

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

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended 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  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§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).

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 .

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

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



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1976 North East Avenue  
Vineland, NJ 08360

|   |    |    |     |    |     |       |
|---|----|----|-----|----|-----|-------|
| Chambersburg I & II<br>5368 Philadelphia Ave Lot 34<br>Chambersburg, PA 17201 | 98 | 87 | 89% | 11 | -0- | \$342 |
|---|----|----|-----|----|-----|-------|

|  |    |    |     |    |     |       |
|--|----|----|-----|----|-----|-------|
| Chelsea<br>459 Chelsea Lane<br>Sayre, PA 18840 | 84 | 81 | 96% | 12 | -0- | \$394 |
|--|----|----|-----|----|-----|-------|

|   |    |    |     |    |   |       |
|---|----|----|-----|----|---|-------|
| City View<br>110 Fort Granville Lot C5<br>Lewistown, PA 17044<br>16 | 58 | 52 | 90% | 20 | 2 | \$268 |
|---|----|----|-----|----|---|-------|

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

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

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

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Kutztown, PA 19530

|   |    |    |     |    |    |       |
|---|----|----|-----|----|----|-------|
| Hillside Estates<br>1033 Marguerite Lake Road<br>Greensburg, PA 15601 | 90 | 71 | 79% | 29 | 21 | \$291 |
|---|----|----|-----|----|----|-------|

|  |     |     |     |    |    |       |
|--|-----|-----|-----|----|----|-------|
| Holiday Mobile Village<br>201 Grizzard Avenue<br>Nashville, TN 37207 | 274 | 242 | 88% | 36 | 29 | \$432 |
|--|-----|-----|-----|----|----|-------|

|  |     |    |     |    |     |       |
|--|-----|----|-----|----|-----|-------|
| Hudson Estates<br>100 Keenan Road<br>Peninsula, OH 44264<br>18 | 173 | 96 | 55% | 19 | -0- | \$260 |
|--|-----|----|-----|----|-----|-------|

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

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|   |     |     |     |     |     |       |
|---|-----|-----|-----|-----|-----|-------|
| Moosic Heights<br>118 1st Street<br>Avoca, PA 18641   | 147 | 133 | 90% | 35  | -0- | \$350 |
| Mountaintop<br>1 Sunflower Drive<br>Ephrata, PA 17522 | 39  | 38  | 97% | 11  | 2   | \$495 |
| Mountain View**<br>Van Dyke Street<br>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 Sites |                      |             | Occupancy Percentage | Acreage Developed | Vacant Acreage | Approximate Monthly Rent Per Site at 12/31/14 |
|--|-----------------|----------------------|-------------|----------------------|-------------------|----------------|---|
|  | Developed Sites | Occupied at 12/31/14 | at 12/31/14 |                      |                   |                |   |
| Oak Ridge Estates<br>1201 Country Road<br>15 (Apt B)<br>Elkhart, IN 46514        | 205             | 199                  | 97%         | 40                   | -0-               | \$400          |   |
| Oakwood Lake<br>Village<br>308 Gruver Lake<br>Tunkhannock, PA<br>18657           | 79              | 73                   | 92%         | 40                   | -0-               | \$381          |   |
| Olmsted Falls<br>26875 Bagley Road<br>Olmsted Falls, OH<br>44138                 | 127             | 122                  | 96%         | 15                   | -0-               | \$341          |   |
| Oxford Village<br>2 Dolinger Drive<br>West Grove,<br>PA 19390                    | 224             | 220                  | 98%         | 59                   | 3                 | \$582          |   |
| Pine Ridge<br>Village/Pine Manor<br>100 Oriole Drive<br>Carlisle, PA 17013       | 178             | 146                  | 82%         | 50                   | 30                | \$486          |   |
| Pine Valley Estates<br>1283 Sugar Hollow<br>Road<br>Apollo, PA 15613             | 218             | 143                  | 66%         | 38                   | -0-               | \$338          |   |
| Pleasant View<br>Estates<br>6020 Fort Jenkins<br>Lane<br>Bloomsburg, PA<br>17815 | 110             | 72                   | 65%         | 21                   | 9                 | \$353          |   |
| Port Royal Village<br>485 Patterson Lane<br>Belle Vernon,<br>PA 15012            | 465             | 272                  | 58%         | 101                  | -0-               | \$389          |   |



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

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

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

\* Community subject to local rent control laws.

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

\* 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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## 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   | <u>0.18</u>   | 10.70   | 9.01   | <u>0.18</u>   |
|                |        |        | <u>\$0.72</u> |         |        | <u>\$0.72</u> |

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 | 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)) |
|--|--|--|---|---|
|  | (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         |
|--------------------------------------|--------------|--------------|--------------|--------------|--------------|
| <b>Operating Data:</b>               |              |              |              |              |              |
| 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-           |

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|                            |             |             |             |             |            |
|----------------------------|-------------|-------------|-------------|-------------|------------|
| 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:

|  | <b>2014</b>   | <b>2013</b>   | <b>2012</b>  | <b>2011</b> | <b>2010</b>  |
|--|---------------|---------------|--------------|-------------|--------------|
| 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                          | 11,837,322    | 9,943,156     | 9,147,978    | 7,972,962   | 11,193,185   |
| Common Shareholders                          |               |               |              |             |              |
| 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 comparable 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:

|  | <b>Year Ended<br/>December 31,</b> |                 |
|--|------------------------------------|-----------------|
|  | <b>2014</b>                        | <b>2013</b>     |
| Gross realized gains                                   | \$1,555,656                        | \$4,284,934     |
| Gross realized losses                                  | (13,067)                           | (229,122)       |
| <br>Total Gain on Sale of Securities Transactions, net | <br>\$1,542,589                    | <br>\$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:

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

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    |                      | More than 5 years   |                      |
|-------------------------------|----------------------|---------------------|----------------------|---------------------|----------------------|
|                               |                      |                     | 1-3 years            | 3-5 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              |
| <b>Total</b>                  | <b>\$321,933,075</b> | <b>\$44,041,326</b> | <b>\$117,504,569</b> | <b>\$47,201,134</b> | <b>\$113,186,046</b> |

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 (21<sup>st</sup> 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

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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.

|                      | Weighted Average Fixed              |               | Variable Rate<br><u>Carrying Value</u> | Total<br><u>Long-Term Debt</u> |
|----------------------|-------------------------------------|---------------|--|--------------------------------|
|                      | Fixed Rate<br><u>Carrying Value</u> | Interest Rate |  |                                |
| 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                         | 4.54%         | -0-                                    | 105,000,492                    |
| Total                | \$152,213,686                       | 4.98%         | \$30,457,168                           | \$182,670,854                  |
| Estimated Fair Value | \$154,848,509                       |               | \$30,457,168                           | \$185,305,677                  |

The Company's variable rate long-term debt consists of four mortgage loans with a total balance of \$30,457,168 as of December 31, 2014. Interest rates on these mortgages range from prime plus 1.0% to LIBOR plus 2.25%. To minimize the variability that changes in interest rates could have on its future cash flows, the Company has entered into two separate interest rate swap agreements. These interest rate swap agreements have the effect of fixing the interest rates relative to specific mortgage loans totaling approximately \$22.7 million. The unrealized loss in fair value of the interest rate swap agreement amounted to \$39,685 for the year ended December 31, 2014. The effective fixed interest rates on these two loans are 3.89% and 4.39%.

The Company's remaining variable rate mortgages totals approximately \$7.8 million as of December 31, 2014. Interest rates on these mortgages range from prime plus 1% to LIBOR plus 2.25%. If prime or LIBOR increased or decreased by 1.0%, the Company believes its interest expense would have increased or decreased by approximately \$78,000, based on the balance of the variable rate long-term debt outstanding at December 31, 2014.

On March 29, 2013, the Company entered into a \$35 million Unsecured Revolving Credit Facility with Bank of Montreal ("Credit Facility"). The Company has the ability to increase the borrowing capacity by an amount not to exceed \$15 million, representing a maximum aggregate borrowing capacity of \$50 million, subject to various conditions, as defined in the agreement. The maturity date of the Credit Facility is March 29, 2016 with a one year extension available at the Company's option. Borrowings under the Credit Facility can be used for, among other things, acquisitions, working capital, capital expenditures, and repayment of other indebtedness. Borrowings bear interest at the Company's option of LIBOR plus 2.00% to 2.75% or BMO's prime lending rate plus 1.00% to 1.75%, based on the Company's overall leverage. The Company incurs a fee on the unused commitment amount of up to 0.35% per annum. The Credit Facility replaced the Company's previous \$5.0 million unsecured line of credit. As of December 31, 2014, the balance outstanding on the Credit Facility was \$35,000,000. Based on the current leverage

ratio, interest on this borrowing is at LIBOR plus 2.75% for an interest rate of 2.91% as of December 31, 2014.

The Company also has approximately \$18,300,000 in variable rate debt. This debt primarily consists of approximately \$8.3 million outstanding on our inventory financing lines 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) and \$10 million outstanding on our revolving line of credit to finance home sales with an interest rate of prime plus 50 basis points (interest rate of 3.75% as of December 31, 2014). The carrying value of the Company's variable rate debt approximates fair value at December 31, 2014. In addition, the Company has approximately \$724,000 loan outstanding for the financing of rental homes with an interest rate of 6.99% at December 31, 2014 and \$4,000,000 outstanding on its commercial term loan with an interest rate of 4.625% at December 31, 2014.



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The Company invests in equity securities of other REITs and is primarily exposed to market price risk from adverse changes in market rates and conditions. The Company generally limits its marketable securities investments to no more than approximately 15% of its undepreciated assets. All securities are classified as available for sale and are carried at fair value. The Company obtains margin loans secured by its marketable securities. The interest rate on the margin account is the bank's margin rate and was 2.0% at December 31, 2014 and 2013. There was \$19,392,382 outstanding on the margin loans as of December 31, 2014. As of December 31, 2014, the value of marketable securities was \$63,555,961. In general, the Company may borrow up to 50% of the value of the marketable securities.

## Item 8 – Financial Statements and Supplementary Data

The financial statements and supplementary data listed in Part IV, Item 15(a)(1) are incorporated herein by reference and filed as part of this report.

The following is the Unaudited Selected Quarterly Financial Data:

**SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)****THREE MONTHS ENDED**

| <b>2014</b>   | <b>March 31</b> | <b>June 30</b> | <b>September 30</b> | <b>December 31</b> |
|---|-----------------|----------------|---------------------|--------------------|
| Total Income  | \$15,849,181    | \$18,148,732   | \$18,554,782        | \$18,879,238       |
| Total Expenses  | 15,101,441      | 16,489,825     | 16,777,494          | 16,152,398         |
| Other Income (Expense)  | (156,907)       | (228,377)      | (1,121,174)         | (1,173,827)        |
| Net Income  | 568,189         | 1,476,725      | 629,271             | 1,563,618          |
| Net Income (Loss) Attributable to Common Shareholders             | (1,320,958)     | (412,422)      | (1,259,876)         | (325,529)          |
| Net Income (Loss) Attributable to Common Shareholders per Share – |                 |                |                     |                    |
| Basic   | (0.06)          | (0.02)         | (0.06)              | (0.01)             |
| Diluted   | (0.06)          | (0.02)         | (0.06)              | (0.01)             |

| <b>2013</b> | <b>March 31</b> | <b>June 30</b> | <b>September 30</b> | <b>December 31</b> |
|-------------|-----------------|----------------|---------------------|--------------------|
|-------------|-----------------|----------------|---------------------|--------------------|

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|                                   |              |              |              |              |
|-----------------------------------|--------------|--------------|--------------|--------------|
| Total Income                      | \$13,426,295 | \$16,097,925 | \$16,253,966 | \$16,426,921 |
| Total Expenses                    | 12,240,957   | 14,196,653   | 14,935,457   | 16,636,587   |
| Other Income (Expense)            | 2,977,034    | (229,785)    | (600,121)    | (524,561)    |
| Net Income                        | 4,149,511    | 1,619,439    | 800,877      | (733,004)    |
| Net Income Attributable to        |              |              |              |              |
| Common Shareholders               | 2,260,364    | (269,708)    | (1,088,270)  | (2,622,151)  |
| Net Income (Loss) Attributable to |              |              |              |              |
| Common Shareholders per Share –   |              |              |              |              |
| Basic                             | 0.13         | (0.02)       | (0.06)       | (0.14)       |
| Diluted                           | 0.13         | (0.02)       | (0.06)       | (0.14)       |

Item 9 – Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

There were no changes in, or any disagreements with, the Company's independent registered public accounting firm on accounting principles and practices or financial disclosure during the years ended December 31, 2014 and 2013.

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Item 9A – Controls and Procedures

**Disclosure Controls and Procedures**

Management, with the participation of the Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Securities Exchange Act of 1934 Rule 13a-15(e) and 15d-15(e)) as of the end of the period covered by this report. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective to give reasonable assurances to the timely collection, evaluation and disclosure of information that would potentially be subject to disclosure under the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder as of December 31, 2014.

**Internal Control over Financial Reporting**

**(a) Management’s Annual Report on Internal Control over Financial Reporting**

Management of the Company is responsible for establishing and maintaining effective internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act). The Company’s internal control system was designed to provide reasonable assurance regarding the preparation and fair presentation of published financial statements. Notwithstanding the foregoing, a control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that we will detect or uncover failures to disclose material information otherwise required to be set forth in our periodic reports.

Management assessed the Company’s internal control over financial reporting as of December 31, 2014. This assessment was based on criteria for effective internal control over financial reporting established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”) (2013 framework). Based on this assessment, management has concluded that the Company’s internal control over financial reporting was effective as of December 31, 2014.

PKF O’Connor Davies, A Division of O’Connor Davies, LLP (“PKF O’Connor Davies”), the Company’s independent registered public accounting firm, has issued their report on their audit of the Company’s internal control over financial reporting, a copy of which is included herein.

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**(b) Attestation Report of the Independent Registered Public Accounting Firm**

**Report of Independent Registered Public Accounting Firm**

The Board of Directors and Shareholders

UMH Properties, Inc.

We have audited UMH Properties, Inc.'s (the "Company") internal control over financial reporting as of December 31, 2014, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") (2013 framework). UMH Properties, Inc.'s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control over Financial Reporting included in the accompanying Item 9A. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

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

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, (3) receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (4) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the consolidated financial statements.

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

In our opinion, UMH Properties, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014 based on criteria established in Internal Control-Integrated Framework issued by COSO (2013 framework).

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of UMH Properties, Inc. as of December 31, 2014 and 2013, and the related consolidated statements of income (loss), comprehensive income (loss), shareholders' equity and cash flows for each of the three years in the period ended December 31, 2014 and our report dated March 10, 2015 expressed an unqualified opinion thereon.

/s/ PKF O'Connor Davies,  
New York, New York A Division of O'Connor Davies, LLP  
March 10, 2015

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(c) Changes in Internal Control over Financial Reporting

There have been no changes to our internal control over financial reporting during the Company's fourth quarter that have materially affected, or are reasonably likely to materially affect our internal controls over financial reporting.

Item 9B – Other Information

None.

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## Item 10 – Directors, Executive Officers and Corporate Governance

The Company will file its definitive Proxy Statement for its 2015 Annual Meeting of Stockholders within the period required under the applicable rules of the Securities and Exchange Commission. Additional information required by this Item is included under the captions "ELECTION OF DIRECTORS" and "CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS" of such Proxy Statement and is incorporated herein by reference.

The following are the Directors and Executive Officers of the Company as of December 31, 2014:

| Name              | Age | Present Position with the Company; Business Experience During Past Five Years; Other Directorships   | Director Since | Class Type (1) |
|-------------------|-----|--|----------------|----------------|
| Jeffrey A. Carus  | 51  | <b>Presiding Director.</b> Founder and Managing Partner of JAC Partners, LLC (2009 to present); Founder and Managing Member of JAC Management, LLC (1998 to present); Principal of Advalurem Group (2012). Mr. Carus' extensive experience in real estate finance and investment is the primary reason, amongst many, why Mr. Carus serves on our Board.   | 2011           | II             |
| Anna T. Chew      | 56  | <b>Vice President and Chief Financial Officer (1995 to present), Controller (1991 to 1995) and Director.</b> Certified Public Accountant; Interim Chief Financial Officer (March 2012 to July 2012), Treasurer (2010 to 2013), Chief Financial Officer (1991 to 2010) and Director (1993 to 2004, and 2007 to present) of Monmouth Real Estate Investment Corporation, an affiliated company. Ms. Chew's extensive public accounting, finance and real estate industry experience is the primary reason, amongst many, why Ms. Chew serves on our Board. | 1995           | III            |
| Matthew I. Hirsch | 55  | <b>Independent Director.</b> Attorney at Law (1985 to present) Law Office of Matthew I. Hirsch. Adjunct Professor of Law, Widener University School of Law (1993 to present). Mr. Hirsch's experience with real estate transactions, legal issues relating to real estate and the real estate industry is the primary reason, amongst many, why Mr. Hirsch serves on our Board.  | 2013           | II             |
| Craig Koster      | 39  | <b>General Counsel (2015 to present), In-house Counsel (2012 to 2014).</b> Attorney at Law (2001 to present); Assistant Corporation Counsel at the New York City Law Department (2007 to 2012).  | N/A            | N/A            |

**Chairman of the Board (1995 to present), President and Chief Executive Officer (1969 to 1995), and Director.** Attorney at Law; Founder, Chairman of the Board and Director (1968 to present), President and Chief Executive Officer (1968 to 2013) of Monmouth Real Estate Investment Corporation, an affiliated company. As our founder and Chairman, Mr. Landy's unparalleled experience in real estate investing is the primary reason, amongst many, why Mr. Landy serves on our Board.

Eugene 81  
W. Landy

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| <b>Present Position with the Company; Business</b> |            | <b>Experience During Past Five Years; Other</b>  |  | <b>Director Since</b> | <b>Class Type (1)</b> |
|--|------------|--|--|-----------------------|-----------------------|
| <b>Name</b>  | <b>Age</b> | <b>Directorships</b>   |  |                       |                       |
| Michael P. Landy                                   | 52         | <b>Director.</b> Executive Vice President (2010 to 2012), Vice President – Investments (2001 to 2010). President and Chief Executive Officer (2013 to present), Chief Operating Officer (2011 to 2013), Executive Vice President (2009 to 2010), Executive Vice President – Investments (2006 to 2009), Vice President – Investments (2001 to 2006) and Director (2007 to present) of Monmouth Real Estate Investment Corporation, an affiliated company. Mr. Landy’s extensive experience in real estate finance, investment, capital markets and operations management is the primary reason, amongst many, why Mr. Landy serves on our Board. |  | 2011                  | I                     |
| Samuel A. Landy                                    | 54         | <b>President and Chief Executive Officer (1995 to present), Vice President (1991-1995) and Director.</b> Attorney at Law; Director (1989 to present) of Monmouth Real Estate Investment Corporation, an affiliated company. Mr. Landy’s role as our President and Chief Executive Officer and his extensive experience in real estate investment, operations management and REIT leadership is the primary reason, amongst many, why Mr. Landy serves on our Board.  |  | 1992                  | III                   |
| Stuart D. Levy                                     | 45         | <b>Independent Director.</b> Vice President in the Real Estate Finance Group at Helaba-Landesbank Hessen-Thuringen (2006 to present). Mr. Levy’s extensive real estate background is the primary reason, amongst many, why Mr. Levy serves on our Board.   |  | 2011                  | III                   |
| James E. Mitchell                                  | 74         | <b>Independent Director.</b> Attorney at Law; General Partner, Mitchell Partners, L.P. (1979 to present); President, Mitchell Capital Management, Inc. (1987 to present). Mr. Mitchell’s extensive experience in real estate investment is the primary reason, amongst many, why Mr. Mitchell serves on our Board.   |  | 2001                  | I                     |
| Richard H. Molke                                   | 88         | <b>Independent Director.</b> General Partner of Molke Family Limited Partnership (1994 to present). Mr. Molke’s extensive experience as an investor and in management is the primary reason, amongst many, why Mr. Molke serves on our Board.  |  | 1986                  | II                    |

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| Name              | Age | Directorships | Experience During Past Five Years; Other  | Director Since | Class    |
|-------------------|-----|---------------|---|----------------|----------|
|                   |     |               |   |                | Type (1) |
| Stephen B. Wolgin | 60  |               | <b>Independent Director.</b> Managing Director of U.S. Real Estate Advisors, Inc., a real estate advisory services group based in New York (2000 to present); Partner with the Logan Equity Distressed Fund (2007-present); Director (2003 to present) of Monmouth Real Estate Investment Corporation, an affiliated company; Prior affiliations with J.P. Morgan, Odyssey Associates, The Prudential Realty Group, Standard & Poor's Corporation, and Grubb and Ellis. Mr. Wolgin's extensive experience as a real estate and finance consultant and experience in the real estate industry is the primary reason, amongst many, why Mr. Wolgin serves on our Board. | 2007           | I        |

(1) Class III, I and II Directors have terms expiring at the annual meetings of the Company's shareholders to be held in 2015, 2016 and 2017, respectively, and when their respective successors are duly elected and qualify..

**Family Relationships**

There are no family relationships between any of the Directors or executive officers of the Company, with the exception of Samuel A. Landy, President, Chief Executive Officer and a Director of the Company, and Michael P. Landy, a Director of the Company, who are the sons of the Company's founder, Eugene W. Landy, who is the Chairman of the Board and a Director of the Company.

**Audit Committee**

The Company has a separately-designated standing audit committee established in accordance with section 3(a)(58)(A) of the Exchange Act (15 U.S.C. 78c(a)(58)(A)). The members of the audit committee are Stephen B. Wolgin (who serves as Chairman of the Audit Committee), James E. Mitchell, Jeffrey A. Carus and Stuart D. Levy. The Company's Board of Directors has determined that Mr. Mitchell, Mr. Wolgin, Mr. Levy and Mr. Carus are "independent" as defined by the rules of the SEC and the listing standards of the NYSE, "financially literate" within the meaning of the rules of the NYSE and "audit committee financial experts" within the meaning of the rules of the SEC. The audit committee operates under the Audit Committee Charter which is available on the Company's website at [www.umh.com](http://www.umh.com). The charter is reviewed annually for adequacy.

**Section 16(a) Beneficial Ownership Reporting Compliance**

There have been no delinquent filers pursuant to Item 405 of regulation S-K, to the best of management's knowledge.

#### Code of Ethics

The Company has adopted the Code of Business Conduct and Ethics applicable to its Chief Executive Officer and Chief Financial Officer, as well as the Company's other officers, directors and employees (the Code of Ethics). The Code of Ethics can be found at the Company's website at [www.umh.com](http://www.umh.com). The Code of Ethics is also available in print to any person without charge who requests a copy by writing or telephoning us at the following address and telephone number: UMH Properties, Inc., Attention: Stockholder Relations, 3499 Route 9 North, Suite 3-C, Juniper Business Plaza, Freehold, New Jersey 07728, (732) 577-9997. The Company will satisfy any disclosure requirements under Item 5.05 of Form 8-K regarding a waiver from any provision of the Code of Ethics for principal officers or directors by disclosing the nature of such amendment of waiver on our website.

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Item 11 – Executive Compensation

The Company will file its definitive Proxy Statement for its 2015 Annual Meeting of Stockholders within the period required under the applicable rules of the Securities and Exchange Commission. Additional information required by this Item is included under the caption "ELECTION OF DIRECTORS", "EXECUTIVE COMPENSATION" and "CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS" of such Proxy Statement and is incorporated herein by reference.

**Compensation Discussion and Analysis**

*Overview of Compensation Program*

The Compensation Committee (for purposes of this analysis, the "Committee") of the Board has been appointed to discharge the Board's responsibilities relating to the compensation of the Company's executive officers. The Committee has the overall responsibility for approving and evaluating the executive officer compensation plans, policies and programs of the Company. The Committee's primary objectives include serving as an independent and objective party to review such compensation plans, policies and programs. The Committee has not retained or obtained the advice of a compensation committee consultant for determining or recommending the amount of executive or director compensation.

Throughout this report, the individuals who served as the Company's chief executive officer and chief financial officer during fiscal 2014, as well as certain other individuals included in the Summary Compensation Table presented below in Item 11 of this report, are sometimes referred to in this report as the "named executive officers."

*Compensation Philosophy and Objectives*

The Committee believes that a well-designed compensation program should align the goals of the chief executive officer with the goals of the shareholders, and that a significant part of the executive's compensation, over the long term, should be dependent upon the value created for shareholders. In addition, all executives should be held accountable through their compensation for the performance of the Company, and compensation levels should also reflect the executive's individual performance in an effort to encourage increased individual contributions to the Company's performance. The compensation philosophy, as reflected in the Company's employment agreements with its executives, is designed to motivate executives to focus on operating results and create long-term shareholder value by:

- establishing a plan that attracts, retains and motivates executives through compensation that is competitive with a peer group of other publicly-traded real estate investment trusts, or REITs;
- linking a portion of executives' compensation to the achievement of the Company's business plan by using measurements of the Company's operating results and shareholder return; and
- building a pay-for-performance system that encourages and rewards successful initiatives within a team environment.

The Committee believes that each of the above factors is important when determining compensation levels for named executive officers. The Committee reviews and approves the employment contracts for the Chairman of the Board and the President, as well as other named executive officers, including performance goals and objectives. The Committee annually evaluates performance of these executive officers in light of those goals and objectives. The Committee considers the Company's performance, relative stockholder return, the total compensation provided to comparable officers at similarly-situated companies, and compensation given to named executive officers in prior years. The Committee uses the Residential Sector of the Real Estate Compensation Survey (the survey), produced under the guidance of the National Association of Real Estate Investment Trusts (NAREIT), as a guide to setting compensation levels. Participant company data is not presented in a manner that specifically identifies any named individual or company. This survey details compensation by position type and company size with statistical salary and bonus information for each position. The Company's salary and bonus amounts are compared to the ranges presented for reasonableness. The Committee believes executive compensation packages provided by the Company

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to its executive officers should include both base salaries and annual bonus awards that reward corporate and individual performance, as well as give incentives to executives to meet or exceed established goals.

*Role of Executive Officers in Compensation Decisions*

The Committee makes all final compensation decisions for the Company's named executive officers. The Chairman of the Board and the President annually review the performance of the other named executive officers and then present their conclusions and recommendations to the Committee with respect to base salary adjustments and annual cash bonus and stock option and restricted stock awards. The Committee exercises its own discretion in modifying any recommended adjustments or awards, but does consider the recommendations from management who work closely with the other named executive officers.

*Role of Grants of Stock Options and Restricted Stock in Compensation Analysis*

The Committee views the grant of stock options and restricted stock awards as a form of long-term compensation. The Committee believes that such grants promote the Company's goal of retaining key employees, and aligns the key employee's interests with those of the Company's shareholders from a long-term perspective. The number of options or shares of restricted stock granted to each employee is determined by consideration of various factors including, but not limited to, the employee's contribution, title, responsibilities and years of service.

*Role of Employment Agreements in Determining Executive Compensation*

Most of the Company's currently employed named executive officers are parties to employment agreements. These agreements provide for base salaries, bonuses and customary fringe benefits. Other key elements of the Company's compensation program for the named executive officers are stock options, restricted stock awards and perquisites and other benefits. Each of these is addressed separately below. In determining initial compensation, the Committee considers all elements of a named executive officer's total compensation package in comparison to current market practices and other benefits.

*Shareholder Advisory Vote*

One way to determine if the Company's compensation program reflects the interests of shareholders is through their non-binding vote. At the Annual Meeting of Shareholders held on June 12, 2014, the Company's shareholders approved by their advisory vote the compensation of the named executive officers.

Consistent with both the Board of Directors' recommendations and the results of the shareholder vote, the Company's Board of Directors considered the recommendation of the shareholders and has determined that the Company (i) will not make any material changes to the manner in which executive compensation is awarded, and (ii) will hold advisory votes on the compensation of the Company's named executive officers every three years. Accordingly, the next stockholder advisory vote on executive compensation will be held at the Annual Meeting of Shareholders in June 2017.

#### Base Salaries

Base salaries are paid for ongoing performance throughout the year. In order to compete for and retain talented executives who are critical to the Company's long-term success, the Committee has determined that the base salaries of named executive officers should approximate those of executives of other equity REITs that compete with the Company for employees, investors and business, while also taking into account the named executive officers' performance and tenure and the Company's performance relative to its peer companies within the REIT industry using the NAREIT Compensation Survey described above.

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Bonuses

In addition to the provisions for base salaries under the terms of their employment agreements, the President and Chief Executive Officer is entitled to receive an annual maximum cash bonus of up to 21% of base salary, based on the achievement of certain performance goals set by the Committee. In order to receive a bonus, FFO must have increased 3% during the year, or 9% over the three year contract period. The following are the performance goals for the President:

a. There shall be a minimum of 175 new home sales per year. (Bonus of 10% of base salary.)

b. Occupancy to increase 1%, with not more than 10% of the increase being from rentals. (Bonus of 10% of base salary.)

c. Acquisition of at least 350 spaces per year. (Bonus of 7% of base salary.)

