

UMH PROPERTIES, INC.
Form 10-K/A
March 16, 2012

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K/A

(Amendment No. 1)

[X]

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

For the fiscal year ended December 31, 2011

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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 X.

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

Large accelerated filer

Accelerated filer

X

Non-accelerated filer

Smaller reporting company

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

Based upon the assumption that directors and executive officers of the registrant are not affiliates of the registrant, the aggregate market value of the voting stock of the registrant held by nonaffiliates of the registrant at June 30, 2011 was \$155,636,604. 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, 2011 was \$131,451,191.

The number of shares outstanding of issuer's common stock as of March 4, 2012 was 15,610,383 shares.

Documents Incorporated by Reference:

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Part III incorporates certain information by reference from the Registrant's proxy statement for the 2012 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, 2011.

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

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EXPLANATORY NOTE

UMH Properties, Inc. (the Company) is filing this Amendment No. 1 on Form 10-K/A (Amendment No. 1) solely to include Exhibit 32, the Exhibit was inadvertently omitted from the original Annual Report on Form 10-K for the fiscal year ended December 31, 2011. This Amendment No. 1 makes no other changes to the Annual Report on Form 10-K as filed with the Securities and Exchange Commission on March 15, 2012.

Exhibit 32 provides the CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002.

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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 subsidiaries, unless the context requires otherwise.

UMH Properties, Inc. owns and operates forty manufactured home communities containing approximately 8,900 developed sites. The communities are located in New Jersey, New York, Ohio, Pennsylvania and Tennessee. The Company, through its wholly-owned taxable subsidiary, UMH Sales and Finance, Inc. (S&F), conducts manufactured home sales in its communities. Inherent in the operation of manufactured home communities is site vacancies. S&F was established to fill these vacancies and potentially enhance the value of the communities.

In January 2012, the Company acquired Countryside Estates, a 90-site manufactured home community situated on approximately 64 acres, located in Muncie, Indiana, for a purchase price of \$2,100,000. With this purchase, UMH now owns forty-one manufactured home communities consisting of approximately 9,000 developed sites.

Effective January 1, 1992, the Company elected to be taxed as a real estate investment trust (REIT) under Sections 856-860 of the Internal Revenue Code (the Code), 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 is subject to franchise taxes in some of the states in which the Company owns property.

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. The reincorporation was approved by the Company's shareholders at the Company's annual meeting on August 14, 2003.

United Mobile Homes, Inc. changed its name to UMH Properties, Inc. The name change was unanimously approved by the Company's Board of Directors and effected by the filing of Articles of Amendment to the Company's charter with the State Department of Assessments and Taxation of Maryland to be effective on April 1, 2006. In accordance with Section 2-605 of the Maryland General Corporation Law and the Company's organizational documents, no stockholder vote was required or obtained.

Background

Monmouth Capital Corporation, a publicly-owned Small Business Investment Corporation, that had owned approximately 66% of the Company's stock, spun off to its shareholders in a registered distribution of three shares of UMH Properties, Inc. for each share of Monmouth Capital Corporation. The Company in 1984 and 1985 issued additional shares through rights offerings. The Company has been in operation for forty-four years, the last twenty-six of which have been as a publicly-owned corporation.

Narrative Description of Business

The Company's primary business is the ownership and operation of manufactured home communities leasing manufactured home sites on a month-to-month basis to private manufactured home owners. The Company also leases homes to residents, and through its wholly-owned taxable REIT subsidiary, sells homes to residents and prospective residents of our communities.

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. Manufactured homes, once located, are rarely transported to another site;

typically, a manufactured home remains on site and is sold by its owner to a subsequent occupant. This transaction is commonly handled through a broker in the same manner that a more traditional single-family residence is sold. Each owner of a manufactured home leases the site on which the home is located from the Company.

Manufactured homes are being 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 to 45 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 is generally a more efficient and stream-lined 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. 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, the leases are on a month-to-month or year-to-year basis, renewable upon the consent of both parties. The community manager interviews prospective residents, 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. Effective April 1, 2001, the Company, through its wholly-owned taxable REIT subsidiary, UMH Sales and Finance, Inc. (S&F), began to conduct manufactured home sales, and financing of these sales, in our communities. 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 had operated as part of a group of three public companies (all REITs) which included Monmouth Real Estate Investment Corporation (MREIC) and Monmouth Capital Corporation (MCC). On July 31, 2007, MCC

merged into MREIC. The Company continues to operate in conjunction with MREIC. MREIC invests in long-term net-leased industrial properties leased primarily to investment grade tenants. Some general and administrative expenses are allocated between the Company and MREIC based on use or services provided, pursuant to a cost sharing arrangement. Allocations of salaries and benefits are made between the Company and MREIC based on the amount of the employees' time dedicated to each company. The Company currently has approximately 150 employees.

