UMH PROPERTIES, INC.
Form 10-K
March 11, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 2014

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

For the transition period ____________________ to _____________________

Commission File Number 001-12690

UMH Properties, Inc.

(Exact name of registrant as specified in its charter)

Maryland 22-1890929

(State or other jurisdiction of incorporation or organization) (I.R.S. Employer identification number)

3499 Route 9, Suite 3C, Freehold, New Jersey 07728

(Address of principal executive offices) (Zip code)

Registrant's telephone number, including area code (732) 577-9997

Securities registered pursuant to Section 12(b) of the Act: None

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

Common Stock $.10 par value-New York Stock Exchange

8.25% Series A Cumulative Redeemable Preferred Stock $.10 par value per share, $25 liquidation value per share – New York Stock Exchange

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

___Yes X 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 X 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.

X Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

X Yes No

Indicate by check 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 X .

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of “accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act (Check one):

Large accelerated filer Accelerated filer X

Non-accelerated filer Smaller reporting company

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

Based upon the assumption that directors and executive officers of the registrant are not affiliates of the registrant, the aggregate market value of the voting stock of the registrant held by nonaffiliates of the registrant at June 30, 2014 was $225,271,985. Presuming that such directors and executive officers are affiliates of the registrant, the aggregate market value of the voting stock of the registrant held by nonaffiliates of the registrant at June 30, 2014 was $201,579,890.

The number of shares outstanding of issuer's common stock as of March 2, 2015 was 24,888,499 shares.

Documents Incorporated by Reference:

- Part III incorporates certain information by reference from the Registrant's proxy statement for the 2015 annual meeting of stockholders, which will be filed no later than 120 days after the close of the Registrant's fiscal year ended December 31, 2014.

- Exhibits incorporated by reference are listed in Part IV; Item 15 (a) (3).

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PART I

Item 1 – Business

General Development of Business

In this Form 10-K, “we”, “us”, “our”, or “the Company”, refers to UMH Properties, Inc., together with its predecessors and subsidiaries, unless the context requires otherwise.

UMH Properties, Inc. operates as a qualified real estate investment trust (REIT) under Sections 856-860 of the Internal Revenue Code (the Code). The Company had elected REIT status effective January 1, 1992 and intends to maintain its qualification as a REIT in the future. As a qualified REIT, with limited exceptions, the Company will not be taxed under Federal and certain state income tax laws at the corporate level on taxable income that it distributes to its shareholders. For special tax provisions applicable to REITs, refer to Sections 856-860 of the Code.

The Company was incorporated in the state of New Jersey in 1968. On September 29, 2003, the Company changed its state of incorporation from New Jersey to Maryland by merging with and into a Maryland corporation, with the approval of the Company’s shareholders at the Company’s annual meeting on August 14, 2003.

Narrative Description of Business

The Company derives its income primarily from real estate rental operations. Its primary business is the ownership and operation of manufactured home communities – leasing manufactured home sites to private manufactured home owners. The Company also leases homes to residents, and through its wholly-owned taxable REIT subsidiary, UMH Sales and Finance, Inc. (S&F), conducts manufactured home sales in its communities.

As of December 31, 2014, the Company owns and operates eighty-eight manufactured home communities containing approximately 15,000 developed sites. The communities are located in New Jersey, New York, Ohio, Pennsylvania, Tennessee, Indiana and Michigan. On January 21, 2015, the Company acquired one manufactured home community located in Pennsylvania for approximately $3,800,000. This all-age community contains 141 home sites and is situated on approximately 40 acres. The average occupancy for this community is approximately 96%. With this purchase, UMH now owns eighty-nine manufactured home communities consisting of approximately 15,200

developed sites.

A manufactured home community is designed to accommodate detached, single-family manufactured homes. These manufactured homes are produced off-site by manufacturers and installed on sites within the community. These homes are often improved with the addition of features constructed on site, including garages, screened rooms and carports. Manufactured homes are available in a variety of designs and floor plans, offering many amenities and custom options. Each owner of a manufactured home leases the site on which the home is located from the Company.

Manufactured homes are accepted by the public as a viable and economically attractive alternative to common stick-built single-family housing. The affordability of the modern manufactured home makes it a very attractive housing alternative. Depending on the region of the country, construction cost per square foot for a new manufactured home averages anywhere from 10 percent to 50 percent less than a comparable site-built home, excluding the cost of land. This is due to a number of factors, including volume purchase discounts and inventory control of construction materials and control of all aspects of the construction process, which generally produce a more efficient and streamlined process as compared to a site-built home.

Modern residential land lease communities are similar to typical residential subdivisions containing central entrances, paved well-lit streets, curbs and gutters. The size of a modern manufactured home community is limited, as are other residential communities, by factors such as geography, topography, and funds available for development. Generally, modern manufactured home communities contain buildings for recreation, green areas, and other common area facilities, which, as distinguished from resident owned manufactured homes, are the property of the community owner. In addition to such general improvements, certain manufactured home communities include recreational improvements such as swimming pools, tennis courts and playgrounds. Municipal water and sewer services are available to some manufactured home communities, while other communities supply these facilities on site.

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Therefore, the owner of a home in our communities leases from us not only the site on which the home is located, but also the physical community framework, and acquires the right to utilize the community common areas and amenities.

Typically, our leases are on an annual or month-to-month basis, renewable upon the consent of both parties. The community manager interviews prospective residents, collects rent and finance payments, ensures compliance with community regulations, maintains public areas and community facilities and is responsible for the overall appearance of the community. The manufactured home community, once fully occupied, historically tends to achieve a stable rate of occupancy. The cost and effort in moving a home once it is located in a community encourages the owner of the manufactured home to resell the manufactured home rather than to remove it from the community. This ability to produce relatively predictable income streams, together with the location of the community, its condition and its appearance, are factors in the long-term appreciation of the community.

Inherent in the operation of a manufactured home community is the development, redevelopment, and expansion of our communities. The Company sells and finances the sale of manufactured homes in our communities through S&F. S&F was established to potentially enhance the value of our communities. The home sales business is operated like other homebuilders with sales centers, model homes, an inventory of completed homes and the ability to supply custom designed homes based upon the requirements of the new homeowners.

The Company also owns a portfolio of investment securities, which the Company generally limits to no more than approximately 15% of its undepreciated assets.

As of December 31, 2014, the Company had approximately 260 employees, of which the Company shares 1 officer (Chairman of the Board) and 2 additional employees (Controller and Director of Investor Relations) with a related entity, Monmouth Real Estate Investment Corporation (MREIC). The Controller and the Director of Investor Relations time was allocated 70% to MREIC and 30% to the Company. Effective January 1, 2015, the Company reduced the number of employees it shares with MREIC to 1 officer (Chairman of the Board) and 1 additional employee (Director of Investor Relations). Allocations of salaries and benefits are based on the amount of the employees’ time dedicated to each company. Some general and administrative expenses, including office rent, are allocated between the Company and MREIC based on use or services provided. Effective January 2015, MREIC obtained a separate lease and office rent is no longer allocated between the Company and MREIC.

Investment and Other Policies of the Company

The Company may invest in improved and unimproved real property and may develop unimproved real property. Such properties may be located throughout the United States, but the Company has concentrated on the Northeast.

The Company may finance communities with purchase money mortgages or other financing, including first liens, wraparound mortgages or subordinated indebtedness. In connection with its ongoing activities, the Company may issue notes, mortgages or other senior securities. The Company intends to use both secured and unsecured lines of credit.

The Company may issue securities for property; however, this has not occurred to date. The Company may repurchase or reacquire its shares from time to time if, in the opinion of the Board of Directors, such acquisition is advantageous to the Company. No shares were repurchased or reacquired during 2014 and, as of December 31, 2014, the Company does not own any of its own shares.

The Company also invests in equity securities of other REITs. The Company from time to time may purchase these securities on margin when the interest and dividend yields exceed the cost of funds. As of December 31, 2014, the Company had borrowings of $19,392,382 under its margin line at 2.0% interest. The securities portfolio provides the Company with additional income and, to the extent not pledged to secure borrowings, provides the Company with liquidity. Such securities are subject to risk arising from adverse changes in market rates and prices, primarily interest rate risk and market price risk relating to equity securities. From time to time, the Company may use derivative instruments to mitigate interest rate risk; however, this has not occurred during any periods presented. At December 31, 2014 and 2013, the Company had $63,555,961 and $59,254,942, respectively, of securities available for sale. Included in these securities are Preferred Stock of $19,045,983 and $24,536,942 at December 31, 2014 and 2013,

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respectively. The unrealized net gain on securities available for sale at December 31, 2014 and 2013 amounted to $5,079,921 and $1,116,738, respectively.

Property Maintenance and Improvement Policies

It is the policy of the Company to properly maintain, modernize, expand and make improvements to its properties when required. The Company anticipates that renovation expenditures with respect to its present properties during 2015 will be approximately $7 million. It is the policy of the Company to maintain adequate insurance coverage on all of its properties; and, in the opinion of the Company, all of its properties are adequately insured.

Number of Employees

As of March 2, 2015, the Company had approximately 260 employees, including Officers. During the year, the Company hires approximately 30 part-time and full-time temporary employees as grounds keepers, lifeguards, and for emergency repairs.

Financial Information

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

Available Information

Additional information about the Company can be found on the Company’s website which is located at www.umh.com. The Company makes available, free of charge, on or through its website, annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission (SEC). You can also read and copy any materials the Company files with the SEC at its Public Reference Room at 100 F Street, NE, Washington, DC 20549 (1-800-SEC-0330). The SEC maintains an Internet site (http://www.sec.gov) that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC.

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Item 1A – Risk Factors

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

Real Estate Industry Risks

General economic conditions and the concentration of our properties in New Jersey, New York, Ohio, Pennsylvania, Tennessee, Indiana and Michigan may affect our ability to generate sufficient revenue. The market and economic conditions in our current markets may significantly affect manufactured home occupancy or rental rates. Occupancy and rental rates, in turn, may significantly affect our revenues, and if our communities do not generate revenues sufficient to meet our operating expenses, including debt service and capital expenditures, our cash flow and ability to pay or refinance our debt obligations could be adversely affected. As a result of the geographic concentration of our properties in New Jersey, New York, Ohio, Pennsylvania, Tennessee, Indiana and Michigan, we are exposed to the risks of downturns in the local economy or other local real estate market conditions which could adversely affect occupancy rates, rental rates, and property values in these markets.

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

- the national and local economic climate which may be adversely impacted by, among other factors, plant closings, and industry slowdowns;

- local real estate market conditions such as the oversupply of manufactured home sites or a reduction in demand for manufactured home sites in an area;

- the number of repossessed homes in a particular market;

- the rental market which may limit the extent to which rents may be increased to meet increased expenses without decreasing occupancy rates;

- the safety, convenience and attractiveness of our properties and the neighborhoods where they are located;

- zoning or other regulatory restrictions;
- competition from other available manufactured home communities and alternative forms of housing (such as apartment buildings and single-family homes);
- our ability to provide adequate management, maintenance and insurance;
- increased operating costs, including insurance premiums, real estate taxes and utilities; and
- the enactment of rent control laws or laws taxing the owners of manufactured homes.

Our income would also be adversely affected if tenants were unable to pay rent or if sites were unable to be rented on favorable terms. If we were unable to promptly relet or renew the leases for a significant number of sites, or if the rental rates upon such renewal or reletting were significantly lower than expected rates, then our business and results of operations could be adversely affected. In addition, certain expenditures associated with each property (such as real estate taxes and maintenance costs) generally are not reduced when circumstances cause a reduction in income from the property.

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We may be unable to compete with our larger competitors and other alternatives available to tenants or potential tenants of our properties, which may in turn adversely affect our profitability. The real estate business is highly competitive. We compete for manufactured home community investments with numerous other real estate entities, such as individuals, corporations, REITs and other enterprises engaged in real estate activities. In many cases, the competing concerns may be larger and better financed than we are, making it difficult for us to secure new manufactured home community investments. Competition among private and institutional purchasers of manufactured home community investments has resulted in increases in the purchase price paid for manufactured home communities and consequent higher fixed costs. To the extent we are unable to effectively compete in the marketplace, our business may be adversely affected.

Our ability to sell manufactured homes may be affected by various factors, which may in turn adversely affect our profitability. S&F operates in the manufactured home market offering homes for sale to tenants and prospective tenants of our communities. The market for the sale of manufactured homes may be adversely affected by the following factors:

- downturns in economic conditions which adversely impact the housing market;
- an oversupply of, or a reduced demand for, manufactured homes;
- the difficulty facing potential purchasers in obtaining affordable financing as a result of heightened lending criteria; and
- an increase or decrease in the rate of manufactured home repossessions which provide aggressively priced competition to new manufactured home sales.

Any of the above listed factors could adversely impact our rate of manufactured home sales, which would result in a decrease in profitability.