Bonuses awarded to the other named executive officers are recommended by the Chairman of the Board and the President and Chief Executive Officer and are approved by the Committee. The Company believes that short-term rewards in the form of cash bonuses to senior executives generally should reflect short-term results and should take into consideration both the profitability and performance of the Company and the performance of the individual, which may include comparing such individual's performance to the preceding year, reviewing the breadth and nature of the senior executives' responsibilities and valuing special contributions by each such individual. In evaluating performance of the Company annually, the Compensation Committee considers a variety of factors, including, among others, Funds From Operations (FFO), Core Funds From Operations (Core FFO), net income, growth in asset size, occupancy and total return to shareholders. The Company considers FFO to be an important measure of an equity REIT's operating performance and has adopted the definition suggested by the National Association of Real Estate Investment Trusts (NAREIT), which defines FFO to mean net income computed in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) excluding gains or losses from sales of property, plus depreciation and amortization. The Company defines Core FFO as FFO plus acquisition costs. The Company considers FFO and Core FFO to be a meaningful, additional measures of operating performance primarily because it excludes the assumption that the value of its real estate assets diminishes predictably over time and because industry analysts have accepted these as performance measures.

Other factors considered include the employee's title and years of service. The employee's title generally reflects the employee's responsibilities and the employee's years of service may be considered in determining the level of bonus in comparison to base salary. The Committee has declined to use specific performance formulas with respect to the other named executive officers, believing that with respect to Company performance, such formulas do not adequately account for many factors, including, among others, the relative performance of the Company compared to its competitors during variations in the economic cycle, and that with respect to individual performance, such formulas are not a substitute for the subjective evaluation by the Committee of a wide range of management and leadership



skills of each of the senior executives.

#### Stock Options and Restricted Stock Awards

Stock options and restricted stock awards are recommended by the Chairman of the Board and the President and Chief Executive Officer. In making its decisions, the Committee does not use an established formula or focus on a specific performance target. The Committee recognizes that often outside forces beyond the control of management, such as economic conditions, changing real estate markets and other factors, may contribute to less favorable near term results even when sound strategic decisions have been made by the senior executives to position the Company for longer term profitability. Thus, the Compensation Committee also attempts to identify whether the senior executives are exercising the kind of judgment and making the types of decisions that will lead to future growth and enhanced asset value, even if the same are difficult to measure on a current basis. For example, in determining appropriate stock option and restricted stock awards, the Compensation Committee considers, among other matters, whether the senior executives have executed strategies that will provide adequate funding or appropriate borrowing capacity for future growth, whether acquisition strategies have been developed to ensure a future stream of reliable and increasing revenues for the Company, whether the selection of properties evidence appropriate risk management,

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including risks associated with real estate markets, and whether the administration of staff size and compensation appropriately balances the current and projected operating requirements of the Company with the need to effectively control overhead costs.

In fiscal 2014, the Compensation Committee received the recommendations from the Chairman of the Board and the President and Chief Executive Officer for the number of options or restricted stock to be awarded. The factors that were considered in awarding the stock options and restricted stock included the following progress that was made by management:

- Located, acquired and integrated fourteen manufactured home communities without placing undue burden on liquidity;
- Achieved year-over-year portfolio growth of 12%, resulting in over 15,000 developed home sites;
- Increased occupancy from 81.5% to 82.3% and same store occupancy from 81.5% to 83.2%;
- Increased our portfolio of rental homes by 34% year-over-year, resulting in approximately 2,600 homes with an occupancy of 91.5%;
- Raised approximately \$33 million in equity via the DRIP;
- Maintained a low weighted average interest rate at 4.8%;
- Managed general and administrative costs to an appropriate level; and
- Maintained cash distributions to shareholders;

The individual awards were allocated based on the named executive officers' individual contributions to these accomplishments. In addition, the awards were compared to each named officers' total compensation and compared with comparable real estate investment trusts (REITs) using the annual Compensation Survey published by NAREIT

as a guide for setting total compensation.

#### Perquisites and Other Personal Benefits

The Company's employment agreements provide the named executive officers with perquisites and other personal benefits that the Company and the Committee believe are reasonable and consistent with its overall compensation program to better enable the Company to attract and retain superior employees for key positions. The Committee periodically reviews the levels of perquisites and other personal benefits provided to the named executive officers.

The named executive officers are provided the following benefits under the terms of their employment agreements: an allotted number of paid vacation weeks; eligibility for the executives, spouses and dependents in all Company sponsored employee benefits plans, including 401(k) plan, group health, accident, and life insurance, on such terms no less favorable than applicable to any other executive; use of an automobile; and, supplemental disability insurance, at the Company's cost, as agreed to by the Company and the named executive officer. Attributed costs of the personal benefits described above for the named executive officers for the fiscal year ended December 31, 2014, are included in "All Other Compensation" of the Summary Compensation Table provided below under Item 11 of this report.

#### Payments upon Termination or Change in Control

In addition, the named executive officers' employment agreements each contain provisions relating to change in control events and severance upon termination for events other than for cause or good reason (as defined under the terms of the employment agreements). These change in control and severance terms are designed to promote stability and continuity of senior management. Information regarding these provisions is included in "Employment

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Agreements” provided below in Item 11 of this report. There are no other agreements or arrangements governing change in control payments.

### Evaluation

Mr. Eugene Landy is employed under an amended employment agreement with the Company. Based on the Committee’s evaluation of his performance, his base compensation under his amended contract was increased from \$175,000, which had remained unchanged since January 1, 2004, to \$250,000 per year, effective October 1, 2014. Mr. Landy also received bonuses totaling \$34,615 primarily based on performance, including growth of the Company. Additionally, Mr. Eugene Landy received \$43,250 in director’s fees and fringe benefits. In evaluating Mr. Eugene Landy’s leadership performance, during 2011, the Committee awarded Mr. Eugene Landy an Outstanding Leadership Achievement Award (Award) in the amount of \$250,000 per year for three years. This Award was to recognize Mr. Eugene Landy’s exceptional leadership as Chairman of the Board for over 40 years.

The Committee also reviewed the progress made by Mr. Samuel A. Landy, President and Chief Executive Officer, including FFO and Core FFO. Mr. Samuel Landy is under an employment agreement with the Company. His base compensation was \$416,745 for 2014. Mr. Samuel Landy also received bonuses totaling \$46,812 and director’s fees and fringe benefits totaling \$53,450. Bonuses were primarily based upon achievement of certain performance goals.

Ms. Anna Chew is under an employment agreement with the Company. Her base compensation under this contract is \$316,841 for 2014. Ms. Chew also received bonuses totaling \$37,186 and director’s fees and fringe benefits totaling \$53,450. Bonuses were based on performance, including growth of the Company, recommended by the Chairman of the Board and the President and Chief Executive Officer and approved by the Committee.

The Committee has also approved the recommendations of the Chairman of the Board and the President and Chief Executive Officer concerning the other named executives’ annual salaries, bonuses, option and restricted stock grants and fringe benefits.

In addition to its determination of the executive's individual performance levels for 2014, the Committee also compared the executive's total compensation for 2014 to that of similarly-situated personnel in the REIT industry using the NAREIT Compensation Survey described above. The Company’s salary and bonus amounts were compared to the ranges presented for reasonableness. The Company’s total compensation fell in the lowest range (25th percentile) of this survey.

### Risk Management

The Board of Directors does not believe that the Executive Compensation Program raises any risks that are reasonably likely to have a material adverse effect on the Company. Executive officers are compensated on a fixed salary basis and have not been awarded any bonuses or other compensation that might encourage the taking of unnecessary or excessive risks that threaten the long-term value of the Company. The Board has attempted to align the interests of the Board of Directors and the executive officers with the long-term interests of the Company and the Shareholders through grants of stock options and restricted stock awards, thereby giving the Board and executive officers additional incentives to protect the long-term value of the Company.

Table of Contents**Compensation Committee Report**

The Compensation Committee (Compensation Committee) of the Board of Directors (Board) of UMH Properties, Inc. has reviewed and discussed the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K with management and, based on such review and discussions, the Compensation Committee recommended to the Board that the Compensation Discussion and Analysis be included in this report.

Compensation Committee:

Jeffrey A. Carus

Stuart D. Levy

James E. Mitchell

Stephen B. Wolgin

**Summary Compensation Table**

The following Summary Compensation Table shows compensation paid by the Company for services rendered during 2014, 2013 and 2012 to the named executive officers. There were no other executive officers whose aggregate cash compensation exceeded \$100,000:

| <b>Name and<br/>Principal<br/>Position</b>                           | <b>Year</b> | <b>Salary</b> | <b>Bonus</b> | <b>Option<br/>Awards<br/>(6)</b> | <b>Restricted<br/>Stock<br/>Awards (7)</b> | <b>Change in Pension Value<br/>and Nonqualified Deferred<br/>Compensation Earnings<br/>(8)</b> | <b>All Other<br/>Compensation</b> | <b>Total</b> |
|--|-------------|---------------|--------------|----------------------------------|--|--|-----------------------------------|--------------|
| Eugene W.<br>Landy<br>Chairman of<br>the<br>Board                    | 2014        | \$193,750     | \$34,615     | \$ 98,000                        | \$-0-                                      | \$-0-  | \$43,250 (1)                      | \$369,615    |
|  | 2013        | 175,000       | 331,731      | 142,000                          | -0-  | 150,000  | 37,625 (1)                        | 836,356      |
|  | 2012        | 175,000       | 250,000      | -0-                              | 123,490                                    | 58,573   | 38,552 (1)                        | 645,615      |
| Samuel A.<br>Landy<br>President<br>and Chief<br>Executive<br>Officer | 2014        | 416,745       | 46,812       | 49,000                           | 232,750                                    | -0-  | 53,450 (2)                        | 798,757      |
|  | 2013        | 385,000       | 180,800      | 71,000                           | -0-  | -0-  | 47,625 (2)                        | 684,425      |
|  | 2012        | 378,000       | 89,792       | -0-                              | 250,790                                    | -0-  | 38,925 (2)                        | 757,507      |

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|  |      |         |         |        |         |     |            |         |
|--|------|---------|---------|--------|---------|-----|------------|---------|
| Anna T. Chew (4)<br>Vice President and Chief Financial Officer | 2014 | 316,841 | 37,186  | 49,000 | -0-     | -0- | 53,450 (2) | 456,477 |
|  | 2013 | 301,754 | 121,053 | 71,000 | -0-     | -0- | 47,625 (2) | 541,432 |
|  | 2012 | 287,385 | 38,025  | -0-    | 123,490 | -0- | 41,507 (2) | 490,407 |
| Craig Koster (5)<br>General Counsel                            | 2014 | 136,592 | 10,077  | 4,900  | -0-     | -0- | 3,145 (3)  | 154,174 |
|  | 2013 | 120,000 | 3,808   | 7,100  | -0-     | -0- | -0-        | 130,908 |
|  | 2012 | 9,231   | 200     | -0-    | -0-     | -0- | -0-        | 9,431   |

(1) Represents Director's fees of \$43,250, \$37,625 and \$29,125 for 2014, 2013 and 2012, respectively, and fringe benefits.

(2) Represents Director's fees of \$43,250, \$37,625 and \$29,125 for 2014, 2013 and 2012, respectively, fringe benefits and discretionary contributions by the Company to the Company's 401(k) Plan allocated to an account of the named executive officer.

(3) Represents discretionary contributions by the Company to the Company's 401(k) Plan allocated to an account of the named executive officer.

(4) Prior to July 2012, approximately 25% of her salary compensation was allocated to and reimbursed by MREIC, pursuant to a cost sharing agreement between the Company and MREIC. Effective July 2012, 100% of her salary compensation is allocated to the Company.

(5) Mr. Koster joined the Company on November 26, 2012. Effective January 1, 2015, Mr. Koster was promoted to General Counsel.

(6) These values were established using the Black-Scholes stock option valuation model. The following assumptions were used in the model for 2014: expected volatility of 27.12%; risk-free interest rate of 2.23%; dividend yield of 7.14%; expected life of the options of eight years; and forfeitures of \$-0-. The following assumptions were used in the model for 2013: expected volatility of 32.36%; risk-free interest rate of 1.98%; dividend yield of 6.67%; expected life of the options of eight years; and forfeitures of \$-0-. The actual value of the options

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will depend upon the performance of the Company during the period of time the options are outstanding and the price of the Company's common stock on the date of exercise.

The grant date fair values were established based on the number of shares granted and the share prices as follows: (7) 2014, 1/15/14 - \$9.31; 2012, 1/19/12 for Mr. Samuel Landy - \$9.56; and 2012, 8/31/12 for Mr. Eugene Landy and Ms. Chew - \$11.23. Such shares vest over five years.

- (8) Accrual for pension benefits in accordance with Mr. Landy's employment agreement.

**Stock Compensation Plan**

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 of stock options or restricted stock awards to Directors, officers and key employees. The maximum number of shares that may be issued under the 2013 Plan is 3,000,000 shares. If and to the extent that an award made under the 2013 Plan is forfeited, terminated, expires or is canceled unexercised, the number of shares associated with the forfeited, terminated, expired or canceled portion of the award shall again become available for additional awards under the 2013 Plan. 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. Not more than 200,000 shares of the Company's common stock may be granted as options in any one fiscal year to a participant under the 2013 Plan. In general, each option may be exercised only after one year of continued service with the Company. The maximum number of shares underlying restricted stock awards that may be granted in any one fiscal year to a participant shall be 100,000.

**Grants of Plan-Based Awards**

The following table sets forth, for the named executive officers in the Summary Compensation Table, information regarding individual grants of stock options made during the year ended December 31, 2014:

| Name            | Grant Date | Number of Shares of Restricted Stock | Number of Shares Underlying Options (1) | Exercise Price of Option Award or Fair Value Per Share at Grant Date of Restricted Stock Award | Grant Date Fair Value (2) |
|-----------------|------------|--------------------------------------|---|--|---------------------------|
| Eugene W. Landy | 6/11/2014  | -0-                                  | 100,000                                 | \$9.85   | \$98,000                  |
| Samuel A. Landy | 1/15/2014  | 25,000                               | -0-                                     | 9.31   | 232,750                   |
|                 | 6/11/2014  | -0-                                  | 50,000                                  | 9.85   | 49,000                    |



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|                 |               |        |      |        |
|-----------------|---------------|--------|------|--------|
| Anna T.<br>Chew | 6/11/2014 -0- | 50,000 | 9.85 | 49,000 |
| Craig<br>Koster | 6/11/2014 -0- | 5,000  | 9.85 | 4,900  |

(1) These options vest 1 year and expire 8 years from grant date.

The values of the shares underlying options were established using the Black-Scholes stock option valuation model. The following assumptions were used in the model: expected volatility of 27.12%; risk-free interest rate of 2.23%; dividend yield of 7.14%; expected life of the options of eight years; and forfeitures of \$-0-. The actual value of the options will depend upon the performance of the Company during the period of time the options are outstanding and the price of the Company's common stock on the date of exercise. The value of the shares of restricted stock was based on the closing price of the shares on the grant date.

(2)  
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The following table sets forth for the named executive officers in the Summary Compensation Table, information regarding stock options and restricted stock outstanding at December 31, 2014:

| Name            | Option Awards (1)   |   |                       |                        | Restricted Stock Awards (2)           |   |
|-----------------|---|---|-----------------------|------------------------|---------------------------------------|---|
|                 | Number of Securities Underlying Unexercised Options Exercisable | Number of Securities Underlying Unexercised Options Unexercisable | Option Exercise Price | Option Expiration Date | Number of Shares that have not Vested | Market Value of Shares that have not Vested |
| Eugene W. Landy |   |   |                       |                        | 16,489                                | \$157,470                                   |
| Eugene W. Landy | 100,000   | -0-   | \$10.08               | 06/26/21               |                                       |   |
| Eugene W. Landy | -0-   | 100,000   | \$9.85                | 06/11/22               |                                       |   |
| Samuel A. Landy |   |   |                       |                        | 67,141                                | \$641,197                                   |
| Samuel A. Landy | 5,800   | -0-   | \$17.06               | 01/03/15               |                                       |   |
| Samuel A. Landy | 44,200  | -0-   | \$15.51               | 01/03/15               |                                       |   |
| Samuel A. Landy | 7,700   | -0-   | \$12.97               | 01/08/16               |                                       |   |
| Samuel A. Landy | 42,300  | -0-   | \$11.79               | 01/08/16               |                                       |   |
| Samuel A. Landy | 14,000  | -0-   | \$7.12                | 01/07/17               |                                       |   |
| Samuel A. Landy | 61,000  | -0-   | \$6.47                | 01/07/17               |                                       |   |
| Samuel A. Landy | 10,900  | -0-   | \$9.13                | 01/08/18               |                                       |   |
| Samuel A. Landy | 14,100  | -0-   | \$8.30                | 01/08/18               |                                       |   |
|                 | 50,000  | -0-   | \$10.08               | 06/26/21               |                                       |   |

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|                 |        |        |         |          |        |           |
|-----------------|--------|--------|---------|----------|--------|-----------|
| Samuel A. Landy | -0-    | 50,000 | \$9.85  | 06/11/22 |        |           |
| Anna T. Chew    |        |        |         |          | 16,489 | \$157,470 |
| Anna T. Chew    | 10,000 | -0-    | \$14.21 | 07/16/15 |        |           |
| Anna T. Chew    | 50,000 | -0-    | \$10.08 | 06/26/21 |        |           |
| Anna T. Chew    | -0-    | 50,000 | \$9.85  | 06/11/22 |        |           |
| Craig Koster    |        |        |         |          | -0-    | \$-0-     |
| Craig Koster    | 5,000  | -0-    | \$10.08 | 06/26/21 |        |           |
| Craig Koster    | -0-    | 5,000  | \$9.85  | 06/11/22 |        |           |

(1) Stock options vest 1 year from the date of grant.

(2) Restricted stock awards vest over 5 years, 20% per year, from the date of grant. The following is the vesting schedule for the shares that have not yet vested: Mr. Eugene Landy – 8,332 shares, 5,515 shares and 2,642 shares in 2015, 2016 and 2017 respectively; Mr. Samuel Landy – 25,734 shares, 18,696 shares, 11,907 shares, 5,402 shares, and 5,402 shares in 2015, 2016, 2017, 2018 and 2019, respectively; and Ms. Anna Chew, - 8,332 shares, 5,515 shares and 2,642 shares in 2015, 2016 and 2017 respectively. Market value is based on the closing price of our common stock on December 31, 2014 of \$9.55.

Table of Contents**Option Exercises and Stock Vested**

The following table sets forth summary information concerning option exercises and vesting of restricted stock awards for each of the named executive officers during the year ended December 31, 2014:

| Name            | Option Awards                                   |                                    | Restricted Stock Awards                        |   |
|-----------------|---|------------------------------------|--|---|
|                 | Number of Shares<br>Acquired on Exercise<br>(#) | Value Realized on Exercise<br>(\$) | Number of Shares Acquired on<br>Vesting<br>(#) | Value<br>realized<br>on<br>Vesting<br>(\$) <sup>(1)</sup> |
| Eugene W. Landy | -0-   | \$-0-                              | 7,999  | \$81,027  |
| Samuel A. Landy | -0-   | -0-                                | 19,329   | 189,940   |
| Anna T. Chew    | 20,000  | 151,200                            | 7,999  | 81,027  |
| Craig Koster    | -0-   | -0-                                | -0-  | -0-   |

(1) Value realized based on the closing price of the shares on the NYSE as of the date of vesting.

**Employment Agreements**

The Company has an Employment Agreement with Mr. Eugene W. Landy, Chairman of the Board. Under this agreement, prior to January 1, 2004, Mr. Landy received an annual base compensation of \$150,000 (as amended) plus bonuses and customary fringe benefits, including health insurance, participation in the Company's 401(k) Plan, stock options, five weeks' vacation and use of an automobile. Additionally, there may be bonuses voted by the Board of Directors. The Employment Agreement is terminable by either party at any time subject to certain notice requirements. On severance of employment by the Company, Mr. Landy will receive severance of \$450,000, payable \$150,000 on severance and \$150,000 on the first and second anniversaries of severance. In the event of disability, Mr. Landy's compensation will continue for a period of three years, payable monthly. On retirement, Mr. Landy will receive a pension of \$50,000 a year for ten years, payable in monthly installments. In the event of death, Mr. Landy's designated beneficiary will receive \$450,000, \$100,000 thirty days after death and the balance one year after death. The Employment Agreement automatically renews each year for successive one-year periods. Effective January 1, 2004, this agreement was amended to increase Mr. Landy's annual base compensation to \$175,000. Additionally, Mr. Landy's pension benefit of \$50,000 per year has been extended for an additional three years. On April 14, 2008, the Company executed a Second Amendment to the Employment Agreement with Mr. Landy (the second amendment). The second amendment provides that in the event of a change in control, Eugene W. Landy shall receive a lump sum

payment of \$1,200,000, provided the sale price of the Company is at least \$16 per share of common stock. A change of control shall be defined as the consummation of a reorganization, merger, share exchange, consolidation, or sale or disposition of all or substantially all of the assets of the Company. This change of control provision shall not apply to any combination between the Company and MREIC. Payment shall be made simultaneously with the closing of the transaction, and only in the event that the transaction closes. During 2013, the Board of Directors extended Mr. Landy's pension benefit for an additional three years, through 2016. Effective October 1, 2014, the Company amended the employment agreement with Mr. Landy, increasing his base salary from \$175,000 to \$250,000.

Effective January 1, 2012, the Company and Samuel A. Landy entered into a three-year Employment Agreement under which Mr. Samuel Landy receives an annual base salary of \$378,000 for 2012, \$396,900 for 2013 and \$416,745 for 2014, subject to increases in Funds from Operations (FFO) of 3% per year or 9% over the three-year period. If this increase is not met, the salary increase will be limited to the increase in the consumer price index. Bonuses are based on performance goals relating to FFO, home sales, occupancy and acquisitions, with a maximum of 21% of salary.

Mr. Samuel Landy received a restricted stock grant of 25,000 shares in 2012. In each subsequent calendar year of employment pursuant to the Agreement, restricted stock shall be awarded to Mr. Samuel Landy at the discretion of the Compensation Committee of the Board of Directors. Mr. Samuel Landy will receive customary fringe benefits, four weeks of vacation, reimbursement of reasonable and necessary business expenses and use of an automobile. The Company will reimburse Mr. Samuel Landy for the cost of a disability insurance policy. In the event of a merger, sale or change of voting control of the Company, excluding transactions between the Company and

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MREIC, Mr. Samuel Landy will have the right to extend and renew this employment agreement so that the expiration date will be three years from the date of merger, sale or change of voting control, or the employee may terminate the employment agreement and be entitled to receive one year's compensation in accordance with the agreement. If there is a termination of employment by the Company for any reason, either involuntary or voluntary, including the death of the employee, the employee shall be entitled to the greater of the salary due under the remaining term of the agreement or one year's compensation at the date of termination, paid monthly over the remaining term or life of the agreement. Mr. Landy is currently negotiating a new employment agreement.

Effective January 1, 2012, the Company and Anna T. Chew entered into a new three-year employment agreement, under which Ms. Chew receives an annual base salary of \$287,385 for 2012, \$301,754 for 2013 and \$316,841 for 2014, plus bonuses and customary fringe benefits. Ms. Chew will also receive four weeks of vacation, reimbursement of reasonable and necessary business expenses and use of an automobile. The Company will reimburse Ms. Chew for the cost of a disability insurance policy such that, in the event of the employee's disability for a period of more than 90 days, the employee will receive benefits up to 60% of her then-current salary. In the event of a merger, sale or change of voting control of the Company, excluding transactions between the Company and MREIC, the employee will have the right to extend and renew this employment agreement so that the expiration date will be three years from the date of merger, sale or change of voting control, or the employee may terminate the employment agreement and be entitled to receive one year's compensation in accordance with the agreement. If there is a termination of employment by the Company for any reason, either involuntary or voluntary, including the death of the employee, other than a termination for cause as defined by the agreement, the employee shall be entitled to the greater of the salary due under the remaining term of the agreement or one year's compensation at the date of termination, paid monthly over the remaining term or life of the agreement. Ms. Chew is currently negotiating a new employment agreement.

**Potential Payments upon Termination of Employment or Change-in-Control**

Under the terms of the employment agreements of the named executive officers, such named executive officers are entitled to receive the following estimated payments and benefits upon a termination of employment or voluntary resignation (with or without a change-in-control). These disclosed amounts are estimates only and do not necessarily reflect the actual amounts that would be paid to the named executive officers, which would only be known at the time that they become eligible for payment and would only be payable if a termination of employment, or voluntary resignation, were to occur. The table below reflects the amount that could be payable under the various arrangements assuming that the termination of employment had occurred at December 31, 2014.

|                                      |  |   |   |                                    |
|--------------------------------------|--|---|---|------------------------------------|
| Voluntary Resignation on<br>12/31/14 | Termination<br>Not for Cause<br>or Good<br>Reason on | Termination<br>for Cause on<br>12/31/14 | Termination<br>Not<br>for Cause or<br>Good Reason | Disability or Death on<br>12/31/14 |
|--------------------------------------|--|---|---|------------------------------------|

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|                    |               | 12/31/14      |               | (After a<br>Change- |                |          |
|--------------------|---------------|---------------|---------------|---------------------|----------------|----------|
|                    |               |               |               |                     | in-Control) on |          |
|                    |               |               |               |                     |                | 12/31/14 |
| Eugene W.<br>Landy | \$450,000 (1) | \$450,000 (1) | \$450,000 (1) | \$1,650,000 (2)     | \$750,000 (3)  |          |
| Samuel A.<br>Landy | 416,745 (4)   | 416,745 (4)   | 416,745 (4)   | 416,745 (4)         | 416,745 (4)    |          |
| Anna T. Chew       | 316,841 (4)   | 316,841 (4)   | -0-           | 316,841 (4)         | 316,841 (4)    |          |
| Craig Koster       | -0-           | -0-           | -0-           | -0-                 | -0-            |          |

(1) Consists of severance payments of \$450,000, payable \$150,000 per year for three years.

Mr. Landy shall receive a lump-sum payment of \$1,200,000 in the event of a change in control, provided that the (2) sale price of the Company is at least \$16 per share of common stock. In addition, if Mr. Landy's employment agreement is terminated, he receives severance payments of \$450,000, payable \$150,000 per year for three years.

(3) In the event of a disability, as defined in the agreement, Mr. Landy shall receive disability payments equal to his base salary for a period of three years. He has a death benefit of \$450,000 payable to Mr. Landy's beneficiary.

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Represents one year salary. The respective employment agreements provides for the greater of the salary due under (4) the remaining term of the agreement or one year. The respective employment agreements also provide for death benefits of the same amount.

The Company retains the discretion to compensate any officer upon any future termination of employment or change-in control.

## Director Compensation

Directors receive a fee of \$4,000 for each Board meeting attended, \$500 for each Board phone meeting attended, and an additional fixed annual fee of \$26,000 payable quarterly. Directors appointed to board committees receive \$1,200 for each committee meeting attended. Effective January 1, 2015, the fixed annual fee was increased to \$31,000 payable quarterly.

The table below sets forth a summary of director compensation for the year ended December 31, 2014:

| Director                 | Annual Board Cash Retainer | Meeting Fees | Committee Fees | Total Fees                |
|--------------------------|----------------------------|--------------|----------------|---------------------------|
|                          |                            |              |                | Earned or Paid<br>in Cash |
| Jeffrey A. Carus (2) (3) | \$27,250                   | \$16,000     | \$10,100       | \$53,350                  |
| Matthew I. Hirsch        | 27,250                     | 16,000       | -0-            | 43,250                    |
| Charles Kaempffer (1)    | 27,250                     | 16,000       | 4,800          | 48,050                    |
| Michael P. Landy         | 27,250                     | 16,000       | -0-            | 43,250                    |
| Stuart Levy (2)          | 27,250                     | 16,000       | 10,100         | 53,350                    |
| James E. Mitchell (2)    | 27,250                     | 16,000       | 10,100         | 53,350                    |
| Richard H. Molke         | 27,250                     | 16,000       | -0-            | 43,250                    |
| Eugene Rothenberg (1)    | 27,250                     | 16,000       | -0-            | 43,250                    |
| Stephen B. Wolgin (2)    | 27,250                     | 16,000       | 10,100         | 53,350                    |
|                          | \$ 245,250                 | \$ 144,000   | \$ 45,200      | \$ 434,450                |

As of December 31, 2014, the aggregate number of unvested restricted shares of stock held by each director was as follows: Mr. Carus - 1,237; Mr. Hirsch - 0; Mr. Kaempffer - 0; Mr. M. Landy - 16,488; Mr. Levy - 714; Mr. Mitchell - 1,237; Mr. Molke - 1,237; Mr. Rothenberg - 1,237 and Mr. Wolgin - 1,237.

(1)



Mr. Kaempffer & Mr. Rothenberg are Emeritus directors which are retired directors who are not entitled to vote on board resolutions; however they receives directors' fees for participation in the board meetings.