Additional information about the Company can be found on the Company's website which is located at www.umh.com. The Company's filings with the Securities and Exchange Commission are made available through a link on the Company's website or by contacting Investor Relations.

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. In the past, it has concentrated on the Northeast.

The Company has no restrictions on how it finances new manufactured home communities. It 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.

The Company also invests in both debt and 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. 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 relating to debt securities and market price risk relating to equity securities. From time to time, the Company may use derivative instruments to mitigate interest rate risk. At December 31, 2011 and 2010, the Company had \$43,298,214 and \$28,757,477, respectively, of securities available for sale. Included in these securities are Preferred Stock of \$10,404,609 and \$6,042,931 at December 31, 2011 and 2010, respectively. The unrealized net gain on securities available for sale at December 31, 2011 and 2010 amounted to \$2,461,305 and \$6,450,381, 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 2012 will be approximately \$3,300,000, including approximately \$1,600,000 of improvements relating to Memphis Mobile City (See Note 11 in the Notes to the Consolidated Financial Statements). 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

On March 1, 2012, the Company had approximately 150 employees, including Officers. During the year, the Company hires approximately 40 part-time and full-time temporary employees as lifeguards, grounds keepers and for emergency repairs.

Item 1A Risk Factors

Risks Related to Current Global Financial Conditions

Current economic conditions, including recent volatility in the capital and credit markets, could harm our business, results of operations and financial condition. The United States is continuing to experience the effects of an economic recession, during which the capital and credit markets experienced extreme volatility and disruption. The current economic environment has been affected by dramatic declines in the stock and housing markets, increases in foreclosures, unemployment and living costs as well as limited access to credit. This economic situation has impacted and is expected to continue to impact consumer spending levels. The continued slowness of the recovery could impact the availability and cost of financing for our home-buyers. Additionally, the selling prices of homes that we market may be pressured due to competition from excess inventories of new and pre-owned homes and from foreclosures. This may negatively affect our operations and result in lower sales, occupancy, income and cash flows.

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.

Moreover, difficult conditions in the financial markets and the economy generally, have caused many lenders to suffer substantial losses, thereby causing many financial institutions to seek additional capital, to merge with other institutions and, in some cases, to fail. As a result, the real estate debt markets are continuing to experience a period of uncertainty, which may reduce our access to funding alternatives, or our ability to refinance debt on favorable terms, or at all. In addition, market conditions, such as the current global economic environment, may also hinder our ability to sell strategically identified assets and access the debt and equity capital markets. If these conditions persist, we may need to find alternative ways to access cash to fund our business, including distributions to shareholders. Such alternatives may include, without limitation, curtailing development or redevelopment activity or disposing of one or more of our properties possibly on disadvantageous terms, all of which could adversely affect our profitability. If we are unable to generate, borrow or raise adequate cash to fund our business through traditional or alternative means, our business, operations, financial condition and distribution to shareholders will be adversely affected.

Real Estate Industry Risks

General economic conditions and the concentration of our properties in New Jersey, New York, Ohio, Pennsylvania and Tennessee 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 and Tennessee, 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:

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

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

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the number of repossessed homes in a particular market;

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

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the perceptions by prospective tenants of the safety, convenience and attractiveness of our properties and the neighborhoods where they are located;

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zoning or other regulatory restrictions;

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competition from other available manufactured housing 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 the 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. Furthermore, real estate investments are relatively illiquid and, therefore, will tend to limit our ability to vary our portfolio promptly in response to changes in economic or other conditions.

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 home sales 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;

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an oversupply of, or a reduced demand for, manufactured homes;

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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 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 a 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.