Costs associated with taxes and regulatory compliance may reduce our revenue. We are subject to significant regulation that inhibits our activities and may increase our costs. Local zoning and use laws, environmental statutes and other governmental requirements may restrict expansion, rehabilitation and reconstruction activities. These regulations may prevent us from taking advantage of economic opportunities. Legislation such as the Americans with Disabilities Act may require us to modify our properties at a substantial cost and noncompliance could result in the imposition of fines or an award of damages to private litigants. Future legislation may impose additional requirements. We cannot predict what requirements may be enacted or amended or what costs we will incur to comply with such requirements. Costs resulting from changes in real estate laws, income taxes, service or other taxes may adversely affect our funds from operations and our ability to pay or refinance our debt. Similarly, changes in laws increasing the potential liability for environmental conditions existing on properties or increasing the restrictions on discharges or

other conditions may result in significant unanticipated expenditures, which would adversely affect our business and results of operations.

Licensing laws and compliance could affect our profitability. We are subject to the Secure and Fair Enforcement for Mortgage Licensing Act of 2008 (“SAFE Act”), which requires that we obtain appropriate licenses pursuant to the Nationwide Mortgage Licensing System & Registry in each state where we conduct business. There are extensive federal and state requirements mandated by the SAFE Act and other laws pertaining to financing, and there can be no assurance that we will obtain or renew our SAFE Act licenses, which could result in fees and penalties and have an adverse impact on our ability to continue with our home financing activities.

Rent control legislation may harm our ability to increase rents. State and local rent control laws in certain jurisdictions may limit our ability to increase rents and to recover increases in operating expenses and the costs of capital improvements. Currently, rent control affects only two of our manufactured home communities, both of which are in New Jersey, and has resulted in slower growth of earnings from these properties. However, we may purchase additional properties in markets that are either subject to rent control or in which rent-limiting legislation exists or may be enacted.

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

Environmental liabilities could affect our profitability. Under various federal, state and local laws, ordinances and regulations, an owner or operator of real estate is liable for the costs of removal or remediation of certain hazardous substances at, on, under or in such property, as well as certain other potential costs relating to hazardous or toxic substances. Such laws often impose such liability without regard to whether the owner knew of, or was responsible for, the presence of such hazardous substances. A conveyance of the property, therefore, does not relieve the owner or operator from liability. As a current or former owner and operator of real estate, we may be required by law to investigate and clean up hazardous substances released at or from the properties we currently own or operate or have in the past owned or operated. We may also be liable to the government or to third parties for property damage, investigation costs and cleanup costs. In addition, some environmental laws create a lien on the contaminated site in favor of the government for damages and costs the government incurs in connection with the contamination. Contamination may adversely affect our ability to sell or lease real estate or to borrow using the real estate as collateral. Persons who arrange for the disposal or treatment of hazardous substances also may be liable for the costs of removal or remediation of such substances at a disposal or treatment facility owned or operated by another person. In addition, certain environmental laws impose liability for the management and disposal of asbestos-containing materials and for the release of such materials into the air. These laws may provide for third parties to seek recovery from owners or operators of real properties for personal injury associated with asbestos-containing materials. In connection with the ownership, operation, management, and development of real properties, we may be considered an owner or operator of such properties and, therefore, are potentially liable for removal or remediation costs, and also may be liable for governmental fines and injuries to persons and property. When we arrange for the treatment or disposal of hazardous substances at landfills or other facilities owned by other persons, we may be liable for the removal or remediation costs at such facilities. We are not aware of any environmental liabilities relating to our investment properties which would have a material adverse effect on our business, assets, or results of operations. However, we cannot assure you that environmental liabilities will not arise in the future and that such liabilities will not have a material adverse effect on our business, assets or results of operation.

Of the eighty-nine manufactured home communities we currently operate, thirty-five have their own wastewater treatment facility or water distribution system, or both. At these locations, we are subject to compliance with monthly, quarterly and yearly testing for contaminants as outlined by the individual state's Department of Environmental Protection Agencies. Currently, we are not subject to radon or asbestos monitoring requirements.

Additionally, in connection with the management of the properties or upon acquisition or financing of a property, the Company authorizes the preparation of Phase I or similar environmental reports (which involves general inspections without soil sampling or ground water analysis) completed by independent environmental consultants. Based upon such environmental reports and the Company's ongoing review of its properties, as of the date of this Annual Report, the Company is not aware of any environmental condition with respect to any of its properties which it believes would be reasonably likely to have a material adverse effect on its financial condition and/or results of operations. However,

these reports cannot reflect conditions arising after the studies were completed, and no assurances can be given that existing environmental studies reveal all environmental liabilities, that any prior owner or operator of a property or neighboring owner or operator did not create any material environmental condition not known to us, or that a material environmental condition does not otherwise exist as to any one or more properties.

Actions by our competitors may decrease or prevent increases in the occupancy and rental rates of our properties which could adversely affect our business. We compete with other owners and operators of manufactured home community properties, some of which own properties similar to ours in the same submarkets in which our properties are located. The number of competitive manufactured home community properties in a particular area could have a material adverse effect on our ability to lease sites and increase rents charged at our properties or at any newly acquired properties. In addition, other forms of multi-family residential properties, such as private and federally funded or assisted multi-family housing projects and single-family housing, provide housing alternatives to potential tenants of manufactured home communities. If our competitors offer housing at rental rates below current market rates or below the rental rates we currently charge our tenants, we may lose potential tenants, and we may be pressured to reduce our rental rates below those we currently charge in order to retain tenants when our tenants' leases expire.

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As a result, our financial condition, cash flow, cash available for distribution, and ability to satisfy our debt service obligations could be materially adversely affected.

Losses in excess of our insurance coverage or uninsured losses could adversely affect our cash flow. We generally maintain insurance policies related to our business, including casualty, general liability and other policies covering business operations, employees and assets. However, we may be required to bear all losses that are not adequately covered by insurance. In addition, there are certain losses that are not generally insured because it is not economically feasible to insure against them, including losses due to riots or acts of war. If an uninsured loss or a loss in excess of insured limits occurs with respect to one or more of our properties, then we could lose the capital we invested in the properties, as well as the anticipated profits and cash flow from the properties and, in the case of debt which is with recourse to us, we would remain obligated for any mortgage debt or other financial obligations related to the properties. Although we believe that our insurance programs are adequate, no assurance can be given that we will not incur losses in excess of its insurance coverage, or that we will be able to obtain insurance in the future at acceptable levels and reasonable cost.

We may not be able to integrate or finance our acquisitions and our acquisitions may not perform as expected. We acquire and intend to continue to acquire manufactured home communities on a select basis. Our acquisition activities and their success are subject to the following risks:

- we may be unable to acquire a desired property because of competition from other well capitalized real estate investors, including both publicly traded REITs and institutional investment funds;
- even if we enter into an acquisition agreement for a property, it is usually subject to customary conditions to closing, including completion of due diligence investigations to our satisfaction, which may not be satisfied;
- even if we are able to acquire a desired property, competition from other real estate investors may significantly increase the purchase price;
- we may be unable to finance acquisitions on favorable terms;
- acquired properties may fail to perform as expected;
- acquired properties may be located in new markets where we face risks associated with a lack of market knowledge or understanding of the local economy, lack of business relationships in the area and unfamiliarity with local governmental and permitting procedures; and
- we may be unable to quickly and efficiently integrate new acquisitions, particularly acquisitions of portfolios of properties, into our existing operations.

If any of the above were to occur, our business and results of operations could be adversely affected.

In addition, we may acquire properties subject to liabilities and without any recourse, or with only limited recourse, with respect to unknown liabilities. As a result, if a liability were to be asserted against us based upon ownership of those properties, we might have to pay substantial sums to settle it, which could adversely affect our cash flow.

We may be unable to sell properties when appropriate because real estate investments are illiquid. Real estate investments generally cannot be sold quickly and, therefore, will tend to limit our ability to vary our property portfolio promptly in response to changes in economic or other conditions. In addition, the Code limits our ability to sell our properties. The inability to respond promptly to changes in the performance of our property portfolio could adversely affect our financial condition and ability to service our debt and make distributions to our stockholders.

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Financing Risks

We face risks generally associated with our debt. We finance a portion of our investments in properties and marketable securities through debt. We are subject to the risks normally associated with debt financing, including the risk

that our cash flow will be insufficient to meet required payments of principal and interest. In addition, debt creates other risks, including:

- rising interest rates on our variable rate debt;
- failure to repay or refinance existing debt as it matures, which may result in forced disposition of assets on disadvantageous terms;
- refinancing terms less favorable than the terms of existing debt; and
- failure to meet required payments of principal and/or interest.

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

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

We face risks associated with our dependence on external sources of capital. In order to qualify as a REIT, we are required each year to distribute to our stockholders at least 90% of our REIT taxable income, and we are subject to tax on our income to the extent it is not distributed. Because of this distribution requirement, we may not be able to fund all future capital needs from cash retained from operations. As a result, to fund capital needs, we rely on third-party

sources of capital, which we may not be able to obtain on favorable terms, if at all. Our access to third-party sources of capital depends upon a number of factors, including (i) general market conditions; (ii) the market's perception of our growth potential; (iii) our current and potential future earnings and cash distributions; and (iv) the market price of our preferred and common stock. Additional debt financing may substantially increase our debt-to-total capitalization ratio. Additional equity issuance may dilute the holdings of our current stockholders.

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

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

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We face risks associated with the financing of home sales to customers in our manufactured home communities. To produce new rental revenue and to upgrade our communities, we sell homes to customers in our communities at competitive prices and finance these home sales through S&F. We allow banks and outside finance companies the first opportunity to finance these sales. We are subject to the following risks in financing these homes:

- the borrowers may default on these loans and not be able to make debt service payments or pay principal when due;
- the default rates may be higher than we anticipate;
- demand for consumer financing may not be as great as we anticipate or may decline;
- the value of property securing the installment notes receivable may be less than the amounts owed; and
- interest rates payable on the installment notes receivable may be lower than our cost of funds.

Additionally, there are many regulations pertaining to our home sales and financing activities. There are significant consumer protection laws and the regulatory framework may change in a manner which may adversely affect our operating results. The regulatory environment and associated consumer finance laws create a risk of greater liability from our home sales and financing activities and could subject us to additional litigation. We are also dependent on licenses granted by state and other regulatory authorities, which may be withdrawn or which may not be renewed and which could have an adverse impact on our ability to continue with our home sales and financing activities.

Other Risks

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

We are dependent on key personnel. Our executive and other senior officers have a significant role in our success. Our ability to retain our management group or to attract suitable replacements should any members of the management group leave is dependent on the competitive nature of the employment market. The loss of services from key members of the management group or a limitation in their availability could adversely affect our financial condition and cash flow.

We may amend our business policies without stockholder approval. Our Board of Directors determines our growth, investment, financing, capitalization, borrowing, REIT status, operations and distributions policies. Although our Board of Directors has no present intention to change or reverse any of these policies, they may be amended or revised without notice to stockholders. Accordingly, stockholders may not have control over changes in our policies. We cannot assure you that changes in our policies will serve fully the interests of all stockholders.

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

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There are restrictions on the transfer of our capital stock. To maintain our qualification as a REIT under the Code, no more than 50% in value of our outstanding capital stock may be owned, actually or by attribution, by five or fewer individuals, as defined in the Code to also include certain entities, during the last half of a taxable year. Accordingly, our charter contains provisions restricting the transfer of our capital stock.

Our earnings are dependent, in part, upon the performance of our investment portfolio. As permitted by the Code, we invest in and own securities of other real estate investment trusts. To the extent that the value of those investments declines or those investments do not provide a return, our earnings and cash flow could be adversely affected.

We are subject to restrictions that may impede our ability to effect a change in control. Certain provisions contained in our charter and bylaws and certain provisions of Maryland law may have the effect of discouraging a third party from making an acquisition proposal for us and thereby inhibit a change in control. These provisions include the following:

- Our charter provides for three classes of directors with the term of office of one class expiring each year, commonly referred to as a “staggered board.” By preventing common stockholders from voting on the election of more than one class of directors at any annual meeting of stockholders, this provision may have the effect of keeping the current members of our Board of Directors in control for a longer period of time than stockholders may desire.

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

- The request of stockholders entitled to cast at least a majority of all votes entitled to be cast at such meeting is necessary for stockholders to call a special meeting. We also require advance notice by common stockholders for the nomination of directors or proposals of business to be considered at a meeting of stockholders.

Our Board of Directors may authorize and issue securities without stockholder approval. Under our charter, the Board of Directors has the power without stockholder action (i) to classify and reclassify any of our unissued shares of capital stock into shares of capital stock with such terms, preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends and terms and conditions of redemptions as the Board of Directors may determine and (ii) to authorize the issuance of any class or series of stock. The authorization and issuance of a new class of capital stock could have the effect of delaying or preventing someone from taking control of us, even if a change in control were in our stockholders’ best interests.

