase of common stock (see below); (c) a payment of approximately \$1.5 million for a dividend on Griffin's common stock that was declared in the fiscal 2015 fourth quarter and paid in fiscal 2016; and (d) approximately \$0.6 million of payments for debt issuance costs. The principal payments on mortgage loans include approximately \$21.1 million for the repayment of two mortgage loans that were refinanced (see below), approximately \$2.7 million of recurring principal payments and a \$1.0 million principal repayment from mortgage proceeds that had been held in escrow.

The net cash of approximately \$18.0 million provided by financing activities in fiscal 2015 reflected net proceeds of approximately \$40.4 million from three mortgage loans (see below) and approximately \$0.1 million received from the exercise of stock options, partially offset by: (a) approximately \$20.1 million of payments of principal on Griffin's mortgage loans; (b) a payment of approximately \$1.0 million for a dividend on Griffin's common stock that was declared in the fiscal 2014 fourth quarter and paid in fiscal 2015; (c) approximately \$0.8 million of payments for debt issuance costs related to the mortgage loans completed in fiscal 2015; and (d) approximately \$0.6 million of mortgage proceeds placed in escrow. The principal payments on mortgage loans included approximately \$17.9 million for the repayment of a mortgage loan that was refinanced (see below) and approximately \$2.2 million of recurring principal payments.

The net cash of approximately \$1.4 million provided by financing activities in fiscal 2014 reflected proceeds of approximately \$5.5 million from a mortgage loan and approximately \$0.1 million received from the exercise of stock options, partially offset by: (a) approximately \$2.0 million for recurring payments of principal on Griffin's mortgage loans; (b) a payment of approximately \$1.0 million for a dividend on Griffin's common stock that was declared in the fiscal 2013 fourth quarter and paid in fiscal 2014; (c) \$1.0 million of mortgage proceeds placed in escrow; and (d) approximately \$0.1 million of payments for debt issuance costs.

On November 17, 2016, Griffin closed on a nonrecourse mortgage (the “2016 Webster Mortgage”) for approximately \$26.7 million. The 2016 Webster Mortgage refinanced an existing mortgage with Webster Bank, N.A. (“Webster”) which was due on September 1, 2025 and was collateralized by 5220 Jandl (see below). The 2016 Webster Mortgage is collateralized by the approximately 280,000 square foot industrial/warehouse building, 5220 Jandl, along with 5210 Jandl, the adjacent approximately 252,000 square foot industrial building. Griffin received net proceeds of \$13.0 million (before transaction costs), net of approximately \$13.7 million used to refinance the existing mortgage with Webster. The 2016 Webster Mortgage has a ten year term with monthly principal payments based on a twenty-five year amortization schedule. The interest rate for the 2016 Webster Mortgage is a floating rate of the one month LIBOR rate plus 1.70%. At the time the 2016 Webster Mortgage closed, Griffin entered into an interest rate swap agreement with Webster that, combined with two existing swap agreements with Webster, effectively fixes the rate of the 2016 Webster Mortgage at 3.79% over the mortgage loan’s ten year term.

On September 1, 2015, Griffin closed on a \$14.1 million nonrecourse mortgage loan (the “Webster Mortgage Loan”) with Webster. The Webster Mortgage Loan was collateralized by 5220 Jandl. At closing, Griffin received cash proceeds from the Webster Mortgage Loan (before transaction costs) of \$11.5 million. Subsequent to the closing of this loan, the tenant that was leasing approximately 196,000 square feet in 5220 Jandl exercised its option to lease the balance of the building and Webster advanced the balance of the mortgage loan proceeds (\$2.6 million) to Griffin on December 10, 2015. The Webster Mortgage Loan had a floating interest rate of the one month LIBOR rate plus 1.65%, but Griffin entered into an interest rate swap agreement with Webster Bank at closing to effectively fix the interest rate at 3.77% over the loan term on the loan proceeds received at closing. At the time Griffin received the additional proceeds of \$2.6 million, Griffin entered into a second interest rate swap agreement with Webster to effectively fix the interest rate on those loan proceeds at 3.67% for the balance of the term of the loan.

On April 26, 2016, Griffin closed on a nonrecourse mortgage (the “2016 PUB Mortgage”) with People’s United Bank, N.A. (“PUB”) and received mortgage proceeds of \$14.35 million, before transaction costs. The 2016 PUB Mortgage refinanced an existing mortgage (the “2009 PUB Mortgage”) with PUB that was due on August 1, 2019 and was collateralized by four of Griffin’s NE Tradeport industrial/warehouse buildings totaling approximately 240,000 square feet (14, 15, 16 and 40 International Drive). The 2009 PUB Mortgage had a balance of approximately \$7.4 million at the time of the refinancing and a floating interest rate of the one month LIBOR rate plus 3.08%. Griffin had entered into an interest rate swap agreement with PUB to effectively fix the rate on the 2009 PUB Mortgage at 6.58% for the term of that loan. The 2016 PUB Mortgage is collateralized by the same four properties as the 2009 PUB Mortgage along with another approximately 98,000 square foot industrial/warehouse building (35 International Drive) in NE Tradeport. At the closing of the 2016 PUB Mortgage, Griffin used a portion of the proceeds to repay the 2009 PUB Mortgage. The 2016 PUB Mortgage has a ten year term with monthly principal payments based on a twenty-five year amortization schedule. The interest rate for the 2016 PUB Mortgage is a floating rate of the one month LIBOR rate plus 2.0%. At the time the 2016 PUB Mortgage closed, Griffin entered into a second interest rate swap agreement with PUB that, combined with the existing interest rate swap agreement with PUB, effectively fixes the interest rate of the 2016 PUB Mortgage at 4.17% over the loan term. The terms of the 2016 PUB Mortgage require that if either the tenant that leases approximately 58,000 square feet in 40 International Drive or the tenant that leases approximately 40,000 square feet in 14 International Drive does not extend its respective lease when it expires in fiscal 2021, a subsidiary of Griffin will enter into a master lease of the vacated space. The master lease would be guaranteed by Griffin and be in effect until either the space is re-leased to a new tenant or the due date of the 2016 PUB Mortgage Loan, whichever occurs first.

On December 31, 2014, Griffin closed on a nonrecourse mortgage loan (the “2025 KeyBank Mortgage”) on 4275 Fritch Drive (“4275 Fritch”) with First Niagara Bank, which was subsequently acquired by KeyBank. The 2025 KeyBank Mortgage refinanced an existing mortgage loan on 4275 Fritch and added 4270 Fritch to the collateral. Griffin received mortgage proceeds of approximately \$10.9 million (before transaction costs) in addition to approximately \$8.9 million used to refinance the existing mortgage on 4275 Fritch. The 2025 KeyBank Mortgage is collateralized by 4270 Fritch, an approximately 303,000 square foot industrial/warehouse building, and 4275 Fritch, an adjacent approximately 228,000 square foot industrial/warehouse building. At the time of the mortgage closing, approximately 201,000 square feet of 4270 Fritch was leased. On December 11, 2015, Griffin received additional mortgage proceeds of \$1.85 million (the “KeyBank Earn-Out”) when the remaining vacant space of approximately 102,000 square feet was leased. Griffin agreed that it would enter into a master lease with its subsidiaries that own 4270 Fritch and 4275 Fritch in order to maintain a minimum net rent equal to the debt service on the 2025 KeyBank Mortgage. The master lease would be co-terminus with the 2025 KeyBank Mortgage. The 2025 KeyBank Mortgage has a ten year term with monthly

principal payments based on a twenty-five year amortization schedule. The interest rate for the 2025 KeyBank Mortgage is a floating rate of the one month LIBOR rate plus 1.95%. At the time the 2025 KeyBank Mortgage closed, Griffin entered into an interest rate swap agreement that, combined with an existing interest rate swap agreement, effectively fixed the rate of the 2025 KeyBank Mortgage at 4.43% over the mortgage loan's ten year term. At the time the KeyBank Earn-Out was received, Griffin entered into another interest rate swap agreement for a notional principal amount of \$1.85 million to fix the interest rate on the KeyBank Earn-Out at 3.88%. The combination of the three interest rate swap agreements effectively fixes the interest rate on the 2025 KeyBank Mortgage at 4.39% over the remainder of the mortgage loan's ten year term.

On July 29, 2015, a subsidiary of Griffin closed on a new \$18.0 million nonrecourse mortgage loan (the "40|86 Mortgage Loan") with 40|86 Mortgage Capital, Inc. The 40|86 Mortgage Loan is collateralized by three industrial buildings in NE Tradeport (75 International Drive, 754 and 758 Rainbow Road) aggregating approximately 392,000 square feet, has a fixed interest rate of 4.33% and a fifteen year term, with payments based on a thirty year amortization schedule. At closing, Griffin received cash proceeds from the 40|86 Mortgage Loan (before financing costs) of approximately \$14.9 million, which were used in refinancing the maturing mortgage that had a principal balance of approximately \$17.9 million and an interest rate of 5.73%. The remaining approximately \$3.1 million of mortgage proceeds were deposited into escrow. As per the terms of the 40|86 Mortgage Loan, \$2.5 million of the escrowed proceeds were released to Griffin in fiscal 2015 when the tenant that was leasing approximately 88,000 square feet on a month-to-month basis in 754 Rainbow entered into a long-term lease for that space and the remaining \$0.6 million of escrowed proceeds were released to Griffin in fiscal 2016 when tenant improvements for the full building tenant in 758 Rainbow was completed.

On July 22, 2016, Griffin entered into a two-year extension to its revolving credit line with Webster (the "Webster Credit Line") that was scheduled to expire on August 1, 2016. The terms of the extension increased the amount of the credit line from \$12.5 million to \$15.0 million and Griffin has the option to further extend the credit line for an additional year provided there is no default at the time such extension is requested. The interest rate on the credit line extension remained at the one month LIBOR rate plus 2.75% and the collateral for the Webster Credit Line, Griffin's eight single-story office/flex buildings aggregating approximately 217,000 square feet in Griffin Center South, an approximately 48,000 square foot single-story office building in Griffin Center, and an approximately 18,000 square foot industrial/warehouse building in Griffin Center South also remained the same. There have been no borrowings under the Webster Credit Line since its inception, however, the Webster Credit Line does secure certain unused standby letters of credit aggregating approximately \$1.8 million that are related to Griffin's development activities.

On March 31, 2016, Griffin's Board of Directors authorized a program under which Griffin may repurchase up to \$5.0 million in outstanding shares of its common stock over a twelve month period in privately negotiated transactions. The repurchase program does not obligate Griffin to repurchase any specific number of shares, and may be suspended at any time at management's discretion. In fiscal 2016, Griffin repurchased 105,000 shares of its common stock for approximately \$3.4 million. Subsequent to November 30, 2016, Griffin repurchased an additional 19,173 shares of its common stock for approximately \$0.6 million, resulting in approximately \$1.0 million available for additional stock repurchases under the current repurchase program.

Griffin's payments (including principal and interest) under contractual obligations as of November 30, 2016 are as follows:

	<u>Total</u>	<u>Due Within One Year</u>	<u>Due From 1 - 3 Years (in millions)</u>	<u>Due From 3 - 5 Years</u>	<u>Due in More Than 5 Years</u>
Mortgage Loans	\$ 147.0	\$ 13.9	\$ 24.2	\$ 16.0	\$ 92.9
Revolving Line of Credit	—	—	—	—	—
Operating Lease Obligations	1.2	0.1	0.3	0.2	0.6
Purchase Obligations (1)	1.7	1.7	—	—	—
Other (2)	4.3	—	—	—	4.3
	<u>\$ 154.2</u>	<u>\$ 15.7</u>	<u>\$ 24.5</u>	<u>\$ 16.2</u>	<u>\$ 97.8</u>

- (1) Includes obligations principally related to the development of Griffin's real estate assets.
- (2) Reflects the liability for Griffin's non-qualified deferred compensation plan. The timing on the payment of participant balances in the non-qualified deferred compensation plan is not determinable.

On January 25, 2016, Griffin entered into an Option Purchase Agreement (the "Option Agreement") whereby Griffin granted the buyer an exclusive option, in exchange for a nominal fee, to purchase approximately 280 acres of undeveloped land in Simsbury for approximately \$7.7 million. The buyer may extend the option period up to three years upon payment of additional option fees. Subsequent to November 30, 2016, the buyer paid Griffin to extend the option period. The land subject to the Option Agreement does not have any of the approvals that would be required for the buyer's planned use of the land. A closing on the land sale contemplated by the Option Agreement is subject to several significant contingencies, including the buyer securing contracts under a competitive bidding process that would require changes in the use of the land and obtaining local and state approvals for that planned use. There is no guarantee that the sale of undeveloped land as contemplated under the Option Agreement will be completed under its current terms, or at all.

On March 23, 2016, Griffin entered into an Agreement of Sale and Purchase (the "East Allen Purchase Agreement") to acquire an approximately 31 acre site in East Allen Township, Northampton County, Pennsylvania for development of an industrial/warehouse building. Subsequently, Griffin exercised its right to terminate the East Allen Purchase Agreement based on its due diligence findings. After the East Allen Purchase Agreement was terminated, Griffin has continued negotiations with the seller to reach a new agreement. Completion of a new purchase agreement is uncertain at this time.

On May 4, 2016, Griffin entered into an Agreement of Sale and Purchase, as amended (the "Macungie Purchase Agreement"), to acquire, for a purchase price of \$1.8 million, an approximately 14 acre site in Upper Macungie Township, Lehigh County, Pennsylvania for development of an approximately 134,000 square foot industrial/warehouse building. A closing on the land acquisition contemplated by the Macungie Purchase Agreement is subject to several significant contingencies, including Griffin obtaining all governmental approvals for its planned development of the land that would be acquired. There is no guarantee that the land acquisition as contemplated under the Macungie Purchase Agreement will be completed under its current terms, or at all.

On December 23, 2016, Griffin entered into an agreement to sell approximately 67 acres of its undeveloped land in Phoenix Crossing for approximately \$10.25 million. Completion of this transaction is subject to a number of factors, including the buyer obtaining all necessary final permits from governmental authorities for development plans of the site it would acquire and the buyer receiving municipal and state economic development incentives it deems adequate. There is no guarantee that this transaction will be completed under its current terms, or at all.

On January 20, 2017, Griffin agreed to terms on a nonrecourse mortgage loan of up to \$12.0 million on two NE Tradeport industrial/warehouse buildings aggregating approximately 275,000 square feet. Completion of this proposed new mortgage loan is subject to a number of contingencies, including the entry into a definitive loan agreement. There is no guarantee that this transaction will be completed under its current terms, or at all.

In the near-term, Griffin plans to continue to invest in its real estate business, including the construction of additional buildings on its undeveloped land, expenditures for tenant improvements as new leases are signed,

infrastructure improvements required for future development of its real estate holdings and the potential acquisition of additional properties and/or undeveloped land parcels in New England, the Mid-Atlantic states and other areas to expand the industrial/warehouse portion of its real estate portfolio. Real estate acquisitions may or may not occur based on many factors, including real estate pricing. Griffin may commence speculative construction projects on its undeveloped land that is either currently owned or acquired in the future if it believes market conditions are favorable for such development. Griffin may also construct a build-to-suit facility on its undeveloped land if lease terms are favorable.

As of November 30, 2016, Griffin had cash and cash equivalents of approximately \$24.7 million. Management believes that its cash and cash equivalents as of November 30, 2016, cash generated from operations, and borrowing capacity under its \$15.0 million revolving credit agreement with Webster will be sufficient to meet its working capital requirements, the continued investment in real estate assets, completion of the acquisition of undeveloped land in Upper Macungie Township, the repurchase of its common stock under the stock repurchase program currently in place, and the payment of dividends on its common stock, when and if declared by the Board of Directors, for at least the next twelve months. Griffin may also continue to seek additional financing secured by nonrecourse mortgage loans on its properties. Griffin's real estate portfolio currently includes four Connecticut buildings aggregating approximately 314,000 square feet that are not mortgaged, however, Griffin has agreed to terms for a nonrecourse mortgage loan on two of those buildings that combined are approximately 275,000 square feet. Completion of this proposed new mortgage loan is subject to a number of contingencies, including the entry into a definitive loan agreement. There is no guarantee that this transaction will be completed under its current terms, or at all.

Forward-Looking Information

The above information in Management's Discussion and Analysis of Financial Condition and Results of Operations includes "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Exchange Act of 1934, as amended. These forward-looking statements include, but are not limited to, Griffin's expectations regarding the leasing of currently vacant space, the acquisition of additional properties and/or undeveloped land parcels, the commencement of speculative construction, the ability to obtain mortgage financing on Griffin's unleveraged properties, completion of the acquisition of land in Upper Macungie Township, completion of a new agreement to acquire land in East Allen Township, completion of the sale of approximately 280 acres of undeveloped land in Simsbury, completion of the sale of approximately 67 acres of undeveloped land in Phoenix Crossing, completion of a mortgage loan on two NE Tradeport buildings aggregating approximately 275,000 square feet, Griffin's anticipated future liquidity, and other statements with the words "believes," "anticipates," "plans," "expects" or similar expressions. Although Griffin believes that its plans, intentions and expectations reflected in such forward-looking statements are reasonable, it can give no assurance that such plans, intentions or expectations will be achieved. The forward-looking statements made herein are based on assumptions and estimates that, while considered reasonable by Griffin as of the date hereof, are inherently subject to significant business, economic, competitive and regulatory uncertainties and contingencies, many of which are beyond the control of Griffin. Griffin's actual results could differ materially from those anticipated in these forward-looking statements as a result of various important factors, including those set forth under the heading Item 1A "Risk Factors" and elsewhere in this Annual Report.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Market risk represents the risk of changes in the value of a financial instrument, derivative or non-derivative, caused by fluctuations in interest rates, foreign exchange rates and equity prices. Changes in these factors could cause fluctuations in earnings and cash flows.

For fixed rate mortgage debt, changes in interest rates generally affect the fair market value of the debt instrument, but not earnings or cash flows. Griffin does not have an obligation to prepay any fixed rate debt prior to maturity and, therefore, interest rate risk and changes in the fair market value of fixed rate debt should not have a significant impact on earnings or cash flows until such debt is refinanced, if necessary. Griffin's mortgage interest rates and related principal payment requirements are described in Note 5 to the consolidated financial statements included in Item 8. "Financial Statements and Supplementary Data."

For variable rate debt, changes in interest rates generally do not impact the fair market value of the debt instrument, but do affect future earnings and cash flows. As of November 30, 2016, Griffin had a total of approximately

\$81.6 million of variable rate debt outstanding, for which Griffin has entered into interest rate swap agreements which effectively fix the interest rates on that debt. There were no other variable rate borrowings outstanding as of November 30, 2016.

Griffin is exposed to market risks from fluctuations in interest rates and the effects of those fluctuations on the market values of Griffin's cash equivalents. These investments generally consist of overnight investments that are not significantly exposed to interest rate risk.

Griffin does not have foreign currency exposure in operations. However, Griffin does have an investment in a public company, Centaur Media plc, based in the United Kingdom. The ultimate liquidation of that investment and conversion of proceeds into United States currency is subject to future foreign currency exchange rates involving the UK pound sterling. A 10% decrease in the foreign currency exchange rate at November 30, 2016 would have resulted in an approximately \$0.1 million reduction of the fair value of that investment.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.
GRIFFIN INDUSTRIAL REALTY, INC.

Consolidated Balance Sheets

(dollars in thousands, except per share data)

	<u>Nov. 30, 2016</u>	<u>Nov. 30, 2015</u>
ASSETS		
Real estate assets at cost, net	\$ 172,260	\$ 166,455
Real estate held for sale	2,992	1,418
Cash and cash equivalents	24,689	18,271
Deferred income taxes	4,984	5,838
Proceeds held in escrow	3,535	—
Available-for-sale securities	977	1,970
Other assets	14,186	14,098
Total assets	<u>\$ 223,623</u>	<u>\$ 208,050</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Mortgage loans, net of debt issuance costs	\$ 109,697	\$ 89,185
Deferred revenue	9,526	10,790
Accounts payable and accrued liabilities	4,140	3,348
Dividend payable	1,514	1,546
Other liabilities	7,943	8,372
Total liabilities	<u>132,820</u>	<u>113,241</u>
Commitments and Contingencies		
Stockholders' Equity		
Common stock, par value \$0.01 per share, 10,000,000 shares authorized, 5,541,029 shares issued and 5,047,708 and 5,152,708 shares outstanding, respectively	55	55
Additional paid-in capital	108,438	108,188
Retained earnings	179	1,117
Accumulated other comprehensive loss, net of tax	(1,049)	(1,085)
Treasury stock, at cost, 493,321 and 388,321 shares, respectively	(16,820)	(13,466)
Total stockholders' equity	<u>90,803</u>	<u>94,809</u>
Total liabilities and stockholders' equity	<u>\$ 223,623</u>	<u>\$ 208,050</u>

See Notes to Consolidated Financial Statements.

GRIFFIN INDUSTRIAL REALTY, INC.

Consolidated Statements of Operations

(dollars in thousands, except per share data)

	For the Fiscal Years Ended		
	Nov. 30, 2016	Nov. 30, 2015	Nov. 30, 2014
Rental revenue	\$ 26,487	\$ 24,605	\$ 20,552
Revenue from property sales	4,364	3,483	3,667
Total revenue	<u>30,851</u>	<u>28,088</u>	<u>24,219</u>
Depreciation and amortization expense	8,797	7,668	6,729
Operating expenses of rental properties	8,250	8,415	7,801
Costs related to property sales	810	634	803
General and administrative expenses	7,367	7,057	7,077
Total expenses	<u>25,224</u>	<u>23,774</u>	<u>22,410</u>
Operating income	5,627	4,314	1,809
Interest expense	(4,545)	(3,670)	(3,529)
Gain on sale of assets	122	—	—
Investment income	107	161	301
Gain on sale of common stock in Centaur Media plc	—	—	318
Loss on debt extinguishment	—	—	(51)
Income (loss) before income tax provision	1,311	805	(1,152)
Income tax provision	(735)	(380)	(96)
Income (loss) from continuing operations	576	425	(1,248)
Discontinued operations, net of tax:			
Income from landscape nursery business, net of tax, including loss on sale of assets of \$28, net of tax	—	—	144
Net income (loss)	<u>\$ 576</u>	<u>\$ 425</u>	<u>\$ (1,104)</u>
Basic net income (loss) per common share:			
Income (loss) from continuing operations	\$ 0.11	\$ 0.08	\$ (0.24)
Income from discontinued operations	—	—	0.03
Basic net income (loss) per common share	<u>\$ 0.11</u>	<u>\$ 0.08</u>	<u>\$ (0.21)</u>
Diluted net income (loss) per common share:			
Income (loss) from continuing operations	\$ 0.11	\$ 0.08	\$ (0.24)
Income from discontinued operations	—	—	0.03
Diluted net income (loss) per common share	<u>\$ 0.11</u>	<u>\$ 0.08</u>	<u>\$ (0.21)</u>

See Notes to Consolidated Financial Statements.

GRIFFIN INDUSTRIAL REALTY, INC.

Consolidated Statements of Comprehensive Income (Loss)

(dollars in thousands)

	For the Fiscal Years Ended		
	Nov. 30, 2016	Nov. 30, 2015	Nov. 30, 2014
Net income (loss)	\$ 576	\$ 425	\$ (1,104)
Other comprehensive income (loss), net of tax:			
Reclassifications included in net income (loss)	856	778	124
(Decrease) increase in fair value of Centaur Media plc	(646)	30	185
Unrealized loss on cash flow hedges	(174)	(1,058)	(695)
Total other comprehensive income (loss), net of tax	36	(250)	(386)
Total comprehensive income (loss)	\$ 612	\$ 175	\$ (1,490)

See Notes to Consolidated Financial Statements.

GRIFFIN INDUSTRIAL REALTY, INC.

Consolidated Statements of Changes in Stockholders' Equity

For the Fiscal Years Ended November 30, 2016, November 30, 2015 and November 30, 2014

(dollars in thousands)

	Shares of Common Stock Issued	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total
Balance at November 30, 2013	5,534,687	\$ 55	\$ 107,603	\$ 4,372	\$ (449)	\$ (13,466)	\$ 98,115
Exercise of stock options, net of reversal of tax benefit on exercised stock options of \$4	3,208	—	76	—	—	—	76
Stock-based compensation	—	—	208	—	—	—	208
Dividend declared, \$0.20 per share	—	—	—	(1,030)	—	—	(1,030)
Total other comprehensive loss, net of tax	—	—	—	—	(386)	—	(386)
Net loss	—	—	—	(1,104)	—	—	(1,104)
Balance at November 30, 2014	5,537,895	55	107,887	2,238	(835)	(13,466)	95,879
Exercise of stock options, net of reversal of tax benefit on exercised stock options of \$9	3,134	—	71	—	—	—	71
Stock-based compensation	—	—	230	—	—	—	230
Dividend declared, \$0.30 per share	—	—	—	(1,546)	—	—	(1,546)
Total other comprehensive loss, net of tax	—	—	—	—	(250)	—	(250)
Net income	—	—	—	425	—	—	425
Balance at November 30, 2015	5,541,029	55	108,188	1,117	(1,085)	(13,466)	94,809
Repurchase of common stock	—	—	—	—	—	(3,354)	(3,354)
Reversal of tax benefit on forfeited stock options	—	—	(17)	—	—	—	(17)
Stock-based compensation	—	—	267	—	—	—	267
Dividend declared, \$0.30 per share	—	—	—	(1,514)	—	—	(1,514)
Total other comprehensive income, net of tax	—	—	—	—	36	—	36
Net income	—	—	—	576	—	—	576
Balance at November 30, 2016	5,541,029	\$ 55	\$ 108,438	\$ 179	\$ (1,049)	\$ (16,820)	\$ 90,803

See Notes to Consolidated Financial Statements.

GRIFFIN INDUSTRIAL REALTY, INC.

Consolidated Statements of Cash Flows

(dollars in thousands)

	For the Fiscal Years Ended		
	Nov. 30, 2016	Nov. 30, 2015	Nov. 30, 2014
Operating activities:			
Net income (loss)	\$ 576	\$ 425	\$ (1,104)
Income from discontinued operations	—	—	(144)
Income (loss) from continuing operations	576	425	(1,248)
Adjustments to reconcile income (loss) from continuing operations to net cash provided by operating activities of continuing operations:			
Depreciation and amortization	8,797	7,668	6,729
Gain on sales of properties	(3,554)	(2,849)	(2,864)
Deferred income taxes	785	297	123
Stock-based compensation expense	267	230	338
Amortization of debt issuance costs	283	226	259
Gain on sale of assets	(122)	—	—
Accretion of discount on note receivable	—	(49)	(165)
Loss on debt extinguishment	—	—	51
Gain on sale of common stock in Centaur Media plc	—	—	(318)
Changes in assets and liabilities:			
Other assets	59	1,124	(631)
Accounts payable and accrued liabilities	337	475	(276)
Deferred revenue	(656)	4,924	2,987
Other liabilities	445	490	329
Net cash provided by operating activities of continuing operations	7,217	12,961	5,314
Net cash provided by operating activities of discontinued operations	—	—	39
Net cash provided by operating activities	7,217	12,961	5,353
Investing activities:			
Additions to real estate assets	(15,734)	(31,188)	(15,583)
Proceeds from sales of properties, net of expenses	3,536	994	554
Proceeds from property sales (deposited in) returned from escrow, net	(3,536)	—	8,864
Deferred leasing costs and other	(890)	(1,011)	(1,171)
Proceeds from collection of note receivable	—	1,500	2,750
Proceeds from sales of common stock in Centaur Media plc	—	—	566
Proceeds from sale of business, net of expenses	—	—	169
Net cash used in investing activities	(16,624)	(29,705)	(3,851)
Financing activities:			
Proceeds from mortgage loans	45,525	40,391	5,477
Payments on mortgage loans	(24,822)	(20,123)	(2,017)
Repurchase of common stock	(3,354)	—	—
Dividends paid to stockholders	(1,546)	(1,030)	(1,029)
Payment of debt issuance costs	(578)	(762)	(133)
Mortgage proceeds returned from (deposited in) escrow	600	(600)	(1,000)
Proceeds from exercise of stock options	—	80	80
Net cash provided by financing activities	15,825	17,956	1,378
Net increase in cash and cash equivalents	6,418	1,212	2,880
Cash and cash equivalents at beginning of period	18,271	17,059	14,179
Cash and cash equivalents at end of period	\$ 24,689	\$ 18,271	\$ 17,059

See Notes to Consolidated Financial Statements.

GRIFFIN INDUSTRIAL REALTY, INC.

Notes to Consolidated Financial Statements

(dollars in thousands unless otherwise noted, except per share data)

1. Summary of Significant Accounting Policies

Basis of Presentation

Griffin Industrial Realty, Inc. (“Griffin”) is a real estate business principally engaged in developing, managing and leasing industrial and commercial properties. Griffin also seeks to add to its property portfolio through the acquisition and development of land or purchase of buildings. Periodically, Griffin may sell certain portions of its undeveloped land that it has owned for an extended time period and the use of which is not consistent with Griffin’s core development and leasing strategy. Prior to May 13, 2015, Griffin was known as Griffin Land & Nurseries, Inc. Griffin changed its name to better reflect its ongoing real estate business after the sale in fiscal 2014 of the landscape nursery business that Griffin had operated through its wholly owned subsidiary, Imperial Nurseries, Inc. (“Imperial”).

Imperial was engaged in growing landscape nursery plants in containers for sale to independent retail garden centers and rewholesalers, whose main customers are landscape contractors. Imperial's operations through January 8, 2014 are reflected in the accompanying consolidated financial statements as a discontinued operation due to the sale of its inventory and certain of its assets (the “Imperial Sale”) to Monrovia Connecticut LLC (“Monrovia”), a subsidiary of Monrovia Nursery Company (see Note 10). All intercompany transactions have been eliminated.

Fiscal Year

Griffin reports on a twelve month fiscal year that ends on November 30.

Real Estate Assets

Real estate assets are recorded at cost, except when real estate assets are acquired that meet the definition of a business combination in accordance with Financial Accounting Standards Board (“FASB”) ASC 805-10, “Business Combinations,” and are recorded at fair value. Interest, property taxes, insurance and other incremental costs (including salaries) directly related to a project are capitalized during the construction period of major facilities and land improvements. The capitalization period begins when activities to develop the parcel commence and ends when the asset constructed is completed. The capitalized costs are recorded as part of the asset to which they relate and are amortized over the asset's useful life. Depreciation is determined on a straight-line basis over the estimated useful asset lives for financial reporting purposes and principally on accelerated methods for tax purposes. Repair and maintenance costs are expensed as incurred.

Griffin classifies a property as “held for sale” when all of the following criteria for a plan of sale have been met: (1) management, having the authority to approve the action, commits to a plan to sell the property; (2) the property is available for immediate sale in its present condition, subject only to terms that are usual and customary; (3) an active program to locate a buyer and other actions required to complete the plan to sell, have been initiated; (4) the sale of the property is probable and is expected to be completed within one year or the property is under a contract to be sold; (5) the property is being actively marketed for sale at a price that is reasonable in relation to its current fair value; and (6) actions necessary to complete the plan of sale indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn. When all of these criteria have been met, the property is classified as “held for sale.” Depreciation of assets ceases upon designation of a property as “held for sale.”

Cash and Cash Equivalents

Griffin considers all highly liquid investments with an initial maturity of three months or less at the date of purchase to be cash equivalents. At November 30, 2016 and 2015, \$22,409 and \$15,269, respectively, of the cash and cash equivalents included on Griffin's consolidated balance sheets were held in cash equivalents.

GRIFFIN INDUSTRIAL REALTY, INC.

Notes to Consolidated Financial Statements (Continued)

(dollars in thousands unless otherwise noted, except per share data)

Investments

Griffin's investment in the common stock of Centaur Media plc ("Centaur Media") is accounted for as an available-for-sale security under FASB ASC 320-10, "Investments – Debt and Equity Securities" ("ASC 320-10"), whereby increases or decreases in the fair value of this investment, net of income taxes, along with the effect of changes in the foreign currency exchange rate, net of income taxes, are recorded as a component of other comprehensive income (loss). Realized gains and losses on sales of available-for-sale securities are determined based on the average cost method. Griffin is required to adopt FASB Accounting Standards Update No. 2016-01, "Financial Instruments – Overall" ("ASU 2016-01") in fiscal 2019. Upon adoption, the increases or decreases in the fair value of available-for-sale securities will no longer be reflected as a component of other comprehensive income, but will be recognized through net income (see Recent Accounting Pronouncements below).

Stock-Based Compensation

Griffin accounts for stock options at fair value in accordance with FASB ASC 718, "Compensation - Stock Compensation" and FASB ASC 505-50, "Equity – Equity-Based Payments to Non-Employees." For stock options that have graded vesting features, Griffin recognizes compensation cost over the requisite service period separately for each tranche of the award as though they were, in substance, multiple awards. Griffin determines its accumulated windfall tax benefits using the short-cut method.

Postretirement Benefits

In fiscal 2014, Griffin terminated its postretirement benefit program (see Note 7). Griffin had accounted for postretirement benefits in accordance with FASB ASC 715-10, "Compensation – Retirement Benefits" ("ASC 715-10"). This guidance requires an employer to recognize the overfunded or underfunded status of a defined benefit postretirement plan (other than a multiemployer plan) as an asset or liability in its statement of financial position and to recognize changes in that funded status in the year in which the changes occur through other comprehensive income. This guidance also requires an employer to measure the funded status of a plan as of the date of its year-end statement of financial position, with limited exceptions.

Impairment of Investments in Long-Lived Assets

Griffin reviews annually, as well as when conditions may indicate, its long-lived assets to determine if there are indicators of impairment, such as a prolonged vacancy in one of its properties. If indicators of impairment are present, Griffin evaluates the carrying value of the assets in relation to the operating performance and expected future undiscounted cash flows or the estimated fair value based on expected future cash flows of the underlying assets. If the undiscounted cash flows are less than the carrying value of an asset, Griffin would reduce the carrying value of a long-lived asset to its fair value if that asset's fair value is determined to be less than its carrying value.

Griffin also reviews annually, as well as when conditions may indicate, the recoverability of its development costs, including expected remediation costs on projects that are included in real estate assets. To the extent that the carrying value exceeds the fair value of a project, including development costs, an impairment loss would be recorded.

There were no impairment losses recorded in the fiscal years ended November 30, 2016, 2015 and 2014.

Revenue and Gain Recognition

Revenue includes rental revenue from Griffin's industrial and commercial properties and proceeds from property sales. Rental revenue is accounted for on a straight line basis over the applicable lease term in accordance with FASB ASC 840-10, "Leases." Gains on property sales are recognized in accordance with FASB ASC 360-20, "Property,

GRIFFIN INDUSTRIAL REALTY, INC.

Notes to Consolidated Financial Statements (Continued)

(dollars in thousands unless otherwise noted, except per share data)

Plant, and Equipment – Real Estate Sales,” based on the specific terms of each sale. When the percentage of completion method is used to account for a sale of real estate, costs included in determining the percentage of completion include the costs of the land sold, allocated master planning costs, selling and transaction costs and estimated future costs related to the land sold.

The growing operations of the landscape nursery business are reflected as a discontinued operation in the consolidated statements of operations.

Income Taxes

Griffin provides for income taxes utilizing the asset and liability method, and records deferred tax assets and liabilities based on the difference between the financial statement and tax bases of assets and liabilities as measured by the tax rates that are anticipated to be in effect when these differences reverse. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the results of operations in the period that includes the enactment date. A valuation allowance is established when it is necessary to reduce deferred tax assets to amounts for which realization is more likely than not. Griffin and its subsidiaries file a consolidated federal income tax return.

Griffin evaluates each tax position taken in its tax returns and recognizes a liability for any tax position deemed less likely than not to be sustained under examination by the relevant taxing authorities. Griffin has analyzed its federal and significant state filing positions with respect to FASB ASC 740-10, “Income Taxes” (“ASC 740-10”). Griffin believes that its income tax filing positions will be sustained on examination and does not anticipate any adjustments that would result in a material change on its financial statements. As a result, no accrual for uncertain income tax positions has been recorded pursuant to ASC 740-10.

Griffin’s policy for recording interest and penalties, related to uncertain tax positions, is to record such items as part of its provision for federal and state income taxes.

Intangible Assets

Griffin accounts for intangible assets in accordance with FASB ASC 350-10 “Intangibles - Goodwill and Other.” Griffin’s intangible assets consist of: (i) the value of in-place leases; and (ii) the value of the associated relationships with tenants. These intangible assets were recorded in connection with Griffin’s acquisitions of real estate assets. Amortization of the value of in-place leases, included in depreciation and amortization expense, is on a straight-line basis over the lease terms. Amortization of the value of customer relationships with tenants, included in depreciation and amortization expense, is on a straight-line basis over the lease terms and anticipated renewal periods.

Environmental Matters

Environmental expenditures related to land and buildings are expensed or capitalized as appropriate, depending upon their future economic benefit. Expenditures that relate to an existing condition caused by past operations, and that do not have future economic benefit, are expensed. Expenditures that create future benefit or contribute to future revenue generation are capitalized. Liabilities related to future remediation costs are recorded when environmental assessments and/or cleanups are probable, and the costs can be reasonably estimated.

Interest Rate Swap Agreements

As of November 30, 2016, Griffin was a party to several interest rate swap agreements to hedge its interest rate exposures. Griffin does not use derivatives for speculative purposes. Griffin applies FASB ASC 815-10, “Derivatives and Hedging,” (“ASC 815-10”) as amended, which establishes accounting and reporting standards for derivative

GRIFFIN INDUSTRIAL REALTY, INC.

Notes to Consolidated Financial Statements (Continued)

(dollars in thousands unless otherwise noted, except per share data)

instruments and hedging activities. ASC 815-10 requires Griffin to recognize all derivatives as either assets or liabilities on its consolidated balance sheet and measure those instruments at fair value. The changes in the fair values of the interest rate swap agreements are measured in accordance with ASC 815-10 and reflected in the carrying values of the interest rate swap agreements on Griffin's consolidated balance sheet. The estimated fair values are based primarily on projected future swap rates.

Griffin applies cash flow hedge accounting to its interest rate swap agreements that are designated as hedges of the variability of future cash flows from floating rate liabilities based on benchmark interest rates. The changes in fair values of Griffin's interest rate swap agreements are recorded as components of accumulated other comprehensive income (loss) ("AOCI") in stockholders' equity, to the extent they are effective. Any ineffective portions of the changes in fair values of these instruments would be recorded as interest expense or interest income.

Conditional Asset Retirement Obligations

Griffin accounts for its conditional asset retirement obligations in accordance with FASB ASC 410-10, "Asset Retirement and Environmental Obligations," which requires an entity to recognize a liability for the fair value of a conditional asset retirement obligation if the fair value can be reasonably estimated even though uncertainty exists about the timing and/or method of settlement. The conditional asset retirement obligations relate principally to tobacco barns and other structures on Griffin's land holdings that contain asbestos, primarily in roofing materials. These structures remain from the tobacco growing operations of former affiliates of Griffin, are not material to Griffin's operations and do not have any book value.

Treasury Stock

Treasury stock is recorded at cost as a reduction of stockholders' equity on Griffin's consolidated balance sheets.

Income (Loss) Per Share

Basic income (loss) per common share is calculated by dividing income (loss) from continuing operations and discontinued operations by the weighted average number of common shares outstanding during the year. The calculation of diluted income (loss) per common share reflects adjusting Griffin's outstanding shares assuming the exercise of all potentially dilutive Griffin stock options.

Risks and Uncertainties

Griffin's future results of operations involve a number of risks and uncertainties. Factors that could affect Griffin's future operating results and cause actual results to vary materially from historical results include, but are not limited to, the geographical concentration of Griffin's real estate holdings, credit risk and market risk.

Griffin's real estate holdings are concentrated in the Hartford, Connecticut area and in the Lehigh Valley of Pennsylvania. The market and economic challenges experienced by the U.S. economy as a whole or the local economic conditions in the markets in which Griffin holds properties may affect Griffin's real estate business. Griffin's results of operations, financial condition or ability to expand may be adversely affected as a result of: (i) poor economic conditions or unfavorable financial changes to Griffin's tenants, which may lead to a curtailment of expansion plans or may result in tenant defaults under leases; (ii) significant job losses, which could adversely affect the demand for rental space causing market rental rates and property values to be negatively impacted; (iii) the ability of Griffin to borrow on terms and conditions that it finds acceptable; and (iv) possibly reduced values of Griffin's properties potentially limiting the proceeds from a sale of its properties or from debt financing collateralized by its properties.

GRIFFIN INDUSTRIAL REALTY, INC.

Notes to Consolidated Financial Statements (Continued)

(dollars in thousands unless otherwise noted, except per share data)

Griffin conducts business based on evaluations of its prospective tenants' financial condition and generally does not require collateral. These evaluations require significant judgment and are based on multiple sources of information.

Griffin does not use derivatives for speculative purposes. Griffin applies ASC 815-10, which established accounting and reporting standards for derivative instruments and hedging activities. This accounting guidance requires Griffin to recognize all derivatives as either assets or liabilities on its consolidated balance sheet and to measure those instruments at fair value. The estimated fair value is based primarily on projected future swap rates.

Griffin applies cash flow hedge accounting to its interest rate swap agreements designated as hedges of the variability of future cash flows from floating rate liabilities due to the benchmark interest rates. Changes in the fair value of these interest rate swaps are recorded as a component of AOCI in stockholders' equity, to the extent they are effective. Amounts recorded to AOCI are then reclassified to interest expense as interest on the hedged borrowing is recognized. Any ineffective portion of the change in fair value of these instruments would be recorded to interest expense.

Griffin's cash equivalents consist of overnight investments that are not significantly exposed to interest rate risk.

Reclassifications

Certain prior year balances have been reclassified to conform to the current year's presentation.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and revenue and expenses during the periods reported. Actual results could differ from those estimates. Griffin's significant estimates include the impairment evaluation of long-lived assets, deferred income taxes, derivative financial instruments, revenue and gain recognition including the estimated costs to complete required offsite improvements related to land sold and assumptions used in determining stock compensation.

Recent Accounting Pronouncements

In March 2016, the FASB issued Accounting Standards Update No. 2016-09, "Compensation – Stock Compensation: Improvements to Employee Share-Based Payment Accounting," which relates to the accounting for employee share-based payments. This Update addresses several aspects of the accounting for share-based payment award transactions, including: (a) income tax consequences; (b) classification of awards as either equity or liabilities; and (c) classification on the statement of cash flows. This Update will become effective for Griffin in fiscal 2018. Early adoption is allowed, but all of the guidance must be adopted in the same period. Griffin is evaluating the impact that the application of this Update will have on its consolidated financial statements.

In February 2016, the FASB issued Accounting Standards Update No. 2016-02, "Leases," which establishes a right-of-use ("ROU") model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than twelve months. The accounting applied by lessors under this Update is largely unchanged from that applied under current U.S. GAAP. Leases will be either classified as finance or operating, with classification affecting the pattern of expense recognition in the income statement. This Update also requires significant additional disclosures about the amount, timing and uncertainty of cash flows from leases. This Update will become effective for Griffin in fiscal 2020 using a modified restatement approach for leases in effect as of and after the date of adoption. Early adoption and practical expedients to measure the effect of adoption will also be allowed. Griffin is evaluating the impact that the application of this Update will have on its consolidated financial statements.

GRIFFIN INDUSTRIAL REALTY, INC.

Notes to Consolidated Financial Statements (Continued)

(dollars in thousands unless otherwise noted, except per share data)

In January 2016, the FASB issued ASU 2016-01, "Financial Instruments - Overall," which requires all equity investments to be measured at fair value with changes in the fair value recognized through net income (other than those accounted for under the equity method of accounting or those that result in consolidation of the investee). ASU 2016-01 also requires an entity to present separately in other comprehensive income the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk when the entity has elected to measure the liability at fair value in accordance with the fair value option for financial instruments. ASU 2016-01 eliminates the requirement for an entity to disclose the methods and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost on the balance sheet for public business entities. In addition, entities must assess the need for a valuation allowance on a deferred tax asset related to available-for-sale securities in combination with the entity's other deferred tax assets. ASU 2016-01 will be effective for Griffin in fiscal 2019. Early adoption is permitted for certain provisions. Upon adoption, changes in the fair value of Griffin's available-for-sale securities will be recognized through net income.

In April 2015, the FASB issued Accounting Standards Update No. 2015-03, "Interest-Imputation of Interest," ("ASU 2015-03") which requires that debt issuance costs related to a recognized liability be presented on the balance sheet as a direct reduction from the carrying amount of the associated debt liability, consistent with debt discounts. The guidance must be applied on a retrospective basis and was adopted by Griffin in the fiscal 2016 fourth quarter. The adoption of this guidance required Griffin to reclassify its debt issuance costs on nonrecourse mortgage loans from other assets to mortgage debt on its statement of financial position but did not have an impact on Griffin's results of operations. The effect of the reclassification on Griffin's statement of financial position is quantified in Note 5.

In August 2015, the FASB issued Accounting Standards Update No. 2015-15, "Interest-Imputation of Interest: Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements - Amendments to SEC Paragraphs Pursuant to Staff Announcement at June 18, 2015 EITF Meeting," which addresses line-of-credit arrangements that were omitted from ASU 2015-03 (see above). This Update states that the SEC staff would not object to an entity deferring and presenting debt issuance costs related to a line-of-credit arrangement as an asset and subsequently amortizing those costs ratably over the term of the arrangement, regardless of whether there are any outstanding borrowings on the line-of-credit arrangement. Griffin adopted this Update in the 2016 fourth quarter. The adoption of this guidance did not have an impact on Griffin's consolidated financial statements.

In May 2014, the FASB issued Accounting Standards Update No. 2014-09, "Revenue from Contracts with Customers," which outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry specific guidance. This standard requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. Additionally, the Update requires improved disclosures to help users of financial statements better understand the nature, amount, timing and uncertainty of revenue that is recognized. The Update permits the use of either the retrospective or cumulative effect transition method. This Update will be effective for Griffin in fiscal 2019 and early adoption is not permitted. Certain aspects of this new standard may affect revenue recognition of Griffin. Griffin is evaluating the impact that the application of this Update will have on its consolidated financial statements.

2. Fair Value

Griffin applies the provisions of FASB ASC 820, "Fair Value Measurement" ("ASC 820"), which establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. An asset or liability's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. ASC 820 establishes three levels of inputs that may be used to measure fair value, as follows:

GRIFFIN INDUSTRIAL REALTY, INC.

Notes to Consolidated Financial Statements (Continued)

(dollars in thousands unless otherwise noted, except per share data)

Level 1 applies to assets or liabilities for which there are quoted market prices in active markets for identical assets or liabilities. Griffin's available-for-sale securities are considered Level 1 within the fair value hierarchy.

Level 2 applies to assets or liabilities for which there are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, such as quoted prices for similar assets or liabilities in active markets; quoted prices for assets or liabilities in markets with insufficient volume or infrequent transactions (less active markets); or model-derived valuations in which significant inputs are observable or can be derived principally from, or corroborated by, observable market data. Level 2 assets and liabilities include Griffin's interest rate swap derivatives (see Note 5). These inputs are readily available in public markets or can be derived from information available in publicly quoted markets, therefore, Griffin has categorized these derivative instruments as Level 2 within the fair value hierarchy.

Level 3 applies to assets or liabilities for which there are unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of the assets or liabilities.

During fiscal 2016, Griffin did not transfer any assets or liabilities in or out of Levels 1 and 2. The following are Griffin's financial assets and liabilities carried at fair value and measured at fair value on a recurring basis:

	November 30, 2016		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Marketable equity securities	\$ 977	\$ —	\$ —
Interest rate swap asset	\$ —	\$ 207	\$ —
Interest rate swap liabilities	\$ —	\$ 1,892	\$ —

	November 30, 2015		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Marketable equity securities	\$ 1,970	\$ —	\$ —
Interest rate swap liabilities	\$ —	\$ 2,766	\$ —

The carrying and estimated fair values of Griffin's financial instruments are as follows:

	Fair Value Hierarchy Level	November 30, 2016		November 30, 2015	
		Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Financial assets:					
Cash and cash equivalents	1	\$ 24,689	\$ 24,689	\$ 18,271	\$ 18,271
Marketable equity securities	1	977	977	1,970	1,970
Interest rate swap	2	207	207	—	—
Financial liabilities:					
Mortgage loans	2	\$ 109,697	\$ 111,103	\$ 89,185	\$ 90,155
Interest rate swaps	2	1,892	1,892	2,766	2,766

The amounts included in the financial statements for cash and cash equivalents, lease receivables from tenants and accounts payable and accrued liabilities approximate their fair values because of the short-term maturity of these instruments. The fair values of the available-for-sale securities are based on quoted market prices. The fair values of the mortgage loans are estimated based on current rates offered to Griffin for similar debt of the same remaining maturities

GRIFFIN INDUSTRIAL REALTY, INC.

Notes to Consolidated Financial Statements (Continued)

(dollars in thousands unless otherwise noted, except per share data)

and, additionally, Griffin considers its credit worthiness in determining the fair value of its mortgage loans. The fair values of the interest rate swaps (used for purposes other than trading) are determined based on discounted cash flow models that incorporate the cash flows of the derivatives as well as the current OIS rate and swap curve along with other market data, taking into account current interest rates and the credit worthiness of the counterparty for assets and the credit worthiness of Griffin for liabilities.