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. Such laws often impose such liability without regard to whether the owner knew of, or was responsible for, the presence of such hazardous substances. The presence of such substances, or the failure to properly remediate such substances, may adversely affect the owner's ability to sell or rent such property, to borrow using such property as collateral or to develop such property. 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 own and operate 17 manufactured home communities which either have their own wastewater treatment facility, 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. In addition, all of our properties have been subject to a Phase I or similar environmental audit (which involves general inspections without soil sampling or ground water analysis) completed by independent environmental consultants, which have not revealed any significant environmental liability that would have a material adverse effect on our business. However, these audits 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 housing 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 housing 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 housing 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. 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 housing 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;

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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;

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even if we are able to acquire a desired property, competition from other real estate investors may significantly increase the purchase price;

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we may be unable to finance acquisitions on favorable terms;

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acquired properties may fail to perform as expected;

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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 occurred, 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 debt and make distributions to our stockholders.

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 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 and 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.

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 credit agreements, our financial condition would be adversely affected.

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. We allow banks and outside finance companies the first opportunity to finance these sales. There is a risk of default in financing these sales. These loans may have higher default rates than we anticipate, and demand for consumer financing may not be as great as we anticipate or may decline.

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.

Risks Associated With Our Preferred Stock

Our ability to pay dividends on the Series A Preferred Stock is limited by the requirements of Maryland law. Our ability to pay dividends on the Series A Preferred Stock is limited by the laws of Maryland. Under Maryland General Corporation Law, a Maryland corporation generally may not make a distribution if, after giving effect to the distribution, the corporation would not be able to pay its debts as the debts become due in the usual course of business, or the corporation's total assets would be less than the sum of its total liabilities plus, unless the corporation's charter provides otherwise, the amount that would be needed, if the corporation were dissolved at the time of the distribution, to satisfy the preferential rights upon dissolution of stockholders whose preferential rights are superior to those receiving the distribution.

Our Series A Preferred Stock has not been rated and is junior to our existing and future debt, and your interest could be diluted by the issuance of additional parity preferred securities and by other transactions. Our Series A Preferred Stock has not been rated by any nationally recognized statistical rating organization, which may negatively

affect its market value and your ability to sell it. It is possible that one or more rating agencies might independently determine to issue such a rating or that such a rating, if issued, could adversely affect the market price of our Series A Preferred Stock. In addition, we may elect in the future to obtain a rating of our Series A Preferred Stock, which could adversely impact its market price. Ratings only reflect the views of the rating agency or agencies issuing the ratings and they could be revised downward or withdrawn entirely at the discretion of the issuing rating agency if in its judgment circumstances so warrant. Any such downward revision or withdrawal of a rating could have an adverse effect on the market price of our Series A Preferred Stock.

The payment of amounts due on the Series A Preferred Stock will be junior to all of our existing and future debt. We may also issue additional shares of Series A Preferred Stock or additional shares of preferred stock in the future which are on a parity with (or, upon the affirmative vote or consent of the holders of two-thirds of the outstanding shares of Series A Preferred Stock, senior to) the Series A Preferred Stock with respect to the payment of dividends and the distribution of assets upon liquidation, dissolution or winding up.

As a holder of Series A Preferred Stock, your voting rights are limited. Your voting rights as a holder of Series A Preferred Stock will be limited. Our common stock is the only class carrying full voting rights. Voting rights for holders of Series A Preferred Stock exist only with respect to amendments to our charter (whether by merger, consolidation or otherwise) that materially and adversely affect the terms of the Series A Preferred Stock, the authorization or issuance of classes or series of equity securities that are senior to the Series A Preferred Stock and, if we fail to pay dividends on the Series A Preferred Stock for six or more quarterly periods (whether or not consecutive), the election of directors. You would not, however, have any voting rights if we amend, alter or repeal the provisions of our charter or the terms of the Series A Preferred Stock in connection with a merger, consolidation, transfer or conveyance of all or substantially all of our assets or otherwise, so long as the Series A Preferred Stock remains outstanding and its terms remain materially unchanged or you receive stock of the successor entity with substantially identical rights, taking into account that, upon the occurrence of an event described in this sentence, we may not be the surviving entity.

The change of control conversion feature may not adequately compensate you upon a Change of Control. The change of control conversion feature may not adequately compensate you upon a Change of Control. In addition, those features of our Series A Preferred Stock may have the effect of inhibiting a third party from making an acquisition proposal for our company or of delaying, deferring or preventing a change in control of our company under circumstances that otherwise could provide the holders of shares of our common stock and Series A Preferred Stock with the opportunity to realize a premium over the then current market price or that holders may otherwise believe is in their best interests.

Other Risks

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. Further, such a loss could be negatively perceived in the capital markets.

We may amend our business policies without your 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 amend 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.