Maryland business statutes may limit the ability of a third party to acquire control of us. Maryland law provides protection for Maryland corporations against unsolicited takeovers by limiting, among other things, the duties of the directors in unsolicited takeover situations. The duties of directors of Maryland corporations do not require them to (a) accept, recommend or respond to any proposal by a person seeking to acquire control of the corporation, (b) authorize the corporation to redeem any rights under, or modify or render inapplicable, any stockholders rights plan, (c) make a determination under the Maryland Business Combination Act or the Maryland Control Share Acquisition Act, (d) elect to be subject to, or refrain from electing to be subject to, any or all of the provisions of Title 3, Subtitle 8 of the MGCL or (e) act or fail to act solely because of the effect of the act or failure to act may have on an acquisition or potential acquisition of control of the corporation or the amount or type of consideration that may be offered or paid to the stockholders in an acquisition. Maryland law also contains a statutory presumption that an act of a director of a Maryland corporation satisfies the applicable standards of conduct for directors under Maryland law.

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The Maryland Business Combination Act provides that unless exempted, a Maryland corporation may not engage in business combinations, including mergers, dispositions of 10% or more of its assets, certain issuances of shares of stock and other specified transactions, with an “interested stockholder” or an affiliate of an interested stockholder for five years after the most recent date on which the interested stockholder became an interested stockholder, and thereafter unless specified criteria are met. An interested stockholder is generally a person owning or controlling, directly or indirectly, 10% or more of the voting power of the outstanding stock of the Maryland corporation or an affiliate or associate of the Maryland corporation that was the beneficial owner of 10% or more of the voting power of the corporation’s outstanding stock during the past two years. In our charter, we have expressly elected that the Maryland Business Combination Act not govern or apply to any transaction with our affiliated company, MREIC.

We cannot assure you that we will be able to pay distributions regularly. Our ability to pay distributions in the future is dependent on our ability to operate profitably and to generate cash from our operations and the operations of our subsidiaries. We cannot guarantee that we will be able to pay distributions on a regular quarterly basis in the future.

Future terrorist attacks and military conflicts could have a material adverse effect on general economic conditions, consumer confidence and market liquidity. Among other things, it is possible that interest rates may be affected by these events. An increase in interest rates may increase our costs of borrowing, leading to a reduction in our earnings. Terrorist acts affecting our properties could also result in significant damages to, or loss of, our properties. Additionally, we may be unable to obtain adequate insurance coverage on acceptable economic terms for losses resulting from acts of terrorism. Our lenders may require that we carry terrorism insurance even if we do not believe this insurance is necessary or cost effective. Should an act of terrorism result in an uninsured loss or a loss in excess of insured limits, we could lose capital invested in a property, as well as the anticipated future revenues from a property, while remaining obligated for any mortgage indebtedness or other financial obligations related to the property. Any loss of these types would adversely affect our financial condition.

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

Security breaches and other disruptions could compromise our information and expose us to liability, which would cause our business and reputation to suffer. In the ordinary course of our business, we collect and store sensitive data, including our business information and the personal information of our residents and our employees, in our facility and on our network. Despite our security measures, our information technology and infrastructure may be vulnerable to attacks by hackers or breached due to employee error, malfeasance or other disruptions. Any such breach could compromise our network and the information stored there could be accessed, publicly disclosed, lost or stolen. Any such access, disclosure or other loss of information could result in legal claims or proceedings, disrupt our operations, damage our reputation, and cause a loss of confidence, which could adversely affect our business.

If our leases are not respected as true leases for federal income tax purposes, we would fail to qualify as a REIT. To qualify as a REIT, we must, among other things, satisfy two gross income tests, under which specified percentages of our gross income must be passive income, such as rent. For the rent paid pursuant to our leases, to qualify for purposes of the gross income tests, the leases must be respected as true leases for federal income tax purposes and not be treated as service contracts, joint ventures or some other type of arrangement. We believe that our leases will be respected as true leases for federal income tax purposes. However, there can be no assurance that the Internal Revenue Service ("IRS") will agree with this view. If the leases are not respected as true leases for federal income tax purposes, we would not be able to satisfy either of the two gross income tests applicable to REITs, and we could lose our REIT status.

Failure to make required distributions would subject us to additional tax. In order to qualify as a REIT, we must, among other requirements, distribute, each year, to our stockholders at least 90% of our taxable income, excluding net capital gains. To the extent that we satisfy the 90% distribution requirement, but distribute less than 100% of our taxable income, we will be subject to federal corporate income tax on our undistributed income.

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In addition, we will incur a 4% nondeductible excise tax on the amount, if any, by which our distributions (or deemed distributions) in any year are less than the sum of:

- 85% of our ordinary income for that year;
- 95% of our capital gain net earnings for that year; and
- 100% of our undistributed taxable income from prior years.

To the extent we pay out in excess of 100% of our taxable income for any tax year, we may be able to carry forward such excess to subsequent years to reduce our required distributions for purposes of the 4% nondeductible excise tax in such subsequent years. We intend to pay out our income to our stockholders in a manner intended to satisfy the 90% distribution requirement. Differences in timing between the recognition of income and the related cash receipts or the effect of required debt amortization payments could require us to borrow money or sell assets to pay out enough of our taxable income to satisfy the 90% distribution requirement and to avoid corporate income tax.

We may not have sufficient cash available from operations to pay distributions to our stockholders, and, therefore, distributions may be made from borrowings. The actual amount and timing of distributions to our stockholders will be determined by our Board of Directors in its discretion and typically will depend on the amount of cash available for distribution, which will depend on items such as current and projected cash requirements, limitations on distributions imposed by law on our financing arrangements and tax considerations. As a result, we may not have sufficient cash available from operations to pay distributions as required to maintain our status as a REIT. Therefore, we may need to borrow funds to make sufficient cash distributions in order to maintain our status as a REIT, which may cause us to incur additional interest expense as a result of an increase in borrowed funds for the purpose of paying distributions.

We may be required to pay a penalty tax upon the sale of a property. The federal income tax provisions applicable to REITs provide that any gain realized by a REIT on the sale of property held as inventory or other property held primarily for sale to customers in the ordinary course of business is treated as income from a “prohibited transaction” that is subject to a 100% penalty tax. Under current law, unless a sale of real property qualifies for a safe harbor, the question of whether the sale of real estate or other property constitutes the sale of property held primarily for sale to customers is generally a question of the facts and circumstances regarding a particular transaction. We intend that we and our subsidiaries will hold the interests in the real estate for investment with a view to long-term appreciation, engage in the business of acquiring and owning real estate, and make occasional sales as are consistent with our investment objectives. We do not intend to engage in prohibited transactions. We cannot assure you, however, that we will only make sales that satisfy the requirements of the safe harbors or that the IRS will not successfully assert that one or more of such sales are prohibited transactions.

We may be adversely affected if we fail to qualify as a REIT. If we fail to qualify as a REIT, we will not be allowed to deduct distributions to stockholders in computing our taxable income and will be subject to Federal income tax,

including any applicable alternative minimum tax, at regular corporate rates. In addition, we might be barred from qualification as a REIT for the four years following disqualification. The additional tax incurred at regular corporate rates would reduce significantly the cash flow available for distribution to stockholders and for debt service. Furthermore, we would no longer be required to make any distributions to our stockholders as a condition to REIT qualification. Any distributions to noncorporate stockholders would be taxable as ordinary income to the extent of our current and accumulated earnings and profits, although such dividend distributions generally would be subject to a top federal tax rate of 15% through 2014. Corporate distributees would in that case generally be eligible for the dividends received deduction on the distributions, subject to limitations under the Code.

If we were considered to actually or constructively pay a "preferential dividend" to certain of our stockholders, our status as a REIT could be adversely affected. In order to qualify as a REIT, we must distribute annually to our stockholders at least 90% of our REIT taxable income (which does not equal net income as calculated in accordance with U.S. GAAP), determined without regard to the deduction for dividends paid and excluding net capital gain. In order for distributions to be counted as satisfying the annual distribution requirements for REITs, and to provide us with a REIT level tax deduction, the distributions must not be "preferential dividends." A dividend is not a preferential dividend if the distribution is pro rata among all outstanding sharesof stock within a particular class, and in accordance with the

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preferences among different classes of stock as set forth in our organizational documents. Currently, there is uncertainty as to the application of the law in certain circumstances and the IRS's position regarding whether certain arrangements that REITs have with their stockholders could give rise to the inadvertent payment of a preferential dividend (e.g., the pricing methodology for stock purchased under a distribution reinvestment plan inadvertently causing a greater than 5% discount on the price of such stock purchased). There is no de minimis exception with respect to preferential dividends; therefore, if the IRS were to take the position that we inadvertently paid a preferential dividend, we may be deemed to have failed the 90% distribution test, and our status as a REIT could be terminated for the year in which such determination is made if we were unable to cure such failure. While we believe that our operations have been structured in such a manner that we will not be treated as inadvertently paying preferential dividends, we can provide no assurance to this effect.

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

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

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

Notwithstanding our status as a REIT, we are subject to various federal, state and local taxes on our income and property. For example, we will be taxed at regular corporate rates on any undistributed taxable income, including

undistributed net capital gains; provided, however, that properly designated undistributed capital gains will effectively avoid taxation at the stockholder level. We may be subject to other Federal income taxes and may also have to pay some state income or franchise taxes because not all states treat REITs in the same manner as they are treated for Federal income tax purposes.

Item 1B – Unresolved Staff Comments

None

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Item 2 – Properties

UMH Properties, Inc. is engaged in the ownership and operation of manufactured home communities located in New Jersey, New York, Ohio, Pennsylvania, Tennessee, Indiana and Michigan. As of December 31, 2014, the Company owns eighty-eight manufactured home communities containing approximately 15,000 developed sites. The following is a brief description of the properties owned by the Company. There is a long-term trend toward larger manufactured homes. Manufactured home communities designed for older manufactured homes must be modified to accommodate modern, wider and longer manufactured homes. These changes may decrease the number of homes that may be accommodated in a manufactured home community. The rents collectible from the land ultimately depend on the value of the home and land. Therefore, fewer but more expensive homes can actually produce the same or greater rents. For this reason, the number of developed sites operated by the Company is subject to change, and the number of developed sites listed is always an approximate number.

Name of Community	Number of Developed Sites	Sites Occupied at 12/31/14	Occupancy Percentage	Acreage Developed	Vacant Acreage	Approximate Monthly Rent Per Site at 12/31/14
Allentown 4912 Raleigh-Millington Road Memphis, TN 38128	435	400	92%	76	-0-	$407
Auburn Estates 919 Hostetler Road Orrville, OH 44667	44	41	93%	13	-0-	$335
Birchwood Farms 8057 Birchwood Drive Birch Run, MI 48415	143	107	75%	28	-0-	$389
Broadmore Estates 148 Broadmore Estates Goshen, IN 46528	389	256	66%	93	19	$391
Brookside Village 89 Valley Drive Berwick, PA 18603	171	137	80%	37	2	$381
Brookview Village 2025 Route 9N, Lot 137 Greenfield Center, NY 12833	128	117	91%	45	29	$445
Carsons 649 North Franklin St. Lot 105 Chambersburg, PA 17201	131	116	89%	14	4	$351
Cedarcrest	283	273	96%	71	30	$556

1976 North East Avenue Vineland, NJ 08360						
Chambersburg I & II 5368 Philadelphia Ave Lot 34 Chambersburg, PA 17201	98	87	89%	11	-0-	$342
Chelsea 459 Chelsea Lane Sayre, PA 18840	84	81	96%	12	-0-	$394
City View 110 Fort Granville Lot C5 Lewistown, PA 17044	58	52	90%	20	2	$268

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Name of Community	Number of Developed Sites	Sites Occupied at 12/31/14	Occupancy Percentage	Acreage Developed	Vacant Acreage	Approximate Monthly Rent Per Site at 12/31/14
Clinton Mobile Home Resort 60 N State Route 101 Tiffin, OH 44883	116	116	100%	23	1	$344
Collingwood 358 Chambers Road Lot 001 Horseheads, NY 14845	103	87	84%	20	-0-	$390
Colonial Heights 917 Two Ridge Road Wintersville, OH 43953	159	125	79%	31	1	$260
Countryside Estates 1500 East Fuson Road Muncie, IN 47302	150	97	65%	36	28	$286
Countryside Estates 6605 State Route 5 Ravenna, OH 44266	144	110	76%	27	-0-	$283
Countryside Village 200 Early Road Columbia, TN 38401	349	258	74%	89	63	$322
Cranberry Village 100 Treesdale Drive Cranberry Township, PA 16066	190	175	92%	36	-0-	$516
Crestview 459 Chelsea Lane Sayre, PA 18840	98	83	85%	19	-0-	$357
Cross Keys Village 259 Brown Swiss Circle Duncansville, PA 16635	132	96	73%	21	2	$382
Dallas Mobile Home Community 1104 N 4th Street Toronto, OH 43964	145	124	86%	21	-0-	$250
Deer Meadows 1291Springfield Road New Springfield, OH 44443	101	74	73%	22	8	$280