3. Real Estate Assets

Real estate assets consist of:

	<u>Estimated Useful Lives</u>	<u>Nov. 30, 2016</u>	<u>Nov. 30, 2015</u>
Land		\$ 17,895	\$ 18,157
Land improvements	10 to 30 years	27,592	22,440
Buildings and improvements	10 to 40 years	164,353	149,111
Tenant improvements	Shorter of useful life or terms of related lease	21,925	19,611
Machinery and equipment	3 to 20 years	11,022	11,810
Construction in progress		1,659	10,240
Development costs		14,615	15,870
		<u>259,061</u>	<u>247,239</u>
Accumulated depreciation		<u>(86,801)</u>	<u>(80,784)</u>
		<u>\$ 172,260</u>	<u>\$ 166,455</u>

Total depreciation expense and capitalized interest related to real estate assets were as follows:

	<u>November 30, 2016</u>	<u>November 30, 2015</u>	<u>November 30, 2014</u>
Depreciation expense	<u>\$ 7,768</u>	<u>\$ 6,539</u>	<u>\$ 5,747</u>
Capitalized interest	<u>\$ 274</u>	<u>\$ 777</u>	<u>\$ 580</u>

On September 22, 2016, Griffin closed on the previously contracted sale of approximately 29 acres of an approximately 45 acre land parcel in Griffin Center in Bloomfield, Connecticut for cash proceeds of \$3,756 and a pretax gain of \$3,174. An additional approximately 15 acres of that land parcel, much of which is wetlands with very limited development potential, was donated to an affiliate of the purchaser at the time of the closing. Griffin retained approximately one acre, which is adjacent to other undeveloped land owned by Griffin. The net cash proceeds from the sale of \$3,536 were placed in escrow for the potential acquisition of a replacement property as part of a Section 1031 like-kind exchange for income tax purposes. If a replacement property is not purchased with the proceeds from this land sale within the time frame required under IRS regulations regarding Section 1031 like-kind exchanges, the proceeds placed in escrow would be returned to Griffin.

The farm in Quincy, Florida (the "Florida Farm") that had been used by Imperial prior to being shut down in fiscal 2009 was leased to a private company grower of landscape nursery products from fiscal 2009 until April 30, 2016. In the 2015 second quarter, that tenant gave notice of its intent to exercise the purchase option for the Florida Farm under the terms of its lease for approximately \$4,100. On June 1, 2015, Griffin received a deposit of \$400 as required under the terms of the lease agreement. In August 2015, that tenant informed Griffin that it would not close on the purchase of the Florida Farm. Imperial and the tenant subsequently entered into a Holdover and Settlement Agreement (the "Agreement") which permitted the tenant to continue to lease the Florida Farm at an agreed upon rental rate through

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April 30, 2016. The Agreement also stipulated that Imperial was entitled to retain the deposit against the purchase price made by the tenant when it exercised its option to purchase the Florida Farm; therefore, the \$400 deposit is reflected as revenue from property sales in Griffin's fiscal 2015 consolidated statement of operations. Subsequent to that lease expiration, Griffin entered into a three year lease of the Florida Farm with a new tenant that includes an option for the new tenant to purchase the Florida Farm for a purchase price between \$3.4 million and \$3.9 million depending upon the date of sale.

In the 2013 fourth quarter, Griffin completed the sale of approximately 90 acres of undeveloped land for \$8,968 in cash, before transaction costs (the "Windsor Land Sale"). The land sold is located in Windsor, Connecticut and is part of an approximately 268 acre parcel of undeveloped land that straddles the town line between Windsor and Bloomfield, Connecticut. Approximately 15 acres of that land parcel was donated to the town of Windsor, Connecticut subsequent to the closing. Under the terms of the Windsor Land Sale, Griffin and the buyer were each required to construct roadways connecting the land parcel sold with existing town roads. Once completed, the roads constructed by the buyer and the road being constructed by Griffin will become new town roads, thereby providing public access to the remaining acreage in Griffin's land parcel. As a result of Griffin's continuing involvement with the land sold, the Windsor Land Sale is being accounted for under the percentage of completion method. Accordingly, the revenue and pretax gain on the sale are being recognized on a pro rata basis in a ratio equal to the percentage of the total costs incurred to the total anticipated costs of sale, including the costs of the required roadwork. Costs included in determining the percentage of completion include the cost of the land sold, allocated master planning costs and the cost of road construction. At the closing of the Windsor Land Sale, cash proceeds of \$8,860 were placed in escrow for the potential purchase of a replacement property in a like-kind exchange under Section 1031 of the Internal Revenue Code of 1986, as amended (the "IRC"). The proceeds placed in escrow were returned to Griffin in the second quarter of fiscal 2014, as a replacement property was not acquired.

As of November 30, 2016, approximately 99% of the total costs related to the Windsor Land Sale have been incurred; therefore, from the date of the Windsor Land Sale through November 30, 2016, approximately 99% of the total revenue and pretax gain on the sale have been recognized in Griffin's consolidated statements of operations. Griffin's consolidated statement of operations for fiscal 2016 includes revenue of \$608 and a pretax gain of \$380 from the Windsor Land Sale. Griffin's consolidated statement of operations for fiscal 2015 included revenue of \$2,483 and a pretax gain of \$1,880 from the Windsor Land Sale. Griffin's consolidated statement of operations for fiscal 2014 included revenue of \$3,105 and a pretax gain of \$2,358 from the Windsor Land Sale. Griffin's consolidated statement of operations for fiscal 2013 included revenue of \$2,668 and a pretax gain of \$1,990 from the Windsor Land Sale. The balance of the revenue and pretax gain on sale will be recognized when the remaining costs are incurred, which is expected to take place in fiscal 2017. Included on Griffin's consolidated balance sheet as of November 30, 2016, is deferred revenue of \$104 that will be recognized as the remaining costs are incurred. The total pretax gain on the Windsor Land Sale is expected to be approximately \$6,686 after all revenue is recognized and all costs are incurred. In the fiscal 2016 second quarter, Griffin increased its estimate of the total costs to complete the required road improvements attributed to the Windsor Land Sale by \$79, based upon changes received from the state of Connecticut's Department of Transportation that increased the scope of roadwork required to be completed by Griffin. The effect of the estimated additional roadwork cost reduced the estimated total pretax gain on the Windsor Land Sale from the prior estimate of approximately \$6,765. While management has used its best estimates, based on industry knowledge and experience, in projecting the total costs of the required roadways, increases or decreases in future costs as compared with current estimated amounts would reduce or increase the pretax gain recognized in future periods.

Real estate assets held for sale consist of:

	<u>Nov. 30, 2016</u>	<u>Nov. 30, 2015</u>
Land	\$ 264	\$ 78
Development costs	2,728	1,340
	<u>\$ 2,992</u>	<u>\$ 1,418</u>

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Notes to Consolidated Financial Statements (Continued)

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4. Income Taxes

The income tax provision in continuing operations for fiscal 2016, fiscal 2015 and fiscal 2014 is summarized as follows:

	For the Fiscal Years Ended		
	Nov. 30, 2016	Nov. 30, 2015	Nov. 30, 2014
Current federal	\$ 50	\$ (83)	\$ —
Current state and local	—	—	—
Deferred federal	(580)	(217)	356
Deferred state and local	(205)	(80)	(452)
Total income tax provision	\$ (735)	\$ (380)	\$ (96)

The income tax provision for fiscal 2016 includes a charge of approximately \$180 for the effect of a change in Connecticut tax law, effective for Griffin in fiscal 2016, whereby, the usage of state net operating loss carryforwards in future years will be limited to 50% of taxable income. Therefore, in fiscal 2016, Griffin decreased its expected realization of the tax benefit related to its Connecticut state net operating loss carryforwards. The decrease of the realization rate is based on management's current projections of taxable income in Connecticut in future years that would generate income taxes in excess of capital based taxes.

In fiscal 2015 and fiscal 2014, Griffin decreased its expected realization of the tax benefit related to its Connecticut state net operating loss carryforwards and other Connecticut state temporary differences. These decreases were based on management's projections in those years of taxable income attributable to the state of Connecticut in future years that would generate income taxes in excess of capital based taxes. Charges of approximately \$87 and \$375 are reflected in the fiscal 2015 and fiscal 2014 tax provisions, respectively, for state taxes to reflect the expected lower realization of certain state tax benefits.

Griffin did not recognize a current tax benefit in fiscal 2016, fiscal 2015 or fiscal 2014 from the exercise of employee stock options. A benefit was not recorded in fiscal 2016 and fiscal 2014 because Griffin did not have taxable income. In fiscal 2015, Griffin utilized net operating loss carryforwards to offset taxable income. As of November 30, 2016, Griffin has an unrecognized tax benefit of \$1,176 for the effect of employee stock options exercised in fiscal years 2006 through 2015. In fiscal 2016, fiscal 2015 and fiscal 2014, the deferred tax asset related to non-qualified stock options was reduced by \$17, \$9 and \$4, respectively, as a result of exercises and forfeitures of those options.

Included in total income from discontinued operations, net of tax, is an income tax provision of \$115 for fiscal 2014.

The income tax provision in fiscal 2016 is net of the effect of recording a charge related to valuation allowances on certain state deferred tax assets (principally Connecticut) of \$1,798, less a federal income tax benefit of \$629. The income tax provision in fiscal 2015 was net of the effect of recording a benefit related to valuation allowances on certain state deferred tax assets of \$76, less a federal income tax expense of \$26. The income tax provision for discontinued operations in fiscal 2014 was net of the effect of recording valuation allowances on certain state deferred tax assets for state net operating losses of Imperial. The effect on the income tax provision for the valuation allowances in fiscal 2014 was a charge of \$24, less a federal income tax benefit of \$8. The establishment of the valuation allowances reflects management's determination that it is more likely than not that Griffin will not generate sufficient taxable income in the future to fully utilize certain state net operating loss carryforwards.

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Other comprehensive income (loss) includes deferred tax (expense) benefit as follows:

	For the Fiscal Years Ended		
	Nov. 30, 2016	Nov. 30, 2015	Nov. 30, 2014
Mark to market adjustment on Centaur Media plc	\$ 347	\$ (16)	\$ 17
Measurement of the funded status of the defined postretirement program	—	—	181
Fair value adjustment of Griffin's cash flow hedges	(399)	164	37
Total income tax (expense) benefit included in other comprehensive income (loss)	<u>\$ (52)</u>	<u>\$ 148</u>	<u>\$ 235</u>

The differences between the income tax provision at the United States statutory income tax rates and the actual income tax provision on continuing operations for fiscal 2016, fiscal 2015 and fiscal 2014 are as follows:

	For the Fiscal Years Ended		
	Nov. 30, 2016	Nov. 30, 2015	Nov. 30, 2014
Tax (provision) benefit at statutory rate	\$ (459)	\$ (282)	\$ 403
State and local taxes, including valuation allowance, net of federal tax effect	(205)	(80)	(457)
Permanent items	(35)	(23)	(43)
Other	(36)	5	1
Total income tax provision	<u>\$ (735)</u>	<u>\$ (380)</u>	<u>\$ (96)</u>

The state and local income tax expense, net of federal tax effect, principally reflects a decrease in the realization of the tax benefit related to Connecticut state net operating loss carryforwards and expected Connecticut state other temporary differences for fiscal 2016, fiscal 2015 and fiscal 2014.

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Notes to Consolidated Financial Statements (Continued)

(dollars in thousands unless otherwise noted, except per share data)

The significant components of Griffin's deferred tax assets and deferred tax liabilities are as follows:

	Nov. 30, 2016	Nov. 30, 2015
Deferred tax assets:		
Federal net operating loss carryforwards	\$ 4,037	\$ 2,673
Deferred revenue	3,068	3,587
Retirement benefit plans	1,675	1,547
State net operating loss carryforwards	1,537	554
Non-qualified stock options	892	847
Cash flow hedges	623	1,022
Investment in Centaur Media plc	309	(38)
Charitable contribution carryforwards	127	179
Conditional asset retirement obligations	112	112
Other	46	51
Total deferred tax assets	<u>12,426</u>	<u>10,534</u>
Valuation allowances	<u>(1,514)</u>	<u>(345)</u>
Net deferred tax assets	<u>10,912</u>	<u>10,189</u>
Deferred tax liabilities:		
Real estate assets	(4,244)	(2,666)
Deferred rent	(1,095)	(985)
Prepaid insurance	(107)	(113)
Property and equipment	(49)	(44)
Other	(433)	(543)
Total deferred tax liabilities	<u>(5,928)</u>	<u>(4,351)</u>
Net total deferred tax assets	<u>\$ 4,984</u>	<u>\$ 5,838</u>

At November 30, 2016, Griffin had federal net operating loss carryforwards of approximately \$11,535 with expirations ranging from fourteen to twenty years and state net operating loss carryforwards of approximately \$358 with expirations ranging from ten to twenty years. Management has determined that a valuation allowance is required for net operating loss carryforwards in Connecticut related to Griffin and Imperial and for certain other states related to Imperial. Griffin has evaluated the likelihood that it will realize the benefits of its deferred tax assets. Based on a significant number of appreciated assets, primarily real estate, held by Griffin and the significant length of time expected before Griffin's deferred tax assets would expire, Griffin believes that it is more likely than not that it will utilize the benefit of its remaining deferred tax assets.

Griffin evaluates each tax position taken in its tax returns and recognizes a liability for any tax position deemed less likely than not to be sustained under examination by the relevant taxing authorities. Griffin believes that its income tax filing positions will be sustained on examination and does not anticipate any adjustments that would result in a material change on its financial statements. As a result, no accrual for uncertain income tax positions has been recorded pursuant to ASC 740-10.

Federal income tax returns for fiscal 2012 through fiscal 2015 are open to examination by the Internal Revenue Service. In fiscal 2014, the state of New York completed an examination of Griffin's fiscal 2007, fiscal 2008 and fiscal 2009 tax returns. There were no significant adjustments made as a result of this examination. The remaining periods subject to examination for Griffin's significant state return, which is Connecticut, are fiscal 2008 through fiscal 2015.

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(dollars in thousands unless otherwise noted, except per share data)

5. Mortgage Loans

Griffin's mortgage loans, which are nonrecourse, consist of:

	<u>Nov. 30, 2016</u>	<u>Nov. 30, 2015</u>
Variable rate, due October 2, 2017 *	\$ 6,034	\$ 6,217
Variable rate, due February 1, 2019 *	10,313	10,610
Variable rate, due August 1, 2019 *	—	7,501
Variable rate, due January 27, 2020 *	3,606	3,729
Variable rate, due January 2, 2025 *	20,744	19,385
Variable rate, due September 1, 2025 *	—	11,457
Variable rate, due May 1, 2026 *	14,187	—
Variable rate, due November 17, 2026 *	26,725	—
5.09%, due July 1, 2029	7,001	7,385
5.09%, due July 1, 2029	4,905	6,226
4.33%, due August 1, 2030	17,624	17,926
Nonrecourse mortgage loans prior to debt issuance costs	111,139	90,436
Debt issuance costs, net	(1,442)	(1,251)
Nonrecourse mortgage loans, net	<u>\$ 109,697</u>	<u>\$ 89,185</u>

* Griffin entered into interest rate swap agreements to effectively fix the interest rates on these loans (see below).

The annual principal payment requirements under the terms of the nonrecourse mortgage loans for the fiscal years 2017 through 2021 are \$8,994, \$3,100, \$12,552, \$6,077 and \$3,004, respectively. The aggregate book value of land and buildings that are collateral for the nonrecourse mortgage loans was approximately \$125,600 at November 30, 2016.

As of November 30, 2016, Griffin retrospectively applied the provisions of ASU 2015-03, regarding the reclassification of debt issuance costs (see Note 1). As a result of the adoption of ASU 2015-03, Griffin reclassified \$1,442 and \$1,251, as of November 30, 2016 and 2015, respectively, from other assets to mortgage loans, as reflected in the table above.

On November 17, 2016, Griffin closed on a nonrecourse mortgage (the “2016 Webster Mortgage”) for \$26,725. The 2016 Webster Mortgage refinanced an existing mortgage with Webster Bank, N.A. (“Webster”) which was due on September 1, 2025 and was collateralized by an approximately 280,000 square foot industrial building (“5220 Jaindel”) in the Lehigh Valley of Pennsylvania (see below). The 2016 Webster Mortgage is collateralized by 5220 Jaindel along with an adjacent approximately 252,000 square foot industrial building (“5210 Jaindel”). Griffin received net proceeds of \$13,000 (before transaction costs), net of \$13,725 used to refinance the existing mortgage with Webster. The 2016 Webster Mortgage has a ten year term with monthly principal payments based on a twenty-five year amortization schedule. The interest rate for the 2016 Webster Mortgage is a floating rate of the one month LIBOR rate plus 1.70%. At the time the 2016 Webster Mortgage closed, Griffin entered into an interest rate swap agreement with Webster that, combined with two existing swap agreements with Webster, effectively fixes the rate of the 2016 Webster Mortgage at 3.79% over the balance of the mortgage loan’s ten year term.

On April 26, 2016, Griffin closed on a nonrecourse mortgage (“the 2016 PUB Mortgage”) with People’s United Bank, N.A. (“PUB”) for \$14,350, before transaction costs. The 2016 PUB Mortgage refinanced an existing mortgage (the “2009 PUB Mortgage”) with PUB that was due on August 1, 2019 and was collateralized by four industrial/warehouse buildings totaling approximately 240,000 square feet (14, 15, 16 and 40 International Drive) in New England Tradeport (“NE Tradeport”), Griffin’s industrial park located in Windsor and East Granby, Connecticut. The 2009 PUB Mortgage had a balance of \$7,418 at the time of the refinancing and a variable interest rate of the one month LIBOR rate plus 3.08%. At the time Griffin completed the 2009 PUB Mortgage, Griffin entered into an interest

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Notes to Consolidated Financial Statements (Continued)

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rate swap agreement with PUB to effectively fix the rate on the 2009 PUB Mortgage at 6.58% for the term of that loan. The 2016 PUB Mortgage is collateralized by the same four properties that collateralized the 2009 PUB Mortgage along with another approximately 98,000 square foot NE Tradeport industrial/warehouse building. At the closing of the 2016 PUB Mortgage, Griffin received net mortgage proceeds of \$6,932 (before transaction costs), which was net of the \$7,418 used to repay the 2009 PUB Mortgage. The 2016 PUB Mortgage has a ten year term with monthly principal payments based on a twenty-five year amortization schedule. The interest rate for the 2016 PUB Mortgage is a floating rate of the one month LIBOR rate plus 2.0%. At the time the 2016 PUB Mortgage closed, Griffin entered into another interest rate swap agreement with PUB that, combined with the existing interest rate swap agreement with PUB, effectively fixes the interest rate of the 2016 PUB Mortgage at 4.17% over the term of the loan. The terms of the 2016 PUB Mortgage require that if either the tenant that leases approximately 58,000 square feet in 40 International Drive or the tenant that leases approximately 40,000 square feet in 14 International Drive does not extend its respective lease when it expires in fiscal 2021, a subsidiary of Griffin will enter into a master lease of the vacated space. The master lease would be guaranteed by Griffin and be in effect until either the vacated space is re-leased to a new tenant or the due date of the 2016 PUB Mortgage Loan, whichever occurs first.

On December 10, 2015, Griffin received additional mortgage proceeds of \$2,600 (the “Webster Earn-Out”) related to the mortgage (the “2015 Webster Mortgage”) obtained by one of its subsidiaries with Webster on its property at 5220 Jaindl. The 2015 Webster Mortgage closed on September 1, 2015, at which time initial proceeds of \$11,500 (before transaction costs) were received. At the time of the mortgage closing, Griffin had leased approximately 196,000 square feet of 5220 Jaindl. The Webster Earn-Out was subsequently received by Griffin when the tenant that leased that space exercised its option to lease the balance of the building. The 2015 Webster Mortgage had a ten year term with monthly principal payments based on a twenty-five year amortization schedule. The interest rate for the 2015 Webster Mortgage was a floating rate of the one month LIBOR rate plus 1.65%. At the time the 2015 Webster Mortgage closed, Griffin also entered into an interest rate swap agreement with Webster for a notional principal amount of \$11,500 at inception to fix the interest rate at 3.77% on the initial funds advanced under the 2015 Webster Mortgage. At the time the Webster Earn-Out was received, Griffin entered into another interest rate swap agreement with Webster for a notional principal amount of \$2,600 to fix the interest rate on the Webster Earn-Out at 3.67%.

On December 11, 2015, Griffin received additional mortgage proceeds of \$1,850 (the “KeyBank Earn-Out”) related to the mortgage obtained by two of its subsidiaries with KeyBank (formerly First Niagara Bank) (the “2025 KeyBank Mortgage”) on its properties at 4270 Fritch Drive (“4270 Fritch”) and 4275 Fritch Drive (“4275 Fritch”) in the Lehigh Valley of Pennsylvania. The 2025 KeyBank Mortgage closed on December 31, 2014, at which time proceeds of \$10,891 (before transaction costs) were received, in addition to \$8,859 used to refinance the existing mortgage on 4275 Fritch with KeyBank. The 2025 KeyBank Mortgage is collateralized by 4270 Fritch, an approximately 303,000 square foot industrial/warehouse building, and 4275 Fritch, an adjacent approximately 228,000 square foot industrial/warehouse building. At the time of the mortgage closing, approximately 201,000 square feet of 4270 Fritch was leased. The KeyBank Earn-Out was subsequently received by Griffin when the remaining vacant space of approximately 102,000 square feet was leased. Griffin agreed to enter into a master lease with its subsidiaries that own 4270 Fritch and 4275 Fritch in order to maintain a minimum net rent equal to the debt service on the 2025 KeyBank Mortgage. The master lease would be co-terminus with the 2025 KeyBank Mortgage. The 2025 KeyBank Mortgage has a ten year term with monthly principal payments based on a twenty-five year amortization schedule. The interest rate for the 2025 KeyBank Mortgage is a floating rate of the one month LIBOR rate plus 1.95%. At the time the 2025 KeyBank Mortgage closed, Griffin entered into an interest rate swap agreement with KeyBank that, combined with an existing interest rate swap agreement with KeyBank, effectively fixed the rate of the 2025 KeyBank Mortgage at 4.43% over the mortgage loan’s ten year term. At the time the KeyBank Earn-Out was received, Griffin entered into another interest rate swap agreement with KeyBank for a notional principal amount of \$1,850 to fix the interest rate on the KeyBank Earn-Out at 3.88%. The combination of the three interest rate swap agreements effectively fixes the interest rate on the 2025 KeyBank Mortgage at 4.39% over the remainder of the mortgage loan’s ten year term.

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Notes to Consolidated Financial Statements (Continued)

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On July 29, 2015, a subsidiary of Griffin closed on a new nonrecourse mortgage with 40|86 Mortgage Capital, Inc. (“the 40|86 Mortgage”) for \$18,000. The 40|86 Mortgage refinanced an existing 5.73% nonrecourse mortgage which was due on August 1, 2015 and was collateralized by three industrial/warehouse buildings totaling approximately 392,000 square feet (“75 International,” “754 Rainbow” and “758 Rainbow”) in NE Tradeport. The 40|86 Mortgage is collateralized by the same three properties. Griffin received proceeds of \$14,875 at closing (before transaction costs), which were used for the payoff of the maturing 5.73% nonrecourse mortgage of \$17,891. The remaining \$3,125 of loan proceeds were placed in escrow at closing. In the 2015 fourth quarter, as per the terms of the 40|86 Mortgage, \$2,500 of the escrowed proceeds was released to Griffin when the tenant that was leasing approximately 88,000 square feet on a month-to-month basis in 754 Rainbow extended into a long-term lease for that space and \$25 of the escrowed proceeds was also released to Griffin upon renewal of insurance coverage on the mortgaged properties. The remaining \$600 of mortgage proceeds in escrow was released to Griffin in the fiscal 2016 second quarter when tenant improvement work for the full building tenant in 758 Rainbow was completed. The 40|86 Mortgage has a fifteen year term with monthly payments based on a thirty year amortization schedule. The interest rate for the 40|86 Mortgage is 4.33%.

On June 6, 2014, a subsidiary of Griffin completed the refinancing of its nonrecourse mortgage loan (the “GCD Mortgage Loan”) with Farm Bureau Life Insurance Company (“Farm Bureau”) that was due April 1, 2016. The GCD Mortgage Loan is collateralized by a 165,000 square foot industrial building in Windsor, Connecticut. At the time of the refinancing, the GCD Mortgage Loan had a balance of \$3,391 and an interest rate of 8.13%. The refinancing increased the loan amount to \$7,868, reduced the interest rate to 5.09% and extended the loan term to fifteen years from the time of the refinancing, with payments based on a fifteen year amortization schedule.

Also on June 6, 2014, a subsidiary of Griffin completed the refinancing of its nonrecourse mortgage loan (the “TD Mortgage Loan”) with Farm Bureau that was due October 1, 2017. The TD Mortgage Loan is collateralized by an approximately 100,000 square foot industrial building and a 57,000 square foot industrial building, both located in Windsor, Connecticut. At the time of the refinancing, the TD Mortgage Loan had a balance of \$5,632 and an interest rate of 7.0%. The refinancing increased the loan amount to \$6,632, reduced the interest rate to 5.09% and extended the loan term to fifteen years from the time of the refinancing, with payments based on a fifteen year amortization schedule. The mortgage loan proceeds of \$1,000 from the refinancing of the TD Mortgage Loan were placed in escrow. The \$1,000 of proceeds held in escrow were used in fiscal 2016 to make a partial prepayment, without penalty, on the TD Mortgage Loan in the fiscal 2016 fourth quarter. The GCD Mortgage Loan and the TD Mortgage Loan are cross-collateralized and cross-defaulted with each other. The loans may not be voluntarily prepaid during the first seven years of the loan; thereafter, any prepayment would require a prepayment fee and the simultaneous prepayment of both loans.

As of November 30, 2016, Griffin was a party to several interest rate swap agreements related to its variable rate nonrecourse mortgages on certain of its real estate assets. Griffin accounts for its interest rate swap agreements as effective cash flow hedges (see Note 2). No ineffectiveness on the cash flow hedges was recognized as of November 30, 2016 and none is anticipated over the term of the agreements. Amounts in accumulated other comprehensive income (loss) will be reclassified into interest expense over the term of the swap agreements to achieve fixed rates on each mortgage. None of the interest rate swap agreements contain any credit risk related contingent features. In fiscal 2016, Griffin recognized a net gain, included in other comprehensive income, before taxes of \$1,081 on its interest rate swap agreements. In fiscal 2015 and fiscal 2014, Griffin recognized net losses, included in other comprehensive income (loss), before taxes of \$444 and \$100, respectively, on its interest rate swap agreements.

As of November 30, 2016, \$1,223 is expected to be reclassified over the next twelve months from accumulated other comprehensive loss to interest expense. As of November 30, 2016, the net fair value of Griffin’s interest rate swap agreements was \$1,685, with \$207 included in other assets and \$1,892 included in other liabilities on Griffin’s consolidated balance sheet. As of November 30, 2015, the fair value of Griffin’s interest rate swap agreements was \$2,766 and is included in other liabilities on Griffin’s consolidated balance sheet.

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6. Revolving Credit Agreement

On July 22, 2016, Griffin entered into an amendment (the "Amendment") to its revolving credit line (the "Webster Credit Line") with Webster Bank, N.A. that extends the Webster Credit Line for two years through July 31, 2018. The Amendment increased the amount of the Webster Credit Line from \$12,500 to \$15,000 and enables Griffin to further extend the term of the Webster Credit Line for an additional year through July 31, 2019, provided there is no default at the time such extension is requested. Per the terms of the Amendment, the interest rate on the Webster Credit Line will remain at the one month LIBOR rate plus 2.75%.

The Webster Credit Line is collateralized by Griffin's properties in Griffin Center South, aggregating approximately 235,000 square feet, and an approximately 48,000 square foot single-story office building in Griffin Center. The aggregate book value of land and buildings that are collateral for the Webster Credit Line was approximately \$10,210 at November 30, 2016. There have been no borrowings under the Webster Credit Line since its inception in fiscal 2013. The Webster Credit Line secures certain standby letters of credit aggregating \$1,827 that are related to Griffin's development activities.

7. Retirement Benefits

Savings Plan

Griffin maintains the Griffin Industrial Realty, Inc. 401(k) Savings Plan (the "Griffin Savings Plan") for its employees, a defined contribution plan whereby Griffin matches 60% of each employee's contribution, up to a maximum of 5% of base salary. Griffin's contributions to the Griffin Savings Plan in fiscal 2016, fiscal 2015 and fiscal 2014 were \$64, \$60 and \$64, respectively.

Deferred Compensation Plan

Griffin maintains a non-qualified deferred compensation plan (the "Deferred Compensation Plan") for certain of its employees who, due to IRC regulations, cannot take full advantage of the Griffin Savings Plan. Griffin's liability under its Deferred Compensation Plan at November 30, 2016 and 2015 was \$4,334 and \$3,981, respectively. These amounts are included in other liabilities on Griffin's consolidated balance sheets. The expense for Griffin's matching benefit to the Deferred Compensation Plan in fiscal 2016, fiscal 2015 and fiscal 2014 was \$7, \$22 and \$28, respectively.

The Deferred Compensation Plan is unfunded, with benefits to be paid from Griffin's assets. The liability for the Deferred Compensation Plan reflects the amounts withheld from employees, Griffin's matching benefit and any gains or losses on participant account balances based on the assumed investment of amounts credited to participants' accounts in certain mutual funds. Participant balances are tracked and any gain or loss is determined based on the performance of the mutual funds as selected by the participants.

Postretirement Benefits

Through March 10, 2014, Griffin maintained an unfunded postretirement benefits program that provided principally health and life insurance benefits to certain of its employees. Only those employees who were employed by Griffin's predecessor company as of December 31, 1993 were eligible to participate in the postretirement benefits program.

On March 11, 2014, Griffin terminated its postretirement benefits program. Accordingly, the remaining liability under the postretirement benefits program was reversed and all actuarial gains under the postretirement program that had been reflected in accumulated other comprehensive income were reclassified into net income in fiscal 2014. As essentially all of the participants in the postretirement benefits program had been employees of Imperial, and charges related to the postretirement benefits program had been included in the results of the landscape nursery business that is

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(dollars in thousands unless otherwise noted, except per share data)

now presented as a discontinued operation, the effect of the termination of the postretirement benefits program is mostly reflected in the results of discontinued operations in Griffin's consolidated statement of operations for fiscal 2014.

As a result of the Imperial Sale (see Note 10) prior to the termination of the postretirement benefit program, the liability for postretirement benefits was reduced from \$332 at November 30, 2013 to \$23 in the 2014 first quarter. A curtailment gain of \$309 is included in the determination of the loss on the Imperial Sale.

Changes in the program's benefit obligation for the fiscal year ended November 30, 2014 are as follows:

Change in benefit obligation:	
Benefit obligation at beginning of year	\$ 332
Actuarial gain	(14)
Interest cost	4
Service cost	1
Benefits paid	—
Amortization of actuarial gain	(14)
Curtailment gain	(309)
Benefit obligation at end of year	<u>\$ —</u>

The components of Griffin's postretirement benefits income for the fiscal year ended November 30, 2014 were as follows:

Service cost	\$ 1
Interest	4
Amortization of actuarial gain	(14)
Curtailment gain	(309)
Total income	(318)
Other changes in benefit obligations recognized in other comprehensive loss:	
Actuarial gain	(14)
Total recognized in net periodic benefit income and other comprehensive loss	<u>\$ (332)</u>

A discount rate of 4.60% was used to compute the accumulated postretirement benefit obligations prior to the program termination in fiscal 2014. The discount rate used was based on the spot rate of the Citigroup Pension Discount Curve, which was used to discount the projected cash flows of the program. A discount rate of 4.60% was used to compute the net periodic benefit expense for fiscal 2014 through the termination of the postretirement benefits program.

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8. Stockholders' Equity

Per Share Results

Basic and diluted results per share were based on the following:

	For the Fiscal Years Ended		
	Nov. 30, 2016	Nov. 30, 2015	Nov. 30, 2014
Income (loss) from continuing operations for computation of basic and diluted per share results, net of tax	\$ 576	\$ 425	\$ (1,248)
Income from discontinued operations for computation of basic and diluted per share results, net of tax	—	—	144
Net income (loss)	<u>\$ 576</u>	<u>\$ 425</u>	<u>\$ (1,104)</u>
Weighted average shares outstanding for computation of basic per share results	5,117,000	5,151,000	5,148,000
Incremental shares from assumed exercise of Griffin stock options (a)	6,000	17,000	—
Adjusted weighted average shares for computation of diluted per share results	<u>5,123,000</u>	<u>5,168,000</u>	<u>5,148,000</u>

- (a) Incremental shares from the assumed exercise of Griffin stock options are not included in periods where inclusion of such shares would be anti-dilutive. Such assessment is based on income (loss) from continuing operations when net income includes discontinued operations. For the fiscal year ended November 30, 2014, the incremental shares from the assumed exercise of stock options would have been 11,000 shares.

Griffin Stock Option Plan

The Griffin Industrial Realty, Inc. 2009 Stock Option Plan (the "2009 Stock Option Plan") makes available options to purchase 386,926 shares of Griffin common stock. The Compensation Committee of Griffin's Board of Directors administers the 2009 Stock Option Plan. Options granted under the 2009 Stock Option Plan may be either incentive stock options or non-qualified stock options granted at fair market value on the date approved by Griffin's Compensation Committee. Vesting of all of Griffin's stock options is solely based upon service requirements and does not contain market or performance conditions.

Stock options granted expire ten years from the grant date. In accordance with the 2009 Stock Option Plan, stock options granted to non-employee directors upon their initial election to the board of directors are fully exercisable immediately upon the date of the option grant. Stock options granted to non-employee directors upon their reelection to the board of directors vest on the second anniversary from the date of grant. Stock options granted to employees vest in equal installments on the third, fourth and fifth anniversaries from the date of grant. None of the stock options outstanding at November 30, 2016 may be exercised as stock appreciation rights.

GRIFFIN INDUSTRIAL REALTY, INC.

Notes to Consolidated Financial Statements (Continued)

(dollars in thousands unless otherwise noted, except per share data)

The following options were granted by Griffin under the 2009 Stock Option Plan to employees and non-employee directors either upon their initial election or their reelection to Griffin's Board of Directors:

	For the Fiscal Years Ended					
	Nov. 30, 2016		Nov. 30, 2015		Nov. 30, 2014	
	Number of Shares	Fair Value per Option at Grant Date	Number of Shares	Fair Value per Option at Grant Date	Number of Shares	Fair Value per Option at Grant Date
Employees	101,450	\$ 7.51 - 11.65	-	\$ -	-	\$ -
Non-employee directors	8,409	\$ 11.30	8,282	\$ 14.39	8,532	\$ 12.42
	<u>109,859</u>		<u>8,282</u>		<u>8,532</u>	

The fair values were estimated as of the date of each grant using the Black-Scholes option-pricing model. The following assumptions were used in determining the fair value of each option:

	For the Fiscal Years Ended		
	Nov. 30, 2016	Nov. 30, 2015	Nov. 30, 2014
Expected volatility	32.9% to 41.1%	40.8 %	38.9 %
Risk free interest rates	1.2% to 1.5%	2.0 %	2.2 %
Expected option term (in years)	5 to 8.5	8.5	8.5
Annual dividend yield	0.9%	0.7 %	0.7 %

Number of option holders at November 30, 2016 31

Compensation expense and related tax benefits for stock options were as follows:

	For the Fiscal Years Ended		
	Nov. 30, 2016	Nov. 30, 2015	Nov. 30, 2014
Compensation expense - continuing operations	\$ 267	\$ 230	\$ 338
Compensation expense - discontinued operations	—	—	(130)
Net compensation expense	<u>\$ 267</u>	<u>\$ 230</u>	<u>\$ 208</u>
Related tax benefit - continuing operations	\$ 62	\$ 61	\$ 78
Related tax benefit - discontinued operations	—	—	(15)
Net related tax benefit	<u>\$ 62</u>	<u>\$ 61</u>	<u>\$ 63</u>

For all years presented, forfeiture rates used for directors were 0%, forfeiture rates used for executives ranged from 17.9% to 22.6% and forfeiture rates used for employees ranged from 38.3% to 41.1%. These rates were utilized based on the historical activity of the grantees.

GRIFFIN INDUSTRIAL REALTY, INC.

Notes to Consolidated Financial Statements (Continued)

(dollars in thousands unless otherwise noted, except per share data)

As of November 30, 2016, the unrecognized compensation expense related to nonvested stock options that will be recognized during future periods is as follows:

Fiscal 2017	\$ 311
Fiscal 2018	\$ 279
Fiscal 2019	\$ 198
Fiscal 2020	\$ 102
Fiscal 2021	\$ 28

The total grant date fair value of options vested during fiscal 2016, fiscal 2015 and fiscal 2014 was \$457, \$492 and \$664, respectively. There were no options exercised in fiscal 2016. The intrinsic value of options exercised in fiscal 2015 and fiscal 2014 was \$18 and \$10, respectively.

A summary of the activity under the 2009 Griffin Stock Option Plan is as follows:

	Options	Weighted Avg. Exercise Price
Outstanding at November 30, 2013	239,677	\$ 30.35
Granted	8,532	\$ 28.12
Exercised	(3,208)	\$ 24.94
Forfeited	(23,000)	\$ 30.27
Outstanding at November 30, 2014	222,001	\$ 30.35
Granted	8,282	\$ 31.38
Exercised	(3,134)	\$ 25.53
Forfeited	(1,422)	\$ 28.12
Outstanding at November 30, 2015	225,727	\$ 30.47
Granted	109,859	\$ 26.83
Forfeited	(11,040)	\$ 30.73
Outstanding at November 30, 2016	324,546	\$ 29.23

Range of Exercise Prices for Vested and Nonvested Options	Outstanding at November 30, 2016	Weighted Avg. Exercise Price	Weighted Avg. Remaining Contractual Life (in years)	Total Intrinsic Value
\$23.00 - \$28.00	124,793	\$ 26.67	8.9	\$ 597
\$28.00 - \$32.00	116,678	\$ 28.92	4.6	296
\$32.00 - \$39.00	83,075	\$ 33.52	1.9	—
	324,546	\$ 29.23	5.6	\$ 893

Accumulated Other Comprehensive Loss

As of November 30, 2016, Griffin held 1,952,462 shares of common stock in Centaur Media and accounts for its investment in Centaur Media as an available-for-sale security under ASC 320-10. Accordingly, the investment in Centaur Media is carried at its fair value on Griffin's consolidated balance sheet, with increases or decreases recorded, net of tax, as a component of other comprehensive income (loss). Upon the sale of shares in Centaur Media, the change, net of tax, in the value of the shares of Centaur Media that were sold during the time Griffin held those shares is reclassified from accumulated other comprehensive income (loss) and included in Griffin's consolidated statement of operations. In fiscal 2014, \$204 was reclassified from accumulated other comprehensive loss as a result of the sale of 500,000 shares of Centaur Media common stock. There were no sales of Centaur Media common stock in fiscal 2016 and fiscal 2015.

GRIFFIN INDUSTRIAL REALTY, INC.

Notes to Consolidated Financial Statements (Continued)

(dollars in thousands unless otherwise noted, except per share data)

Accumulated other comprehensive loss, and activity for fiscal 2016, fiscal 2015 and fiscal 2014, is comprised of the following:

	Unrealized Gain (Loss) on Cash Flow Hedges	Unrealized Gain (Loss) on Investment in Centaur Media	Actuarial Gain on Postretirement Benefit Program	Total
Balance at November 30, 2013	\$ (1,401)	\$ 648	\$ 304	\$ (449)
Other comprehensive (loss) income before reclassifications	(695)	185	—	(510)
Amounts reclassified	632	(204)	(304)	124
Net activity for other comprehensive loss	(63)	(19)	(304)	(386)
Balance at November 30, 2014	(1,464)	629	—	(835)
Other comprehensive (loss) income before reclassifications	(1,058)	30	—	(1,028)
Amounts reclassified	778	—	—	778
Net activity for other comprehensive loss	(280)	30	—	(250)
Balance at November 30, 2015	(1,744)	659	—	(1,085)
Other comprehensive loss before reclassifications	(174)	(646)	—	(820)
Amounts reclassified	856	—	—	856
Net activity for other comprehensive income	682	(646)	—	36
Balance at November 30, 2016	\$ (1,062)	\$ 13	\$ —	\$ (1,049)

Changes in accumulated other comprehensive income (loss) are as follows:

	For the Fiscal Years Ended								
	November 30, 2016			November 30, 2015			November 30, 2014		
	Tax (Expense)			Tax (Expense)			Tax (Expense)		
	Pre-Tax	Benefit	Net-of-Tax	Pre-Tax	Benefit	Net-of-Tax	Pre-Tax	Benefit	Net-of-Tax
Reclassifications included in net income (loss):									
Realized gain on sale of Centaur Media (gain on sale)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ (321)	\$ 117	\$ (204)
Termination of postretirement benefits program (\$283 net of tax to discontinued operations, \$21 net of tax to general and administrative expenses)	—	—	—	—	—	—	(485)	181	(304)
Loss on cash flow hedges (interest expense)	1,358	(502)	856	1,234	(456)	778	1,003	(371)	632
Total reclassifications included in net income (loss)	1,358	(502)	856	1,234	(456)	778	197	(73)	124
Mark to market adjustment on Centaur Media for the (decrease) increase in fair value	(763)	267	(496)	123	(43)	80	358	(125)	233
Mark to market adjustment on Centaur Media for the decrease in exchange gain	(230)	80	(150)	(77)	27	(50)	(73)	25	(48)
Decrease in fair value adjustment on Griffin's cash flow hedges	(277)	103	(174)	(1,678)	620	(1,058)	(1,103)	408	(695)
Total change in other comprehensive loss	(1,270)	450	(820)	(1,632)	604	(1,028)	(818)	308	(510)
Total other comprehensive income (loss)	\$ 88	\$ (52)	\$ 36	\$ (398)	\$ 148	\$ (250)	\$ (621)	\$ 235	\$ (386)

Cash Dividends

In fiscal 2016 and fiscal 2015, Griffin declared annual cash dividends of \$0.30 per common share in each year, which were paid in the first quarter of fiscal 2017 and fiscal 2016, respectively. In fiscal 2014, Griffin declared an annual cash dividend of \$0.20 per common share, which was paid in the first quarter of fiscal 2015.

GRIFFIN INDUSTRIAL REALTY, INC.

Notes to Consolidated Financial Statements (Continued)

(dollars in thousands unless otherwise noted, except per share data)

Stock Repurchases

On March 31, 2016, Griffin's Board of Directors authorized a stock repurchase program whereby Griffin may repurchase up to \$5,000 in outstanding shares of its common stock over a twelve month period in privately negotiated transactions. The repurchase program expires on May 10, 2017. This repurchase program does not obligate Griffin to repurchase any specific number of shares, and may be suspended at any time at management's discretion. On October 20, 2016, Griffin repurchased 45,000 shares of its outstanding common stock for approximately \$1,403 and on May 27, 2016, Griffin repurchased 60,000 shares of its outstanding common stock for approximately \$1,951.

9. Operating Leases

Griffin's rental revenue reflects the leasing of industrial, flex and office space and the lease of the nursery growing facilities in Connecticut and Florida previously used by Imperial. Future minimum rental payments, including expected tenant reimbursements, to be received under noncancelable leases as of November 30, 2016 were:

2017	\$ 25,676
2018	23,637
2019	20,350
2020	17,694
2021	11,896
Later years	24,824
	<u>\$ 124,077</u>

All future minimum rental payments, principally for Griffin's corporate headquarters, under noncancelable leases, as lessee, as of November 30, 2016 were:

2017	\$ 126
2018	126
2019	125
2020	121
2021	122
Later years	642
	<u>\$ 1,262</u>

Total rental expense for all operating leases, as lessee, in fiscal 2016, fiscal 2015 and fiscal 2014 was \$194, \$201 and \$210, respectively.

Effective October 1, 2016, Griffin entered into a ten year sublease for approximately 1,920 square feet in New York City for its executive offices from Bloomingdale Properties, Inc. ("Bloomingdale Properties"), an entity that is controlled by certain members of the Cullman and Ernst Group, which is considered a related party to Griffin. The sublease with Bloomingdale Properties was approved by Griffin's Audit Committee and the lease rates under the sublease were at market rate at the time the sublease was signed. Rental expense for this lease in fiscal 2016 was \$10, which is included in general and administrative expenses.

10. Discontinued Operations

Effective January 8, 2014, in accordance with the terms of the Imperial Sale, Imperial sold its inventory and certain assets for \$732 in cash and a non-interest bearing note receivable of \$4,250 (the "Promissory Note"). Net cash of \$732 was received from Monrovia in fiscal 2014 and Griffin paid \$563 in severance and other expenses. The Promissory Note was paid on schedule in two installments: \$2,750 on June 1, 2014 and \$1,500 on June 1, 2015. The Promissory Note was discounted at 7% to \$4,036, its present value at inception. Under the terms of the Imperial Sale, Griffin and

GRIFFIN INDUSTRIAL REALTY, INC.

Notes to Consolidated Financial Statements (Continued)

(dollars in thousands unless otherwise noted, except per share data)

Imperial agreed to indemnify Monrovia for any potential environmental liabilities relating to periods prior to the effective date of the Imperial Sale and also agreed to certain non-competition restrictions for a four-year period.

Concurrent with the Imperial Sale, Imperial and River Bend Holdings, LLC, a wholly owned subsidiary of Griffin, entered into a Lease and Option Agreement and an Addendum to such agreement, which was amended in fiscal 2016 (as amended, the "Imperial Lease") with Monrovia, pursuant to which Monrovia is leasing Imperial's Connecticut production nursery for a ten-year period, with options to extend for up to an additional fifteen years exercisable by Monrovia. The Imperial Lease provides for net annual rent payable to Griffin of \$500 for each of the first five years with rent for subsequent years determined in accordance with the Imperial Lease. The Imperial Lease also grants Monrovia an option to purchase most of the land, land improvements and other operating assets that were used by Imperial in its Connecticut growing operations during the first thirteen years of the lease period for \$9,500, or \$7,000 if only a certain portion of the land is purchased, subject in each case to certain adjustments as provided for in the Imperial Lease. Accordingly, the operating results of Imperial's growing operations are reflected as a discontinued operation in Griffin's consolidated statements of operations for fiscal 2014.

In fiscal 2014, Imperial's revenue and the pretax income, reflected as a discontinued operation in Griffin's consolidated statements of operations, were as follows:

Net sales and other revenue	\$ 159
Pretax income	\$ 259

Imperial's pretax income in fiscal 2014 includes \$451 for the reclassification of actuarial gains related to Griffin's postretirement benefits program from other comprehensive income into pretax income as a result of the termination of Griffin's postretirement benefits program (see Note 7).

The pretax loss from the Imperial Sale in fiscal 2014 was as follows:

Consideration received from Monrovia, reflecting cash of \$732 and note receivable of \$4,036	\$ 4,768
Carrying value of assets sold, principally inventory	(4,561)
Curtailment of employee benefit program (see Note 7)	309
Severance and other expenses	(563)
Pretax loss on sale	\$ (47)

11. Supplemental Financial Statement Information

Available-for-Sale Securities

Griffin's investment in the common stock of Centaur Media is accounted for as an available-for-sale security under ASC 320-10. Accordingly, changes in the fair value of Centaur Media, reflecting both changes in the stock price and changes in the foreign currency exchange rate, are included, net of income taxes, in accumulated other comprehensive income (see Note 8). Griffin's investment income includes dividend income from Centaur Media of \$79, \$83 and \$82 in fiscal 2016, fiscal 2015 and fiscal 2014, respectively.

At the beginning of fiscal 2014, Griffin held 2,452,462 shares of Centaur Media common stock. In fiscal 2014, Griffin sold 500,000 shares of its Centaur Media common stock for total cash proceeds of \$566 net of transaction costs. The sale of Centaur Media common stock resulted in a pretax gain of \$318 in fiscal 2014. Griffin has not sold any of its Centaur Media common stock since the sales in fiscal 2014. Griffin held 1,952,462 shares of Centaur Media common stock as of November 30, 2016.

GRIFFIN INDUSTRIAL REALTY, INC.

Notes to Consolidated Financial Statements (Continued)

(dollars in thousands unless otherwise noted, except per share data)

The fair value, cost and unrealized gain of Griffin's investment in Centaur Media are as follows:

	<u>Nov. 30, 2016</u>	<u>Nov. 30, 2015</u>
Fair value	\$ 977	\$ 1,970
Cost	1,014	1,014
Unrealized (loss) gain	<u>\$ (37)</u>	<u>\$ 956</u>

Other Assets

Griffin's other assets are comprised of the following:

	<u>Nov. 30, 2016</u>	<u>Nov. 30, 2015</u>
Deferred leasing costs	\$ 4,746	\$ 4,376
Deferred rent receivable	4,474	4,087
Prepaid expenses	2,333	2,157
Mortgage escrows	717	2,229
Deposits and costs related to potential real estate acquisitions	497	27
Lease receivables from tenants	369	401
Property and equipment, net	280	221
Intangible assets, net	247	305
Deferred financing costs related to Webster Credit Line	117	13
Other	406	282
Total other assets	<u>\$ 14,186</u>	<u>\$ 14,098</u>

Griffin's intangible assets relate to the acquisition of real estate assets in previous years and consist of: (i) the value of in-place leases; and (ii) the value of the associated relationships with tenants. Intangible assets are shown net of amortization of \$772 and \$714 on November 30, 2016 and November 30, 2015, respectively.

Amortization expense of intangible assets is as follows:

	<u>For the Fiscal Years Ended</u>		
	<u>Nov. 30, 2016</u>	<u>Nov. 30, 2015</u>	<u>Nov. 30, 2014</u>
Amortization expense	<u>\$ 58</u>	<u>\$ 201</u>	<u>\$ 178</u>

Estimated amortization expense of intangible assets is \$27 per year for each of the next five fiscal years.

Property and equipment, net reflects accumulated depreciation of \$844 and \$996 as of November 30, 2016 and November 30, 2015, respectively. Total depreciation expense related to property and equipment in fiscal 2016, fiscal 2015 and fiscal 2014 was \$90, \$86 and \$111, respectively.