Mr. Carus (Chaiman of the Compensation Committee), Mr. Levy, Mr. Mitchell and Mr. Wolgin (Chairman of the (2) Audit Committee and the Nominating Committee) are the current members of the Audit Committee, the Compensation Committee and the Nominating committee.

(3) Mr. Carus is the Presiding Director whose role is to preside over the executive sessions of the non-management directors.

(4) Mr. Eugene W. Landy, Mr. Samuel A. Landy and Ms. Anna T. Chew are inside directors. As such, their director compensation is included in the Summary Compensation Table.

### **Pension Benefits and Nonqualified Deferred Compensation Plans**

Except as provided in the specific agreements previously described, the Company has no pension or other post-retirement plans in effect for Officers, Directors or employees or a nonqualified deferred compensation plan. The present value of accumulated benefit of contractual pension benefits for Mr. Eugene W. Landy is \$600,000 as of December 31, 2014. Payments made during 2014 amounted to \$50,000. Mr. Eugene Landy is entitled to receive payments of \$50,000 per year through 2016. The Company's employees may elect to participate in the Company's 401(k) Plan.

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**Compensation Committee Interlocks and Insider Participation**

The Compensation Committee consisted of Mr. Carus, Mr. Levy, Mr. Mitchell and Mr. Wolgin. No member of the Compensation Committee is a current or former officer or employee of the Company. In 2014, none of our executive officers served on the compensation committee of any entity, or board of directors of any entity that did not have a compensation committee, that had one or more of its executive officers serving on our Compensation Committee. The members of the Compensation Committee did not otherwise have any relationships requiring related-party disclosure in this Form 10-K.

**Item 12 – Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters**

The Company will file its definitive Proxy Statement for its 2014 Annual Meeting of Stockholders within the period required under the applicable rules of the Securities and Exchange Commission. Additional information required by this Item is included under the caption “ELECTION OF DIRECTORS” and “SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT” of such Proxy Statement and is incorporated herein by reference.

The following table lists information with respect to the beneficial ownership of the Company’s common stock (Shares) as of December 31, 2014 by:

· each person known by the Company to beneficially own more than five percent of the Company’s outstanding Shares;

· the Company’s directors;

· the Company’s executive officers; and

· all of the Company’s executive officers and directors as a group.

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Unless otherwise indicated, the person or persons named below have sole voting and investment power over the shares indicated and that person's address is c/o UMH Properties, Inc., Juniper Business Plaza, 3499 Route 9 North, Suite 3-C, Freehold, New Jersey 07728. In determining the number and percentage of Shares beneficially owned by each person, Shares that may be acquired by that person under options exercisable within 60 days of December 31, 2014 are deemed beneficially owned by that person and are deemed outstanding for purposes of determining the total number of outstanding Shares for that person and are not deemed outstanding for that purpose for all other shareholders.

| Name and Address<br>of Beneficial Owner            | Amount and Nature<br>of Beneficial Ownership (1) | Percentage<br>of Shares Outstanding (2) |
|--|--|---|
| Wells Fargo and Company                            |  |   |
| 420 Montgomery Street                              | 1,682,740  | (3) 6.90%                               |
| San Francisco, CA 94104                            |  |   |
| BlackRock, Inc.                                    |  |   |
| 40 East 52 <sup>nd</sup> Street                    | 1,572,576  | (4) 6.45%                               |
| New York, NY 10022                                 |  |   |
| Rutabaga Capital Management LLC                    |  |   |
| 64 Broad Street                                    | 1,332,241  | (5) 5.47%                               |
| Boston, MA 02109                                   |  |   |
| Jeffrey A. Carus                                   | 3,484  | (6) *                                   |
| Anna T. Chew                                       | 217,032  | (7) *                                   |
| Matthew I. Hirsch                                  | 1,326  | (8) *                                   |
| Craig Koster                                       | 5,228  | (9) *                                   |
| Eugene W. Landy                                    | 1,247,134  | (10) 5.10%                              |
| Samuel A. Landy                                    | 643,115  | (11) 2.61%                              |
| Michael P. Landy                                   | 323,690  | (12) 1.33%                              |
| Stuart Levy  | 1,180  | *                                       |
| James E. Mitchell                                  | 182,529  | (13) *                                  |
| Richard H. Molke                                   | 112,042  | (14) *                                  |
| Stephen B. Wolgin                                  | 13,314   | (15) *                                  |
| UMH Properties, Inc. 401(k) Plan (UMH 401(k) Plan) |  | *                                       |
|  | 241,453  | (16)                                    |

Directors and Officers as a group

12.06%

2,991,527

\*Less than 1%

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- Except as indicated in the footnotes to this table and pursuant to applicable community property laws, the
- (1) Company believes that the persons named in the table have sole voting and investment power with respect to all Shares listed. Except as indicated in the footnotes to this table, none of the share have been pledged as collateral.
- (2) Based on the number of Shares outstanding on December 31, 2014 which was 24,372,083 Shares. Based on Schedule 13G/A as of December 31, 2014, filed by Wells Fargo and Company the company owns 1,682,740 Shares. This filing with the SEC by Wells Fargo and Company indicates that Wells Fargo has sole
- (3) voting power for 1,411 Shares and sole dispositive power for 1,411 Shares. Wells Fargo also has shared voting power for 1,614,289 Shares and shared dispositive power for 1,681,329 Shares. Based on Schedule 13G/A as of December 31, 2014, filed by BlackRock, Inc. the company owns 1,572,576
- (4) Shares. This filing with the SEC by BlackRock, Inc. indicates that BlackRock, Inc. has sole voting power for 1,501,113 Shares and sole dispositive power for 1,572,576 Shares. Based on Schedule 13G as of December 31, 2014, filed by Rutabaga Capital Management LLC the company owns 1,332,241 Shares. This filing with the SEC by Rutabaga indicates that Rutabaga Capital Management has sole
- (5) voting power for 1,124,041 Shares and sole dispositive power for 1,332,241. Rutabaga also has shared voting power for 208,200 Shares.
- (6) Includes 216 Shares in custodial accounts for Mr. Carus' minor children under the NJ Uniform Transfers to Minors Act which he disclaims any beneficial interest but has power to vote. Includes (a) 134,693 Shares owned jointly with Ms. Chew's husband; and (b) 60,000 Shares issuable upon exercise of stock options. Excludes 25,291 Shares held in the UMH 401(k) Plan. Ms. Chew is a co-trustee of the UMH 401(k) Plan and has shared voting power over the Common Shares held by the UMH 401(k) Plan. She, however,
- (7) disclaims beneficial ownership of all of the Shares held by the UMH 401(k) Plan, except for the 25,291 Shares held by the UMH 401(k) Plan for her benefit. See note (16) below for information regarding Shares held by the UMH 401(k) Plan. Excludes 50,000 Shares issuable upon the exercise of a stock option, which stock option is not exercisable until June 11, 2015.
- (8) Includes 1,326 Shares owned jointly with Mr. Hirsch's wife. Includes 5,000 Shares issuable upon exercise of stock options. Excludes 317 Shares held in the UMH 401(k) Plan.
- (9) Excludes 5,000 Shares issuable upon the exercise of a stock option, which stock option is not exercisable until June 11, 2015. Includes (a) 99,872 Shares owned by Mr. Eugene Landy's wife; (b) 172,608 Shares held by Landy Investments, Ltd. for which Mr. Landy has power to vote; (c) 66,912 Shares held in the Landy & Landy Employees' Profit Sharing Plan of which Mr. Landy is a Trustee with power to vote; (d) 57,561 Shares held in the Landy & Landy Employees' Pension Plan of which Mr. Landy is a Trustee with power to vote; (e) 100,000 Shares held in the Eugene W. Landy and Gloria Landy Family Foundation, a charitable trust for which Mr. Landy has power to
- (10) vote; (f) 18,106 Shares held in Windsor Industrial Park Associates for which Mr. Landy has power to vote; (g) 23,520 Shares held in Juniper Plaza Associates for which Mr. Landy has power to vote; (h) 100,000 Shares issuable upon exercise of stock options (i) 367,250 Shares pledged in a margin account; and (j) 277,559 Shares pledged as security for loans. Excludes 100,000 Shares issuable upon the exercise of a stock option, which stock option is not exercisable until June 11, 2015.
- (11) Includes (a) 40,024 Shares owned with Mr. Samuel Landy's wife; (b) 6,221 Shares in the Samuel Landy Limited Partnership; (c) 48,000 Shares in the EWL Grandchildren Fund LLC of which Mr. Landy is a co-manager; (d) 250,000 Shares issuable upon exercise of stock options; (e) 24,311 Shares pledged in a margin account; and (j) 244,572 Shares pledged as security for loans. Excludes 55,065 Shares held in the UMH 401(k) Plan. Mr. Landy is a co-trustee of the UMH 401(k) Plan and has shared voting power over the Common Shares held by the UMH 401(k) Plan. He, however, disclaims beneficial ownership of all of the Common Shares held by the UMH 401(k) Plan, except for the 55,065 Shares held by the UMH 401(k) Plan for his benefit. See note (16) below for information regarding Shares held by the UMH 401(k) Plan. Excludes 50,000 Shares issuable upon the exercise

of a stock option, which stock option is not exercisable until June 11, 2015.

- (12) Includes (a) 13,200 Shares owned by Mr. Michael Landy's wife; (b) 48,843 Shares in custodial accounts for Mr. Landy's children under the NJ Uniform Transfers to Minors Act in which he disclaims any beneficial interest but has power to vote; (c) 48,000 Shares in the EWL Grandchildren Fund LLC of which Mr. Landy is a co-manager; (d) 20,000 Shares issuable upon exercise of stock options; (e) 71,500 Shares pledged in a margin account; and (f) 55,000 Shares pledged as security for loans. Excludes 20,463 Shares held in the UMH 401(k) Plan. See note (16) below for information regarding Shares held by the UMH 401(k) Plan.
- (13) Includes 139,143 Shares held by Mitchell Partners in which Mr. Mitchell has a beneficial interest. In addition to the Common Shares reported, Mr. Mitchell also holds 4,000 of the Preferred A Shares.
- (14) Includes 50,563 Shares owned by Mr. Molke's wife.
- (15) In addition to the Shares reported, Mr. Wolgin's wife owns 600 shares of the Company's 8.25% Series A Cumulative Redeemable Preferred Stock.
- (16) Includes 241,453 Shares held by the UMH 401(k) Plan. Ms. Anna T. Chew and Mr. Samuel A. Landy share voting power over the Shares held by the UMH 401(k) Plan.
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**Item 13 – Certain Relationships and Related Transactions, and Director Independence**

The Company will file its definitive Proxy Statement for its 2015 Annual Meeting of Stockholders within the period required under the applicable rules of the Securities and Exchange Commission. Additional information required by this Item is included under the caption “ELECTION OF DIRECTORS” and “CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS” of such Proxy Statement and is incorporated herein by reference.

Certain relationships and related party transactions are incorporated herein by reference to Part IV, Item 15(a)(1)(vi), Note 8 of the Notes to Consolidated Financial Statements – Related Party Transactions.

No director, executive officer, or any immediate family member of such director or executive officer may enter into any transaction or arrangement with the Company without the prior approval of the Board of Directors. The Board of Directors will appoint a Business Judgment Committee consisting of independent directors who are also independent of the transaction or arrangement. This Committee will recommend to the Board of Directors approval or disapproval of the transaction or arrangement. In determining whether to approve such a transaction or arrangement, the Business Judgment Committee will take into account, among other factors, whether the transaction was on terms no less favorable to the Company than terms generally available to third parties and the extent of the executive officer’s or director’s involvement in such transaction or arrangement. While the Company does not have specific written standards for approving such related party transactions, such transactions are only approved if it is in the best interest of the Company and its shareholders. Additionally, the Company’s Code of Business Conduct and Ethics, which is found at the Company’s website at [www.umh.com](http://www.umh.com), requires Directors, officers and employees to notify and report a potential or apparent conflict of interest, in the case of a Director or the principal executive officer, to the Board, in the case of an officer other than the principal executive officer, to the principal executive officer, and, in the case of an employee, to his or her supervisor. Further, to identify related party transactions, the Company submits and requires our directors and executive officers to complete director and officer questionnaires identifying any transactions with the Company in which the director, executive officer or their immediate family members have an interest.

See identification and other information relating to independent directors under Item 10 and committee members under Item 11.

**Item 14 – Principal Accounting Fees and Services**

The Company will file its definitive Proxy Statement for its 2015 Annual Meeting of Stockholders within the period required under the applicable rules of the Securities and Exchange Commission. Additional information required by this Item is included under the caption “FEES BILLED BY INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM” of such Proxy Statement and is incorporated herein by reference.

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PKF O'Connor Davies served as the Company's independent registered public accounting firm for the years ended December 31, 2014 and 2013. The following are fees billed by and accrued to PKF O'Connor Davies in connection with services rendered:

|                    | <u>2014</u> | <u>2013</u> |
|--------------------|-------------|-------------|
| Audit Fees         | \$170,000   | \$166,000   |
| Audit Related Fees | 24,907      | 28,918      |
| Tax Fees           | 64,580      | 54,315      |
| All other fees     | -0-         | -0-         |
| Total Fees         | \$259,487   | \$249,233   |



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Audit fees include professional services rendered for the audit of the Company's annual financial statements, management's assessment of internal controls, and reviews of financial statements included in the Company's quarterly reports on Form 10-Q.

Audit related fees include services that are normally provided by the Company's independent auditors in connection with statutory and regulatory filings, such as consents and assistance with and review of documents filed with the Securities and Exchange Commission.

Tax fees include professional services rendered for the preparation of the Company's federal and state corporate tax returns and supporting schedules as may be required by the Internal Revenue Service and applicable state taxing authorities. Tax fees also include other work directly affecting or supporting the payment of taxes, including planning and research of various tax issues.

**Audit Committee Pre-Approval Policy**

The Audit Committee has adopted a policy for the pre-approval of audit and permitted non-audit services provided by the Company's independent registered public accounting firm. The policy requires that all services provided by our principal independent registered public accounting firm to the Company, including audit services, audit-related services, tax services and other services, must be pre-approved by the Audit Committee, and all have been so pre-approved. The pre-approval requirements do not prohibit day-to-day normal tax consulting services, which matters will not exceed \$10,000 in the aggregate.

The Audit Committee has determined that the provision of the non-audit services described above is compatible with maintaining PKF O'Connor Davies' independence.

**PART IV**

**Item 15 – Exhibits, Financial Statement Schedules**

(a) (1) The following Financial Statements are filed as part of this report.

Page(s)

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|   |         |
|---|---------|
| (i) (a) Report of Independent Registered Public Accounting Firm   | 68      |
| (ii) Consolidated Balance Sheets as of December 31, 2014 and 2013   | 69-70   |
| (iii) Consolidated Statements of Income (Loss) for the years ended December 31, 2014, 2013 and 2012             | 71-72   |
| (iv) Consolidated Statement of Comprehensive Income (Loss) for the years ended December 31, 2014, 2013 and 2012 | 73      |
| (iv) Consolidated Statements of Shareholders' Equity for the years ended December 31, 2014, 2013 and 2012       | 74-75   |
| (v) Consolidated Statements of Cash Flows for the years ended December 31, 2014, 2013 and 2012                  | 76      |
| (vi) Notes to Consolidated Financial Statements   | 77-104  |
| (a) (2) The following Financial Statement Schedule is filed as part of this report:                             |         |
| (i) Schedule III – Real Estate and Accumulated Depreciation as of December 31, 2014                             | 105-111 |

All other schedules are omitted for the reason that they are not required, are not applicable, or the required information is set forth in the consolidated financial statements or notes thereto.

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(a) (3) The Exhibits set forth in the following index of Exhibits are filed as part of this Report.

Exhibit  
No.

Description

(2) Plan of Acquisition, Reorganization, Arrangement, Liquidation or Succession

2.1 Agreement and Plan of Merger dated as of June 23, 2003 (incorporated by reference from the Company's Definitive Proxy Statement as filed with the Securities and Exchange Commission on July 10, 2003, Registration No. 001-12690).

(3) Articles of Incorporation and By-Laws

3.1 Articles of Incorporation of UMH Properties, Inc., a Maryland corporation (incorporated by reference from the Company's Definitive Proxy Statement as filed with the Securities and Exchange Commission on July 10, 2003, Registration No. 001-12690).

3.2 Amendment to Articles of Incorporation (incorporated by reference to the 8-K as filed by the Registrant with the Securities and Exchange Commission on April 3, 2006, Registration No. 001-12690).

3.3 Amendment to Articles of Incorporation (incorporated by reference to the Form 8-K as filed by the Registrant with the Securities and Exchange Commission on May 26, 2011, Registration No. 001-12690).

3.4 Articles Supplementary (incorporated by reference to the Form 8-K as filed by the Registrant with the Securities and Exchange Commission on May 26, 2011, Registration No. 001-12690).

3.5 Amendment to Articles of Incorporation (incorporated by reference to the Form 8-K as filed by the Registrant with the Securities and Exchange Commission on April 10, 2012, Registration No. 001-12690).

3.6 Articles Supplementary (incorporated by reference to the Form 8-K as filed by the Registrant with the Securities and Exchange Commission on April 10, 2012, Registration No. 001-12690).

3.7 Amendment to Articles of Incorporation (incorporated by reference to the Form 8-K as filed by the Registrant with the Securities and Exchange Commission on October 31, 2012, Registration No. 001-12690).

3.8 Articles Supplementary (incorporated by reference to the Form 8-K as filed by the Registrant with the Securities and Exchange Commission on October 31, 2012, Registration No. 001-12690).

3.9 Bylaws of the Company, as amended and restated, dated March 31, 2014 (incorporated by reference to the Form 8-K as filed by the Registrant with the Securities and Exchange Commission on March 31, 2014, Registration No. 001-12690).

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| Exhibit<br>No. | Description  |
|----------------|--|
| (4)            | <u>Instruments Defining the Rights of Security Holders, Including Indentures</u>   |
| 4.1            | Specimen certificate of common stock of UMH Properties, Inc. (incorporated by reference to Exhibit 4.1 to the Form S-3 as filed by the Registrant with the Securities and Exchange Commission on December 21, 2010, Registration No. 333-171338).                          |
| 4.2            | Specimen certificate representing the Series A Preferred Stock of UMH Properties, Inc. (incorporated by reference to Exhibit 4.2 to the Form 8-A12B filed by the Registrant with the Securities and Exchange Commission on February 28, 2012, Registration No. 001-12690). |
| (10)           | <u>Material Contracts</u>  |
| 10.1           | Employment Agreement with Mr. Eugene W. Landy dated December 14, 1993 (incorporated by reference +to the Company's 1993 Form 10-K as filed with the Securities and Exchange Commission on March 28, 1994).   |
| 10.2           | Amendment to Employment Agreement with Mr. Eugene W. Landy effective January 1, 2004 + (incorporated by reference to the Company's 2004 Form 10-K/A as filed with the Securities and Exchange Commission on March 30, 2005, Registration No. 001-12690).                   |
| 10.3           | Second Amendment to Employment Agreement of Eugene W. Landy, dated April 14, 2008 (incorporated +by reference to the Form 8-K as filed by the Registrant with the Securities and Exchange Commission on April 16, 2008, Registration No. 001-12690).                       |
| 10.4           | Employment Agreement with Mr. Samuel A. Landy effective January 1, 2012 (incorporated by reference to +the Form 8-K as filed by the Registrant with the Securities and Exchange Commission on January 5, 2012, Registration No. 001-12690).                                |
| 10.5           | Amendment to Employment Agreement with Mr. Samuel A. Landy dated January 18, 2012 (incorporated +by reference to the Form 8-K as filed by the Registrant with the Securities and Exchange Commission on January 20, 2012, Registration No. 001-12690).                     |
| 10.6           | Employment Agreement with Ms. Anna T. Chew effective January 1, 2012 (incorporated by reference to +the Form 8-K as filed by the Registrant with the Securities and Exchange Commission on January 5, 2012, Registration No. 001-12690).                                   |
| 10.7           | Third Amendment to Employment Agreement with Mr. Eugene W. Landy effective October 1, 2014 + (incorporated by reference to the Form 8-K as filed by the Registrant with the Securities and Exchange Commission on October 8, 2014, Registration No. 001-12690).            |

- 10.8 Form of Indemnification Agreement between UMH Properties, Inc. and its Directors and Executive Officers (incorporated by reference to the Form 8-K as filed by the Registrant with the Securities and Exchange Commission on April 23, 2012, Registration No. 001-12690).
- 10.9 UMH Properties, Inc. 2013 Stock Option and Stock Award Plan (incorporated by reference to the + Company's Definitive Proxy Statement (DEF 14A) as filed with the Securities and Exchange Commission on May 1, 2013, Registration No. 001-12690).
- 10.10 Dividend Reinvestment and Stock Purchase Plan (incorporated by reference to the Company's Registration Statement filed on Form S-3D as filed with the Securities and Exchange Commission on November 14, 2014, Registration No. 333-200227).

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| Exhibit<br>No. | Description   |
|----------------|---|
| 10.11          | Credit Agreement by and among UMH Properties, Inc. and Bank of Montreal dated March 29, 2013 (incorporated by reference to the Form 8-K as filed by the Registrant with the Securities and Exchange Commission on April 3, 2013, Registration No. 001-12690).   |
| (12)           | * Computation of Ratio of Earnings to Fixed Charges   |
| (14)           | Code of Business Conduct and Ethics (incorporated by reference to the Company's 2003 Form 10-K as filed with the Securities and Exchange Commission on March 11, 2004, Registration No. 001-12690).   |
| (21)           | * Subsidiaries of the Registrant.   |
| (23)           | * Consent of PKF O'Connor Davies, A Division of O'Connor Davies, LLP.   |
| (31.1)         | * Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.   |
| (31.2)         | * Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.   |
| (32)           | * Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.   |
| (99)           | Audit Committee Charter, as amended January 16, 2008 (incorporated by reference to the Company's 2011 Definitive Proxy Statement (DEF 14A) as filed with the Securities and Exchange Commission on May 2, 2011, Registration No. 001-12690).  |
| (101)          | <u>Interactive Data File</u>  |
| 101.INS        | ++XBRL Instance Document  |
| 101.SCH        | ++XBRL Taxonomy Extension Schema Document   |
| 101.CAL        | ++XBRL Taxonomy Extension Calculation Document  |
| 101.LAB        | ++XBRL Taxonomy Extension Label Linkbase Document   |
| 101.PRE        | ++XBRL Taxonomy Extension Presentation Linkbase Document  |
| 101.DEF        | ++XBRL Taxonomy Extension Definition Linkbase Document  |
| *              | Filed herewith.   |
| +              | Denotes a management contract or compensatory plan or arrangement.  |
| ++             | Pursuant to Rule 406T of Regulation S-T, this interactive data file is deemed not "filed" or part of a registration statement or prospectus for purposes of Section 11 or 12 of the Securities Act, is deemed not "filed" for purposes of Section 18 of the Exchange Act, and otherwise is not subject to liability under these sections. |



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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Board of Directors and Shareholders

UMH Properties, Inc.

We have audited the accompanying consolidated balance sheets of UMH Properties, Inc. and subsidiaries (the “Company”) as of December 31, 2014 and 2013 and the related consolidated statements of income (loss), comprehensive income (loss), shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2014. Our audits also included the financial statement schedule listed in the Index at Item 15(a)(2)(i). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of UMH Properties, Inc. at December 31, 2014 and 2013, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2014, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company’s internal control over financial reporting as of December 31, 2014 based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated March 10, 2015 expressed an unqualified opinion thereon.

/s/ PKF O’Connor Davies,

New York, New York A Division of O’Connor Davies, LLP



March 10, 2015

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Table of Contents**UMH PROPERTIES, INC. AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS****AS OF DECEMBER 31, 2014 and 2013**

| <b>-ASSETS-</b>                             | <b>2014</b>           | <b>2013</b>           |
|---|-----------------------|-----------------------|
| <b>Investment Property And Equipment</b>    |                       |                       |
| Land  | \$ 39,133,514         | \$ 33,973,214         |
| Site and Land Improvements                  | 299,776,250           | 256,830,234           |
| Buildings and Improvements                  | 17,534,698            | 13,273,690            |
| Rental Homes and Accessories                | 91,719,997            | 61,747,274            |
| Total Investment Property                   | 448,164,459           | 365,824,412           |
| Equipment and Vehicles                      | 12,242,086            | 11,130,719            |
| Total Investment Property and Equipment     | 460,406,545           | 376,955,131           |
| Accumulated Depreciation                    | (99,522,180)          | (84,655,017)          |
| Net Investment Property and Equipment       | 360,884,365           | 292,300,114           |
| <b>Other Assets</b>                         |                       |                       |
| Cash and Cash Equivalents                   | 8,082,792             | 7,615,143             |
| Securities Available for Sale at Fair Value | 63,555,961            | 59,254,942            |
| Inventory of Manufactured Homes             | 12,306,715            | 13,786,041            |
| Notes and Other Receivables, net            | 24,719,480            | 26,019,725            |
| Unamortized Financing Costs                 | 2,228,779             | 2,128,006             |
| Prepaid Expenses                            | 629,120               | 1,182,850             |
| Land Development Costs                      | 5,861,764             | 5,693,153             |
| Total Other Assets                          | 117,384,611           | 115,679,860           |
| <b>TOTAL ASSETS</b>                         | <b>\$ 478,268,976</b> | <b>\$ 407,979,974</b> |

See Accompanying Notes to Consolidated Financial Statements

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Table of Contents**UMH PROPERTIES, INC. AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS (CONTINUED)****AS OF DECEMBER 31, 2014 and 2013**

| <b>- LIABILITIES AND SHAREHOLDERS' EQUITY -</b>  | <b>2014</b>              | <b>2013</b>              |
|--|--------------------------|--------------------------|
| <b>Liabilities:</b>  |                          |                          |
| Mortgages Payable  | \$<br>182,670,854        | \$<br>160,639,944        |
| Other liabilities:   |                          |                          |
| Accounts Payable   | 1,824,293                | 1,628,713                |
| Loans Payable  | 77,439,230               | 49,118,996               |
| Accrued Liabilities and Deposits   | 4,757,604                | 3,852,799                |
| Tenant Security Deposits   | 2,749,890                | 2,153,785                |
| Total Other Liabilities  | 86,771,017               | 56,754,293               |
| Total Liabilities  | 269,441,871              | 217,394,237              |
| <b>Commitments And Contingencies</b>   |                          |                          |
| <b>Shareholders' equity:</b>   |                          |                          |
| Series A – 8.25% Cumulative Redeemable Preferred   |                          |                          |
| Stock, par value \$.10 per share, 3,663,800 shares authorized, issued and outstanding as of December 31, 2014 and 2013   | 91,595,000               | 91,595,000               |
| Common Stock - \$.10 par value per share, 42,000,000 shares authorized; 24,372,083 and 20,769,892 shares issued and outstanding as of December 31, 2014 and 2013, respectively | 2,437,208                | 2,076,989                |
| Excess Stock - \$.10 par value per share, 3,000,000 shares authorized; no shares issued or outstanding as of December 31, 2014 and 2013  | -0-                      | -0-                      |
| Additional Paid-In Capital   | 110,422,454              | 96,504,643               |
| Accumulated Other Comprehensive Income   | 5,040,236                | 1,076,898                |
| Accumulated Deficit  | (667,793)                | (667,793)                |
| Total Shareholders' Equity   | 208,827,105              | 190,585,737              |
| <b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>  | <b>\$</b><br>478,268,976 | <b>\$</b><br>407,979,974 |