D & R Village 430 Route 146 Lot 65A Clifton Park, NY 12065	237	224	95%	44	-0-	$504
Evergreen Estates 425 Medina Street Lodi, OH 44254	55	53	96%	10	3	$295
Evergreen Manor 26041 Aurora Avenue Bedford, OH 44146	79	40	51%	7	-0-	$285

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Name of Community	Number of Developed Sites	Sites Occupied at 12/31/14	Occupancy Percentage	Acreage Developed	Vacant Acreage	Approximate Monthly Rent Per Site at 12/31/14
Evergreen Village 9249 State Route 44 Mantua, OH 44255	51	46	90%	10	4	$295
Fairview Manor 2110 Mays Landing Road Millville, NJ 08332	318	312	98%	66	132	$555
Forest Creek 885 E. Mishawaka Road Elkhart, IN 46517	167	154	92%	37	-0-	$401
Forest Park Village 102 Holly Drive Cranberry Township, PA 16066	251	205	82%	79	-0-	$453
Frieden Manor 102 Frieden Manor Schuylkill Haven, PA 17972	193	185	96%	42	22	$398
Green Acres 4496 Sycamore Grove Road Chambersburg, PA 17201	24	22	92%	6	-0-	$355
Gregory Courts 1 Mark Lane Honey Brook, PA 19344	39	38	97%	9	-0-	$542
Hayden Heights 5501 Cosgray Road Dublin, OH 43016	115	106	92%	19	-0-	$310
Heather Highlands 109 Main Street Inkerman, PA 18640	404	263	65%	79	-0-	$383
Highland 1875 Osolo Road Elkhart, IN 46514	246	211	86%	42	-0-	$337
Highland Estates 60 Old Route 22	318	299	94%	98	65	$480

Kutztown, PA 19530						
Hillside Estates 1033 Marguerite Lake Road Greensburg, PA 15601	90	71	79%	29	21	$291
Holiday Mobile Village 201 Grizzard Avenue Nashville, TN 37207	274	242	88%	36	29	$432
Hudson Estates 100 Keenan Road Peninsula, OH 44264	173	96	55%	19	-0-	$260

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Name of Community	Number of Developed Sites	Sites Occupied at 12/31/14	Occupancy Percentage	Acreage Developed	Vacant Acreage	Approximate Monthly Rent Per Site at 12/31/14
Independence Park 355 Route 30 Clinton, PA 15026	96	63	66%	36	14	$320
Kinnebrook 351 State Route 17B Monticello, NY 12701	228	191	84%	66	8	$502
Lake Sherman Village 7227 Beth Avenue, SW Navarre, OH 44662	237	196	83%	54	43	$378
Laurel Woods 1943 St. Joseph Street Cresson, PA 16630	218	151	69%	43	-0-	$354
Little Chippewa 11563 Back Massillon Road Orrville, OH 44667	62	52	84%	13	-0-	$307
Maple Manor 18 Williams Street Taylor, PA 18517	316	236	75%	71	-0-	$348
Meadowood 9555 Struthers Road New Middletown, OH 44442	125	110	88%	20	-0-	$341
Melrose Village 4400 Melrose Drive, Lot 301 Wooster, OH 44691	294	234	80%	71	-0-	$296
Melrose West 4455 Cleveland Road Wooster, OH 44691	30	29	97%	27	3	$300
Memphis Mobile City* 3894 N. Thomas Street Memphis, TN 38127	156	-0-	0%	22	-0-	$-0-
Monroe Valley 1 Sunflower Drive Ephrata, PA 17522	44	41	93%	11	-0-	$426

Moosic Heights 118 1st Street Avoca, PA 18641	147	133	90%	35	-0-	$350
Mountaintop 1 Sunflower Drive Ephrata, PA 17522	39	38	97%	11	2	$495
Mountain View** Van Dyke Street Coxsackie, NY	-0-	-0-	N/A	-0-	220	$-0-

* Community was closed due to an unusual flooding throughout the region in May 2011. We are currently working on plans for the redevelopment of this community.

** We are currently seeking site plan approvals for 253 sites for this property.

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Name of Community	Number of Developed Sites	Sites Occupied at 12/31/14	Occupancy Percentage	Acreage Developed	Vacant Acreage	Approximate Monthly Rent Per Site at 12/31/14
Oak Ridge Estates 1201 Country Road 15 (Apt B) Elkhart, IN 46514	205	199	97%	40	-0-	$400
Oakwood Lake Village 308 Gruver Lake Tunkhannock, PA 18657	79	73	92%	40	-0-	$381
Olmsted Falls 26875 Bagley Road Olmsted Falls, OH 44138	127	122	96%	15	-0-	$341
Oxford Village 2 Dolinger Drive West Grove, PA 19390	224	220	98%	59	3	$582
Pine Ridge Village/Pine Manor 100 Oriole Drive Carlisle, PA 17013	178	146	82%	50	30	$486
Pine Valley Estates 1283 Sugar Hollow Road Apollo, PA 15613	218	143	66%	38	-0-	$338
Pleasant View Estates 6020 Fort Jenkins Lane Bloomsburg, PA 17815	110	72	65%	21	9	$353
Port Royal Village 485 Patterson Lane Belle Vernon, PA 15012	465	272	58%	101	-0-	$389

River Valley Estates 2066 Victory Road Marion, OH 43302	232	161	69%	60	-0-	$334
Rolling Hills Estates 14 Tip Top Circle Carlisle, PA 17015	91	74	81%	30	2	$315
Rostraver Estates 1198 Rostraver Road Belle Vernon, PA 15012	67	45	67%	17	66	$370
Sandy Valley Estates 11461 State Route 800 N.E. Magnolia, OH 44643	364	234	64%	102	10	$362
Shady Hills 1508 Dickerson Road #L1 Nashville, TN 37207	210	203	97%	25	-0-	$404
Somerset Estates/Whispering Pines 1873 Husband Road Somerset, PA 15501	252	200	79%	74	24	$320/$430

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Name of Community	Number of Developed Sites	Sites Occupied at 12/31/14	Occupancy Percentage	Acreage Developed	Vacant Acreage	Approximate Monthly Rent Per Site at 12/31/14
Southern Terrace 1229 State Route 164 Columbiana, OH 44408	118	118	100%	26	4	$290
Southwind Village* 435 E. Veterans Highway Jackson, NJ 08527	250	241	96%	36	-0-	$387-$650
Spreading Oaks Village 7140-29 Selby Road Athens, OH 45701	148	117	79%	37	24	$333
Suburban Estates 33 Maruca Drive Greensburg, PA 15601	200	186	93%	36	-0-	$338
Summit Estates 3305 Summit Road Ravenna, OH 44266	141	107	76%	25	2	$289
Sunny Acres 272 Nicole Lane Somerset, PA 15501	207	200	97%	55	2	$333
Sunnyside 2901 West Ridge Pike Eagleville, PA 19403	71	61	86%	8	-0-	$614
Trailmont 512 Hillcrest Road Goodlettsville, TN 37072	129	126	98%	32	-0-	$461
Twin Oaks I & II 27216 Cook Road Lot 1-A Olmsted Township, OH 44138	141	140	99%	21	-0-	$392
Twin Pines 2011 West Wilden Avenue Goshen, IN 46528	238	188	79%	48	3	$373
Valley High 32 Valley High Lane Ruffs Dale, PA 15679	75	64	85%	13	16	$305

Valley Hills 4364 Sandy Lake Road Ravenna, OH 44266	272	200	74%	66	67	$282
Valley View I 1 Sunflower Drive Ephrata, PA 17522	105	99	94%	19	-0-	$436
Valley View II 1 Sunflower Drive Ephrata, PA 17522	44	43	98%	7	-0-	$453

* Community subject to local rent control laws.

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Name of Community	Number of Developed Sites	Sites Occupied at 12/31/14	Occupancy Percentage	Acreage Developed	Vacant Acreage	Approximate Monthly Rent Per Site at 12/31/14
Valley View – Danboro 1081 North Easton Road Doylestown, PA 18902	233	221	95%	31	-0-	$597
Valley View – Honey Brook 1 Mark Lane Honey Brook, PA 19344	147	139	95%	28	13	$530
Waterfalls Village 3450 Howard Road Lot 21 Hamburg, NY 14075	199	157	79%	35	-0-	$488
Weatherly Estates 271 Weatherly Drive Lebanon, TN 37087	270	266	99%	41	-0-	$410
Woodland Manor 338 County Route 11, Lot 165 West Monroe, NY 13167	148	75	51%	77	-0-	$332
Woodlawn Village* 265 Route 35 Eatontown, NJ 07724	156	134	86%	14	-0-	$584-$665
Wood Valley 2 West Street Caledonia, OH 43314	160	85	53%	31	56	$322
Youngstown Estates 999 Balmer Road Youngstown, NY 14174	90	59	66%	14	59	$324
Total	**15,041**	**12,243**	**82%**(1)	**3,249**	**1,142**	**$393**(2)

* Community subject to local rent control laws.

(1) Does not include vacant sites at Memphis Mobile City.
(2) Weighted average monthly rent per site.

Exclusive of the vacant sites at Memphis Mobile City, the Company's occupancy rate has increased from 81.5% at December 31, 2013 to 82.3% at December 31, 2014.

In connection with the operation of its communities, the Company operates approximately 2,600 rental units. These are homes owned by the Company and rented to residents. The Company engages in the rental of manufactured homes primarily in areas where the communities have existing vacancies. The rental homes produce income on both the home and the site which might otherwise be non-income producing. The Company sells the rental homes when the opportunity arises.

The Company has approximately 880 additional sites in various stages of engineering/construction. Due to the difficulties involved in the approval and construction process, it is difficult to predict the number of sites which will be completed in a given year.

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Significant Properties

The Company operates approximately $448,000,000 (at original cost) in manufactured home properties. These consist of eighty-eight separate manufactured home communities and related improvements. No single community constitutes more than 10% of the total assets of the Company. Our larger properties consist of: Port Royal Village with 465 developed sites, Allentown with 435 developed sites, Heather Highlands with 404 developed sites, Broadmore Estates with 389 developed sites, Sandy Valley Estates with 364 developed sites, Countryside Village with 349 developed sites, Highland Estates with 318 developed sites, Fairview Manor with 318 developed sites, and Maple Manor with 316 developed sites.

Mortgages on Properties

The Company has mortgages on various properties. The maturity dates of these mortgages range from the years 2015 to 2023. Interest rates vary from fixed rates of 4.0% to 12.75% and variable rates of prime plus 1.0% to LIBOR plus 2.25%. The weighted-average interest rate on our mortgages was approximately 4.78% at December 31, 2014. The aggregate balances of these mortgages total $182,670,854 at December 31, 2014. (For additional information, see Part IV, Item 15(a) (1) (vi), Note 5 of the Notes to Consolidated Financial Statements – Loans and Mortgages Payable).

Item 3 – Legal Proceedings

Legal proceedings are incorporated herein by reference and filed as Part IV, Item 15(a)(1)(vi), Note 12 of the Notes to Consolidated Financial Statements – Commitments, Contingencies and Legal Matters.

Item 4 – Mine Safety Disclosures

Not Applicable.

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PART II

Item 5 – Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Prior to March 2, 2012, the Company's shares were listed on the NYSE Amex (symbol: UMH). The per share range of high and low quotes for the Company's stock and distributions paid to shareholders for each quarter of the last two years are as follows:

	2014			2013		
	High	Low	Distribution	High	Low	Distribution
First Quarter	$9.95	$9.01	$ 0.18	$10.98	$9.94	$ 0.18
Second Quarter	10.11	9.57	0.18	11.55	10.04	0.18
Third Quarter	10.41	9.31	0.18	11.25	9.20	0.18
Fourth Quarter	10.11	9.01	0.18	10.70	9.01	0.18
			$0.72			$0.72

On March 2, 2012, the Company transferred the listing of its common and preferred stock from the NYSE Amex to the New York Stock Exchange (NYSE). The Company has retained its stock symbols (UMH) for the common shares and (UMH-PA) for the preferred shares.

On March 2, 2015, the closing price of the Company's stock was $9.58.

As of March 2, 2015, there were approximately 1,028 registered shareholders of the Company's common stock based on the number of record owners.

For the years ended December 31, 2014 and 2013, total distributions paid by the Company for common stock amounted to $16,285,828 or $0.72 per share ($0.01114 taxed as ordinary income, $0.00265 taxed as capital gains and $0.70621 as a return of capital) and $13,563,471 or $0.72 per share ($0.12844 taxed as ordinary income, $0.05835 taxed as capital gains and $0.53321 as a return of capital), respectively.

It is the Company's intention to continue making comparable quarterly distributions. On January 21, 2015, the Board of Directors declared a cash dividend of $0.18 per share to be paid on March 16, 2015 to common shareholders of record as of the close of business on February 17, 2015. Future dividend policy will depend on the Company's earnings, capital requirements, REIT requirements, financial condition, availability and cost of bank financing and

other factors considered relevant by the Board of Directors.