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 and bylaws contain 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 a majority or more of 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 to classify and reclassify any of our unissued shares of capital stock into shares of capital stock with such preferences, rights, powers and restrictions as the Board of Directors may determine. 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, or (d) 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.

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 dividends regularly. Our ability to pay dividends 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 dividends on a regular quarterly basis in the future.

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. 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, and, therefore, distributions may be made from borrowings. The actual amount and timing of distributions 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 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 stockholders would be taxable as ordinary income to the extent of our current and accumulated earnings and profits, although such dividend distributions would be subject to a top federal tax rate of 15%

through 2012. Corporate distributees, however, may be eligible for the dividends received deduction on the distributions, subject to limitations under the Code.

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 would cease to be taxed as a REIT.

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 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.

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.

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 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.

Item 1B Unresolved Staff Comments

None

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 and Tennessee. As of December 31, 2011, the Company owns forty manufactured home communities containing approximately 8,900 developed sites. The following is a brief description of the properties owned by the Company. There is a long-term trend toward larger manufactured homes. Manufactured home communities designed for older manufactured homes must be modified to accommodate modern wider and longer manufactured homes. These changes may decrease the number of homes that may be accommodated in a manufactured home community. The rents collectible from the land ultimately depend on the value of the home and land. Therefore, fewer but more expensive homes can actually produce the same or greater rents. For this reason, the number of developed sites operated by the Company is subject to change, and the number of developed sites listed is always an approximate number.

Name of Community	Number of Developed Sites	Occupied at December 31, 2011	Approximate Monthly Rent Per Site at December 31, 2011
Allentown 4912 Raleigh-Millington Road Memphis, TN 38128	429	377	\$397
Brookside Village 89 Valley Drive Berwick, PA 18603	171	148	\$346
Brookview Village 2025 Route 9N Lot 137 Greenfield Center, NY 12833	132	107	\$420
Cedarcrest 1976 North East Avenue Vineland, NJ 08360	283	276	\$536
City View 20 Grandview Drive Lewistown, PA 17044	59	44	\$185
Clinton Mobile Home Resort 60 N State Route 101 Tiffin, OH 44883	116	113	\$315
Countryside Village 200 Early Road Columbia, TN 38401	348	176	\$310
Cranberry Village 100 Treesdale Drive	195	164	\$491

Cranberry Township, PA 16066

Cross Keys Village	133	85	\$367
259 Brown Swiss Circle			
Duncansville, PA 16635			

Name of Community	Number of Developed Sites	Occupied at December 31, 2011	Approximate Monthly Rent Per Site at December 31, 2011
D & R Village 430 Route 146 Lot 65A Clifton Park, NY 12065	237	206	\$474
Fairview Manor 2110 Mays Landing Road Millville, NJ 08332	318	312	\$545
Forest Park Village 102 Holly Drive Cranberry Township, PA 16066	252	176	\$437
Heather Highlands 109 Main Street Inkerman, PA 18640	404	250	\$353
Highland Estates 60 Old Route 22 Kutztown, PA 19530	326	279	\$491
Kinnebrook 351 State Route 17B Monticello, NY 12701	222	181	\$492
Lake Sherman Village 7227 Beth Avenue, SW Navarre, OH 44662	238	133	\$363
Laurel Woods 1943 St. Joseph Street Cresson, PA 16630	217	150	\$317
Maple Manor 18 Williams Street Taylor, PA 18517	316	257	\$309
Memphis Mobile City 3894 N. Thomas Street Memphis, TN 38127	157	-0-*	\$-0-*
Moosic Heights 118 1st Street Avoca, PA 18641	153	131	\$305

Oakwood Lake Village 308 Gruver Lake Tunkhannock, PA 18657	79	78	\$336
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* Community was closed due to an unusual flood in 2011. While, at this time, we anticipate re-opening Memphis Mobile City, we have not yet reached any final decision as to the future of this community.