See Accompanying Notes to Consolidated Financial Statements

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Table of Contents**UMH PROPERTIES, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF INCOME (LOSS)****FOR THE YEARS ENDED DECEMBER 31, 2014, 2013 AND 2012**

|  | <b>2014</b>           | <b>2013</b>           | <b>2012</b>         |
|--|-----------------------|-----------------------|---------------------|
| <b>INCOME:</b>                               |                       |                       |                     |
| Rental and Related Income                    | \$ 63,886,010         | \$ 53,477,893         | \$ 38,012,231       |
| Sales of Manufactured Homes                  | 7,545,923             | 8,727,214             | 8,815,533           |
| Total Income                                 | 71,431,933            | 62,205,107            | 46,827,764          |
| <b>EXPENSES:</b>                             |                       |                       |                     |
| Community Operating Expenses                 | 33,592,327            | 29,140,920            | 20,564,286          |
| Cost of Sales of Manufactured Homes          | 5,832,540             | 7,204,410             | 7,903,678           |
| Selling Expenses                             | 2,983,376             | 1,985,834             | 2,152,701           |
| General and Administrative                   | 6,465,973             | 6,541,224             | 5,374,516           |
| Acquisition Costs                            | 483,522               | 1,455,542             | 862,169             |
| Depreciation Expense                         | 15,163,420            | 11,681,724            | 7,357,158           |
| Total Expenses                               | 64,521,158            | 58,009,654            | 44,214,508          |
| <b>OTHER INCOME (EXPENSE):</b>               |                       |                       |                     |
| Interest Income                              | 2,098,974             | 2,186,387             | 2,027,969           |
| Dividend Income                              | 4,065,986             | 3,481,514             | 3,243,592           |
| Gain on Sale of Securities Transactions, net | 1,542,589             | 4,055,812             | 4,092,585           |
| Other Income                                 | 328,888               | 211,051               | 643,588             |
| Interest Expense                             | (10,194,472)          | (7,849,835)           | (5,803,172)         |
| Amortization of Financing Costs              | (522,250)             | (462,362)             | (302,280)           |
| Total Other Income (Expense)                 | (2,680,285)           | 1,622,567             | 3,902,282           |
| Income Before Gain (Loss) on Sales of        |                       |                       |                     |
|  | 4,230,490             | 5,818,020             | 6,515,538           |
| Investment Property and Equipment            |                       |                       |                     |
| Gain (Loss) on Sales of Investment Property  |                       |                       |                     |
|  | 7,313                 | 18,803                | (41,481)            |
| and Equipment                                |                       |                       |                     |
| <b>NET INCOME</b>                            | <b>4,237,803</b>      | <b>5,836,823</b>      | <b>6,474,057</b>    |
| Less: Preferred Dividend                     | 7,556,588             | 7,556,588             | 4,724,718           |
|  | <b>\$ (3,318,785)</b> | <b>\$ (1,719,765)</b> | <b>\$ 1,749,339</b> |

**NET INCOME (LOSS) ATTRIBUTABLE TO  
COMMON SHAREHOLDERS**

See Accompanying Notes to Consolidated Financial Statements

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Table of Contents**UMH PROPERTIES, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF INCOME (LOSS) (CONTINUED)****FOR THE YEARS ENDED DECEMBER 31, 2014, 2013 AND 2012**

|   | <b>2014</b> | <b>2013</b> | <b>2012</b> |
|---|-------------|-------------|-------------|
| <b>Basic Income Per Share:</b>                        |             |             |             |
| Net Income  | \$0.19      | \$0.31      | \$0.40      |
| Less: Preferred Dividend                              | (0.34)      | (0.40)      | (0.29)      |
| Net Income (Loss) Attributable to Common Shareholders | \$(0.15)    | \$(0.09)    | \$0.11      |
| <b>Diluted Income Per Share:</b>                      |             |             |             |
| Net Income  | \$0.19      | \$0.31      | \$0.40      |
| Less: Preferred Dividend                              | (0.34)      | (0.40)      | (0.29)      |
| Net Income (Loss) Attributable to Common Shareholders | \$(0.15)    | \$(0.09)    | \$0.11      |
| <b>Weighted Average Shares Outstanding:</b>           |             |             |             |
| Basic   | 22,496,103  | 18,724,321  | 16,197,339  |
| Diluted   | 22,539,708  | 18,789,662  | 16,260,225  |



See Accompanying Notes to Consolidated Financial Statements

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Table of Contents**UMH PROPERTIES, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)****FOR THE YEARS ENDED DECEMBER 31, 2014, 2013, AND 2012**

|  | <b>2014</b> | <b>2013</b>   | <b>2012</b> |
|--|-------------|---------------|-------------|
| <b>Net Income</b>  | \$4,237,803 | \$5,836,823   | \$6,474,057 |
| <b>Other Comprehensive Income (Loss):</b>                                  |             |               |             |
| Unrealized Holding Gains (Losses) Arising During the Year                  | 5,505,772   | (1,441,406)   | 8,245,236   |
| Reclassification Adjustment for Net Gains Realized in Income               | (1,542,589) | (4,055,812)   | (4,092,585) |
| Change in Fair Value of Interest Rate Swap Agreements                      | 155         | 337,955       | (377,795)   |
| <b>Comprehensive Income</b>  | 8,201,141   | 677,560       | 10,248,913  |
| Less: Preferred Dividend   | (7,556,588) | (7,556,588)   | (4,724,718) |
| <br><b>Comprehensive Income (Loss) Attributable to Common Shareholders</b> |             |               |             |
|  | \$644,553   | \$(6,879,028) | \$5,524,195 |

See Accompanying Notes to the Consolidated Financial Statements

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Table of Contents**UMH PROPERTIES, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY****FOR THE YEARS ENDED DECEMBER 31, 2014, 2013 and 2012**

|   | <b>Common Stock<br/>Issued</b> |               | <b>Preferred<br/>Stock</b> | <b>Additional<br/>Paid-In<br/>Capital</b> |
|---|--------------------------------|---------------|----------------------------|---|
|   | <b>Number</b>                  | <b>Amount</b> |                            |   |
| Balance December 31, 2011   | 15,252,839                     | \$1,525,284   | \$33,470,000               | \$69,088,409                              |
| Common Stock Issued with the DRIP*                                | 1,780,043                      | 178,004       | -0-                        | 17,880,034                                |
| Common Stock Issued through Restricted Stock Awards               | 75,000                         | 7,500         | -0-                        | (7,500)                                   |
| Common Stock Issued through Stock Options                         | 4,000                          | 400           | -0-                        | 29,840                                    |
| Preferred Stock Issued through Underwritten Public Offering, net- | -0-                            | -0-           | 26,875,000                 | (1,172,782)                               |
| Preferred Stock Issued through Direct Placement, net              | -0-                            | -0-           | 31,250,000                 | (699,705)                                 |
| Distributions   | -0-                            | -0-           | -0-                        | (9,580,848)                               |
| Stock Compensation Expense  | -0-                            | -0-           | -0-                        | 573,244                                   |
| Net Income  | -0-                            | -0-           | -0-                        | -0-                                       |
| Unrealized Net Holding Gain on Securities Available               |                                |               |                            |   |
|   | -0-                            | -0-           | -0-                        | -0-                                       |
| for Sale Net of Reclassification Adjustment                       |                                |               |                            |   |
| Interest Rate Swaps   | -0-                            | -0-           | -0-                        | -0-                                       |
| Balance December 31, 2012   | 17,111,882                     | 1,711,188     | 91,595,000                 | 76,110,692                                |
| Common Stock Issued with the DRIP*                                | 3,658,010                      | 365,801       | -0-                        | 34,826,838                                |
| Common Stock Issued through Restricted Stock Awards               | -0-                            | -0-           | -0-                        | -0-                                       |
| Common Stock Issued through Stock Options                         | -0-                            | -0-           | -0-                        | -0-                                       |
| Preferred Stock Issued through Underwritten Public Offering, net- | -0-                            | -0-           | -0-                        | -0-                                       |
| Preferred Stock Issued through Direct Placement, net              | -0-                            | -0-           | -0-                        | -0-                                       |
| Distributions   | -0-                            | -0-           | -0-                        | (15,283,236)                              |
| Stock Compensation Expense  | -0-                            | -0-           | -0-                        | 850,349                                   |
| Net Income  | -0-                            | -0-           | -0-                        | -0-                                       |
| Unrealized Net Holding Gain on Securities Available               |                                |               |                            |   |
|   | -0-                            | -0-           | -0-                        | -0-                                       |
| for Sale Net of Reclassification Adjustment                       |                                |               |                            |   |
| Interest Rate Swaps   | -0-                            | -0-           | -0-                        | -0-                                       |
| Balance December 31, 2013   | 20,769,892                     | 2,076,989     | 91,595,000                 | 96,504,643                                |
| Common Stock Issued with the DRIP*                                | 3,554,191                      | 355,419       | -0-                        | 32,436,820                                |

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|  |            |             |              |               |
|--|------------|-------------|--------------|---------------|
| Common Stock Issued through Restricted Stock Awards  | 25,000     | 2,500       | -0-          | (2,500)       |
| Common Stock Issued through Stock Options  | 23,000     | 2,300       | -0-          | 165,160       |
| Preferred Stock Issued through Underwritten Public Offering,<br>net                                | -0-        | -0-         | -0-          | -0-           |
| Preferred Stock Issued through Direct Placement, net   | -0-        | -0-         | -0-          | -0-           |
| Distributions  | -0-        | -0-         | -0-          | (19,604,613)  |
| Stock Compensation Expense   | -0-        | -0-         | -0-          | 922,944       |
| Net Income   | -0-        | -0-         | -0-          | -0-           |
| Unrealized Net Holding Gain on Securities Available<br>for Sale Net of Reclassification Adjustment | -0-        | -0-         | -0-          | -0-           |
| Interest Rate Swaps  | -0-        | -0-         | -0-          | -0-           |
| Balance December 31, 2014  | 24,372,083 | \$2,437,208 | \$91,595,000 | \$110,422,454 |

*\*Dividend Reinvestment and Stock Purchase Plan*

See Accompanying Notes to Consolidated Financial Statements

Table of Contents**UMH PROPERTIES, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY, CONTINUED****FOR THE YEARS ENDED DECEMBER 31, 2014, 2013 and 2012**

|  | <b>Accumulated<br/>Other<br/>Comprehensive<br/>Income (Loss)</b> | <b>Undistributed<br/>Income<br/>(Accumulated<br/>Deficit)</b> | <b>Total<br/>Shareholders'<br/>Equity</b> |
|--|--|---|---|
| Balance December 31, 2011  | \$2,461,305  | \$(667,793)   | \$105,877,205                             |
| Common Stock Issued with the DRIP*   | -0-  | -0-   | 18,058,038                                |
| Common Stock Issued through Restricted Stock Awards  | -0-  | -0-   | -0-                                       |
| Common Stock Issued through Stock Options  | -0-  | -0-   | 30,240                                    |
| Preferred Stock Issued through Underwritten Public Offering,<br>net                                | -0-  | -0-   | 25,702,218                                |
| Preferred Stock Issued through Direct Placement, net   | -0-  | -0-   | 30,550,295                                |
| Distributions  | -0-  | (6,474,057)   | (16,054,905)                              |
| Stock Compensation Expense   | -0-  | -0-   | 573,244                                   |
| Net Income   | -0-  | 6,474,057   | 6,474,057                                 |
| Unrealized Net Holding Gain on Securities Available<br>for Sale Net of Reclassification Adjustment | 4,152,651  | -0-   | 4,152,651                                 |
| Interest Rate Swaps  | (377,795)  | -0-   | (377,795)                                 |
| Balance December 31, 2012  | 6,236,161  | (667,793)   | 174,985,248                               |
| Common Stock Issued with the DRIP*   | -0-  | -0-   | 35,192,639                                |
| Common Stock Issued through Restricted Stock Awards  | -0-  | -0-   | -0-                                       |
| Common Stock Issued through Stock Options  | -0-  | -0-   | -0-                                       |
| Preferred Stock Issued through Underwritten Public Offering,<br>net                                | -0-  | -0-   | -0-                                       |
| Preferred Stock Issued through Direct Placement, net   | -0-  | -0-   | -0-                                       |
| Distributions  | -0-  | (5,836,823)   | (21,120,059)                              |
| Stock Compensation Expense   | -0-  | -0-   | 850,349                                   |
| Net Income   | -0-  | 5,836,823   | 5,836,823                                 |
| Unrealized Net Holding Gain on Securities Available<br>for Sale Net of Reclassification Adjustment | (5,497,218)  | -0-   | (5,497,218)                               |
| Interest Rate Swaps  | 337,955  | -0-   | 337,955                                   |
| Balance December 31, 2013  | 1,076,898  | (667,793)   | 190,585,737                               |
| Common Stock Issued with the DRIP*   | -0-  | -0-   | 32,792,239                                |

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|  |             |             |               |
|--|-------------|-------------|---------------|
| Common Stock Issued through Restricted Stock Awards  | -0-         | -0-         | -0-           |
| Common Stock Issued through Stock Options  | -0-         | -0-         | 167,460       |
| Preferred Stock Issued through Underwritten Public Offering,<br>net                                | -0-         | -0-         | -0-           |
| Preferred Stock Issued through Direct Placement, net   | -0-         | -0-         | -0-           |
| Distributions  | -0-         | (4,237,803) | (23,842,416)  |
| Stock Compensation Expense   | -0-         | -0-         | 922,944       |
| Net Income   | -0-         | 4,237,803   | 4,237,803     |
| Unrealized Net Holding Gain on Securities Available<br>for Sale Net of Reclassification Adjustment | 3,963,183   | -0-         | 3,963,183     |
| Interest Rate Swaps  | 155         | -0-         | 155           |
| Balance December 31, 2014  | \$5,040,236 | \$(667,793) | \$208,827,105 |

*\*Dividend Reinvestment and Stock Purchase Plan.*

See Accompanying Notes to Consolidated Financial Statements

Table of Contents**UMH PROPERTIES, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CASH FLOWS****FOR THE YEARS ENDED DECEMBER 31, 2014, 2013 and 2012**

|  | <b>2014</b>  | <b>2013</b>   | <b>2012</b>  |
|--|--------------|---------------|--------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>                 |              |               |              |
| Net Income   | \$ 4,237,803 | \$ 5,836,823  | \$ 6,474,057 |
| Non-cash items included in Net Income:                       |              |               |              |
| Depreciation   | 15,163,420   | 11,681,724    | 7,357,158    |
| Amortization of Financing Costs                              | 522,250      | 462,362       | 302,280      |
| Stock Compensation Expense                                   | 922,944      | 850,349       | 573,244      |
| Provision for Uncollectible Notes and Other Receivables      | 1,020,655    | 760,570       | 745,993      |
| Gain on Sale of Securities Transactions, net                 | (1,542,589)  | (4,055,812)   | (4,092,585)  |
| (Gain) Loss on Sales of Investment Property & Equipment      | (7,313)      | (18,803)      | 41,481       |
| Changes in Operating Assets and Liabilities:                 |              |               |              |
| Inventory of Manufactured Homes                              | 1,479,326    | (1,930,961)   | (1,666,333)  |
| Notes and Other Receivables                                  | 279,590      | (4,066,431)   | (2,134,003)  |
| Prepaid Expenses   | 553,730      | (271,975)     | (283,268)    |
| Accounts Payable   | 195,580      | 558,692       | 381,349      |
| Accrued Liabilities and Deposits                             | 904,960      | 581,139       | 985,739      |
| Tenant Security Deposits                                     | 596,105      | 850,411       | 402,637      |
| Net Cash Provided by Operating Activities                    | 24,326,461   | 11,238,088    | 9,087,749    |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>                 |              |               |              |
| Purchase of Manufactured Home Communities,                   | (15,879,551) | (80,574,921)  | (44,825,340) |
| net of mortgages assumed                                     |              |               |              |
| Purchase of Investment Property and Equipment                | (41,858,627) | (26,815,409)  | (16,975,016) |
| Proceeds from Sales of Investment Property and Equipment     | 768,641      | 915,113       | 1,069,516    |
| Additions to Land Development Costs                          | (268,983)    | (519,214)     | (472,845)    |
| Purchase of Securities Available for Sale                    | (9,707,038)  | (22,352,376)  | (21,941,884) |
| Proceeds from Sales of Securities Available for Sale         | 10,911,791   | 18,981,468    | 16,159,894   |
| Net Cash Used by Investing Activities                        | (56,033,767) | (110,365,339) | (66,985,675) |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>                 |              |               |              |
| Proceeds from Mortgages, net of mortgages assumed            | -0-          | 53,760,000    | 25,380,000   |
| Net Proceeds from Short-Term Borrowings                      | 28,320,234   | 38,677,391    | -0-          |
| Principal Payments of Mortgages and Loans                    | (4,639,539)  | (9,686,487)   | (23,073,544) |
| Financing Costs on Debt                                      | (623,023)    | (1,116,914)   | (456,615)    |
| Proceeds from Issuance of Common Stock, net of reinvestments | 30,933,748   | 33,330,652    | 16,667,139   |
|  | -0-          | -0-           | 56,996,101   |



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|  |                     |                     |                      |
|--|---------------------|---------------------|----------------------|
| Proceeds from Issuance of Preferred Stock, net of offering costs |                     |                     |                      |
| Proceeds from Exercise of Stock Options                          | 167,460             | -0-                 | 30,240               |
| Preferred Dividends Paid   | (7,556,588)         | (7,556,588)         | (5,068,697)          |
| Common Dividends Paid, net of Reinvestments                      | (14,427,337)        | (11,701,484)        | (10,338,897)         |
| Net Cash Provided by Financing Activities                        | 32,174,955          | 95,706,570          | 60,135,727           |
| Net Increase (Decrease) In Cash and Cash Equivalents             | 467,649             | (3,420,681)         | 2,237,801            |
| Cash and Cash Equivalents at Beginning of Year                   | 7,615,143           | 11,035,824          | 8,798,023            |
| <b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>                  | <b>\$ 8,082,792</b> | <b>\$ 7,615,143</b> | <b>\$ 11,035,824</b> |

See Accompanying Notes to Consolidated Financial Statements

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**UMH PROPERTIES, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**DECEMBER 31, 2014 and 2013**

NOTE 1 – ORGANIZATION

UMH Properties, Inc., a Maryland corporation, and its subsidiaries (the Company) operates as a real estate investment trust (REIT) deriving its income primarily from real estate rental operations. The Company, through its wholly-owned taxable subsidiary, UMH Sales and Finance, Inc. (S&F), sells manufactured home in its communities. Inherent in the operations of manufactured home communities are site vacancies. S&F was established to fill these vacancies and potentially enhance the value of the communities. The Company also owns a portfolio of REIT securities which the Company generally limits to no more than approximately 15% of its undepreciated assets. Management views the Company as a single segment based on its method of internal reporting in addition to its allocation of capital and resources.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of the Business

As of December 31, 2014, the Company owns and operates eighty-eight manufactured home communities containing approximately 15,000 developed sites. These communities are located in New Jersey, New York, Ohio, Pennsylvania, Tennessee, Indiana and Michigan.

These manufactured home communities are listed by trade names as follows:

| <b>MANUFACTURED HOME COMMUNITY</b> | <b>LOCATION</b>       |
|------------------------------------|-----------------------|
| Allentown                          | Memphis, Tennessee    |
| Auburn Estates                     | Orrville, Ohio        |
| Birchwood Farms                    | Birch Run, Michigan   |
| Broadmore Estates                  | Goshen, Indiana       |
| Brookside Village                  | Berwick, Pennsylvania |

|                              |                                  |
|------------------------------|----------------------------------|
| Brookview Village            | Greenfield Center, New York      |
| Carsons                      | Chambersburg, Pennsylvania       |
| Cedarcrest                   | Vineland, New Jersey             |
| Chambersburg I & II          | Chambersburg, Pennsylvania       |
| Chelsea                      | Sayre, Pennsylvania              |
| City View                    | Lewistown, Pennsylvania          |
| Clinton Mobile Home Resort   | Tiffin, Ohio                     |
| Collingwood                  | Horseheads, New York             |
| Colonial Heights             | Wintersville, Ohio               |
| Countryside Estates          | Muncie, Indiana                  |
| Countryside Estates          | Ravenna, Ohio                    |
| Countryside Village          | Columbia, Tennessee              |
| Cranberry Village            | Cranberry Township, Pennsylvania |
| Crestview                    | Sayre, Pennsylvania              |
| Cross Keys Village           | Duncansville, Pennsylvania       |
| Dallas Mobile Home Community | Toronto, Ohio                    |
| Deer Meadows                 | New Springfield, Ohio            |
| D & R Village                | Clifton Park, New York           |
| Evergreen Estates            | Lodi, Ohio                       |
| Evergreen Manor              | Bedford, Ohio                    |
| Evergreen Village            | Mantua, Ohio                     |

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| <b>MANUFACTURED HOME COMMUNITY</b> | <b>LOCATION</b>                  |
|------------------------------------|----------------------------------|
| Fairview Manor                     | Millville, New Jersey            |
| Forest Creek                       | Elkhart, Indiana                 |
| Forest Park Village                | Cranberry Township, Pennsylvania |
| Frieden Manor                      | Schuylkill Haven, Pennsylvania   |
| Green Acres                        | Chambersburg, Pennsylvania       |
| Gregory Courts                     | Honey Brook, Pennsylvania        |
| Hayden Heights                     | Dublin, Ohio                     |
| Heather Highlands                  | Inkerman, Pennsylvania           |
| Highland                           | Elkhart, Indiana                 |
| Highland Estates                   | Kutztown, Pennsylvania           |
| Hillside Estates                   | Greensburg, Pennsylvania         |
| Holiday Mobile Village             | Nashville, Tennessee             |
| Hudson Estates                     | Peninsula, Ohio                  |
| Independence Park                  | Clinton, Pennsylvania            |
| Kinnebrook                         | Monticello, New York             |
| Lake Sherman Village               | Navarre, Ohio                    |
| Laurel Woods                       | Cresson, Pennsylvania            |
| Little Chippewa                    | Orrville, Ohio                   |
| Maple Manor                        | Taylor, Pennsylvania             |
| Meadowood                          | New Middletown, Ohio             |
| Melrose Village                    | Wooster, Ohio                    |
| Melrose West                       | Wooster, Ohio                    |
| Memphis Mobile City                | Memphis, Tennessee               |
| Monroe Valley                      | Ephrata, Pennsylvania            |
| Moosic Heights                     | Avoca, Pennsylvania              |
| Mountaintop                        | Ephrata, Pennsylvania            |
| Oak Ridge Estates                  | Elkhart, Indiana                 |
| Oakwood Lake Village               | Tunkhannock, Pennsylvania        |
| Olmsted Falls                      | Olmsted Falls, Ohio              |
| Oxford Village                     | West Grove, Pennsylvania         |
| Pine Ridge Village/Pine Manor      | Carlisle, Pennsylvania           |
| Pine Valley Estates                | Apollo, Pennsylvania             |
| Pleasant View Estates              | Bloomsburg, Pennsylvania         |
| Port Royal Village                 | Belle Vernon, Pennsylvania       |
| River Valley Estates               | Marion, Ohio                     |
| Rolling Hills Estates              | Carlisle, Pennsylvania           |
| Rostraver Estates                  | Belle Vernon, Pennsylvania       |
| Sandy Valley Estates               | Magnolia, Ohio                   |
| Shady Hills                        | Nashville, Tennessee             |
| Somerset Estates/Whispering Pines  | Somerset, Pennsylvania           |
| Southern Terrace                   | Columbiana, Ohio                 |
| Southwind Village                  | Jackson, New Jersey              |
| Spreading Oaks Village             | Athens, Ohio                     |
| Suburban Estates                   | Greensburg, Pennsylvania         |
| Summit Estates                     | Ravenna, Ohio                    |
| Sunny Acres                        | Somerset, Pennsylvania           |

|                     |                           |
|---------------------|---------------------------|
| Sunnyside           | Eagleville, Pennsylvania  |
| Trailmont           | Goodlettsville, Tennessee |
| Twin Oaks I & II    | Olmsted Falls, Ohio       |
| Twin Pines          | Goshen, Indiana           |
| Valley High         | Ruffs Dale, Pennsylvania  |
| Valley Hills        | Ravenna, Ohio             |
| Valley View I       | Ephrata, Pennsylvania     |
| Valley View II      | Ephrata, Pennsylvania     |
| Valley View Danboro | Doylestown, Pennsylvania  |

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**MANUFACTURED HOME COMMUNITY                      LOCATION**

|                        |                           |
|------------------------|---------------------------|
| Valley View Honeybrook | Honey Brook, Pennsylvania |
| Waterfalls Village     | Hamburg, New York         |
| Weatherly Estates      | Lebanon, Tennessee        |
| Woodland Manor         | West Monroe, New York     |
| Woodlawn Village       | Eatontown, New Jersey     |
| Wood Valley            | Caledonia, Ohio           |
| Youngstown Estates     | Youngstown, New York      |

Basis of Presentation

The Company prepares its financial statements under the accrual basis of accounting, in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). The Company's subsidiaries are all 100% wholly-owned. The consolidated financial statements of the Company include all of these subsidiaries. All intercompany transactions and balances have been eliminated in consolidation. The Company does not have a majority or minority interest in any other company, either consolidated or unconsolidated.

Use of Estimates

In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, as well as contingent assets and liabilities as of the dates of the consolidated balance sheets and revenue and expenses for the years then ended. These estimates and assumptions include the allowance for doubtful accounts, valuation of inventory, depreciation, valuation of securities, reserves and accruals, and stock compensation expense. Actual results could differ from these estimates and assumptions.

Investment Property and Equipment and Depreciation

Property and equipment are carried at cost. Depreciation for Sites and Building is computed principally on the straight-line method over the estimated useful lives of the assets (ranging from 15 to 27.5 years). Depreciation of Improvements to Sites and Buildings, Rental Homes and Equipment and Vehicles is computed principally on the straight-line method over the estimated useful lives of the assets (ranging from 3 to 27.5 years). Land Development Costs are not depreciated until they are put in use, at which time they are capitalized as Sites and Land Improvements. Interest Expense pertaining to Land Development Costs are capitalized. Maintenance and Repairs are charged to expense as incurred and improvements are capitalized. The costs and related accumulated depreciation of property sold or otherwise disposed of are removed from the financial statement and any gain or loss is reflected in the current

year's results of operations.

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.

The Company conducted a comprehensive review of all real estate asset classes in accordance with ASC 360-10-35-21. The process entailed the analysis of property for instances where the net book value exceeded the estimated fair 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

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expected holding period for these properties were in excess of their carrying values and, therefore, no impairment charges were required.

### Acquisitions

The Company accounts for acquisitions in accordance with ASC 805, Business Combinations (ASC 805). ASC 805 requires that transaction costs, such as broker fees, transfer taxes, legal, accounting, valuation, and other professional and consulting fees, related to acquisitions be expensed as incurred.

Upon acquisition of a property, the Company 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 generally allocates the purchase price of an acquired property determined by internal evaluation as well as a third-party appraisal of the property obtained in conjunction with the purchase.

### Cash and Cash Equivalents

Cash and cash equivalents include all cash and investments with an original maturity of three months or less. The Company maintains its cash in bank accounts in amounts that may exceed federally insured limits. The Company has not experienced any losses in these accounts in the past. The fair value of cash and cash equivalents approximates their current carrying amounts since all such items are short-term in nature.

### Securities Available for Sale

Investments in non-real estate assets consist of marketable securities of other REIT's, which are composed of common and preferred stock. 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 changes in unrealized net holding gains are reflected as comprehensive income.

The Company individually reviews and evaluates our marketable securities for impairment on a quarterly basis or when events or circumstances 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 normally holds REIT securities long term and has the ability and intent to hold securities to recovery. The Company generally limits its marketable securities investments to no more than approximately 15% of its undepreciated assets. 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.

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### Inventory of Manufactured Homes

Inventory of manufactured homes is valued at the lower of cost or market value and is determined by the specific identification method. All inventory is considered finished goods.

### Accounts and Notes Receivables

The Company's accounts, notes and other receivables are stated at their outstanding balance reduced by an allowance for uncollectible accounts. The Company evaluates the recoverability of its receivables whenever events occur or there are changes in circumstances such that management believes it is probable that it will be unable to collect all amounts due according to the contractual terms of the notes receivable or lease agreements. The collectability of notes receivable is measured based on the present value of the expected future cash flow discounted at the notes receivable effective interest rate or the fair value of the collateral if the notes receivable is collateral dependent. Total notes receivables at December 31, 2014 and 2013 was \$20,761,642 and \$23,630,159, respectively. At December 31, 2014 and 2013, the reserves for uncollectible accounts, notes and other receivables were \$1,068,465 and \$1,097,387, respectively. For the years ended December 31, 2014, 2013 and 2012, the provisions for uncollectible notes and other receivables were \$1,020,655, \$760,570 and \$745,993, respectively. Charge-offs and other adjustments related to repossessed homes for the years ended December 31, 2014, 2013 and 2012 amounted to \$1,049,577, \$601,178 and \$620,519, respectively.

The Company's notes receivable primarily consists of installment loans collateralized by manufactured homes with principal and interest payable monthly. The average interest rate on these loans is approximately 9.5% and the average maturity is approximately 10 years.

### Unamortized Financing Costs

Costs incurred in connection with obtaining mortgages and other financings and refinancings are deferred and are amortized on a straight-line basis over the term of the related obligations, which is not materially different than the effective interest method. Unamortized costs are charged to expense upon prepayment of the obligation. As of December 31, 2014 and 2013, accumulated amortization amounted to \$1,555,818 and \$1,023,893, respectively. The Company estimates that aggregate amortization expense will be approximately \$596,000 for 2015, \$465,000 for 2016, \$281,000 for 2017, \$216,000 for 2018 and \$205,000 for 2019.

### Derivative Instruments and Hedging Activities

In the normal course of business, the Company is exposed to financial market risks, including interest rate risk on our variable rate debt. We attempt to limit these risks by following established risk management policies, procedures and strategies, including the use of derivative financial instruments. 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. The Company had entered into various interest rate swap agreements that had the effect of fixing interest rates relative to specific mortgage loans.