GRIFFIN INDUSTRIAL REALTY, INC.

Notes to Consolidated Financial Statements (Continued)

(dollars in thousands unless otherwise noted, except per share data)

Accounts Payable and Accrued Liabilities

Griffin's accounts payable and accrued liabilities are comprised of the following:

	<u>Nov. 30, 2016</u>	<u>Nov. 30, 2015</u>
Accrued construction costs and retainage	\$ 1,252	\$ 1,278
Trade payables	1,060	422
Accrued salaries, wages and other compensation	725	615
Accrued interest payable	390	361
Other	713	672
Total accounts payable and accrued liabilities	<u>\$ 4,140</u>	<u>\$ 3,348</u>

Other Liabilities

Griffin's other liabilities are comprised of the following:

	<u>Nov. 30, 2016</u>	<u>Nov. 30, 2015</u>
Deferred compensation plan	\$ 4,334	\$ 3,981
Interest rate swap agreements	1,892	2,766
Prepaid rent from tenants	938	944
Security deposits of tenants	413	286
Conditional asset retirement obligations	288	288
Other	78	107
Total other liabilities	<u>\$ 7,943</u>	<u>\$ 8,372</u>

Supplemental Cash Flow Information

A decrease of \$993 in fiscal 2016 in the fair value of Griffin's Investment in Centaur Media reflects the mark to market adjustment of this investment and did not affect Griffin's cash. Increases of \$46 and \$285 in fiscal 2015 and fiscal 2014, respectively, in the fair value of Griffin's Investment in Centaur Media reflect the mark to market adjustment of this investment and did not affect Griffin's cash.

Accounts payable and accrued liabilities related to additions to real estate assets decreased by \$32 and \$632 in fiscal 2016 and fiscal 2015, respectively.

Griffin received an income tax refund of \$61 in fiscal 2014. Interest payments in fiscal 2016, fiscal 2015 and fiscal 2014 were \$4,507, \$4,180 and \$3,860, respectively, including capitalized interest of \$274, \$777 and \$580 in fiscal 2016, fiscal 2015 and fiscal 2014, respectively.

12. Quarterly Results of Operations (Unaudited)

Summarized quarterly financial data are presented below:

<u>Fiscal 2016 Quarters</u>	<u>1st</u>	<u>2nd</u>	<u>3rd</u>	<u>4th</u>	<u>Total</u>
Total revenue	\$ 6,682	\$ 6,524	\$ 7,265	\$ 10,380	\$ 30,851
Operating income	804	270	1,089	3,464	5,627
Net income (loss)	(335)	(379)	(49)	1,339	576
Basic net income (loss) per common share	(0.07)	(0.07)	(0.01)	0.26	0.11
Diluted net income (loss) per common share	(0.07)	(0.07)	(0.01)	0.26	0.11

GRIFFIN INDUSTRIAL REALTY, INC.

Notes to Consolidated Financial Statements (Continued)

(dollars in thousands unless otherwise noted, except per share data)

<u>Fiscal 2015 Quarters</u>	<u>1st</u>	<u>2nd</u>	<u>3rd</u>	<u>4th</u>	<u>Total</u>
Total revenue	\$ 6,233	\$ 6,196	\$ 8,184	\$ 7,475	\$ 28,088
Operating income (loss)	(213)	473	2,641	1,413	4,314
Net income (loss)	(708)	(234)	1,203	164	425
Basic net income (loss) per common share	(0.14)	(0.05)	0.23	0.03	0.08
Diluted net income (loss) per common share	(0.14)	(0.05)	0.23	0.03	0.08

Property sales revenue in Griffin's fiscal 2016 fourth quarter consolidated statement of operations includes \$3,756 for the sale of a land parcel in Bloomfield, Connecticut and \$135 for the amount of revenue recognized on the Windsor Land Sale.

Property sales revenue in Griffin's fiscal 2015 fourth quarter consolidated statement of operations includes \$600 for the sale of a small land parcel in Simsbury, Connecticut and \$236 for the amount of revenue recognized on the Windsor Land Sale.

The sum of the four quarters earnings per share data may not equal the annual earnings per share data due to the requirement that each period be calculated separately.

13. Commitments and Contingencies

As of November 30, 2016, Griffin had committed purchase obligations of approximately \$1,677, principally related to the development of Griffin's real estate assets.

On January 25, 2016, Griffin entered into an Option Purchase Agreement (the "Option Agreement") whereby Griffin granted the buyer an exclusive option, which may be extended for up to three years upon payment of additional option fees, to purchase approximately 280 acres of land for approximately \$7,700. The land subject to the Option Agreement is undeveloped and does not have any of the approvals that would be required for the buyer's planned use of the land. A closing on the land sale contemplated by the Option Agreement is subject to several significant contingencies, including the buyer securing contracts under a competitive bidding process that would require changes in the use of the land and obtaining local and state approvals for that planned use. There is no guarantee that the sale of land as contemplated under the Option Agreement will be completed under its current terms, or at all.

On March 23, 2016, Griffin entered into an Agreement of Sale and Purchase (the "East Allen Purchase Agreement") to acquire an approximately 31 acre site in East Allen Township, Northampton County, Pennsylvania for development of an industrial/warehouse building. Subsequently, Griffin exercised its right to terminate the East Allen Purchase Agreement based on its due diligence findings. After the East Allen Purchase Agreement was terminated, Griffin has continued negotiations with the seller to reach a new agreement. Completion of a new purchase agreement is uncertain at this time.

On May 4, 2016, Griffin entered into an Agreement of Sale and Purchase, as amended (the "Macungie Purchase Agreement"), to acquire, for a purchase price of \$1,800, an approximately 14 acre site in Upper Macungie Township, Lehigh County, Pennsylvania for development of an approximately 134,000 square foot industrial/warehouse building. A closing on the land acquisition contemplated by the Macungie Purchase Agreement is subject to significant contingencies, including Griffin obtaining all governmental approvals for its planned development of the land that would be acquired. There is no guarantee that the land acquisition as contemplated under the Macungie Purchase Agreement will be completed under its current terms, or at all.

Under its \$5,000 stock repurchase program, as of November 30, 2016, Griffin was authorized to purchase, from time to time, up to \$1,646 in outstanding shares of its common stock through private transactions. The program to repurchase common stock expires on May 10, 2017, does not obligate Griffin to repurchase any specific number of shares, and may be suspended at any time at management's discretion (see Note 8).

GRIFFIN INDUSTRIAL REALTY, INC.

Notes to Consolidated Financial Statements (Continued)

(dollars in thousands unless otherwise noted, except per share data)

Griffin is involved, as a defendant, in various litigation matters arising in the ordinary course of business. In the opinion of management, based on the advice of legal counsel, the ultimate liability, if any, with respect to these matters is not expected to be material, individually or in the aggregate, to Griffin's consolidated financial statements.

14. Subsequent Events

In accordance with FASB ASC 855, "Subsequent Events," Griffin has evaluated all events or transactions occurring after November 30, 2016, the balance sheet date, and noted that there have been no such events or transactions which would require recognition or disclosure in the consolidated financial statements as of and for the year ended November 30, 2016, other than the disclosures herein.

On January 24, 2017, as part of its common stock repurchase program (see Notes 8 and 13), Griffin repurchased 19,173 shares of its outstanding common stock for approximately \$595, resulting in approximately \$1,051 remaining available for additional stock repurchases under the current repurchase program.

On January 20, 2017, Griffin and People's United Bank ("PUB") agreed to terms for a new nonrecourse mortgage on two of Griffin's buildings in NE Tradeport. The parties agreed to a loan amount up to \$12,000 with a ten year term, principal payments based on a twenty-five year amortization schedule, and interest at the one month LIBOR rate plus 1.95%. Griffin expects to enter into a new interest rate swap agreement with PUB that would fix the rate of this new mortgage loan for its full term. There is no guarantee that this mortgage loan will be completed in accordance with its current terms, or at all.

On December 23, 2016, Griffin entered into an agreement to sell approximately 67 acres of an approximately 268 acre business park master planned by Griffin that straddles the town line between Windsor and Bloomfield, Connecticut. The purchase price is approximately \$10,250 before transaction costs. Completion of this transaction is contingent on a number of factors, including the buyer obtaining all necessary final permits from governmental authorities for its development plans for the site it would acquire and the buyer receiving municipal and state economic development incentives it deems adequate. Under the current terms, Griffin expects to record a material pretax gain on this transaction. There is no guarantee that this transaction will be completed under the current terms, or at all.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders
Griffin Industrial Realty, Inc.

We have audited the consolidated financial statements of Griffin Industrial Realty, Inc. and subsidiaries as of November 30, 2016 and 2015 and for each of the three fiscal years in the period ended November 30, 2016 listed in the index appearing under Item 15(a)(1). Our audits also included the financial statement schedules of Griffin Industrial Realty, Inc. listed in Item 15(a)(2). These financial statements and financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedules based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Griffin Industrial Realty, Inc. and subsidiaries as of November 30, 2016 and 2015, and the results of their operations and their cash flows for each of the three fiscal years in the period ended November 30, 2016, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly in all material respects the information set forth therein.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Griffin Industrial Realty, Inc. and subsidiaries' internal control over financial reporting as of November 30, 2016, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013, and our report dated February 10, 2017 expressed an unqualified opinion on the effectiveness of Griffin Industrial Realty, Inc.'s internal control over financial reporting.

RSM US LLP

New Haven, Connecticut
February 10, 2017

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

ITEM 9A. CONTROLS AND PROCEDURES.

Changes in Internal Control Over Financial Reporting: There have been no changes in Griffin Industrial Realty, Inc.'s ("Griffin" or the "Company") internal control over financial reporting that occurred during the Company's most recent fiscal quarter ended November 30, 2016 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Disclosure Controls and Procedures: The Company maintains disclosure controls and procedures designed to ensure that the information the Company must disclose in its filings with the Securities and Exchange Commission ("SEC") is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and such information is accumulated and communicated to management, as appropriate, to allow timely decisions regarding required disclosure. The Company's principal executive officer and principal financial officer have reviewed and evaluated, with the participation of the Company's management, the Company's disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act") as of the end of the period covered by this Annual Report (the "Evaluation Date"). Based on such evaluation, such officers have concluded that, as of the Evaluation Date, the Company's disclosure controls and procedures are effective.

Management's Report on Internal Control Over Financial Reporting: Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Management of the Company, including its chief executive officer and chief financial officer, has assessed the effectiveness of its internal control over financial reporting as of November 30, 2016, based on the criteria established in the "2013 Internal Control—Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in 2013. Based on its assessment and those criteria, management of the Company has concluded that, as of November 30, 2016, the Company's internal control over financial reporting was effective.

The Company's independent registered public accounting firm, RSM US LLP, has audited the effectiveness of the Company's internal control over financial reporting as of November 30, 2016, as stated in their attestation report appearing below.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of the effectiveness to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders
Griffin Industrial Realty, Inc.

We have audited Griffin Industrial Realty, Inc. and subsidiaries' (the Company) internal control over financial reporting as of November 30, 2016, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting appearing under Item 9A. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (a) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (b) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (c) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Griffin Industrial Realty, Inc. and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of November 30, 2016, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements of Griffin Industrial Realty, Inc. and subsidiaries as of November 30, 2016 and 2015 and for each of the three fiscal years in the period ended November 30, 2016 listed in the index appearing under Item 15(a)(1) and our report dated February 10, 2017 expressed an unqualified opinion.

RSM US LLP

New Haven, Connecticut
February 10, 2017

ITEM 9B. OTHER INFORMATION.

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

The following table sets forth the information called for in this Item 10:

Name	Age	Position
Frederick M. Danziger	76	Executive Chairman of the Board of Directors
Michael S. Gamzon	47	Director and President and Chief Executive Officer
David R. Bechtel	49	Director
Edgar M. Cullman, Jr.	70	Director
Thomas C. Israel	72	Director
Jonathan P. May	50	Director
Albert H. Small, Jr.	60	Director
Scott Bosco	50	Vice President of Construction, Griffin Industrial, LLC
Anthony J. Galici	59	Vice President, Chief Financial Officer and Secretary
Thomas M. Lescalleet	54	Senior Vice President, Griffin Industrial, LLC

Griffin's directors are each elected for a term of one year.

Frederick M. Danziger has been the Chairman of the Board of Directors of Griffin since May 2012 and has served in the Executive Chairman capacity since January 2016. Mr. Danziger was the Chief Executive Officer from April 1997 to January 2016; was a Director and the President of Griffin from April 1997 to May 2012; and was a Director of Culbro Corporation ("Culbro") from 1975 until 1997. He was previously involved in the real estate operations of Griffin in the early 1980s. Mr. Danziger was Of Counsel to the law firm of Latham & Watkins LLP from 1995 until 1997. From 1974 until 1995, Mr. Danziger was a Member of the law firm of Mudge Rose Guthrie Alexander & Ferdon. Mr. Danziger also is a Director of Monro Muffler Brake, Inc. and Bloomingdale Properties, Inc. Mr. Danziger is the father-in-law of Michael S. Gamzon. We believe that Mr. Danziger's background as a lawyer and his extensive experience and knowledge with respect to real estate and real estate financing provides a unique perspective to the Board.

Michael S. Gamzon is a Director and the President and Chief Executive Officer of Griffin. Mr. Gamzon was appointed as a Director on January 19, 2016 to replace Mr. David M. Danziger, who resigned from the Board effective on that date. Mr. Gamzon succeeded Mr. Frederick M. Danziger as Griffin's Chief Executive Officer effective January 1, 2016 and has been President of Griffin since May 2012. Mr. Gamzon was the Chief Operating Officer of Griffin from September 2010 to January 2016; was Executive Vice President from September 2010 to May 2012; and was a Vice President of Griffin from January 2008 through August 2010. Mr. Gamzon was an investment analyst with Alson Capital Partners, LLC from April 2005 until January 2008 and an investment analyst with Cobalt Capital Management, LLC from March 2002 until March 2005. Mr. Gamzon is the son-in-law of Frederick M. Danziger. We believe that Mr. Gamzon's experience and knowledge, with respect to real estate activities in his capacity as an executive of Griffin, including leading Griffin's efforts in expanding in the Lehigh Valley of Pennsylvania, provides a unique perspective to the Board.

David R. Bechtel has been a Director of Griffin since May 2016. Mr. Bechtel has been a principal of Barrow Street Holdings LLC since 2012; founder and managing member of Outpost Capital Management LLC since 2001; and founder and manager of GP Management LLC since 2011. Mr. Bechtel has many years of general business experience and expertise as a managing member, principal, and CFO of financial service and natural resource companies.

Edgar M. Cullman, Jr. has been a Director of Griffin since May 2015. Mr. Cullman, Jr. has been a managing member of Culbro LLC, a private equity investment firm, since 2005 and was previously the President and Chief Executive Officer of General Cigar Holdings from 1996 through April 2005. Mr. Cullman, Jr. is the brother-in-law of Frederick M. Danziger. Mr. Cullman, Jr. has many years of general business experience and expertise as an executive of

a public company. Mr. Cullman, Jr. is familiar with Griffin's real estate business from his experience as President and Chief Executive Officer of Culbro when Griffin's real estate operations were part of Culbro prior to the spinoff of Griffin from Culbro in 1997.

Thomas C. Israel has been a Director of Griffin since July 2000. Mr. Israel was a Director of Culbro from 1989 until 1997 and a Director of General Cigar Holdings, Inc. from December 1996 until May 2000. Since 1966, Mr. Israel has been Chairman of A.C. Israel Enterprises, Inc., an investment company. Mr. Israel has significant experience as a member of Griffin's Board of Directors, many years of general business experience, finance experience, and expertise as an executive and board member of public companies.

Jonathan P. May has been a Director of Griffin since September 2012. Mr. May is the founder and has been the co-managing partner of Floresta Ventures, LLC since March 2016, the Executive Director of Natural Capital Partners (formerly known as The CarbonNeutral Company) a private company that is a leading provider of carbon reduction programs for corporations since September 2015, and the Chief Operating Officer and Chief Financial Officer and a Director of The CarbonNeutral Company from 2008 to September 2015. Mr. May was the founder and managing Director of Catalytic Capital, LLC from 2004 to 2008. Mr. May has significant general business experience, finance experience, and expertise as an executive.

Albert H. Small, Jr. has been a Director of Griffin since January 2009. Mr. Small, Jr. was President of Renaissance Housing Corporation, a private company involved in residential real estate development from 1984 through March 2005, and President of WCI Communities Mid-Atlantic Division from March 2005 through March 2008. From March 2008 through the present, Mr. Small, Jr. has been active in the development and management of several commercial and office developments in Washington D.C. Mr. Small, Jr. has significant experience in real estate development and management that gives him unique insights into Griffin's challenges, opportunities and operations.

Scott Bosco has been the Vice President of Construction of Griffin Industrial, LLC, a subsidiary of Griffin, since July 2005.

Anthony J. Galici has been the Vice President, Chief Financial Officer and Secretary of Griffin since April 1997.

Thomas M. Lescalleet has been the Senior Vice President of Griffin Industrial, LLC, a subsidiary of Griffin, since March 2002.

Code of Ethics

Griffin's board of directors has adopted a Code of Ethics that applies to all of its directors, officers and employees, which is available on our website at www.griffinindustrial.com in the "Investors" section under "Corporate Governance." Griffin intends to satisfy the disclosure requirement under Item 5.05 of Form 8-K regarding amendment to, or waiver from, a provision of our Code of Ethics, as well as NASDAQ's requirement to disclose waivers with respect to directors and executive officers, by posting such information on our website at the address and location specified above.

Audit Committee

Griffin's Audit Committee consists of David R. Bechtel, Thomas C. Israel and Jonathan P. May with Mr. Israel serving as Chairman. Mr. Bechtel was appointed to the Audit Committee on May 10, 2016 replacing Mr. Small, Jr. The Audit Committee meets the NASDAQ composition requirements, including the requirements regarding financial literacy. The Board has determined that each member of the Audit Committee is independent under the listing standards of NASDAQ and the rules of the SEC regarding audit committee membership. In addition, Mr. Israel qualifies as a financially sophisticated Audit Committee member under the NASDAQ rules based on his employment experience in finance. None of the members of the Audit Committee are considered a financial expert as defined by Item 407(d)(5) of Regulation S-K of the Securities and Exchange Act of 1934 (an "audit committee financial expert"). Griffin does not have an audit committee financial expert because it believes the members of its Audit Committee have sufficient financial expertise and experience to provide effective oversight of Griffin's accounting and financial reporting processes and the audits of Griffin's financial statements in accordance with generally accepted accounting principles and

NASDAQ rules. In addition, since January 31, 2012, the Audit Committee has engaged directly a former audit partner in a public accounting firm who is a certified public accountant with extensive experience in auditing the financial statements of public and private companies. The Audit Committee had previously engaged the public accounting firm of which he was a partner as an advisor to the Audit Committee. The Audit Committee believes that this engagement provides it with additional expertise comparable to what would be provided by an audit committee financial expert.

On November 24, 2015, the Audit Committee approved a proposed transaction whereby Griffin would enter into a ten year sublease of office space for its New York City corporate headquarters from Bloomingdale Properties, Inc. (“Bloomingdale Properties”), an entity that is controlled by certain members of the Cullman and Ernst Group. The proposed sublease with Bloomingdale Properties is at market rates for such space and would enable either Griffin or Bloomingdale Properties to terminate the sublease agreement upon a change in control (as defined) of either Griffin or Bloomingdale Properties. The sublease of office space from Bloomingdale Properties reduced the occupancy costs for Griffin’s corporate headquarters.

The Audit Committee approves all auditing and non-auditing services, reviews audit reports and the scope of audit by Griffin’s independent registered public accountants and related matters pertaining to the preparation and examination of Griffin’s financial statements. From time to time, the Audit Committee makes recommendations to the Board of Directors with respect to the foregoing matters. The Audit Committee held four meetings in fiscal 2016.

Board of Directors’ Role in Oversight of Risk

Management is responsible for Griffin’s day-to-day risk management activities, and the Board’s role is to engage in informed risk oversight. In fulfilling this oversight role, Griffin’s Board of Directors focuses on understanding the nature of Griffin’s enterprise risks, including operations and strategic direction, as well as the adequacy of Griffin’s overall risk management system. There are a number of ways the Board performs this function, including the following:

- at its regularly scheduled meetings, the Board receives management updates on Griffin’s business operations, financial results and strategy, and discusses risks related to its businesses;
- the Audit Committee assists the Board in its oversight of risk management by discussing with management, particularly the Chief Executive Officer and the Chief Financial Officer, Griffin’s major risk exposures and the steps management has taken to monitor and control such exposures; and
- through management updates and committee reports, the Board monitors Griffin’s risk management activities, including the risk management process, risks relating to Griffin’s compensation programs, and financial and operational risks being managed by Griffin.

The Board does not believe that its role in the oversight of Griffin’s risk affects the Board’s leadership structure.

Compensation Risk

The Compensation Committee reviews compensation policies and practices affecting employees in addition to those applicable to executive officers. The Compensation Committee has determined that it is not reasonably likely that Griffin’s compensation policies and practices for its employees would have a material adverse effect on Griffin.

Nominating Committee

Griffin’s Nominating Committee consists of David R. Bechtel, Thomas C. Israel, Jonathan P. May and Albert H. Small, Jr. Mr. Bechtel was appointed to the Nominating Committee on May 10, 2016. Prior to July 12, 2016, Mr. Israel served as Chairman. On July 12, 2016, the Board of Directors approved a change in the Nominating Committee whereby Mr. May became Chairman with Mr. Israel remaining on the Committee. As Mr. Israel is the Chairman of the Audit Committee, this change more evenly distributes the committee chairmanships amongst the independent members of Griffin’s Board. All four members of the Nominating Committee are independent directors. The Nominating Committee reviews candidates for appointment to the Griffin Board of Directors. In searching for qualified director candidates, the Board may solicit current directors and ask them to pursue their own business contacts for the names of potentially qualified candidates. The Nominating Committee may consult with outside advisors or retain search firms to assist in the search for qualified candidates. The Nominating Committee will also consider suggestions from

stockholders for nominees for election as directors. The Nominating Committee does not have a policy on the consideration of board nominees recommended by stockholders. The Board believes such a policy is unnecessary, as the Nominating Committee will consider a nominee based on his or her qualifications, regardless of whether the nominee is recommended by stockholders. Any stockholder who wishes to recommend a candidate to the Nominating Committee for consideration as a director nominee should submit the recommendation in writing to the Secretary of Griffin in accordance with the procedures in Griffin's Amended and Restated By-Laws for stockholder nominations of directors to permit the Nominating Committee to complete its review in a timely fashion. The Nominating Committee operates under a written charter adopted by the Board of Directors in 2014, which is publicly available in the "Corporate Governance" section of the "Investors" section of Griffin's website located at www.griffinindustrial.com. The Nominating Committee held one meeting in fiscal 2016.

Board Diversity; Selection and Evaluation of Director Candidates

The Board does not have a formal policy with respect to Board nominee diversity. There are no specific minimum qualifications that the Nominating Committee believes must be met for a person to serve on the Board. When identifying nominees for director, the Nominating Committee focuses on relevant subject matter expertise, depth of knowledge in key areas that are important to Griffin, and the background, perspective and experience of the nominee. The Nominating Committee is charged with building and maintaining a board that has an ideal mix of talent and experience to achieve Griffin's business objectives in the current environment.

Board Leadership Structure

The Board believes that there is no single, generally accepted approach to providing Board leadership, and that each of the possible leadership structures for a board must be considered in the context of the individuals involved and the specific circumstances facing a company at any given time. Accordingly, the optimal board leadership structure for Griffin may vary as circumstances change. Griffin's Board was led by a Non-Executive Chairman through 2011, as separate individuals held the positions of Chairman of the Board and Chief Executive Officer, and the Chairman of the Board was not an employee. In May 2012, the Board appointed Mr. Frederick M. Danziger as Chairman of the Board. Mr. Danziger had been Chief Executive Officer since 1997. In making that appointment, the Board concluded that Griffin and its stockholders were best served by having Mr. Danziger serve as Chairman of the Board and Chief Executive Officer. The Board believed that Mr. Danziger's combined role as Chairman of the Board and Chief Executive Officer promoted unified leadership and a single, clear focus and direction for management to execute Griffin's strategy and business plans. Effective January 1, 2016, the positions of Chairman of the Board and Chief Executive Officer have been held by separate individuals, Mr. Frederick M. Danziger and Mr. Michael S. Gamzon, respectively. The Board determined that Mr. Danziger should continue to serve as Executive Chairman to continue to provide Board leadership continuity.

Communication with the Board of Directors or Nominating Committee

Stockholders who wish to communicate with the Board of Directors or the Nominating Committee should address their communications to Jonathan P. May, Chairman of the Nominating Committee, via first class mail, at Griffin Industrial Realty, Inc., 641 Lexington Avenue, 26th Floor, New York, New York, 10022. Such communication will be distributed to the specific director(s) requested by the stockholders, or if generally to the Board of Directors, to other members of the Board of Directors as may be appropriate depending on the material outlined in the stockholder communication.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act requires Griffin's officers and directors, and persons who own more than ten percent of its common stock, to file reports of ownership and changes in ownership with the Securities and Exchange Commission. Such persons are required by regulation to furnish Griffin with copies of all Section 16(a) forms they file. Based on its involvement in the preparation of certain such forms, and a review of copies of other such forms received by it, Griffin believes that with respect to fiscal 2016, all such Section 16(a) filing requirements were satisfied.

ITEM 11. EXECUTIVE COMPENSATION

COMPENSATION DISCUSSION AND ANALYSIS

This Compensation Discussion and Analysis describes the material elements of compensation awarded to, earned by, or paid to each of Griffin’s named executive officers (the “Named Executive Officers”) during the last completed fiscal year. The Named Executive Officers for the fiscal year ended November 30, 2016 were as follows:

Frederick M. Danziger	Executive Chairman of the Board (“Executive Chairman”) of Griffin
Michael S. Gamzon	Director, President and Chief Executive Officer (“CEO”) of Griffin
Anthony J. Galici	Vice President, Chief Financial Officer and Secretary of Griffin
Thomas M. Lescalleet	Senior Vice President of Griffin Industrial, LLC
Scott Bosco	Vice President of Construction, Griffin Industrial, LLC

Compensation Philosophy and Overview

Griffin’s compensation programs are designed to attract, motivate and retain the management talent that Griffin believes is necessary to achieve its financial and strategic goals. Griffin’s Compensation Committee strives to pay for performance by rewarding each of its Named Executive Officers for team results and their individual contributions to Griffin’s success. In this way, Griffin believes that the interests of its executives align with the interests of its stockholders.

Design and Implementation

With these objectives in mind, Griffin’s Compensation Committee has built an executive compensation program that consists of three principal elements:

1. Base Salary
2. Annual Incentive Compensation Programs
3. Long-Term Incentive Program

Griffin also contributes to a 401(k) savings plan and a non-qualified deferred compensation plan on behalf of its Named Executive Officers. These contributions, however, comprise a relatively minor portion of Griffin’s Named Executive Officers’ compensation packages. Griffin’s Compensation Committee reviews the Named Executive Officers’ compensation package each year and makes decisions on each component thereof in order to better align with its compensation philosophy.

Elements of Compensation

Base Salary

Griffin pays base salaries to its Named Executive Officers in order to provide a consistent, minimum level of pay that sustained individual performance warrants. Griffin also believes that a competitive annual base salary is important to attract and retain an appropriate caliber of talent for each position over time.

The annual base salaries of Griffin’s Named Executive Officers are determined by the Executive Chairman and the CEO (except with regard to their salaries) and approved annually by the Compensation Committee. The annual base salaries of the Executive Chairman and the CEO are determined by the Compensation Committee. All salary decisions are based on each Named Executive Officer’s level of responsibility, experience and recent and past performance, as determined by the Executive Chairman, the CEO and the Compensation Committee, as applicable. Griffin does not benchmark its base salaries in any way, nor does Griffin employ the services of a compensation consultant.

Annual Incentive Compensation Programs

Griffin’s annual incentive programs are designed to recognize short-term performance against established annual performance goals, as explained below. These performance goals and target amounts for fiscal 2016 were developed by the Executive Chairman and the CEO and approved or modified, as necessary, by the Compensation

Committee. Additionally, the Compensation Committee retains the discretion to adjust any awards made to Griffin’s executives, including making awards in the absence of the attainment of any of the performance goals under Griffin’s annual incentive compensation plans. Any such adjustment may only be to the benefit of the participants. The Compensation Committee made a discretionary increase in the aggregate amount of \$35,000 to the incentive compensation pools (\$25,000 and \$10,000 to the Griffin Industrial, LLC and the Griffin Industrial Realty, Inc. incentive compensation pools, respectively) under the Griffin Industrial Realty, Inc. Incentive Compensation Plan (“Griffin Industrial Realty Incentive Plan”) for fiscal 2016. The discretionary increase was made to the Property Sales component of the Griffin Industrial Realty Incentive Plan in recognition of a certain large property sale. Griffin makes annual incentive payments, if any, in the year following the year in which they are earned.

Griffin Industrial Realty Incentive Plan

Under the Griffin Industrial Realty Incentive Plan, incentive compensation was awarded based on certain defined components as described below:

Incentive Compensation Component	Griffin Industrial, LLC Incentive Compensation Pool	Griffin Industrial Realty, Inc. Incentive Compensation Pool
(i) Achieving adjusted funds from operations (“FFO”) targets (as defined in the Griffin Industrial Realty Incentive Plan)	\$37,500 to \$168,750 of incentive compensation will be accrued under this component if FFO is between 90% and 105% of FFO target.	\$75,000 to \$337,500 of incentive compensation will be accrued under this component if FFO is between 90% and 105% of FFO target.
(ii) Property Sales (as defined in the Griffin Industrial Realty Incentive Plan)	10% of the pretax gain on property sales where improvements and/or development activities have taken place and 5% of pretax gain on property sales where no improvements or development activities have taken place. A maximum of \$100,000 of incentive compensation may be accrued under this component. Incentive compensation on large property sales (as defined) would be at the discretion of management and the Compensation Committee and be in addition to any incentive compensation accrued under the formula this component.	40% of the incentive compensation from property sales that is accrued into the Griffin Industrial, LLC incentive compensation pool will be accrued. Incentive compensation on large property sales (as defined) would be at the discretion of management and the Compensation Committee and be in addition to any incentive compensation accrued under the formula for this component.
(iii) Build-to-suit project		
a. for build-to-suit projects in Connecticut completed in fiscal 2016	10% of the incremental value created, as defined in the Griffin Industrial Realty Incentive Plan, with a maximum of \$100,000 of incentive compensation that may be accrued under this component.	25% of the incentive compensation from build-to-suit projects in Connecticut completed in fiscal 2016 that is accrued into the Griffin Industrial, LLC incentive compensation pool will be accrued.
b. for build-to-suit projects outside Connecticut completed in fiscal 2016	10% of the incremental value created, as defined in the Griffin Industrial Realty Incentive Plan, with a maximum of \$75,000 of incentive compensation that may be accrued under this component.	100% of the incentive compensation from build-to-suit projects outside Connecticut completed in fiscal 2016 that is accrued into the Griffin Industrial, LLC incentive compensation pool will be accrued.
(iv) Buildings built on speculation		
a. for buildings built on speculation in Connecticut	10% of the incremental value created, as defined in the Griffin Industrial Realty Incentive Plan, with a maximum of \$100,000 of incentive compensation that may be accrued under this component.	25% of the incentive compensation from buildings built on speculation in Connecticut that is accrued into the Griffin Industrial, LLC incentive compensation pool will be accrued.

- b. for buildings built on speculation outside Connecticut 10% of the incremental value created, as defined in the Griffin Industrial Realty Incentive Plan, with a maximum of \$75,000 of incentive compensation that may be accrued under this component. 100% of the incentive compensation from buildings built on speculation outside Connecticut that is accrued into the Griffin Industrial, LLC incentive compensation pool will be accrued.
- (v) Leasing of vacant space
- a. leasing of vacant space in Connecticut A maximum of \$150,000 of incentive compensation may be accrued under this component. There will be no incentive compensation accrued for leasing of vacant space in Connecticut.
 - b. leasing of vacant space outside Connecticut A maximum of \$75,000 of incentive compensation may be accrued under this component. There will be no incentive compensation accrued for leasing of vacant space outside Connecticut.
- (vi) Renewal or extension of leases
- a. renewal or extension of leases in Connecticut A maximum of \$50,000 of incentive compensation may be accrued under this component. There will be no incentive compensation accrued for renewal or extension of leases in Connecticut.
 - b. extension of leases outside of Connecticut A maximum of \$25,000 of incentive compensation may be accrued under this component. There will be no incentive compensation accrued for extension of leases outside of Connecticut.

These objectives are designed to reward management for increasing Griffin's operating cash flow and increase in value of Griffin's real estate assets.

Over the past three years, achievement of the components of the Griffin Industrial Realty Incentive Plan has been as follows:

Incentive Plan Component	Fiscal 2016	Fiscal 2015	Fiscal 2014
Funds From Operations	Achieved	Achieved	Not Applicable
Profit from property sales	Achieved	Achieved	Achieved
Value generated from build-to-suit projects	Not Achieved	Not Achieved	Not Achieved
Value generated from buildings built on speculation	Achieved	Achieved	Not Achieved
Leasing of vacant space	Achieved	Achieved	Achieved
Renewal or extension of leases	Achieved	Achieved	Not Achieved

Amounts earned under each objective are accrued into the Griffin Industrial, LLC and the Griffin Industrial Realty, Inc. incentive compensation pools up to a maximum incentive compensation amount, which in fiscal 2016 was \$918,750 and \$577,500, respectively. The maximum compensation amounts and amounts accrued under each objective for fiscal 2016, based on the level of achievement of each incentive plan component for Griffin Industrial, LLC and Griffin Industrial Realty, Inc., is shown in the following table.

Griffin Industrial Realty Incentive Compensation Plan

Incentive Plan Component	Amount Accrued into the Griffin Industrial, Griffin Industrial, LLC Maximum Compensation Amount		Amount Accrued into the Griffin Industrial Realty, Inc. Incentive Compensation Pool Based on Level of Achievement	
	Griffin Industrial, LLC Maximum Compensation Amount	LLC Incentive Compensation Pool Based on Level of Achievement	Griffin Industrial Realty, Inc. Maximum Compensation Amount	the Griffin Industrial Realty, Inc. Incentive Compensation Pool Based on Level of Achievement
(i) Funds From Operations -FFO	\$ 168,750	\$ 162,575	\$ 337,500	\$ 325,149
(ii) Property Sales	100,000	75,000 (1)	40,000	30,000 (1)
(iii) Build- To- Suit Buildings				
a. Connecticut Properties	100,000	—	25,000	—
b. Non- CT Properties	75,000	—	75,000	—
(iv) Buildings Built on Speculation				
a. Connecticut Properties	100,000	—	25,000	—
b. Non- CT Properties	75,000	32,895	75,000	32,895
(v) Leasing of Vacant Space				
a. Connecticut Properties	150,000	92,798	—	—
b. Non- CT Properties	75,000	30,650	—	—
(vi) Renewal or extension of leases				
a. Connecticut Properties	50,000	50,000	—	—
b. Non- CT Properties	25,000	—	—	—
	<u>\$ 918,750</u>	<u>\$ 443,918</u>	<u>\$ 577,500</u>	<u>\$ 388,044</u>

(1) Amount described herein includes the Compensation Committee's discretionary increase of \$25,000 and \$10,000 to the Griffin Industrial, LLC and the Griffin Industrial Realty, Inc. incentive compensation pools, respectively.

Griffin Industrial Realty Incentive Compensation—Griffin Industrial, LLC Payout

The Griffin Industrial, LLC portion of the Griffin Industrial Realty Incentive Plan for 2016 consisted of an incentive compensation pool divided among executives and employees of Griffin Industrial, LLC. The amounts earned by Griffin Industrial, LLC employees under the incentive compensation pools of the Griffin Industrial Realty Incentive Plan may be increased at the discretion of the Compensation Committee. The Compensation Committee made a discretionary increase in the amount \$25,000 to the Property Sales component of the Griffin Industrial, LLC incentive compensation pool for fiscal 2016.

As a result of the achievement of the incentive plan components noted above, and in accordance with the Griffin Industrial Realty Incentive Plan, \$443,918, which includes the Compensation Committee's discretionary increase of \$25,000, was accrued into the Griffin Industrial, LLC incentive compensation pool for fiscal 2016. In accordance with the Griffin Industrial Realty Incentive Plan, Mr. Lescalleet, Griffin Industrial, LLC's Senior Vice President and Mr. Bosco, Griffin Industrial, LLC's Vice President of Construction were allocated \$133,175 (30%) and \$55,490 (12.5%) of the total accrued into Griffin Industrial, LLC's incentive compensation pool, respectively. In addition to the above, Griffin's Executive Chairman, its President and CEO and the Compensation Committee also awarded an additional \$10,000 to Mr. Bosco from the unallocated portion of the Griffin Industrial, LLC incentive compensation pool for his

performance related to construction activities in both Connecticut and Pennsylvania in fiscal 2016. No other Named Executive Officers received a discretionary allocation from the Compensation Committee.

Griffin Industrial Realty Incentive Compensation—Griffin Industrial Realty, Inc. Payout

The Griffin Industrial Realty, Inc. portion of the Griffin Industrial Realty Incentive Plan for 2016 was designed to reward Griffin Industrial Realty, Inc. employees, including Mr. Danziger, Griffin’s Executive Chairman, Mr. Gamzon, Griffin’s President and CEO and Mr. Galici, Griffin’s Vice President, Chief Financial Officer and Secretary, based on the results of Griffin’s operations, consistent with Griffin’s goal to award for performance through team results.

As a result of the achievement of the incentive plan components noted above, and in accordance with the Griffin Industrial Realty Incentive Plan, \$388,044, which includes the Compensation Committee’s discretionary increase of \$10,000 (40% of the Compensation Committee’s discretionary increase of \$25,000 to the Griffin Industrial, LLC incentive compensation pool), was accrued into the Griffin Industrial Realty, Inc. incentive compensation pool for fiscal 2016. Messrs. Danziger, Gamzon and Galici were allocated \$58,207 (15%), \$116,413 (30%) and \$58,207 (15%) of the Griffin Industrial Realty, Inc. incentive compensation pool, respectively. Messrs. Danziger, Gamzon and Galici did not receive a discretionary allocation from the Compensation Committee.

Long-Term Incentive Program—Equity Awards

Griffin believes that equity ownership in Griffin is important to provide its Named Executive Officers with long-term incentives to build value for Griffin’s stockholders. In addition, the equity program is designed to attract and retain the executive management team. The Griffin equity program consists entirely of stock option awards. Stock options have value only if the stock price increases over time and, therefore, provide executives with an incentive to build Griffin’s value. This characteristic ensures that the Named Executive Officers may have a meaningful portion of their compensation tied to future stock price increases. If Griffin’s stock price increases, stock options have the potential to provide high returns to its executives, thus helping Griffin to attract and retain management. However, the realizable value of the stock options can fall to zero if the stock price is lower than the exercise price established on the date of grant.

Stock option awards to Named Executive Officers are entirely discretionary. The Executive Chairman and the President and CEO recommend whether and how many stock options should be awarded to the other Named Executive Officers or others, and the Compensation Committee approves or, if necessary, modifies their recommendations. The Compensation Committee solely determines whether and how many stock options should be awarded to the Executive Chairman and the President and CEO. In making stock option award determinations, the Executive Chairman and the President and CEO and the Compensation Committee consider the prior contribution of participants and their expected future contributions to the growth of Griffin. In fiscal 2016, 101,450 stock options were awarded to employees, including the Named Executive Officers, to further support Griffin’s pay for performance objectives.

The Griffin Industrial Realty, Inc. 2009 Stock Option Plan (the “2009 Stock Option Plan”) makes available options to purchase 386,926 shares of Griffin common stock. The Compensation Committee of Griffin’s Board of Directors or, with respect to awards to non-employee directors, the Board of Directors administers the 2009 Stock Option Plan. Options granted under the 2009 Stock Option Plan may be either incentive stock options or non-qualified stock options issued at fair market value of a share of common stock on the date the award is approved by Griffin’s Compensation Committee. Vesting of all of Griffin’s previously issued stock options is solely based upon service requirements and does not contain market or performance conditions.

In accordance with the 2009 Stock Option Plan, stock options granted to non-employee directors upon their initial election to the board of directors are fully exercisable immediately upon the date of the option grant. Stock options granted to non-employee directors upon their re-election to the board of directors vest on the second anniversary from the date of grant. Stock options granted to employees vest in equal installments on the third, fourth and fifth anniversaries from the date of grant. Stock options granted to employees and non-employee directors have a maximum term of ten years from the date of grant.

Of the 386,926 shares of common stock reserved for issuance under the 2009 Stock Option Plan, as of November 30, 2016, 218,392 shares were subject to outstanding options and 168,534 shares were available for future

awards (which includes certain shares that again became available following the forfeiture of outstanding options). In addition to options outstanding under the 2009 Stock Option Plan, as of November 30, 2016, 107,573 shares were subject to outstanding options granted under Griffin’s prior stock option plan. For more information on stock options, see the Summary Compensation Table, Grants of Plan-Based Awards Table, Outstanding Equity Awards Table, Equity Compensation Plan Information Table and their footnotes.

Perquisites and Other Benefits

Griffin’s Named Executive Officers are eligible for the same health and welfare programs and benefits as the rest of its employees. In addition, Griffin’s Vice President, Chief Financial Officer and Secretary receives an automobile allowance of \$8,000 per year and Griffin Industrial, LLC’s Senior Vice President receives a medical insurance allowance of \$3,300 per year.

Griffin’s Named Executive Officers are entitled to participate in and receive employer contributions to Griffin’s 401(k) Savings Plan. In addition, Griffin has established a non-qualified Deferred Compensation Plan (the “Deferred Compensation Plan”) that allows eligible participants, including the Named Executive Officers, to defer portions of their annual base salary, as well as receive employer matching contributions with respect to deferrals that would exceed IRS limits under the Griffin 401(k) Savings Plan. For more information on employer contributions to the Griffin 401(k) Savings Plan and the Deferred Compensation Plan, see the Summary Compensation Table and its footnotes.

Analysis

Base Salary

The following table presents the base salaries for Griffin’s Named Executive Officers in 2016 and the percentage increase/(decrease) over their 2015 base salaries.

	<u>Annual Salary</u>	<u>% Increase</u>
Mr. Danziger	\$ 350,000 (1)	(36)%
Mr. Gamzon	\$ 500,000 (2)	42 %
Mr. Galici	\$ 296,000	2 %
Mr. Lescalleet	\$ 259,018	2 %
Mr. Bosco	\$ 168,300	2 %

(1) Effective January 1, 2016, Mr. Danziger’s annual salary is \$350,000 in his position as Executive Chairman. Mr. Danziger’s annual salary was \$550,800 in his position as Chairman and CEO through December 31, 2015.

(2) Effective January 1, 2016, Mr. Gamzon’s annual salary is \$500,000 in his position as President and CEO. Mr. Gamzon’s annual salary was \$351,900 in his position as President and COO through December 31, 2015.

Annual Incentive Compensation Program

The following table presents the total annual incentive payments made to the Named Executive Officers for fiscal 2016, which consisted solely of amounts of annual incentive compensation awarded under Griffin’s annual

incentive compensation plan (including allocations of any unallocated portions of applicable incentive compensation pools). No discretionary bonuses were awarded to the Named Executive Officers in fiscal 2016.

	Incentive Plan Payments	Discretionary Bonus Payments	Total Annual Incentive Payments
Mr. Danziger	\$ 58,207	—	\$ 58,207
Mr. Gamzon	\$ 116,413	—	\$ 116,413
Mr. Galici	\$ 58,207	—	\$ 58,207
Mr. Lescalleet	\$ 133,175	—	\$ 133,175
Mr. Bosco	\$ 65,490	—	\$ 65,490

Griffin Industrial, LLC

Mr. Lescalleet was awarded \$133,175 (30% of the total Griffin Industrial, LLC incentive compensation pool of \$443,918) in annual incentive compensation for fiscal 2016 based on the formula under the Griffin Industrial Realty Incentive Plan. Mr. Lescalleet received no discretionary allocation from the Compensation Committee. Mr. Bosco was awarded \$65,490 in annual incentive compensation for fiscal 2016 which is comprised of: (a) 12.5% of the total Griffin Industrial, LLC incentive compensation pool of \$443,918 based on the formula under the Griffin Industrial Realty Incentive Plan; and (b) \$10,000 from the unallocated portion of the Griffin Industrial, LLC incentive compensation pool awarded by Griffin’s Executive Chairman, its President and CEO and the Compensation Committee.

Griffin Industrial Realty, Inc.

Mr. Danziger, Griffin’s Executive Chairman, was awarded \$58,207 (15% of the total Griffin Industrial Realty, Inc. incentive compensation pool of \$388,044) in annual incentive compensation for 2016 based on the formula under the Griffin Industrial Realty Incentive Plan for amounts accrued into the Griffin Industrial Realty, Inc. incentive compensation pool. Mr. Gamzon, Griffin’s President and CEO in fiscal 2016, was awarded \$116,413 (30% of the total Griffin Industrial Realty, Inc. incentive compensation pool of \$388,044) in annual incentive compensation for fiscal 2016 based on the formula under the Griffin Industrial Realty Incentive Plan for amounts accrued into the Griffin Industrial Realty, Inc. incentive compensation pool. Mr. Galici, Griffin’s Vice President, Chief Financial Officer and Secretary was awarded \$58,207 (15% of the total Griffin Industrial Realty, Inc. incentive compensation pool of \$388,044) in annual incentive compensation for fiscal 2016 based on the formula under the Griffin Industrial Realty Incentive Plan for amounts accrued into the Griffin Industrial Realty, Inc. incentive compensation pool. The Compensation Committee did not exercise its discretion to alter the amounts earned based on the formulas set forth in the Griffin Industrial Realty Incentive Plan. Messrs. Danziger, Gamzon and Galici received no discretionary allocation from the Compensation Committee.

Long-Term Incentive Program – Equity Awards Compensation Plan Information Table

The following table presents the number of shares subject to stock options granted to Griffin’s Named Executive Officers in 2016.

	Number of Stock Options
Mr. Danziger	-
Mr. Gamzon	55,000
Mr. Galici	12,500
Mr. Lescalleet	12,500
Mr. Bosco	7,000

Shareholder Say-on-Pay Votes

At Griffin’s 2016 annual meeting of stockholders, Griffin’s stockholders were given the opportunity to cast an advisory vote on Griffin’s executive compensation. Approximately 99.7% of the votes cast on this “2016 say-on-pay vote” were voted in favor of the proposal. Griffin has considered the 2016 say-on-pay vote and believes that the support for the 2016 say-on-pay vote proposal indicates that Griffin’s stockholders casting votes are supportive of the approach

to executive compensation. Thus, Griffin did not make changes to its executive compensation arrangements in response to the 2016 say-on-pay vote. In the future, Griffin will continue to consider the outcome of the say-on-pay votes when making compensation decisions regarding its Named Executive Officers.

Accounting and Tax Considerations

Griffin does not believe it need now adopt any policy with respect to the \$1,000,000 deduction cap of Section 162(m) of the Internal Revenue Code. While the Compensation Committee will give due consideration to the deductibility of compensation payments on compensation arrangements with Griffin's executive officers, the Compensation Committee will make its compensation decisions based on an overall determination of what it believes to be in the best interests of Griffin and its stockholders, and deductibility will be only one among a number of factors used by the Compensation Committee in making its compensation decisions.

Section 4999 and Section 280G of the Internal Revenue Code provide that certain executives could be subject to significant excise taxes if they receive payments or benefits that exceed certain limits in connection with a change in ownership or change in effective control of Griffin and that Griffin or its successors could lose an income tax deduction with respect to the payments subject to the excise tax. Griffin has not entered into any agreements with any executives that provide for a tax "gross up" or other reimbursement for taxes the executive might be required to pay pursuant to Section 4999 of the Internal Revenue Code.

Section 409A of the Internal Revenue Code imposes significant additional taxes and interest on underpayments of taxes in the event an employee or other service provider defers compensation under a plan or agreement that does not meet the requirements of Section 409A of the Internal Revenue Code. Griffin has generally structured its programs and individual arrangements in a manner intended to be exempt from or comply with the requirements of Section 409A of the Internal Revenue Code.

COMPENSATION COMMITTEE REPORT

The Compensation Committee has reviewed and discussed with management Griffin's Compensation Discussion and Analysis, and based upon this review and discussion, has recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this Form 10-K and Griffin's Proxy Statement for its 2017 Annual Meeting of Stockholders to be filed with the Securities and Exchange Commission.

Albert H. Small, Jr. (Chairman)
Thomas C. Israel
Jonathan P. May

Summary Compensation Table

The following table presents information regarding compensation of each of Griffin's Named Executive Officers for services rendered during fiscal years 2016, 2015 and 2014.