Name of Community	Number of Developed Sites	Occupied at December 31, 2011	Approximate Monthly Rent Per Site at December 31, 2011
Oxford Village 2 Dolinger Drive West Grove, PA 19390	224	220	\$547
Pine Ridge Village/Pine Manor 100 Oriole Drive Carlisle, PA 17013	184	129	\$454
Pine Valley Estates 1283 Sugar Hollow Road Apollo, PA 15613	218	121	\$338
Pleasant View Estates 6020 Fort Jenkins Lane Bloomsburg, PA 17815	110	74	\$338
Port Royal Village 485 Patterson Lane Belle Vernon, PA 15012	461	250	\$389
River Valley Estates 2066 Victory Road Marion, OH 43302	231	169	\$322
Sandy Valley Estates 11461 State Route 800 N.E. Magnolia, OH 44643	364	233	\$362
Shady Hills 1508 Dickerson Road #L1 Nashville, TN 37207	212	187	\$364
Somerset Estates/Whispering Pines 1873 Husband Rd Somerset, PA 15501	250	199	\$285/\$375
Southwind Village 435 E. Veterans Highway Jackson, NJ 08527	250	243	\$362
Spreading Oaks Village 7140-29 Selby Road Athens, OH 45701	151	121	\$294
Suburban Estates	201	185	\$299

33 Maruca Drive
Greensburg, PA 15601

Name of Community	Number of Developed Sites	Occupied at December 31, 2011	Approximate Monthly Rent Per Site at December 31, 2011
Sunny Acres 272 Nicole Lane Somerset, PA 15501	207	205	\$288
Trailmont 512 Hillcrest Road Goodlettsville, TN 37072	130	113	\$424
Waterfalls Village 3450 Howard Road Lot 21 Hamburg, NY 14075	201	152	\$466
Weatherly Estates 271 Weatherly Drive Lebanon, TN 37087	270	192	\$390
Woodland Manor 338 County Route 11, Lot 165 West Monroe, NY 13167	149	67	\$320
Woodlawn Village 265 Route 35 Eatontown, NJ 07724	157	140	\$640
Wood Valley 2 West Street Caledonia, OH 43314	161	82	\$310

The Company actively seeks to have older homes removed from the community and replaced by newer modern homes. During 2011, the Company sold approximately 145 newer homes into our communities. However, overall occupancy remained the same. Homes left the communities for various reasons, including demolished as obsolete. Without the effect of Memphis Mobile City, the Company's occupancy rate has remained relatively stable at 78% at December 31, 2010 and 77% at December 31, 2011. The ability of manufactured home communities to be renewed and upgraded is believed to be a positive factor.

Residents generally rent sites on a month-to-month basis. Some residents have one-year leases. Southwind Village and Woodlawn Village (both in New Jersey) are the only communities subject to local rent control laws.

In connection with the operation of its communities, the Company operates approximately 900 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 for the site which might otherwise be non-income producing. The Company sells the older rental homes when the opportunity arises.

The Company has approximately 1,100 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.

Significant Properties

The Company operates approximately \$191,000,000 (at original cost) in manufactured home properties. These consist of 40 separate manufactured home communities and related improvements. No one community constitutes more than 10% of the total assets of the Company. Port Royal Village with 461 developed sites, Allentown with 429 developed sites, Heather Highlands with 404 developed sites, Sandy Valley Estates with 364 developed sites, Countryside Village with 348 developed sites, Highland Estates with 326 developed sites, Fairview Manor with 318 developed sites, and Maple Manor with 316 developed sites, are the larger properties.

Mortgages on Properties

The Company has mortgages on various properties. The maturity dates of these mortgages range from the year 2012 to 2022. Interest varies from fixed rates of 4.25% to 7.36% and variable rates of prime plus 1.0% to LIBOR plus 4.0%. The weighted-average interest rate on our mortgages was approximately 5.63% at December 31, 2011. The aggregate balances of these mortgages total \$90,282,010 at December 31, 2011. (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 13 of the Notes to Consolidated Financial Statements Commitments, Contingencies and Legal Matters.

Item 4 Mine Safety Disclosures

Not Applicable.

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

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:

	HIGH	2011 LOW	Distribution	HIGH	2010 LOW	Distribution
First Quarter	\$10.76	\$9.44	\$.18	\$8.62	\$7.77	\$.18
Second Quarter	10.75	9.70	.18	10.90	8.12	.18
Third Quarter	11.49	8.71	.18	11.93	9.19	.18
Fourth Quarter	10.50	8.60	<u>.18</u>	11.01	9.50	<u>.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 to the New York Stock Exchange (NYSE) from the NYSE Amex. The Company has retained its stock tickers (NYSE: UMH) for the common shares and (NYSE: UMH Pr A) for the preferred shares.

On March 5, 2012, the closing price of the Company's stock was \$10.16.

As of December 31, 2011, there were approximately 768 registered shareholders of the Company's common stock based on the number of record owners.