As of December 31, 2014, the Company had outstanding 3,663,800 shares of 8.25% Series A Cumulative Redeemable Preferred Stock, par value $0.10 per share, with an aggregate liquidation preference of $91,595,000 (Series A Preferred Stock). The Series A Preferred Stock ranks, as to dividend rights and rights upon our liquidation, dissolution or winding up, senior to our common stock and equal to any equity securities that we may issue in the future, the terms of which specifically provide that such equity securities rank equal to the Series A Preferred Stock. We are required to pay cumulative dividends on the Series A Preferred Stock in the amount of $2.0625 per share each year, which is equivalent to 8.25% of the $25.00 liquidation value per share. The Series A Preferred Stock is traded on the NYSE.

The Series A Preferred Stock, par value $25.00, has no maturity and will remain outstanding indefinitely unless redeemed or otherwise repurchased. The Series A Preferred Stock is not redeemable prior to May 26, 2016, except pursuant to provisions relating to preservation of the Company’s qualification as a real estate investment trust (REIT) or upon the occurrence of a Delisting Event or a Change of Control. On and after May 26, 2016, the Series A Preferred Stock will be redeemable at the Company’s option for cash, in whole or, from time to time, in part, at a price per share equal to $25.00, plus all accrued and unpaid dividends (whether or not declared), if any, to, but not including, the redemption date, on each share of Series A Preferred Stock to be redeemed.

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For the year ended December 31, 2014, total distributions paid by the Company for preferred stock, amounted to $7,556,588 or $2.0625 per share ($1.66551 taxed as ordinary income and $0.39699 taxed as capital gains). For the year ended December 31, 2013, total distributions paid by the Company for preferred stock, before accrued dividends, amounted to $7,556,588 or $2.0625 per share ($1.418164 taxed as ordinary income and $0.644336 taxed as capital gains).

On January 21, 2015, the Board of Directors declared a quarterly dividend of $0.515625 per share for the period from December 1, 2014 through February 28, 2015, on the Company's 8.25% Series A Cumulative Redeemable Preferred Stock payable March 16, 2015 to preferred shareholders of record as of the close of business on February 17, 2015. Series A preferred share dividends are cumulative and payable quarterly at an annual rate of $2.0625 per share.

Issuer Purchases of Equity Securities

On January 21, 2015, the Board of Directors reaffirmed its Share Repurchase Program (the repurchase program) that authorizes the Company to purchase up to $10,000,000 in the aggregate of the Company's common stock. The repurchase program was originally created in June 2008 and is intended to be implemented through purchases made from time to time using a variety of methods, which may include open market purchases, privately negotiated transactions or block trades, or by any combination of such methods, in accordance with applicable insider trading and other securities laws and regulations. The size, scope and timing of any purchases will be based on business, market and other conditions and factors, including price, regulatory and contractual requirements or consents, and capital availability. The repurchase program does not require the Company to acquire any particular amount of common stock, and the program may be suspended, modified or discontinued at any time at the Company's discretion without prior notice. There have been no purchases under the repurchase program to date.

Securities Authorized for Issuance Under Equity Compensation Plans

On June 13, 2013, the shareholders approved and ratified the Company's 2013 Stock Option and Stock Award Plan (the 2013 Plan) authorizing the grant to officers and key employees of options to purchase up to 3,000,000 shares of common stock. The 2013 Plan replaced the Company's 2003 Stock Option and Award Plan, as amended, which, pursuant to its terms, terminated in 2013. The outstanding options under the 2003 Stock Option and Award Plan, as amended, remain outstanding until exercised, forfeited or expired. See Note 6 in the Notes to the Consolidated Financial Statements for a description of the plans.

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The following table summarizes information, as of December 31, 2014, relating to equity compensation plans of the Company (including individual compensation arrangements) pursuant to which equity securities of the Company are authorized for issuance.

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (a)	Weighted-average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance under Equity Compensation Plans (excluding Securities reflected in column (a))
Equity Compensation Plans Approved by Security Holders	1,301,000	$10.34	2,260,000
Equity Compensation Plans not Approved by Security Holders	N/A	N/A	N/A
Total	1,301,000	$10.34	2,260,000

Comparative Stock Performance

The following line graph compares the total return of the Company's common stock for the last five years to the FTSE NAREIT All Equity REIT's published by the National Association of Real Estate Investment Trusts (NAREIT) and to the S&P 500 Index for the same period. The graph assumes a $100 investment in our common stock and in each of the indexes listed below on December 31, 2009 and the reinvestment of all dividends. The total return reflects stock price appreciation and dividend reinvestment for all three comparative indices. The information herein has been obtained from sources believed to be reliable, but neither its accuracy nor its completeness is guaranteed. Our stock performance shown in the graph below is not indicative of future stock performance.

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Item 6 – Selected Financial Data

The following table sets forth selected financial and other information for the Company as of and for each of the years in the five year period ended December 31, 2014. This table should be read in conjunction with all of the financial statements and notes thereto included elsewhere herein.

	2014	2013	2012	2011	2010
Operating Data:					
Rental and Related Income	$63,886,010	$53,477,893	$38,012,231	$32,990,219	$27,877,470
Sales of Manufactured Homes	7,545,923	8,727,214	8,815,533	6,323,135	6,133,494
Total Income	71,431,933	62,205,107	46,827,764	39,313,354	34,010,964
Community Operating Expenses	33,592,327	29,140,920	20,564,286	17,758,332	14,870,694
Loss Relating to Flood	-0-	-0-	-0-	984,701	-0-
Total Expenses	64,521,158	58,009,654	44,214,508	36,797,740	30,520,846
Interest Income	2,098,974	2,186,387	2,027,969	1,991,180	2,817,059
Dividend Income	4,065,986	3,481,514	3,243,592	2,512,057	1,762,609
Gain on Securities Transactions, net	1,542,589	4,055,812	4,092,585	2,692,649	3,931,880
Interest Expense	10,194,472	7,849,835	5,803,172	5,744,567	5,183,296
Gain (Loss) on Sales of Investment Property and Equipment	7,313	18,803	(41,481)	28,873	(8,244)
Net Income	4,237,803	5,836,823	6,474,057	3,696,263	6,668,915
Net Income (Loss) Attributable to Common Shareholders	(3,318,785)	(1,719,765)	1,749,339	2,039,497	6,668,915
Net Income Per Share					
Basic	0.19	0.31	0.40	0.25	0.52
Diluted	0.19	0.31	0.40	0.25	0.52
Net Income (Loss) Attributable to Common Shareholders Per Share					
Basic	(0.15)	(0.09)	0.11	0.14	0.52
Diluted	(0.15)	(0.09)	0.11	0.14	0.52
Cash Flow Data:					
Net Cash Provided (Used) by:					
Operating Activities	$24,326,461	$11,238,088	$9,087,749	$8,410,892	$6,481,751
Investing Activities	(56,033,767)	(110,365,339)	(66,985,675)	(39,765,028)	(33,894,219)
Financing Activities	32,174,955	95,706,570	60,135,727	34,491,139	28,553,703
Balance Sheet Data:					
Total Investment Property	$448,164,459	$365,824,412	$253,490,055	$191,252,542	$168,590,072
Total Assets	478,268,976	407,979,974	300,281,215	223,944,536	188,780,515
Mortgages Payable	182,670,854	160,639,944	108,871,352	90,282,010	90,815,777
Series A Preferred Stock	91,595,000	91,595,000	91,595,000	33,470,000	-0-

Total Shareholders' Equity	208,827,105	190,585,737	174,985,248	105,877,205	71,927,753
Other Information:					
Average Number of Shares Outstanding					
Basic	22,496,103	18,724,321	16,197,339	14,506,679	12,767,904
Diluted	22,539,708	18,789,662	16,260,225	14,562,018	12,822,644
Funds from Operations (1)	$11,837,322	$9,943,156	$9,147,978	$7,972,962	$11,193,185
Core Funds from Operations (1)	$12,320,844	$11,398,698	$10,010,147	$9,218,126	$11,640,762
Cash Dividends Per Common Share	$0.72	$0.72	$0.72	$0.72	$0.72

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(1) We assess and measure our overall operating results based upon an industry performance measure referred to as Funds From Operations (FFO), which management believes is a useful indicator of our operating performance. FFO is used by industry analysts and investors as a supplemental operating performance measure of a REIT. FFO, as defined by The National Association of Real Estate Investment Trusts (NAREIT), represents net income (loss) attributable to common shareholders, as defined by accounting principles generally accepted in the United States of America (U.S. GAAP), excluding extraordinary items, as defined under U.S. GAAP, gains or losses from sales of previously depreciated real estate assets, impairment charges related to depreciable real estate assets, plus certain non-cash items such as real estate asset depreciation and amortization. NAREIT created FFO as a non-U.S. GAAP supplemental measure of REIT operating performance. We define Core Funds From Operations (Core FFO) as FFO plus acquisitions costs and Loss Relating to Flood. FFO and Core FFO should be considered as a supplemental measure of operating performance used by REITs. FFO and Core FFO excludes historical cost depreciation as an expense and may facilitate the comparison of REITs which have different cost basis. The items excluded from FFO and Core FFO are significant components in understanding the Company’s financial performance.

FFO and Core FFO (i) do not represent Cash Flow from Operations as defined by U.S. GAAP; (ii) should not be considered as an alternative to Net Income as a measure of operating performance or to Cash Flows from Operating, Investing and Financing Activities; and (iii) are not an alternative to cash flow as a measure of liquidity. FFO and Core FFO, as calculated by the Company, may not be comparable to similarly titled measures reported by other REITs.

The Company’s FFO and Core FFO Attributable to Common Shareholders are calculated as follows:

	2014	**2013**	**2012**	**2011**	**2010**
Net Income (Loss) Attributable to Common Shareholders	$(3,318,785)	$(1,719,765)	$1,749,339	$2,039,497	$6,668,915
Loss (Gain) on Sales of Depreciable Assets	(7,313)	(18,803)	41,481	(28,873)	8,244
Depreciation Expense	15,163,420	11,681,724	7,357,158	5,962,338	4,516,026
FFO Attributable to Common Shareholders	11,837,322	9,943,156	9,147,978	7,972,962	11,193,185
Acquisition Costs	483,522	1,455,542	862,169	260,463	447,577
Loss Relating to Flood (1)	-0-	-0-	-0-	984,701	-0-
Core FFO Attributable to Common Shareholders	$12,320,844	$11,398,698	$10,010,147	$9,218,126	$11,640,762

(1) Represents loss relating to flood at Memphis Mobile City.

Item 7 – Management's Discussion and Analysis of Financial Condition and Results of Operations

Cautionary Statement Regarding Forward-Looking Statements

Statements contained in this Form 10-K, that are not historical facts are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Forward-looking statements provide our current expectations or forecasts of future events. Forward-looking statements include statements about the Company's expectations, beliefs, intentions, plans, objectives, goals, strategies, future events, performance and underlying assumptions and other statements that are not historical facts. Forward-looking statements can be identified by their use of forward-looking words, such as "may," "will," "anticipate," "expect," "believe," "intend," "plan," "should," "seek" or c terms, or the negative use of those words, but the absence of these words does not necessarily mean that a statement is not forward-looking.

The forward-looking statements are based on our beliefs, assumptions and expectations of our future performance, taking into account all information currently available to us. Forward-looking statements are not predictions of future events. These beliefs, assumptions and expectations can change as a result of many possible

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events or factors, not all of which are known to us. Some of these factors are described below and under the headings "Business", "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations". These and other risks, uncertainties and factors could cause our actual results to differ materially from those included in any forward-looking statements we make. Any forward-looking statement speaks only as of the date on which it is made. New risks and uncertainties arise over time, and it is not possible for us to predict those events or how they may affect us. Except as required by law, we are not obligated to, and do not intend to, update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Important factors that could cause actual results to differ materially from our expectations include, among others:

- changes in the real estate market conditions and general economic conditions;
- the inherent risks associated with owning real estate, including local real estate market conditions, governing laws and regulations affecting manufactured housing communities and illiquidity of real estate investments;
- increased competition in the geographic areas in which we own and operate manufactured housing communities;
- our ability to continue to identify, negotiate and acquire manufactured housing communities and/or vacant land which may be developed into manufactured housing communities on terms favorable to us;
- our ability to maintain rental rates and occupancy levels;
- changes in market rates of interest;
- our ability to repay debt financing obligations;
- our ability to refinance amounts outstanding under our credit facilities at maturity on terms favorable to us;
- our ability to comply with certain debt covenants;
- our ability to integrate acquired properties and operations into existing operations;
- the availability of other debt and equity financing alternatives;
- continued ability to access the debt or equity markets;
- the loss of any member of our management team;
- our ability to maintain internal controls and processes to ensure all transactions are accounted for properly, all relevant disclosures and filings are timely made in accordance with all rules and regulations, and any potential fraud or embezzlement is thwarted or detected;
- the ability of manufactured home buyers to obtain financing;
- the level of repossessions by manufactured home lenders;
- market conditions affecting our investment securities;
- changes in federal or state tax rules or regulations that could have adverse tax consequences;
- our ability to qualify as a real estate investment trust for federal income tax purposes; and
- those risks and uncertainties referenced under the heading "Risk Factors" contained in this Form 10-K and the Company's filings with the Securities and Exchange Commission.