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Option Awards (2) (\$)	Non-Equity Incentive Plan Compensation (3) (\$)	All Other Compensation (\$)	Total (\$)
Frederick M. Danziger	2016	\$ 369,308	\$ —	\$ —	\$ 58,207	\$ 2,893 (4)	\$ 430,408
Executive Chairman of Griffin (1)	2015	\$ 549,762	\$ —	\$ —	\$ 81,500	\$ 17,546	\$ 648,808
	2014	\$ 539,269	\$ —	\$ —	\$ 26,868	\$ 16,278	\$ 582,415
Michael S. Gamzon	2016	\$ 485,760	\$ —	\$ 640,750	\$ 116,413	\$ 13,781 (5)	\$ 1,256,704
President and Chief Executive Officer of Griffin (1)	2015	\$ 351,237	\$ —	\$ —	\$ 100,000	\$ 11,725	\$ 462,962
	2014	\$ 344,477	\$ —	\$ —	\$ 39,368	\$ 10,503	\$ 394,348
Anthony J. Galici	2016	\$ 295,442	\$ —	\$ 135,375	\$ 58,207	\$ 16,948 (6)	\$ 505,972
Vice President, Chief Financial Officer and Secretary of Griffin	2015	\$ 289,652	\$ —	\$ —	\$ 40,750	\$ 17,942	\$ 348,344
	2014	\$ 284,069	\$ 15,000	\$ —	\$ 13,434	\$ 16,829	\$ 329,332
Thomas M. Lescalleet	2016	\$ 258,530	\$ —	\$ 135,375	\$ 133,175	\$ 12,213 (7)	\$ 539,293
Senior Vice President, Griffin Industrial, LLC	2015	\$ 253,460	\$ —	\$ —	\$ 118,400	\$ 10,671 (8)	\$ 382,531
	2014	\$ 248,584	\$ —	\$ —	\$ 45,700	\$ 10,998	\$ 305,282
Scott Bosco	2016	\$ 167,983	\$ —	\$ 75,810	\$ 65,490	\$ 5,819 (9)	\$ 315,102
Vice President of Construction, Griffin Industrial, LLC	2015	\$ 162,870	\$ —	\$ —	\$ 59,350	\$ 4,889 (10)	\$ 227,109
	2014	\$ 142,636	\$ —	\$ —	\$ 20,800	\$ 4,509	\$ 167,945

- (1) Effective January 1, 2016, Mr. Gamzon succeeded Mr. Danziger as Chief Executive Officer. Mr. Danziger remains Executive Chairman of Griffin.
- (2) The amounts shown for Option Awards reflects the grant date fair value of options granted in fiscal 2016. For a discussion of the assumptions and methodologies used to calculate the amounts referred to above, please see the discussion of stock option awards contained in Part II, Item 8, "Financial Statements and Supplementary Data" of this Form 10-K in Note 8 of the Notes to Consolidated Financial Statements.
- (3) Messrs. Danziger, Gamzon and Galici are beneficiaries of the Griffin Industrial Realty, Inc. incentive compensation pool of the Griffin Industrial Realty Incentive Plan. Messrs. Bosco and Lescalleet are beneficiaries of the Griffin Industrial, LLC incentive compensation pool of the Griffin Industrial Realty Incentive Plan.
- (4) Represents life insurance premiums of \$137, matching contributions related to the Griffin 401(k) Savings Plan of \$1,169 and matching contributions related to the Deferred Compensation Plan of \$1,587.
- (5) Represents life insurance premiums of \$228, matching contributions related to the Griffin 401(k) Savings Plan of \$7,722 and matching contributions related to the Deferred Compensation Plan of \$5,831.
- (6) Represents life insurance premiums of \$401, matching contributions related to the Griffin 401(k) Savings Plan of \$7,180, matching contributions related to the Deferred Compensation Plan of \$1,367 and an automobile allowance of \$8,000.
- (7) Represents life insurance premiums of \$228, matching contributions related to the Griffin 401(k) Savings Plan of \$8,685 and a medical insurance allowance of \$3,300.
- (8) Represents life insurance premiums of \$216, matching contributions related to the Griffin 401(k) Savings Plan of \$6,747, matching contributions related to the Deferred Compensation Plan of \$408 and a medical insurance allowance of \$3,300. The amount of the matching contributions related to the Deferred Compensation Plan earned in 2015 was reduced by \$1,677 to reflect the absence of matching contributions in calendar year 2015 based on Mr. Lescalleet's level of participation in the Griffin 401(k) Savings Plan.
- (9) Represents life insurance premiums of \$228 and matching contributions related to the Griffin 401(k) Savings Plan of \$5,591.

- (10) Represents life insurance premiums of \$216, matching contributions related to the Griffin 401(k) Savings Plan of \$3,834 and matching contributions related to the Deferred Compensation Plan of \$839. The amount of the matching contributions related to the Deferred Compensation Plan earned in 2015 was reduced by \$481 to reflect the absence of matching contributions in calendar year 2015 based on Mr. Bosco's level of participation in the Griffin 401(k) Savings Plan.

Grants of Plan-Based Awards

The following table presents information regarding the incentive awards granted to Griffin's Named Executive Officers for fiscal 2016.

Name	Grant Date	Approval Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards		Option Awards: Number of Securities Underlying Options (#)	Exercise Price of Option Awards (\$/sh)	Grant Date Fair Value of Stock and Option Awards (\$)
			Target (\$)	Maximum (\$)			
Frederick M. Danziger (1)	—	—	\$ 58,207	\$ 86,625	—	—	—
Michael S. Gamzon (1)	—	—	\$ 116,413	\$ 173,250	—	—	—
	5/13/2016	4/27/2016	—	—	55,000	\$ 26.89	\$ 640,750
Anthony J. Galici (1)	—	—	\$ 58,207	\$ 86,625	—	—	—
	5/13/2016	4/27/2016	—	—	12,500	\$ 26.89	\$ 135,375
Thomas M. Lescalleet (2)	—	—	\$ 133,175	\$ 275,625	—	—	—
	5/13/2016	4/27/2016	—	—	12,500	\$ 26.89	\$ 135,375
Scott Bosco (2)	—	—	\$ 65,490	\$ 114,844	—	—	—
	5/13/2016	4/27/2016	—	—	7,000	\$ 26.89	\$ 75,810

- (1) The Griffin Industrial Realty Incentive Plan has no threshold or target levels; however, there is a maximum amount payable to Messrs. Danziger, Gamzon and Galici under the Griffin Industrial Realty Incentive Plan as shown in the Maximum column. The amounts shown for Messrs. Danziger, Gamzon and Galici in the Target column reflect the amounts payable to them under the Griffin Industrial Realty Incentive Plan based on Griffin's performance in fiscal 2016. The Compensation Committee did not exercise its discretion to award Messrs. Danziger, Gamzon, or Galici any additional incentive bonus for fiscal 2016. Messrs. Danziger, Gamzon and Galici's maximum of \$86,625, \$173,250 and \$86,625, respectively, is calculated assuming all goals of the Griffin Industrial Realty Incentive Plan are met at the maximum level of each, which would result in an accrual of \$577,500 into the Griffin Industrial Realty, Inc. incentive compensation pool of the Griffin Industrial Realty Incentive Plan (excluding any additional amount included in the incentive compensation pool and distributed at the discretion of the Compensation Committee). Messrs. Danziger, Gamzon and Galici are entitled to 15%, 30% and 15%, respectively, of the Griffin Industrial Realty, Inc. incentive compensation pool of the Griffin Industrial Realty Incentive Plan related to the FFO, property sales, speculative buildings and build-to-suit components. Messrs. Danziger, Gamzon and Galici are not specifically entitled to any portion of the incentive compensation pool that is distributed at the discretion of the Compensation Committee and such amounts are not included in the maximum bonus amount.
- (2) The Griffin Industrial Realty Incentive Plan has no threshold or target levels; however, there is a maximum amount payable to Messrs. Lescalleet and Bosco under the Griffin Industrial Realty Incentive Plan as shown in the Maximum column. The amount in the Target column for Mr. Lescalleet reflects the amount payable of \$133,175 based on Griffin Industrial, LLC's performance during fiscal 2016. The amount in the Target column for Mr. Bosco reflects the amount payable of \$65,490 based on Griffin Industrial, LLC's performance during fiscal 2016 including \$10,000 from the unallocated portion of the Griffin Industrial, LLC incentive compensation pool awarded by Griffin's Executive Chairman, its President and CEO and the Compensation Committee. Messrs. Lescalleet's and Bosco's maximums of \$275,625 and \$114,844, respectively, are calculated assuming all goals of the Griffin Industrial Realty Incentive Plan are met at the maximum level of each, which would result in an accrual of \$918,750 into the Griffin Industrial, LLC incentive compensation pool of the Griffin Industrial Realty Incentive Plan (excluding any amount included in the incentive compensation pool and distributed at the discretion of the Compensation Committee). Messrs. Lescalleet and Bosco are entitled to 30% and 12.5%, respectively, of the Griffin

Industrial, LLC incentive compensation pool of the Griffin Industrial Realty Incentive Plan (excluding any additional amount included in the incentive compensation pool and distributed at the discretion of the Compensation Committee). Messrs. Lescalleet and Bosco are not specifically entitled to any portion of the incentive compensation pool that is distributed at the discretion of the Compensation Committee and such amounts are not included in the maximum bonus amount.

Outstanding Equity Awards at Fiscal Year-End

The following table presents information with respect to each unexercised stock option held by Griffin's Named Executive Officers as of November 30, 2016. There are no restricted stock awards.

Name	Option Awards					
	Number of Securities Underlying Unexercised Options (#)	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Value of Unexercised In-the-Money Options at Fiscal Year End (2) (\$)	Value of Unexercised In-the-Money Options at Fiscal Year End (2) (\$)
	Exercisable	Unexercisable (1)			Exercisable	Unexercisable
Frederick M. Danziger	15,000	—	\$ 33.07	1/20/2019	\$ — (3)	\$ —
	25,000	—	\$ 28.77	1/19/2021	\$ 67,000	\$ —
	40,000	—			\$ 67,000	\$ —
Michael S. Gamzon	25,000	—	\$ 34.04	1/9/2018	\$ — (3)	\$ —
	7,500	—	\$ 33.07	1/20/2019	\$ — (3)	\$ —
	25,000	—	\$ 28.77	1/19/2021	\$ 67,000	\$ —
	—	55,000	\$ 26.89	5/13/2026	\$ —	\$ 250,800
	57,500	55,000			\$ 67,000	\$ 250,800
Anthony J. Galici	7,500	—	\$ 33.07	1/20/2019	\$ — (3)	\$ —
	12,500	—	\$ 28.77	1/19/2021	\$ 33,500	\$ —
	—	12,500	\$ 26.89	5/13/2026	—	57,000
	20,000	12,500			\$ 33,500	\$ 57,000
Thomas M. Lescalleet	7,500	—	\$ 33.07	1/20/2019	\$ — (3)	\$ —
	12,500	—	\$ 28.77	1/19/2021	\$ 33,500	\$ —
	—	12,500	\$ 26.89	5/13/2026	—	57,000
	20,000	12,500			\$ 33,500	\$ 57,000
Scott Bosco	5,000	—	\$ 33.07	1/20/2019	\$ — (3)	\$ —
	5,000	—	\$ 28.77	1/19/2021	\$ 13,400	\$ —
	—	7,000	\$ 26.89	5/13/2026	\$ —	\$ 31,920
	10,000	7,000			\$ 13,400	\$ 31,920

- (1) Stock options issued to employees vest in equal installments on the third, fourth and fifth anniversaries from the date of grant (which is ten years prior to the applicable option expiration date).
- (2) The amounts presented in this column have been calculated based upon the difference between the fair market value of \$31.45 per share (the closing price of Griffin's common stock on November 30, 2016) and the exercise price of each stock option.
- (3) There is no amount stated because the exercise price of the stock options is greater than the fair market value of \$31.45 per share (the closing price of Griffin's common stock on November 30, 2016).

Non-Qualified Deferred Compensation

Griffin maintains a Deferred Compensation Plan for certain of its employees who, due to Internal Revenue Service guidelines, cannot take full advantage of the Griffin 401(k) Savings Plan. A portion of an eligible employee's salary may be deferred under the Deferred Compensation Plan. The investment options in the Deferred Compensation Plan currently mirror those of the Griffin 401(k) Savings Plan. The Deferred Compensation Plan is unfunded, with benefits to be paid from Griffin's assets. Performance results of an employee's balance in the Deferred Compensation Plan are based on the returns of the mutual funds and one common collective trust fund that may be selected by the employee as if the amounts deferred were invested in the selected mutual funds and the common collective trust fund. Distributions from the Deferred Compensation Plan generally may occur at termination of employment, change in control and/or at the time of qualifying hardship events. The following table presents information with respect to the Deferred Compensation Plan for Griffin's Named Executive Officers as of November 30, 2016.

Name	Executive Contributions for FYE 11/30/2016	Griffin Contributions for FYE 11/30/2016 (1)	Aggregate Earnings in FYE 11/30/2016	Aggregate Balance as of FYE 11/30/2016
Frederick M. Danziger	\$ 9,472	\$ 1,587	\$ 129,053	\$ 1,731,129
Michael S. Gamzon	\$ 27,889	\$ 5,831	\$ 24,853	\$ 303,850
Anthony J. Galici	\$ 46,176	\$ 1,367	\$ 67,543	\$ 877,934
Thomas M. Lescalleet	\$ —	\$ —	\$ 4,611	\$ 117,439 (2)
Scott Bosco	\$ 2,525	\$ —	\$ 3,840	\$ 82,131 (2)

-
- (1) Griffin's contributions to the Deferred Compensation Plan are included in the "All Other Compensation" column of the Summary Compensation Table. No earnings from the Deferred Compensation Plan are included in the "All Other Compensation" column of the Summary Compensation Table.
- (2) These amounts include reductions to the Executive and Griffin Contributions earned for FYE 11/30/15 to the Deferred Compensation Plan as a result of the Named Executive Officers' level of participation in the Griffin 401(k) Savings Plan in calendar year 2015.

Potential Payments Upon a Termination or Change in Control

As of November 30, 2016, Griffin was not a party to any employment, change in control or other agreement with any Named Executive Officers that was expected to obligate Griffin to provide for payments at, following, or in connection with a termination of employment, change in control or change in the Named Executive Officer's responsibilities. However, participants of Griffin's Deferred Compensation Plan may elect to have their balances paid out in lump sum or annual installments upon termination of employment or a change in control of Griffin. The deferred compensation balance for each such Named Executive Officer, as of November 30, 2016, is set forth in the "Non-Qualified Deferred Compensation" table above. Additionally, pursuant to the 2009 Stock Option Plan, if option grants are assumed by a successor corporation (or a parent or subsidiary thereof) in connection with a change in control, the vesting of such grants will be accelerated upon termination of a Named Executive Officer's employment upon or within twelve months following such change in control. As of November 30, 2016, the exercise price for 167,000 of the outstanding options held by Named Executive Officers exceeded the closing market price of \$31.45 per share of Griffin common stock. The aggregate value of such options (based on the excess of the closing price of Griffin's common stock, as of November 30, 2016, over the exercise price) is \$611,120. The following table presents information regarding the value of such options to each of Griffin's Named Executive Officers following a termination of employment upon or within twelve months following such change in control (assuming such termination occurred on November 30, 2016):

Name	Estimated Value of In-the-Money Options Following Termination Upon or Within Twelve Months Following A Change In Control (1)
Frederick M. Danziger	\$ 67,000
Michael S. Gamzon	\$ 317,800
Anthony J. Galici	\$ 90,500
Thomas M. Lescalleet	\$ 90,500
Scott Bosco	\$ 45,320

- (1) Stock option values are calculated based on the difference between \$31.45, the November 30, 2016 closing price of Griffin's common stock, and the option exercise price, multiplied by the total number of stock options.

Director Compensation

The following table represents information regarding the compensation paid during fiscal 2016 to members of Griffin's Board of Directors who are not also employees (the "Non-Employee Directors"). The compensation paid to Messrs. Frederick M. Danziger and Michael S. Gamzon is presented above in the Summary Compensation Table and the related explanatory notes. Messrs. Frederick M. Danziger and Michael S. Gamzon did not receive compensation related to their activities as members of the Board of Directors.

Name	Fees		Total
	Earned or Paid in Cash (\$)	Option Awards (\$)	
David R. Bechtel	\$ 32,107 (2)	\$ 25,911 (1)	\$ 58,018
Winston J. Churchill, Jr.	\$ 22,679 (3)	\$ 149,539 (4)	\$ 172,218
Edgar M. Cullman, Jr.	\$ 40,500	\$ 17,278 (1)	\$ 57,778
David M. Danziger	\$ 1,566 (5)	\$ 90,962 (6)	\$ 92,528
Frederick M. Danziger	\$ —	\$ —	\$ —
Michael S. Gamzon	\$ —	\$ —	\$ —
Thomas C. Israel	\$ 62,325	\$ 17,278 (1)	\$ 79,603
Jonathan P. May	\$ 57,390	\$ 17,278 (1)	\$ 74,668
Albert H. Small, Jr.	\$ 57,000	\$ 17,278 (1)	\$ 74,278

- (1) The amount shown for Option Awards reflects the grant date fair value of options granted in fiscal 2016. For a discussion of the assumptions and methodologies used to calculate the amounts referred to above, please see the discussion of stock option awards contained in Part II, Item 8, "Financial Statements and Supplementary Data" of this Form 10-K in Note 8 of the Notes to Consolidated Financial Statements.
- (2) David R. Bechtel was elected to the Board of Directors on May 10, 2016. The fees reported are for the period May 10 through November 30, 2016.
- (3) Winston J. Churchill, Jr. did not seek re-election to the Board of Directors at the May 10, 2016 Annual Meeting. The fees reported are for the period December 1, 2015 through May 9, 2016.
- (4) Winston J. Churchill, Jr. did not receive a stock option award in fiscal 2016. However, the exercise period for each of Mr. Churchill's vested options outstanding as of his retirement on May 9, 2016 was extended through the tenth anniversary of the applicable date of grant. The amount shown for Option Awards reflects the incremental fair value of options so modified in fiscal 2016. For a discussion of the assumptions and methodologies used to calculate the amounts referred to above, please see the discussion of stock option awards contained in Part II, Item 8, "Financial Statements and Supplementary Data" of this Form 10-K in Note 8 of the Notes to Consolidated Financial Statements.
- (5) David M. Danziger resigned from the Board of Directors on January 19, 2016. The fees reported are for the period December 1, 2015 through January 18, 2016. Michael S. Gamzon was appointed to the Board of Directors to replace Mr. David M. Danziger.
- (6) David M. Danziger did not receive a stock option award in fiscal 2016. However, the exercise period for each of Mr. David M. Danziger's vested options outstanding as of his resignation on January 19, 2016 was extended through the tenth anniversary of the applicable date of grant. The amount shown for Option Awards reflects the incremental fair value of options so modified in fiscal 2016. For a discussion of the assumptions and methodologies used to calculate the amounts referred to above, please see the discussion of stock option awards contained in Part II, Item 8, "Financial Statements and Supplementary Data" of this Form 10-K in Note 8 of the Notes to Consolidated Financial Statements.

The following table represents the number of outstanding and unexercised stock option awards held by each of the Non-Employee Directors as of November 30, 2016:

Director	Number of Shares Subject to Outstanding Options as of 11/30/2016
David R. Bechtel	2,293
Winston J. Churchill, Jr.	10,927
Edgar M. Cullman, Jr.	3,441
David M. Danziger	7,277
Thomas C. Israel	13,730
Jonathan P. May	7,447
Albert H. Small, Jr.	13,251

Members of the Board of Directors who are not employees of Griffin receive \$30,000 per year and \$1,500 for each Board or Committee meeting they attend. A non-employee Chairman of the Board of Directors receives an annual fee of \$15,000. The Chairmen of the Audit and Compensation Committees each receive an annual fee of \$10,000 per year. The Nominating Committee Chairman receives an annual fee of \$5,000 per year. Audit and Compensation Committee members, excluding the Chairmen, each receive \$5,000 per year for their service on the Committees. Members of the Nominating Committee, excluding the Chairman, each receive \$2,500 per year for their service on the Committee. Annual retainers are paid in quarterly installments. Upon the initial election of a Non-Employee Director to the Board of Directors, the Non-Employee Director is granted options exercisable for shares of common stock at an exercise price that is the fair market value of a share of common stock at the time of the grant. The number of shares subject to options granted to Non-Employee Directors at the time of initial election to the Board of Directors is equal to \$60,000 divided by the fair market value per share of Griffin common stock at the time of grant. Griffin granted Mr. Bechtel options exercisable for 2,293 shares of common stock at the time of his initial election to the Board of Directors. The 2009 Stock Option Plan also provides that Non-Employee Directors annually receive options exercisable for shares of common stock at an exercise price that is the fair market value of a share of common stock at the time of grant. Under the 2009 Stock Option Plan, the number of shares, subject to options, granted to Non-Employee Directors upon their reelection to the Board of Directors, is equal to \$40,000 divided by the fair market value per share of Griffin common stock at the time of grant. Stock options granted to Non-Employee Directors upon their re-election to the Board of Directors vest on the second anniversary of the date of grant. In 2016, Griffin granted Messrs. Cullman, Jr., Israel, May and Small, Jr. each options exercisable for 1,529 shares of common Stock upon their reelection to the Board of Directors. Mr. Churchill, Jr. did not stand for reelection to the Board of Directors and Mr. David M. Danziger resigned from the Board of Directors on January 19, 2016, therefore, they did not receive any additional option grants in 2016. In connection with Mr. Churchill, Jr.'s retirement and Mr. David M. Danziger's resignation, however, Griffin elected to extend the exercisability of their outstanding vested options through the tenth anniversary of the applicable grant date thereof.

Compensation Committee Interlocks and Insider Participation

During fiscal 2016, Messrs. Churchill, Jr., Israel, May and Small, Jr. served as members of Griffin's Compensation Committee. Mr. Churchill retired from the Board of Directors on May 9, 2016. Mr. May was appointed to the Compensation Committee on May 10, 2016. No member of the Compensation Committee has been an officer or employee of Griffin. None of Griffin's executive officers have served as a director or member of the compensation committee of any entity whose executive officers served as a director of Griffin or as a member of Griffin's Compensation Committee.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

The following table lists the number of shares and options to purchase shares of common stock of Griffin beneficially owned or held by: (i) each person known by Griffin to beneficially own more than 5% of the outstanding shares of common stock; (ii) each director; (iii) the Named Executive Officers (as defined in Item 11); and (iv) all directors and executive officers of Griffin, collectively. Unless otherwise indicated, information is provided as of January 31, 2017.

Name and Address (1)	Shares Beneficially Owned (2)	Percent of Total
Cullman and Ernst Group (3)	2,443,559	47.5
Edgar M. Cullman, Jr. (3)	1,058,615	21.0
Frederick M. Danziger (3)	308,289	6.1
Michael S. Gamzon (3)	143,656	2.8
David R. Bechtel 4 Brookside Park Greenwich, CT 06831	3,387	*
Thomas C. Israel Ingleside Investors 12 East 49th Street New York, NY 10017	40,147	*
Jonathan P. May 116 East 95th Street New York, NY 10128	4,644	*
Albert H. Small, Jr. 7311 Arrowood Road Bethesda, MD 20817	10,448	*
Anthony J. Galici Griffin Industrial Realty, Inc. 204 West Newberry Road Bloomfield, CT 06002	41,023	*
Thomas M. Lescalleet Griffin Industrial, LLC 204 West Newberry Road Bloomfield, CT 06002	22,500	*
Scott Bosco Griffin Industrial, LLC 204 West Newberry Road Bloomfield, CT 06002	10,000	*
Gabelli Funds, LLC et al (4) Gabelli Funds, LLC One Corporate Center Rye, NY 10580	1,837,262	36.5
All directors and executive officers collectively, consisting of 10 persons (5)	1,642,709	31.6

* Less than 1%

- (1) Unless otherwise indicated, the address of each person named in the table is 641 Lexington Avenue, New York, NY 10022.
- (2) This information reflects the definition of beneficial ownership adopted by the Securities and Exchange Commission (the "Commission"). Beneficial ownership reflects sole investment and voting power, unless otherwise indicated in the footnotes to this table. Where more than one person shares investment and voting power in the same shares, such shares may be shown more than once. Such shares are reflected only once, however, in the total for all directors and executive officers. Includes stock options granted pursuant to the 2009 Stock Option Plan, as amended, that are

exercisable within 60 days of January 31, 2017 as follows: Edgar M. Cullman, Jr.—1,912 options; Frederick M. Danziger—40,000 options; Michael S. Gamzon—57,500 options; David R. Bechtel—2,293 options; Thomas C. Israel—10,927 options; Jonathan P. May—4,644 options; Albert H. Small, Jr.—10,448 options; Anthony J. Galici—20,000 options; Thomas M. Lescalleet—20,000 options; and Scott Bosco—10,000 options.

- (3) Based on Schedule 13D/A filed with the Commission on February 15, 2012 on behalf of the Cullman and Ernst Group and Griffin’s records. Included in the shares held by the Cullman and Ernst Group are the following:

Name	Shares Beneficially Owned	Shares with Sole Voting and Dispositive Power	Shares with Shared Voting and Dispositive Power
Cullman Jr., Edgar M.	1,058,615	74,867	983,748
Cullman, Susan R.	919,558	48,949	870,609
Danziger, Lucy C.	741,053	63,322	677,731
Danziger, David M.	489,659	30,854	458,805
Gamzon, Rebecca D.	408,483	10,550	397,933
Ernst, John L.	380,955	7,349	373,606
Cullman, Georgina D.	360,481	9,550	350,931
Sicher, Carolyn B.	354,029	21,422	332,607
Cullman, Elissa F.	345,781	14,850	330,931
Cullman, Samuel B.	344,525	13,594	330,931
Cullman III, Edgar M.	342,190	11,259	330,931
Danziger, Frederick M.	308,289	103,534	204,755
B Bros. Realty LLC (a)	233,792	233,792	—
Gamzon, Michael S.	143,656	62,500	81,156
Fabrici, Carolyn S.	116,037	—	116,037
Ernst, Alexandra	94,428	1,748	92,680
Ernst, Jessica P.	45,134	1,250	43,884
Estate of Louise B. Cullman (b)	39,548	39,548	—
Ernst, Margot P.	21,777	—	21,777
Ernst, Matthew L.	5,176	1,650	3,526
Kirby, John J.	4,730	4,730	—

(a) Susan R. Cullman and John Ernst are managing members.

(b) Edgar M. Cullman, Jr., Susan R. Cullman and Lucy C. Danziger are executors.

The Schedule 13D/A states that there is no formal agreement governing the Cullman and Ernst Group’s holding and voting of shares held by members of the Cullman and Ernst Group but that there is an informal understanding that the persons and entities included in the group will hold and vote together with respect to shares owned by each of them in each case subject to any applicable fiduciary responsibilities. None of the shares held by members of the Cullman and Ernst Group are pledged.

- (4) Griffin has received a copy of Schedule 13D/A as filed with the Commission by Gabelli Funds, LLC et al, reporting ownership of these shares as of September 1, 2015. As reported in said Schedule 13D/A, Gabelli Funds, LLC reports sole dispositive power with respect to 579,367 shares, GAMCO Asset Management Inc. (“GAMCO”) reports sole voting power with respect to 997,160 of these shares and sole dispositive power with respect to 1,062,495 of these shares and Teton Advisors, Inc. (“Teton Advisors”) reports sole voting and dispositive power with respect to 195,400 of these shares. The securities have been acquired by GGCP, Inc. (“GGCP”), and certain of its direct and indirect subsidiaries, including GAMCO Investors, Inc. (“GBL”), on behalf of their investment advisory clients. Mario Gabelli, as the controlling stockholder, Chief Executive Officer and a director of GGCP, Chairman and Chief Executive Officer of GBL, and the controlling shareholder of Teton Advisors, is deemed to have beneficial ownership of the shares owned beneficially by Gabelli Funds, LLC, GAMCO and Teton Advisors. GBL and GGCP are deemed to have beneficial ownership of the shares beneficially owned by each of the foregoing persons other than Mario Gabelli and the Gabelli Foundation, Inc. For the shares held by Gabelli Funds, LLC, with respect to the 55,000 shares held by the Gabelli Capital Asset Fund, the 56,000 shares held by the Gabelli Equity Trust, the 104,000 shares held by the Gabelli Asset Fund, the 122,000 shares held by the Gabelli Value 25 Fund, Inc., the

230,068 shares held by the Gabelli Small Cap Growth Fund, the 10,000 shares held by the Gabelli Equity Income Fund, and the 2,299 shares held by the Gabelli Global Small and Mid Cap Value Trust, the proxy voting committee of each such fund has taken and exercises in its sole discretion the entire voting power with respect to the shares held by such funds.

- (5) Excluding shares held by certain charitable foundations, the officers and/or directors of which include certain officers and directors of Griffin.

Equity Compensation Plan Information

Plan Category	Number of securities to be issued upon exercise of outstanding options (a)	Weighted average exercise price of outstanding options (b)	Number of securities remaining available for future issuance under the equity compensation plan (excluding securities reflected in column (a)) (c)
Equity compensation plan approved by security holders	324,546	\$ 29.23	168,534

Note: There are no equity compensation plans that were not approved by security holders.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE.

Review and Approval of Related Person Transactions

Griffin reviews any relationships and transactions in which Griffin and its directors and executive officers or their immediate family members are participants to determine whether such persons have a direct or indirect material interest. Griffin’s corporate staff is primarily responsible for the development and implementation of processes and controls to obtain information from the directors and executive officers with respect to related person transactions and for then determining, based on the facts and circumstances, whether a related person has a direct or indirect material interest in the transaction. As required under SEC rules, transactions that are determined to be directly or indirectly material to a related person are disclosed in Griffin’s Annual Report on Form 10-K and proxy statement.

On November 24, 2015, the Audit Committee approved a proposed transaction whereby Griffin entered into a ten year sublease of approximately 1,920 square feet of office space for its New York City corporate headquarters from Bloomingdale Properties, Inc. (“Bloomingdale Properties”), an entity controlled by certain members of the Cullman and Ernst Group (see “Item 12, Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters”). The sublease with Bloomingdale Properties is at market rates for such space and enables either Griffin or Bloomingdale Properties to terminate the sublease agreement upon a change in control (as defined) of either Griffin or Bloomingdale Properties. The sublease of office space from Bloomingdale Properties reduced the occupancy costs for Griffin’s corporate headquarters.

Board Independence

Under NASDAQ rules, an “independent director” of a company means a person who is not an officer or employee of the company or its subsidiaries and, in the opinion of the company’s board of directors, does not have a relationship with the company that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. The Board has determined that Messrs. Bechtel, Israel, May and Small, Jr. qualify as independent directors under NASDAQ rules. All of the members of the Audit, Compensation and Nominating Committees are independent directors under the applicable NASDAQ and SEC rules.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES.

The following is a summary of the fees incurred by Griffin for professional services rendered by RSM US LLP (“RSM US”) for fiscal 2016 and fiscal 2015:

	<u>Fiscal 2016 Fees</u>	<u>Fiscal 2015 Fees</u>
Audit fees	\$ 423,682	\$ 422,686
Audit-related fees	20,200	20,420
Tax fees	45,380	57,685
All other	—	—
	<u>\$ 489,262</u>	<u>\$ 500,791</u>

Audit fees consist of fees incurred for professional services rendered for the audit of Griffin’s consolidated financial statements and for the review of Griffin’s interim consolidated financial statements. Audit-related fees include fees incurred for professional services rendered for the audit of Griffin’s 401(k) Savings Plan by RSM US. Tax fees consist of fees incurred for professional services performed by RSM US relating to tax compliance, tax reporting and tax planning. There were no consulting fees paid to RSM US in fiscal 2016 or fiscal 2015.

The Audit Committee’s policy is to pre-approve all audit, audit-related and tax services to be provided by the independent registered public accountants. During fiscal 2016, Griffin’s Audit Committee pre-approved all audit, audit-related and tax services. The Audit Committee has considered the non-audit services provided by RSM US and determined that the services provided were compatible with maintaining the independence of RSM US.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

(a)(1)	Financial Statements of Griffin Industrial Realty, Inc. See Item 8.	
	Consolidated Balance Sheets as of November 30, 2016 and November 30, 2015	36
	Consolidated Statements of Operations for the Fiscal Years Ended November 30, 2016, November 30, 2015 and November 30, 2014	37
	Consolidated Statements of Comprehensive Income (Loss) for the Fiscal Years Ended November 30, 2016, November 30, 2015 and November 30, 2014	38
	Consolidated Statements of Changes in Stockholders' Equity for the Fiscal Years Ended November 30, 2016, November 30, 2015 and November 30, 2014	39
	Consolidated Statements of Cash Flows for the Fiscal Years Ended November 30, 2016, November 30, 2015 and November 30, 2014	40
	Notes to Consolidated Financial Statements	41
(a)(2)	Financial Statement Schedules	
	II—Valuation and Qualifying Accounts and Reserves	S-1
	III—Real Estate and Accumulated Depreciation	S-2/S-3
(a)(3)	Exhibits	

EXHIBIT INDEX

Exhibit Number	Exhibit Description	Incorporated by Reference			Filed/ Furnished Herewith
		Form	File No.	Exhibit	
2.1	Asset Purchase Agreement, dated January 6, 2014, effective January 8, 2014, among Monrovia Connecticut LLC as Buyer, Monrovia Nursery Company as Guarantor, Imperial Nurseries, Inc. as Seller and Griffin Industrial Realty, Inc. (f/k/a Griffin Land & Nurseries, Inc.) as Owner	8-K	001-12879	2.1	1/14/14
2.2	Letter Agreement, dated January 6, 2014, among Imperial Nurseries, Inc., River Bend Holdings, LLC, Monrovia Connecticut LLC and Monrovia Nursery Company	8-K	001-12879	2.2	1/14/14
3.1	Amended and Restated Certificate of Incorporation of Griffin Industrial Realty, Inc. (f/k/a Griffin Land & Nurseries, Inc.)	10-Q	001-12879	3.1	10/10/13
3.2	Certificate of Amendment to Amended and Restated Certificate of Incorporation of Griffin Industrial Realty, Inc. (f/k/a Griffin Land & Nurseries, Inc.)	8-K	001-12879	3.2	5/13/15
3.3	Amended and Restated By-laws of Griffin Industrial Realty, Inc.	8-K	001-12879	3.3	5/13/15
10.1†	Form of 401(k) Plan of Griffin Industrial Realty, Inc. (f/k/a Griffin Land & Nurseries, Inc.)	10	001-12879	10.7	4/8/97
10.2†	Griffin Industrial Realty, Inc. (f/k/a Griffin Land & Nurseries, Inc.) 2009 Stock Option Plan	10-K	001-12879	10.2	2/13/14
10.3†	Form of Stock Option Agreement under Griffin Industrial Realty, Inc. (f/k/a Griffin Land & Nurseries, Inc.) 2009 Stock Option Plan	10-K	001-12879	10.3	2/13/14
10.4	Mortgage Deed, Security Agreement, Financing Statement and Fixture Filing with Absolute Assignment of Rents and Leases dated September 17, 2002 between Tradeport Development I, LLC and Farm Bureau Life Insurance Company	10-Q	001-12879	10.21	10/11/02
10.5	Mortgage Deed and Security Agreement dated December 17, 2002 between Griffin Center Development IV, LLC and Webster Bank, N.A.	10-K	001-12879	10.24	2/28/02
10.6	Secured Installment Note and First Amendment of Mortgage and Loan Documents dated April 16, 2004 among Tradeport Development I, LLC, and Griffin Industrial Realty, Inc. (f/k/a Griffin Land & Nurseries, Inc.) and Farm Bureau Life Insurance Company	10-Q	001-12879	10.28	7/13/04
10.7	Mortgage Deed Security Agreement, Fixture Filing, Financing Statement and Assignment of Leases and Rents dated July 6, 2005 by Tradeport Development II, LLC in favor of First Sunamerica Life Insurance Company	10-Q	001-12879	10.29	11/2/05
10.8	Promissory Note dated July 6, 2005	10-Q	001-12879	10.30	11/2/05

Exhibit Number	Exhibit Description	Incorporated by Reference			Filed/ Furnished Herewith
		Form	File No.	Exhibit	
10.9	Guaranty Agreement as of July 6, 2005 by Griffin Industrial Realty, Inc. (f/k/a Griffin Land & Nurseries, Inc.) in favor of Sunamerica Life Insurance Company	10-Q	001-12879	10.31	11/2/05
10.10	Amended and Restated Mortgage Deed Security Agreement, Fixture Filing, Financing Statement and Assignment of Leases and Rents dated November 16, 2006 by Tradeport Development II, LLC in favor of First Sunamerica Life Insurance Company	10-K	001-12879	10.32	2/15/07
10.11	Amended and Restated Promissory Note dated November 16, 2006	10-K	001-12879	10.33	2/15/07
10.12	Guaranty Agreement as of November 16, 2006 by Griffin Industrial Realty, Inc. (f/k/a Griffin Land & Nurseries, Inc.) in favor of Sunamerica Life Insurance Company	10-K	001-12879	10.34	2/15/07
10.13	Construction Loan and Security Agreement dated February 6, 2009 by and between Tradeport Development III, LLC, Griffin Industrial Realty, Inc. (f/k/a Griffin Land & Nurseries, Inc.), and Berkshire Bank	10-Q	001-12879	10.36	10/6/10
10.14	\$12,000,000 Construction Note dated February 6, 2009	10-Q	001-12879	10.37	4/9/09
10.15	Loan and Security Agreement dated July 9, 2009 between Griffin Industrial Realty, Inc. (f/k/a Griffin Land & Nurseries, Inc.) and People's United Bank	10-Q	001-12879	10.40	10/8/09
10.16	\$10,500,000 Promissory Note dated July 9, 2009	10-Q	001-12879	10.41	10/8/09
10.17	Mortgage and Security Agreement dated January 27, 2010 between Riverbend Crossings III Holdings, LLC and NewAlliance Bank	10-Q	001-12879	10.42	10/6/10
10.18	\$4,300,000 Promissory Note dated January 27, 2010	10-Q	001-12879	10.43	4/8/10
10.19	First Modification of Promissory Note, Mortgage Deed and Security Agreement and Other Loan Documents between Riverbend Crossings III Holdings, LLC and New Alliance Bank dated October 27, 2010	10-K	001-12879	10.44	2/10/11
10.23	Third Modification Agreement between Griffin Center Development IV, LLC, Griffin Center Development V, LLC, Griffin Industrial Realty, Inc. (f/k/a Griffin Land & Nurseries, Inc.) and Webster Bank, N.A. dated June 15, 2012	8-K	001-12879	10.48	6/20/12
10.24	Second Amendment to Mortgage Deed and Security Agreement and other Loan Documents between Riverbend Crossings III Holdings, LLC and First Niagara Bank dated April 1, 2013	10-Q	001-12879	10.49	6/1/13
10.25	Amended and Restated Term Note dated April 1, 2013	10-Q	001-12879	10.50	7/11/13
10.26	Revolving Line of Credit Loan Agreement with Webster Bank, N.A. dated April 24, 2013	10-Q	001-12879	10.51	6/1/13
10.27	Revolving Line of Credit Note dated April 24, 2013	10-Q	001-12879	10.52	6/1/13

Exhibit Number	Exhibit Description	Incorporated by Reference			Filed/ Furnished Herewith
		Form	File No.	Exhibit	
10.28	Mortgage and Security Agreement between Riverbend Bethlehem Holdings I, LLC and First Niagara Bank, N.A. effective August 28, 2013	10-Q	001-12879	10.53	10/10/13
10.29	\$9,100,000 Term Note effective August 28, 2013	10-Q	001-12879	10.54	10/10/13
10.31	First Modification of Mortgage and Loan Documents between Griffin Center Development I, LLC, Griffin Industrial Realty, Inc. (f/k/a Griffin Land & Nurseries, Inc.), Tradeport Development I, LLC and Farm Bureau Life Insurance Company, dated June 6, 2014	8-K	001-12879	10.1	6/9/14
10.32	Amended and Restated Secured Installment Note of Griffin Center Development I, LLC to Farm Bureau Life Insurance Company, dated June 6, 2014	8-K	001-12879	10.2	6/9/14
10.33	Second Modification of Mortgage and Loan Documents between Tradeport Development I, LLC, Griffin Industrial Realty, Inc. (f/k/a Griffin Land & Nurseries, Inc.), Griffin Center Development I, LLC and Farm Bureau Life Insurance Company, dated June 6, 2014	8-K	001-12879	10.3	6/9/14
10.34	Amended and Restated Secured Installment Note of Tradeport Development I, LLC to Farm Bureau Life Insurance Company, dated June 6, 2014	8-K	001-12879	10.4	6/9/14
10.35	Mortgage and Security Agreement between Riverbend Bethlehem Holdings I, LLC and First Niagara Bank, N.A. effective December 31, 2014	10-K	001-12879	10.35	2/13/15
10.36	\$21,600,000 Term Note effective December 31, 2014	10-K	001-12879	10.37	2/13/15
10.37	Mortgage, Assignment of Rents and Security Agreement dated July 29, 2015 between Tradeport Development II, LLC and 4086 Mortgage Capital, Inc.	10-Q	001-12879	10.38	10/9/15
10.38	\$18,000,000 Promissory Note dated July 29, 2015	10-Q	001-12879	10.39	10/9/15
10.39	Open-End Mortgage, Assignment of Leases and Rents and Security Agreement by Riverbend Hanover Properties II, LLC as Mortgagor to and for the benefit of Webster Bank, N.A. as Mortgagee dated August 28, 2015 and effective as of September 1, 2015	10-Q	001-12879	10.40	10/9/15
10.40	\$14,100,000 Promissory Note dated September 1, 2015	10-Q	001-12879	10.41	10/9/15
10.41†	Letter Agreement by and between Griffin Industrial Realty, Inc. and John J. Kirby, Jr. dated July 22, 2015	10-K	001-12879	10.41	2/12/16
10.42†	Letter Agreement by and between Griffin Industrial Realty, Inc. and David M. Danziger dated March 8, 2016	10-Q	001-12879	10.42	4/8/16
10.43†	Letter Agreement by and between Griffin Industrial Realty, Inc. and Winston J. Churchill, Jr. dated May 16, 2016	10-Q	001-12879	10.43	7/8/16
10.44	\$14,350,000 Promissory Note dated April 26, 2016	10-Q	001-12879	10.44	7/8/16
10.45	Loan and Security Agreement between Griffin Industrial Realty, Inc. and People's United Bank, N.A. dated April 26, 2016	10-Q	001-12879	10.45	7/8/16
10.46	First Amendment to Revolving Line of Credit Loan Agreement with Webster Bank, N.A. dated April 26, 2016	10-Q	001-12879	10.46	7/8/16

Exhibit Number	Exhibit Description	Incorporated by Reference			Filed/ Furnished Herewith	
		Form	File No.	Exhibit		
10.47	Second Amendment to Revolving Line of Credit Loan Agreement by and between Griffin Industrial Realty, Inc. and Webster Bank, N.A. dated July 22, 2016	10-Q	001-12879	10.47	10/7/16	
10.48	Amended and Restated Revolving Line of Credit Note with Webster Bank, N.A. dated July 22, 2016	10-Q	001-12879	10.48	10/7/16	
10.49	\$26,724,948.03 Promissory Note dated November 17, 2016					*
10.50	Open-End Mortgage, Assignment of Leases and Rents and Security Agreement by Riverbend Hanover Properties I, LLC as Mortgagor to and for the benefit of Webster Bank, N.A. as Mortgagee dated November 14, 2016 and effective as of November 17, 2016					*
10.51	Open-End Mortgage, Assignment of Leases and Rents and Security Agreement by Riverbend Hanover Properties II, LLC as Mortgagor to and for the benefit of Webster Bank, N.A. as Mortgagee dated November 14, 2016 and effective as of November 17, 2016					*
21	Subsidiaries of Griffin Industrial Realty, Inc.					*
23.1	Consent of Independent Registered Public Accounting Firm					*
31.1	Certifications of Chief Executive Officer Pursuant to Rules 13a-14(a) or 15d-14(a) under the Securities Exchange Act of 1934, as amended					*
31.2	Certifications of Chief Financial Officer Pursuant to Rules 13a-14(a) or 15d-14(a) under the Securities Exchange Act of 1934, as amended					*
32.1	Certifications of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350					**
32.2	Certifications of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350					**
101.INS	XBRL Instance Document					*
101.SCH	XBRL Taxonomy Extension Schema Document					*
101.CAL	XBRL Taxonomy Calculation Linkbase Document					*
101.LAB	XBRL Taxonomy Label Linkbase Document					*
101.PRE	XBRL Taxonomy Presentation Linkbase Document					*
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document					*

† A management contract or compensatory plan or arrangement required to be filed as an exhibit pursuant to Item 15(a)(3) of Form 10-K.

* Filed herewith.

** Furnished herewith.

ITEM 16. FORM 10-K SUMMARY.

N/A

Schedule II – Valuation and Qualifying Accounts and Reserves
(dollars in thousands)

Description	Balance at Beginning of Year	Charged to Cost and Expenses	Charged to Other Accounts	Deductions From Reserves	Balance at End of Year
For the fiscal year ended November 30, 2016					
Reserves:					
Uncollectible accounts—trade	\$ —	—	—	—	\$ —
Valuation allowance on deferred tax asset	\$ 345	180	989	—	\$ 1,514
For the fiscal year ended November 30, 2015					
Reserves:					
Uncollectible accounts—trade	\$ —	—	—	—	\$ —
Valuation allowance on deferred tax asset	\$ 395	(50)	—	—	\$ 345
For the fiscal year ended November 30, 2014					
Reserves:					
Uncollectible accounts—trade	\$ 134	(101)	—	33 (1)	\$ —
Inventories	\$ 10,854	—	—	10,854 (2)	\$ —
Valuation allowance on deferred tax asset	\$ 379	16	—	—	\$ 395

Notes:

- (1) Accounts receivable written off or reclassified.
- (2) Inventories disposed.

Schedule III – Real Estate and Accumulated Depreciation
November 30, 2016
(dollars in thousands)

Description	Encumbrances	Cost			Gross Amount							Accumulated Depreciation	Date of Construction	Date of Acquisition	Depr. Life	
		Initial Cost	Bldg. & Improve.	Capitalized Subsequent to Acquisition Improvements	Land	Improvements	Bldg. & Bldg. Improvements	Tenant Improvements	Construction in Progress	Development Costs	Total					
<i>CT Industrial/Warehouse Properties</i>																
Industrial/Warehouse Building - Bloomfield	\$ - (b)	\$ 1	\$ -	\$ 771	\$ 1	\$ 92	\$ 679	\$ -	\$ -	\$ -	\$ -	\$ 772	\$ (602)	1988		40yrs.
Industrial/Warehouse Building - Bloomfield	-	251	1,198	1,545	251	321	1,740	670	12	-	-	2,994	(382)	1997	2007	40yrs.
Industrial/Warehouse Building - Windsor	14,187	4	1,722	914	4	774	1,835	27	-	-	-	2,640	(1,823)	1982	1989	40yrs.
Industrial/Warehouse Building - Windsor	- (a)	4	-	1,732	4	212	1,411	109	-	-	-	1,736	(1,435)	1978		40yrs.
Industrial/Warehouse Building - Windsor	- (a)	4	-	2,945	4	310	2,224	411	-	-	-	2,949	(1,994)	1980		40yrs.
Industrial/Warehouse Building - Windsor	- (a)	10	-	4,433	10	356	3,650	394	33	-	-	4,443	(2,218)	1998		40yrs.
Industrial/Warehouse Building - Windsor	- (a)	13	-	7,565	13	525	5,676	1,364	-	-	-	7,578	(2,297)	2008		40yrs.
Industrial/Warehouse Building - Windsor	4,905	12	-	8,220	12	363	5,145	2,712	-	-	-	8,232	(5,832)	1999		40yrs.
Industrial/Warehouse Building - Windsor	- (a)	7	-	3,174	7	20	3,051	-	103	-	-	3,181	(1,367)	2001		40yrs.
Industrial/Warehouse Building - Windsor	17,624	13	-	5,650	13	35	5,044	571	-	-	-	5,663	(2,423)	2003		40yrs.
Industrial/Warehouse Building - Windsor	- (a)	16	-	7,605	16	80	6,903	622	-	-	-	7,621	(3,021)	2006		40yrs.
Industrial/Warehouse Building - Windsor	- (a)	15	-	17,203	15	154	13,876	3,173	-	-	-	17,218	(3,732)	2005		40yrs.
Industrial/Warehouse Building - Windsor	10,313	57	-	16,014	57	1,031	13,886	1,097	-	-	-	16,071	(3,815)	2009		40yrs.
Industrial/Warehouse Building - Windsor	-	20	-	8,543	20	564	7,559	420	-	-	-	8,563	(2,341)	2007		40yrs.
Industrial/Warehouse Building - Windsor	-	12	-	6,928	12	448	6,263	217	-	-	-	6,940	(2,151)	2007		40yrs.
Industrial/Warehouse Building - Windsor	7,001	19	-	8,229	19	164	8,065	-	-	-	-	8,248	(3,264)	2001		40yrs.
<i>PA Industrial/Warehouse Properties</i>																
Industrial/Warehouse Building - Breinigsville	3,606	832	4,560	-	832	349	3,990	221	-	-	-	5,392	(1,184)		2010	40yrs.
Industrial/Warehouse Building - Lower Nazareth Township	20,744	1,351	-	15,490	1,351	1,366	12,874	1,250	-	-	-	16,841	(1,375)	2014		40yrs.
Industrial/Warehouse Building - Lower Nazareth Township	- (a)	721	-	11,138	721	1,359	8,958	821	-	-	-	11,859	(1,942)	2012		40yrs.
Industrial/Warehouse Building - Hanover Township	26,725	4,022	-	16,246	4,022	3,956	11,076	1,214	-	-	-	20,268	(907)	2015		40yrs.
Industrial/Warehouse Building - Hanover Township	- (a)	3,620	-	13,073	3,620	4,433	7,865	-	775	-	-	16,693	(187)	2016		40yrs.
<i>Office/Flex Properties</i>																
Office/Flex Building - Bloomfield	- (b)	5	-	4,188	5	578	2,940	670	-	-	-	4,193	(3,561)	1977		40yrs.
Office/Flex Building - Bloomfield	- (b)	4	-	2,777	4	269	1,962	546	-	-	-	2,781	(2,263)	1985		40yrs.
Office/Flex Building - Bloomfield	- (b)	2	-	2,309	2	384	1,700	225	-	-	-	2,311	(1,510)	1988		40yrs.
Office/Flex Building - Bloomfield	- (b)	2	-	1,553	2	195	1,358	-	-	-	-	1,555	(1,103)	1989		40yrs.
Office/Flex Building - Bloomfield	- (b)	3	-	1,743	3	140	1,354	249	-	-	-	1,746	(1,021)	1990		40yrs.
Office/Flex Building - Bloomfield	- (b)	3	-	1,540	3	62	1,347	131	-	-	-	1,543	(1,005)	1991		40yrs.
Office/Flex Building - Bloomfield	- (b)	3	-	847	3	65	667	115	-	-	-	850	(579)	1991		40yrs.
Office/Flex Building - Bloomfield	- (b)	9	-	4,551	9	28	3,677	846	-	-	-	4,560	(1,600)	2001		40yrs.
Office/Flex Building - Windsor	- (b)	17	-	6,022	17	434	4,440	1,148	-	-	-	6,039	(2,892)	2002		40yrs.
Office/Flex Building - Windsor	6,034	616	3,954	2,682	616	375	4,558	967	736	-	-	7,252	(2,643)	1982	2003	40yrs.
Office/Flex Building - Windsor	- (a)	577	4,004	1,708	577	381	4,105	1,226	-	-	-	6,289	(3,116)	1987	2003	40yrs.
Restaurant Building - Windsor	-	1	-	2,177	1	266	1,402	509	-	-	-	2,178	(1,597)	1983		40yrs.
<i>Other</i>																
Nursery Farm - Granby, CT	-	417	-	11,052	417	1,565	9,487	-	-	-	-	11,469	(10,390)		1959	20yrs.
Nursery Farm - Quincy, FL	-	279	-	8,697	279	4,089	4,608	-	-	-	-	8,976	(7,794)		1959	20yrs.
Undeveloped land - New England Tradeport	-	981	-	3,499	981	71	-	-	-	-	3,428	4,480	(40)			
Undeveloped land - Griffin Center/Griffin Center South	-	435	-	1,459	435	470	-	-	-	-	989	1,894	(458)			
Undeveloped land - Phoenix Crossing	-	1,117	-	1,344	1,117	-	-	-	-	-	1,344	2,461	-			
Undeveloped land - Other	-	2,218	-	1,825	2,218	1,308	-	-	-	-	517	4,043	(937)			
Residential Development - Simsbury, CT	-	202	-	8,337	202	-	-	-	-	-	8,337	8,539	-			
	\$ 111,139	\$ 17,895	\$ 15,438	\$ 225,728	\$ 17,895	\$ 27,592	\$ 175,375	\$ 21,925	\$ 1,659	\$ 14,615	\$ 259,061	(c) \$ (86,801)				

- (a) Building included in mortgage listed on line above.
(b) Buildings included as collateral for a \$15.0 million revolving line of credit.
(c) As of November 30, 2016, the aggregate cost for Federal income tax purposes is \$254,841.