During 2012, the Company entered into two interest rate swap agreements that have the effect of fixing interest rates relative to specific mortgage loans as follows:

| <u>Mortgage</u>         | <u>Due Date</u> | <u>Mortgage Interest Rate</u> | <u>Effective Fixed Rate 12/31/14</u> | <u>Balance</u> |
|-------------------------|-----------------|-------------------------------|--------------------------------------|----------------|
| Allentown/Clinton       | 2/1/2017        | LIBOR + 3.25%                 | 4.39%                                | \$10,486,045   |
| Various – 11 properties | 8/1/2017        | LIBOR + 3.00%                 | 3.89%                                | \$12,177,725   |

The Company's interest rate swap agreements are based upon 30-day LIBOR. The re-pricing and scheduled maturity dates, payment dates, index and the notional amounts of the interest rate swap agreements coincide with those of the underlying mortgage. The interest rate swap agreements are net settled monthly. The Company has designated these derivatives as cash flow hedges and has recorded the fair value on the balance sheet in accordance with ASC 815, Derivatives and Hedging (See Note 13 for information on the determination of fair value). The effective portion of the gain or loss on these hedges will be reported as a component of Accumulated Other

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Comprehensive Income in our Consolidated Balance Sheets. To the extent that the hedging relationships are not effective or do not qualify as cash flow hedges, the ineffective portion is recorded in interest expense. Hedges that received designated hedge accounting treatment are evaluated for effectiveness at the time that they are designated as well as through the hedging period. As of December 31, 2014, the Company has determined that these interest rate swap agreements are highly effective as cash flow hedges. As a result, the fair value of these derivatives of \$(39,685) and \$(39,840) as of December 31, 2014 and 2013, respectively, was recorded as a component of Accumulated Other Comprehensive Income, with the corresponding liability included in Accrued Liabilities and Deposits.

## Revenue Recognition

The Company derives its income primarily from the rental of manufactured home sites. The Company also owns approximately 2,600 rental units which are rented to residents. Rental and related income is recognized on the accrual basis over the term of the lease, which is typically one year or less.

Sale of manufactured homes is recognized on the full accrual basis when certain criteria are met. These criteria include the following: (a) initial and continuing payment by the buyer must be adequate; (b) the receivable, if any, is not subject to future subordination; (c) the benefits and risks of ownership are substantially transferred to the buyer; and (d) the Company does not have a substantial continued involvement with the home after the sale. Alternatively, when the foregoing criteria are not met, the Company recognizes gains by the installment method. Interest income on loans receivable is not accrued when, in the opinion of management, the collection of such interest appears doubtful.

## Net Income (Loss) Per Share

Basic net income (loss) per share is calculated by dividing net income (loss) by the weighted-average number of common shares outstanding during the period (22,496,103, 18,724,321 and 16,197,339 in 2014, 2013 and 2012, respectively). Diluted net income (loss) per share is calculated by dividing net income (loss) by the weighted-average number of common shares outstanding plus the weighted-average number of net shares that would be issued upon exercise of stock options pursuant to the treasury stock method (22,539,708, 18,789,662 and 16,260,225 in 2014, 2013 and 2012, respectively) (See Note 6). The common stock equivalent resulting from options in the amount of 43,605, 65,341 and 62,886 for 2014, 2013 and 2012, respectively, are included in the diluted weighted average shares outstanding. As of December 31, 2014, 2013 and 2012, options to purchase 1,125,000, 502,000 and 586,000 shares, respectively, were antidilutive.

## Stock Compensation Plan

The Company accounts for awards of stock options and restricted stock in accordance with ASC 718-10, Compensation-Stock Compensation. ASC 718-10 requires that compensation cost for all stock awards be calculated and amortized over the service period (generally equal to the vesting period). The compensation cost for stock option grants is determined using option pricing models, intended to estimate the fair value of the awards at the grant date less estimated forfeitures. The compensation expense for restricted stock is recognized based on the fair value of the restricted stock awards less estimated forfeitures. The fair value of restricted stock awards is equal to the fair value of the Company's stock on the grant date. Compensation costs, which is included in General and Administrative Expenses, of \$922,944, \$850,349 and \$573,244 have been recognized in 2014, 2013 and 2012, respectively. During 2014, 2013 and 2012, compensation costs included a one-time charge of \$98,000, \$142,000, and \$123,490, respectively, for stock option grants awarded to one participant who is of retirement age and therefore the entire amount of measured compensation cost has been recognized at grant date. Included in Note 6 to these consolidated financial statements are the assumptions and methodology used to calculate the fair value of stock options and restricted stock awards.

### Income Tax

The Company has elected to be taxed as a REIT under the applicable provisions of Sections 856 to 860 of the Internal Revenue Code. Under such provisions, the Company will not be taxed on that portion of its income which is distributed to shareholders, provided it distributes at least 90% of its taxable income, has at least 75% of its assets in real estate investments and meets certain other requirements for qualification as a REIT. The Company has and intends to continue to distribute all of its income currently, and therefore no provision has been made for income or excise taxes. If the Company fails to qualify as a REIT in any taxable year, it will be subject to federal income taxes at regular corporate rates (including any applicable alternative minimum tax) and may not be able to qualify as a REIT for four subsequent taxable years. The Company is also subject to certain state and local income, excise or franchise

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taxes. In addition, the Company has a taxable REIT Subsidiaries (TRS) which is subject to federal and state income taxes at regular corporate tax rates (See Note 11).

The Company follows the provisions of ASC Topic 740, Income Taxes, that, among other things, defines a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. ASC Topic 740 also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. Based on its evaluation, the Company determined that it has no uncertain tax positions and no unrecognized tax benefits as of December 31, 2014. The Company records interest and penalties relating to unrecognized tax benefits, if any, as interest expense. As of December 31, 2014, the tax years 2011 through and including 2014 remain open to examination by the Internal Revenue Service. There are currently no federal tax examinations in progress.

### Comprehensive Income (Loss)

Comprehensive income (loss) is comprised of net income and other comprehensive income (loss). Other comprehensive income (loss) consists of the change in unrealized gains or losses on securities available for sale and the change in the fair value of derivatives.

### Reclassifications

Certain amounts in the consolidated financial statements for the prior years have been reclassified to conform to the financial statement presentation for the current year.

### 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.

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NOTE 3 – INVESTMENT PROPERTY AND EQUIPMENT

Acquisitions in 2014

On March 13, 2014, the Company acquired 8 Ohio manufactured home communities for \$24,950,000. These 8 all-age communities total 1,018 sites and are 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 and used its Unsecured Revolving Credit Facility with Bank of Montreal (“Credit Facility”) to finance this acquisition.

On July 14, 2014, the Company acquired 4 Pennsylvania manufactured home communities for \$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 is 84%. The Company assumed a mortgage loan with a balance of approximately \$8.6 million. In addition, the Company used cash received from the additional borrowing from Sun National Bank for the remaining balance of the purchase price.

On July 28, 2014, the Company acquired 2 Ohio manufactured home communities for \$5,400,000. These 2 all age communities contain a total of 258 developed home sites that are situated on 39 acres. The average occupancy for these communities is 91%. The Company took down an additional \$5.0 million on its Credit Facility for the acquisition of the two communities.

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 sites and are 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 from JP Morgan Chase Bank, N.A. and paid the balance with cash on hand. The Company also included 3 additional communities in this mortgage.

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%. The Company used its Unsecured Revolving Credit Facility with BMO to finance this acquisition.



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 is approximately 82%. The Company assumed a \$7,700,000 mortgage loan.

These acquisitions have been accounted for utilizing the acquisition method of accounting in accordance with ASC 805, Business Combinations, and accordingly, the result of the acquired assets are included in the statements of income (loss) from the dates of acquisition. The allocations of the fair value of the assets acquired is subject to further adjustment as final costs and valuations are determined. The following table summarizes the estimated fair value of the assets acquired for the year ended December 31, 2014 and 2013:

|                              | <u>Fair Value at Acquisition</u> |                          |
|------------------------------|----------------------------------|--------------------------|
|                              | <u>Date</u>                      |                          |
|                              | <u>2014</u>                      | <u>2013 Acquisitions</u> |
|                              | <u>Acquisitions</u>              |                          |
| <b>Assets Acquired:</b>      |                                  |                          |
| Land                         | \$4,810,300                      | \$11,430,000             |
| Depreciable Property         | 37,674,248                       | 76,781,000               |
| Other                        | 65,452                           | 59,000                   |
| <b>Total Assets Acquired</b> | <b>\$42,550,000</b>              | <b>\$88,270,000</b>      |

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See Note 5 for additional information relating to loans and mortgages payable and Note 16 for the Unaudited Pro Forma Financial Information relating to these acquisitions

Other

Many oil and gas companies compete for the opportunity to drill for oil and gas. Successful bidders pay an upfront purchase price (“bonus payment”). On May 23, 2012, the Company received a bonus payment of \$499,471 at one of its communities, which has been recorded as Other Income. This amount is not refundable and has been earned since the Company has no further obligation relating to it. In addition to this upfront bonus payment, the Company entered into an agreement (“Lease”) whereby the oil and gas company may remove the oil and gas from the property, provided that it pays the Company a 20% fee (“royalty”) based on the amount of the oil and gas removed. The Company has not earned any royalty fees to date. The initial term of the Lease is for five years, with an option to extend for an additional five years under the same terms and conditions as contained in the original lease.

Accumulated Depreciation

The following is a summary of accumulated depreciation by major classes of assets:

|                                | <b>December 31, 2014</b> | <b>December 31, 2013</b> |
|--------------------------------|--------------------------|--------------------------|
| Site and Land Improvements     | \$ 74,129,770            | \$ 64,292,239            |
| Buildings and Improvements     | 3,583,269                | 3,036,082                |
| Rental Homes and Accessories   | 12,706,873               | 9,107,422                |
| Equipment and Vehicles         | 9,102,268                | 8,219,274                |
| Total Accumulated Depreciation | \$ 99,522,180            | \$ 84,655,017            |

NOTE 4 – SECURITIES AVAILABLE FOR SALE

The Company’s securities available for sale consist of common and preferred stock of other REITs. The Company does not own more than 10% of the outstanding shares of any of these securities, nor does it have controlling financial interest.

As of December 31, 2014 and 2013, the Company’s securities are all classified as available-for-sale. See Note 13 for Fair Value Measurements.

The following is a listing of securities available for sale at December 31, 2014:

|                                   |               | <b>Interest</b> | <b>Number</b>    |             | <b>Market</b> |
|-----------------------------------|---------------|-----------------|------------------|-------------|---------------|
|                                   | <b>Series</b> | <b>Rate</b>     | <b>Of Shares</b> | <b>Cost</b> | <b>Value</b>  |
| <b>Equity Securities:</b>         |               |                 |                  |             |               |
| <b>Preferred Stock:</b>           |               |                 |                  |             |               |
| Ashford Hospitality Trust, Inc.   | A             | 8.550%          | 10,000           | \$ 251,205  | \$ 257,800    |
| Campus Crest Communities, Inc.    | A             | 8.000%          | 30,000           | 751,222     | 766,500       |
| CBL & Associates Properties, Inc. | D             | 7.375%          | 2,000            | 50,269      | 50,400        |
| CBL & Associates Properties, Inc. | E             | 6.625%          | 65,000           | 1,543,385   | 1,632,800     |
| Cedar Realty Trust, Inc.          | B             | 7.250%          | 50,905           | 1,215,497   | 1,337,789     |
| Chesapeake Lodging Trust          | A             | 7.750%          | 20,000           | 500,000     | 526,000       |
| Corporate Office Properties Trust | L             | 7.375%          | 26,000           | 650,330     | 678,080       |
| CubeSmart                         | A             | 7.750%          | 2,000            | 52,153      | 53,952        |
| Digital Realty Trust, Inc.        | F             | 6.625%          | 2,000            | 44,870      | 51,000        |
| Dupont Fabros Technology, Inc.    | A             | 7.875%          | 26,412           | 657,703     | 672,336       |
| Dupont Fabros Technology, Inc.    | B             | 7.625%          | 10,000           | 250,000     | 255,200       |
| EPR Properties                    | F             | 6.625%          | 20,000           | 472,680     | 504,000       |
| Equity LifeStyle Properties, Inc. | C             | 6.750%          | 2,000            | 46,885      | 52,400        |

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|  |               | <u>Interest</u> | <u>Number</u>    |              | <u>Market</u> |
|--|---------------|-----------------|------------------|--------------|---------------|
|  | <u>Series</u> | <u>Rate</u>     | <u>Of Shares</u> | <u>Cost</u>  | <u>Value</u>  |
| Glimcher Realty Trust                      | I             | 6.875%          | 39,738           | 964,267      | 1,017,690     |
| Kilroy Realty Corporation                  | G             | 6.875%          | 34,948           | 844,770      | 913,436       |
| Kilroy Realty Corporation                  | H             | 6.380%          | 10,000           | 235,486      | 250,000       |
| Kite Realty Group Trust                    | A             | 8.250%          | 50,000           | 1,227,138    | 1,304,000     |
| LaSalle Hotel Properties                   | H             | 7.500%          | 40,000           | 982,589      | 1,050,800     |
| Pennsylvania Real Estate Investment Trust  | A             | 8.250%          | 94,000           | 2,350,885    | 2,467,500     |
| Pennsylvania Real Estate Investment Trust  | B             | 7.375%          | 40,000           | 1,000,000    | 1,035,460     |
| Retail Properties of America, Inc.         | A             | 7.000%          | 20,000           | 481,949      | 524,000       |
| Stag Industrial, Inc.                      | B             | 6.625%          | 20,100           | 470,007      | 516,110       |
| Summit Hotel Properties, Inc               | B             | 7.875%          | 20,000           | 500,000      | 525,400       |
| Sun Communities, Inc.                      | A             | 7.125%          | 45,000           | 1,117,377    | 1,155,600     |
| Terreno Realty Corporation                 | A             | 7.750%          | 20,300           | 507,791      | 520,898       |
| Urstadt Biddle Properties, Inc.            | F             | 7.125%          | 30,421           | 756,305      | 798,232       |
| Urstadt Biddle Properties, Inc.            | G             | 6.750%          | 5,000            | 125,000      | 128,600       |
| <b>Total Preferred Stock</b>               |               |                 |                  | \$18,049,763 | \$19,045,983  |
| <b>Common Stock:</b>                       |               |                 |                  |              |               |
| CBL & Associates Properties, Inc           |               |                 | 60,000           | \$ 1,108,384 | \$ 1,165,200  |
| Getty Realty Corporation                   |               |                 | 130,000          | 2,457,219    | 2,367,300     |
| Gladstone Commercial Corporation           |               |                 | 50,000           | 856,545      | 858,500       |
| Government Properties Income Trust         |               |                 | 210,000          | 5,059,017    | 4,832,100     |
| Mack-Cali Realty Corporation               |               |                 | 85,000           | 2,017,705    | 1,620,100     |
| Monmouth Real Estate Investment Corp. (1)  |               |                 | 1,995,809        | 16,644,510   | 22,093,602    |
| Nobility Homes Inc.                        |               |                 | 20,000           | 158,200      | 215,000       |
| Parkway Properties Inc.                    |               |                 | 10,000           | 182,343      | 183,900       |
| Select Income REIT                         |               |                 | 373,473          | 9,981,576    | 9,116,476     |
| Senior Housing Properties Trust            |               |                 | 20,000           | 474,337      | 442,200       |
| Urstadt Biddle Properties, Inc.            |               |                 | 10,000           | 193,808      | 218,800       |
| Weingarten Realty Investors                |               |                 | 40,000           | 1,292,633    | 1,396,800     |
| <b>Total Common Stock</b>                  |               |                 |                  | \$40,426,277 | \$44,509,978  |
| <b>Total Securities Available for Sale</b> |               |                 |                  | \$58,476,040 | \$63,555,961  |

(1) Related entity – See Note 8.

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The following is a listing of securities available for sale at December 31, 2013:

|   |               | <u>Interest</u> | <u>Number</u>    |                     | <u>Market</u>       |
|---|---------------|-----------------|------------------|---------------------|---------------------|
|   | <u>Series</u> | <u>Rate</u>     | <u>Of Shares</u> | <u>Cost</u>         | <u>Value</u>        |
| <b>Equity Securities:</b>                 |               |                 |                  |                     |                     |
| <b>Preferred Stock:</b>                   |               |                 |                  |                     |                     |
| Alexandria Real Estate Equities Inc.      | E             | 6.450%          | 2,000            | \$ 45,425           | \$ 42,400           |
| American Land Lease Inc.                  | A             | 7.750%          | 31,200           | 275,297             | 756,600             |
| Ashford Hospitality Trust, Inc.           | A             | 8.550%          | 10,000           | 251,205             | 252,490             |
| Campus Crest Communities, Inc.            | A             | 8.000%          | 30,000           | 751,222             | 741,000             |
| CBL & Associates Properties, Inc.         | D             | 7.375%          | 2,000            | 50,269              | 47,500              |
| CBL & Associates Properties, Inc.         | E             | 6.625%          | 65,000           | 1,543,385           | 1,381,900           |
| Cedar Realty Trust, Inc.                  | B             | 7.250%          | 47,355           | 1,127,208           | 1,089,157           |
| Chesapeake Lodging Trust                  | A             | 7.750%          | 20,000           | 500,000             | 491,800             |
| Commonwealth Real Estate Securities       | D             | 6.500%          | 74,000           | 1,660,828           | 1,517,740           |
| Corporate Office Properties Trust         | L             | 7.375%          | 26,000           | 650,330             | 612,040             |
| CubeSmart                                 | A             | 7.750%          | 2,000            | 52,153              | 50,300              |
| Digital Realty Trust Inc.                 | E             | 7.000%          | 4,000            | 100,000             | 86,840              |
| Digital Realty Trust Inc.                 | F             | 6.625%          | 2,000            | 44,870              | 41,160              |
| Dupont Fabros Technology, Inc.            | A             | 7.875%          | 26,412           | 657,703             | 632,303             |
| Dupont Fabros Technology, Inc.            | B             | 7.625%          | 20,000           | 500,000             | 455,400             |
| EPR Properties                            | F             | 6.625%          | 20,000           | 472,680             | 423,800             |
| Equity LifeStyle Properties, Inc.         | C             | 6.750%          | 2,000            | 46,885              | 46,200              |
| General Growth Properties, Inc.           | A             | 6.375%          | 10,000           | 250,000             | 201,500             |
| Glimcher Realty Trust                     | I             | 6.875%          | 39,738           | 964,267             | 858,341             |
| iStar Financial, Inc.                     | D             | 8.000%          | 26,600           | 636,609             | 635,447             |
| iStar Financial, Inc.                     | E             | 7.875%          | 38,342           | 851,903             | 896,819             |
| iStar Financial, Inc.                     | I             | 7.500%          | 59,600           | 1,325,647           | 1,363,648           |
| Kilroy Realty Corporation                 | G             | 6.875%          | 34,948           | 844,770             | 766,410             |
| Kilroy Realty Corporation                 | H             | 6.380%          | 10,000           | 235,486             | 205,700             |
| Kimco Realty Corporation                  | I             | 6.000%          | 2,000            | 43,026              | 41,740              |
| Kite Realty Group Trust                   | A             | 8.250%          | 50,000           | 1,227,138           | 1,262,500           |
| LaSalle Hotel Properties                  | H             | 7.500%          | 40,000           | 982,589             | 986,000             |
| LaSalle Hotel Properties                  | I             | 6.375%          | 6,000            | 124,984             | 121,080             |
| Lexington Realty Trust                    | C             | 6.500%          | 6,000            | 247,860             | 264,900             |
| Pebblebrook Hotel Trust                   | C             | 6.500%          | 19,000           | 400,742             | 387,062             |
| Pennsylvania Real Estate Investment Trust | A             | 8.250%          | 94,000           | 2,350,885           | 2,364,852           |
| Pennsylvania Real Estate Investment Trust | B             | 7.375%          | 40,000           | 1,000,000           | 949,200             |
| Retail Properties of America, Inc.        | A             | 7.000%          | 20,000           | 481,949             | 421,600             |
| SL Green Realty Corporation               | I             | 6.500%          | 20,000           | 460,169             | 426,200             |
| Stag Industrial, Inc.                     | A             | 9.000%          | 9,000            | 224,885             | 239,040             |
| Stag Industrial, Inc.                     | B             | 6.625%          | 20,100           | 470,007             | 418,683             |
| Summit Hotel Properties, Inc              | B             | 7.875%          | 20,000           | 500,000             | 477,002             |
| Sun Communities, Inc.                     | A             | 7.125%          | 45,000           | 1,117,377           | 1,059,750           |
| Taubman Centers, Inc.                     | K             | 6.250%          | 11,000           | 228,009             | 218,932             |
| Terreno Realty Corporation                | A             | 7.750%          | 20,300           | 507,791             | 497,350             |
| Urstadt Biddle Properties, Inc.           | F             | 7.125%          | 30,421           | 756,305             | 700,596             |
| Vornado Realty Trust                      | D             | 7.875%          | 4,000            | 96,114              | 103,960             |
| <b>Total Preferred Stock</b>              |               |                 |                  | <b>\$25,057,972</b> | <b>\$24,536,942</b> |

**Common Stock:**

|                                    |         |              |              |
|------------------------------------|---------|--------------|--------------|
| Getty Realty Corporation           | 100,000 | \$ 1,886,332 | \$ 1,837,000 |
| Gladstone Commercial Corporation   | 60,000  | 1,031,950    | 1,078,200    |
| Government Properties Income Trust | 110,000 | 2,664,307    | 2,733,500    |

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|  | <u>Interest</u> | <u>Number</u> |                  | <u>Market</u> |              |
|--|-----------------|---------------|------------------|---------------|--------------|
|  | <u>Series</u>   | <u>Rate</u>   | <u>Of Shares</u> | <u>Cost</u>   |              |
|  |                 |               |                  | <u>Value</u>  |              |
| Mack-Cali Realty Corporation               |                 |               | 75,000           | 1,824,903     | 1,611,000    |
| Monmouth Real Estate Investment Corp. (1)  |                 |               | 1,875,147        | 15,491,475    | 17,045,082   |
| Nobility Homes Inc.                        |                 |               | 20,000           | 158,200       | 180,200      |
| Parkway Properties Inc.                    |                 |               | 10,000           | 134,799       | 192,900      |
| Select Income REIT                         |                 |               | 340,973          | 8,976,023     | 9,117,618    |
| Urstadt Biddle Properties, Inc.            |                 |               | 50,000           | 912,243       | 922,500      |
| <b>Total Common Stock</b>                  |                 |               |                  | \$33,080,232  | \$34,718,000 |
| <b>Total Securities Available for Sale</b> |                 |               |                  | \$58,138,204  | \$59,254,942 |

(1) Related entity – See Note 8.

As of December 31, 2014, the Company held five securities that the Company determined were temporarily impaired investments. The Company considers many factors in determining whether a security is other than temporarily impaired, including the nature of the security and the cause, severity and duration of the impairment. The following is a summary of temporarily impaired securities at December 31, 2014:

|                         | <b>Less than 12 Months</b> |                        | <b>12 Months or Longer</b> |                        |
|-------------------------|----------------------------|------------------------|----------------------------|------------------------|
|                         | <b>Fair Value</b>          | <b>Unrealized Loss</b> | <b>Fair Value</b>          | <b>Unrealized Loss</b> |
| Preferred Stock \$ -0-  | \$ -0-                     |                        | \$ -0-                     | \$ -0-                 |
| Common Stock 16,758,076 | (1,214,073)                |                        | 1,620,100                  | (397,605)              |
| <b>Total</b>            | <b>\$16,758,076</b>        | <b>(\$1,214,073)</b>   | <b>\$1,620,100</b>         | <b>(\$397,605)</b>     |

The following is a summary of the range of the losses:

**Number of****Individual Securities**

|   | <b>Fair Value</b> | <b>Unrealized Loss</b> | <b>Range of Loss</b>      |
|---|-------------------|------------------------|---------------------------|
| 4 | \$16,758,076      | (\$1,214,073)          | Less than or equal to 10% |
| 1 | 1,620,100         | (397,605)              | Less than or equal to 20% |

5 \$18,378,176 (\$1,611,678)

The Company normally holds REIT securities long term and has the ability and intent to hold securities to recovery. As of December 31, 2014, 2013 and 2012, the securities portfolio had net unrealized holding gains of \$5,079,921, \$1,116,738 and \$6,613,956, respectively.

During the years ended December 31, 2014, 2013 and 2012, the Company received proceeds of \$10,911,791, \$18,981,468 and \$16,159,984, on sales or redemptions of securities available for sale, respectively. The Company recorded the following Gain (Loss) on Sale of Securities Transactions, net:

|   | <b>2014</b> | <b>2013</b> | <b>2012</b> |
|---|-------------|-------------|-------------|
| Gross realized gains                          | \$1,555,656 | \$4,284,934 | \$4,092,585 |
| Gross realized losses                         | (13,067)    | (229,122)   | -0-         |
| Gains on Sale of Securities Transactions, net | \$1,542,589 | \$4,055,812 | \$4,092,585 |

The Company had margin loan balances of \$19,392,382 and \$18,574,228 at December 31, 2014 and 2013, respectively, which were collateralized by the Company's securities portfolio.

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NOTE 5 – LOANS AND MORTGAGES PAYABLE

Loans Payable

The Company may purchase securities on margin. The interest rates charged on the margin loans at December 31, 2014 and 2013 was 2%. These margin loans are due on demand. At December 31, 2014 and 2013, respectively, the margin loans amounted to \$19,392,382 and \$18,574,228, respectively, and are collateralized by the Company's securities portfolio. The Company must maintain a coverage ratio of approximately 2 times.

The Company has revolving credit agreements totaling \$18,500,000 with GE Commercial Distribution Finance Corporation (GE), Customers Bank, Northpoint Commercial Finance and 21<sup>st</sup> Mortgage Corporation to finance inventory purchases. Interest rates on these agreements range from prime with a minimum of 6% to prime plus 2% with a minimum of 8% after 18 months. As of December 31, 2014 and 2013, the total amount outstanding on these lines was \$8,323,300 and \$5,624,509, respectively, with a weighted average interest rate of 6.62% and 6.03%, respectively.

The Company had a revolving line of credit with Sun National Bank secured by the Company's eligible notes receivables. As of December 31, 2013, the amount outstanding on this revolving line of credit was \$4,920,199, and the interest rate was 3.67%. During 2014, the Company borrowed an additional \$5.0 million on this revolving line of credit with Sun National Bank for the acquisition of the four manufactured home communities located in Pennsylvania. On September 29, 2014, the Company entered into a new revolving line of credit with OceanFirst Bank ("OceanFirst Line") secured by the Company's eligible notes receivable. The maximum availability on this line is \$10.0 million. Interest is at a variable rate of prime plus 50 basis points (0.5%) and matures on June 1, 2017. This line replaces the revolving line of credit with Sun National Bank, which was fully repaid with proceeds from the OceanFirst Line. As of December 31, 2014, the amount outstanding on this revolving line of credit was \$10,000,000, and the interest rate was 3.75%.

On October 6, 2014, the Company entered into an agreement with 21<sup>st</sup> Mortgage Corporation (21<sup>st</sup> Mortgage) under which 21<sup>st</sup> Mortgage will finance the Company's purchase of a maximum of 500 rental units. These loans are at an interest rate of 6.99%, with an origination fee of 2% on new units and 3% on existing units. These loans will have a 10 year term from the date of the borrowing. The amount outstanding on this loan was \$723,548, as of December 31, 2014.

On October 30, 2014, the Company obtained a \$4,000,000 loan from Two River Community Bank, secured by 1,000,000 shares of MREIC common stock. This loan is at an interest rate of 4.625%, with interest only payments through October 2017, and matures on October 30, 2019.

Unsecured Lines of Credit

On March 29, 2013, the Company entered into a \$35 million Unsecured Revolving Credit Facility with Bank of Montreal (“Credit Facility”). The Company has the ability to increase the borrowing capacity by an amount not to exceed \$15 million, representing a maximum aggregate borrowing capacity of \$50 million, subject to various conditions, as defined in the agreement. The maturity date of the Credit Facility is March 29, 2016 with a one year extension available at the Company’s option. Borrowings under the Credit Facility can be used for, among other things, acquisitions, working capital, capital expenditures, and repayment of other indebtedness. Borrowings will bear interest at the Company’s option of LIBOR plus 2.00% to 2.75% or BMO’s prime lending rate plus 1.00% to 1.75%, based on the Company’s overall leverage. Based on leverage ratios, interest on this borrowing is at LIBOR plus 275 basis points or 2.91% as of December 31, 2014, and LIBOR plus 225 basis points or 2.42% as of December 31, 2013. The Company incurs a fee on the unused commitment amount of up to 0.35% per annum. The Credit Facility replaces the Company’s former \$5.0 million unsecured line of credit, which was at an interest rate of LIBOR plus 375 basis points. As of December 31, 2014, the amount outstanding on the Credit Facility was \$35,000,000.