You should not place undue reliance on these forward-looking statements, as events described or implied in such statements may not occur. The forward-looking statements contained in this Form 10-K speak only as of the date hereof and the Company expressly disclaims any obligation to publicly update or revise any forward-looking statements whether as a result of new information, future events, or otherwise.

Overview

The following discussion and analysis of the consolidated financial condition and results of operations should be read in conjunction with the Consolidated Financial Statements and notes thereto elsewhere herein.

The Company is a self-administered, self-managed, real estate investment trust (REIT) with headquarters in Freehold, New Jersey. The Company's primary business is the ownership and operation of manufactured home communities which includes leasing manufactured home spaces on a month-to-month or annual basis to private manufactured home owners. The Company also leases homes to residents and, through its taxable REIT subsidiary, UMH Sales and Finance, Inc. (S&F), sells and finances homes to residents and prospective residents of our communities.

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Our communities are located in New Jersey, New York, Ohio, Pennsylvania, Tennessee, Indiana and Michigan. UMH has continued to execute our growth strategy of purchasing well-located communities in our target markets, including the energy-rich Marcellus and Utica shale regions. During the year ended December 31, 2014, we have purchased fourteen manufactured home communities with ten located in Ohio and four located in Pennsylvania, for an aggregate purchase price of $42,550,000. These acquisitions added approximately 1,600 developed sites to our portfolio, bringing our total to eighty-eight communities containing approximately 15,000 developed sites. On January 21, 2015, we acquired an additional community located in Pennsylvania for approximately $3,800,000. With this purchase, we now own eighty-nine manufactured home communities consisting of approximately 15,200 developed sites.

The Company's income primarily consists of rental and related income from the operation of its manufactured home communities. Income also includes sales of manufactured homes. In 2014, total income has increased 15% from the prior year and income from community operations has increased 24% from the prior year, primarily due to the acquisitions in 2013 and 2014. Occupancy has increased from 81.5% at December 31, 2013 to 82.3% at December 31, 2014. Same site occupancy has increased from 81.5% at December 31, 2013 to 83.2% at December 31, 2014. Sales of manufactured homes continue to be disappointing and have not yet returned to pre-recession levels. Many of our customers still face difficulties in selling their existing homes. Despite historically low interest rates, tight underwriting standards have kept a number of potential buyers out of the site-built market. This, coupled with limited wage growth, has consumers gravitating toward renting versus owning. During 2014, we have added a net of approximately 800 rental units to selected communities as well as acquired approximately 100 rental units with fiscal 2014 community acquisitions. Rental home occupancy is at 91.5%. Occupied rental units represent approximately 19.6% of total occupied sites. We intend to convert renters to new homeowners in the future.

Revenues also include interest and dividend income and net gain on securities transactions. The Company holds a portfolio of securities of other REITs with a fair value of $63,555,961 at December 31, 2014. The Company generally limits its marketable securities investments to no more than approximately 15% of its undepreciated assets. The REIT securities portfolio provides the Company with liquidity and additional income and serves as a proxy for real estate when more favorable risk adjusted returns are not available. The Company invests in these securities on margin from time to time when the Company can achieve an adequate yield spread. As of December 31, 2014, the Company has borrowings of $19,392,382 under its margin line at 2.0% interest. As of December 31, 2014, the Company's portfolio consisted of 30% REIT preferred stocks and 70% REIT common stocks. The Company's weighted-average yield on the securities portfolio was approximately 6.1% at December 31, 2014. The Company realized a net gain of $1,542,589 on sale of securities transactions in 2014 as compared to a net gain of $4,055,812 during 2013. At December 31, 2014, the Company had unrealized gains of $5,079,921 in its REIT securities portfolio. The dividends received from our securities investments continue to meet our expectations. It is our intent to hold these securities for investment on a long-term basis.

The Company continues to strengthen its balance sheet. During 2014, the Company raised approximately $33 million in new capital through its Dividend Reinvestment and Stock Purchase Plan. This capital was used to purchase communities, purchase rental homes and pay down certain loans and mortgages. The weighted average interest rate on our mortgage debt was 4.8% at December 31, 2014 compared to 4.5% at December 31, 2013.

At December 31, 2014, the Company had approximately $8.1 million in cash and cash equivalents, and $15 million potentially available on our credit facility pursuant to an accordion feature. We also had $10.2 million available on our revolving lines of credit for the financing of home sales and the purchase of inventory, and the ability to finance approximately 500 rental units. In addition, we held $63.6 million in marketable REIT securities encumbered by $19.4 million in margin loans. In general, the Company may borrow up to 50% of the value of the marketable securities.

The Company intends to continue to increase its real estate investments. In 2013 and 2014, we have added a total of thirty-one manufactured home communities to our portfolio, encompassing approximately 4,300 developed sites. We have also entered into definitive agreements to purchase three manufactured home communities, including the community which was purchased in January 2015, with a total of approximately 465 developed home sites located in Pennsylvania for a purchase price of approximately $9.1 million. We have been positioning ourselves for future growth and will continue to seek opportunistic investments in 2015. The growth of our real estate portfolio depends on the availability of suitable properties which meet the Company’s investment criteria and appropriate financing.

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There is no guarantee that any of these additional opportunities will materialize or that the Company will be able to take advantage of such opportunities.

The Company believes that funds generated from operations, funds generated from the dividend reinvestment and stock purchase plan (DRIP), and the funds available on the credit facility and the lines of credit, together with the ability to finance and refinance its properties will provide sufficient funds to adequately meet its obligations over the next several years.

See PART I, Item 1- Business and Item 1A – Risk Factors for a more complete discussion of the economic and industry-wide factors relevant to the Company, the Company's lines of business and principal products and services, and the opportunities, challenges and risks on which the Company is focused.

Significant Accounting Policies and Estimates

The discussion and analysis of the Company’s financial condition and results of operations are based upon the Company’s consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these consolidated financial statements requires management to make estimates and judgments that affect the reported amounts of assets and liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities at the date of the Company’s consolidated financial statements. Actual results may differ from these estimates under different assumptions or conditions.

Significant accounting policies are defined as those that involve significant judgment and potentially could result in materially different results under different assumptions and conditions. Management believes the following critical accounting policies are affected by our more significant judgments and estimates used in the preparation of the Company’s consolidated financial statements. For a detailed description of these and other accounting policies, see Note 2 in the notes to the Company’s consolidated financial statements included in this Form 10-K.

Real Estate Investments

The Company applies Financial Accounting Standards Board Accounting Standards Codification (ASC) 360-10, Property, Plant & Equipment (ASC 360-10) to measure impairment in real estate investments. Rental properties are individually evaluated for impairment when conditions exist which may indicate that it is probable that the sum of expected future cash flows (on an undiscounted basis without interest) from a rental property is less than the carrying

value under its historical net cost basis. These expected future cash flows consider factors such as future operating income, trends and prospects as well as the effects of leasing demand, competition and other factors. Upon determination that a permanent impairment has occurred, rental properties are reduced to their fair value. For properties to be disposed of, an impairment loss is recognized when the fair value of the property, less the estimated cost to sell, is less than the carrying amount of the property measured at the time there is a commitment to sell the property and/or it is actively being marketed for sale. A property to be disposed of is reported at the lower of its carrying amount or its estimated fair value, less its cost to sell. Subsequent to the date that a property is held for disposition, depreciation expense is not recorded.

Upon acquisition of a property, the Company applies ASC 805, Business Combinations (ASC 805) and allocates the purchase price of the property based upon the fair value of the assets acquired, which generally consist of land, site and land improvements, buildings and improvements and rental homes. The Company allocates the purchase price of an acquired property generally determined by internal evaluation as well as third-party appraisal of the property obtained in conjunction with the purchase. Transaction costs, such as broker fees, transfer taxes, legal, accounting, valuation, and other professional and consulting fees, related to acquisitions are expensed as incurred.

The Company conducted a comprehensive review of all real estate asset classes in accordance with ASC 360-10-35-21, which indicates that asset values should be analyzed whenever events or changes in circumstances indicate that the carrying value of a property may not be fully recoverable. The process entails the analysis of property for instances where the net book value exceeds the estimated fair value. In accordance with ASC 360-10-35-17, an impairment loss shall be recognized if the carrying amount of a long-lived asset is not recoverable and exceeds its fair

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value. The Company utilizes the experience and knowledge of its internal valuation team to derive certain assumptions used to determine an operating property's cash flow. Such assumptions include lease-up rates, rental rates, rental growth rates, and capital expenditures. The Company reviewed its operating properties in light of the requirements of ASC 360-10 and determined that, as of December 31, 2014, the undiscounted cash flows over the holding period for these properties were in excess of their carrying values and, therefore, no impairment charges were required.

Securities Available for Sale

Investments in non-real estate assets consist primarily of marketable securities. The Company individually reviews and evaluates our marketable securities for impairment on a quarterly basis or when events or circumstances that may indicate possible impairment occur. The Company considers, among other things, credit aspects of the issuer, amount of decline in fair value over cost and length of time in a continuous loss position. The Company has developed a general policy of evaluating whether an unrealized loss is other than temporary. On a quarterly basis, the Company makes an initial review of every individual security in its portfolio. If the security is impaired, the Company first determines our intent and ability to hold this investment for a period of time sufficient to allow for any anticipated recovery in market value. Next, the Company determines the length of time and the extent of the impairment. Barring other factors, including the downgrading of the security or the cessation of dividends, if the fair value of the security is below cost by less than 20% for less than 6 months and the Company has the intent and ability to hold the security, the security is deemed to not be other than temporarily impaired. Otherwise, the Company reviews additional information to determine whether the impairment is other than temporary. The Company discusses and analyzes any relevant information known about the security, such as:

a. Whether the decline is attributable to adverse conditions related to the security or to specific conditions in an industry or in a geographic area.
b. Any downgrading of the security by a rating agency.
c. Whether the financial condition of the issuer has deteriorated.
d. Status of dividends – Whether dividends have been reduced or eliminated, or scheduled interest payments have not been made.
e. Analysis of the underlying assets (including NAV analysis) using independent analysis or recent transactions.

The Company generally holds REIT securities long-term and has the ability and intent to hold securities to recovery. If a decline in fair value is determined to be other than temporary, an impairment charge is recognized in earnings and the cost basis of the individual security is written down to fair value as the new cost basis.

The Company's securities consist primarily of common and preferred stock of other REITs. These securities are all publicly-traded and purchased on the open market, through private transactions or through dividend reinvestment plans. These securities are classified among three categories: Held-to-maturity, trading and available-for-sale. As of December 31, 2014 and 2013, the Company's securities are all classified as available-for-sale and are carried at fair value based upon quoted market prices. Gains or losses on the sale of securities are based on identifiable cost and are accounted for on a trade date basis. Unrealized holding gains and losses are excluded from earnings and reported as a

separate component of Shareholders' Equity until realized. The change in net unrealized holding gains and losses are reflected as comprehensive income.

Other

Estimates are used when accounting for the allowance for doubtful accounts for our rents and loans receivable, potentially excess and obsolete inventory and contingent liabilities, among others. These estimates are susceptible to change and actual results could differ from these estimates. The effects of changes in these estimates are recognized in the period they are determined.

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Results of Operations

Acquisitions in 2014

On March 13, 2014, the Company acquired 8 Ohio manufactured home communities for a purchase price of $24,950,000. These 8 all-age communities contain a total 1,018 developed home sites situated on approximately 270 acres. The average occupancy for these communities at closing was approximately 70%. The Company assumed mortgages totaling approximately $18,100,000 in connection with this acquisition. The weighted average interest rate on these mortgages is fixed at 6.74%. Approximately $8.9 million matures on May 1, 2016 and the remaining balance matures on February 1, 2018.

On July 14, 2014, the Company acquired 4 Pennsylvania manufactured home communities for a purchase price of $12,200,000. These 4 all-age communities are located in the Pittsburgh metropolitan area and contain a total of 336 developed home sites situated on approximately 239 acres. The average occupancy for these communities at closing was approximately 84%. The Company assumed a mortgage loan with a balance of approximately $8,600,000 in connection with this acquisition. Interest is at a fixed rate of 4.975%. This mortgage matures on July 1, 2023.

On July 28, 2014, the Company acquired 2 Ohio manufactured home communities for a purchase price of $5,400,000. These 2 all age communities contain a total of 258 developed home sites situated on approximately 39 acres. The average occupancy for these communities at closing was approximately 91%.

Acquisitions in 2013

On March 1, 2013, the Company acquired 10 manufactured home communities for $67,500,000. These 10 all-age communities total 1,854 developed home sites situated on approximately 400 acres. There are five communities located in Indiana, four communities located in Pennsylvania, and one community located in Michigan. The average occupancy for these communities at closing was approximately 85%. The Company obtained a $53,760,000 mortgage loan. The Company also included 3 additional communities in this mortgage. Interest on the mortgage loan is fixed at 4.065%. This mortgage loan matures on March 1, 2023.