Schedule III – Real Estate and Accumulated Depreciation (Continued)
(dollars in thousands)

Fiscal year ended November 30, 2016

	Cost	Reserve
Balance at beginning of year	\$ 247,239	\$ (80,784)
Changes during the year:		
Additions to real estate assets	15,702	—
Additions to reserve charged to costs and expense	—	(7,768)
Reclassification to real estate held for sale	(2,129)	—
Writeoff of fully depreciated assets	(1,751)	1,751
Balance at end of year	<u>\$ 259,061</u>	<u>\$ (86,801)</u>

Fiscal year ended November 30, 2015

	Cost	Reserve
Balance at beginning of year	\$ 209,284	\$ (74,762)
Changes during the year:		
Additions to real estate assets	30,556	—
Additions to reserve charged to costs and expense	—	(6,539)
Reclassification to real estate held for sale	7,916	—
Writeoff of fully depreciated assets	(517)	517
Balance at end of year	<u>\$ 247,239</u>	<u>\$ (80,784)</u>

Fiscal year ended November 30, 2014

	Cost	Reserve
Balance at beginning of year	\$ 192,268	\$ (61,078)
Changes during the year:		
Additions to real estate assets	16,680	—
Additions to reserve charged to costs and expense	—	(5,747)
Reclassification to real estate held for sale	(9,236)	—
Writeoff of fully depreciated assets	(1,913)	1,913
Reclassification to real estate assets from property and equipment	11,485	(9,850)
Balance at end of year	<u>\$ 209,284</u>	<u>\$ (74,762)</u>

PROMISSORY NOTE

\$26,724,948.03

November 17, 2016

FOR VALUE RECEIVED, RIVERBEND HANOVER PROPERTIES II LLC, a Pennsylvania limited liability company ("Riverbend II") and RIVERBEND HANOVER PROPERTIES I LLC, a Pennsylvania limited liability company ("Riverbend I") both with an address c/o Griffin Industrial Realty, Inc., 204 West Newberry Road, Bloomfield, CT 06002 (collectively, "Borrower"), hereby promise to pay to the order of WEBSTER BANK, NATIONAL ASSOCIATION, a national banking association ("Bank") at the offices of the Bank at CityPlace II, 185 Asylum Street, Hartford, Connecticut 06103 or such other address as the Bank shall designate in a written notice to Borrower, the amount of TWENTY SIX MILLION SEVEN HUNDRED TWENTY FOUR THOUSAND NINE HUNDRED FORTY EIGHT AND 03/100 DOLLARS (\$26,724,948.03), or so much thereof as shall have been advanced and is outstanding from time to time (the "Loan"), together with (i) interest at the rate or rates hereinafter provided; (ii) all amounts which may become due under the Mortgage (as hereinafter defined), or under any other Loan Document executed by Borrower evidencing, securing or otherwise executed in connection with the indebtedness evidenced by this Promissory Note (this "Note"); (iii) any costs and expenses, including reasonable attorneys' and appraiser's fees, incurred in the collection of this Note, or in the foreclosure of the Mortgage, or in protecting or sustaining the lien of the Mortgage, or in any litigation or controversy arising from or connected with the Loan Documents; and (iv) all taxes or duties assessed upon said sum against the holder hereof, upon the debt evidenced hereby or by the Mortgage and upon the Mortgaged Property (as hereinafter defined). Interest on this Note shall be computed on the basis of a year of three hundred sixty (360) days and actual days elapsed.

This Note is subject to all of the following terms and conditions:

1. Definitions. As used in this Note, the following terms shall have the respective meanings set forth below:

(a) "Adjusted LIBOR Rate" shall mean, for any LIBOR Interest Period, an interest rate per annum equal to the sum of (A) the LIBOR Rate for such LIBOR Interest Period, plus (B) the Applicable Margin.

(b) "Applicable Margin" shall mean one hundred seventy (170) basis points.

(c) "Breakage Costs" shall mean any actual loss or expense (including, without limitation, actual lost profit) that Bank sustains or incurs as a direct consequence of any prepayment (whether optional or mandatory) of the Note bearing interest at the Adjusted LIBOR Rate by the Borrower on and after the date hereof and through the last day of the LIBOR Interest Period, including, but not limited to, any loss or any interest payable by Bank to lenders of funds obtained by it in order to make or maintain the Loan at the Adjusted LIBOR Rate.

(d) Intentionally Omitted.

(e) Intentionally Omitted.)

(f) “LIBOR Rate” shall mean, for any LIBOR Interest Period, the rate (expressed as a percentage per annum) equal to the rate reported for deposits in U.S. dollars, for a one-month period, that appears on Reuters Screen LIBOR01 Page (or the successor thereto) as of 11:00 a.m., London time, two (2) Business Days prior to the commencement of such Interest Period (the “Determination Date”); provided that, (i) if such rate does not appear on Reuters Screen LIBOR01 Page as of 11:00 a.m., London time, on such Determination Date, Lender shall request the principal London office of any four major reference banks in the London interbank market selected by Lender to provide such bank’s offered quotation (expressed as a percentage per annum) to prime banks in the London interbank market for deposits in U.S. dollars for a one-month period as of 11:00 a.m., London time, on such Determination Date for the amounts for a comparable loan at the time of such calculation and, if at least two such offered quotations are so provided, LIBOR shall be the arithmetic mean of such quotations and (ii) if fewer than two such quotations in clause (i) are so provided, Lender shall request any three major banks in New York City selected by Lender to provide such bank’s rate (expressed as a percentage per annum) for loans in U.S. dollars to leading European banks for a one-month period as of approximately 11:00 a.m., New York City time on the applicable Determination Date for the amounts for a comparable loan at the time of such calculation and, if at least two such rates are so provided, LIBOR shall be the arithmetic mean of such rates. In no event shall LIBOR be less than 0.

(g) “LIBOR Interest Period” shall mean, with respect to any amount bearing interest at the Adjusted LIBOR Rate, a period of one (1) month, to the extent deposits with such maturities are available to the Bank, commencing on the first day of the month and ending on the last day of the month; provided, however, that

(i) if the Loan is advanced on a day other than the first day of a month, then the Loan shall bear interest at the Adjusted LIBOR Rate in effect on the day the Loan is advanced, which rate shall be in effect for the remaining days of the month in which the Loan is made; such Adjusted LIBOR Rate to be reset at the beginning of each succeeding month;

(ii) all dates herein shall be subject to and adjusted in accordance with the Following Business Day Convention, as such term is defined below; and

(iii) no Interest Period may extend beyond the Maturity Date.

(h) All payment dates herein shall be subject to and adjusted in accordance with the “Following Business Day Convention”. The Following Business Day Convention shall mean the convention for adjusting any relevant date if it would otherwise fall on a day that is not a Business Day and provides that, in such event, such date shall be adjusted to the first following day that is a Business Day, except that if such following day shall be a day in the following month, such date shall be adjusted to the immediately preceding Business Day. A “Business Day” means, in respect of any date that is specified herein to be subject to adjustment in accordance with the Following Business Day Convention, a day on which

commercial banks settle payments in (i) New York or London if the payment obligation is calculated by reference to any LIBOR Rate, or (ii) New York, if the payment obligation is calculated by reference to any other rate.

(i) “Maturity Date” shall mean November 17 2026, which is the date which is approximately ten (10) years following the date of this Note.

2. Interest Rate Provisions.

(a) Interest Rate. The Loan shall bear interest from the date hereof until the Maturity Date at the Adjusted LIBOR Rate or, at the option of the Bank after the occurrence of an Event of Default (as hereinafter defined) or after maturity, at the Default Rate (as hereinafter defined).

(b) Interest Rate Determinations. All interest rate determinations hereunder shall be made by the Bank and shall be deemed conclusive and binding upon the Borrower in the absence of manifest error.

3. Repayment.

(a) Repayment Schedule. If not sooner paid or demanded as herein provided, and so long as no Event of Default has occurred and is continuing, principal and interest shall be due and payable hereunder as follows:

Commencing on December 1, 2016, and continuing to be due on the first day of each calendar month thereafter through and including October 1, 2026, and the final payment being due on the Maturity Date as described in subsection (b) below, Borrower shall be required to make (i) monthly payments of accrued interest on the principal balance of the Loan at the Adjusted LIBOR Rate; and (ii) monthly payments of principal, each in an amount as set forth on Schedule A attached hereto and incorporated herein.

(b) Payment at Maturity. The full amount of the outstanding principal balance of the Loan, together with all interest accrued thereon, and all other amounts due and payable hereunder or under any of the other Loan Documents, shall be due and payable in full on the Maturity Date.

(c) Form of Payment. All amounts owing under this Note and interest thereon shall be payable in legal tender of the United States of America.

(d) Evidence of Debt. The Bank will enter an appropriate notation on its books and records evidencing the interest rate applicable to the outstanding balance hereof, each repayment on account of the principal thereof, and the amount of interest paid. Borrower agrees that, in the absence of manifest error, the books and records of the Bank shall constitute prima facie evidence of the amount owing to the Bank pursuant to this Note.

4. Additional Charges.

(a) Late Charges. If any amount payable under this Note (except the amount due at the Maturity Date) is not paid within ten (10) days after its due date, Borrower shall pay to the Bank on demand an amount equal to five percent (5%) of such unpaid amount which Borrower acknowledges to be a reasonable late charge to compensate the Bank for the administrative costs of dealing with such late payment and for its loss of use of such funds. Borrower also acknowledges that such late charge is a material inducement to the Bank to make the Loan evidenced by this Note, the Bank would not have made the Loan in the absence of the agreement of Borrower to pay such late charge and such late charge is not a penalty and represents a reasonable estimate of compensation to the Bank for losses resulting from Borrower's default that are difficult to ascertain.

(b) Expenses. Borrower further promises to pay to the Bank, as incurred, and as an additional part of the unpaid principal balance, all reasonable costs, expenses and reasonable attorneys' fees incurred (i) in the preparation, protection, modification, collection, defense or enforcement of all or part of this Note or any guaranty hereof, or (ii) in the foreclosure or enforcement of any mortgage or security interest which may now or hereafter secure either the debt hereunder or any guaranty thereof, or (iii) with respect to any action reasonably taken to protect, defend, modify or sustain the lien of any such mortgage or security agreement, or (iv) with respect to any litigation or controversy arising from or connected with the enforcement of any provisions of this Note or any mortgage or security agreement or collateral which may now or hereafter secure this Note, or (v) with respect to any act reasonably taken to protect, defend, modify, enforce or release any of its rights or remedies with regard to, or otherwise effect collection of, any collateral which may now or in the future secure this Note, or with regard to or against Borrower or any endorser, guarantor or surety of this Note.

(c) Default Rate. If payment is not made when due or upon the occurrence and during the continuance of an Event of Default, then for so long as such Event of Default remains uncured, Borrower further promises to pay to Bank interest on the unpaid balance at the rate or rates of interest then in effect, plus five (5) percentage points per annum (the "Default Rate") from the accelerated due date, if any, until payment in full (whether before or after judgment has been rendered with respect hereto) which amounts shall each become an additional part of the unpaid balance.

(d) Additional Payments. If Bank shall deem applicable to this Note, any requirement of any law of the United States of America, any regulation, order, interpretation, ruling, official directive or guideline (whether or not having the force of law) of the Board of Governors of the Federal Reserve System, the Comptroller of the Currency, the Federal Deposit Insurance Corporation or any other board or governmental or administrative agency of the United States of America which shall impose, increase, modify or make applicable thereto or cause to be included in, any reserve, special deposit, calculation used in the computation of regulatory capital standards, assessment or other requirement which imposes on Bank any cost that is attributable to the maintenance hereof, then, and in each such event, Bank shall notify the Borrower thereof and the Borrower shall pay the Bank, within ninety (90) days of receipt of such notice, such amount as will compensate Bank for any such cost, which determination may be based upon the Bank's reasonable allocation of the aggregate of such costs resulting from such events and shall be calculated in a manner consistent with the Bank's practices for similar loans and similar

borrowers. In the event any such cost is a continuing cost, a fee payable to Bank may be imposed upon the Borrower periodically for so long as any such cost is deemed applicable to the Bank, in an amount determined by Bank to be necessary to compensate Bank for any such cost. The determination by any Bank of the existence and amount of any such cost shall, in the absence of manifest error, be conclusive. Notwithstanding the foregoing, Lender agrees to use commercially reasonable efforts to eliminate or mitigate any costs attributable to the maintenance of the Loan. If Lender is unable to eliminate such costs, Borrower shall have the right to prepay the then outstanding principal balance of the Loan, together with all accrued and unpaid interest thereon, in full, but not in part, without prepayment charges.

5. Prepayment.

(a) Borrower may prepay the then outstanding principal balance of the Loan, together with all accrued and unpaid interest thereon, in full but not in part, upon not less than ten (10) days written notice of the projected date of prepayment and upon concurrent payment to Bank of any and all Breakage Costs or damages incurred by the Bank in connection with such prepayment, and during the first two (2) years following the date of execution of this Note, upon payment of an additional prepayment fee in the amount of one (1%) percent of the amount so prepaid.

(b) In the event that Borrower elects to prepay the Note in accordance with the terms set forth above, Borrower shall give Bank not less than ten (10) days prior written notice of its intent to prepay the Note. Any amounts specified in the aforesaid prepayment notice shall, upon the giving of said notice, become due and payable at the time provided for prepayment in said notice. Any prepayments permitted hereunder shall be applied to interest and other charges accrued under this Note to the day prepayment shall have been received by Bank, and then to principal, in the inverse order of the installments of principal payable under this Note.

(c) If the maturity of this Note shall be accelerated for any reason, then a tender of payment by Borrower, or by anyone on behalf of Borrower, of the amount necessary to satisfy all sums due under this Note shall constitute an evasion of the payment terms of this Note and shall be deemed to be a voluntary prepayment under this Note, and any such prepayment, to the extent permitted by law, shall require the concurrent payment to Bank of the Breakage Costs.

6. Events of Default. An Event of Default shall be those events set forth in Section 19 of the Mortgage.

7. Acceleration. Upon the occurrence and during the continuance of any Event of Default hereunder, at the option of the Bank all principal outstanding hereunder, together with accrued interest thereon and charges incurred with respect thereto, shall become immediately due and payable, all without demand, presentment, protest or notice of any kind, all of which are hereby waived by Borrower. No remedy herein conferred upon the Bank or the holder of this Note is intended to be exclusive of any other remedy and each and every remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute or any other provision of law. Nothing contained herein shall in any way limit required notices to Borrower otherwise required in the Loan Documents.

8. Set-off. Upon the occurrence and during the continuance of an Event of Default hereunder, the Bank is hereby authorized at any time from time to time, without notice to Borrower to set-off and apply any and all deposits of Borrower (general or special, time or demand, provisional or final), credits, collateral and property, but expressly excluding tenant security deposits, at any time held by, in transit to or in the safekeeping, custody or control of, the Bank or any entity under the control of or under common control with the Bank (and shall include any other obligation at any time owing by the Bank or any entity under the control of or under common control with the Bank to or for the credit or the account of Borrower) against any and all of the obligations of Borrower to the Bank now or hereafter existing hereunder, irrespective of whether or not the Bank shall have made any demand hereunder and even though such obligations may be contingent and unmatured. Upon making any such set-off, appropriation or application, the Bank agrees to notify Borrower thereof in writing, provided the failure to give such notice shall not affect the validity of such set off or appropriation or application. ANY AND ALL RIGHTS TO REQUIRE THE BANK TO EXERCISE ITS RIGHTS OR REMEDIES WITH RESPECT TO ANY OTHER COLLATERAL WHICH SECURES THE LOAN, PRIOR TO EXERCISING ITS RIGHT OF SET-OFF WITH RESPECT TO SUCH DEPOSITS, CREDITS OR OTHER PROPERTY OF THE BORROWER OR ANY GUARANTOR, ARE HEREBY KNOWINGLY, VOLUNTARILY AND IRREVOCABLY WAIVED.

9. Collateral. This Note and the indebtedness evidenced hereby are secured, inter alia, by that certain Open-End Mortgage, Assignment of Leases and Rents, and Security Agreement dated as of even date herewith, from Riverbend II, as mortgagor, to the Bank, as mortgagee, (the "Riverbend II Mortgage") and that certain Open-End Mortgage, Assignment of Leases and Rents, and Security Agreement dated as of even date herewith, from Riverbend I, as mortgagor, to the Bank, as mortgagee (the "Riverbend I Mortgage") (collectively, the "Mortgages"). The Riverbend II Mortgage constitutes a first priority lien on certain real and personal property, more particularly described therein located at 5220 Jandl Boulevard, Bethlehem, Pennsylvania; the Riverbend I Mortgage constitutes a first priority lien on certain real and personal property, more particularly described therein located at 5210 Jandl Boulevard, Bethlehem, Pennsylvania (collectively, the "Mortgaged Property").

10. Sale of Interests. Borrower acknowledges that Bank may (a) fund the Loan through an affiliate, (b) sell or transfer interests in the Loan and the Loan Documents to one or more participants or special purpose entities, (c) pledge Bank's interests in the Loan and the Loan Documents as security for one or more loans obtained by Bank, and/or (d) sell or transfer Bank's interests in the Loan and the Loan Documents in connection with a securitization transaction or otherwise, in each case at no cost to Borrower, and that all documentation, financial statements, appraisals, reports and other data, or copies thereof, related to any loan application or commitment, Borrower, the Mortgaged Property, and/or the Loan, may be exhibited to and reviewed by any party that is reviewing the Loan for the purposes of purchasing, valuing, rating or servicing the Loan, and Bank shall direct such party to keep all such information in confidence to the same extent as is required of Bank, but Bank shall have no obligation to oversee the actions of said party or any liability to Borrower in the event said party does not so comply. Upon any transfer or proposed transfer contemplated above and by the Loan Documents, at Bank's request, Borrower shall provide a true and correct estoppel certificate to the reviewing party or parties in such form, substance and detail as Bank or the reviewing party or parties may reasonably require, provided, however, that Borrower shall not be required to incur any costs in connection with any such transfer.

11. Rights of Bank. In addition to any rights the Bank may have hereunder, under the Loan Documents or under any other instrument, document or agreement executed by Borrower which may now or hereafter evidence, govern or secure this Note, the Bank shall have all the rights of a creditor under the laws of the State of Connecticut and the case law interpreting the same. Nothing contained herein shall be construed as limited or restricting any rights the Bank may have, whether statutory or otherwise, including, without limitation, all rights of set-off as may exist under law.

12. Consent to Credit Verification. The Borrower hereby agrees that Bank shall have the right at any time and from time to time to verify credit information supplied by the undersigned.

13. WAIVER OF TRIAL BY JURY. BORROWER AND BANK ACKNOWLEDGE THAT THE TRANSACTION CONTEMPLATED HEREBY IS A COMMERCIAL TRANSACTION, AND BORROWER AND BANK HEREBY IRREVOCABLY WAIVE ALL RIGHT TO A TRIAL BY JURY IN ANY PROCEEDING HEREAFTER INSTITUTED BY OR AGAINST BORROWER OR BANK IN RESPECT OF THIS NOTE OR ANY GUARANTY OR ENDORSEMENT OF THIS NOTE.

14. COMMERCIAL TRANSACTION WAIVER. BORROWER ACKNOWLEDGES THAT THE TRANSACTION OF WHICH THIS NOTE IS A PART IS A COMMERCIAL TRANSACTION, AND HEREBY VOLUNTARILY AND KNOWINGLY WAIVES ITS RIGHT TO NOTICE AND HEARING UNDER CHAPTER 903a OF THE CONNECTICUT GENERAL STATUTES, AS AMENDED, OR AS OTHERWISE ALLOWED BY THE LAW OF ANY STATE OR FEDERAL LAW WITH RESPECT TO ANY PREJUDGMENT REMEDY WHICH LENDER MAY DESIRE TO USE. BORROWER HAS BEEN ADVISED BY COUNSEL OF ITS RIGHTS WITH RESPECT TO PREJUDGMENT REMEDIES UNDER CHAPTER 903a OF THE CONNECTICUT GENERAL STATUTES, AS AMENDED, INCLUDING SECTIONS 52-278a TO 52-278g. BORROWER HEREBY KNOWINGLY AND WILLINGLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ALL RIGHTS OF NOTICE, JUDICIAL HEARING OR PRIOR COURT ORDER IN CONNECTION WITH THE OBTAINING BY LENDER OF ANY PREJUDGMENT REMEDY WITH RESPECT TO THIS NOTE, OR PURSUANT TO ANY OTHER DOCUMENT EXECUTED BY EITHER BORROWER IN CONNECTION WITH THIS TRANSACTION, INCLUDING ANY AMENDMENTS OR EXTENSIONS HEREOF OR THEREOF. FURTHER, BORROWER WAIVES ANY REQUIREMENT OF LENDER TO POST A BOND OR ANY OTHER SECURITY, OR TO SHOW SOME EXIGENCY, IN CONNECTION WITH THE OBTAINING BY LENDER OF ANY SUCH PREJUDGMENT REMEDY. FURTHER, BORROWER HEREBY WAIVES, TO THE EXTENT PERMITTED BY LAW, THE BENEFITS OF ALL VALUATION, APPRAISEMENT, HOMESTEAD, EXEMPTION, STAY, REDEMPTION AND MORATORIUM LAWS, NOW IN FORCE OR WHICH MAY HEREAFTER BECOME LAW.

15. Other Rights and Waivers, Successors and Assigns. Borrower hereby waives presentment for payment, protest and notice of dishonor, and hereby agrees to any extension or delay in the time for payment or enforcement, to renewal of this Note and to any substitution or release of any collateral, all without notice and without any affect on its liabilities. Any delay on the part of the holder hereof in exercising any right hereunder or under any mortgage or security agreement which may secure this Note shall not operate as a waiver. The rights and remedies of the holder hereof shall be cumulative and not in the alternative, and shall include all rights and remedies granted

herein, in any document referred to herein, and under all applicable laws. The provisions of this Note shall bind the heirs, executors, administrators, assigns and successors of Borrower and shall inure to the benefit of the holder hereof, its successors and assigns.

16. Acknowledgement of Copy. Borrower acknowledges receipt of a copy of this executed Note.

17. Governing Law. This Note and the rights and obligations of the parties hereunder shall be construed and interpreted in accordance with the laws of the State of Connecticut.

18. Severability. If any provision of this Note is deemed void, invalid or unenforceable under applicable law, such provision is and will be deemed to be totally ineffective to that extent, but the remaining provisions shall be deemed unaffected and shall remain in full force and effect.

19. Savings Clauses. Notwithstanding anything to the contrary contained herein, (a) all agreements and communications between Borrower and Bank are hereby and shall automatically be limited so that, after taking into account all amounts deemed to constitute interest, the interest contracted for, charged or received by Bank shall never exceed the maximum non-usurious interest rate, if any, that at any time or from time to time may be contracted for, taken, reserved, charged or received on the indebtedness evidenced by this Note and as provided for herein or the other loan documents, under the laws of such State or States whose laws are held by any court of competent jurisdiction to govern the interest rate provisions of the loan (the "Maximum Legal Rate"), and (b) if through any contingency or event, Bank receives or is deemed to receive interest in excess of the Maximum Legal Rate, any such excess shall be deemed to have been applied toward the payment of the principal of any and all then outstanding indebtedness of Borrower to Bank, or if there is no such indebtedness, shall immediately be returned to Borrower.

20. Non-Recourse. Notwithstanding anything to the contrary contained herein, or in the Note, or in any other instrument evidencing or securing the indebtedness evidenced by this Note, the Bank agrees to look only to the Mortgaged Property and other assets of the Borrower and not to seek any deficiency judgment against Borrower or deficiency judgment or personal liability against Borrower's existing members or managers, except and unless such personal liability arises under the provisions of that Non-Recourse Guaranty or Environmental Indemnification Agreement of even date herewith.

IN WITNESS WHEREOF, the undersigned has executed this Promissory Note as of the day and year first written above.

BORROWER:
RIVERBEND HANOVER PROPERTIES I LLC
a Pennsylvania limited liability company

By: /s/Anthony Galici
Name: Anthony Galici
Its Vice President

RIVERBEND HANOVER PROPERTIES II LLC
a Pennsylvania limited liability company

By: /s/Anthony Galici
Name: Anthony Galici
Its Vice President

[Signature page to Promissory Note]

Schedule A

Number	Accrual Period		Notional Balance	Principal Payment 1st Day of Accrual
1	11/17/2016	12/1/2016	26,724,948.03	
2	12/1/2016	1/3/2017	26,671,830.46	53,117.57
3	1/3/2017	2/1/2017	26,618,542.47	53,287.99
4	2/1/2017	3/1/2017	26,565,083.52	53,458.95
5	3/1/2017	4/3/2017	26,511,453.05	53,630.47
6	4/3/2017	5/2/2017	26,457,650.52	53,802.53
7	5/2/2017	6/1/2017	26,403,675.37	53,975.15
8	6/1/2017	7/3/2017	26,349,527.05	54,148.32
9	7/3/2017	8/1/2017	26,295,205.01	54,322.04
10	8/1/2017	9/1/2017	26,240,708.68	54,496.33
11	9/1/2017	10/2/2017	26,186,037.51	54,671.17
12	10/2/2017	11/1/2017	26,131,190.93	54,846.57
13	11/1/2017	12/1/2017	26,076,168.39	55,022.54
14	12/1/2017	1/2/2018	26,020,969.32	55,199.07
15	1/2/2018	2/1/2018	25,965,593.15	55,376.17
16	2/1/2018	3/1/2018	25,910,039.32	55,553.83
17	3/1/2018	4/3/2018	25,854,307.25	55,732.07
18	4/3/2018	5/1/2018	25,798,396.38	55,910.88
19	5/1/2018	6/1/2018	25,742,306.12	56,090.26
20	6/1/2018	7/2/2018	25,686,035.91	56,270.21
21	7/2/2018	8/1/2018	25,629,585.16	56,450.75
22	8/1/2018	9/4/2018	25,572,953.31	56,631.86
23	9/4/2018	10/1/2018	25,516,139.75	56,813.55
24	10/1/2018	11/1/2018	25,459,143.92	56,995.83
25	11/1/2018	12/3/2018	25,401,965.23	57,178.69
26	12/3/2018	1/2/2019	25,344,603.09	57,362.14
27	1/2/2019	2/1/2019	25,287,056.92	57,546.18
28	2/1/2019	3/1/2019	25,229,326.11	57,730.80
29	3/1/2019	4/1/2019	25,171,410.09	57,916.02
30	4/1/2019	5/1/2019	25,113,308.26	58,101.84
31	5/1/2019	6/3/2019	25,055,020.01	58,288.25
32	6/3/2019	7/1/2019	24,996,544.75	58,475.26
33	7/1/2019	8/1/2019	24,937,881.89	58,662.86
34	8/1/2019	9/3/2019	24,879,030.82	58,851.07
35	9/3/2019	10/1/2019	24,819,990.93	59,039.89
36	10/1/2019	11/1/2019	24,760,761.62	59,229.31
37	11/1/2019	12/2/2019	24,701,342.29	59,419.33
38	12/2/2019	1/2/2020	24,641,732.32	59,609.97
39	1/2/2020	2/3/2020	24,581,931.10	59,801.22
40	2/3/2020	3/2/2020	24,521,938.02	59,993.08

Number	Accrual Period		Notional Balance	Principal Payment 1st Day of Accrual
41	3/2/2020	4/1/2020	24,461,752.46	60,185.56
42	4/1/2020	5/1/2020	24,401,373.80	60,378.66
43	5/1/2020	6/1/2020	24,340,801.43	60,572.37
44	6/1/2020	7/1/2020	24,280,034.72	60,766.71
45	7/1/2020	8/3/2020	24,219,073.06	60,961.67
46	8/3/2020	9/1/2020	24,157,915.81	61,157.25
47	9/1/2020	10/1/2020	24,096,562.34	61,353.46
48	10/1/2020	11/2/2020	24,035,012.04	61,550.31
49	11/2/2020	12/1/2020	23,973,264.26	61,747.78
50	12/1/2020	1/4/2021	23,911,318.37	61,945.89
51	1/4/2021	2/1/2021	23,849,173.74	62,144.63
52	2/1/2021	3/1/2021	23,786,829.72	62,344.01
53	3/1/2021	4/1/2021	23,724,285.69	62,544.03
54	4/1/2021	5/4/2021	23,661,541.00	62,744.69
55	5/4/2021	6/1/2021	23,598,595.00	62,946.00
56	6/1/2021	7/1/2021	23,535,447.05	63,147.95
57	7/1/2021	8/2/2021	23,472,096.49	63,350.55
58	8/2/2021	9/1/2021	23,408,542.69	63,553.80
59	9/1/2021	10/1/2021	23,344,784.99	63,757.70
60	10/1/2021	11/1/2021	23,280,822.73	63,962.26
61	11/1/2021	12/1/2021	23,216,655.26	64,167.47
62	12/1/2021	1/4/2022	23,152,281.92	64,373.34
63	1/4/2022	2/1/2022	23,087,702.04	64,579.87
64	2/1/2022	3/1/2022	23,022,914.98	64,787.07
65	3/1/2022	4/1/2022	22,957,920.05	64,994.93
66	4/1/2022	5/3/2022	22,892,716.60	65,203.45
67	5/3/2022	6/1/2022	22,827,303.96	65,412.65
68	6/1/2022	7/1/2022	22,761,681.44	65,622.51
69	7/1/2022	8/1/2022	22,695,848.40	65,833.05
70	8/1/2022	9/1/2022	22,629,804.13	66,044.26
71	9/1/2022	10/3/2022	22,563,547.98	66,256.16
72	10/3/2022	11/1/2022	22,497,079.25	66,468.73
73	11/1/2022	12/1/2022	22,430,397.27	66,681.98
74	12/1/2022	1/3/2023	22,363,501.35	66,895.92
75	1/3/2023	2/1/2023	22,296,390.80	67,110.54
76	2/1/2023	3/1/2023	22,229,064.94	67,325.86
77	3/1/2023	4/3/2023	22,161,523.08	67,541.86
78	4/3/2023	5/25/2023	22,093,764.53	67,758.56
79	5/25/2023	6/1/2023	22,025,788.58	67,975.95
80	6/1/2023	7/3/2023	21,957,594.54	68,194.04
81	7/3/2023	8/1/2023	21,889,181.71	68,412.83
82	8/1/2023	9/1/2023	21,820,549.39	68,632.32
83	9/1/2023	10/2/2023	21,751,696.87	68,852.51
84	10/2/2023	11/1/2023	21,682,623.46	69,073.42

Number	Accrual Period		Notional Balance	Principal Payment 1st Day of Accrual
85	11/1/2023	12/1/2023	21,613,328.43	69,295.03
86	12/1/2023	1/2/2024	21,543,811.08	69,517.35
87	1/2/2024	2/1/2024	21,474,070.70	69,740.38
88	2/1/2024	3/1/2024	21,404,106.56	69,964.13
89	3/1/2024	4/2/2024	21,333,917.96	70,188.60
90	4/2/2024	5/1/2024	21,263,504.17	70,413.79
91	5/1/2024	6/3/2024	21,192,864.47	70,639.70
92	6/3/2024	7/1/2024	21,121,998.13	70,866.34
93	7/1/2024	8/1/2024	21,050,904.43	71,093.70
94	8/1/2024	9/3/2024	20,979,582.64	71,321.79
95	9/3/2024	10/1/2024	20,908,032.02	71,550.62
96	10/1/2024	11/1/2024	20,836,251.85	71,780.17
97	11/1/2024	12/2/2024	20,764,241.38	72,010.47
98	12/2/2024	1/2/2025	20,691,999.87	72,241.50
99	1/2/2025	2/3/2025	20,619,526.60	72,473.28
100	2/3/2025	3/3/2025	20,546,820.80	72,705.80
101	3/3/2025	4/1/2025	20,473,881.74	72,939.06
102	4/1/2025	5/1/2025	20,400,708.67	73,173.07
103	5/1/2025	6/2/2025	20,327,300.83	73,407.84
104	6/2/2025	7/1/2025	20,253,657.47	73,643.35
105	7/1/2025	8/1/2025	20,179,777.85	73,879.63
106	8/1/2025	9/2/2025	20,105,661.19	74,116.66
107	9/2/2025	10/1/2025	20,031,306.74	74,354.45
108	10/1/2025	11/3/2025	19,956,713.74	74,593.00
109	11/3/2025	12/1/2025	19,881,881.42	74,832.32
110	12/1/2025	1/2/2026	19,806,809.01	75,072.41
111	1/2/2026	2/2/2026	19,731,495.75	75,313.27
112	2/2/2026	3/2/2026	19,655,940.85	75,554.90
113	3/2/2026	4/1/2026	19,580,143.55	75,797.30
114	4/1/2026	5/1/2026	19,504,103.07	76,040.48
115	5/1/2026	6/1/2026	19,427,818.62	76,284.45
116	6/1/2026	7/1/2026	19,351,289.43	76,529.19
117	7/1/2026	8/3/2026	19,274,514.70	76,774.72
118	8/3/2026	9/1/2026	19,197,493.66	77,021.04
119	9/1/2026	10/1/2026	19,120,225.51	77,268.15
120	10/1/2026	11/17/2026	19,042,709.45	77,516.05

Document Prepared by: Jomarie T. Andrews, Esq.
When Recorded, Return to:

Hinckley Allen
20 Church Street
Hartford, CT 06103-1221
Attention: Jomarie T. Andrews, Esq.
Tel: (860) 331-2748

Parcel Address: 5210 Jaindl Boulevard, Bethlehem (Northampton County), Pennsylvania

PIN: L6 16 4M 0214

**OPEN-END MORTGAGE, ASSIGNMENT OF LEASES
AND RENTS AND SECURITY AGREEMENT**

by

RIVERBEND HANOVER PROPERTIES I LLC

as Mortgagor

to and for the benefit of

WEBSTER BANK, NATIONAL ASSOCIATION

as Mortgagee

Dated: November 14, 2016 and effective as of November 17, 2016

**OPEN-END MORTGAGE, ASSIGNMENT OF LEASES
AND RENTS AND SECURITY AGREEMENT**

THIS IS AN OPEN-END MORTGAGE UNDER 42 PA.C.S. § 8143 WHICH SECURES FUTURE ADVANCES. THE MAXIMUM AMOUNT SECURED BY THIS MORTGAGE IS \$26,724,948.03, PLUS ACCRUED AND UNPAID INTEREST. THIS MORTGAGE FURTHER SECURES ALL ADVANCES AUTHORIZED UNDER 42 PA.C.S. § 8144. MORTGAGOR WAIVES AND RELEASES, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY RIGHTS WHICH IT MAY HAVE TO SEND A WRITTEN NOTICE PURSUANT TO 42 PA.C.S. §8143(c).

THIS OPEN-END MORTGAGE, ASSIGNMENT OF LEASES AND RENTS AND SECURITY AGREEMENT (this "**Mortgage**"), made as of November 14 , 2016 and effective November 17, 2016, by **RIVERBEND HANOVER PROPERTIES I LLC**, a Pennsylvania limited liability company with an address of 204 West Newberry Road, Bloomfield, Connecticut 06002 (the "**Mortgagor**"), to and for the benefit of **WEBSTER BANK, NATIONAL ASSOCIATION**, a national association having a place of business at CityPlace II, 185 Asylum Street, Hartford, Connecticut 06103 (together with its successors, transferees and assigns, ("**Mortgagee**").

W I T N E S S E T H:

To secure the payment of a certain loan (the "**Loan**") in the maximum principal amount of up to TWENTY SIX MILLION SEVEN HUNDRED TWENTY FOUR THOUSAND NINE HUNDRED FORTY EIGHT AND 03/100 DOLLARS (\$26,724,948.03) (the "**Loan**"), in lawful money of the United States of America, by and among Mortgagor and Mortgagee, which Loan is evidenced by and is to be paid with interest according to a certain Promissory Note, dated as of the date hereof (as amended, modified, renewed or restated, and together with any substitutes or replacements) (the "**Note**"), made by Mortgagor to Mortgagee and all other sums due hereunder, under the other Loan Documents and under the Note (said indebtedness and interest due under the Note and all other sums due hereunder, under the Note and the other Loan Documents being hereinafter collectively referred to as the "**Debt**"), Mortgagor, intending to be legally bound, has deeded, mortgaged, given, granted, bargained, sold, alienated, enfeoffed, conveyed, confirmed, warranted, pledged, assigned, and hypothecated and by these presents does hereby deed, mortgage, give, grant, bargain, sell, alienate, enfeoff, convey, confirm, warrant, pledge, assign and hypothecate with mortgage covenants unto Mortgagee, all right, title and interest of Mortgagor in that certain real property described in **Exhibit A** attached hereto (the "**Mortgaged Property**") and the buildings, structures, fixtures, additions, enlargements, extensions, modifications, repairs, replacements and improvements now or hereafter located thereon (the "**Improvements**");

TOGETHER WITH: all right, title, interest and estate of Mortgagor now owned, or hereafter acquired, in and to the following property, rights, interests and estates (the Mortgaged Property, the Improvements, and the property, rights, interests and estates hereinafter described are collectively referred to herein as the "**Mortgaged Property**"):

- (a) all easements, rights-of-way, strips and gores of land, streets, ways, alleys, passages, sewer rights, water, water courses, water rights and powers, air rights and development rights, all rights to oil, gas, minerals, coal and other substances of any kind or character, and all

estates, rights, titles, interests, privileges, liberties, tenements, hereditaments and appurtenances of any nature whatsoever, in any way belonging, relating or pertaining to the Mortgaged Property and the Improvements and the reversion and reversions, remainder and remainders, and all land lying in the bed of any street, road, highway, alley or avenue, opened, vacated or proposed, in front of or adjoining the Mortgaged Property, to the center line thereof and all the estates, rights, titles, interests, dower and rights of dower, curtesy and rights of curtesy, property, possession, claim and demand whatsoever, both at law and in equity, of Mortgagor of, in and to the Mortgaged Property and the Improvements and every part and parcel thereof, with the appurtenances thereto;

(b) all machinery, furniture, furnishings, equipment, computer software and hardware, fixtures (including, without limitation, all heating, air conditioning, plumbing, lighting, communications and elevator fixtures), inventory and articles of personal property and accessions thereof and renewals, replacements thereof and substitutions therefor, if any, and other property of every kind and nature, whether tangible or intangible, whatsoever owned by Mortgagor, or in which Mortgagor has or shall have an interest, now or hereafter located upon the Mortgaged Property and the Improvements, or appurtenant thereto, and usable in connection with the present or future operation and occupancy of the Mortgaged Property and the Improvements and all building equipment, materials and supplies of any nature whatsoever owned by Mortgagor, or in which Mortgagor has or shall have an interest, now or hereafter located upon the Mortgaged Property and the Improvements, or appurtenant thereto, and usable in connection with the present or future operation, enjoyment and occupancy of the Mortgaged Property and the Improvements (hereinafter collectively referred to as the “**Equipment**”), including any leases of any of the foregoing, any deposits existing at any time in connection with any of the foregoing, and the proceeds of any sale or transfer of the foregoing, and the right, title and interest of Mortgagor in and to any of the Equipment that may be subject to any “security interests” as defined in the Uniform Commercial Code, as adopted and enacted by the State or States where any of the Mortgaged Property is located (the “**Uniform Commercial Code**”), superior in lien to the lien of this Mortgage;

(c) all awards or payments, including interest thereon, that may heretofore and hereafter be made with respect to the Mortgaged Property and the Improvements, whether from the exercise of the right of eminent domain or condemnation (including, without limitation, any transfer made in lieu of or in anticipation of the exercise of said rights), or for a change of grade, or for any other injury to or decrease in the value of the Mortgaged Property and Improvements;

(d) all leases, tenancies, licenses, subleases, assignments and/or rental or occupancy agreements and other agreements or arrangements (including, without limitation, any and all guarantees of any of the foregoing) heretofore or hereafter entered into affecting the use, enjoyment or occupancy of, or the conduct of any activity upon or in, the Mortgaged Property and the Improvements, including any extensions, renewals, modifications or amendments thereof (collectively, the “**Leases**”) and all rents, rent equivalents, moneys payable as damages or in lieu of rent or rent equivalents, royalties (including, without limitation, all oil and gas and coal or other mineral royalties and bonuses), income, fees, receivables, receipts, revenues, deposits (including, without limitation, security, utility and other deposits), accounts, cash, issues, profits, charges for services rendered, and other payment and consideration of whatever form or nature received by or paid to or for the account of or benefit of Mortgagor or its agents or employees from any and all sources arising from or attributable to the Mortgaged Property and the Improvements, all

receivables, customer obligations, installment payment obligations and other obligations now existing or hereafter arising or created out of the sale, lease, sublease, license, concession or other grant of the right of the possession, use and occupancy of all or any portion of the Mortgaged Property and the Improvements or personalty located thereon, or rendering of services by Mortgagor or any operator or manager of the commercial space located in the Improvements or acquired from others, license, lease, sublease and concession fees and rentals, and proceeds, if any, from business interruption or other loss of income insurance and any other items of revenue which would be included in operating revenues under the Uniform System (as defined in the Loan Agreement) (the “**Rents**”), together with all proceeds from the sale or other disposition of the Leases and the right to receive and apply the Rents to the payment of the Debt;

(e) all proceeds of and any unearned premiums on any insurance policies covering the Mortgaged Property, including, without limitation, the right to receive and apply the proceeds of any insurance, judgments, or settlements made in lieu thereof, for damage to the Mortgaged Property;

(f) all accounts, receivables, escrows, documents, instruments, chattel paper, claims, deposits and general intangibles, as the foregoing terms are defined in the Uniform Commercial Code, and all franchises, trade names, trademarks, symbols, service marks, books, records, plans, specifications, designs, drawings, permits, consents, licenses, management agreements, franchise agreements, contract rights (including, without limitation, any contract with any architect or engineer or with any other provider of goods or services for or in connection with any construction, repair, or other work upon the Mortgaged Property), approvals, actions, refunds of real estate taxes and assessments (and any other governmental impositions related to the Mortgaged Property), and causes of action that now or hereafter relate to, are derived from or are used in connection with the Mortgaged Property, or the use, operation, maintenance, occupancy or enjoyment thereof or the conduct of any business or activities thereon (hereinafter collectively referred to as the “**Intangibles**”); and

(g) any and all proceeds, products, offspring, rents and profits from any of the foregoing, including, without limitation, those from sale, exchange, transfer, collection, loss, damage, disposition, substitution or replacement of any of the foregoing and any and all other security and collateral of any nature whatsoever, now or hereafter given for the repayment of the Debt and the performance of Mortgagor’s obligations under the Loan Documents.

TO HAVE AND TO HOLD the above granted and described Mortgaged Property unto and to the use and benefit of Mortgagee, forever;

WITH POWER OF SALE, if and to the extent permitted by applicable law, to secure the payment to Mortgagee of the Debt at the time and in the manner provided for its payment in the Note and in this Mortgage;

PROVIDED, HOWEVER, these presents are upon the express condition that, if Mortgagor shall well and truly pay to Mortgagee the Debt at the time and in the manner provided in the Note and this Mortgage and shall well and truly abide by and comply with each and every covenant and condition set forth herein, in the Note and in the other Loan Documents in a timely manner, these presents and the estate hereby granted shall cease, terminate and be void;

THIS IS AN OPEN-END MORTGAGE AND SECURITY AGREEMENT pursuant to 42 Pa.C.S. §8143, and secures, inter alia, present and future advances made by Mortgagee pursuant to the Loan Documents and this Mortgage, plus accrued and unpaid interest. The priority of such future advances shall relate back to the date of this Mortgage, or to such later date as required by applicable law. This Mortgage also secures advances made by Mortgagee pursuant to 42 Pa.C.S. §8144, for the payment of taxes, assessments, maintenance charges, insurance premiums and other costs incurred by Mortgagee for the protection of the Mortgaged Property or the lien of this Mortgage, and expenses incurred by Mortgagee by reason of the occurrence of an Event of Default, and the priority of such advances, costs and expenses shall also relate back to the date of this Mortgage, or to such later date as required by applicable law;

AND Mortgagor represents and warrants to and covenants and agrees with Mortgagee as follows:

1. **Payment of Debt and Incorporation of Covenants, Conditions and Agreements.** Mortgagor shall pay the Debt at the time and in the manner provided in the Note and in this Mortgage. All the covenants, conditions and agreements contained in (a) the Note, and (b) the other Loan Documents are hereby made a part of this Mortgage to the same extent and with the same force as if fully set forth herein.

2. **Warranty of Title.** Mortgagor warrants that Mortgagor is the fee simple owner of the Mortgaged Property and has good and marketable title to the Mortgaged Property and has the full power, authority and right to execute, deliver and perform its obligations under this Mortgage and to deed, encumber, mortgage, give, grant, bargain, sell, alienate, enfeoff, convey, confirm, pledge, assign and hypothecate the same and that Mortgagor possesses a fee estate in the Mortgaged Property and the Improvements and that it owns the Mortgaged Property free and clear of all liens, encumbrances and charges whatsoever except for the Permitted Encumbrances and that this Mortgage is and will remain a valid and enforceable first lien on and security interest in the Mortgaged Property, subject only to encumbrances listed in the loan title insurance policy delivered in connection with the Loan (the "Permitted Encumbrances"). Mortgagor represents and warrants that none of the Permitted Encumbrances will, individually or in the aggregate, materially and adversely affect (i) Mortgagor's ability to pay in full in a timely manner its obligations, including, without limitation, the Debt, (ii) the use of the Mortgaged Property for the use currently being made thereof, (iii) the operation of the Mortgaged Property for the operation currently being made thereof, or (iv) the value of the Mortgaged Property. Mortgagor shall forever warrant, defend and preserve such title and the validity and priority of the lien of this Mortgage and shall forever warrant and defend the same to Mortgagee against the claims of all persons whomsoever.