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The aggregate principal payments of all loans payable, including the Credit Facility, are scheduled as follows:

|                         |               |
|-------------------------|---------------|
| Year Ended December 31, |               |
| 2015                    | \$ 8,375,131  |
| 2016                    | 35,055,572    |
| 2017                    | 10,059,584    |
| 2018                    | 63,885        |
| 2019                    | 4,068,496     |
| Thereafter              | 19,816,562    |
| Total                   | \$ 77,439,230 |

Mortgages Payable

The following is a summary of mortgages payable:

| Property                                 | <u>At December 31, 2014</u> |                      | <u>Balance at December 31,</u> |               |
|--|-----------------------------|----------------------|--------------------------------|---------------|
|  | <u>Due Date</u>             | <u>Interest Rate</u> | <u>2014</u>                    | <u>2013</u>   |
| Allentown and Clinton Mobile Home Resort | 02/01/17                    | LIBOR + 3.25%        | \$10,486,045                   | \$10,799,401  |
| Cedarcrest                               | 04/01/21                    | 5.125%               | 8,966,785                      | 9,124,838     |
| D & R Village and Waterfalls Village     | 02/27/15                    | LIBOR + 2.25%        | 6,803,625                      | 7,089,610     |
| Fairview Manor                           | 02/01/17                    | 5.785%               | 10,139,450                     | 10,345,239    |
| Heather Highlands                        | 08/28/18                    | Prime + 1.0%         | 989,773                        | 1,288,149     |
| Highland Estates                         | 09/01/17                    | 6.175%               | 9,408,128                      | 9,578,574     |
| Oxford Village                           | 01/01/20                    | 5.94%                | 7,350,261                      | 7,527,426     |
| Somerset Estates and Whispering Pines    | 02/26/19                    | 4.89%                | 731,900                        | 891,382       |
| Southwind Village                        | 01/01/20                    | 5.94%                | 5,871,176                      | 6,012,690     |
| Suburban Estates and Sunny Acres         | 06/01/18                    | 4.0%                 | 6,417,395                      | 6,711,306     |
| Summit Estates                           | 05/01/16                    | 12.75%               | 575,021                        | -0-           |
| Twin Oaks                                | 12/01/19                    | 5.75%                | 2,637,078                      | 2,702,771     |
| Various (3 properties)                   | 05/01/16                    | 6.23%                | 8,221,043                      | -0-           |
| Various (4 properties)                   | 07/01/23                    | 4.975%               | 8,495,880                      | -0-           |
| Various (5 properties)                   | 01/01/22                    | 4.25%                | 14,679,583                     | 14,964,116    |
| Various (5 properties)                   | 12/06/22                    | 4.75%                | 7,554,281                      | 7,675,595     |
| Various (5 properties)                   | 02/01/18                    | 6.83%                | 9,083,178                      | -0-           |
| Various (11 properties)                  | 08/01/17                    | LIBOR + 3.0%         | 12,177,725                     | 12,909,520    |
| Various (13 properties)                  | 03/01/23                    | 4.065%               | 52,082,527                     | 53,019,327    |
| Total Mortgages Payable                  |                             |                      | \$182,670,854                  | \$160,639,944 |

At December 31, 2014 and 2013, mortgages were collateralized by real property with a carrying value of \$294,759,460 and \$235,685,401, respectively, before accumulated depreciation and amortization. Interest costs

amounting to \$280,354, \$247,186 and \$269,891 were capitalized during 2014, 2013 and 2012, respectively, in connection with the Company's expansion program.

On February 27, 2015, the Company refinanced the D&R Village and Waterfalls Village mortgage (See Note 15). On March 6, 2015, the Company obtained a mortgage on Olmsted Falls (See Note 15).

*Recent Transactions*

2014

On March 13, 2014, the Company assumed approximately \$18.1 million in mortgage loans on its 8 community 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. In addition, the Company borrowed \$10.0 million on its Credit Facility to finance this acquisition.

On July 14, 2014, the Company assumed an \$8.6 million mortgage loan on its 4 community acquisition. The interest rate on this mortgage is fixed at 4.975%. This mortgage matures on July 1, 2023.

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2013

On February 27, 2013, the Company had one mortgage loan due for D&R Village and Waterfalls Village with a balance of approximately \$7,400,000. Under the terms of the loan agreement, this loan may be extended for an additional two years. Management has extended this loan to February 27, 2015. Interest during the extension period is at LIBOR plus 225 basis points which was 2.41% as of both December 31, 2014 and 2013.

On March 1, 2013, the Company obtained a \$53,760,000 mortgage loan from JP Morgan Chase Bank, N.A. on its 10 community acquisition. 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 3, 2013, the Company repaid its mortgages on Cranberry Village and Forest Park Village for a total amount of approximately \$5,700,000. The interest rate on these mortgages was 6.8%.

In June 2013, the Company modified its mortgage on Sunny Acres and Suburban Estates. The interest rate was reduced from a fixed rate of 6.5% to a fixed rate of 4.0%. The maturity date was accelerated from June 1, 2020 to June 1, 2018.

On November 6, 2013, the Company assumed a \$7,700,000 mortgage on the acquisition of five manufactured home communities. This mortgage is at a fixed interest rate of 4.75% and matures on December 6, 2022.

The aggregate principal payments of all mortgages payable are scheduled as follows:

|                         |                |
|-------------------------|----------------|
| Year Ended December 31, |                |
| 2015                    | \$ 11,476,760  |
| 2016                    | 13,294,102     |
| 2017                    | 42,609,986     |
| 2018                    | 16,524,653     |
| 2019                    | 16,061,179     |
| Thereafter              | 82,704,174     |
| Total                   | \$ 182,670,854 |

NOTE 6 – STOCK COMPENSATION PLAN

On August 14, 2003, the shareholders approved and ratified the Company's 2003 Stock Option Plan (the 2003 Plan) authorizing the grant to officers and key employees of options to purchase up to 1,500,000 shares of common stock. On June 7, 2010, the shareholders approved and ratified an amendment and restatement of the Plan. The amendment and restatement made two substantive changes: (1) the inclusion of Directors as participants in the Plan, and (2) the ability to grant restricted stock to Directors, officers and key employees. The amendment and restatement also made other conforming, technical and other minor changes. The amendment also makes certain modifications and clarifications, including concerning administration and compliance with applicable tax rules, such as Section 162(m) of the Internal Revenue Code. There was no change to the total number of shares subject to grant under the Plan.

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 of stock options or restricted stock awards to directors, officers and key employees of options to purchase up to 3,000,000 shares of common stock. All options are exercisable one year from the date of grant. The option price shall not be below the fair market value at date of grant. If and to the extent that an award made under the 2013 Plan is forfeited, terminated, expires or is canceled unexercised, the number of shares associated with the forfeited, terminated, expired or canceled portion of the award shall again become available for additional awards under the 2013 Plan. The 2013 Plan replaced the Company's 2003 Plan, 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. Not more than 200,000 shares of the Company's common stock may be granted as options in any one fiscal year to a participant under the 2013 Plan. In general, each option may be exercised only after one year of continued service with the Company.

The Compensation Committee determines the recipients of restricted stock awards; the number of restricted shares to be awarded; the length of the restricted period of the award; the restrictions applicable to the award including,

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without limitation, the employment or retirement status of the participant; rules governing forfeiture and restrictions applicable to any sale, assignment, transfer, pledge or other encumbrance of the restricted stock during the restricted period; and the eligibility to share in dividends and other distributions paid to the Company's stockholders during the restricted period. The maximum number of shares underlying restricted stock awards that may be granted in any one fiscal year to a participant shall be 100,000 shares.

Unless otherwise provided for in an underlying restricted stock award agreement, if a participant's status as an employee or director of the Company is terminated by reason of death or disability, the restrictions will lapse on such date. Unless otherwise provided for in an underlying restricted stock award agreement, the Plan provides that if an individual's status as an employee or director is terminated by reason of retirement following an involuntary termination (other than for "cause" as defined in the 2013 Plan), the restrictions will generally lapse, unless the restricted stock award is intended to constitute "performance based" compensation for purposes of Section 162(m) of the Internal Revenue Code. If a participant's status as an employee or director terminates for any other reason, the Plan provides that a participant will generally forfeit any outstanding restricted stock awards, unless otherwise indicated in the applicable award agreement. Shares of restricted stock that are forfeited become available again for issuance under the 2013 Plan. The Compensation Committee has the authority to accelerate the time at which the restrictions may lapse whenever it considers that such action is in the best interests of the Company and of its stockholders, whether by reason of changes in tax laws, a "change in control" as defined in the 2013 Plan or otherwise.

The Company accounts for stock options and restricted stock in accordance with ASC 718-10, Compensation-Stock Compensation. ASC 718-10 requires that compensation cost for all stock awards be calculated and amortized over the service period (generally equal to the vesting period).

## Stock Options

During the year ended December 31, 2014, twenty-five employees were granted options to purchase a total of 339,000 shares. During the year ended December 31, 2013, twenty-four employees were granted options to purchase a total of 392,000 shares. During the year ended December 31, 2012, fifteen employees were granted options to purchase a total of 94,000 shares. The fair value of these options for the years ended December 31, 2014, 2013 and 2012 was approximately \$332,000, \$556,000 and \$87,000, respectively, based on assumptions noted below and is being amortized over the 1-year vesting period. The remaining unamortized stock option expense was \$97,594 as of December 31, 2014, and that amount will be expensed in 2015.

The Company calculates the fair value of each option grant on the grant date using the Black-Scholes option-pricing model which requires the Company to provide certain inputs, as follows:

- The assumed dividend yield is based on the Company's expectation of an annual dividend rate for regular dividends over the estimated life of the option.

- Expected volatility is based on the historical volatility of the Company's stock over a period relevant to the related stock option grant.
- The risk-free interest rate utilized is the interest rate on U.S. Government Bonds and Notes having the same life as the estimated life of the Company's option awards.
- Expected life of the options granted is estimated based on historical data reflecting actual hold periods.
- Estimated forfeiture is based on historical data reflecting actual forfeitures.



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The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions used for grants in the following years:

|                         | 2014   | 2013   | 2012   |
|-------------------------|--------|--------|--------|
| Dividend yield          | 7.14%  | 6.67%  | 7.08%  |
| Expected volatility     | 27.12% | 32.37% | 26.19% |
| Risk-free interest rate | 2.23%  | 1.96%  | 1.11%  |
| Expected lives          | 8      | 8      | 8      |
| Estimated forfeitures   | -0-    | -0-    | -0-    |

During the year ended December 31, 2014, options to two employees to purchase a total of 23,000 shares were exercised. During the year ended December 31, 2013, no options were exercised. During the year ended December 31, 2012, options to one employee to purchase a total of 4,000 shares were exercised. During the year ended December 31, 2014, options to eleven employees to purchase a total of 108,000 shares expired. During the year ended December 31, 2013, options to ten employees to purchase a total of 84,000 shares expired. During the year ended December 31, 2012, options to eight employees to purchase a total of 55,000 shares expired.

A summary of the status of the Company's stock option plans as of December 31, 2014, 2013 and 2012 and changes during the years then ended are as follows:

|                         | 2014             |                                 | 2013             |                                 | 2012            |                                 |
|-------------------------|------------------|---------------------------------|------------------|---------------------------------|-----------------|---------------------------------|
|                         | Shares           | Weighted-Average Exercise Price | Shares           | Weighted-Average Exercise Price | Shares          | Weighted-Average Exercise Price |
| Outstanding at          |                  |                                 |                  |                                 |                 |                                 |
| beginning of year       | 1,093,000        | \$10.86                         | 785,000          | \$11.71                         | 750,000         | \$12.03                         |
| Granted                 | 339,000          | 9.85                            | 392,000          | 10.08                           | 94,000          | 11.29                           |
| Exercised               | (23,000)         | 7.28                            | -0-              | -0-                             | (4,000)         | 7.56                            |
| Expired                 | <u>(108,000)</u> | 14.52                           | <u>(84,000)</u>  | 15.51                           | <u>(55,000)</u> | 15.58                           |
| Outstanding at end of   |                  |                                 |                  |                                 |                 |                                 |
| year                    | <u>1,301,000</u> | 10.34                           | <u>1,093,000</u> | 10.86                           | <u>785,000</u>  | 11.71                           |
| Options exercisable at  |                  |                                 |                  |                                 |                 |                                 |
| end of year             | <u>962,000</u>   |                                 | <u>701,000</u>   |                                 | <u>691,000</u>  |                                 |
| Weighted-average fair   |                  |                                 |                  |                                 |                 |                                 |
| value of options        |                  |                                 |                  |                                 |                 |                                 |
| granted during the year |                  | \$0.98                          |                  | \$1.42                          |                 | \$0.92                          |



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The following is a summary of stock options outstanding as of December 31, 2014:

| <b>Date of Grant</b> | <b>Number of Employees</b> | <b>Number of Shares</b> | <b>Option Price</b> | <b>Expiration Date</b> |
|----------------------|----------------------------|-------------------------|---------------------|------------------------|
| 01/03/07             | 1                          | 44,200                  | 15.51               | 01/03/15               |
| 01/03/07             | 1                          | 5,800                   | 17.06               | 01/03/15               |
| 07/16/07             | 12                         | 51,000                  | 14.21               | 07/16/15               |
| 09/20/07             | 2                          | 7,000                   | 13.19               | 09/20/15               |
| 01/08/08             | 1                          | 42,300                  | 11.79               | 01/08/16               |
| 01/08/08             | 1                          | 7,700                   | 12.97               | 01/08/16               |
| 09/25/08             | 11                         | 33,000                  | 7.55                | 09/25/16               |
| 01/07/09             | 1                          | 14,000                  | 7.12                | 01/07/17               |
| 01/07/09             | 1                          | 61,000                  | 6.47                | 01/07/17               |
| 06/22/09             | 12                         | 43,000                  | 7.57                | 06/22/17               |
| 01/08/10             | 1                          | 10,900                  | 9.13                | 01/08/18               |
| 01/08/10             | 1                          | 14,100                  | 8.30                | 01/08/18               |
| 07/27/10             | 12                         | 80,000                  | 11.40               | 07/27/18               |
| 07/05/11             | 11                         | 74,000                  | 11.16               | 07/05/19               |
| 08/29/12             | 14                         | 88,000                  | 11.29               | 08/29/20               |
| 02/28/13             | 1                          | 10,000                  | 10.02               | 02/28/21               |
| 06/26/13             | 23                         | 376,000                 | 10.08               | 06/26/21               |
| 06/11/14             | 25                         | 339,000                 | *9.85               | 06/11/22               |
|                      |                            | 1,301,000               |                     |                        |

\* Unexercisable

The aggregate intrinsic value is calculated as the difference between the exercise price of the underlying awards and the quoted price of the Company's common stock for the options that were in-the-money. The aggregate intrinsic value of options outstanding as of December 31, 2014, 2013 and 2012 was \$395,243, \$421,563 and \$602,653, respectively, of which \$395,243, \$421,563 and \$602,653 relate to options exercisable. The intrinsic value of options exercised in 2014, 2013 and 2012 was \$57,250, \$-0- and \$18,000, respectively, determined as of the date of option exercise. The weighted-average remaining contractual term of the above options was 4.3, 4.8 and 3.9 years as of December 31, 2014, 2013 and 2012, respectively. For the years ended December 31, 2014, 2013 and 2012, amounts charged to stock compensation expense relating to stock option grants, which is included in General and Administrative Expenses, totaled \$437,063, \$411,017 and \$69,253, respectively.

Restricted Stock

On January 15, 2014, the Company awarded 25,000 shares of restricted stock to one participant. During 2013, the Company did not award any restricted stock grants. During 2012, the Company awarded 75,000 shares of restricted

stock to nine participants. The grant date fair value of restricted stock grants awarded to participants was \$232,750, \$-0- and \$803,700 for the years ended December 31, 2014, 2013 and 2012, respectively. These grants vest in equal installments over five years. As of December 31, 2014, there remained a total of \$845,429 of unrecognized restricted stock compensation related to outstanding non-vested restricted stock grants awarded and outstanding at that date. Restricted stock compensation is expected to be expensed over a remaining weighted average period of 2.3 years. For the years ended December 31, 2014, 2013 and 2012, amounts charged to stock compensation expense related to restricted stock grants, which is included in General and Administrative Expenses, totaled \$485,881, \$439,332 and \$503,991, respectively. During 2012, compensation costs included a one-time charge of \$123,490 for restricted stock grants awarded to one participant who is of retirement age and therefore the entire amount of measured compensation cost has been recognized at grant date.

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A summary of the status of the Company's non-vested restricted stock awards as of December 31, 2014, 2013 and 2012, and changes during the year ended December 31, 2014, 2013 and 2012 are presented below:

|                                 | 2014     |  | 2013     |  | 2012     |  |
|---------------------------------|----------|--|----------|--|----------|--|
|                                 | Shares   | Weighted-Average Grant Date Fair Value | Shares   | Weighted-Average Grant Date Fair Value | Shares   | Weighted-Average Grant Date Fair Value |
| Non-vested at beginning of year | 152,292  | \$10.77                                | 187,470  | \$10.90                                | 130,974  | \$11.14                                |
| Granted                         | 25,000   | 9.31                                   | -0-      | -0-                                    | 75,000   | 10.72                                  |
| Dividend Reinvested Shares      | 12,194   | 9.22                                   | 12,992   | 9.33                                   | 11,470   | 9.90                                   |
| Vested                          | (52,140) | (10.77)                                | (48,170) | (10.90)                                | (29,974) | (11.10)                                |
|                                 | 137,346  | \$10.37                                | 152,292  | \$10.77                                | 187,470  | \$10.90                                |
| Non-vested at end of year       |          |  |          |  |          |  |

As of December 31, 2014, there were 2,260,000 shares available for grant as stock options or restricted stock under the 2013 Plan.

NOTE 7 – 401(k) PLAN

All full-time employees who are over 21 years old are eligible for the Company's 401(k) Plan (Plan). Under this Plan, an employee may elect to defer his/her compensation, subject to certain maximum amounts, and have it contributed to the Plan. Employer contributions to the Plan are at the discretion of the Company. During 2014, 2013 and 2012, the Company made matching contributions to the Plan of up to 100% of the first 3% of employee salary and 50% of the next 2% of employee salary. The total expense relating to the Plan, including matching contributions amounted to \$226,953, \$162,304 and \$126,224 in 2014, 2013 and 2012, respectively.

NOTE 8 – RELATED PARTY TRANSACTIONS AND OTHER MATTERSTransactions with Monmouth Real Estate Investment Corporation

There are six Directors of the Company who are also Directors and shareholders of Monmouth Real Estate Investment Corporation (MREIC). The Company holds common stock of MREIC in its securities portfolio. As of December 31, 2014, the Company owns a total of 1,995,809 shares of MREIC common stock, representing 3.5% of the total shares outstanding at December 31, 2014 (See Note 4). The Company shares 1 officer (Chairman of the Board) and 2

additional employees (Controller and Director of Investor Relations) with MREIC. Effective January 1, 2015, the Company reduced this number 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.

#### Employment Agreements and Compensation

The Company has an Employment Agreement with Mr. Eugene W. Landy, Chairman of the Board. Under this agreement, prior to January 1, 2004, Mr. Landy received an annual base compensation of \$150,000 (as amended) plus bonuses and customary fringe benefits, including health insurance, participation in the Company's 401(k) Plan, stock options, five weeks' vacation and use of an automobile. Additionally, there may be bonuses voted by the Board of Directors. The Employment Agreement is terminable by either party at any time subject to certain notice requirements. On severance of employment by the Company, Mr. Landy will receive severance of \$450,000, payable \$150,000 on severance and \$150,000 on the first and second anniversaries of severance. In the event of disability, Mr. Landy's compensation will continue for a period of three years, payable monthly. On retirement, Mr. Landy will receive a pension of \$50,000 a year for ten years, payable in monthly installments. In the event of death, Mr. Landy's designated beneficiary will receive \$450,000, \$100,000 thirty days after death and the balance one year after death. The Employment Agreement automatically renews each year for successive one-year periods. Effective January 1, 2004, this agreement was amended to increase Mr. Landy's annual base compensation to \$175,000. Additionally, Mr. Landy's pension benefit of \$50,000 per year has been extended for an additional three years. On April 14, 2008, the Company executed a Second Amendment to the Employment Agreement with Mr. Landy (the second

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amendment). The second amendment provides that in the event of a change in control, Eugene W. Landy shall receive a lump sum payment of \$1,200,000, provided the sale price of the Company is at least \$16 per share of common stock. A change of control shall be defined as the consummation of a reorganization, merger, share exchange, consolidation, or sale or disposition of all or substantially all of the assets of the Company. This change of control provision shall not apply to any combination between the Company and MREIC. Payment shall be made simultaneously with the closing of the transaction, and only in the event that the transaction closes. During 2011, Mr. Landy was also awarded an Outstanding Leadership Achievement Award in the amount of \$250,000 per year for three years. During 2013, the Board of Directors extended Mr. Landy's pension benefit for an additional three years, through 2016. Effective October 1, 2014, the Company amended the employment agreement with Mr. Landy, increasing his base salary to \$250,000.

Effective January 1, 2012, the Company and Samuel A. Landy entered into a three-year Employment Agreement under which Mr. Samuel Landy receives an annual base salary of \$378,000 for 2012, \$396,900 for 2013 and \$416,745 for 2014, subject to increases in Funds from Operations (FFO) of 3% per year or 9% over the three-year period. If this increase is not met, the salary increase will be limited to the increase in the consumer price index. Bonuses are based on performance goals relating to FFO, home sales, occupancy and acquisitions, with a maximum of 21% of salary.

Mr. Samuel Landy received a restricted stock grant of 25,000 shares in 2012. In each subsequent calendar year of employment pursuant to the Agreement, restricted stock shall be awarded to Mr. Samuel Landy at the discretion of the Compensation Committee of the Board of Directors. Mr. Samuel Landy will receive customary fringe benefits, four weeks of vacation, reimbursement of reasonable and necessary business expenses and use of an automobile. The Company will reimburse Mr. Samuel Landy for the cost of a disability insurance policy. In the event of a merger, sale or change of voting control of the Company, excluding transactions between the Company and MREIC, Mr. Samuel Landy will have the right to extend and renew this employment agreement so that the expiration date will be three years from the date of merger, sale or change of voting control, or the employee may terminate the employment agreement and be entitled to receive one year's compensation in accordance with the agreement. If there is a termination of employment by the Company for any reason, either involuntary or voluntary, including the death of the employee, the employee shall be entitled to the greater of the salary due under the remaining term of the agreement or one year's compensation at the date of termination, paid monthly over the remaining term or life of the agreement. Mr. Landy is currently negotiating a new employment agreement.

Effective January 1, 2012, the Company and Anna T. Chew entered into a new three-year employment agreement, under which Ms. Chew receives an annual base salary of \$287,385 for 2012, \$301,754 for 2013 and \$316,841 for 2014, plus bonuses and customary fringe benefits. Ms. Chew will also receive four weeks of vacation, reimbursement of reasonable and necessary business expenses and use of an automobile. The Company will reimburse Ms. Chew for the cost of a disability insurance policy such that, in the event of the employee's disability for a period of more than 90 days, the employee will receive benefits up to 60% of her then-current salary. In the event of a merger, sale or change of voting control of the Company, excluding transactions between the Company and MREIC, the employee will have the right to extend and renew this employment agreement so that the expiration date will be three years from the date of merger, sale or change of voting control, or the employee may terminate the employment agreement and be entitled to receive one year's compensation in accordance with the agreement. If there is a termination of employment by the Company for any reason, either involuntary or voluntary, including the death of the employee, other than a termination for cause as defined by the agreement, the employee shall be entitled to the greater of the salary due under the remaining term of the agreement or one year's compensation at the date of termination, paid monthly over the remaining term or life of the agreement. Ms. Chew is currently negotiating a new employment agreement.

Other Matters

The Company has an employment agreement with a certain executive officer, which in addition to base compensation, bonuses and fringe benefits, provides for specified retirement benefits. The Company has accrued these benefits on a present value basis over the terms of the agreements. Amounts accrued under this agreement were \$600,000 at both December 31, 2014 and 2013.

The Company leases its corporate offices where the lessor of the property is owned by certain officers and directors of the Company. The Company is also responsible for its proportionate share of real estate taxes and common area maintenance. 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. Management believes that the aforesaid rent is no more than what the Company would pay for comparable space elsewhere. Approximately 70% of the monthly lease payment plus its proportionate share of real estate taxes and common area maintenance was



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reimbursed by MREIC through 2014. Effective January 2015, MREIC obtained a separate lease and office rent is no longer allocated between the Company and MREIC.

NOTE 9 – SHAREHOLDERS’ EQUITY

Common Stock

The Company has a Dividend Reinvestment and Stock Purchase Plan (DRIP), as amended. Under the terms of the DRIP, shareholders who participate may reinvest all or part of their dividends in additional shares of the Company at a discounted price (approximately 95% of market value) directly from the Company, from authorized but unissued shares of the Company common stock. Shareholders may also purchase additional shares at this discounted price by making optional cash payments monthly. Optional cash payments must be not less than \$500 per payment nor more than \$1,000 unless a request for waiver has been accepted by the Company.

Amounts received in connection with the DRIP for the years ended December 31, 2014, 2013 and 2012 were as follows:

|                            | <b>2014</b>  | <b>2013</b>  | <b>2012</b>  |
|----------------------------|--------------|--------------|--------------|
| Amounts Received           | \$34,650,730 | \$37,054,626 | \$19,448,937 |
| Less: Dividends Reinvested | 1,858,491    | 1,861,987    | 1,390,899    |
| Amounts Received, net      | \$32,792,239 | \$35,192,639 | \$18,058,038 |
| Number of Shares Issued    | 3,554,191    | 3,658,010    | 1,780,043    |

Preferred Stock

As of December 31, 2014, the Company had a total of 3,663,800 shares of Series A Preferred Stock outstanding representing an aggregate liquidation preference of \$91,595,000.

The annual dividend of the Series A Preferred Stock is \$2.0625 per share, or 8.25%, of the \$25.00 per share liquidation value and is payable quarterly in arrears on March 15, June 15, September 15, and December 15.

The Series A Preferred Stock, par value \$.10, has no maturity and will remain outstanding indefinitely unless redeemed or otherwise repurchased. Except in limited circumstances relating to the Company's qualification as a REIT, and as described below, the Series B Preferred Stock is not redeemable prior to May 26, 2016. 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) to the date of redemption.

Upon the occurrence of a Delisting Event or Change of Control, as defined in the Prospectus of the Preferred Offering, each holder of the Series A Preferred Stock will have the right to convert all or part of the shares of the Series A Preferred Stock held, unless the Company elects to redeem the Series A Preferred Stock.

Holdings of the Series A Preferred Stock generally have no voting rights, except if the Company fails to pay dividends for six or more quarterly periods, whether or not consecutive, or with respect to certain specified events.

Table of ContentsIssuer 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.

NOTE 10 – DISTRIBUTIONSCommon Stock

The following cash distributions, including dividends reinvested, were paid to common shareholders during the three years ended December 31, 2014, 2013 and 2012:

| Quarter Ended | 2014         |           | 2013         |           | 2012         |           |
|---------------|--------------|-----------|--------------|-----------|--------------|-----------|
|               | Amount       | Per Share | Amount       | Per Share | Amount       | Per Share |
| March 31      | \$3,853,595  | \$0.18    | \$3,155,607  | \$0.18    | \$2,809,868  | \$0.18    |
| June 30       | 3,991,110    | 0.18      | 3,294,938    | 0.18      | 2,902,806    | 0.18      |
| September 30  | 4,125,060    | 0.18      | 3,456,304    | 0.18      | 2,954,616    | 0.18      |
| December 31   | 4,316,063    | 0.18      | 3,656,622    | 0.18      | 3,062,506    | 0.18      |
|               | \$16,285,828 | \$0.72    | \$13,563,471 | \$0.72    | \$11,729,796 | \$0.72    |

These amounts do not include the discount on shares purchased through the Company's DRIP.

On January 21, 2015, the Company 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.

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Preferred Stock

The following dividends were paid to preferred shareholders during the year ended December 31, 2014, 2013 and 2012:

| Declaration Date | Record Date | Payment Date | Dividend    | Dividend per Share |
|------------------|-------------|--------------|-------------|--------------------|
| 1/15/2014        | 2/18/2014   | 3/17/2014    | \$1,889,147 | \$0.515625         |
| 4/1/2014         | 5/15/2014   | 6/16/2014    | 1,889,147   | 0.515625           |
| 7/1/2014         | 8/15/2014   | 9/15/2014    | 1,889,147   | 0.515625           |
| 10/1/2014        | 11/17/2014  | 12/15/2014   | 1,889,147   | 0.515625           |
|                  |             |              | \$7,556,588 | \$2.0625           |

| Declaration Date | Record Date | Payment Date | Dividend    | Dividend per Share |
|------------------|-------------|--------------|-------------|--------------------|
| 1/16/2013        | 2/15/2013   | 3/15/2013    | \$1,889,147 | \$0.515625         |
| 4/8/2013         | 5/15/2013   | 6/17/2013    | 1,889,147   | 0.515625           |
| 7/1/2013         | 8/15/2013   | 9/16/2013    | 1,889,147   | 0.515625           |
| 10/1/2013        | 11/15/2013  | 12/16/2013   | 1,889,147   | 0.515625           |
|                  |             |              | \$7,556,588 | \$2.0625           |

| Declaration Date | Record Date | Payment Date | Dividend    | Dividend per Share |
|------------------|-------------|--------------|-------------|--------------------|
| 1/18/2012        | 2/15/2012   | 3/15/2012    | \$690,319   | \$0.515625         |
| 4/17/2012        | 5/15/2012   | 6/15/2012    | 930,716     | 0.515625           |
| 7/9/2012         | 8/15/2012   | 9/17/2012    | 1,244,616   | 0.515625           |
| 10/1/2012        | 11/15/2012  | 12/17/2012   | 1,459,458   | 0.515625           |
|                  |             |              | \$4,325,109 | \$2.0625           |

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.