On April 2, 2013, the Company acquired Holiday Mobile Village, a 274-site manufactured home community situated on approximately 68 acres, located in Nashville, Tennessee, for a purchase price of $7,250,000. The occupancy for this community at closing was approximately 82%.

On October 1, 2013, the Company acquired Rolling Hills Estates, a 91-site manufactured home community situated on approximately 32 acres, located in Carlisle, Pennsylvania, for a purchase price of $1,720,000. The occupancy for this community at closing was approximately 91%.

On November 6, 2013, the Company acquired 5 manufactured home communities, 4 communities located in Ohio and 1 community located in New York, for an aggregate purchase price of $11,800,000. These five all-age communities contain a total of 519 developed home sites situated on approximately 200 total acres. The average occupancy for these communities at closing was approximately 82%. The Company assumed a $7,700,000 mortgage loan. This mortgage is at a fixed interest rate of 4.75% and matures on December 6, 2022.

2014 vs. 2013

Rental and related income increased from $53,477,893 for the year ended December 31, 2013 to $63,886,010 for the year ended December 31, 2014, or 19%. This increase was due to the acquisitions during 2013 and 2014, and an increase in rental rates, occupancy and rental homes.

The Company has been raising rental rates by approximately 2% to 6% annually at certain communities. Other communities received no increases. Occupancy, as well as the ability to increase rental rates, directly affects revenues. Exclusive of the vacant sites at Memphis Mobile City, the Company's occupancy rate has increased from 81.5% at December 31, 2013 to 82.3% at December 31, 2014. Same store occupancy has increased from 81.5% at December 31, 2013 to 83.2% at December 31, 2014. Some of the Company's vacant sites resulted from expansions

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completed before the downturn in the economy. The Company continues to evaluate further expansion at selected communities in order to increase the number of available sites, obtain efficiencies and generate increased revenues. In the current environment, the demand for rental homes is high. As of December 31, 2014, we had approximately 2,600 rental homes with an occupancy of 91.5%. We continue to evaluate the demand for rental homes and will invest in additional homes as demand dictates.

Sales of manufactured homes decreased from $8,727,214 for the year ended December 31, 2013 to $7,545,923 for the year ended December 31, 2014, or 14%. The number of homes sold decreased from 164 homes in 2013 to 134 homes in 2014. There were 69 new homes sold in 2014 as compared to 96 in 2013. Cost of sales of manufactured homes decreased from $7,204,410 for the year ended December 31, 2013 to $5,832,540 for the year ended December 31, 2014, or 19%. Selling expenses increased from $1,985,834 for the year ended December 31, 2013 to $2,983,376 for the year ended December 31, 2014, or 50%. Loss from the sales operations (defined as sales of manufactured homes less cost of sales of manufactured homes less selling expenses less interest on the financing of inventory) increased from $640,019 for the year ended December 31, 2013 to $1,881,936 for the year ended December 31, 2014. The losses on sales include selling expenses of approximately $3.0 million for the year ended December 31, 2014. Many of these costs, such as rent, salaries, and to an extent, advertising and promotion, are fixed. Selling expenses in 2014 also include additional costs associated with the opening of sales lots. Adverse conditions have continued to slow the manufactured housing industry and the broader housing market in the U.S. The inability of our customers to sell their current homes, limited wage growth new licensing laws, including the Secure and Fair Enforcement for Mortgage Licensing Act of 2008 (SAFE Act) and the Dodd–Frank Wall Street Reform and Consumer Protection, have all negatively impacted our sales. However, the Company is optimistic about future sales and rental prospects given the fundamental need for housing. The Company believes that sales of new homes produces new rental revenue and is an investment in the upgrading of our communities.

Community operating expenses increased from $29,140,920 for the year ended December 31, 2013 to $33,592,327 for the year ended December 31, 2014, or 15%. This increase was due to the acquisitions during 2013 and 2014. Additionally, the Company incurred additional non-recurring expenses relating to deferred maintenance at a number of our acquisitions.

General and administrative expenses remained relatively stable for the year ended December 31, 2014 as compared to the year ended December 31, 2013.

Acquisition costs, relating to the transaction, due diligence and other related costs associated with the acquisitions of communities, decreased from $1,455,542 for the year ended December 31, 2013 to $483,522 for the year ended December 31, 2014, or 67%. This decrease was due to the decrease in acquisitions in 2014 with an aggregate purchase price of $42,550,000 as compared to 2013 with an aggregate purchase price of $88,270,000.

Depreciation expense increased from $11,681,724 for the year ended December 31, 2013 to $15,163,420 for the year ended December 31, 2014, or 30%. This increase was primarily due to the acquisitions during 2013 and 2014.

Interest income remained relatively stable for the year ended December 31, 2014 as compared to the year ended December 31, 2013.

Dividend income increased from $3,481,514 for the year ended December 31, 2013 to $4,065,986 for the year ended December 31, 2014, or 17%. This increase is due to the increase in the balance of securities from $59,254,942 at December 31, 2013 to $63,555,961 at December 31, 2014. The Company's weighted-average yield on the securities portfolio was approximately 6.1% and 7.0% as of December 31, 2014 and 2013, respectively.

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Gain on sale of securities transactions, net consists of the following:

	Year Ended December 31,	
	2014	**2013**
Gross realized gains	$1,555,656	$4,284,934
Gross realized losses	(13,067)	(229,122)
Total Gain on Sale of Securities Transactions, net	$1,542,589	$4,055,812

The Company had an accumulated net unrealized gain on its securities portfolio of $5,079,921 as of December 31, 2014.

Other income increased from $211,051 for the year ended December 31, 2013 to $328,888 for the year ended December 31, 2014, or 56%. This increase was primarily due to new contracts with cable companies at a number of communities where we received upfront fees from $75 to $125 for each occupied home site. The Company is also eligible to receive additional amounts based on the number of new customers generated by the cable company at the community.

Interest expense increased from $7,849,835 for the year ended December 31, 2013 to $10,194,472 for the year ended December 31, 2014, or 30%. This increase is primarily due to the new mortgage loans for the community acquisitions in 2014. The average balance of mortgages payable was approximately $172 million during 2014 as compared to approximately $135 million during 2013. The weighted-average interest rate on these mortgages was 4.8% at December 31, 2014 as compared to 4.5% at December 31, 2013.

Amortization of financing costs increased from $462,362 for the year ended December 31, 2013 to $522,250 for the year ended December 31, 2014, or 13%. This increase is primarily due to the assumption of mortgages associated with the acquisitions completed in 2013 and 2014.

Income from Community Operations (defined as Rental and Related Income less Community Operating Expenses) increased from $24,336,973 for the year ended December 31, 2013 to $30,293,683 for the year ended December 31, 2014, or 24%. This increase was due to the acquisitions during 2013 and 2014, and an increase in rental rates, occupancy and rental homes.

2013 vs. 2012

Rental and related income increased from $38,012,231 for the year ended December 31, 2012 to $53,477,893 for the year ended December 31, 2013, or 41%. This increase was due to the acquisitions during 2012 and 2013.

The Company has been raising rental rates by approximately 2% to 6% annually at certain communities. Other communities received no increases. Occupancy, as well as the ability to increase rental rates, directly affects revenues. Exclusive of the vacant sites at Memphis Mobile City, the Company’s occupancy rate has increased from 80% at December 31, 2012 to 81% at December 31, 2013. Some of the Company’s vacant sites resulted from expansions completed before the downturn in the economy. The Company continues to evaluate further expansion at selected communities in order to increase the number of available sites, obtain efficiencies and generate increased revenues.

Sales of manufactured homes decreased from $8,815,533 for the year ended December 31, 2012 to $8,727,214 for the year ended December 31, 2013, or 1%. The number of homes sold decreased from 210 homes in 2012 to 164 homes in 2013. There were 96 new homes sold in 2013 as compared to 98 in 2012. Cost of sales of manufactured homes decreased from $7,903,678 for the year ended December 31, 2012 to $7,204,410 for the year ended December 31, 2013, or 9%. Selling expenses decreased from $2,152,701 for the year ended December 31, 2012 to $1,985,834 for the year ended December 31, 2013, or 8%. Loss from the sales operations (defined as sales of manufactured homes less cost of sales of manufactured homes less selling expenses less interest on the financing of inventory) decreased from $1,425,772 for the year ended December 31, 2012 to $640,019 for the year ended December

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31, 2013. The losses on sales include selling expenses of approximately $2.0 million for the year ended December 31, 2013. Many of these costs, such as rent, salaries, and to an extent, advertising and promotion, are fixed. Adverse conditions have continued to slow the manufactured housing industry and the broader housing market in the U.S. Persistent high unemployment rates, the inability of our customers to sell their current homes and the decline in consumer confidence have all negatively impacted our sales and our gross profit percentage. New licensing laws, including the Secure and Fair Enforcement for Mortgage Licensing Act of 2008 (SAFE Act), have also increased costs. However, the Company is optimistic about future sales and rental prospects given the fundamental need for housing. We have adjusted our inventory accordingly. The Company believes that sales of new homes produces new rental revenue and is an investment in the upgrading of our communities.

Community operating expenses increased from $20,564,286 for the year ended December 31, 2012 to $29,140,920 for the year ended December 31, 2013, or 42%. This increase was due to the acquisitions during 2012 and 2013. Additionally, the Company incurred additional non-recurring expenses relating to deferred maintenance at a number of our acquisitions.

General and administrative expenses increased from $5,374,516 for the year ended December 31, 2012 to $6,541,224 for the year ended December 31, 2013, or 22%. This was primarily due to an increase in personnel and personnel costs and directors fees. Over the past four years, the Company has doubled in size, based on total number of home sites. Additionally, compensation costs of $150,000 relating to pension costs and a one-time charge of $142,000 for a stock option grant of 100,000 shares to one participant who is of retirement age was recognized at time of approval and therefore the entire amount of measured compensation cost has been recognized. In addition, the Company granted an additional 292,000 of stock options to employees during 2013.

Acquisition costs, relating to the transaction, due diligence and other related costs associated with the acquisitions of communities increased from $862,169 for the year ended December 31, 2012 to $1,455,542 for the year ended December 31, 2013, or 69%. This increase was due to the increase in acquisitions in 2013 with an aggregate purchase price of $88,270,000 as compared to 2012 with an aggregate purchase price of $47,600,000.

Depreciation expense increased from $7,357,158 for the year ended December 31, 2012 to $11,681,724 for the year ended December 31, 2013, or 59%. This increase was primarily due to the acquisitions during 2012 and 2013.

Interest income remained relatively stable for the year ended December 31, 2013 as compared to the year ended December 31, 2012.

Dividend income increased from $3,243,592 for the year ended December 31, 2012 to $3,481,514 for the year ended December 31, 2013, or 7%. This increase is due to the increase in the balance of securities from $57,325,440 at December 31, 2012 to $59,254,942 at December 31, 2013. The Company’s weighted-average yield on the securities portfolio was approximately 7.0% and 6.5% as of December 31, 2013 and 2012, respectively.

Gain on sale of securities transactions, net consists of the following:

	Year Ended December 31,	
	2013	**2012**
Gross realized gains	$4,284,934	$4,092,585
Gross realized losses	(229,122)	-0-
Total Gain on Sale of Securities Transactions, net	$4,055,812	$4,092,585

The Company had an accumulated net unrealized gain on its securities portfolio of $1,116,738 as of December 31, 2013.

Other income decreased from $643,588 for the year ended December 31, 2012 to $211,051 for the year ended December 31, 2013, or 67%. This decrease was due to the bonus payment received in the amount of $499,471 in 2012 for rights to drill for oil and gas in one of our communities.

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Interest expense increased from $5,803,172 for the year ended December 31, 2012 to $7,849,835 for the year ended December 31, 2013, or 35%. This increase is primarily due to the new mortgage loans for the community acquisitions in 2013. The average balance of mortgages payable was approximately $135 million during 2013 as compared to approximately $100 million during 2012. The Company has reduced its weighted average interest rate on its mortgages from 5.2% at December 31, 2012 to 4.5% at December 31, 2013.

Amortization of financing costs increased from $302,280 for the year ended December 31, 2012 to $462,362 for the year ended December 31, 2013, or 53%. This was primarily due to the deferred financing related to the Credit Facility and the early payoff of two mortgages.

Income from Community Operations (defined as Rental and Related Income less Community Operating Expenses) increased from $17,447,945 for the year ended December 31, 2012 to $24,336,973 for the year ended December 31, 2013, or 39%. This increase was due to the acquisitions during 2012 and 2013.

Off-Balance Sheet Arrangements and Contractual Obligations

The Company has not executed any off-balance sheet arrangements.