3. **Insurance.** The Mortgagor shall keep the Mortgaged Property insured for the benefit of the Mortgagee against loss or damage by fire and available extended coverage risks, as may be required by the Mortgagee from time to time, and provided coverage of not less than the coverage encompassed by Fire, Extended Coverage, and Vandalism and Malicious Mischief perils broadened to include the so-called "All Risk of Physical Loss", all in a format approved by the Mortgagee and in sufficient amounts to prevent the application of any insurance policy co-insurance contribution on any loss and shall in no event be less than the full face amount of the

Note. Policies shall be written on a Builder's Risk, Completed Value, non-reporting form which shall include coverage therein for "completion and/or Mortgaged Property occupancy" only if improvements being made to the Mortgaged Property are so substantial as to require such coverage in addition to Mortgagor's extended coverage policy. All insurance herein provided for shall be obtained by the Mortgagor (notwithstanding the procurement of other insurance policies by other persons or parties and relating to the Mortgaged Property) and carried in companies reasonably approved by the Mortgagee, and all policies, including additional and renewal policies, marked "premiums paid" and containing an agreement by the insurer that the policy shall not be canceled or materially changed without at least thirty (30) days' prior written notice to the Mortgagee, the policy, or any duplicate original policy, shall be delivered to the Mortgagee, and all renewal policies, including additional and renewals, modifications and extensions thereof, shall be deposited with the Mortgagee throughout the life of the loan and shall be payable, in case of loss or damage, to the Mortgagee as the first mortgagee, and shall contain the standard non-contributing mortgagee clause entitling the Mortgagee to collect all proceeds payable under all such insurance, as well as standard waiver of subrogation endorsement, and waiver of other endorsements, as the Mortgagee may require, all to be in form acceptable to the Mortgagee. In the event of any material loss, the Mortgagor will give immediate notice to the Mortgagee. The Mortgagor hereby authorizes the Mortgagee, at its option, to collect, adjust and compromise any losses under any of the insurance policies, to endorse the Mortgagor's name on any document or instrument in payment of any insured loss and, after deducting the costs of collection, to apply the proceeds, at the Mortgagee's sole option, as follows: (i) as a credit upon the indebtedness secured hereby, whether or not the same shall be then due and payable, in which event, the lien of this Mortgage shall be affected only by a reduction thereof in any amount equal to the amount so applied as a credit, or (ii) to repairing or restoring the Mortgaged Property or any part thereof, in which event, the Mortgagee shall not be obligated to see to the proper application thereof, nor shall the amount so released or used be deemed a payment on any indebtedness secured hereby. The Mortgagor shall obtain, carry and maintain comprehensive general liability insurance covering the Mortgaged Property in an amount of no less than One Million Dollars (\$1,000,000) bodily injury and/or property damage, per occurrence, and Demolition Insurance in the event that all buildings on the Mortgaged Property cannot always be automatically rebuilt to the same specifications, and in the same location in the case of all types of destruction, regardless of magnitude. Mortgagor shall provide Mortgagee with a Certificate of Insurance containing a provision designating the Mortgagee as an additional insured party and providing for not less than thirty (30) days written notice to the Mortgagee prior to any material change or cancellation of liability insurance for other than non-payment, and ten (10) days written notice to the Mortgagee prior to any cancellation for non-payment. Insurance may be provided under a blanket policy to satisfy the requirements of this Section; provided that evidence of applicability of coverages to the Mortgaged Property is provided.

Notwithstanding the foregoing and provided Mortgagor is not in default under the Note or this Mortgage Deed, and further provided that Mortgagee is satisfied that there is no legal impediment to the building and improvements being rebuilt or repaired and that there are sufficient insurance proceeds or other funds available from Mortgagor for reconstruction, Mortgagee shall receive all insurance proceeds to be held and thereafter advanced to Mortgagor to pay for the cost of the improvements on the Mortgaged Property in installments as the work

progresses, the time and amount of each advance and upon such other terms relating to such reconstruction as are satisfactory to the Mortgagee in its reasonable discretion.

4. **Payment of Impositions and Other Charges.** Mortgagor shall pay all taxes, assessments, water rates, sewer rents, utility charges and other charges, and any liens prior to the lien of this Mortgage now or hereafter assessed or liens on or levied against the Mortgaged Property or any part thereof, and in case of default in the payment thereof when the same shall be due and payable, it shall be lawful for the Mortgagee, without notice or demand, to pay the same or any of them; and the monies paid by the Mortgagee in discharge of taxes, assessments, water rates, sewer rents, utility charges and other charges, and prior liens shall be a lien on the Premises added to the amount of said Note or obligation and secured by this Mortgage, payable on demand, with interest at the rate set forth in the Note secured hereby from the time of payment of the same; and upon request of the Mortgagee, the Mortgagor shall exhibit to the Mortgagee receipts for the payment of all items specified in this Paragraph prior to the date when the same shall become delinquent.

5. **Tax Escrow.** Upon occurrence and continuance of any Event of Default, or if Mortgagor fails to provide Mortgagee with proof of payment within thirty (30) days after the due date of any such taxes, Mortgagor shall pay to the Mortgagee, together with, and in addition to, the monthly installments of interest provided in the Note, on the date provided for the first payment of interest in the Note and on the first day of each month thereafter until the Note has been fully paid, a sum equal to one-twelfth (1/12) of the yearly real property taxes assessed against the Mortgaged Property as estimated by the Mortgagee (in the exercise of its reasonable discretion). The Mortgagee shall hold said sums in a non-interest-bearing account, in trust, to pay said taxes in the manner and to the extent permitted by law when the same become due and payable in each year. If the total payments made by the Mortgagor to the Mortgagee on account of said taxes up to the time when the same become due and payable, shall exceed the amount of payment for said taxes actually made by the Mortgagee, such excess shall be credited by the Mortgagee on the next subsequent payment or payments to become due from the Mortgagor to the Mortgagee on account of said taxes. If, however, said payments shall not be sufficient to pay said taxes when the same become due and payable, then the Mortgagor agrees to pay to the Mortgagee the amount necessary to make up the deficiency upon demand by the Mortgagee. At any time after the occurrence and during the continuance of any Event of Default (as hereinafter defined), the Mortgagee may, at its option, apply the balance remaining of the sums so accumulated as a credit against the principal or accrued and unpaid interest of the Note, or both.

6. **Condemnation.** Notwithstanding any taking by eminent domain, alteration of the grade of any street or other injury to, or decrease in, value of the Mortgaged Property by any public or quasi-public authority or corporation, the Mortgagor shall continue to pay interest on the entire principal sum then secured and all payments required by the Note and this Mortgage until any such award or payment shall have been actually received by the Mortgagee, and any reduction in the principal sum resulting from the application by the Mortgagee of such award or payment as hereinafter set forth shall be deemed to take effect only on the date of such receipt; said award or payment may, at the option of the Mortgagee, be retained and applied by the Mortgagee toward payment of the monies secured by this Mortgage, or be paid over wholly or in part to the Mortgagor for the purpose of altering, restoring or rebuilding any part of the Mortgaged Property which may have been altered, damaged or destroyed as a result of any such

taking, alteration of grade or other injury to the Mortgaged Property, or for any other purpose or object satisfactory to the Mortgagee, but the Mortgagee shall not be obligated to see to the application of any amount paid over to the Mortgagor; and that if, prior to the receipt by the Mortgagee of such award or payment, the Mortgaged Property shall have been sold on foreclosure of this Mortgage, the Mortgagee shall have the right to receive said award or payment to the extent of any deficiency found to be due upon such sale, with legal interest thereon. Prior to the occurrence of any Event of Default, and provided that proceeds and other sums available from Mortgagor are sufficient to restore any damage resulting from such taking, Mortgagee agrees that it will permit proceeds of any partial taking to be applied to restoration at the Mortgaged Property.

7. **Leases and Rents.** Mortgagor does hereby absolutely and unconditionally assign to Mortgagee, all Mortgagor's right, title and interest in all current and future Leases and Rents, it being intended by Mortgagor that this assignment constitutes a present, absolute assignment and not an assignment for additional security only. Such assignment to Mortgagee shall not be construed to bind Mortgagee to the performance of any of the covenants, conditions or provisions contained in any such Lease or otherwise impose any obligation upon Mortgagee. Mortgagor agrees to execute and deliver to Mortgagee such additional instruments, in form and substance reasonably satisfactory to Mortgagee, as may hereafter be reasonably requested by Mortgagee to further evidence and confirm such assignment. Notwithstanding the provisions of this Section 7, so long as no Event of Default shall have occurred and be continuing under the Loan Documents, Mortgagor shall have the sole but revocable right and license to act as landlord under the Leases and to enforce the covenants of the Leases. Upon the occurrence and during the continuance of an Event of Default, without the need for notice or demand, the license granted to Mortgagor herein shall automatically be revoked. Mortgagee is hereby granted and assigned by Mortgagor the right, at its option, upon revocation of the license granted herein, to enter upon the Mortgaged Property in person, by agent or by court-appointed receiver to collect the Rents. Any Rents collected after the revocation of the license shall be applied by Mortgagee as determined by Mortgagee in its discretion. Mortgagor expressly understands that any and all proposed leases are included in the definition of "**Lease**" or "**Leases**" as such terms may be used throughout this Mortgage, the Note and the other Loan Documents. In the event of any conflict between the provisions of this Section 7 and the terms and conditions of that certain Assignment of Leases and Rents from Mortgagor to Mortgagee of even date herewith, the terms and conditions of the Assignment of Leases and Rents shall control.

8. **Operation and Maintenance of Mortgaged Property.** The Mortgagor shall maintain the Mortgaged Property in good condition and repair, shall not commit or suffer any waste of the Mortgaged Property, and shall comply with, or cause to be complied with, all statutes, ordinances and requirements of any governmental authority relating to the Mortgaged Property; and the Mortgagor shall promptly repair, restore, replace or rebuild any part of the Mortgaged Property now or hereafter subject to the lien of this Mortgage which may be damaged or destroyed by any casualty whatsoever or which may be affected by any condemnation or eminent domain proceeding. The Mortgagor shall complete and pay for, within a reasonable time, any structure at any time in the process of construction on the Mortgaged Property; and the Mortgagor shall not initiate, join in, or consent to, any change in any private restrictive covenant or private restrictions limiting or defining the uses which may be made of the Mortgaged

Property or any part thereof, without the written consent of the Mortgagee, which consent shall not be unreasonably withheld or delayed.

9. **Transfer or Encumbrance of the Mortgaged Property.**

(a) Mortgagor acknowledges that Mortgagee has examined and relied on the creditworthiness and experience of Mortgagor in owning and operating properties such as the Mortgaged Property in agreeing to make the Loan, and that Mortgagee will continue to rely on Mortgagor's ownership of the Mortgaged Property as a means of maintaining the value of the Mortgaged Property as security for repayment of the Debt. Mortgagor acknowledges that Mortgagee has a valid interest in maintaining the value of the Mortgaged Property so as to ensure that, should Mortgagor default in the repayment of the Debt, Mortgagee can recover the Debt by a sale of the Mortgaged Property. Except as expressly permitted under this Mortgage or under the other Loan Documents, Mortgagor shall not cause or suffer to occur or exist, directly or indirectly, voluntarily or involuntarily, by operation of law or otherwise, any sale, transfer, mortgage, pledge, lien or encumbrance (other than Permitted Encumbrances) (collectively, "**Transfers**") of (i) all or any part of the Mortgaged Property or (ii) any direct or indirect beneficial ownership interest (in whole or part) in Mortgagor, irrespective of the number of tiers of ownership, without the prior written consent of Mortgagee which consent shall not be unreasonably withheld provided that Griffin Industrial Realty, Inc. or entities controlled by it retain not less than fifty (50%) of the beneficial ownership of Mortgagor .

(b) The occurrence of any Transfer in violation of this Section 9 shall constitute an Event of Default hereunder, whereupon Mortgagee at its option, without being required to demonstrate any actual impairment of its security or any increased risk of default hereunder, may declare the Debt immediately due and payable.

(c) Mortgagee's consent to one Transfer shall not be deemed to be a waiver of Mortgagee's right to require such consent to any future occurrence of same. Any Transfer made in contravention of this paragraph shall be null and void and of no force and effect.

(d) Mortgagor agrees to bear and shall pay or reimburse Mortgagee on demand for all reasonable expenses (including, without limitation, reasonable attorneys' fees and disbursements, title search costs and title insurance endorsement premiums) incurred by Mortgagee in connection with the review, approval and documentation of any Transfer which requires the consent of Mortgagee.

10. **Financial Covenants.** So long as any sums are due and owing pursuant to the Note, this Mortgage or any other Loan Document securing the loan, Mortgagor shall maintain compliance with the following covenants, each of which be tested annually at the end of each fiscal year, commencing with the first fiscal year which occurs after the fiscal year during which all tenants are paying rent, or 2018, whichever is earlier:

(a) Mortgagor shall maintain a minimum debt service coverage ratio of 1.25 to 1:00 (the "DSCR"). The DSCR will be computed based on the net operating income of the Mortgaged Property and the property at 5220 Jaendl Boulevard, Bethlehem,

Pennsylvania (the “Adjacent Premises”) for the preceding fiscal year over debt service due and payable on the Loan during such fiscal year.

- (b) Mortgagor shall maintain a maximum loan to value ratio of seventy (70%) for the Mortgaged Property and the Adjacent Premises combined at all time during the term of the Loan.

11. **Financial Reporting.** Grantor agrees to provide without expense to Grantee within one hundred twenty (120) days after the end of each fiscal year:

- (a) annual internally generated balance sheet, operating statement and cash flow statements of Mortgagor, certified by an officer of Mortgagor as being true, accurate and complete in all material respects;
- (b) rent rolls for the Mortgaged Property;
- (c) audited financial statements for Griffin Industrial Realty, Inc.;
- (d) and any other information as reasonably requested by Mortgagee, all in form and substance reasonably satisfactory to the Mortgagee.

12. **Changes in Laws Regarding Taxation.** If any law is enacted or adopted or amended after the date of this Mortgage which deducts the Debt from the value of the Mortgaged Property for the purpose of taxation or which imposes a tax, either directly or indirectly, on the Debt or Mortgagee’s interest in the Mortgaged Property, Mortgagor will pay such tax, with interest and penalties thereon, if any. In the event Mortgagee is advised by counsel chosen by it that the payment of such tax or interest and penalties by Mortgagor would be unlawful or taxable to Mortgagee or unenforceable or provide the basis for a defense of usury, then in any such event, Mortgagee shall have the option, by written notice of not less than ninety (90) days, to declare the Debt immediately due and payable and, provided no Event of Default exists, no Prepayment Charge shall be due in connection therewith.

13. **No Credits on Account of the Debt.** Mortgagor will not claim or demand or be entitled to any credit or credits on account of the Debt for any part of the Impositions or other charges assessed against the Mortgaged Property, or any part thereof, and no deduction shall otherwise be made or claimed from the assessed value of the Mortgaged Property, or any part thereof, for real estate tax purposes by reason of this Mortgage or the Debt. In the event such claim, credit or deduction shall be required by law, Mortgagee shall have the option, by written notice of not less than ninety (90) days, to declare the Debt immediately due and payable and, provided no Event of Default exists, no Prepayment Charge shall be due in connection therewith.

14. **Documentary Stamps.** If at any time the United States of America, any State thereof or any subdivision of any such State shall require revenue or other stamps to be affixed to the Note or this Mortgage, or impose any other tax or charge on the same, Mortgagor will pay for the same, with interest and penalties thereon, if any.

15. **Performance of Other Agreements.** Mortgagor shall observe and perform each and every material term to be observed or performed by Mortgagor pursuant to the terms of any

agreement or recorded instrument (including all instruments comprising the Permitted Encumbrances) affecting or pertaining to the Mortgaged Property, and will not suffer or permit any default or event of default (after giving effect to any applicable notice requirements and cure periods) to exist under any of the foregoing.

16. **Further Acts.**

(a) Mortgagor will, at the sole cost and expense of Mortgagor, and without expense to Mortgagee, do, execute, acknowledge and deliver all and every such further acts, deeds, conveyances, mortgages, assignments, notices of assignment, Uniform Commercial Code financing statements or continuation statements, transfers and assurances as Mortgagee shall, from time to time, reasonably require, for the better assuring, conveying, assigning, transferring, and confirming unto Mortgagee the property and rights hereby deeded, mortgaged, given, granted, bargained, sold, alienated, enfeoffed, conveyed, confirmed, pledged, assigned and hypothecated or intended now or hereafter so to be, or which Mortgagor may be or may hereafter become bound to convey or assign to Mortgagee, or for carrying out the intention or facilitating the performance of the terms of this Mortgage or for filing, registering or recording this Mortgage or for facilitating the sale of the Loan and the Loan Documents as described in subparagraph (b) below. Mortgagor, on demand, will deliver and hereby authorizes Mortgagee to file in the name of Mortgagor, one or more financing statements, chattel mortgages or other instruments, to evidence more effectively the security interest of Mortgagee in the Mortgaged Property. Upon foreclosure or the appointment of a receiver, Mortgagor will, at its sole cost and expense, and without expense to Mortgagee, cooperate fully and completely to effect the assignment or transfer of any license, permit, agreement or any other right necessary or useful to the operation of the Mortgaged Property. Mortgagor grants to Mortgagee an irrevocable power of attorney coupled with an interest for the purpose of exercising and perfecting any and all rights and remedies available to Mortgagee at law and in equity, including, without limitation, such rights and remedies available to Mortgagee pursuant to this paragraph.

(b) Mortgagee shall have the right to transfer its obligations under this Mortgage and under the other Loan Documents (or may transfer the portion thereof corresponding to the transferred portion of the Debt), and thereafter Mortgagee shall be relieved of any obligations hereunder and under the other Loan Documents arising after the date of said transfer with respect to the transferred interest.

17. **Recording of Mortgage, Etc.** Mortgagor, forthwith upon the execution and delivery of this Mortgage and thereafter, from time to time, shall cause this Mortgage, and any security instrument creating a lien or security interest or evidencing the lien hereof upon the Mortgaged Property and each instrument of further assurance to be filed, registered or recorded in such manner and in such places as may be required by any present or future law in order to publish notice of and fully to protect the lien or security interest hereof upon, and the interest of Mortgagee in, the Mortgaged Property. Mortgagor will pay all filing, registration or recording fees, and all expenses incident to the preparation, execution and acknowledgment of this Mortgage, any deed of trust supplemental hereto, any security instrument with respect to the Mortgaged Property and any instrument of further assurance, and all federal, state, county and municipal, taxes, duties, imposts, assessments and charges arising out of or in connection with the execution and delivery of this Mortgage, any deed of trust supplemental hereto, any security instrument with respect to

the Mortgaged Property or any instrument of further assurance, except where prohibited by law so to do. Mortgagor shall hold harmless and indemnify Mortgagee, its successors and assigns, against any liability incurred by reason of the imposition of any tax on the making and recording of this Mortgage.

18. **Reporting Requirements.** Mortgagor agrees to give prompt notice to Mortgagee of the insolvency or bankruptcy filing of Mortgagor or the death, insolvency or bankruptcy filing of any guarantor, general partner or limited partner of Mortgagor.

19. **Events of Default.** The Debt shall become immediately due and payable at the option of Mortgagee upon the happening of any Event of Default. The term "**Event of Default**" as used in this Mortgage shall include any of the following:

- (a) after default in the payment of: (i) any periodic installment of principal and/or of interest within five (5) business days after the due date thereof as set forth in the Note, (ii) the outstanding principal balance of the Note, together with interest accrued on the principal balance, at maturity of the Note, or (iii) any other sums to be paid by Mortgagor under this Mortgage or any of the other Loan Documents, which is not cured within ten (10) days after written notice thereof to Mortgagor; or
- (b) after nonpayment of any tax, water rate or assessment prior to the occurrence of a penalty, additional interest or the acceleration of any future installments; or
- (c) upon default in keeping in force the insurance required herein; or
- (d) after default, after notice and demand, either in delivering the policies of insurance herein described or referred to or in reimbursing the Mortgagee for premiums paid on such insurance, as herein provided; or
- (e) after default for thirty (30) days after notice and demand in the payment of any installment which may then be due or delinquent for any assessment for local improvement for which an official bill has been issued by the appropriate authorities and which may now or hereafter affect the Mortgaged Property and may be or become payable in installments; or
- (f) upon the actual or threatened waste, removal or demolition of, or material alteration to, any part of the Mortgaged Property, except as permitted herein; or
- (g) upon assignment by the Mortgagor of the whole or any part of the rents, income or profits arising from the Mortgaged Property without the written consent of the Mortgagee;
- (h) should the Mortgagor lease, sell, encumber or otherwise convey or transfer any of its interest in or ownership of the Mortgaged Property (other than leases of space in the ordinary course of business on reasonable market terms, and the granting of easements for service to the Mortgaged Property which do not interfere with the location of any buildings or improvements and do not reduce the value of the

Mortgaged Property) without the prior written consent of the Mortgagee, the Mortgagee retains the right to withhold its consent to any transfer and shall not be required to satisfy Mortgagor nor any third party as to the reason for withholding such consent; or

- (i) should the Mortgagor be deprived of either title or possession or control of the Mortgaged Property by process or operation of law or order of court; or
- (j) should the Mortgagor be involved as a debtor pursuant to the bankruptcy laws of the United States or if any proceeding shall be instituted on any lien or mortgage of any kind effecting the Mortgaged Property, or should the Mortgagor be judged to be bankrupt or insolvent, or should a judgment lien, execution or similar process be levied against the Mortgaged Property and any of the aforesaid not be released, unstayed, or otherwise vacated for a period of ninety (90) days; or
- (k) upon default in the observance or performance of any other covenants or agreements of the Mortgagor hereunder or under any other instrument securing the debt or any portion thereof, after notice and failure to cure within thirty (30) days, or such longer period as is reasonably necessary to cure such default, provided that Mortgagor diligently pursues such cure to completion or
- (l) default in the performance of any of Mortgagor's covenants or agreements in any other mortgage or other security instrument on the Mortgaged Property; or
- (m) after default under any other promissory note or evidence of indebtedness by the Mortgagor to the Mortgagee, and if such default continues for a period of thirty (30) days after written notice; or after default beyond applicable notice and cure periods under that certain Open-End Mortgage, Assignment of Leases and Rents and Security Agreement from Riverbend Hanover Properties II LLC to Mortgagee of even date herewith; or
- (n) should any misrepresentation, misstatement or omission of fact, made herein or in any other document or statement given in connection herewith by the Mortgagor, prove to have existed when made in any material respect; or
- (o) upon election by Mortgagee to exercise its right to accelerate maturity of the principal sum pursuant to the provisions of the Note or of any other instrument which may be held by the Mortgagee as additional security for the Note following the occurrence of an Event of Default thereunder (and expiration of any applicable cure period); or
- (p) failure of the Mortgagor to provide financial information or to comply with financial covenants as required pursuant to Sections 10 and 11 of this Mortgage and if such default continues for a period of thirty (30) days after notice; or
- (q) failure of the Mortgagor to provide the Springing Master Lease, if required under the provisions of Section 46 of this Mortgage.

20. **Right To Cure Defaults.** Upon the occurrence and during the continuance of any Event of Default, Mortgagee may, but without any obligation to do so and without notice to or demand on Mortgagor and without releasing Mortgagor from any obligation hereunder, make or do the same in such manner and to such extent as Mortgagee may deem necessary to protect the security hereof. Mortgagee is authorized to enter upon the Mortgaged Property for such purposes or appear in, defend, or bring any action or proceeding to protect its interest in the Mortgaged Property or to foreclose this Mortgage or collect the Debt, and the cost and expense thereof (including reasonable attorneys' fees and disbursements to the extent permitted by law), with interest at the Default Rate (as defined in the Note) for the period after notice from Mortgagee that such cost or expense was incurred to the date of payment to Mortgagee, shall constitute a portion of the Debt, shall be secured by this Mortgage and the other Loan Documents and shall be due and payable to Mortgagee upon demand.

21. **Remedies.**

(a) Upon the occurrence and during the continuance of any Event of Default, Mortgagee may take such action, without notice or demand, as it deems advisable to protect and enforce its rights against Mortgagor and in and to the Mortgaged Property by Mortgagee itself or otherwise, including, without limitation, the following actions, each of which may be pursued concurrently or otherwise, at such time and in such order as Mortgagee may determine, in its sole discretion, without impairing or otherwise affecting the other rights and remedies of Mortgagee:

- i. declare the entire Debt to be immediately due and payable;
- ii. to the extent permitted by applicable law, institute a proceeding or proceedings, judicial or nonjudicial, by advertisement or otherwise, for the complete foreclosure of this Mortgage in which case the Mortgaged Property or any interest therein may be sold for cash or upon credit in one or more parcels or in several interests or portions and in any order or manner;
- iii. with or without entry, to the extent permitted and pursuant to the procedures provided by applicable law, institute proceedings for the partial foreclosure of this Mortgage for the portion of the Debt then due and payable, subject to the continuing lien of this Mortgage for the balance of the Debt not then due;
- iv. if and to the extent permitted by applicable law, sell for cash or upon credit the Mortgaged Property or any part thereof and all estate, claim, demand, right, title and interest of Mortgagor therein and rights of redemption thereof, pursuant to the power of sale contained herein or otherwise, at one or more sales, as an entirety or in parcels, at such time and place, upon such terms and after such notice thereof as may be required or permitted by law;
- v. institute an action, suit or proceeding in equity for the specific performance of any covenant, condition or agreement contained herein, or in any of the other Loan Documents;
- vi. to the extent permitted by applicable law, recover judgment on the Note either before, during or after any proceedings for the enforcement of this Mortgage;

vii. apply for the appointment of a trustee, receiver, liquidator or conservator of the Mortgaged Property, to the extent permitted by applicable law, without notice and without regard for the adequacy of the security for the Debt and without regard for the solvency of the Mortgagor, any guarantor or of any person, firm or other entity liable for the payment of the Debt;

viii. enforce Mortgagee's interest in the Leases and Rents and enter into or upon the Mortgaged Property, either personally or by its agents, nominees or attorneys and dispossess Mortgagor and its agents and servants therefrom, and thereupon Mortgagee may (A) use, operate, manage, control, insure, maintain, repair, restore and otherwise deal with all and every part of the Mortgaged Property and conduct the business thereat; (B) complete any construction on the Mortgaged Property in such manner and form as Mortgagee deems advisable; (C) make alterations, additions, renewals, replacements and improvements to or on the Mortgaged Property; (D) exercise all rights and powers of Mortgagor with respect to the Mortgaged Property, whether in the name of Mortgagor or otherwise, including, without limitation, the right to make, cancel, enforce or modify Leases, obtain and evict tenants, and demand, sue for, collect and receive all Rents; and (E) apply the receipts from the Mortgaged Property to the payment of Debt, after deducting therefrom all expenses (including reasonable attorneys' fees and disbursements) incurred in connection with the aforesaid operations and all amounts necessary to pay the taxes, assessments insurance and other charges in connection with the Mortgaged Property, as well as just and reasonable compensation for the services of Mortgagee, its counsel, agents and employees; or

ix. pursue such other rights and remedies as may be available at law or in equity or under the Uniform Commercial Code, including, without limitation, Section 9604(a)(2) of the Uniform Commercial Code.

In the event of a sale, by foreclosure or otherwise, of less than all of the Mortgaged Property, this Mortgage shall continue as a lien on the remaining portion of the Mortgaged Property.

(b) The proceeds of any sale made under or by virtue of this paragraph, together with any other sums which then may be held by Mortgagee under this Mortgage, whether under the provisions of this paragraph or otherwise, shall be applied by Mortgagee to the payment of the Debt in such priority and proportion as Mortgagee in its sole discretion shall deem proper.

(c) Mortgagee may adjourn from time to time any sale by it to be made under or by virtue of this Mortgage by announcement at the time and place appointed for such sale or for such adjourned sale or sales; and, except as otherwise provided by any applicable provision of law, Mortgagee, without further notice or publication, may make such sale at the time and place to which the same shall be so adjourned.

(d) Upon the completion of any sale or sales pursuant hereto, Mortgagee (to the extent permitted by law) or an officer of any court empowered to do so, shall execute and deliver to the accepted purchaser or purchasers a good and sufficient instrument, or good and sufficient instruments, conveying, assigning and transferring all estate, right, title and interest in and to the property and rights sold. Any sale or sales made under or by virtue of this paragraph, whether made under the power of sale herein granted or under or by virtue of judicial proceedings or of a

judgment or decree of foreclosure and sale, shall operate to divest all the estate, right, title, interest, claim and demand whatsoever, whether at law or in equity, of Mortgagor in and to the properties and rights so sold, and shall be a perpetual bar both at law and in equity against Mortgagor and against any and all persons claiming or who may claim the same, or any part thereof from, through or under Mortgagor.

(e) Upon any sale made under or by virtue of this paragraph, whether made under the power of sale herein granted or under or by virtue of judicial proceedings or of a judgment or decree of foreclosure and sale, Mortgagee may bid for and acquire the Mortgaged Property or any part thereof and in lieu of paying cash therefor may make settlement for the purchase price by crediting upon the Debt the net sales price after deducting therefrom the expenses of the sale and costs of the action and any other sums which Mortgagee is authorized to deduct under this Mortgage.

(f) No recovery of any judgment by Mortgagee and no levy of an execution under any judgment upon the Mortgaged Property or upon any other property of Mortgagor shall affect in any manner or to any extent the lien of this Mortgage upon the Mortgaged Property or any part thereof, or any liens, rights, powers or remedies of Mortgagee hereunder, but such liens, rights, powers and remedies of Mortgagee shall continue unimpaired as before.

(g) Mortgagee may terminate or rescind any proceeding or other action brought in connection with its exercise of the remedies provided in this paragraph at any time before the conclusion thereof, as determined in Mortgagee's sole discretion and without prejudice to Mortgagee.

(h) Mortgagee may resort to any remedies and the security given by the Note, this Mortgage or the other Loan Documents in whole or in part, and in such portions and in such order as determined in Mortgagee's sole discretion. No such action shall in any way be considered a waiver of any rights, benefits or remedies evidenced or provided by the Note, this Mortgage or any of the other Loan Documents. The failure of Mortgagee to exercise any right, remedy or option provided in the Note, this Mortgage or any of the other Loan Documents shall not be deemed a waiver of such right, remedy or option or of any covenant or obligation secured by the Note, this Mortgage or the other Loan Documents. No acceptance by Mortgagee of any payment after the occurrence of any Event of Default and no payment by Mortgagee of any obligation for which Mortgagor is liable hereunder shall be deemed to waive or cure any Event of Default with respect to Mortgagor, or Mortgagor's liability to pay such obligation. No sale of all or any portion of the Mortgaged Property, no forbearance on the part of Mortgagee, and no extension of time for the payment of the whole or any portion of the Debt or any other indulgence given by Mortgagee to Mortgagor, shall operate to release or in any manner affect the interest of Mortgagee in the remaining Mortgaged Property or the liability of Mortgagor to pay the Debt. No waiver by Mortgagee shall be effective unless it is in writing and then only to the extent specifically stated. All reasonable costs and expenses of Mortgagee in exercising its rights and remedies under this paragraph (including reasonable attorneys' fees and disbursements to the extent permitted by law), shall be paid by Mortgagor immediately upon notice from Mortgagee, with interest at the Default Rate for the period after notice from Mortgagee and such costs and expenses shall constitute a portion of the Debt and shall be secured by this Mortgage.

(i) The interests and rights of Mortgagee under the Note, this Mortgage or in any of the other Loan Documents shall not be impaired by any indulgence, including (i) any renewal, extension or modification which Mortgagee may grant with respect to any of the Debt, (ii) any surrender, compromise, release, renewal, extension, exchange or substitution which Mortgagee may grant with respect to the Mortgaged Property or any portion thereof; or (iii) any release or indulgence granted to any maker, endorser, guarantor or surety of any of the Debt.

(j) FOR THE PURPOSE OF PROCURING POSSESSION OF THE MORTGAGED PROPERTY IN THE EVENT OF ANY DEFAULT HEREUNDER OR UNDER ANY OTHER LOAN DOCUMENT, MORTGAGOR HEREBY AUTHORIZES AND EMPOWERS ANY ATTORNEY OF ANY COURT OF RECORD IN THE COMMONWEALTH OF PENNSYLVANIA OR ELSEWHERE, AS ATTORNEY FOR MORTGAGOR AND ALL PERSONS CLAIMING UNDER OR THROUGH MORTGAGOR, TO APPEAR FOR MORTGAGOR AND CONFESS JUDGMENT PURSUANT TO APPLICABLE LAW AGAINST MORTGAGOR, AND ALL PERSONS CLAIMING UNDER OR THROUGH MORTGAGOR, FOR THE RECOVERY BY MORTGAGEE OF POSSESSION OF THE MORTGAGED PROPERTY, WITHOUT ANY STAY OF EXECUTION, FOR WHICH THIS MORTGAGE, OR A COPY HEREOF VERIFIED BY AFFIDAVIT, SHALL BE A SUFFICIENT WARRANT; AND THEREUPON A WRIT OF POSSESSION MAY BE ISSUED FORTHWITH, WITHOUT ANY PRIOR WRIT OR PROCEEDING WHATSOEVER. MORTGAGOR HEREBY RELEASES MORTGAGEE FROM ALL ERRORS AND DEFECTS WHATSOEVER IN ENTERING SUCH JUDGMENT AND IN CAUSING SUCH WRIT OR WRITS TO BE ISSUED, AND HEREBY AGREES THAT NO WRIT OF ERROR, APPEAL, PETITION TO OPEN OR STRIKE OFF JUDGMENT, OR OTHER OBJECTION SHALL BE FILED OR MADE WITH RESPECT THERETO. IF FOR ANY REASON AFTER SUCH JUDGMENT HAS BEEN CONFESSED THE SAME SHALL BE DISCONTINUED OR POSSESSION OF THE MORTGAGED PROPERTY SHALL REMAIN IN OR BE RESTORED TO MORTGAGOR, MORTGAGEE SHALL HAVE THE RIGHT FOR THE SAME DEFAULT OR ANY SUBSEQUENT DEFAULT TO BRING ONE OR MORE FURTHER JUDGMENTS BY CONFESSION AS ABOVE PROVIDED TO RECOVER POSSESSION OF THE MORTGAGED PROPERTY. MORTGAGEE MAY ENTER SUCH JUDGMENT BEFORE OR AFTER THE INSTITUTION OF FORECLOSURE PROCEEDINGS UPON THIS MORTGAGE, OR AFTER JUDGMENT THEREON OR ON THE NOTE, OR AFTER A SALE OF THE MORTGAGED PROPERTY BY THE SHERIFF.

22. **Right of Entry.** In addition to any other rights or remedies granted under this Mortgage, Mortgagee and its agents shall have the right to enter and inspect the Mortgaged Property at any reasonable time during the Term and upon reasonable advance notice to Mortgagor (except following the occurrence and continuance of a default hereunder or under any of the Loan Documents, in which case no such notice shall be required prior to Mortgagee exercising its rights under this Section). The reasonable cost of such inspections or audits shall be borne by Mortgagor should Mortgagee determine that an Event of Default exists, including the cost of all follow up or additional investigations or inquiries deemed reasonably necessary by Mortgagee. The reasonable cost of such inspections, if not paid for by Mortgagor within ten (10) Business Days of demand therefor, may be added to the principal balance of the sums due under the Note and this Mortgage and shall bear interest thereafter until paid at the Default Rate.

23. **Security Agreement.** This Mortgage is both a real property mortgage and a “security agreement” within the meaning of the Uniform Commercial Code. The Mortgaged Property includes both real and personal property and all other rights and interests, whether tangible or intangible in nature, of Mortgagor in the Mortgaged Property. Mortgagor by executing and delivering this Mortgage has granted and hereby grants to Mortgagee, as security for the Debt, a security interest in the Mortgaged Property to the full extent that the Mortgaged Property may be subject to the Uniform Commercial Code (said portion of the Mortgaged Property so subject to the Uniform Commercial Code being called in this paragraph the “**Collateral**”). Mortgagor hereby agrees with Mortgagee to deliver to Mortgagee, in form and substance reasonably satisfactory to Mortgagee, such financing statements and such further assurances as Mortgagee may from time to time, reasonably consider necessary to create, perfect, and preserve Mortgagee’s security interest herein granted. This Mortgage shall also constitute a “fixture filing” for the purposes of the Uniform Commercial Code as to all or any items of the Collateral that are or are to become fixtures under the Uniform Commercial Code. Information concerning the security interest herein granted may be obtained from the parties at the addresses of the parties set forth in the first paragraph of this Mortgage. If an Event of Default shall occur, Mortgagee, in addition to any other rights and remedies which it may have, shall have and may exercise immediately and without demand, any and all rights and remedies granted to a secured party upon default under the Uniform Commercial Code, including, without limiting the generality of the foregoing, the right to take possession of the Collateral or any part thereof, and to take such other measures as Mortgagee may deem necessary for the care, protection and preservation of the Collateral. Upon request or demand of Mortgagee after the occurrence and during the continuance of an Event of Default, Mortgagor shall at its expense assemble the Collateral and make it available to Mortgagee at a convenient place reasonably acceptable to Mortgagee. Mortgagor shall pay to Mortgagee within ten (10) Business Days of demand therefor any and all expenses, including reasonable attorneys’ fees and disbursements, incurred or paid by Mortgagee in protecting the interest in the Collateral and in enforcing the rights hereunder with respect to the Collateral. Any notice of sale, disposition or other intended action by Mortgagee with respect to the Collateral sent to Mortgagor in accordance with the provisions hereof at least ten (10) Business Days prior to such action, shall constitute commercially reasonable notice to Mortgagor. The proceeds of any disposition of the Collateral, or any part thereof, may be applied by Mortgagee to the payment of the Debt in such priority and proportions as Mortgagee in its sole discretion shall deem proper. In the event of any change in name, identity or structure of any Mortgagor, such Mortgagor shall notify Mortgagee thereof and promptly after Mortgagee’s request shall execute, file and record such Uniform Commercial Code forms as are necessary to maintain the priority of Mortgagee’s lien upon and security interest in the Collateral, and shall pay all reasonable expenses and fees in connection with the filing and recording thereof. If Mortgagee shall require the filing or recording of additional Uniform Commercial Code forms or continuation statements, Mortgagor shall, promptly after request, execute, file and record such Uniform Commercial Code forms or continuation statements as Mortgagee shall deem reasonably necessary, and shall pay all reasonable expenses and fees in connection with the filing and recording thereof, it being understood and agreed, however, that no such additional documents shall increase Mortgagor’s obligations or decrease Mortgagor’s rights under the Note, this Mortgage and any of the other Loan Documents. Mortgagor hereby irrevocably appoints Mortgagee as its attorney-in-fact, coupled with an interest, to file with the appropriate public office on its behalf any financing or other statements signed only by Mortgagee, as secured party, in connection with the Collateral covered by this Mortgage.

24. **Actions and Proceedings.** Mortgagee has the right to appear in and defend any action or proceeding brought with respect to the Mortgaged Property and to bring any action or proceeding, in the name and on behalf of Mortgagor, which Mortgagee, in its reasonable discretion, decides should be brought to protect its interest in the Mortgaged Property. Mortgagee shall, at its option, be subrogated to the lien of any deed of trust or other security instrument discharged in whole or in part by the Debt, and any such subrogation rights shall constitute additional security for the payment of the Debt.

25. **Recovery of Sums Required to be Paid.** Mortgagee shall have the right from time to time to take action to recover any sum or sums which constitute a part of the Debt as the same become due, without regard to whether or not the balance of the Debt shall be due, and without prejudice to the right of Mortgagee thereafter to bring an action of foreclosure, or any other action, for a default or defaults by Mortgagor existing at the time such earlier action was commenced.

26. **Marshalling and Other Matters.** Mortgagor hereby waives, to the extent permitted by law, the benefit of all appraisal, valuation, stay, extension, reinstatement and redemption laws now or hereafter in force and all rights of marshalling in the event of any sale hereunder of the Mortgaged Property or any part thereof or any interest therein. Further, Mortgagor hereby expressly waives any and all rights of redemption from sale under any order or decree of foreclosure of this Mortgage on behalf of Mortgagor, and on behalf of each and every person acquiring any interest in or title to the Mortgaged Property subsequent to the date of this Mortgage and on behalf of all persons to the extent permitted by applicable law. Mortgagee shall not be under any obligation to marshal any assets in favor of any Person or in payment of any of the Debt.

27. **Handicapped Access.**

(a) Mortgagor agrees that the Mortgaged Property shall at all times comply, with the requirements of the Americans with Disabilities Act of 1990, all state and local laws and ordinances related to handicapped access and all rules, regulations, and orders issued pursuant thereto including, without limitation, the Americans with Disabilities Act Accessibility Guidelines for Buildings and Facilities (collectively “**Access Laws**”).

(b) Without limiting the foregoing, Mortgagor shall cause any alterations to the Mortgaged Property to comply with all applicable Access Laws. The foregoing shall apply to tenant improvements constructed by Mortgagor or by any of its tenants. Mortgagee may condition any such approval upon receipt of a certificate of Access Law compliance from an architect, engineer, or other person acceptable to Mortgagee.

(c) Mortgagor agrees to give prompt notice to Mortgagee of the receipt by Mortgagor of any material complaints related to violation of any Access Laws and of the commencement of any proceedings or investigations which relate to compliance with applicable Access Laws.

28. **Indemnification.** In addition to any other indemnifications provided herein or in the other Loan Documents, Mortgagor shall protect, defend, indemnify and save harmless Mortgagee and its successors and assigns, and the officers, directors, stockholders, partners,

members, employees, agents, and affiliates of Mortgagee and such successors and assigns (each an “**Indemnified Party**”) from and against all liabilities, obligations, claims, demands, damages, penalties, causes of action, losses, fines, costs and expenses (including, without limitation, reasonable attorneys’ fees and disbursements), imposed upon or incurred by or asserted against any Indemnified Party by reason of: (a) ownership of this Mortgage, the Mortgaged Property or any interest therein or receipt of any Rents; (b) any accident, injury to or death of persons or loss of or damage to property occurring in, on or about the Mortgaged Property or any part thereof or on the adjoining sidewalks, curbs, adjacent property or adjacent parking areas, streets or ways; (c) any use, nonuse or condition in, on or about the Mortgaged Property or any part thereof or on adjoining sidewalks, curbs, adjacent property or adjacent parking areas, streets or ways; (d) any failure on the part of Mortgagor to perform or comply with any of the terms of this Mortgage; (e) performance of any labor or services or the furnishing of any materials or other property in respect of the Mortgaged Property or any part thereof; (f) any failure of the Mortgaged Property or the Improvements to comply with any applicable law, statute, code, ordinance, rule or regulation including, without limitation, any Access Laws; (g) any default by Mortgagor under this Mortgage or any of the other Loan Documents; (h) any actions taken by any Indemnified Party in the enforcement of this Mortgage and other Loan Documents in accordance with their respective terms; (i) any representation or warranty made in the Note, this Mortgage or any of the other Loan Documents being false or misleading in any material respect as of the date such representation or warranty was made; (j) any claim by brokers, finders or similar persons claiming to be entitled to a commission in connection with any Lease or other transaction involving the Mortgaged Property or any part thereof under any legal requirement or any liability asserted against Mortgagee with respect thereto; and (k) the claims of any lessee of any or any portion of the Mortgaged Property or any person acting through or under any lessee or otherwise arising under or as a consequence of any Lease (collectively, the “**Indemnified Liabilities**”), provided that Mortgagor shall not have an obligation to an Indemnified Party hereunder with respect to the Indemnified Liabilities arising from the fraud, gross negligence or willful misconduct of such Indemnified Party as determined by a court of competent jurisdiction. Any amounts payable to Mortgagee by reason of the application of this paragraph shall be secured by this Mortgage and shall become immediately due and payable and shall bear interest at the Default Rate from the date loss or damage is sustained by Mortgagee until paid. The obligations and liabilities of Mortgagor under this paragraph shall survive the termination, satisfaction, or assignment of this Mortgage and the exercise by Mortgagee of any of its rights or remedies hereunder, including, but not limited to, the acquisition of the Mortgaged Property by foreclosure or a conveyance in lieu of foreclosure.

29. **Notices.** Any notice, including all notices given by Mortgagor to Mortgagee pursuant to 42 Pa.C.S. § 8143(c), demand, statement, request or consent made hereunder shall be in writing, addressed to the intended recipient at its address set forth on page 1 of this Mortgage, and shall be made and deemed given in accordance with the terms of this Mortgage. All notices pursuant to 42 Pa.C.S. §8143(b) or (d) must be addressed to Mortgagee at its address set forth on page 1 of this Mortgage.

30. **Authority.** (a) Mortgagor (and the undersigned representative of Mortgagor, if any) represent and warrant that it (or they, as the case may be) has full power, authority and right to execute, deliver and perform its obligations pursuant to this Mortgage, and to deed, mortgage, give, grant, bargain, sell, alien, enfeoff, convey, confirm, warrant, pledge, hypothecate and assign the Mortgaged Property pursuant to the terms hereof and to keep and observe all of the terms of

this Mortgage on Mortgagor's part to be performed; and (b) Mortgagor represents and warrants that Mortgagor is not a "foreign person" within the meaning of Section 1445(f)(3) of the Internal Revenue Code of 1986, as amended and the related Treasury Department regulations, including temporary regulations.

31. **Non-Waiver.** The failure of Mortgagee to insist upon strict performance of any term hereof shall not be deemed to be a waiver of any term of this Mortgage. Any consent or approval by Mortgagee in any single instance shall not be deemed or construed to be Mortgagee's consent or approval in any like matter arising at a subsequent date. Mortgagor shall not be relieved of Mortgagor's obligations hereunder by reason of (a) the failure of Mortgagee to comply with any request of Mortgagor or any guarantor to take any action to foreclose this Mortgage or otherwise enforce any of the provisions hereof or of the Note, or the other Loan Documents, (b) the release, regardless of consideration, of the whole or any part of the Mortgaged Property, or of any person liable for the Debt or any portion thereof, or (c) any agreement or stipulation by Mortgagee extending the time of payment or otherwise modifying or supplementing the terms of the Note, this Mortgage or any of the other Loan Documents. Mortgagee may resort for the payment of the Debt to any other security held by Mortgagee in such order and manner as Mortgagee, in its sole discretion, may elect. Mortgagee may take action to recover the Debt, or any portion thereof, or to enforce any covenant hereof without prejudice to the right of Mortgagee thereafter to foreclose this Mortgage. The rights and remedies of Mortgagee under this Mortgage shall be separate, distinct and cumulative and none shall be given effect to the exclusion of the others. No act of Mortgagee shall be construed as an election to proceed under any one provision herein to the exclusion of any other provision. Mortgagee shall not be limited exclusively to the rights and remedies herein stated but shall be entitled to every right and remedy now or hereafter afforded at law or in equity.

32. **No Oral Change.** This Mortgage, and any provisions hereof, may not be modified, amended, waived, extended, changed, discharged or terminated orally or by any act or failure to act on the part of Mortgagor or Mortgagee, but only by an agreement in writing signed by the party against whom enforcement of any modification, amendment, waiver, extension, change, discharge or termination is sought.

33. **Liability.** Subject to the provisions hereof requiring Mortgagee's consent to any transfer of the Mortgaged Property, this Mortgage shall be binding upon and inure to the benefit of Mortgagor and Mortgagee and their respective successors and assigns forever.

34. **Inapplicable Provisions.** If any term, covenant or condition of the Note or this Mortgage is held to be invalid, illegal or unenforceable in any respect, the Note and this Mortgage shall be construed without such provision.

35. **Headings, Etc.** The headings and captions of various paragraphs of this Mortgage are for convenience of reference only and are not to be construed as defining or limiting, in any way, the scope or intent of the provisions hereof.

36. **Duplicate Originals.** This Mortgage may be executed in any number of duplicate originals and each such duplicate original shall be deemed to be an original.

37. **Definitions.** Unless the context clearly indicates a contrary intent or unless otherwise specifically provided herein, words used in this Mortgage may be used interchangeably in singular or plural form and the word "**Mortgagor**" shall mean "Mortgagor and any subsequent owner or owners of the Mortgaged Property or any part thereof or any interest therein," the word "**Mortgagee**" shall mean "Mortgagee and any subsequent holder of the Note," the word "**Note**" shall mean "the Note and any other evidence of indebtedness secured by this Mortgage," the word "**person**" shall include an individual, corporation, partnership, trust, unincorporated association, government, governmental authority, and any other entity, and the words "**Mortgaged Property**" shall include any portion of the Mortgaged Property and any interest therein and the words "**attorneys' fees**" shall include any and all reasonable attorneys' fees, paralegal and law clerk fees, including, without limitation, fees at the pre-trial, trial and appellate levels incurred or paid by Mortgagee in protecting its interest in the Mortgaged Property and Collateral and enforcing its rights hereunder. Whenever the context may require, any pronouns used herein shall include the corresponding masculine, feminine or neuter forms, and the singular form of nouns and pronouns shall include the plural and vice versa.

38. **Homestead.** Mortgagor hereby waives and renounces all homestead and exemption rights provided by the Constitution and the laws of the United States and of any state, in and to the Mortgaged Property as against the collection of the Debt, or any part hereof.

39. **Assignments.** Mortgagee shall have the right to assign or transfer its rights under this Mortgage without limitation. Any assignee or transferee shall be entitled to all the benefits afforded Mortgagee under this Mortgage.

40. **Waiver of Jury Trial.** EACH OF MORTGAGOR AND MORTGAGEE HEREBY AGREES NOT TO ELECT A TRIAL BY JURY OF ANY ISSUE TRIABLE OF RIGHT BY JURY, AND WAIVES ANY RIGHT TO TRIAL BY JURY FULLY TO THE EXTENT THAT ANY SUCH RIGHT SHALL NOW OR HEREAFTER EXIST WITH REGARD TO THE NOTE, THIS MORTGAGE, OR THE OTHER LOAN DOCUMENTS, OR ANY CLAIM, COUNTERCLAIM OR OTHER ACTION ARISING IN CONNECTION THEREWITH. THIS WAIVER OF RIGHT TO TRIAL BY JURY IS GIVEN KNOWINGLY AND VOLUNTARILY BY MORTGAGOR AND MORTGAGEE, AND IS INTENDED TO ENCOMPASS INDIVIDUALLY EACH INSTANCE AND EACH ISSUE AS TO WHICH THE RIGHT TO A TRIAL BY JURY WOULD OTHERWISE ACCRUE. EACH OF MORTGAGOR AND MORTGAGEE IS HEREBY AUTHORIZED TO FILE A COPY OF THIS PARAGRAPH IN ANY PROCEEDING AS CONCLUSIVE EVIDENCE OF THIS WAIVER BY THE OTHER PARTY.

41. **Amendments.** Mortgagor and Mortgagee reserve the right to modify this Mortgage or the obligations it secures, and this Mortgage as so modified will retain priority even if the modification is materially prejudicial to the holders of junior interests in the Mortgaged Property. Mortgagor and Mortgagee agree that changes in the interest rate, amortization and maturity date of the Loan, alone or in combination will not be materially prejudicial to the holders of junior interests in the Mortgaged Property. By accepting, acquiring or holding a junior interest in the Mortgaged Property, the holder thereof agrees to be bound by this paragraph.