Table of ContentsNOTE 11 – FEDERAL INCOME TAXESReconciliation Between U.S. GAAP Net Income and Taxable Income

The following table reconciles U.S. GAAP net income to taxable income for the years ended December 31, 2014, 2013, and 2012:

|   | <b>2014</b>        |               |               |
|---|--------------------|---------------|---------------|
|   | <b>Estimate</b>    | <b>2013</b>   | <b>2012</b>   |
|   | <b>(unaudited)</b> | <b>Actual</b> | <b>Actual</b> |
| U.S. GAAP net income  | \$4,237,803        | \$5,836,823   | \$6,474,057   |
| Add: U.S. GAAP net loss of taxable REIT subsidiary included above | 3,946,571          | 2,746,526     | 3,081,837     |
| U.S. GAAP net income from REIT operations                         | 8,184,374          | 8,583,349     | 9,555,894     |
| Stock compensation expense  | 922,944            | 850,349       | 573,244       |
| Acquisition costs and other book / tax differences, net           | (1,238,794)        | 351,413       | (344,027)     |
| Taxable income before adjustments                                 | 7,868,524          | 9,785,111     | 9,785,111     |
| Less: Capital gains   | (1,514,518)        | (3,630,548)   | (4,146,773)   |
| Adjusted taxable income subject to 90% dividend requirement       | 6,354,006          | 6,154,563     | 5,638,338     |
|   | \$                 | \$            | \$            |

Reconciliation Between Cash Dividends Paid and Dividends Paid Deduction

The following table reconciles cash dividends paid with the dividends paid deduction for the years ended December 31, 2014, 2013, and 2012:

|   | <b>2014</b>        |               |               |
|---|--------------------|---------------|---------------|
|   | <b>Estimate</b>    | <b>2013</b>   | <b>2012</b>   |
|   | <b>(unaudited)</b> | <b>Actual</b> | <b>Actual</b> |
| Cash dividends paid                                     | \$23,842,416       | \$21,120,059  | \$16,798,495  |
| Less: Portion designated as capital gains distributions | (1,514,518)        | (3,630,548)   | (4,146,773)   |

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|                          |              |              |              |
|--------------------------|--------------|--------------|--------------|
| Less: Return of capital  | (15,973,892) | (11,334,948) | (7,013,384)  |
| Dividends paid deduction | \$ 6,354,006 | \$ 6,154,563 | \$ 5,638,338 |

Characterization of Distributions

The following table characterizes the distributions paid per common share for the years ended December 31, 2014, 2013, and 2012:

|                   | <b>2014</b>   |                | <b>2013</b>   |                | <b>2012</b>   |                |
|-------------------|---------------|----------------|---------------|----------------|---------------|----------------|
|                   | <b>Amount</b> | <b>Percent</b> | <b>Amount</b> | <b>Percent</b> | <b>Amount</b> | <b>Percent</b> |
| Ordinary income   | \$0.01114     | 1.55%          | \$0.12844     | 17.84%         | \$0.07892     | 10.96%         |
| Capital gains     | 0.00265       | .37%           | 0.05835       | 8.10%          | 0.08391       | 11.65%         |
| Return of capital | 0.70621       | 98.08%         | 0.53321       | 74.06%         | 0.55717       | 77.39%         |
|                   | \$0.72        | 100%           | \$0.72        | 100%           | \$0.72        | 100%           |

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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, amounted to \$7,556,588 or \$2.0625 per share (\$1.41816 taxed as ordinary income and \$.64434 taxed as capital gains). For the year ended December 31, 2012, total distributions paid by the Company for preferred stock before accrued dividends, amounted to \$5,068,697 or \$2.0625 per share (\$0.99966 taxed as ordinary income and \$1.06284 taxed as capital gains).

In addition to the above, taxable income from non-REIT activities conducted by S&F, a TRS, is subject to federal, state and local income taxes. Deferred income taxes pertaining to S&F are accounted for using the asset and liability method. Under this method, deferred income taxes are recognized for temporary differences between the financial reporting bases of assets and liabilities and their respective tax bases and for operating loss and tax credit carryforwards based on enacted tax rates expected to be in effect when such amounts are realized or settled. However, deferred tax assets are recognized only to the extent that it is more likely than not that they will be realized based on consideration of available evidence, including tax planning strategies and other factors. For the years ended December 31, 2014, 2013 and 2012, S&F had operating losses for financial reporting purposes of \$3,946,571, \$2,746,526 and \$3,081,837, respectively. Therefore, a valuation allowance has been established against any deferred tax assets relating to S&F. For the years ended December 31, 2014, 2013 and 2012, S&F recorded \$15,000, \$5,000 and \$5,000, respectively, in federal, state and franchise taxes.

NOTE 12 – COMMITMENTS, CONTINGENCIES AND LEGAL MATTERS

The Company is subject to claims and litigation in the ordinary course of business. Management does not believe that any such claim or litigation will have a material adverse effect on the business, assets, or results of operations of the Company.

In 2010, a rainstorm bringing 13 inches of rain in a two-hour period caused flooding at Memphis Mobile City. All homes owned by the Company were fully restored as were the homes of all residents who elected to make repairs. On May 9, 2011, the Company was notified that a lawsuit had been filed in the United States District Court for the Western District of Tennessee on behalf of a purported class of all individuals of Mexican national origin who are current or former residents of Memphis Mobile City. The complaint alleges various claims based on federal and state discrimination and consumer protection laws, seeking monetary damages and injunctive relief. The magistrate judge ruled that plaintiffs who had signed a security agreement with an arbitration clause would be obligated to arbitrate while the other plaintiffs would not. The Company filed a Motion to Dismiss plaintiffs' amended Complaint which plaintiffs opposed. The District Judge issued a decision granting our motion in part and denying it in part. This litigation is ongoing. The Company continues to believe the action to be without merit. The Company's insurance company is supporting our defense of this action. The Company is working on redeveloping this property as a manufactured home community, using fill from adjacent land that we have purchased in order to comply with current codes. The adjacent parcel is also slated for manufactured home development upon receipt of appropriate permits. The Company has received approval from the municipality for the first phase of the development and is currently obtaining bids for the construction work.



The Company has entered into definitive agreements to purchase four manufactured home communities with a total of approximately 623 developed home sites. These communities are located in Pennsylvania. The aggregate purchase price of these communities totals approximately \$12.9 million. One acquisition of 141 home sites, with a purchase price of \$3,800,000 was completed in January 2015 (See Note 15). Subject to satisfactory due diligence, we anticipate completion of the remaining acquisitions during the first half of 2015.

In November 2013, the Company entered into an agreement with 21st Mortgage Corporation (21<sup>st</sup> Mortgage) under which 21st Mortgage can provide financing for home purchasers in the Company's communities. The Company does not receive referral fees or other cash compensation under the agreement. If 21st Mortgage makes loans to purchasers and those purchasers default on their loans and 21st Mortgage repossesses the homes securing such loans, the Company has agreed to purchase from 21st Mortgage each such repossessed home for a price equal to 80% to 95% of the amount under each such loan, subject to certain adjustments. This agreement may be terminated by either party with 30 days written notice. As of December 31, 2014, there were fifty-nine transactions under this agreement with a total original loan amount of approximately \$3.0 million. Additionally, 21st Mortgage previously made loans to purchasers in certain communities we acquired. In conjunction with these acquisitions, the Company has agreed to purchase from 21st Mortgage each repossessed home, if those purchasers default on their loans. The purchase price ranges from 55% to 100% of the amount under each such loan, subject to certain adjustments. As of December 31, 2014, the total loan balance was approximately \$3.0 million.

Table of ContentsNOTE 13 - FAIR VALUE MEASUREMENTS

The Company follows ASC 825, Fair Value Measurements, for financial assets and liabilities recognized at fair value on a recurring basis. The Company measures certain financial assets and liabilities at fair value on a recurring basis, including securities available for sale. The fair value of these certain financial assets and liabilities was determined using the following inputs at December 31, 2014 and 2013:

**Fair Value Measurements at Reporting Date Using**

|              | <b>Quoted<br/>Prices</b> | <b>in Active<br/>Markets for<br/>Identical<br/>Assets<br/>(Level 1)</b> | <b>Significant Other<br/>Observable<br/>Inputs (Level 2)</b> | <b>Significant<br/>Unobservable<br/>Inputs<br/>(Level 3)</b> |
|--------------|--------------------------|---|--|--|
| <b>Total</b> |                          |   |  |  |

December 31, 2014:

|                                     |                     |                     |                   |              |
|-------------------------------------|---------------------|---------------------|-------------------|--------------|
| Equity Securities - Preferred Stock | \$19,045,983        | \$19,045,983        | \$-0-             | \$-0-        |
| Equity Securities - Common Stock    | 44,509,978          | 44,509,978          | -0-               | -0-          |
| Interest Rate Swap (1)              | (39,685)            | -0-                 | (39,685)          | -0-          |
| <b>Total</b>                        | <b>\$63,516,276</b> | <b>\$63,555,961</b> | <b>\$(39,685)</b> | <b>\$-0-</b> |

December 31, 2013:

|                                     |                     |                     |                   |              |
|-------------------------------------|---------------------|---------------------|-------------------|--------------|
| Equity Securities - Preferred Stock | \$24,536,942        | \$24,536,942        | \$-0-             | \$-0-        |
| Equity Securities - Common Stock    | 34,718,000          | 34,718,000          | -0-               | -0-          |
| Interest Rate Swap (1)              | (39,840)            | -0-                 | (39,840)          | -0-          |
| <b>Total</b>                        | <b>\$59,215,102</b> | <b>\$59,254,942</b> | <b>\$(39,840)</b> | <b>\$-0-</b> |

(1) Included in accrued liabilities and deposits

In addition to the Company's investment in Securities Available for Sale at Fair Value, the Company is required to disclose certain information about fair values of its other financial instruments, as defined in ASC 825-10, Financial Instruments. Estimates of fair value are made at a specific point in time, based upon, where available, relevant market prices and information about the financial instrument. Such estimates do not include any premium or discount that could result from offering for sale at one time the Company's entire holdings of a particular financial instrument. All of the Company's securities available for sale have quoted market prices. However, for a portion of the Company's other financial instruments, no quoted market value exists. Therefore, estimates of fair value are necessarily based on a number of significant assumptions (many of which involve events outside the control of management). Such assumptions include assessments of current economic conditions, perceived risks associated with these financial

instruments and their counterparties, future expected loss experience and other factors. Given the uncertainties surrounding these assumptions, the reported fair values represent estimates only and, therefore, cannot be compared to the historical accounting model. Use of different assumptions or methodologies is likely to result in significantly different fair value estimates.

The fair value of cash and cash equivalents and notes receivables approximates their current carrying amounts since all such items are short-term in nature. The fair value of securities available for sale is primarily based upon quoted market values. The fair value of variable rate mortgages payable and loans payable approximate their current carrying amounts since such amounts payable are at approximately a weighted-average current market rate of interest. The estimated fair value of fixed rate mortgage notes payable is based on discounting the future cash flows at a year-end risk adjusted borrowing rate currently available to the Company for issuance of debt with similar terms and remaining maturities. These fair value measurements fall within level 2 of the fair value hierarchy. As of December 31, 2014, the fair and carrying value of fixed rate mortgages payable amounted to \$154,848,509 and \$152,213,686, respectively. As of December 31, 2013, the fair and carrying value of fixed rate mortgages payable amounted to \$127,869,529 and \$128,553,264, respectively. When the Company acquires a property, it is required to fair value all of the assets and liabilities, including intangible assets and liabilities (See Note 1). Those fair value measurements fall within level 3 of the fair value hierarchy.

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NOTE 14 – SUPPLEMENTAL CASH FLOW INFORMATION

Cash paid for interest during the years ended December 31, 2014, 2013 and 2012 was \$10,832,747, \$8,185,305 and \$4,715,898, respectively.

During the years ended December 31, 2014 and 2013, the Company assumed mortgages totaling approximately \$26.7 million and \$7.7 million for the acquisition of communities.

During the years ended December 31, 2014, 2013 and 2012, land development costs of \$100,372, \$77,562 and \$85,193, respectively were transferred to investment property and equipment and placed in service.

During the years ended December 31, 2014, 2013 and 2012, the Company had dividend reinvestments of \$1,858,491, \$1,861,987 and \$1,390,899, respectively which required no cash transfers.

NOTE 15 – SUBSEQUENT EVENTS

Material subsequent events have been evaluated and are disclosed herein.

On January 21, 2015, the Company acquired one manufactured home community for approximately \$3.8 million located in Pennsylvania. This all-age community contains a total of 141 developed home sites that are situated on approximately 40 total acres. The average occupancy for this community is approximately 96%. The Company assumed a mortgage loan with a balance of approximately \$2.3 million. The interest rate on this mortgage is fixed at 6.5%. This mortgage matures on October 5, 2021.

On February 27, 2015, the Company obtained an \$8,100,000 Federal Home Loan Mortgage Corporation (Freddie Mac) mortgage through Wells Fargo Bank, N.A. (Wells Fargo) on D&R Village. The interest rate on this mortgage is fixed at 3.85%. This mortgage matures on March 1, 2025. Proceeds from this mortgage was used to repay the D&R Village and Waterfalls Village mortgage.

On March 6, 2015, the Company obtained a \$2,200,000 Freddie Mac mortgage through Wells Fargo on Olmsted Falls. The interest rate on this mortgage is fixed at 3.98%. This mortgage matures on April 1, 2025.

**NOTE 16 – PRO FORMA FINANCIAL INFORMATION (UNAUDITED)**

The following unaudited pro forma condensed financial information reflects the 2014 and 2013 acquisitions that have closed. This information has been prepared utilizing the historical financial statements of the Company and the effect of additional revenue and expenses from the properties acquired during 2014 and 2013 assuming that the acquisitions had occurred as of January 1, 2013, after giving effect to certain adjustments including (a) rental and related income; (b) community operating expenses; (c) interest expense resulting from the assumed increase in mortgages and loans payable related to the new acquisitions and (d) depreciation expense related to the new acquisitions. The unaudited pro forma condensed financial information is not indicative of the results of operations that would have been achieved had the acquisitions reflected herein been consummated on the dates indicated or that will be achieved in the future.

|   | <b>For the years ended</b> |              |
|---|----------------------------|--------------|
|   | <b>December 31,</b>        |              |
|   | <b>2014</b>                | <b>2013</b>  |
| Rental and Related Income                               | \$65,503,000               | \$61,715,000 |
| Community Operating Expenses                            | 34,882,000                 | 35,079,000   |
| Net Loss Attributable to Common Shareholders            | (4,223,000)                | (4,603,000)  |
| Net Loss Attributable to Common Shareholders per Share: |                            |              |
| Basic   | (0.19)                     | (0.25)       |
| Diluted   | (0.19)                     | (0.24)       |

Table of ContentsNOTE 17 – SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

## SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

## THREE MONTHS ENDED

| <b>2014</b>   | <b>March 31</b> | <b>June 30</b> | <b>September 30</b> | <b>December 31</b> |
|---|-----------------|----------------|---------------------|--------------------|
| Total Income  | \$15,849,181    | \$18,148,732   | \$18,554,782        | \$18,879,238       |
| Total Expenses  | 15,101,441      | 16,489,825     | 16,777,494          | 16,152,398         |
| Other Income (Expense)  | (156,907)       | (228,377)      | (1,121,174)         | (1,173,827)        |
| Net Income  | 568,189         | 1,476,725      | 629,271             | 1,563,618          |
| Net Income (Loss) Attributable to Common Shareholders             | (1,320,958)     | (412,422)      | (1,259,876)         | (325,529)          |
| Net Income (Loss) Attributable to Common Shareholders per Share – |                 |                |                     |                    |
| Basic   | (0.06)          | (0.02)         | (0.06)              | (0.01)             |
| Diluted   | (0.06)          | (0.02)         | (0.06)              | (0.01)             |

| <b>2013</b>   | <b>March 31</b> | <b>June 30</b> | <b>September 30</b> | <b>December 31</b> |
|---|-----------------|----------------|---------------------|--------------------|
| Total Income  | \$13,426,295    | \$16,097,925   | \$16,253,966        | \$16,426,921       |
| Total Expenses  | 12,240,957      | 14,196,653     | 14,935,457          | 16,636,587         |
| Other Income (Expense)  | 2,977,034       | (229,785)      | (600,121)           | (524,561)          |
| Net Income  | 4,149,511       | 1,619,439      | 800,877             | (733,004)          |
| Net Income (Loss) Attributable to Common Shareholders             | 2,260,364       | (269,708)      | (1,088,270)         | (2,622,151)        |
| Net Income (Loss) Attributable to Common Shareholders per Share – |                 |                |                     |                    |
| Basic   | 0.13            | (0.02)         | (0.06)              | (0.14)             |
| Diluted   | 0.13            | (0.02)         | (0.06)              | (0.14)             |

Table of Contents**UMH PROPERTIES, INC.****SCHEDULE III****REAL ESTATE AND ACCUMULATED DEPRECIATION****DECEMBER 31, 2014**

| <b>Column A<br/>Description</b> |                    | <b>Column B</b>     |     | <b>Column C<br/>Initial Cost</b> |  | <b>Column D</b>   |
|---------------------------------|--------------------|---------------------|-----|----------------------------------|--|---|
| <b>Name</b>                     | <b>Location</b>    | <b>Encumbrances</b> |     | <b>Land</b>                      | <b>Site, Land<br/>&amp; Building<br/>Improvements<br/>and Rental Homes</b> | <b>Capitalization<br/>Subsequent to<br/>Acquisition</b> |
| Allentown                       | Memphis, TN        | \$ 10,486,045       | (1) | \$ 250,000                       | \$ 2,569,101   | \$8,270,359   |
| Auburn<br>Estates               | Orrville, OH       | 7,554,281           | (5) | 114,000                          | 1,174,000  | 167,500   |
| Birchwood<br>Farms              | Birch Run, MI      | 52,082,526          | (6) | 70,000                           | 2,797,000  | 532,478   |
| Broadmore<br>Estates            | Goshen, IN         |                     | (6) | 1,120,000                        | 11,136,000   | 1,727,638   |
| Brookside<br>Village            | Berwick, PA        | 14,679,583          | (2) | 372,000                          | 4,776,000  | 639,151   |
| Brookview<br>Village            | Greenfield Ctr, NY | -0-                 |     | 37,500                           | 232,547  | 3,693,950   |
| Carsons                         | Chambersburg, PA   | 12,177,725          | (3) | 176,000                          | 2,411,000  | 450,569   |
| Cedarcrest                      | Vineland, NJ       | 8,966,785           |     | 320,000                          | 1,866,323  | 2,046,445   |
| Chambersburg<br>I & II          | Chambersburg, PA   |                     | (3) | 108,000                          | 2,397,000  | 247,338   |
| Chelsea                         | Sayre, PA          |                     | (3) | 124,000                          | 2,049,000  | 278,421   |
| City View                       | Lewistown, PA      | -0-                 |     | 137,000                          | 613,000  | 944,226   |
| Clinton                         | Tiffin, OH         |                     | (1) | 142,000                          | 3,301,800  | 69,522  |
| Collingwood                     | Horseheads, NY     |                     | (3) | 196,000                          | 2,317,500  | 684,628   |
| Colonial<br>Heights             | Wintersville, OH   |                     | (6) | 67,000                           | 2,383,000  | 2,339,241   |
| Countryside<br>Estates          | Muncie, IN         | -0-                 |     | 174,000                          | 1,926,000  | 1,554,975   |
| Countryside<br>Estates          | Ravenna, OH        | 9,083,178           | (9) | 205,000                          | 2,895,997  | 340,776   |
| Countryside<br>Village          | Columbia, TN       | -0-                 |     | 394,000                          | 6,916,500  | 3,180,792   |
| Cranberry<br>Village            | Cranberry Twp, PA  | -0-                 |     | 181,930                          | 1,922,931  | 2,450,486   |
| Crestview                       | Sayre, PA          |                     | (3) | 188,000                          | 2,258,000  | 497,236   |
| Cross Keys<br>Village           | Duncansville, PA   | -0-                 |     | 60,774                           | 378,093  | 2,249,070   |
|                                 | Toronto, OH        | -0-                 |     | 275,600                          | 2,728,503  | 15,549  |

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|                     |                      |            |      |           |           |            |
|---------------------|----------------------|------------|------|-----------|-----------|------------|
| Dallas Mobile Home  |                      |            |      |           |           |            |
| Deer Meadows        | New Springfield, OH  |            | (9)  | 226,000   | 2,299,275 | 206,051    |
| D&R Village         | Clifton Park, NY     | 6,803,625  | (4)  | 391,724   | 704,021   | 2,756,898  |
| Evergreen Estates   | Lodi, OH             |            | (9)  | 99,000    | 1,121,300 | 59,914     |
| Evergreen Manor     | Bedford, OH          |            | (9)  | 49,000    | 2,372,258 | 23,234     |
| Evergreen Village   | Mantua, OH           |            | (9)  | 105,000   | 1,277,001 | 212,279    |
| Fairview Manor      | Millville, NJ        | 10,139,450 |      | 216,000   | 1,166,517 | 9,094,057  |
| Forest Creek        | Elkhart, IN          |            | (6)  | 440,000   | 7,004,000 | 865,604    |
| Forest Park Village | Cranberry Twp, PA    | -0-        |      | 75,000    | 977,225   | 4,667,458  |
| Frieden Manor       | Schuylkill Haven, PA |            | (3)  | 643,000   | 5,293,500 | 689,795    |
| Green Acres         | Chambersburg, PA     |            | (3)  | 63,000    | 584,000   | 5,557      |
| Gregory Courts      | Honey Brook, PA      |            | (6)  | 370,000   | 1,220,000 | 61,433     |
| Hayden Heights      | Dublin, OH           | -0-        |      | 248,100   | 2,147,700 | 97,176     |
| Heather Highlands   | Inkerman, PA         | 989,773    |      | 572,500   | 2,151,569 | 5,914,235  |
| Highland            | Elkhart, IN          |            | (6)  | 510,000   | 7,084,000 | 689,293    |
| Highland Estates    | Kutztown, PA         | 9,408,128  |      | 145,000   | 1,695,041 | 10,582,889 |
| Hillside Estates    | Greensburg, PA       | 8,495,880  | (8)  | 483,600   | 2,678,525 | 154,554    |
| Holiday             | Nashville, TN        | -0-        |      | 1,632,000 | 5,618,000 | 3,027,213  |
| Hudson Estates      | Peninsula, OH        | 8,796,065  | (10) | 141,000   | 3,515,878 | 425,478    |
| Independence Park   | Clinton, PA          |            | (8)  | 686,400   | 2,783,633 | 47,269     |
| Kinnebrook          | Monticello, NY       | -0-        |      | 235,600   | 1,402,572 | 7,720,797  |
| Lake Sherman        | Navarre, OH          | -0-        |      | 290,000   | 1,457,673 | 6,495,265  |
| Laurel Woods        | Cresson, PA          | -0-        |      | 432,700   | 2,070,426 | 2,258,651  |
| Little Chippewa     | Orrville, OH         |            | (5)  | 113,000   | 1,135,000 | 303,129    |
| Maple Manor         | Taylor, PA           |            | (2)  | 674,000   | 9,432,800 | 1,732,827  |



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**UMH PROPERTIES, INC.**  
**SCHEDULE III**  
**REAL ESTATE AND ACCUMULATED DEPRECIATION**  
**DECEMBER 31, 2014**

| <b>Column A</b>                       | <b>Column B</b>     | <b>Column C</b>     | <b>Column D</b>  |   |
|---------------------------------------|---------------------|---------------------|--|---|
| <b>Description</b>                    |                     | <b>Initial Cost</b> |  |   |
| <b>Location</b>                       | <b>Encumbrances</b> | <b>Land</b>         | <b>Site, Land &amp; Building Improvements and Rental Homes</b> | <b>Capitalization Subsequent to Acquisition</b> |
| Madison Middletown, OH \$             | (6)                 | \$ 152,000          | \$ 3,191,000   | \$ 1,218,816                                    |
| Melrose Wooster, OH Village           | (5)                 | 767,000             | 5,429,000  | 797,370   |
| Melrose Wooster, OH West              | (5)                 | 94,000              | 1,040,000  | 10,633  |
| Memphis Memphis, TN Mobile            | -0-                 | 78,435              | 810,477  | 952,935   |
| Monroe Ephrata, PA Valley             | (3)                 | 114,000             | 994,000  | 245,557   |
| Moosic Avoca, PA Heights              | (2)                 | 330,000             | 3,794,100  | 712,913   |
| Mountain Top, PA                      | (3)                 | 134,000             | 1,665,000  | 386,890   |
| Mountain View, Coxsackie, NY          | -0-                 | 1,757,800           | -0-  | 1,497,683                                       |
| Oak Ridge, IN Estates                 | (6)                 | 500,000             | 7,524,000  | 1,490,055                                       |
| Oakwood Lunkhannock, PA Lake          | (2)                 | 379,000             | 1,639,000  | 310,990   |
| Olmsted Olmsted Falls, OH Falls       | -0-                 | 569,000             | 3,031,000  | 678,638   |
| Oxford West Grove, PA Village         | 7,350,262           | 175,000             | 990,515  | 1,600,405                                       |
| Pine Carlisle, PA Ridge/Manor         | -0-                 | 37,540              | 198,321  | 6,719,889                                       |
| Pine Valley, PA Estates               | -0-                 | 670,000             | 1,336,600  | 3,518,511                                       |
| Pleasant View, Bloomsburg, PA Estates | (2)                 | 282,000             | 2,174,800  | 600,563   |
| Port Royal, PA                        |                     |                     |  |   |
| Port Royal Vernon, PA Village         | -0-                 | 150,000             | 2,491,796  | 9,724,884                                       |
| Marion, OH Valley                     | -0-                 | 236,000             | 785,293  | 5,033,760                                       |

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|   |           |      |           |           |           |
|---|-----------|------|-----------|-----------|-----------|
| Estates<br>Rolling<br>Hills<br>Charlisle, PA            | -0-       |      | 301,000   | 1,419,013 | 507,699   |
| Estates<br>Rostraver<br>Belle Vernon, PA                |           | (8)  | 813,600   | 2,203,506 | 58,430    |
| Estates<br>Sandy<br>Magnolia, OH                        | -0-       |      | 270,000   | 1,941,430 | 5,603,708 |
| Estates<br>Shady<br>Hills<br>Nashville, TN              | -0-       |      | 337,000   | 3,379,000 | 1,948,025 |
| Estates<br>Somerset<br>Somerset, PA                     | 731,900   |      | 1,485,000 | 2,050,400 | 5,380,203 |
| Estates<br>Southern<br>Terrace<br>Columbiana, OH        |           | (6)  | 63,000    | 3,387,000 | 206,625   |
| Estates<br>Southwind<br>Village<br>Jackson, NJ          | 5,871,176 |      | 100,095   | 602,820   | 2,338,536 |
| Estates<br>Spreading<br>Oaks<br>Athens, OH              | -0-       |      | 67,000    | 1,326,800 | 1,962,581 |
| Estates<br>Suburban<br>Greensburg, PA                   | 6,417,395 | (7)  | 299,000   | 5,837,272 | 1,025,661 |
| Estates<br>Summit<br>Kavenna, OH                        |           | (10) | 198,000   | 2,779,260 | 186,289   |
| Estates<br>Sunny<br>Acres<br>Somerset, PA               |           | (7)  | 287,000   | 6,113,528 | 486,204   |
| Estates<br>Sunnyside<br>Hills<br>Greensburg, PA         |           | (6)  | 450,000   | 2,674,000 | (12,659)  |
| Estates<br>Twin<br>Oaks<br>Gadaboutsville, TN           | -0-       |      | 411,000   | 1,867,000 | 2,133,953 |
| Estates<br>Twin<br>Oaks<br>I Olmsted Twp, OH<br>&<br>II | 2,637,077 |      | 823,000   | 3,527,000 | 969,541   |
| Estates<br>Twin<br>Pines<br>Goshen, IN                  |           | (6)  | 650,000   | 6,307,000 | 1,032,172 |
| Estates<br>Valley<br>High<br>Ruffs Dale, PA             |           | (8)  | 284,000   | 2,266,750 | 50,862    |
| Estates<br>Valley<br>Hills<br>Ravenna, OH               |           | (10) | 996,000   | 6,542,178 | 1,006,862 |
| Estates<br>Valley<br>View-I<br>Ephrata, PA              |           | (3)  | 191,000   | 4,359,000 | 555,107   |
| Estates<br>Valley<br>View-II<br>Ephrata, PA             |           | (3)  | 72,000    | 1,746,000 | 2,508     |
| Estates<br>Valley<br>View-Danboro<br>Doylestown, PA     |           | (6)  | 2,650,000 | 8,266,000 | (11,992)  |
| Estates<br>Valley<br>View-HB<br>Honey Brook, PA         |           | (6)  | 1,380,000 | 5,348,000 | 157,821   |
| Estates<br>Waterfalls<br>Village<br>Hamburg, NY         |           | (4)  | 424,000   | 3,812,000 | 2,353,158 |
| Estates<br>Weatherly<br>Estates<br>Lebanon, TN          | -0-       |      | 1,184,000 | 4,034,480 | 4,299,168 |
| Estates<br>Woodland<br>Manor<br>West Monroe, NY         | -0-       |      | 77,000    | 841,000   | 1,493,572 |