For the years ended December 31, 2011 and 2010, total distributions paid by the Company for common stock amounted to \$10,495,037 or \$0.72 per share (\$.29090 taxed as ordinary income, \$.08205 taxed as capital gains and \$.34705 as a return of capital) and \$9,216,462 or \$0.72 per share (\$.45866 taxed as ordinary income, \$.16367 taxed as capital gains and \$.09767 as a return of capital), respectively.

It is the Company's intention to continue distributing quarterly dividends. On January 18, 2012, the Board of Directors declared a cash dividend of \$.18 per share to be paid on March 15, 2012 to common shareholders of record February 15, 2012. 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.

On May 26, 2011, the Company issued 1,338,800 shares of 8.25% Series A Cumulative Redeemable Preferred Stock (Series A Preferred Stock) for net proceeds of \$31,854,328, after underwriting discounts of \$1,054,305 and other expenses, including legal and other professional fees, of \$561,367. MREIC purchased 200,000 shares of Series A Preferred Stock in the offering. Such shares were purchased by MREIC at the same price as other investors in the offering. The annual dividend of \$2.0625 per share or 8.25% of the \$25.00 per share liquidation value, is payable quarterly in arrears on March 15, June 15, September 15, and December 15, commencing on September 15, 2011.

The Series A Preferred Stock, par value \$.10, 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.

For the year ended December 31, 2011, total distributions paid by the Company for preferred stock amounted to \$1,426,659 or \$1.065625 per share (\$.831188 taxed as ordinary income and \$.234437 taxed as capital gains).

On January 18, 2012, the Board of Directors declared a quarterly dividend of \$0.515625 per share for the period from December 1, 2011 through February 29, 2012, on the Company's 8.25% Series A Cumulative Redeemable Preferred Stock payable March 15, 2012 to preferred shareholders of record February 15, 2012. 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 June 29, 2011, 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. Shares of stock repurchased under the repurchase program will be held as treasury shares. There have been no purchases under the repurchase program to date.

Securities Authorized for Issuance Under Equity Compensation Plans

The Company has a Stock Option and Stock Award Plan (the 2003 Plan, as amended and restated) authorizing the grant to officers and key employees of options to purchase up to 1,500,000 shares of common stock. See Note 6 in the Notes to the Consolidated Financial Statements for a description of the plans.

The following table summarizes information, as of December 31, 2011, relating to equity compensation plans of the Company (including individual compensation arrangements) pursuant to which equity securities of the Company are authorized for issuance.

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
(a)	(b)	(c)

Plan Category			
Equity Compensation Plans Approved by Security Holders	750,000	\$12.03	632,188
Equity Compensation Plans not Approved by Security Holders	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Total	<u>750,000</u>	<u>\$12.03</u>	<u>632,188</u>

-

Comparative Stock Performance

The line graph compares the total return of the Company's common stock for the last five years to the FTSE NAREIT ALL REIT Total Return Index published by the National Association of Real Estate Investment Trusts (NAREIT) and to the S&P 500 Index for the same period. 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.

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, 2011. This table should be read in conjunction with all of the financial statements and notes thereto included elsewhere herein.

	2011	2010	2009	2008	2007
Operating Data:					
Rental and Related Income	\$32,990,219	\$27,877,470	\$26,491,999	\$25,542,745	\$23,997,178
Sales of Manufactured Homes	6,323,135	6,133,494	5,527,253	9,560,912	12,672,844
Total Income	39,313,354	34,010,964	32,019,252	35,103,657	36,670,022
Community Operating Expenses	17,758,332	14,870,694	13,200,885	13,083,959	12,633,042
Loss Relating to Flood	984,701	-0-	-0-	-0-	-0-
Total Expenses	37,174,658	30,730,900	26,911,082	30,186,474	32,136,169
Interest and Dividend Income	4,503,237	4,579,668	4,584,917	4,318,512	3,357,524
Gain (Loss) on Securities					
Transactions, net	2,692,649	3,931,880	(1,804,146)	(2,860,804)	(1,398,377)
Interest Expense	5,744,567	5,183,296	4,455,332	4,957,437	4,171,109
Gain (Loss) on Sales of Investment					
Property and Equipment	28,873	(8,244)	179,607	14,661	99,318
Net Income	3,696,263	6,668,915	3,689,388	1,527,150	2,632,741
Net Income Attributable to					
Common Shareholders	2,039,497	6,668,915	3,689,388	1,527,150	2,632,741
Net Income Per Share					
Basic	.25	.52	.32	.14	.25
Diluted	.25	.52	.32	.14	.25
Net Income Attributable to					
Common Shareholders Per Share					
Basic	.14	.52	.32	.14	.25
Diluted	.14	.52	.32	.14	.25