42. **Miscellaneous.**

(a) NOTICE. THIS DOCUMENT MAY NOT/DOES NOT SELL, MORTGAGE, GRANT, CONVEY, TRANSFER, INCLUDE OR INSURE THE TITLE TO THE COAL AND RIGHT OF SUPPORT UNDERNEATH THE SURFACE LAND DESCRIBED OR REFERRED TO HEREIN, AND THE OWNER OR OWNERS OF SUCH COAL MAY HAVE THE COMPLETE LEGAL RIGHT TO REMOVE ALL OF SUCH COAL, AND, IN THAT CONNECTION, DAMAGE MAY RESULT TO THE SURFACE OF THE LAND AND ANY HOUSE, BUILDING OR OTHER STRUCTURE ON OR IN SUCH LAND, THE INCLUSION OF THIS NOTICE DOES NOT ENLARGE, RESTRICT OR MODIFY ANY LEGAL RIGHTS OR ESTATES OTHERWISE CREATED, TRANSFERRED, EXCEPTED OR RESERVED BY THIS INSTRUMENT. This notice is set forth in the manner provided in Section 1 of the Act of July 17, 1957, P.L. 984, as amended, and is not intended as notice of unrecorded instruments, if any.

(b) The Loan Documents contain the entire agreement between Mortgagor and Mortgagee relating to or connected with the Loan. Any other agreements relating to or connected with the Loan not expressly set forth in the Loan Documents are null and void and superseded in their entirety by the provisions of the Loan Documents.

(c) Mortgagor represents and warrants to Mortgagee that, to Mortgagor's knowledge, there has not been committed by Mortgagor or any other person in occupancy of or involved with the operation or use of the Mortgaged Property any act or omission affording the federal government or any state or local government the right of forfeiture as against the Mortgaged Property or any part thereof or any monies paid in performance of Mortgagor's obligations under the Note or under any of the other Loan Documents. Mortgagor hereby covenants and agrees not to commit, intentionally permit or suffer to exist any act, omission or circumstance affording such right of forfeiture. In furtherance thereof, Mortgagor hereby indemnifies Mortgagee and agrees to defend and hold Mortgagee harmless from and against any loss, damage or injury by reason of the breach of the covenants and agreements or the representations and warranties set forth in this paragraph. Without limiting the generality of the foregoing, the filing of formal charges or the commencement of proceedings against Mortgagor or all or any part of the Mortgaged Property under any federal or state law for which forfeiture of the Mortgaged Property or any part thereof or of any monies paid in performance of Mortgagor's obligations under the Loan Documents is a potential result, shall, at the election of Mortgagee, constitute an Event of Default hereunder without notice or opportunity to cure.

(d) Mortgagor acknowledges that, with respect to the Loan, Mortgagor is relying solely on its own judgment and advisors in entering into the Loan without relying in any manner on any statements, representations or recommendations of Mortgagee or any parent, subsidiary or affiliate of Mortgagee. Mortgagor acknowledges that Mortgagee engages in the business of real estate financings and other real estate transactions and investments which may be viewed as adverse to or competitive with the business of the Mortgagor or its affiliates. Mortgagor acknowledges that it is represented by competent counsel and has consulted counsel before executing the Loan Documents.

(e) This is an Open-End Mortgage and shall be entitled to all benefits as such under 42 Pa.C.S. §8143. As contemplated by 42 Pa.C.S. §8143, the indebtedness secured hereby is to be advanced pursuant to the Loan Documents, the terms and conditions of which are

incorporated herein by this reference with the same force and effect as if hereinafter more fully set forth, and this Mortgage. It is understood and agreed that this Mortgage covers present and future advances, in the aggregate amount of the obligations secured hereby, made by Mortgagee to or for the benefit of Mortgagor, plus accrued and unpaid interest, and that the lien of such future advances shall relate back to the date of this Mortgage, or to such later date as required by applicable law. With respect to any Lien placed on the Mortgaged Property (other than the Lien of this Mortgage), the holder of the Lien, whether or not consented to by Mortgagee, expressly agrees by acceptance of such Lien and without any further act or documentation being required by it, waives and relinquishes any rights which it may have to file or send a notice pursuant to 42 Pa.C.S. §§8143(b) and (d).

(f) If (i) this Mortgage secures a line of credit or other loan facility pursuant to which advances are made from time to time by Mortgagee to Mortgagor, and (ii) Mortgagee receives written notice pursuant to 42 Pa.C.S. §8143(b) from a holder of a lien or encumbrance on the Mortgaged Property which is subordinate to the lien of the Mortgage, then and notwithstanding any provision to the contrary contained in any of the Loan Documents, Mortgagor agrees that Mortgagee shall not be responsible to make any further advances to Mortgagor and Mortgagee is released from all liability for failure to make such advances.

(g) If (i) this Mortgage secures a loan facility the proceeds of which are used to provide funds to pay toward all or part of the cost of completing any erection, construction, alteration or repair of any part of the Mortgaged Property, and (ii) Mortgagee receives written notice pursuant to 42 Pa.C.S. §8143(b) from a holder of a mechanic's lien for labor performed or to be performed or materials furnished or to be furnished for the erection, construction, alteration or repair of any part of the Mortgaged Property, then and notwithstanding any provision to the contrary contained in any of the Loan Documents, Mortgagor agrees that Mortgagee shall have the right to suspend (until such time as the lien is fully released) any further advances to Mortgagor {and Mortgagee is released from all liability for failure to make such advances.

(h) If Mortgagor should at any time elect to limit the Debt secured by this Mortgage pursuant to 42 Pa.C.S. §8143(c), Mortgagor agrees that notice of such election shall (i) not be effective unless and until it is served upon Mortgagee in accordance with the requirements of 42 Pa.C.S. §8143(d) and fully complies with the requirements for the giving of notices under any of the Loan Documents; (ii) release Mortgagee from all obligations to make any further advances under the Loan Documents or this Mortgage notwithstanding anything to the contrary contained therein; (iii) constitute, at the election of Mortgagee, an Event of Default under the Loan Documents; and (iv) not be effective to limit Mortgagor's liability for payment and performance of all obligations for which Mortgagor is responsible under this Mortgage or the other Loan Documents (including all reimbursement and indemnification agreements), whether such obligations arise prior or subsequent to the date of such notice.

(i) As contemplated by 42 Pa.C.S. §8144, this Mortgage secures, and the obligations secured include, the unpaid balances of any advances made with respect to the Mortgaged Property for the payment of taxes, assessments, maintenance charges, insurance premiums or costs incurred for the protection of the Mortgaged Property or the lien of this Mortgage and expenses incurred by Mortgagee by reason of default by Mortgagor under this Mortgage.

(j) This Mortgage and the obligations arising hereunder shall be governed by and construed in accordance with the laws of the State of Connecticut and any applicable laws of the United States of America, except that at all times the provisions for the creation, perfection and enforcement of the liens and the security interests created pursuant to this Mortgage shall be governed by the laws of the Commonwealth of Pennsylvania.

43. **Future Advances.** This Mortgage secures “**Future Advances,**” as hereinafter defined. Any portion of the Debt which is incurred after the execution of this Mortgage pursuant to any instrument referring to this Mortgage, or which is evidenced by any instrument stating that said indebtedness is secured by this Mortgage, shall be defined as a “**Future Advance,**” including, without limitation, indebtedness incurred or advanced by Mortgagee to Mortgagor or pursuant to the Loan Documents. It is agreed that the Loan Documents are intended to secure all of the debts and obligations referred to in the Loan Documents, some of which will be obligatory future advances, and all advances under the Loan Documents will be for commercial purposes. This Paragraph shall serve as notice to any subsequent holder of a lien, encumbrance, security title or other claim in and to the Mortgaged Property that Mortgagee claims the priority of the lien of this Mortgage for all such Future Advances, as well as for all other obligations secured hereby. This Paragraph shall also be notice that Mortgagee reserves the right, upon agreement thereto with Mortgagor, to modify, extend, consolidate, and renew the Debt, or any portions thereof, and the rate of interest charged thereon, without affecting the priority of the lien created by this Mortgage.

44. **Swap Transaction**

This Mortgage secures the Mortgagor’s obligations in any Swap Transaction between Mortgagee and Mortgagor pursuant to applicable Swap Documents entered into in connection with the Note or any future notes secured hereby, including without limitation Mortgagor’s obligation to pay any applicable Swap Breakage Fee. Mortgagor hereby acknowledges and agrees that: (1) the Mortgagor’s obligations under the Swap Documents are and shall be expressly included within the obligations hereunder; (2) the Swap Documents shall be cross-collateralized and cross-defaulted, *pari passu*, with this Mortgage and the other Loan Documents; (3) Mortgagor shall pay any Swap Breakage Fee in the event the swap must be terminated prior to maturity thereof for any reason, including without limitation acceleration of any Term Loan pursuant to the terms of the Loan Documents; and (4) the Swap Breakage Fee will be calculated based on relevant market conditions and swap value as Mortgagee may determine in its discretion at the time of such termination and, as such, the amount of the Swap Breakage Fee may be substantial.

45. **Cross Default/Cross Collateralization.**

The Mortgage is hereby cross-defaulted and cross collateralized with the mortgage by Riverbend Hanover Properties II LLC in favor of Mortgagee on Adjacent Premises dated as of the date herewith.

46. **Partial Release.** In the event that Mortgagor wishes to sell the Mortgaged Property, and if the Adjacent Premises is not be sold simultaneously, and provided that neither Mortgagor nor the owner of the Adjacent Premises is in default in the performance of any of their respective obligations under this Mortgage or any other loan documents relating to this Mortgage or the

mortgage on the Adjacent Premises, and (i) the leases of the Adjacent Premises have a remaining term of at least two (2) years, or (ii) if any leases have a remaining term of less than two (2) years, Griffin Industrial, LLC shall enter into a lease of such space for the remainder of such two (2) year period (the term of which shall commence upon expiration of such existing lease(s), unless they shall thereafter be extended or renewed), Mortgagee agrees to provide a release of mortgage as to the Mortgaged Property and to release all other security interests related to the Mortgaged Property for a principal payment in an amount equal to the greater of: (1) (a) 48.64% of the outstanding principal balance of the Loan, if third party tenants have remaining term of at least two (2) years, or (b) 53.51% of the outstanding principal balance of the Loan, if a lease from Griffin Industrial, LLC has been required; or (2) an amount sufficient that the Adjacent Premises is in compliance with the financial covenants set forth in Section 10 of the Mortgage with respect to the Adjacent Premises, together with payment of any prepayment and/or swap breakage fee which may be due as a result of such prepayment. If required by Mortgagee, an updated appraisal to confirm compliance with the loan to value covenant may be required.

Upon release of the Mortgaged Property, Mortgagor shall be automatically released from all obligations under the Note and every other document or instrument relating to the Loan except for any obligations which expressly survive the payment of the Loan; and Griffin Industrial, LLC shall be released from all obligations under its Non-Recourse Guaranty of the Loan as they pertain to the Mortgaged Property, except for any obligations which expressly survive the payment of the Loan. The liability of Mortgagor shall remain in full force and effect as to the remaining balance due and all obligations as they pertain to the Adjacent Premises.

[SIGNATURES TO FOLLOW]

The undersigned certifies that the address of the Mortgagee is CityPlace II, 185 Asylum Street, Hartford, CT 06103.

WEBSTER BANK, NATIONAL ASSOCIATION

By: /s/ Sean Mulready

On behalf of Mortgagee

**EXHIBIT A
LEGAL DESCRIPTION OF PROPERTY**

**Lot 10-1 Hanover Corporate Center II
Lands Now or Formerly of Riverbend Hanover Properties, LLC**

ALL THAT CERTAIN tract or parcel of land known as 5210 Jaindl Boulevard, having been assigned Northampton County tax assessment parcel ID L6-16-4M, situate along the northerly side of Jaindl Boulevard at the intersection of Sterners Way in the Township of Hanover, County of Northampton, Commonwealth of Pennsylvania and identified as Lot 10-1 on a plan of record titled "Preliminary/Record Subdivision Plan, Griffin Land and Nurseries, Inc., Flex Warehousing Facility, Lot 10 – Hanover Corporate Center II" prepared by Keystone Consulting Engineers Inc., dated February 5, 2014, and last revised October 1, 2014, recorded in the Northampton County Recorder of Deeds Office as Plan Book Volume: 2014-5, Page: 411, bounded and described as follows to wit:

BEGINNING at an iron pin found in the northerly right-of-way line of Jaindl Boulevard (60 feet wide), said point being aligned with the extended centerline of Sterners Way and being the southeasterly property boundary corner of lands now or formerly of Fred J. Jaindl;

Thence along said lands of Jaindl, North 07 degrees 25 minutes 05 seconds West, 579.50 feet to an iron pin with cap to be set, said point being the southwesterly property boundary corner of lands now or formerly of Riverbend Hanover Properties, LLC, and identified as Lot 10-2 on aforementioned Subdivision Plan;

Thence along said Lot 10-2 the following three (3) courses and distances:

1. North 82 degrees 34 minutes 55 seconds East, 1,231.27 feet to an iron pin with cap to be set;
2. North 07 degrees 25 minutes 05 seconds West, 46.00 feet to an iron pin with cap to be set;
3. North 82 degrees 34 minutes 55 seconds East, 306.16 feet to an iron pin with cap to be set in the westerly property boundary line of lands now or formerly of Amerisource Bergen Drug Corporation;

Thence along said lands of Amerisource Bergen Drug Corporation the following three (3) courses and distances:

1. South 07 degrees 54 minutes 01 seconds East, 369.96 feet to an iron pin found;
2. South 29 degrees 04 minutes 40 seconds West, 281.92 feet to an iron pin found;
3. South 19 degrees 07 minutes 56 seconds West, 100.00 feet to an iron pin found in said northerly right-of-way line of Jaindl Boulevard;

Thence along said northerly right-of-way line of Jaindl Boulevard along a curve to the left having a radius of 830.00 feet, a chord bearing of North 84 degrees 08 minutes 35 seconds West, a chord distance of 381.18 feet, and an arc length of 384.61 feet to an iron pin found;

Thence continuing along said northerly right-of-way line of Jaindl Boulevard, South 82 degrees 34 minutes 55 seconds West, 957.40 feet to **the point and place of beginning**.

CONTAINING 20.653 acres (899,623 square feet) of land more or less.

SUBJECT to any notes, easements, or covenants on aforementioned Subdivision Plan, and any other pertinent facts a title search might disclose.

Document Prepared by: Jomarie T. Andrews, Esq.
When Recorded, Return to:

Hinckley Allen
20 Church Street
Hartford, CT 06103-1221
Attention: Jomarie T. Andrews, Esq.
Tel: (860) 331-2748

Parcel Address: 5220 Jaindl Boulevard, Bethlehem (Northampton County), Pennsylvania

PIN: L6-16-4M-1 0214

**OPEN-END MORTGAGE, ASSIGNMENT OF LEASES
AND RENTS AND SECURITY AGREEMENT**

by

RIVERBEND HANOVER PROPERTIES II LLC

as Mortgagor

to and for the benefit of

WEBSTER BANK, NATIONAL ASSOCIATION

as Mortgagee

Dated: November 14, 2016 and effective as of November 17, 2016

**OPEN-END MORTGAGE, ASSIGNMENT OF LEASES
AND RENTS AND SECURITY AGREEMENT**

THIS IS AN OPEN-END MORTGAGE UNDER 42 PA.C.S. § 8143 WHICH SECURES FUTURE ADVANCES. THE MAXIMUM AMOUNT SECURED BY THIS MORTGAGE IS \$26,724,948.03, PLUS ACCRUED AND UNPAID INTEREST. THIS MORTGAGE FURTHER SECURES ALL ADVANCES AUTHORIZED UNDER 42 PA.C.S. § 8144. MORTGAGOR WAIVES AND RELEASES, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY RIGHTS WHICH IT MAY HAVE TO SEND A WRITTEN NOTICE PURSUANT TO 42 PA.C.S. §8143(c).

THIS OPEN-END MORTGAGE, ASSIGNMENT OF LEASES AND RENTS AND SECURITY AGREEMENT (this "**Mortgage**"), made as of November 14 , 2016 and effective November 17, 2016, by **RIVERBEND HANOVER PROPERTIES II LLC**, a Pennsylvania limited liability company with an address of 204 West Newberry Road, Bloomfield, Connecticut 06002 (the "**Mortgagor**"), to and for the benefit of **WEBSTER BANK, NATIONAL ASSOCIATION**, a national association having a place of business at CityPlace II, 185 Asylum Street, Hartford, Connecticut 06103 (together with its successors, transferees and assigns, ("**Mortgagee**").

W I T N E S S E T H:

To secure the payment of a certain loan (the "**Loan**") in the maximum principal amount of up to **TWENTY SIX MILLION SEVEN HUNDRED TWENTY FOUR THOUSAND NINE HUNDRED FORTY EIGHT AND 03/100 DOLLARS (\$26,724,948.03) (the "Loan")**, in lawful money of the United States of America, by and among Mortgagor and Mortgagee, which Loan is evidenced by and is to be paid with interest according to a certain Promissory Note, dated as of the date hereof (as amended, modified, renewed or restated, and together with any substitutes or replacements) (the "**Note**"), made by Mortgagor to Mortgagee and all other sums due hereunder, under the other Loan Documents and under the Note (said indebtedness and interest due under the Note and all other sums due hereunder, under the Note and the other Loan Documents being hereinafter collectively referred to as the "**Debt**"), Mortgagor, intending to be legally bound, has deeded, mortgaged, given, granted, bargained, sold, alienated, enfeoffed, conveyed, confirmed, warranted, pledged, assigned, and hypothecated and by these presents does hereby deed, mortgage, give, grant, bargain, sell, alienate, enfeoff, convey, confirm, warrant, pledge, assign and hypothecate with mortgage covenants unto Mortgagee, all right, title and interest of Mortgagor in that certain real property described in **Exhibit A** attached hereto (the "**Mortgaged Property**") and the buildings, structures, fixtures, additions, enlargements, extensions, modifications, repairs, replacements and improvements now or hereafter located thereon (the "**Improvements**");

TOGETHER WITH: all right, title, interest and estate of Mortgagor now owned, or hereafter acquired, in and to the following property, rights, interests and estates (the Mortgaged Property, the Improvements, and the property, rights, interests and estates hereinafter described are collectively referred to herein as the "**Mortgaged Property**");

(a) all easements, rights-of-way, strips and gores of land, streets, ways, alleys, passages, sewer rights, water, water courses, water rights and powers, air rights and development rights, all rights to oil, gas, minerals, coal and other substances of any kind or character, and all

estates, rights, titles, interests, privileges, liberties, tenements, hereditaments and appurtenances of any nature whatsoever, in any way belonging, relating or pertaining to the Mortgaged Property and the Improvements and the reversion and reversions, remainder and remainders, and all land lying in the bed of any street, road, highway, alley or avenue, opened, vacated or proposed, in front of or adjoining the Mortgaged Property, to the center line thereof and all the estates, rights, titles, interests, dower and rights of dower, curtesy and rights of curtesy, property, possession, claim and demand whatsoever, both at law and in equity, of Mortgagor of, in and to the Mortgaged Property and the Improvements and every part and parcel thereof, with the appurtenances thereto;

(b) all machinery, furniture, furnishings, equipment, computer software and hardware, fixtures (including, without limitation, all heating, air conditioning, plumbing, lighting, communications and elevator fixtures), inventory and articles of personal property and accessions thereof and renewals, replacements thereof and substitutions therefor, if any, and other property of every kind and nature, whether tangible or intangible, whatsoever owned by Mortgagor, or in which Mortgagor has or shall have an interest, now or hereafter located upon the Mortgaged Property and the Improvements, or appurtenant thereto, and usable in connection with the present or future operation and occupancy of the Mortgaged Property and the Improvements and all building equipment, materials and supplies of any nature whatsoever owned by Mortgagor, or in which Mortgagor has or shall have an interest, now or hereafter located upon the Mortgaged Property and the Improvements, or appurtenant thereto, and usable in connection with the present or future operation, enjoyment and occupancy of the Mortgaged Property and the Improvements (hereinafter collectively referred to as the “**Equipment**”), including any leases of any of the foregoing, any deposits existing at any time in connection with any of the foregoing, and the proceeds of any sale or transfer of the foregoing, and the right, title and interest of Mortgagor in and to any of the Equipment that may be subject to any “security interests” as defined in the Uniform Commercial Code, as adopted and enacted by the State or States where any of the Mortgaged Property is located (the “**Uniform Commercial Code**”), superior in lien to the lien of this Mortgage;

(c) all awards or payments, including interest thereon, that may heretofore and hereafter be made with respect to the Mortgaged Property and the Improvements, whether from the exercise of the right of eminent domain or condemnation (including, without limitation, any transfer made in lieu of or in anticipation of the exercise of said rights), or for a change of grade, or for any other injury to or decrease in the value of the Mortgaged Property and Improvements;

(d) all leases, tenancies, licenses, subleases, assignments and/or rental or occupancy agreements and other agreements or arrangements (including, without limitation, any and all guarantees of any of the foregoing) heretofore or hereafter entered into affecting the use, enjoyment or occupancy of, or the conduct of any activity upon or in, the Mortgaged Property and the Improvements, including any extensions, renewals, modifications or amendments thereof (collectively, the “**Leases**”) and all rents, rent equivalents, moneys payable as damages or in lieu of rent or rent equivalents, royalties (including, without limitation, all oil and gas and coal or other mineral royalties and bonuses), income, fees, receivables, receipts, revenues, deposits (including, without limitation, security, utility and other deposits), accounts, cash, issues, profits, charges for services rendered, and other payment and consideration of whatever form or nature received by or paid to or for the account of or benefit of Mortgagor or its agents or employees from any and all sources arising from or attributable to the Mortgaged Property and the Improvements, all

receivables, customer obligations, installment payment obligations and other obligations now existing or hereafter arising or created out of the sale, lease, sublease, license, concession or other grant of the right of the possession, use and occupancy of all or any portion of the Mortgaged Property and the Improvements or personalty located thereon, or rendering of services by Mortgagor or any operator or manager of the commercial space located in the Improvements or acquired from others, license, lease, sublease and concession fees and rentals, and proceeds, if any, from business interruption or other loss of income insurance and any other items of revenue which would be included in operating revenues under the Uniform System (as defined in the Loan Agreement) (the “**Rents**”), together with all proceeds from the sale or other disposition of the Leases and the right to receive and apply the Rents to the payment of the Debt;

(e) all proceeds of and any unearned premiums on any insurance policies covering the Mortgaged Property, including, without limitation, the right to receive and apply the proceeds of any insurance, judgments, or settlements made in lieu thereof, for damage to the Mortgaged Property;

(f) all accounts, receivables, escrows, documents, instruments, chattel paper, claims, deposits and general intangibles, as the foregoing terms are defined in the Uniform Commercial Code, and all franchises, trade names, trademarks, symbols, service marks, books, records, plans, specifications, designs, drawings, permits, consents, licenses, management agreements, franchise agreements, contract rights (including, without limitation, any contract with any architect or engineer or with any other provider of goods or services for or in connection with any construction, repair, or other work upon the Mortgaged Property), approvals, actions, refunds of real estate taxes and assessments (and any other governmental impositions related to the Mortgaged Property), and causes of action that now or hereafter relate to, are derived from or are used in connection with the Mortgaged Property, or the use, operation, maintenance, occupancy or enjoyment thereof or the conduct of any business or activities thereon (hereinafter collectively referred to as the “**Intangibles**”); and

(g) any and all proceeds, products, offspring, rents and profits from any of the foregoing, including, without limitation, those from sale, exchange, transfer, collection, loss, damage, disposition, substitution or replacement of any of the foregoing and any and all other security and collateral of any nature whatsoever, now or hereafter given for the repayment of the Debt and the performance of Mortgagor’s obligations under the Loan Documents.

TO HAVE AND TO HOLD the above granted and described Mortgaged Property unto and to the use and benefit of Mortgagee, forever;

WITH POWER OF SALE, if and to the extent permitted by applicable law, to secure the payment to Mortgagee of the Debt at the time and in the manner provided for its payment in the Note and in this Mortgage;

PROVIDED, HOWEVER, these presents are upon the express condition that, if Mortgagor shall well and truly pay to Mortgagee the Debt at the time and in the manner provided in the Note and this Mortgage and shall well and truly abide by and comply with each and every covenant and condition set forth herein, in the Note and in the other Loan Documents in a timely manner, these presents and the estate hereby granted shall cease, terminate and be void;

THIS IS AN OPEN-END MORTGAGE AND SECURITY AGREEMENT pursuant to 42 Pa.C.S. §8143, and secures, inter alia, present and future advances made by Mortgagee pursuant to the Loan Documents and this Mortgage, plus accrued and unpaid interest. The priority of such future advances shall relate back to the date of this Mortgage, or to such later date as required by applicable law. This Mortgage also secures advances made by Mortgagee pursuant to 42 Pa.C.S. §8144, for the payment of taxes, assessments, maintenance charges, insurance premiums and other costs incurred by Mortgagee for the protection of the Mortgaged Property or the lien of this Mortgage, and expenses incurred by Mortgagee by reason of the occurrence of an Event of Default, and the priority of such advances, costs and expenses shall also relate back to the date of this Mortgage, or to such later date as required by applicable law;

AND Mortgagor represents and warrants to and covenants and agrees with Mortgagee as follows:

1. **Payment of Debt and Incorporation of Covenants, Conditions and Agreements.**

Mortgagor shall pay the Debt at the time and in the manner provided in the Note and in this Mortgage. All the covenants, conditions and agreements contained in (a) the Note, and (b) the other Loan Documents are hereby made a part of this Mortgage to the same extent and with the same force as if fully set forth herein.

2. **Warranty of Title.** Mortgagor warrants that Mortgagor is the fee simple owner of the Mortgaged Property and has good and marketable title to the Mortgaged Property and has the full power, authority and right to execute, deliver and perform its obligations under this Mortgage and to deed, encumber, mortgage, give, grant, bargain, sell, alienate, enfeoff, convey, confirm, pledge, assign and hypothecate the same and that Mortgagor possesses a fee estate in the Mortgaged Property and the Improvements and that it owns the Mortgaged Property free and clear of all liens, encumbrances and charges whatsoever except for the Permitted Encumbrances and that this Mortgage is and will remain a valid and enforceable first lien on and security interest in the Mortgaged Property, subject only to encumbrances listed in the loan title insurance policy delivered in connection with the Loan (the "Permitted Encumbrances"). Mortgagor represents and warrants that none of the Permitted Encumbrances will, individually or in the aggregate, materially and adversely affect (i) Mortgagor's ability to pay in full in a timely manner its obligations, including, without limitation, the Debt, (ii) the use of the Mortgaged Property for the use currently being made thereof, (iii) the operation of the Mortgaged Property for the operation currently being made thereof, or (iv) the value of the Mortgaged Property. Mortgagor shall forever warrant, defend and preserve such title and the validity and priority of the lien of this Mortgage and shall forever warrant and defend the same to Mortgagee against the claims of all persons whomsoever.

3. **Insurance.** The Mortgagor shall keep the Mortgaged Property insured for the benefit of the Mortgagee against loss or damage by fire and available extended coverage risks, as may be required by the Mortgagee from time to time, and provided coverage of not less than the coverage encompassed by Fire, Extended Coverage, and Vandalism and Malicious Mischief perils broadened to include the so-called "All Risk of Physical Loss", all in a format approved by the Mortgagee and in sufficient amounts to prevent the application of any insurance policy co-insurance contribution on any loss and shall in no event be less than the full face amount of the

Note. Policies shall be written on a Builder's Risk, Completed Value, non-reporting form which shall include coverage therein for "completion and/or Mortgaged Property occupancy" only if improvements being made to the Mortgaged Property are so substantial as to require such coverage in addition to Mortgagor's extended coverage policy. All insurance herein provided for shall be obtained by the Mortgagor (notwithstanding the procurement of other insurance policies by other persons or parties and relating to the Mortgaged Property) and carried in companies reasonably approved by the Mortgagee, and all policies, including additional and renewal policies, marked "premiums paid" and containing an agreement by the insurer that the policy shall not be canceled or materially changed without at least thirty (30) days' prior written notice to the Mortgagee, the policy, or any duplicate original policy, shall be delivered to the Mortgagee, and all renewal policies, including additional and renewals, modifications and extensions thereof, shall be deposited with the Mortgagee throughout the life of the loan and shall be payable, in case of loss or damage, to the Mortgagee as the first mortgagee, and shall contain the standard non-contributing mortgagee clause entitling the Mortgagee to collect all proceeds payable under all such insurance, as well as standard waiver of subrogation endorsement, and waiver of other endorsements, as the Mortgagee may require, all to be in form acceptable to the Mortgagee. In the event of any material loss, the Mortgagor will give immediate notice to the Mortgagee. The Mortgagor hereby authorizes the Mortgagee, at its option, to collect, adjust and compromise any losses under any of the insurance policies, to endorse the Mortgagor's name on any document or instrument in payment of any insured loss and, after deducting the costs of collection, to apply the proceeds, at the Mortgagee's sole option, as follows: (i) as a credit upon the indebtedness secured hereby, whether or not the same shall be then due and payable, in which event, the lien of this Mortgage shall be affected only by a reduction thereof in any amount equal to the amount so applied as a credit, or (ii) to repairing or restoring the Mortgaged Property or any part thereof, in which event, the Mortgagee shall not be obligated to see to the proper application thereof, nor shall the amount so released or used be deemed a payment on any indebtedness secured hereby. The Mortgagor shall obtain, carry and maintain comprehensive general liability insurance covering the Mortgaged Property in an amount of no less than One Million Dollars (\$1,000,000) bodily injury and/or property damage, per occurrence, and Demolition Insurance in the event that all buildings on the Mortgaged Property cannot always be automatically rebuilt to the same specifications, and in the same location in the case of all types of destruction, regardless of magnitude. Mortgagor shall provide Mortgagee with a Certificate of Insurance containing a provision designating the Mortgagee as an additional insured party and providing for not less than thirty (30) days written notice to the Mortgagee prior to any material change or cancellation of liability insurance for other than non-payment, and ten (10) days written notice to the Mortgagee prior to any cancellation for non-payment. Insurance may be provided under a blanket policy to satisfy the requirements of this Section; provided that evidence of applicability of coverages to the Mortgaged Property is provided.

Notwithstanding the foregoing and provided Mortgagor is not in default under the Note or this Mortgage Deed, and further provided that Mortgagee is satisfied that there is no legal impediment to the building and improvements being rebuilt or repaired and that there are sufficient insurance proceeds or other funds available from Mortgagor for reconstruction, Mortgagee shall receive all insurance proceeds to be held and thereafter advanced to Mortgagor to pay for the cost of the improvements on the Mortgaged Property in installments as the work

progresses, the time and amount of each advance and upon such other terms relating to such reconstruction as are satisfactory to the Mortgagee in its reasonable discretion.

4. **Payment of Impositions and Other Charges.** Mortgagor shall pay all taxes, assessments, water rates, sewer rents, utility charges and other charges, and any liens prior to the lien of this Mortgage now or hereafter assessed or liens on or levied against the Mortgaged Property or any part thereof, and in case of default in the payment thereof when the same shall be due and payable, it shall be lawful for the Mortgagee, without notice or demand, to pay the same or any of them; and the monies paid by the Mortgagee in discharge of taxes, assessments, water rates, sewer rents, utility charges and other charges, and prior liens shall be a lien on the Premises added to the amount of said Note or obligation and secured by this Mortgage, payable on demand, with interest at the rate set forth in the Note secured hereby from the time of payment of the same; and upon request of the Mortgagee, the Mortgagor shall exhibit to the Mortgagee receipts for the payment of all items specified in this Paragraph prior to the date when the same shall become delinquent.

5. **Tax Escrow.** Upon occurrence and continuance of any Event of Default, or if Mortgagor fails to provide Mortgagee with proof of payment within thirty (30) days after the due date of any such taxes, Mortgagor shall pay to the Mortgagee, together with, and in addition to, the monthly installments of interest provided in the Note, on the date provided for the first payment of interest in the Note and on the first day of each month thereafter until the Note has been fully paid, a sum equal to one-twelfth (1/12) of the yearly real property taxes assessed against the Mortgaged Property as estimated by the Mortgagee (in the exercise of its reasonable discretion). The Mortgagee shall hold said sums in a non-interest-bearing account, in trust, to pay said taxes in the manner and to the extent permitted by law when the same become due and payable in each year. If the total payments made by the Mortgagor to the Mortgagee on account of said taxes up to the time when the same become due and payable, shall exceed the amount of payment for said taxes actually made by the Mortgagee, such excess shall be credited by the Mortgagee on the next subsequent payment or payments to become due from the Mortgagor to the Mortgagee on account of said taxes. If, however, said payments shall not be sufficient to pay said taxes when the same become due and payable, then the Mortgagor agrees to pay to the Mortgagee the amount necessary to make up the deficiency upon demand by the Mortgagee. At any time after the occurrence and during the continuance of any Event of Default (as hereinafter defined), the Mortgagee may, at its option, apply the balance remaining of the sums so accumulated as a credit against the principal or accrued and unpaid interest of the Note, or both.

6. **Condemnation.** Notwithstanding any taking by eminent domain, alteration of the grade of any street or other injury to, or decrease in, value of the Mortgaged Property by any public or quasi-public authority or corporation, the Mortgagor shall continue to pay interest on the entire principal sum then secured and all payments required by the Note and this Mortgage until any such award or payment shall have been actually received by the Mortgagee, and any reduction in the principal sum resulting from the application by the Mortgagee of such award or payment as hereinafter set forth shall be deemed to take effect only on the date of such receipt; said award or payment may, at the option of the Mortgagee, be retained and applied by the Mortgagee toward payment of the monies secured by this Mortgage, or be paid over wholly or in part to the Mortgagor for the purpose of altering, restoring or rebuilding any part of the Mortgaged Property which may have been altered, damaged or destroyed as a result of any such

taking, alteration of grade or other injury to the Mortgaged Property, or for any other purpose or object satisfactory to the Mortgagee, but the Mortgagee shall not be obligated to see to the application of any amount paid over to the Mortgagor; and that if, prior to the receipt by the Mortgagee of such award or payment, the Mortgaged Property shall have been sold on foreclosure of this Mortgage, the Mortgagee shall have the right to receive said award or payment to the extent of any deficiency found to be due upon such sale, with legal interest thereon. Prior to the occurrence of any Event of Default, and provided that proceeds and other sums available from Mortgagor are sufficient to restore any damage resulting from such taking, Mortgagee agrees that it will permit proceeds of any partial taking to be applied to restoration at the Mortgaged Property.

7. **Leases and Rents.** Mortgagor does hereby absolutely and unconditionally assign to Mortgagee, all Mortgagor's right, title and interest in all current and future Leases and Rents, it being intended by Mortgagor that this assignment constitutes a present, absolute assignment and not an assignment for additional security only. Such assignment to Mortgagee shall not be construed to bind Mortgagee to the performance of any of the covenants, conditions or provisions contained in any such Lease or otherwise impose any obligation upon Mortgagee. Mortgagor agrees to execute and deliver to Mortgagee such additional instruments, in form and substance reasonably satisfactory to Mortgagee, as may hereafter be reasonably requested by Mortgagee to further evidence and confirm such assignment. Notwithstanding the provisions of this Section 7, so long as no Event of Default shall have occurred and be continuing under the Loan Documents, Mortgagor shall have the sole but revocable right and license to act as landlord under the Leases and to enforce the covenants of the Leases. Upon the occurrence and during the continuance of an Event of Default, without the need for notice or demand, the license granted to Mortgagor herein shall automatically be revoked. Mortgagee is hereby granted and assigned by Mortgagor the right, at its option, upon revocation of the license granted herein, to enter upon the Mortgaged Property in person, by agent or by court-appointed receiver to collect the Rents. Any Rents collected after the revocation of the license shall be applied by Mortgagee as determined by Mortgagee in its discretion. Mortgagor expressly understands that any and all proposed leases are included in the definition of "**Lease**" or "**Leases**" as such terms may be used throughout this Mortgage, the Note and the other Loan Documents. In the event of any conflict between the provisions of this Section 7 and the terms and conditions of that certain Assignment of Leases and Rents from Mortgagor to Mortgagee of even date herewith, the terms and conditions of the Assignment of Leases and Rents shall control.

8. **Operation and Maintenance of Mortgaged Property.** The Mortgagor shall maintain the Mortgaged Property in good condition and repair, shall not commit or suffer any waste of the Mortgaged Property, and shall comply with, or cause to be complied with, all statutes, ordinances and requirements of any governmental authority relating to the Mortgaged Property; and the Mortgagor shall promptly repair, restore, replace or rebuild any part of the Mortgaged Property now or hereafter subject to the lien of this Mortgage which may be damaged or destroyed by any casualty whatsoever or which may be affected by any condemnation or eminent domain proceeding. The Mortgagor shall complete and pay for, within a reasonable time, any structure at any time in the process of construction on the Mortgaged Property; and the Mortgagor shall not initiate, join in, or consent to, any change in any private restrictive covenant or private restrictions limiting or defining the uses which may be made of the Mortgaged

Property or any part thereof, without the written consent of the Mortgagee, which consent shall not be unreasonably withheld or delayed.

9. **Transfer or Encumbrance of the Mortgaged Property.**

(a) Mortgagor acknowledges that Mortgagee has examined and relied on the creditworthiness and experience of Mortgagor in owning and operating properties such as the Mortgaged Property in agreeing to make the Loan, and that Mortgagee will continue to rely on Mortgagor's ownership of the Mortgaged Property as a means of maintaining the value of the Mortgaged Property as security for repayment of the Debt. Mortgagor acknowledges that Mortgagee has a valid interest in maintaining the value of the Mortgaged Property so as to ensure that, should Mortgagor default in the repayment of the Debt, Mortgagee can recover the Debt by a sale of the Mortgaged Property. Except as expressly permitted under this Mortgage or under the other Loan Documents, Mortgagor shall not cause or suffer to occur or exist, directly or indirectly, voluntarily or involuntarily, by operation of law or otherwise, any sale, transfer, mortgage, pledge, lien or encumbrance (other than Permitted Encumbrances) (collectively, "**Transfers**") of (i) all or any part of the Mortgaged Property or (ii) any direct or indirect beneficial ownership interest (in whole or part) in Mortgagor, irrespective of the number of tiers of ownership, without the prior written consent of Mortgagee which consent shall not be unreasonably withheld provided that Griffin Industrial Realty, Inc. or entities controlled by it retain not less than fifty (50%) of the beneficial ownership of Mortgagor .

(b) The occurrence of any Transfer in violation of this Section 9 shall constitute an Event of Default hereunder, whereupon Mortgagee at its option, without being required to demonstrate any actual impairment of its security or any increased risk of default hereunder, may declare the Debt immediately due and payable.

(c) Mortgagee's consent to one Transfer shall not be deemed to be a waiver of Mortgagee's right to require such consent to any future occurrence of same. Any Transfer made in contravention of this paragraph shall be null and void and of no force and effect.

(d) Mortgagor agrees to bear and shall pay or reimburse Mortgagee on demand for all reasonable expenses (including, without limitation, reasonable attorneys' fees and disbursements, title search costs and title insurance endorsement premiums) incurred by Mortgagee in connection with the review, approval and documentation of any Transfer which requires the consent of Mortgagee.

10. **Financial Covenants.** So long as any sums are due and owing pursuant to the Note, this Mortgage or any other Loan Document securing the loan, Mortgagor shall maintain compliance with the following covenants, each of which be tested annually at the end of each fiscal year, commencing with the first fiscal year which occurs after the fiscal year during which all tenants are paying rent, or 2018, whichever is earlier:

- (a) Mortgagor shall maintain a minimum debt service coverage ratio of 1.25 to 1:00 (the "DSCR"). The DSCR will be computed based on the net operating income of the Mortgaged Premises and the property at 5210 Jaindl Boulevard, Bethlehem,

Pennsylvania (the "Adjacent Premises") for the preceding fiscal year over debt service due and payable on the Loan during such fiscal year.

- (b) Mortgagor shall maintain a maximum loan to value ratio of seventy (70%) for the Mortgaged Property and the Adjacent Premises combined at all time during the term of the Loan.

11. **Financial Reporting.** Grantor agrees to provide without expense to Grantee within one hundred twenty (120) days after the end of each fiscal year:

- (a) annual internally generated balance sheet, operating statement and cash flow statements of Mortgagor, certified by an officer of Mortgagor as being true, accurate and complete in all material respects;
- (b) rent rolls for the Mortgaged Property;
- (c) audited financial statements for Griffin Industrial Realty, Inc.;
- (d) and any other information as reasonably requested by Mortgagee, all in form and substance reasonably satisfactory to the Mortgagee.

12. **Changes in Laws Regarding Taxation.** If any law is enacted or adopted or amended after the date of this Mortgage which deducts the Debt from the value of the Mortgaged Property for the purpose of taxation or which imposes a tax, either directly or indirectly, on the Debt or Mortgagee's interest in the Mortgaged Property, Mortgagor will pay such tax, with interest and penalties thereon, if any. In the event Mortgagee is advised by counsel chosen by it that the payment of such tax or interest and penalties by Mortgagor would be unlawful or taxable to Mortgagee or unenforceable or provide the basis for a defense of usury, then in any such event, Mortgagee shall have the option, by written notice of not less than ninety (90) days, to declare the Debt immediately due and payable and, provided no Event of Default exists, no Prepayment Charge shall be due in connection therewith.

13. **No Credits on Account of the Debt.** Mortgagor will not claim or demand or be entitled to any credit or credits on account of the Debt for any part of the Impositions or other charges assessed against the Mortgaged Property, or any part thereof, and no deduction shall otherwise be made or claimed from the assessed value of the Mortgaged Property, or any part thereof, for real estate tax purposes by reason of this Mortgage or the Debt. In the event such claim, credit or deduction shall be required by law, Mortgagee shall have the option, by written notice of not less than ninety (90) days, to declare the Debt immediately due and payable and, provided no Event of Default exists, no Prepayment Charge shall be due in connection therewith.

14. **Documentary Stamps.** If at any time the United States of America, any State thereof or any subdivision of any such State shall require revenue or other stamps to be affixed to the Note or this Mortgage, or impose any other tax or charge on the same, Mortgagor will pay for the same, with interest and penalties thereon, if any.

15. **Performance of Other Agreements.** Mortgagor shall observe and perform each and every material term to be observed or performed by Mortgagor pursuant to the terms of any

agreement or recorded instrument (including all instruments comprising the Permitted Encumbrances) affecting or pertaining to the Mortgaged Property, and will not suffer or permit any default or event of default (after giving effect to any applicable notice requirements and cure periods) to exist under any of the foregoing.

16. **Further Acts.**

(a) Mortgagor will, at the sole cost and expense of Mortgagor, and without expense to Mortgagee, do, execute, acknowledge and deliver all and every such further acts, deeds, conveyances, mortgages, assignments, notices of assignment, Uniform Commercial Code financing statements or continuation statements, transfers and assurances as Mortgagee shall, from time to time, reasonably require, for the better assuring, conveying, assigning, transferring, and confirming unto Mortgagee the property and rights hereby deeded, mortgaged, given, granted, bargained, sold, alienated, enfeoffed, conveyed, confirmed, pledged, assigned and hypothecated or intended now or hereafter so to be, or which Mortgagor may be or may hereafter become bound to convey or assign to Mortgagee, or for carrying out the intention or facilitating the performance of the terms of this Mortgage or for filing, registering or recording this Mortgage or for facilitating the sale of the Loan and the Loan Documents as described in subparagraph (b) below. Mortgagor, on demand, will deliver and hereby authorizes Mortgagee to file in the name of Mortgagor, one or more financing statements, chattel mortgages or other instruments, to evidence more effectively the security interest of Mortgagee in the Mortgaged Property. Upon foreclosure or the appointment of a receiver, Mortgagor will, at its sole cost and expense, and without expense to Mortgagee, cooperate fully and completely to effect the assignment or transfer of any license, permit, agreement or any other right necessary or useful to the operation of the Mortgaged Property. Mortgagor grants to Mortgagee an irrevocable power of attorney coupled with an interest for the purpose of exercising and perfecting any and all rights and remedies available to Mortgagee at law and in equity, including, without limitation, such rights and remedies available to Mortgagee pursuant to this paragraph.

(b) Mortgagee shall have the right to transfer its obligations under this Mortgage and under the other Loan Documents (or may transfer the portion thereof corresponding to the transferred portion of the Debt), and thereafter Mortgagee shall be relieved of any obligations hereunder and under the other Loan Documents arising after the date of said transfer with respect to the transferred interest.

17. **Recording of Mortgage, Etc.** Mortgagor, forthwith upon the execution and delivery of this Mortgage and thereafter, from time to time, shall cause this Mortgage, and any security instrument creating a lien or security interest or evidencing the lien hereof upon the Mortgaged Property and each instrument of further assurance to be filed, registered or recorded in such manner and in such places as may be required by any present or future law in order to publish notice of and fully to protect the lien or security interest hereof upon, and the interest of Mortgagee in, the Mortgaged Property. Mortgagor will pay all filing, registration or recording fees, and all expenses incident to the preparation, execution and acknowledgment of this Mortgage, any deed of trust supplemental hereto, any security instrument with respect to the Mortgaged Property and any instrument of further assurance, and all federal, state, county and municipal, taxes, duties, imposts, assessments and charges arising out of or in connection with the execution and delivery of this Mortgage, any deed of trust supplemental hereto, any security instrument with respect to

the Mortgaged Property or any instrument of further assurance, except where prohibited by law so to do. Mortgagor shall hold harmless and indemnify Mortgagee, its successors and assigns, against any liability incurred by reason of the imposition of any tax on the making and recording of this Mortgage.

18. **Reporting Requirements.** Mortgagor agrees to give prompt notice to Mortgagee of the insolvency or bankruptcy filing of Mortgagor or the death, insolvency or bankruptcy filing of any guarantor, general partner or limited partner of Mortgagor.

19. **Events of Default.** The Debt shall become immediately due and payable at the option of Mortgagee upon the happening of any Event of Default. The term "**Event of Default**" as used in this Mortgage shall include any of the following:

- (a) after default in the payment of: (i) any periodic installment of principal and/or of interest within five (5) business days after the due date thereof as set forth in the Note, (ii) the outstanding principal balance of the Note, together with interest accrued on the principal balance, at maturity of the Note, or (iii) any other sums to be paid by Mortgagor under this Mortgage or any of the other Loan Documents, which is not cured within ten (10) days after written notice thereof to Mortgagor; or
- (b) after nonpayment of any tax, water rate or assessment prior to the occurrence of a penalty, additional interest or the acceleration of any future installments; or
- (c) upon default in keeping in force the insurance required herein; or
- (d) after default, after notice and demand, either in delivering the policies of insurance herein described or referred to or in reimbursing the Mortgagee for premiums paid on such insurance, as herein provided; or
- (e) after default for thirty (30) days after notice and demand in the payment of any installment which may then be due or delinquent for any assessment for local improvement for which an official bill has been issued by the appropriate authorities and which may now or hereafter affect the Mortgaged Property and may be or become payable in installments; or
- (f) upon the actual or threatened waste, removal or demolition of, or material alteration to, any part of the Mortgaged Property, except as permitted herein; or
- (g) upon assignment by the Mortgagor of the whole or any part of the rents, income or profits arising from the Mortgaged Property without the written consent of the Mortgagee;
- (h) should the Mortgagor lease, sell, encumber or otherwise convey or transfer any of its interest in or ownership of the Mortgaged Property (other than leases of space in the ordinary course of business on reasonable market terms, and the granting of easements for service to the Mortgaged Property which do not interfere with the location of any buildings or improvements and do not reduce the value of the

Mortgaged Property) without the prior written consent of the Mortgagee, the Mortgagee retains the right to withhold its consent to any transfer and shall not be required to satisfy Mortgagor nor any third party as to the reason for withholding such consent; or

- (i) should the Mortgagor be deprived of either title or possession or control of the Mortgaged Property by process or operation of law or order of court; or
- (j) should the Mortgagor be involved as a debtor pursuant to the bankruptcy laws of the United States or if any proceeding shall be instituted on any lien or mortgage of any kind effecting the Mortgaged Property, or should the Mortgagor be judged to be bankrupt or insolvent, or should a judgment lien, execution or similar process be levied against the Mortgaged Property and any of the aforesaid not be released, unstayed, or otherwise vacated for a period of ninety (90) days; or
- (k) upon default in the observance or performance of any other covenants or agreements of the Mortgagor hereunder or under any other instrument securing the debt or any portion thereof, after notice and failure to cure within thirty (30) days, or such longer period as is reasonably necessary to cure such default, provided that Mortgagor diligently pursues such cure to completion or
- (l) default in the performance of any of Mortgagor's covenants or agreements in any other mortgage or other security instrument on the Mortgaged Property; or
- (m) after default under any other promissory note or evidence of indebtedness by the Mortgagor to the Mortgagee, and if such default continues for a period of thirty (30) days after written notice; or after default beyond applicable notice and cure periods under that certain Open-End Mortgage, Assignment of Leases and Rents and Security Agreement from Riverbend Hanover Properties I LLC to Mortgagee of even date herewith; or
- (n) should any misrepresentation, misstatement or omission of fact, made herein or in any other document or statement given in connection herewith by the Mortgagor, prove to have existed when made in any material respect; or
- (o) upon election by Mortgagee to exercise its right to accelerate maturity of the principal sum pursuant to the provisions of the Note or of any other instrument which may be held by the Mortgagee as additional security for the Note following the occurrence of an Event of Default thereunder (and expiration of any applicable cure period); or
- (p) failure of the Mortgagor to provide financial information or to comply with financial covenants as required pursuant to Sections 10 and 11 of this Mortgage and if such default continues for a period of thirty (30) days after notice; or
- (q) failure of the Mortgagor to provide the Springing Master Lease, if required under the provisions of Section 46 of this Mortgage.