The following is a summary of the Company’s contractual obligations as of December 31, 2014:

Contractual Obligations	**Total**	**Less than 1 year**	**1-3 years**	**3-5 years**	**More than 5 years**
Mortgages Payable	$182,670,854	$11,476,760	$55,904,088	$32,585,832	$82,704,174
Interest on Mortgages Payable	42,007,985	8,625,149	14,336,126	9,298,904	9,747,806
Loans Payable	77,439,230	8,375,131	45,115,156	4,132,381	19,816,562
Interest on Loans Payable	6,267,006	2,566,286	2,049,199	1,184,016	467,505
Operating Lease Obligations	56,000	56,000	-0-	-0-	-0-
Purchase of Properties	12,892,000	12,892,000	-0-	-0-	-0-
Retirement Benefits	600,000	50,000	100,000	-0-	450,000
Total	$321,933,075	$44,041,326	$117,504,569	$47,201,134	$113,186,046

Mortgages payable represents the principal amounts outstanding based on scheduled payments. The interest rates on these mortgages vary from fixed rates ranging from 4.0% to 12.75% and variable rates of prime plus 1.0% to LIBOR plus 2.25%. The weighted-average interest rate was approximately 4.78% at December 31, 2014.

Loans payable represents $35,000,000 outstanding on the Company’s unsecured line of credit with an interest rate ranging from LIBOR plus 2.00% to 2.75% or prime plus 1.00% to 1.75%, based on the Company’s overall leverage (interest rate of 2.91% as of December 31, 2014), $19,392,382 outstanding on its margin line with an interest rate of 2.0% at December 31, 2014, $8,323,300 outstanding on the Company’s revolving credit agreements to finance inventory with interest rates ranging from prime with a minimum of 6% to prime plus 2% with a minimum of 8% after 18 months (weighted average interest rate of 6.62% as of December 31, 2014), $723,548 loans outstanding for the finance of rental homes with an interest rate of 6.99% at December 31, 2014, $4,000,000 outstanding on its commercial term loan with an interest rate of 4.625% at December 31, 2014, and $10,000,000 outstanding on the Company’s revolving line of credit secured by eligible notes receivables with an interest rate of prime plus 50 basis points (interest rate of 3.75% as of December 31, 2014).

Operating lease obligations represent a lease, with a related party, for the Company’s corporate offices. On May 1, 2010, the Company renewed this lease for an additional five-year term with monthly lease payments of $13,600 through April 30, 2013 and $14,000 through April 30, 2015. The Company is also responsible for its proportionate share of real estate taxes and common area maintenance. Approximately 70% of the monthly lease payment plus its proportionate share of real estate taxes and common area maintenance was reimbursed by MREIC through 2014. Effective January 2015, MREIC obtained a separate lease and the Company will be responsible for 100% of the operating lease agreement.

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Purchase of Properties represents the total purchase price of four communities under contract in Pennsylvania totaling 623 developed home sites. One acquisition of 141 home sites, with a purchase price of $3,800,000 was completed in January 2015. The remaining acquisitions are expected to close in the second quarter of 2015.

Retirement benefits represent the total future amount to be paid, on an undiscounted basis, relating to an executive officer. These benefits are based upon specific employment agreements. The agreements do not require the Company to separately fund the obligation and therefore will be paid from the general assets of the Company. The Company has accrued these benefits on a present value basis over the terms of the agreements (See Note 8 of the Notes to Consolidated Financial Statements).

Liquidity and Capital Resources

The Company operates as a real estate investment trust deriving its income primarily from real estate rental operations. The Company's principal liquidity demands have historically been, and are expected to continue to be, distribution requirements, acquisitions, capital improvements, development and expansions of properties, debt service, purchases of manufactured home inventory, investment in debt and equity securities of other REITs, financing of manufactured home sales and payments of expenses relating to real estate operations. The Company's ability to generate cash adequate to meet these demands is dependent primarily on income from its real estate investments and securities portfolio, the sale of real estate investments and securities, refinancing of mortgage debt, leveraging of real estate investments, availability of bank borrowings, proceeds from the Dividend Reinvestment and Stock Purchase Plan (DRIP), and access to the capital markets.

The Company has a DRIP, in which participants can purchase stock from the Company at a price of approximately 95% of market. During 2014, amounts received, including dividends reinvested of $1,858,491, totaled $32,792,239. During 2014, the Company distributed to our common shareholders a total of $16,285,828, including dividends reinvested. It is anticipated, although no assurances can be given, that the level of participation in the DRIP in 2015 will be comparable to 2014. In addition, the Company also paid $7,556,588 in preferred dividends.

The Company intends to operate its existing properties from the cash flows generated by the properties. However, the Company's expenses are affected by various factors, including inflation. Increases in operating expenses raise the breakeven point for a property and, to the extent that they cannot be passed on through higher rents, reduce the amount of available cash flow which can adversely affect the market value of the property.

The Company has the ability to finance home sales, inventory purchases and rental home purchases. On October 6, 2014, the Company entered into an agreement with 21st Mortgage Corporation (21st Mortgage) under which 21st Mortgage will finance the Company's purchase of a maximum of 500 rental units. The Company also has a

$10,000,000 revolving line of credit for the financing of homes, all of which was utilized at December 31, 2014, and revolving credit facilities totaling $18,500,000 to finance inventory purchases, of which $8,323,300 was utilized at December 31, 2014.

As of December 31, 2014, the Company had $8,082,792 of cash and cash equivalents and securities available for sale of $63,555,961 encumbered by $19,392,382 in margin loans and $15 million potentially available on our unsecured credit facility pursuant to an accordion feature. At December 31, 2014, the Company owns eighty-eight communities of which twenty-eight are unencumbered. The Company is in the process of financing/refinancing 10 communities for a total of approximately $55,000,000. Subsequent to year-end, the Company completed the financing/refinancing of 2 communities (See Note 15). The Company’s marketable securities, non-mortgaged properties, and lines of credit provide us with additional liquidity. The Company has been raising equity capital through its DRIP and through the issuance of preferred stock. The Company believes that funds generated from operations, the DRIP and capital market, the funds available on the lines of credit, together with the ability to finance and refinance its properties will provide sufficient funds to adequately meet its obligations over the next several years.

The Company’s focus is on real estate investments. The Company has historically financed purchases of real estate primarily through mortgages. During 2014, total investment property increased 23% or $82,340,047. The Company made acquisitions of fourteen manufactured home communities totaling approximately 1,612 developed sites at an aggregate purchase price of $42,550,000. These acquisitions were funded through the assumption of $26,670,449 of mortgages and the use of our unsecured credit facility. The Company plans to continue to acquire

additional properties. The funds for these acquisitions may come from bank borrowings, proceeds from the DRIP, and private placements or public offerings of common or preferred stock. To the extent that funds or appropriate properties are not available, fewer acquisitions will be made.

The Company also invests in rental homes and owns approximately 2,600 rental homes as of December 31, 2014. During 2014, rental homes increased by $29,916,900. The Company added approximately 800 net rental homes to selected communities to fill demand, including approximately 100 acquired with fiscal 2014 community acquisitions. The Company actively markets these rental homes for sale to existing residents. The Company estimates that in 2015 it will purchase approximately 500 manufactured homes to use as rental units for a total cost of approximately $20,000,000. Management believes that these manufactured homes will each generate approximately $300 per month in rental income in addition to lot rent.

Additionally, the Company invests in marketable debt and equity securities of other REITs. The REIT securities portfolio provides the Company with liquidity and additional income and serves as a proxy for real estate when more favorable risk adjusted returns are not available. The Company generally limits its marketable securities investments to no more than approximately 15% of its undepreciated assets. The securities portfolio increased 7% or $4,301,019 primarily due to purchases of $9,707,038, partially offset by sales of securities with a cost of $9,369,202 and an increase in the unrealized gain of $3,963,183. The Company from time to time may purchase these securities on margin when there is an adequate yield spread. At December 31, 2014, $19,392,382 was outstanding on the margin loan at a 2.0% interest rate.

Net cash provided by operating activities amounted to $24,326,461, $11,238,088 and $9,087,749 for the years ended December 31, 2014, 2013 and 2012, respectively. These increases were primarily due to the increase in income from operations generated from the acquisitions and the increased rental homes.

Net cash used by investing activities amounted to $56,033,767, $110,365,339 and $66,985,675 for the years ended December 31, 2014, 2013 and 2012, respectively. Cash flows used by investing activities in 2014 decreased as compared to 2013 primarily due to purchasing fewer manufactured home communities and securities available for sale in 2014 as compared to 2013. Cash flows used by investing activities in 2013 increased as compared to 2012 primarily due to the purchases of manufactured home communities and rental homes.

Net cash provided by financing activities amounted to $32,174,955, $95,706,570 and $60,135,727 for the years ended December 31, 2014, 2013 and 2012, respectively. Cash flows provided by financing activities in 2014 decreased as compared to 2013 primarily due to new mortgages in 2013 for the purchase of manufactured home communities. Cash flows provided by financing activities in 2013 increased as compared to 2012 primarily due to proceeds from the issuance of preferred and common stock, new mortgages and proceeds from short-term borrowings, offset by principal payments of mortgages and loans and payment of preferred and common dividends.

Cash flow was primarily used for purchases of manufactured home communities, capital improvements, payment of dividends, purchases of securities available for sale, purchase of inventory and rental homes, loans to customers for the sales of manufactured homes, and expansion of existing communities. The Company meets maturing mortgage obligations by using a combination of cash flow and refinancing. The dividend payments were primarily made from cash flow from operations.

Capital improvements include amounts needed to meet environmental and regulatory requirements in connection with the manufactured home communities that provide water or sewer service. Excluding expansions and rental home purchases, the Company is budgeting approximately $7 million in capital improvements for 2015.

The Company's significant commitments and contractual obligations relate to its mortgages payable, retirement benefits, purchases of property, and the lease on its corporate offices as described in Note 8 to the Consolidated Financial Statements.

The Company has entered into definitive agreements to purchase four manufactured home communities with a total of approximately 623 developed home sites located in Pennsylvania for a purchase price of approximately $12.9 million. One acquisition of 141 home sites, with a purchase price of $3,800,000 was completed in January 2015.

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The Company has approximately 1,142 acres of undeveloped land which it could develop over the next several years. The Company continues to analyze the highest and best use of its vacant land.

As of December 31, 2014, the Company had total assets of $478,268,976 and total liabilities of $269,441,871. The Company believes that it has the ability to meet its obligations and to generate funds for new investments.

Recent Accounting Pronouncements

In April 2014, the Financial Accounting Standards Board ("FASB") issued ASU No. 2014-08, "Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity". ASU No. 2014-08 changes the definition of a discontinued operation to include only those disposals of components of an entity that represent a strategic shift that has (or will have) a major effect on an entity's operations and financial results. ASU No. 2014-08 is effective prospectively for fiscal years beginning after December 15, 2014, with earlier adoption permitted. The Company has decided to early adopt this standard effective with the interim period beginning January 1, 2014, and it did not have a material impact on our financial position, results of operations or cash flows.

In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers" as a new Topic, Accounting Standards Codification ("ASC") Topic 606. The objective of ASU 2014-09 is to establish a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and will supersede most of the existing revenue recognition guidance, including industry-specific guidance. The core principle is that a company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In applying the new standard, companies will perform a five-step analysis of transactions to determine when and how revenue is recognized. ASU 2014-09 applies to all contracts with customers except those that are within the scope of other topics in the FASB ASC. This ASU is effective for annual reporting periods (including interim periods within those periods) beginning after December 15, 2016 and shall be applied using either a full retrospective or modified retrospective approach. Early adoption is not permitted. The Company is currently evaluating the impact this standard may have on the consolidated financial statements and the method of adoption.

Management does not believe that any other recently issued, but not yet effective accounting pronouncements, if adopted, would have a material effect on the accompanying Consolidated Financial Statements.

Item 7A – Quantitative and Qualitative Disclosures about Market Risk

The Company's principal market risk exposure is interest rate risk. The Company mitigates this risk by maintaining prudent amounts of leverage, minimizing capital costs and interest expense while continuously evaluating all available debt and equity resources and following established risk management policies and procedures, which include the periodic use of derivatives. The Company's primary strategy in entering into derivative contracts is to minimize the

variability that changes in interest rates could have on its future cash flows. The Company generally employs derivative instruments that effectively convert a portion of its variable rate debt to fixed rate debt. The Company does not enter into derivative instruments for speculative purposes.

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The following table sets forth information as of December 31, 2014, concerning the Company's long-term debt obligations, including principal cash flow by scheduled maturity, weighted average interest rates and estimated fair value.

	Fixed Rate Carrying Value	Weighted Average Fixed Interest Rate	Variable Rate Carrying Value	Total Long-Term Debt
2015	-0-	-0-	6,803,625	6,803,625
2016	8,796,065	6.66%	-0-	8,796,065
2017	19,547,578	5.97%	22,663,770	42,211,348
2018	15,500,573	5.66%	989,773	16,490,346
2019	3,368,978	5.56%	-0-	3,368,978
Thereafter	105,000,492			