Cash Flow Data:

Net Cash Provided (Used) by:

Operating Activities	\$8,410,892	\$6,481,751	\$11,355,096	\$8,267,886	\$2,766,606
Investing Activities	(39,765,028)	(33,894,219)	(8,288,707)	(11,941,757)	(21,089,748)
Financing Activities	34,491,139	28,553,703	(1,329,854)	4,235,145	18,540,091

Balance Sheet Data:

Total Assets	\$223,944,536	\$188,780,515	\$147,971,540	\$137,939,325	\$136,503,463
Mortgages Payable	90,282,010	90,815,777	70,318,950	65,952,895	61,749,700

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Shareholders Equity	105,877,205	71,927,753	55,971,862	44,721,700	53,995,133
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Other Information:

Average Number of					
Shares Outstanding-Basic	14,506,679	12,767,904	11,412,536	10,876,840	10,535,162
Funds from Operations (1)	\$7,972,962	\$11,193,185	\$7,834,295	\$5,585,059	\$6,191,659
Adjusted Funds from Operations (1)	8,957,663	11,193,185	7,834,295	5,585,059	6,191,659
Cash Dividends Per Common Share	.72	.72	.72	.79	1.00

(1) Funds from Operations (FFO) is defined as net income excluding gains (or losses) from sales of depreciable assets, plus depreciation. FFO should be considered as a supplemental measure of operating performance used by real estate investment trust (REITs). 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 are significant components in understanding and assessing the Company's financial performance. FFO (1) does not represent cash flow from operations as defined by generally accepted accounting principles; (2) 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 (3) is not an alternative to cash flow as a measure of liquidity. FFO, as calculated by the Company, may not be comparable to similarly entitled measures reported by other REITs.

The Company's FFO is calculated as follows:

	2011	2010	2009	2008	2007
Net Income	\$3,696,263	\$6,668,915	\$3,689,388	\$1,527,150	\$2,632,741
Less: Preferred Dividend	(1,656,766)	-0-	-0-	-0-	-0-
Loss (Gain) on Sales of Depreciable Assets	(28,873)	8,244	62,783	(14,661)	(99,318)
Depreciation Expense	5,962,338	4,516,026	4,082,124	4,072,570	3,658,236
FFO (2)	7,972,962	11,193,185	7,834,295	5,585,059	6,191,659
Loss Relating to Flood (1)	984,701	-0-	-0-	-0-	-0-
Adjusted FFO (2)	\$8,957,663	\$11,193,185	\$7,834,295	\$5,585,059	\$6,191,659

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

(2) Includes gain on sale of easement of \$242,390 in 2009.

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

Safe Harbor Statement

Statements contained in this Form 10-K, including the documents that are incorporated by reference, 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). Also, when we use any of the words anticipate, assume, believe, estimate, expect, intends, plans, may, or similar expressions, we are making forward-looking statements. These forward-looking statements are not guaranteed and are based on our current intentions and on our current expectations and assumptions. These statements, intentions, expectations and assumptions involve risks and uncertainties, some of which are beyond our control, which could cause actual results or events to differ materially from those we anticipate or project. Such risks and uncertainties include, but are not limited to, the following:

.
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;

.
our ability to qualify as a real estate investment trust for federal income tax purposes;

.
the ability of manufactured home buyers to obtain financing;

.
the level of repossessions by manufactured home lenders;

.
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 leasing manufactured home spaces on a month-to-month 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. During the year ended December 31, 2011, we have purchased five manufactured home communities with three located in Tennessee for an aggregate purchase price of \$13,300,000, one located in Pennsylvania for a purchase price of \$750,000 and one located in Ohio with a purchase price of \$3,450,000. These acquisitions added approximately 900 developed sites to our portfolio, bringing our total to forty communities containing approximately 8,900 developed sites. Our communities are located in New Jersey, New York, Ohio, Pennsylvania and Tennessee. The Company also invests in debt and equity securities of other REITs.