20. **Right To Cure Defaults.** Upon the occurrence and during the continuance of any Event of Default, Mortgagee may, but without any obligation to do so and without notice to or demand on Mortgagor and without releasing Mortgagor from any obligation hereunder, make or do the same in such manner and to such extent as Mortgagee may deem necessary to protect the security hereof. Mortgagee is authorized to enter upon the Mortgaged Property for such purposes or appear in, defend, or bring any action or proceeding to protect its interest in the Mortgaged Property or to foreclose this Mortgage or collect the Debt, and the cost and expense thereof (including reasonable attorneys' fees and disbursements to the extent permitted by law), with interest at the Default Rate (as defined in the Note) for the period after notice from Mortgagee that such cost or expense was incurred to the date of payment to Mortgagee, shall constitute a portion of the Debt, shall be secured by this Mortgage and the other Loan Documents and shall be due and payable to Mortgagee upon demand.

21. **Remedies.**

(a) Upon the occurrence and during the continuance of any Event of Default, Mortgagee may take such action, without notice or demand, as it deems advisable to protect and enforce its rights against Mortgagor and in and to the Mortgaged Property by Mortgagee itself or otherwise, including, without limitation, the following actions, each of which may be pursued concurrently or otherwise, at such time and in such order as Mortgagee may determine, in its sole discretion, without impairing or otherwise affecting the other rights and remedies of Mortgagee:

- i. declare the entire Debt to be immediately due and payable;
- ii. to the extent permitted by applicable law, institute a proceeding or proceedings, judicial or nonjudicial, by advertisement or otherwise, for the complete foreclosure of this Mortgage in which case the Mortgaged Property or any interest therein may be sold for cash or upon credit in one or more parcels or in several interests or portions and in any order or manner;
- iii. with or without entry, to the extent permitted and pursuant to the procedures provided by applicable law, institute proceedings for the partial foreclosure of this Mortgage for the portion of the Debt then due and payable, subject to the continuing lien of this Mortgage for the balance of the Debt not then due;
- iv. if and to the extent permitted by applicable law, sell for cash or upon credit the Mortgaged Property or any part thereof and all estate, claim, demand, right, title and interest of Mortgagor therein and rights of redemption thereof, pursuant to the power of sale contained herein or otherwise, at one or more sales, as an entirety or in parcels, at such time and place, upon such terms and after such notice thereof as may be required or permitted by law;
- v. institute an action, suit or proceeding in equity for the specific performance of any covenant, condition or agreement contained herein, or in any of the other Loan Documents;
- vi. to the extent permitted by applicable law, recover judgment on the Note either before, during or after any proceedings for the enforcement of this Mortgage;

vii. apply for the appointment of a trustee, receiver, liquidator or conservator of the Mortgaged Property, to the extent permitted by applicable law, without notice and without regard for the adequacy of the security for the Debt and without regard for the solvency of the Mortgagor, any guarantor or of any person, firm or other entity liable for the payment of the Debt;

viii. enforce Mortgagee's interest in the Leases and Rents and enter into or upon the Mortgaged Property, either personally or by its agents, nominees or attorneys and dispossess Mortgagor and its agents and servants therefrom, and thereupon Mortgagee may (A) use, operate, manage, control, insure, maintain, repair, restore and otherwise deal with all and every part of the Mortgaged Property and conduct the business thereat; (B) complete any construction on the Mortgaged Property in such manner and form as Mortgagee deems advisable; (C) make alterations, additions, renewals, replacements and improvements to or on the Mortgaged Property; (D) exercise all rights and powers of Mortgagor with respect to the Mortgaged Property, whether in the name of Mortgagor or otherwise, including, without limitation, the right to make, cancel, enforce or modify Leases, obtain and evict tenants, and demand, sue for, collect and receive all Rents; and (E) apply the receipts from the Mortgaged Property to the payment of Debt, after deducting therefrom all expenses (including reasonable attorneys' fees and disbursements) incurred in connection with the aforesaid operations and all amounts necessary to pay the taxes, assessments insurance and other charges in connection with the Mortgaged Property, as well as just and reasonable compensation for the services of Mortgagee, its counsel, agents and employees; or

ix. pursue such other rights and remedies as may be available at law or in equity or under the Uniform Commercial Code, including, without limitation, Section 9604(a)(2) of the Uniform Commercial Code.

In the event of a sale, by foreclosure or otherwise, of less than all of the Mortgaged Property, this Mortgage shall continue as a lien on the remaining portion of the Mortgaged Property.

(b) The proceeds of any sale made under or by virtue of this paragraph, together with any other sums which then may be held by Mortgagee under this Mortgage, whether under the provisions of this paragraph or otherwise, shall be applied by Mortgagee to the payment of the Debt in such priority and proportion as Mortgagee in its sole discretion shall deem proper.

(c) Mortgagee may adjourn from time to time any sale by it to be made under or by virtue of this Mortgage by announcement at the time and place appointed for such sale or for such adjourned sale or sales; and, except as otherwise provided by any applicable provision of law, Mortgagee, without further notice or publication, may make such sale at the time and place to which the same shall be so adjourned.

(d) Upon the completion of any sale or sales pursuant hereto, Mortgagee (to the extent permitted by law) or an officer of any court empowered to do so, shall execute and deliver to the accepted purchaser or purchasers a good and sufficient instrument, or good and sufficient instruments, conveying, assigning and transferring all estate, right, title and interest in and to the property and rights sold. Any sale or sales made under or by virtue of this paragraph, whether made under the power of sale herein granted or under or by virtue of judicial proceedings or of a

judgment or decree of foreclosure and sale, shall operate to divest all the estate, right, title, interest, claim and demand whatsoever, whether at law or in equity, of Mortgagor in and to the properties and rights so sold, and shall be a perpetual bar both at law and in equity against Mortgagor and against any and all persons claiming or who may claim the same, or any part thereof from, through or under Mortgagor.

(e) Upon any sale made under or by virtue of this paragraph, whether made under the power of sale herein granted or under or by virtue of judicial proceedings or of a judgment or decree of foreclosure and sale, Mortgagee may bid for and acquire the Mortgaged Property or any part thereof and in lieu of paying cash therefor may make settlement for the purchase price by crediting upon the Debt the net sales price after deducting therefrom the expenses of the sale and costs of the action and any other sums which Mortgagee is authorized to deduct under this Mortgage.

(f) No recovery of any judgment by Mortgagee and no levy of an execution under any judgment upon the Mortgaged Property or upon any other property of Mortgagor shall affect in any manner or to any extent the lien of this Mortgage upon the Mortgaged Property or any part thereof, or any liens, rights, powers or remedies of Mortgagee hereunder, but such liens, rights, powers and remedies of Mortgagee shall continue unimpaired as before.

(g) Mortgagee may terminate or rescind any proceeding or other action brought in connection with its exercise of the remedies provided in this paragraph at any time before the conclusion thereof, as determined in Mortgagee's sole discretion and without prejudice to Mortgagee.

(h) Mortgagee may resort to any remedies and the security given by the Note, this Mortgage or the other Loan Documents in whole or in part, and in such portions and in such order as determined in Mortgagee's sole discretion. No such action shall in any way be considered a waiver of any rights, benefits or remedies evidenced or provided by the Note, this Mortgage or any of the other Loan Documents. The failure of Mortgagee to exercise any right, remedy or option provided in the Note, this Mortgage or any of the other Loan Documents shall not be deemed a waiver of such right, remedy or option or of any covenant or obligation secured by the Note, this Mortgage or the other Loan Documents. No acceptance by Mortgagee of any payment after the occurrence of any Event of Default and no payment by Mortgagee of any obligation for which Mortgagor is liable hereunder shall be deemed to waive or cure any Event of Default with respect to Mortgagor, or Mortgagor's liability to pay such obligation. No sale of all or any portion of the Mortgaged Property, no forbearance on the part of Mortgagee, and no extension of time for the payment of the whole or any portion of the Debt or any other indulgence given by Mortgagee to Mortgagor, shall operate to release or in any manner affect the interest of Mortgagee in the remaining Mortgaged Property or the liability of Mortgagor to pay the Debt. No waiver by Mortgagee shall be effective unless it is in writing and then only to the extent specifically stated. All reasonable costs and expenses of Mortgagee in exercising its rights and remedies under this paragraph (including reasonable attorneys' fees and disbursements to the extent permitted by law), shall be paid by Mortgagor immediately upon notice from Mortgagee, with interest at the Default Rate for the period after notice from Mortgagee and such costs and expenses shall constitute a portion of the Debt and shall be secured by this Mortgage.

(i) The interests and rights of Mortgagee under the Note, this Mortgage or in any of the other Loan Documents shall not be impaired by any indulgence, including (i) any renewal, extension or modification which Mortgagee may grant with respect to any of the Debt, (ii) any surrender, compromise, release, renewal, extension, exchange or substitution which Mortgagee may grant with respect to the Mortgaged Property or any portion thereof; or (iii) any release or indulgence granted to any maker, endorser, guarantor or surety of any of the Debt.

(j) FOR THE PURPOSE OF PROCURING POSSESSION OF THE MORTGAGED PROPERTY IN THE EVENT OF ANY DEFAULT HEREUNDER OR UNDER ANY OTHER LOAN DOCUMENT, MORTGAGOR HEREBY AUTHORIZES AND EMPOWERS ANY ATTORNEY OF ANY COURT OF RECORD IN THE COMMONWEALTH OF PENNSYLVANIA OR ELSEWHERE, AS ATTORNEY FOR MORTGAGOR AND ALL PERSONS CLAIMING UNDER OR THROUGH MORTGAGOR, TO APPEAR FOR MORTGAGOR AND CONFESS JUDGMENT PURSUANT TO APPLICABLE LAW AGAINST MORTGAGOR, AND ALL PERSONS CLAIMING UNDER OR THROUGH MORTGAGOR, FOR THE RECOVERY BY MORTGAGEE OF POSSESSION OF THE MORTGAGED PROPERTY, WITHOUT ANY STAY OF EXECUTION, FOR WHICH THIS MORTGAGE, OR A COPY HEREOF VERIFIED BY AFFIDAVIT, SHALL BE A SUFFICIENT WARRANT; AND THEREUPON A WRIT OF POSSESSION MAY BE ISSUED FORTHWITH, WITHOUT ANY PRIOR WRIT OR PROCEEDING WHATSOEVER. MORTGAGOR HEREBY RELEASES MORTGAGEE FROM ALL ERRORS AND DEFECTS WHATSOEVER IN ENTERING SUCH JUDGMENT AND IN CAUSING SUCH WRIT OR WRITS TO BE ISSUED, AND HEREBY AGREES THAT NO WRIT OF ERROR, APPEAL, PETITION TO OPEN OR STRIKE OFF JUDGMENT, OR OTHER OBJECTION SHALL BE FILED OR MADE WITH RESPECT THERETO. IF FOR ANY REASON AFTER SUCH JUDGMENT HAS BEEN CONFESSED THE SAME SHALL BE DISCONTINUED OR POSSESSION OF THE MORTGAGED PROPERTY SHALL REMAIN IN OR BE RESTORED TO MORTGAGOR, MORTGAGEE SHALL HAVE THE RIGHT FOR THE SAME DEFAULT OR ANY SUBSEQUENT DEFAULT TO BRING ONE OR MORE FURTHER JUDGMENTS BY CONFESSION AS ABOVE PROVIDED TO RECOVER POSSESSION OF THE MORTGAGED PROPERTY. MORTGAGEE MAY ENTER SUCH JUDGMENT BEFORE OR AFTER THE INSTITUTION OF FORECLOSURE PROCEEDINGS UPON THIS MORTGAGE, OR AFTER JUDGMENT THEREON OR ON THE NOTE, OR AFTER A SALE OF THE MORTGAGED PROPERTY BY THE SHERIFF.

22. **Right of Entry.** In addition to any other rights or remedies granted under this Mortgage, Mortgagee and its agents shall have the right to enter and inspect the Mortgaged Property at any reasonable time during the Term and upon reasonable advance notice to Mortgagor (except following the occurrence and continuance of a default hereunder or under any of the Loan Documents, in which case no such notice shall be required prior to Mortgagee exercising its rights under this Section). The reasonable cost of such inspections or audits shall be borne by Mortgagor should Mortgagee determine that an Event of Default exists, including the cost of all follow up or additional investigations or inquiries deemed reasonably necessary by Mortgagee. The reasonable cost of such inspections, if not paid for by Mortgagor within ten (10) Business Days of demand therefor, may be added to the principal balance of the sums due under the Note and this Mortgage and shall bear interest thereafter until paid at the Default Rate.

23. **Security Agreement**. This Mortgage is both a real property mortgage and a “security agreement” within the meaning of the Uniform Commercial Code. The Mortgaged Property includes both real and personal property and all other rights and interests, whether tangible or intangible in nature, of Mortgagor in the Mortgaged Property. Mortgagor by executing and delivering this Mortgage has granted and hereby grants to Mortgagee, as security for the Debt, a security interest in the Mortgaged Property to the full extent that the Mortgaged Property may be subject to the Uniform Commercial Code (said portion of the Mortgaged Property so subject to the Uniform Commercial Code being called in this paragraph the “**Collateral**”). Mortgagor hereby agrees with Mortgagee to deliver to Mortgagee, in form and substance reasonably satisfactory to Mortgagee, such financing statements and such further assurances as Mortgagee may from time to time, reasonably consider necessary to create, perfect, and preserve Mortgagee’s security interest herein granted. This Mortgage shall also constitute a “fixture filing” for the purposes of the Uniform Commercial Code as to all or any items of the Collateral that are or are to become fixtures under the Uniform Commercial Code. Information concerning the security interest herein granted may be obtained from the parties at the addresses of the parties set forth in the first paragraph of this Mortgage. If an Event of Default shall occur, Mortgagee, in addition to any other rights and remedies which it may have, shall have and may exercise immediately and without demand, any and all rights and remedies granted to a secured party upon default under the Uniform Commercial Code, including, without limiting the generality of the foregoing, the right to take possession of the Collateral or any part thereof, and to take such other measures as Mortgagee may deem necessary for the care, protection and preservation of the Collateral. Upon request or demand of Mortgagee after the occurrence and during the continuance of an Event of Default, Mortgagor shall at its expense assemble the Collateral and make it available to Mortgagee at a convenient place reasonably acceptable to Mortgagee. Mortgagor shall pay to Mortgagee within ten (10) Business Days of demand therefor any and all expenses, including reasonable attorneys’ fees and disbursements, incurred or paid by Mortgagee in protecting the interest in the Collateral and in enforcing the rights hereunder with respect to the Collateral. Any notice of sale, disposition or other intended action by Mortgagee with respect to the Collateral sent to Mortgagor in accordance with the provisions hereof at least ten (10) Business Days prior to such action, shall constitute commercially reasonable notice to Mortgagor. The proceeds of any disposition of the Collateral, or any part thereof, may be applied by Mortgagee to the payment of the Debt in such priority and proportions as Mortgagee in its sole discretion shall deem proper. In the event of any change in name, identity or structure of any Mortgagor, such Mortgagor shall notify Mortgagee thereof and promptly after Mortgagee’s request shall execute, file and record such Uniform Commercial Code forms as are necessary to maintain the priority of Mortgagee’s lien upon and security interest in the Collateral, and shall pay all reasonable expenses and fees in connection with the filing and recording thereof. If Mortgagee shall require the filing or recording of additional Uniform Commercial Code forms or continuation statements, Mortgagor shall, promptly after request, execute, file and record such Uniform Commercial Code forms or continuation statements as Mortgagee shall deem reasonably necessary, and shall pay all reasonable expenses and fees in connection with the filing and recording thereof, it being understood and agreed, however, that no such additional documents shall increase Mortgagor’s obligations or decrease Mortgagor’s rights under the Note, this Mortgage and any of the other Loan Documents. Mortgagor hereby irrevocably appoints Mortgagee as its attorney-in-fact, coupled with an interest, to file with the appropriate public office on its behalf any financing or other statements signed only by Mortgagee, as secured party, in connection with the Collateral covered by this Mortgage.

24. **Actions and Proceedings.** Mortgagee has the right to appear in and defend any action or proceeding brought with respect to the Mortgaged Property and to bring any action or proceeding, in the name and on behalf of Mortgagor, which Mortgagee, in its reasonable discretion, decides should be brought to protect its interest in the Mortgaged Property. Mortgagee shall, at its option, be subrogated to the lien of any deed of trust or other security instrument discharged in whole or in part by the Debt, and any such subrogation rights shall constitute additional security for the payment of the Debt.

25. **Recovery of Sums Required to be Paid.** Mortgagee shall have the right from time to time to take action to recover any sum or sums which constitute a part of the Debt as the same become due, without regard to whether or not the balance of the Debt shall be due, and without prejudice to the right of Mortgagee thereafter to bring an action of foreclosure, or any other action, for a default or defaults by Mortgagor existing at the time such earlier action was commenced.

26. **Marshalling and Other Matters.** Mortgagor hereby waives, to the extent permitted by law, the benefit of all appraisal, valuation, stay, extension, reinstatement and redemption laws now or hereafter in force and all rights of marshalling in the event of any sale hereunder of the Mortgaged Property or any part thereof or any interest therein. Further, Mortgagor hereby expressly waives any and all rights of redemption from sale under any order or decree of foreclosure of this Mortgage on behalf of Mortgagor, and on behalf of each and every person acquiring any interest in or title to the Mortgaged Property subsequent to the date of this Mortgage and on behalf of all persons to the extent permitted by applicable law. Mortgagee shall not be under any obligation to marshal any assets in favor of any Person or in payment of any of the Debt.

27. **Handicapped Access.**

(a) Mortgagor agrees that the Mortgaged Property shall at all times comply, with the requirements of the Americans with Disabilities Act of 1990, all state and local laws and ordinances related to handicapped access and all rules, regulations, and orders issued pursuant thereto including, without limitation, the Americans with Disabilities Act Accessibility Guidelines for Buildings and Facilities (collectively "**Access Laws**").

(b) Without limiting the foregoing, Mortgagor shall cause any alterations to the Mortgaged Property to comply with all applicable Access Laws. The foregoing shall apply to tenant improvements constructed by Mortgagor or by any of its tenants. Mortgagee may condition any such approval upon receipt of a certificate of Access Law compliance from an architect, engineer, or other person acceptable to Mortgagee.

(c) Mortgagor agrees to give prompt notice to Mortgagee of the receipt by Mortgagor of any material complaints related to violation of any Access Laws and of the commencement of any proceedings or investigations which relate to compliance with applicable Access Laws.

28. **Indemnification.** In addition to any other indemnifications provided herein or in the other Loan Documents, Mortgagor shall protect, defend, indemnify and save harmless Mortgagee and its successors and assigns, and the officers, directors, stockholders, partners,

members, employees, agents, and affiliates of Mortgagee and such successors and assigns (each an "**Indemnified Party**") from and against all liabilities, obligations, claims, demands, damages, penalties, causes of action, losses, fines, costs and expenses (including, without limitation, reasonable attorneys' fees and disbursements), imposed upon or incurred by or asserted against any Indemnified Party by reason of: (a) ownership of this Mortgage, the Mortgaged Property or any interest therein or receipt of any Rents; (b) any accident, injury to or death of persons or loss of or damage to property occurring in, on or about the Mortgaged Property or any part thereof or on the adjoining sidewalks, curbs, adjacent property or adjacent parking areas, streets or ways; (c) any use, nonuse or condition in, on or about the Mortgaged Property or any part thereof or on adjoining sidewalks, curbs, adjacent property or adjacent parking areas, streets or ways; (d) any failure on the part of Mortgagor to perform or comply with any of the terms of this Mortgage; (e) performance of any labor or services or the furnishing of any materials or other property in respect of the Mortgaged Property or any part thereof; (f) any failure of the Mortgaged Property or the Improvements to comply with any applicable law, statute, code, ordinance, rule or regulation including, without limitation, any Access Laws; (g) any default by Mortgagor under this Mortgage or any of the other Loan Documents; (h) any actions taken by any Indemnified Party in the enforcement of this Mortgage and other Loan Documents in accordance with their respective terms; (i) any representation or warranty made in the Note, this Mortgage or any of the other Loan Documents being false or misleading in any material respect as of the date such representation or warranty was made; (j) any claim by brokers, finders or similar persons claiming to be entitled to a commission in connection with any Lease or other transaction involving the Mortgaged Property or any part thereof under any legal requirement or any liability asserted against Mortgagee with respect thereto; and (k) the claims of any lessee of any or any portion of the Mortgaged Property or any person acting through or under any lessee or otherwise arising under or as a consequence of any Lease (collectively, the "**Indemnified Liabilities**"), provided that Mortgagor shall not have an obligation to an Indemnified Party hereunder with respect to the Indemnified Liabilities arising from the fraud, gross negligence or willful misconduct of such Indemnified Party as determined by a court of competent jurisdiction. Any amounts payable to Mortgagee by reason of the application of this paragraph shall be secured by this Mortgage and shall become immediately due and payable and shall bear interest at the Default Rate from the date loss or damage is sustained by Mortgagee until paid. The obligations and liabilities of Mortgagor under this paragraph shall survive the termination, satisfaction, or assignment of this Mortgage and the exercise by Mortgagee of any of its rights or remedies hereunder, including, but not limited to, the acquisition of the Mortgaged Property by foreclosure or a conveyance in lieu of foreclosure.

29. **Notices.** Any notice, including all notices given by Mortgagor to Mortgagee pursuant to 42 Pa.C.S. § 8143(c), demand, statement, request or consent made hereunder shall be in writing, addressed to the intended recipient at its address set forth on page 1 of this Mortgage, and shall be made and deemed given in accordance with the terms of this Mortgage. All notices pursuant to 42 Pa.C.S. §8143(b) or (d) must be addressed to Mortgagee at its address set forth on page 1 of this Mortgage.

30. **Authority.** (a) Mortgagor (and the undersigned representative of Mortgagor, if any) represent and warrant that it (or they, as the case may be) has full power, authority and right to execute, deliver and perform its obligations pursuant to this Mortgage, and to deed, mortgage, give, grant, bargain, sell, alien, enfeoff, convey, confirm, warrant, pledge, hypothecate and assign the Mortgaged Property pursuant to the terms hereof and to keep and observe all of the terms of

this Mortgage on Mortgagor's part to be performed; and (b) Mortgagor represents and warrants that Mortgagor is not a "foreign person" within the meaning of Section 1445(f)(3) of the Internal Revenue Code of 1986, as amended and the related Treasury Department regulations, including temporary regulations.

31. **Non-Waiver**. The failure of Mortgagee to insist upon strict performance of any term hereof shall not be deemed to be a waiver of any term of this Mortgage. Any consent or approval by Mortgagee in any single instance shall not be deemed or construed to be Mortgagee's consent or approval in any like matter arising at a subsequent date. Mortgagor shall not be relieved of Mortgagor's obligations hereunder by reason of (a) the failure of Mortgagee to comply with any request of Mortgagor or any guarantor to take any action to foreclose this Mortgage or otherwise enforce any of the provisions hereof or of the Note, or the other Loan Documents, (b) the release, regardless of consideration, of the whole or any part of the Mortgaged Property, or of any person liable for the Debt or any portion thereof, or (c) any agreement or stipulation by Mortgagee extending the time of payment or otherwise modifying or supplementing the terms of the Note, this Mortgage or any of the other Loan Documents. Mortgagee may resort for the payment of the Debt to any other security held by Mortgagee in such order and manner as Mortgagee, in its sole discretion, may elect. Mortgagee may take action to recover the Debt, or any portion thereof, or to enforce any covenant hereof without prejudice to the right of Mortgagee thereafter to foreclose this Mortgage. The rights and remedies of Mortgagee under this Mortgage shall be separate, distinct and cumulative and none shall be given effect to the exclusion of the others. No act of Mortgagee shall be construed as an election to proceed under any one provision herein to the exclusion of any other provision. Mortgagee shall not be limited exclusively to the rights and remedies herein stated but shall be entitled to every right and remedy now or hereafter afforded at law or in equity.

32. **No Oral Change**. This Mortgage, and any provisions hereof, may not be modified, amended, waived, extended, changed, discharged or terminated orally or by any act or failure to act on the part of Mortgagor or Mortgagee, but only by an agreement in writing signed by the party against whom enforcement of any modification, amendment, waiver, extension, change, discharge or termination is sought.

33. **Liability**. Subject to the provisions hereof requiring Mortgagee's consent to any transfer of the Mortgaged Property, this Mortgage shall be binding upon and inure to the benefit of Mortgagor and Mortgagee and their respective successors and assigns forever.

34. **Inapplicable Provisions**. If any term, covenant or condition of the Note or this Mortgage is held to be invalid, illegal or unenforceable in any respect, the Note and this Mortgage shall be construed without such provision.

35. **Headings, Etc**. The headings and captions of various paragraphs of this Mortgage are for convenience of reference only and are not to be construed as defining or limiting, in any way, the scope or intent of the provisions hereof.

36. **Duplicate Originals**. This Mortgage may be executed in any number of duplicate originals and each such duplicate original shall be deemed to be an original.

37. **Definitions.** Unless the context clearly indicates a contrary intent or unless otherwise specifically provided herein, words used in this Mortgage may be used interchangeably in singular or plural form and the word “**Mortgagor**” shall mean “Mortgagor and any subsequent owner or owners of the Mortgaged Property or any part thereof or any interest therein,” the word “**Mortgagee**” shall mean “Mortgagee and any subsequent holder of the Note,” the word “**Note**” shall mean “the Note and any other evidence of indebtedness secured by this Mortgage,” the word “**person**” shall include an individual, corporation, partnership, trust, unincorporated association, government, governmental authority, and any other entity, and the words “**Mortgaged Property**” shall include any portion of the Mortgaged Property and any interest therein and the words “**attorneys’ fees**” shall include any and all reasonable attorneys’ fees, paralegal and law clerk fees, including, without limitation, fees at the pre-trial, trial and appellate levels incurred or paid by Mortgagee in protecting its interest in the Mortgaged Property and Collateral and enforcing its rights hereunder. Whenever the context may require, any pronouns used herein shall include the corresponding masculine, feminine or neuter forms, and the singular form of nouns and pronouns shall include the plural and vice versa.

38. **Homestead.** Mortgagor hereby waives and renounces all homestead and exemption rights provided by the Constitution and the laws of the United States and of any state, in and to the Mortgaged Property as against the collection of the Debt, or any part hereof.

39. **Assignments.** Mortgagee shall have the right to assign or transfer its rights under this Mortgage without limitation. Any assignee or transferee shall be entitled to all the benefits afforded Mortgagee under this Mortgage.

40. **Waiver of Jury Trial.** EACH OF MORTGAGOR AND MORTGAGEE HEREBY AGREES NOT TO ELECT A TRIAL BY JURY OF ANY ISSUE TRIABLE OF RIGHT BY JURY, AND WAIVES ANY RIGHT TO TRIAL BY JURY FULLY TO THE EXTENT THAT ANY SUCH RIGHT SHALL NOW OR HEREAFTER EXIST WITH REGARD TO THE NOTE, THIS MORTGAGE, OR THE OTHER LOAN DOCUMENTS, OR ANY CLAIM, COUNTERCLAIM OR OTHER ACTION ARISING IN CONNECTION THEREWITH. THIS WAIVER OF RIGHT TO TRIAL BY JURY IS GIVEN KNOWINGLY AND VOLUNTARILY BY MORTGAGOR AND MORTGAGEE, AND IS INTENDED TO ENCOMPASS INDIVIDUALLY EACH INSTANCE AND EACH ISSUE AS TO WHICH THE RIGHT TO A TRIAL BY JURY WOULD OTHERWISE ACCRUE. EACH OF MORTGAGOR AND MORTGAGEE IS HEREBY AUTHORIZED TO FILE A COPY OF THIS PARAGRAPH IN ANY PROCEEDING AS CONCLUSIVE EVIDENCE OF THIS WAIVER BY THE OTHER PARTY.

41. **Amendments.** Mortgagor and Mortgagee reserve the right to modify this Mortgage or the obligations it secures, and this Mortgage as so modified will retain priority even if the modification is materially prejudicial to the holders of junior interests in the Mortgaged Property. Mortgagor and Mortgagee agree that changes in the interest rate, amortization and maturity date of the Loan, alone or in combination will not be materially prejudicial to the holders of junior interests in the Mortgaged Property. By accepting, acquiring or holding a junior interest in the Mortgaged Property, the holder thereof agrees to be bound by this paragraph.

42. **Miscellaneous.**

(a) NOTICE. THIS DOCUMENT MAY NOT/DOES NOT SELL, MORTGAGE, GRANT, CONVEY, TRANSFER, INCLUDE OR INSURE THE TITLE TO THE COAL AND RIGHT OF SUPPORT UNDERNEATH THE SURFACE LAND DESCRIBED OR REFERRED TO HEREIN, AND THE OWNER OR OWNERS OF SUCH COAL MAY HAVE THE COMPLETE LEGAL RIGHT TO REMOVE ALL OF SUCH COAL, AND, IN THAT CONNECTION, DAMAGE MAY RESULT TO THE SURFACE OF THE LAND AND ANY HOUSE, BUILDING OR OTHER STRUCTURE ON OR IN SUCH LAND, THE INCLUSION OF THIS NOTICE DOES NOT ENLARGE, RESTRICT OR MODIFY ANY LEGAL RIGHTS OR ESTATES OTHERWISE CREATED, TRANSFERRED, EXCEPTED OR RESERVED BY THIS INSTRUMENT. This notice is set forth in the manner provided in Section 1 of the Act of July 17, 1957, P.L. 984, as amended, and is not intended as notice of unrecorded instruments, if any.

(b) The Loan Documents contain the entire agreement between Mortgagor and Mortgagee relating to or connected with the Loan. Any other agreements relating to or connected with the Loan not expressly set forth in the Loan Documents are null and void and superseded in their entirety by the provisions of the Loan Documents.

(c) Mortgagor represents and warrants to Mortgagee that, to Mortgagor's knowledge, there has not been committed by Mortgagor or any other person in occupancy of or involved with the operation or use of the Mortgaged Property any act or omission affording the federal government or any state or local government the right of forfeiture as against the Mortgaged Property or any part thereof or any monies paid in performance of Mortgagor's obligations under the Note or under any of the other Loan Documents. Mortgagor hereby covenants and agrees not to commit, intentionally permit or suffer to exist any act, omission or circumstance affording such right of forfeiture. In furtherance thereof, Mortgagor hereby indemnifies Mortgagee and agrees to defend and hold Mortgagee harmless from and against any loss, damage or injury by reason of the breach of the covenants and agreements or the representations and warranties set forth in this paragraph. Without limiting the generality of the foregoing, the filing of formal charges or the commencement of proceedings against Mortgagor or all or any part of the Mortgaged Property under any federal or state law for which forfeiture of the Mortgaged Property or any part thereof or of any monies paid in performance of Mortgagor's obligations under the Loan Documents is a potential result, shall, at the election of Mortgagee, constitute an Event of Default hereunder without notice or opportunity to cure.

(d) Mortgagor acknowledges that, with respect to the Loan, Mortgagor is relying solely on its own judgment and advisors in entering into the Loan without relying in any manner on any statements, representations or recommendations of Mortgagee or any parent, subsidiary or affiliate of Mortgagee. Mortgagor acknowledges that Mortgagee engages in the business of real estate financings and other real estate transactions and investments which may be viewed as adverse to or competitive with the business of the Mortgagor or its affiliates. Mortgagor acknowledges that it is represented by competent counsel and has consulted counsel before executing the Loan Documents.

(e) This is an Open-End Mortgage and shall be entitled to all benefits as such under 42 Pa.C.S. §8143. As contemplated by 42 Pa.C.S. §8143, the indebtedness secured hereby is to be advanced pursuant to the Loan Documents, the terms and conditions of which are

incorporated herein by this reference with the same force and effect as if hereinafter more fully set forth, and this Mortgage. It is understood and agreed that this Mortgage covers present and future advances, in the aggregate amount of the obligations secured hereby, made by Mortgagee to or for the benefit of Mortgagor, plus accrued and unpaid interest, and that the lien of such future advances shall relate back to the date of this Mortgage, or to such later date as required by applicable law. With respect to any Lien placed on the Mortgaged Property (other than the Lien of this Mortgage), the holder of the Lien, whether or not consented to by Mortgagee, expressly agrees by acceptance of such Lien and without any further act or documentation being required by it, waives and relinquishes any rights which it may have to file or send a notice pursuant to 42 Pa.C.S. §§8143(b) and (d).

(f) If (i) this Mortgage secures a line of credit or other loan facility pursuant to which advances are made from time to time by Mortgagee to Mortgagor, and (ii) Mortgagee receives written notice pursuant to 42 Pa.C.S. §8143(b) from a holder of a lien or encumbrance on the Mortgaged Property which is subordinate to the lien of the Mortgage, then and notwithstanding any provision to the contrary contained in any of the Loan Documents, Mortgagor agrees that Mortgagee shall not be responsible to make any further advances to Mortgagor and Mortgagee is released from all liability for failure to make such advances.

(g) If (i) this Mortgage secures a loan facility the proceeds of which are used to provide funds to pay toward all or part of the cost of completing any erection, construction, alteration or repair of any part of the Mortgaged Property, and (ii) Mortgagee receives written notice pursuant to 42 Pa.C.S. §8143(b) from a holder of a mechanic's lien for labor performed or to be performed or materials furnished or to be furnished for the erection, construction, alteration or repair of any part of the Mortgaged Property, then and notwithstanding any provision to the contrary contained in any of the Loan Documents, Mortgagor agrees that Mortgagee shall have the right to suspend (until such time as the lien is fully released) any further advances to Mortgagor {and Mortgagee is released from all liability for failure to make such advances.

(h) If Mortgagor should at any time elect to limit the Debt secured by this Mortgage pursuant to 42 Pa.C.S. §8143(c), Mortgagor agrees that notice of such election shall (i) not be effective unless and until it is served upon Mortgagee in accordance with the requirements of 42 Pa.C.S. §8143(d) and fully complies with the requirements for the giving of notices under any of the Loan Documents; (ii) release Mortgagee from all obligations to make any further advances under the Loan Documents or this Mortgage notwithstanding anything to the contrary contained therein; (iii) constitute, at the election of Mortgagee, an Event of Default under the Loan Documents; and (iv) not be effective to limit Mortgagor's liability for payment and performance of all obligations for which Mortgagor is responsible under this Mortgage or the other Loan Documents (including all reimbursement and indemnification agreements), whether such obligations arise prior or subsequent to the date of such notice.

(i) As contemplated by 42 Pa.C.S. §8144, this Mortgage secures, and the obligations secured include, the unpaid balances of any advances made with respect to the Mortgaged Property for the payment of taxes, assessments, maintenance charges, insurance premiums or costs incurred for the protection of the Mortgaged Property or the lien of this Mortgage and expenses incurred by Mortgagee by reason of default by Mortgagor under this Mortgage.

(j) This Mortgage and the obligations arising hereunder shall be governed by and construed in accordance with the laws of the State of Connecticut and any applicable laws of the United States of America, except that at all times the provisions for the creation, perfection and enforcement of the liens and the security interests created pursuant to this Mortgage shall be governed by the laws of the Commonwealth of Pennsylvania.

43. **Future Advances**. This Mortgage secures “**Future Advances**,” as hereinafter defined. Any portion of the Debt which is incurred after the execution of this Mortgage pursuant to any instrument referring to this Mortgage, or which is evidenced by any instrument stating that said indebtedness is secured by this Mortgage, shall be defined as a “**Future Advance**,” including, without limitation, indebtedness incurred or advanced by Mortgagee to Mortgagor or pursuant to the Loan Documents. It is agreed that the Loan Documents are intended to secure all of the debts and obligations referred to in the Loan Documents, some of which will be obligatory future advances, and all advances under the Loan Documents will be for commercial purposes. This Paragraph shall serve as notice to any subsequent holder of a lien, encumbrance, security title or other claim in and to the Mortgaged Property that Mortgagee claims the priority of the lien of this Mortgage for all such Future Advances, as well as for all other obligations secured hereby. This Paragraph shall also be notice that Mortgagee reserves the right, upon agreement thereto with Mortgagor, to modify, extend, consolidate, and renew the Debt, or any portions thereof, and the rate of interest charged thereon, without affecting the priority of the lien created by this Mortgage.

44. **Swap Transaction**

This Mortgage secures the Mortgagor’s obligations in any Swap Transaction between Mortgagee and Mortgagor pursuant to applicable Swap Documents entered into in connection with the Note or any future notes secured hereby, including without limitation Mortgagor’s obligation to pay any applicable Swap Breakage Fee. Mortgagor hereby acknowledges and agrees that: (1) the Mortgagor’s obligations under the Swap Documents are and shall be expressly included within the obligations hereunder; (2) the Swap Documents shall be cross-collateralized and cross-defaulted, pari passu, with this Mortgage and the other Loan Documents; (3) Mortgagor shall pay any Swap Breakage Fee in the event the swap must be terminated prior to maturity thereof for any reason, including without limitation acceleration of any Term Loan pursuant to the terms of the Loan Documents; and (4) the Swap Breakage Fee will be calculated based on relevant market conditions and swap value as Mortgagee may determine in its discretion at the time of such termination and, as such, the amount of the Swap Breakage Fee may be substantial.

45. **Cross Default/Cross Collateralization**.

The Mortgage is hereby cross-defaulted and cross collateralized with the mortgage by Riverbend Hanover Properties I LLC in favor of Mortgagee on Adjacent Premises dated as of the date herewith.

46. **Springing Master Lease**. Should the Tenant vacate the Mortgaged Premises prior to the payment in full of this Loan, Mortgagor shall cause Griffin Land, LLC to provide a master lease of the Mortgaged Premises, effective as of the date of termination of the Lease (the “Springing Master Lease”). The Springing Master Lease shall be a net lease of all square

footage at the Mortgaged Property on terms and conditions reasonably acceptable to Mortgagee, and shall continue until such time as a replacement tenant executes a new lease on terms and conditions acceptable to Mortgagee in its discretion. The rent under such Springing Master Lease shall be sufficient to provide a minimum debt service coverage ratio of 1.10 times debt service payable under the Loan. In addition, if Tenant does not exercise its option to renew the term of the Lease by the date which is nine (9) months prior to expiration of the Lease term, Mortgagor shall pay all cash flow from the Mortgaged Property (after payment of debt service and any ordinary and necessary operating expenses (to the extent not paid by Tenant)) to Mortgagee until such time as such renewal option is exercised or a lease with a replacement tenant on terms and conditions acceptable to Mortgagee in its reasonable discretion is approved and entered into. Such cash flow shall be held in escrow by Mortgagee to be applied to brokerage fees, re-leasing costs and tenant improvement costs incurred in connection with re-leasing all or any part of the Mortgaged Property. Upon re-leasing of substantially all of the vacated space at a rental rate sufficient to provide a debt service coverage ratio of not less than 1.1 to 1 and on other terms and conditions acceptable to Mortgagor in its discretion, then such cash flow sweep shall be terminated and any balance then held in escrow by Mortgagee shall be released to Mortgagee. Notwithstanding the foregoing, upon the occurrence of an Event of Default, the cash flow held hereunder may be applied by Mortgagee to any sums due and owing under the Note or this Mortgage, as determined in its Mortgagee's discretion. The obligation to deliver this Springing Master Lease shall terminate at such time as the two (2) current tenants of the Adjacent Premises take occupancy and commence paying rent, as evidenced by delivery of an estoppel certificate or commencement date agreement from each such tenant confirming acceptance of possession and commencement of payment of rent. At such time, Mortgagor shall also deliver certificates of occupancy for both tenants' premises and an architect's certificate of substantial completion.

47. **Partial Release.** In the event that Mortgagor wishes to sell the Mortgaged Property, and if the Adjacent Premises is not be sold simultaneously, and provided that neither Mortgagor nor the owner of the Adjacent Premises is in default in the performance of any of their respective obligations under this Mortgage or any other loan documents relating to this Mortgage or the mortgage on the Adjacent Premises, and (i) the leases of the Adjacent Premises have a remaining term of at least two (2) years, or (ii) if any leases have a remaining term of less than two (2) years, Griffin Industrial, LLC shall enter into a lease of such space for the remainder of such two (2) year period (the term of which shall commence upon expiration of such existing lease(s), unless they shall thereafter be extended or renewed), Mortgagee agrees to provide a release of mortgage as to the Mortgaged Property and to release all other security interests related to the Mortgaged Property for a principal payment in an amount equal to the greater of: (1) (a) 51.36% of the outstanding principal balance of the Loan, if third party tenants have remaining term of at least two (2) years, or (b) 56.49% of the outstanding principal balance of the Loan, if a lease from Griffin Industrial, LLC has been required; or (2) an amount sufficient that the Adjacent Premises is in compliance with the financial covenants set forth in Section 10 of the Mortgage with respect to the Adjacent Premises, together with payment of any prepayment and/or swap breakage fee which may be due as a result of such prepayment. If required by Mortgagee, an updated appraisal to confirm compliance with the loan to value covenant may be required.

Upon release of the Mortgaged Property, Mortgagor shall be automatically released from all obligations under the Note and every other document or instrument relating to the Loan except for any obligations which expressly survive the payment of the Loan; and Griffin

Industrial, LLC shall be released from all obligations under its Non-Recourse Guaranty of the Loan as they pertain to the Mortgaged Property, except for any obligations which expressly survive the payment of the Loan. The liability of Mortgagor shall remain in full force and effect as to the remaining balance due and all obligations as they pertain to the Adjacent Premises.

[SIGNATURES TO FOLLOW]

The undersigned certifies that the address of the Mortgagee is CityPlace II, 185 Asylum Street, Hartford, CT 06103.

WEBSTER BANK, NATIONAL ASSOCIATION

By: /s/ Sean Mulready

On behalf of Mortgagee

EXHIBIT A

Legal Description

**Lot 10-2 Hanover Corporate Center II
Lands Now or Formerly of Riverbend Hanover Properties, LLC**

ALL THAT CERTAIN tract or parcel of land known as 5220 Jaindl Boulevard, having been assigned Northampton County tax assessment parcel ID L6-16-4M-1, situate north of Jaindl Boulevard along the southerly side of Steuben Road in the Township of Hanover, County of Northampton, Commonwealth of Pennsylvania and identified as Lot 10-2 on a plan of record titled "Preliminary/Record Subdivision Plan, Griffin Land and Nurseries, Inc., Flex Warehousing Facility, Lot 10 – Hanover Corporate Center II" prepared by Keystone Consulting Engineers Inc., dated February 5, 2014, and last revised October 1, 2014, recorded in the Northampton County Recorder of Deeds Office as Plan Book Volume: 2014-5, Page: 411, bounded and described as follows to wit:

BEGINNING at an iron pin found in the northerly right-of-way line of Jaindl Boulevard (60 feet wide), said point being aligned with the extended centerline of Sterners Way and being the southeasterly property corner of lands now or formerly of Riverbend Hanover Properties, LLC and identified as Lot 10-1 on aforementioned Subdivision Plan and the southeasterly property boundary corner of lands now or formerly of Fred J. Jaindl;

Thence along said common property boundary line between said lands of Riverbend and said lands of Jaindl, North 07 degrees 25 minutes 05 seconds West, 579.50 feet to an iron pin with cap to be set, said point being the **true point and place of beginning**;

Thence continuing along said lands of Jaindl, North 07 degrees 25 minutes 05 seconds West, 751.97 feet to an iron pin with cap found in the southerly property boundary line of lands now or formerly of Gregg S. Amore;

Thence said lands of Amore and other lands now or formerly of Gregg S. Amore, North 59 degrees 50 minutes 17 seconds East, 642.08 feet to a concrete monument found in the southwesterly property boundary line of lands now or formerly of Thomas and Allison Miller;

Thence along said lands of Miller the following four (4) courses and distances:

1. South 76 degrees 58 minutes 17 seconds East, 130.76 feet to an iron pin found;
2. South 09 degrees 41 minutes 17 seconds East, 8.29 feet to an iron pin found;
3. South 75 degrees 13 minutes 17 seconds East, 218.67 feet to an iron pipe found;
4. North 14 degrees 46 minutes 43 seconds East, 177.18 feet to an iron pin found in the southerly right-of-way line of Steuben Road (60 feet wide);

Thence along said southerly right-of-way line of Steuben Road, South 74 degrees 45 minutes 36 seconds East, 246.00 feet to an iron pin found;

Thence continuing along said southerly right-of-way line of Steuben Road along a curve to the left having a radius of 230.00 feet, a chord bearing of South 79 degrees 42 minutes 50 seconds East, a chord distance of 39.72 feet, and an arc length of 39.77 feet to an iron pin found, said point being the northwesterly property boundary corner of lands now or formerly of Margaret S. Kovacs;

Thence along said lands of Kovacs, South 08 Degrees 46 minutes 34 seconds East, 526.35 feet to an iron bolt found;

Thence continuing along said lands of Kovacs, North 73 degrees 46 minutes 43 seconds East, 275.65 feet to an iron pin found, said point making a westerly corner of lands now or formerly of Amerisource Bergen Drug Corporation;

Thence along said lands of Amerisource Bergen Drug Corporation, South 07 degrees 54 minutes 01 seconds East, 390.83 feet to an iron pin to be set; said point being the northeasterly property boundary corner of said Lot 10-1;

Thence along said Lot 10-1 the following three (3) courses and distances:

1. South 82 degrees 34 minutes 55 seconds West, 306.16 feet to an iron pin with cap to be set;
2. South 07 degrees 25 minutes 05 seconds East, 46.00 feet to an iron pin with cap to be set;
3. South 82 degrees 34 minutes 55 seconds West, 1,231.27 feet to the **true point and place of beginning**.

CONTAINING 28.721 acres (1,251,100 square feet) of land more or less.

SUBJECT to any notes, easements, or covenants on aforementioned Subdivision Plan, and any other pertinent facts a title search might disclose.

**Griffin Industrial Realty, Inc.
Subsidiaries**

Imperial Nurseries, Inc.—incorporated in Delaware

Griffin Center Development I, LLC—organized in Connecticut

Griffin Center Development II, LLC—organized in Connecticut

Griffin Center Development III, LLC—organized in Connecticut

Griffin Center Development IV, LLC—organized in Connecticut

Griffin Center Development V, LLC—organized in Connecticut

Tradeport Development I, LLC—organized in Connecticut

Tradeport Development II, LLC—organized in Connecticut

Tradeport Development III, LLC—organized in Connecticut

Tradeport Development IV, LLC—organized in Connecticut

Tradeport Development V, LLC—organized in Connecticut

825 Prospect Hill Road, LLC—organized in Connecticut

WA II, LLC—organized in Connecticut

Riverbend Hanover Properties I, LLC—organized in Pennsylvania

Riverbend Hanover Properties II, LLC—organized in Pennsylvania

Riverbend Lehigh Valley Holdings I, LLC—organized in Delaware

Riverbend Lehigh Valley Holdings II, LLC—organized in Delaware

Riverbend Lehigh Valley Holdings III, LLC—organized in Delaware

Riverbend Lehigh Valley Holdings IV, LLC—organized in Delaware

Riverbend Crossings III Holdings, LLC—organized in Pennsylvania

Riverbend Bethlehem Holdings I, LLC—organized in Pennsylvania

Riverbend Bethlehem Holdings II, LLC—organized in Pennsylvania

Stratton Farms I, LLC—organized in Connecticut

Griffin Industrial, LLC—organized in Connecticut

River Bend Holdings, LLC—organized in Connecticut

River Bend Development CT, LLC—organized in Connecticut

Griffin Land Development MA, LLC—organized in Massachusetts

GLNCM, LLC—organized in Connecticut

RB Hoskins, LLC—organized in Connecticut

Riverbend East Allen Properties I, LLC—organized in Pennsylvania

Riverbend East Allen Properties II, LLC—organized in Pennsylvania

Riverbend Upper Macungie Properties I, LLC—organized in Pennsylvania

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in Registration Statements (No. 333-30639 filed on July 2, 1997 and No. 333-170857 filed on November 29, 2010) on Form S-8 of Griffin Industrial Realty, Inc. of our reports dated February 10, 2017, relating to the consolidated financial statements and the financial statement schedules and effectiveness of internal control over financial reporting of Griffin Industrial Realty, Inc., appearing in this Annual Report on Form 10-K of Griffin Industrial Realty, Inc. for the year ended November 30, 2016.

RSM US LLP

New Haven, Connecticut
February 10, 2017

I, Michael S. Gamzon, certify that:

1. I have reviewed this annual report on Form 10-K of Griffin Industrial Realty, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 10, 2017

/s/ MICHAEL S. GAMZON

Michael S. Gamzon

President and Chief Executive Officer

I, Anthony J. Galici, certify that:

1. I have reviewed this annual report on Form 10-K of Griffin Industrial Realty, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 10, 2017

/s/ ANTHONY J. GALICI

Anthony J. Galici

Vice President, Chief Financial Officer and Secretary

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO 18 UNITED STATES CODE SS. 1350**

In connection with the Annual Report of Griffin Industrial Realty, Inc. (the “Company”) on Form 10-K for the year ended November 30, 2016 as filed with the Securities and Exchange Commission on the date hereof (the “Periodic Report”), I, Michael S. Gamzon, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Periodic Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Periodic Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ MICHAEL S. GAMZON

Michael S. Gamzon

President and Chief Executive Officer

February 10, 2017

**CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO 18 UNITED STATES CODE SS. 1350**

In connection with the Annual Report of Griffin Industrial Realty, Inc. (the “Company”) on Form 10-K for the year ended November 30, 2016 as filed with the Securities and Exchange Commission on the date hereof (the “Periodic Report”), I, Anthony J. Galici, Vice President, Chief Financial Officer and Secretary of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Periodic Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Periodic Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ ANTHONY J. GALICI

Anthony J. Galici

Vice President, Chief Financial Officer and Secretary

February 10, 2017