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|   |     |               |              |               |
|---|-----|---------------|--------------|---------------|
| Woodlawn<br>Eatontown, NJ<br>Village    | -0- | 157,421       | 280,749      | 1,019,343     |
| Wood<br>Caledonia, OH<br>Valley         | -0- | 260,000       | 1,753,206    | 3,330,308     |
| Youngstown<br>Youngstown, NY<br>Estates | (5) | 269,000       | 1,606,000    | 23,054        |
|   |     | \$182,670,854 | \$34,479,319 | \$249,606,503 |
|   |     |               |              | \$164,078,637 |

Table of Contents**UMH PROPERTIES, INC.****SCHEDULE III****REAL ESTATE AND ACCUMULATED DEPRECIATION****DECEMBER 31, 2014**

| <b>Column A<br/>Description</b> |                     | <b>Column E (6) (7)<br/>Gross Amount at Which Carried at 12/31/14</b> |  |               | <b>Column F</b>                     |
|---------------------------------|---------------------|---|--|---------------|-------------------------------------|
| <b>Name</b>                     | <b>Location</b>     | <b>Land</b>   | <b>Site, Land<br/>&amp; Building<br/>Improvements<br/>and Rental Homes</b> | <b>Total</b>  | <b>Accumulated<br/>Depreciation</b> |
| Allentown                       | Memphis, TN         | \$ 480,000  | \$ 10,609,460  | \$ 11,089,460 | \$ 4,411,922                        |
| Auburn Estates                  | Orrville, OH        | 114,000   | 1,341,500  | 1,455,500     | 53,598                              |
| Birchwood<br>Farms              | Birch Run, MI       | 70,000  | 3,329,478  | 3,399,478     | 255,376                             |
| Broadmore<br>Estates            | Goshen, IN          | 1,120,000   | 12,863,638   | 13,983,638    | 895,695                             |
| Brookside<br>Village            | Berwick, PA         | 372,000   | 5,415,151  | 5,787,151     | 731,483                             |
| Brookview<br>Village            | Greenfield Ctr, NY  | 122,865   | 3,841,132  | 3,963,997     | 1,956,851                           |
| Carsons                         | Chambersburg, PA    | 176,000   | 2,861,569  | 3,037,569     | 223,159                             |
| Cedarcrest                      | Vineland, NJ        | 408,206   | 3,824,562  | 4,232,768     | 2,575,753                           |
| Chambersburg I<br>& II          | Chambersburg, PA    | 108,000   | 2,644,338  | 2,752,338     | 222,658                             |
| Chelsea                         | Sayre, PA           | 124,000   | 2,327,421  | 2,451,421     | 186,335                             |
| City View                       | Lewistown, PA       | 137,000   | 1,557,226  | 1,694,226     | 110,796                             |
| Clinton                         | Tiffin, OH          | 142,000   | 3,371,322  | 3,513,322     | 397,120                             |
| Collingwood                     | Horseheads, NY      | 196,000   | 3,002,128  | 3,198,128     | 224,293                             |
| Colonial Heights                | Wintersville, OH    | 67,000  | 4,722,241  | 4,789,241     | 319,009                             |
| Countryside<br>Estates          | Muncie, IN          | 174,000   | 3,480,975  | 3,654,975     | 279,946                             |
| Countryside<br>Estates          | Ravenna, OH         | 205,000   | 3,236,773  | 3,441,773     | 93,711                              |
| Countryside<br>Village          | Columbia, TN        | 394,000   | 10,097,292   | 10,491,292    | 1,197,084                           |
| Cranberry<br>Village            | Cranberry Twp, PA   | 181,930   | 4,373,417  | 4,555,347     | 2,478,191                           |
| Crestview                       | Sayre, PA           | 363,000   | 2,580,236  | 2,943,236     | 208,796                             |
| Cross Keys<br>Village           | Duncansville, PA    | 60,774  | 2,627,163  | 2,687,937     | 1,026,981                           |
| Dallas Mobile<br>Home           | Toronto, OH         | 275,600   | 2,744,052  | 3,019,652     | 50,465                              |
| Deer Meadows                    | New Springfield, OH | 226,000   | 2,505,326  | 2,731,326     | 74,714                              |

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|                     |                      |           |            |            |           |
|---------------------|----------------------|-----------|------------|------------|-----------|
| D&R Village         | Clifton Park, NY     | 391,724   | 3,460,919  | 3,852,643  | 1,726,688 |
| Evergreen Estates   | Lodi, OH             | 99,000    | 1,181,214  | 1,280,214  | 35,265    |
| Evergreen Manor     | Bedford, OH          | 49,000    | 2,395,492  | 2,444,492  | 87,038    |
| Evergreen Village   | Mantua, OH           | 105,000   | 1,489,280  | 1,594,280  | 42,236    |
| Fairview Manor      | Millville, NJ        | 2,534,892 | 7,941,682  | 10,476,574 | 4,270,502 |
| Forest Creek        | Elkhart, IN          | 440,000   | 7,869,604  | 8,309,604  | 589,049   |
| Forest Park Village | Cranberry Twp, PA    | 75,000    | 5,644,683  | 5,719,683  | 2,437,412 |
| Frieden Manor       | Schuylkill Haven, PA | 643,000   | 5,983,295  | 6,626,295  | 501,251   |
| Green Acres         | Chambersburg, PA     | 63,000    | 589,557    | 652,557    | 51,584    |
| Gregory Courts      | Honey Brook, PA      | 370,000   | 1,281,433  | 1,651,433  | 84,706    |
| Hayden Heights      | Dublin, OH           | 248,100   | 2,244,876  | 2,492,976  | 39,748    |
| Heather Highlands   | Inkerman, PA         | 572,500   | 8,065,804  | 8,638,304  | 3,976,279 |
| Highland            | Elkhart, IN          | 510,000   | 7,773,293  | 8,283,293  | 567,895   |
| Highland Estates    | Kutztown, PA         | 404,239   | 12,018,691 | 12,422,930 | 5,355,140 |
| Hillside Estates    | Greensburg, PA       | 483,600   | 2,833,079  | 3,316,679  | 51,554    |
| Holiday             | Nashville, TN        | 1,632,000 | 8,645,213  | 10,277,213 | 449,681   |
| Hudson Estates      | Peninsula, OH        | 141,000   | 3,941,356  | 4,082,356  | 111,142   |
| Independence Park   | Clinton, OH          | 686,400   | 2,830,902  | 3,517,302  | 52,591    |
| Kinnebrook          | Monticello, NY       | 352,972   | 9,005,997  | 9,358,969  | 3,833,077 |
| Lake Sherman        | Navarre, OH          | 290,000   | 7,952,938  | 8,242,938  | 2,905,512 |
| Laurel Woods        | Cresson, PA          | 432,700   | 4,329,077  | 4,761,777  | 1,544,649 |
| Little Chippewa     | Orrville, OH         | 113,000   | 1,438,129  | 1,551,129  | 49,565    |
| Maple Manor         | Taylor, PA           | 674,000   | 11,165,627 | 11,839,627 | 1,503,215 |

Table of Contents**UMH PROPERTIES, INC.****SCHEDULE III****REAL ESTATE AND ACCUMULATED DEPRECIATION****DECEMBER 31, 2014**

| Column A<br>Description |                       | Column E (6) (7)<br>Gross Amount at Which Carried at 12/31/14 |  |                | Column F                    |
|-------------------------|-----------------------|---|--|----------------|-----------------------------|
| Name                    | Location              | Land  | Site, Land<br>& Building<br>Improvements<br>and Rental Homes | Total          | Accumulated<br>Depreciation |
| Meadowood               | New Middletown,<br>OH | \$ 152,000\$  | 4,409,816  | \$ 4,561,816\$ | 356,493                     |
| Melrose Village         | Wooster, OH           | 767,000   | 6,226,370  | 6,993,370      | 229,927                     |
| Melrose West            | Wooster, OH           | 94,000  | 1,050,633  | 1,144,633      | 41,278                      |
| Memphis Mobile          | Memphis, TN           | 335,935   | 1,505,912  | 1,841,847      | 1,161,152                   |
| Monroe Valley           | Ephrata, PA           | 114,000   | 1,239,557  | 1,353,557      | 101,446                     |
| Moosic Heights          | Avoca, PA             | 330,000   | 4,507,013  | 4,837,013      | 596,707                     |
| Mountaintop             | Ephrata, PA           | 134,000   | 2,051,890  | 2,185,890      | 161,274                     |
| Mountain View           | Coxsackie, NY         | 2,218,800   | 1,036,683  | 3,255,483      | 142,831                     |
| Oak Ridge Estates       | Elkhart, IN           | 500,000   | 9,014,055  | 9,514,055      | 643,903                     |
| Oakwood Lake            | Tunkhannock, PA       | 379,000   | 1,949,990  | 2,328,990      | 268,677                     |
| Olmsted Falls           | Olmsted Falls, OH     | 569,000   | 3,709,638  | 4,278,638      | 264,561                     |
| Oxford Village          | West Grove, PA        | 155,000   | 2,610,920  | 2,765,920      | 1,861,355                   |
| Pine Ridge/Manor        | Carlisle, PA          | 145,473   | 6,810,277  | 6,955,750      | 2,167,988                   |
| Pine Valley Estates     | Apollo, PA            | 732,089   | 4,793,022  | 5,525,111      | 1,900,600                   |
| Pleasant View Estates   | Bloomsburg, PA        | 282,000   | 2,775,363  | 3,057,363      | 365,881                     |
| Port Royal Village      | Belle Vernon, PA      | 505,000   | 11,861,680   | 12,366,680     | 5,249,997                   |
| River Valley Estates    | Marion, OH            | 236,000   | 5,819,053  | 6,055,053      | 2,803,077                   |
| Rolling Hills Estates   | Carlisle, PA          | 301,000   | 1,926,712  | 2,227,712      | 115,523                     |
| Rostraver Estates       | Belle Vernon, PA      | 813,600   | 2,261,936  | 3,075,536      | 47,589                      |
| Sandy Valley Estates    | Magnolia, OH          | 270,000   | 7,545,138  | 7,815,138      | 3,868,316                   |
| Shady Hills             | Nashville, TN         | 337,000   | 5,327,025  | 5,664,025      | 565,276                     |
| Somerset/Whispering     | Somerset, PA          | 1,488,600   | 7,427,003  | 8,915,603      | 2,200,359                   |
| Southern Terrace        | Columbiana, OH        | 63,000  | 3,593,625  | 3,656,625      | 297,702                     |
| Southwind Village       | Jackson, NJ           | 100,095   | 2,941,356  | 3,041,451      | 1,843,215                   |
| Spreading Oaks          | Athens, OH            | 67,000  | 3,289,381  | 3,356,381      | 1,263,843                   |
| Suburban Estates        | Greensburg, PA        | 299,000   | 6,862,933  | 7,161,933      | 1,012,803                   |
| Summit Estates          | Ravenna, OH           | 198,000   | 2,965,549  | 3,163,549      | 87,990                      |
| Sunny Acres             | Somerset, PA          | 287,000   | 6,599,732  | 6,886,732      | 1,051,390                   |
| Sunnyside               | Eagleville, PA        | 450,000   | 2,661,341  | 3,111,341      | 177,682                     |
| Trailmont               | Goodlettsville, TN    | 411,000   | 4,000,953  | 4,411,953      | 389,129                     |
| Twin Oaks I & II        | Olmsted Twp, OH       | 998,000   | 4,321,541  | 5,319,541      | 321,272                     |
| Twin Pines              | Goshen, IN            | 650,000   | 7,339,172  | 7,989,172      | 482,924                     |

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|                     |                 |               |                |                |               |
|---------------------|-----------------|---------------|----------------|----------------|---------------|
| Valley High         | Ruffs Dale, PA  | 284,000       | 2,317,612      | 2,601,612      | 43,488        |
| Valley Hills        | Ravenna, OH     | 996,000       | 7,549,040      | 8,545,040      | 213,962       |
| Valley View-I       | Ephrata, PA     | 191,000       | 4,914,107      | 5,105,107      | 409,151       |
| Valley View-II      | Ephrata, PA     | 72,000        | 1,748,508      | 1,820,508      | 153,686       |
| Valley View-Danboro | Doylestown, PA  | 2,650,000     | 8,254,008      | 10,904,008     | 550,226       |
| Valley View-HB      | Honey Brook, PA | 1,380,000     | 5,505,821      | 6,885,821      | 391,197       |
| Waterfalls Village  | Hamburg, NY     | 424,000       | 6,165,158      | 6,589,158      | 2,895,919     |
| Weatherly Estates   | Lebanon, TN     | 1,184,000     | 8,333,648      | 9,517,648      | 1,947,596     |
| Woodland Manor      | West Monroe, NY | 77,000        | 2,334,572      | 2,411,572      | 666,277       |
| Woodlawn Village    | Eatontown, NJ   | 135,420       | 1,322,093      | 1,457,513      | 615,534       |
| Wood Valley         | Caledonia, OH   | 260,000       | 5,083,514      | 5,343,514      | 2,186,870     |
| Youngstown Estates  | Youngstown, NY  | 269,000       | 1,629,054      | 1,898,054      | 64,132        |
|                     |                 | \$ 39,133,514 | \$ 409,030,945 | \$ 448,164,459 | \$ 90,419,913 |

Table of Contents**UMH PROPERTIES, INC.****SCHEDULE III****REAL ESTATE AND ACCUMULATED DEPRECIATION****DECEMBER 31, 2014**

| <b>Column A<br/>Description</b> |                      | <b>Column G</b>                 | <b>Column H</b>          | <b>Column I</b>             |
|---------------------------------|----------------------|---------------------------------|--------------------------|-----------------------------|
| <b>Name</b>                     | <b>Location</b>      | <b>Date of<br/>Construction</b> | <b>Date<br/>Acquired</b> | <b>Depreciable<br/>Life</b> |
| Allentown                       | Memphis, TN          | prior to 1980                   | 1986                     | 5 to 27.5                   |
| Auburn Estates                  | Orrville, OH         | 1971/1985/1995                  | 2013                     | 5 to 27.5                   |
| Birchwood Farms                 | Birch Run, MI        | 1976-1977                       | 2013                     | 5 to 27.5                   |
| Broadmore Estates               | Goshen, IN           | 1950/1990                       | 2013                     | 5 to 27.5                   |
| Brookside Village               | Berwick, PA          | 1973-1976                       | 2010                     | 5 to 27.5                   |
| Brookview Village               | Greenfield Ctr, NY   | prior to 1970                   | 1977                     | 5 to 27.5                   |
| Carsons                         | Chambersburg, PA     | 1963                            | 2012                     | 5 to 27.5                   |
| Cedarcrest                      | Vineland, NJ         | 1973                            | 1986                     | 27.5                        |
| Chambersburg I & II             | Chambersburg, PA     | 1955                            | 2012                     | 5 to 27.5                   |
| Chelsea                         | Sayre, PA            | 1972                            | 2012                     | 5 to 27.5                   |
| City View                       | Lewistown, PA        | prior to 1980                   | 2011                     | 5 to 27.5                   |
| Clinton                         | Tiffin, OH           | 1968/1987                       | 2011                     | 27.5                        |
| Collingwood                     | Horseheads, NY       | 1970                            | 2012                     | 5 to 27.5                   |
| Colonial Heights                | Wintersville, OH     | 1972                            | 2012                     | 5 to 27.5                   |
| Countryside Estates             | Muncie, IN           | 1996                            | 2012                     | 5 to 27.5                   |
| Countryside Estates             | Ravenna, OH          | 1972                            | 2014                     | 5 to 27.5                   |
| Countryside Village             | Columbia, TN         | 1988/1992                       | 2011                     | 5 to 27.5                   |
| Cranberry Village               | Cranberry Twp, PA    | 1974                            | 1986                     | 5 to 27.5                   |
| Crestview                       | Sayre, PA            | 1964                            | 2012                     | 5 to 27.5                   |
| Cross Keys Village              | Duncansville, PA     | 1961                            | 1979                     | 5 to 27.5                   |
| Dallas Mobile Home              | Toronto, OH          | 1950-1957                       | 2014                     | 5 to 27.5                   |
| Deer Meadows                    | New Springfield, OH  | 1973                            | 2014                     | 5 to 27.5                   |
| D&R Village                     | Clifton Park, NY     | 1972                            | 1978                     | 5 to 27.5                   |
| Evergreen Estates               | Lodi, OH             | 1965                            | 2014                     | 5 to 27.5                   |
| Evergreen Manor                 | Bedford, OH          | 1960                            | 2014                     | 5 to 27.5                   |
| Evergreen Village               | Mantua, OH           | 1960                            | 2014                     | 5 to 27.5                   |
| Fairview Manor                  | Millville, NJ        | prior to 1980                   | 1985                     | 5 to 27.5                   |
| Forest Creek                    | Elkhart, IN          | 1996-1997                       | 2013                     | 5 to 27.5                   |
| Forest Park Village             | Cranberry Twp, PA    | prior to 1980                   | 1982                     | 5 to 27.5                   |
| Frieden Manor                   | Schuylkill Haven, PA | 1969                            | 2012                     | 5 to 27.5                   |
| Green Acres                     | Chambersburg, PA     | 1978                            | 2012                     | 27.5                        |
| Gregory Courts                  | Honey Brook, PA      | 1970                            | 2013                     | 5 to 27.5                   |
| Hayden Heights                  | Dublin, OH           | 1973                            | 2014                     | 5 to 27.5                   |
| Heather Highlands               | Inkerman, PA         | 1970                            | 1992                     | 5 to 27.5                   |
| Highland                        | Elkhart, IN          | 1969                            | 2013                     | 5 to 27.5                   |



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|                   |                |               |      |           |
|-------------------|----------------|---------------|------|-----------|
| Highland Estates  | Kutztown, PA   | 1971          | 1979 | 5 to 27.5 |
| Hillside Estates  | Greensburg, PA | 1980          | 2014 | 5 to 27.5 |
| Holiday           | Nashville, TN  | 1967          | 2013 | 5 to 27.5 |
| Hudson Estates    | Peninsula, OH  | 1956          | 2014 | 5 to 27.5 |
| Independence Park | Clinton, PA    | 1987          | 2014 | 5 to 27.5 |
| Kinnebrook        | Monticello, NY | 1972          | 1988 | 5 to 27.5 |
| Lake Sherman      | Navarre, OH    | prior to 1980 | 1987 | 5 to 27.5 |
| Laurel Woods      | Cresson, PA    | prior to 1980 | 2001 | 5 to 27.5 |
| Little Chippewa   | Orrville, OH   | 1968          | 2013 | 5 to 27.5 |
| Maple Manor       | Taylor, PA     | 1972          | 2010 | 5 to 27.5 |

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| <b>Column A<br/>Description</b> |                    | <b>Column G</b>                 | <b>Column H</b>          | <b>Column I</b>             |
|---------------------------------|--------------------|---------------------------------|--------------------------|-----------------------------|
| <b>Name</b>                     | <b>Location</b>    | <b>Date of<br/>Construction</b> | <b>Date<br/>Acquired</b> | <b>Depreciable<br/>Life</b> |
| Meadowood                       | New Middletown, OH | 1957                            | 2012                     | 5 to 27.5                   |
| Melrose Village                 | Wooster, OH        | 1970-1978                       | 2013                     | 5 to 27.5                   |
| Melrose West                    | Wooster, OH        | 1995                            | 2013                     | 27.5                        |
| Memphis Mobile                  | Memphis, TN        | 1955                            | 1985                     | 27.5                        |
| Monroe Valley                   | Ephrata, PA        | 1969                            | 2012                     | 5 to 27.5                   |
| Moosic Heights                  | Avoca, PA          | 1972                            | 2010                     | 5 to 27.5                   |
| Mountaintop                     | Ephrata, PA        | 1972                            | 2012                     | 5 to 27.5                   |
| Mountain View                   | Coxsackie, NY      | N/A                             | 2005                     | 5 to 27.5                   |
| Oak Ridge Estates               | Elkhart, IN        | 1990                            | 2013                     | 5 to 27.5                   |
| Oakwood Lake                    | Tunkhannock, PA    | 1972                            | 2010                     | 5 to 27.5                   |
| Olmsted Falls                   | Olmsted Falls, OH  | 1953/1970                       | 2012                     | 27.5                        |
| Oxford Village                  | West Grove, PA     | 1971                            | 1974                     | 5 to 27.5                   |
| Pine Ridge/Manor                | Carlisle, PA       | 1961                            | 1969                     | 5 to 27.5                   |
| Pine Valley Estates             | Apollo, PA         | prior to 1980                   | 1995                     | 5 to 27.5                   |
| Pleasant View Estates           | Bloomsburg, PA     | 1960's                          | 2010                     | 5 to 27.5                   |
| Port Royal Village              | Belle Vernon, PA   | 1973                            | 1983                     | 5 to 27.5                   |
| River Valley Estates            | Marion, OH         | 1950                            | 1986                     | 5 to 27.5                   |
| Rolling Hills Estates           | Carlisle, PA       | 1972-1975                       | 2013                     | 5 to 27.5                   |
| Rostraver Estates               | Belle Vernon, PA   | 1970                            | 2014                     | 5 to 27.5                   |
| Sandy Valley Estates            | Magnolia, OH       | prior to 1980                   | 1985                     | 5 to 27.5                   |
| Shady Hills                     | Nashville, TN      | 1954                            | 2011                     | 5 to 27.5                   |
| Somerset/Whispering             | Somerset, PA       | prior to 1980                   | 2004                     | 27.5                        |
| Southern Terrace                | Columbiana, OH     | 1983                            | 2012                     | 27.5                        |
| Southwind Village               | Jackson, NJ        | 1969                            | 1969                     | 5 to 27.5                   |
| Spreading Oaks                  | Athens, OH         | prior to 1980                   | 1996                     | 5 to 27.5                   |
| Suburban Estates                | Greensburg, PA     | 1968/1980                       | 2010                     | 5 to 27.5                   |
| Summit Estates                  | Ravenna, OH        | 1969                            | 2014                     | 5 to 27.5                   |
| Sunny Acres                     | Somerset, PA       | 1970                            | 2010                     | 5 to 27.5                   |
| Sunnyside                       | Eagleville, PA     | 1960                            | 2013                     | 5 to 27.5                   |
| Trailmont                       | Goodlettsville, TN | 1964                            | 2011                     | 5 to 27.5                   |
| Twin Oaks I & II                | Olmsted Twp, OH    | 1952/1997                       | 2012                     | 5 to 27.5                   |
| Twin Pines                      | Goshen, IN         | 1956/1990                       | 2013                     | 5 to 27.5                   |
| Valley High                     | Ruffs Dale, PA     | 1974                            | 2014                     | 5 to 27.5                   |
| Valley Hills                    | Ravenna, OH        | 1960-1970                       | 2014                     | 5 to 27.5                   |
| Valley View-I                   | Ephrata, PA        | 1961                            | 2012                     | 5 to 27.5                   |

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|                     |                 |               |      |           |
|---------------------|-----------------|---------------|------|-----------|
| Valley View-II      | Ephrata, PA     | 1999          | 2012 | 5 to 27.5 |
| Valley View-Danboro | Doylestown, PA  | 1959          | 2013 | 5 to 27.5 |
| Valley View-HB      | Honey Brook, PA | 1970          | 2013 | 5 to 27.5 |
| Waterfalls Village  | Hamburg, NY     | prior to 1980 | 1997 | 5 to 27.5 |
| Weatherly Estates   | Lebanon, TN     | 1997          | 2006 | 5 to 27.5 |
| Woodland Manor      | West Monroe, NY | prior to 1980 | 2003 | 5 to 27.5 |
| Woodlawn Village    | Eatontown, NJ   | 1964          | 1978 | 5 to 27.5 |
| Wood Valley         | Caledonia, OH   | prior to 1980 | 1996 | 5 to 27.5 |
| Youngstown Estates  | Youngstown, NY  | 1963          | 2013 | 5 to 27.5 |

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**UMH PROPERTIES, INC.**

**SCHEDULE III**

**REAL ESTATE AND ACCUMULATED DEPRECIATION**

**DECEMBER 31, 2014**

- (1) Represents one mortgage note payable secured by two properties.
- (2) Represents one mortgage note payable secured by five properties.
- (3) Represents one mortgage note payable secured by eleven properties.
- (4) Represents one mortgage note payable secured by two properties.
- (5) Represents one mortgage note payable secured by five properties.
- (6) Represents one mortgage not payable secured by thirteen properties.
- (7) Represents one mortgage note payable secured by two properties.
- (8) Represents one mortgage note payable secured by four properties.
- (9) Represents one mortgage note payable secured by five properties.
- (10) Represents one mortgage note payable secured by three properties.
- (11) Reconciliation

**/-----FIXED ASSETS-----/  
 12/31/14      12/31/13      12/31/12**

Balance –  
 Beginning of Year    \$365,824,412    \$253,490,055    \$191,252,542

|                       |               |               |               |
|-----------------------|---------------|---------------|---------------|
| Additions:            |               |               |               |
| Acquisitions          | 42,422,064    | 88,211,013    | 47,376,000    |
| Improvements          | 40,798,234    | 26,041,264    | 16,121,717    |
| Total Additions       | 83,220,298    | 114,252,277   | 63,497,717    |
| Deletions             | (880,251)     | (1,917,920)   | (1,260,204)   |
| Balance – End of Year | \$448,164,459 | \$365,824,412 | \$253,490,055 |

**/-----ACCUMULATED  
DEPRECIATION-----/  
12/31/14      12/31/13      12/31/12**

|                       |              |              |              |
|-----------------------|--------------|--------------|--------------|
| Balance –             |              |              |              |
| Beginning of Year     | \$76,435,743 | \$65,658,602 | \$58,994,093 |
| Additions:            |              |              |              |
| Depreciation          | 14,341,575   | 11,318,194   | 6,869,251    |
| Total Additions       | 14,341,575   | 11,318,194   | 6,869,251    |
| Deletions             | (357,405)    | (541,053)    | (204,742)    |
| Balance – End of Year | \$90,419,913 | \$76,435,743 | \$65,658,602 |

(12) The aggregate cost for Federal tax purposes approximates historical cost.

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**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities and Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

UMH PROPERTIES, INC.

BY: /s/Samuel A. Landy

SAMUEL A. LANDY  
President, Chief Executive Officer and Director

(Principal Executive Officer)

BY: /s/Anna T. Chew

ANNA T. CHEW  
Vice President, Chief Financial and Accounting Officer, Treasurer and Director

(Principal Financial and Accounting Officer)

Dated: March 10, 2015

Pursuant to the requirements of the Securities and Exchange Act of 1934, as amended, this report has been duly signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

|                           | <u>Title</u>                       | <u>Date</u>           |
|---------------------------|------------------------------------|-----------------------|
| <u>/s/Eugene W. Landy</u> | Chairman of the Board              | <u>March 10, 2015</u> |
| EUGENE W. LANDY           |                                    |                       |
| <u>/s/Samuel A. Landy</u> | President, Chief Executive Officer |                       |
| SAMUEL A. LANDY           | and Director                       | <u>March 10, 2015</u> |
| <u>/s/Anna T. Chew</u>    | Vice President,                    | <u>March 10, 2015</u> |

ANNA T. CHEW Chief Financial and Accounting  
Officer, Treasurer and Director

/s/Jeffrey A. Carus  
JEFFREY A. CARUS Director March 10, 2015

/s/Matthew Hirsch  
MATTHEW HIRSCH Director March 10, 2015

/s/Michael P. Landy  
MICHAEL P. LANDY Director March 10, 2015

/s/Stuart Levy  
STUART LEVY Director March 10, 2015

/s/James E. Mitchell  
JAMES E. MITCHELL Director March 10, 2015

/s/Richard H. Molke  
RICHARD H. MOLKE Director March 10, 2015

/s/Stephen B. Wolgin  
STEPHEN B. WOLGIN Director March 10, 2015

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