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. Total income and income from community operations has increased approximately 16% and 17%, respectively, primarily due to the acquisitions in 2010 and 2011. Sales of manufactured homes have stabilized but continue to be disappointing due to weaknesses in the overall economy. 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 continued high unemployment rates, has negatively impacted our sales and our gross profit percentage.

Economic growth in the US economy has moderated and high unemployment rates have persisted. However, activity in our communities has recently increased as conventional home ownership rates continue to fall. In this environment, we are seeing increased demand for rental units and have added a net of approximately 120 rental units to selected communities. We hope to convert renters to new homeowners in the future.

The Company also holds a portfolio of securities of other REITs with a fair value of \$43,298,214 at December 31, 2011. The Company invests in these securities on margin from time to time when the Company can achieve an adequate yield spread. The REIT securities portfolio provides the Company with liquidity and additional income and serves as a proxy for real estate investments. At December 31, 2011, the Company's portfolio consisted of 24% preferred stocks and 76% common stocks. The Company's weighted-average yield on the securities portfolio was approximately 7.3% at December 31, 2011. The Company realized a net gain of \$2,692,649 on securities transactions in 2011 as compared to a net gain of \$3,931,880 during 2010. At December 31, 2011, the Company had unrealized gains of \$2,461,305 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 long-term.

In May 2011, Memphis Mobile City, a 157-site community in Memphis TN, experienced an unusual flood that swept the region. All residents of the community were evacuated. The community remains closed. While, at this time, we anticipate re-opening Memphis Mobile City, we have not yet reached any final decision as to the future of this community. We have recorded a loss of \$984,701 for the estimated amount, net of insurance proceeds, for the loss of inventory, rental homes, and disposal and other costs associated with this event.

In spite of challenges in the broad economy, the Company continues to strengthen its balance sheet. On May 26, 2011, we issued 1,338,800 shares of 8.25% Series A Cumulative Redeemable Preferred Stock for net proceeds of \$31,854,328. With these proceeds, we have purchased five communities and paid down certain loans and mortgages.

We have also closed on a \$9,520,000 mortgage loan, replaced a \$15,000,000 variable rate mortgage with a \$15,500,000 fixed rate mortgage, and have extended our \$5,000,000 unsecured line of credit through August 31, 2012. In addition, we modified and extended our \$10,000,000 revolving line of credit through June 30, 2014. At December 31, 2011, the Company had approximately \$9 million in cash, \$43 million in securities encumbered by \$14 million in margin loans, \$5 million available on its unsecured line of credit and \$2 million available on its revolving line of credit. The Company also has facilities totaling \$5.0 million to finance inventory purchases, of which \$2.4 was utilized.

The Company intends to continue to increase its real estate investments. In 2010 and 2011, we have added twelve manufactured home communities to our portfolio, encompassing approximately 2,100 developed sites. In January 2012, we acquired Countryside Estates, a 90-site manufactured home community situated on approximately 64 acres, located in Muncie, Indiana, for a purchase price of \$2,100,000. We have been positioning ourselves for future growth and will continue to seek opportunistic investments in 2012. The growth of our real estate portfolio depends on the availability of suitable properties which meet the Company's investment criteria and appropriate financing. There is no guarantee that any of these opportunities will materialize or that the Company will be able to take advantage of such opportunities.

The Company believes that funds generated from operations and the DRIP, the funds available on the line 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 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 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, 2011, 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 normally 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, 2011 and 2010, 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.

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.

Results of Operations

Acquisitions in 2011

On June 29, 2011, the Company acquired three manufactured home communities from ARCPA Properties, LLC, an unrelated entity, for a total purchase price of \$13,300,000. The purchase price also included rental homes and equipment. These three all-age communities, Countryside Village in Columbia, Tennessee, Shady Hills in Nashville, Tennessee, and Trailmont in Goodlettsville, Tennessee, total 693 developed sites situated on 209 acres. The average occupancy for these communities is approximately 73%. The Company used proceeds from the preferred stock offering to finance this acquisition.

On October 28, 2011, the Company acquired Clinton Mobile Home Resort from an unrelated entity, for a total purchase price of \$3,450,000. This 55 and older community, located in Tiffin, Ohio, has a total of 116 developed sites situated on 24 acres. The average occupancy for these communities is 98%. The Company used proceeds from the preferred stock offering to finance this acquisition.

On December 14, 2011, the Company acquired City View from an unrelated entity, for a total purchase price of \$750,000. This all-age community, located in Lewistown, Pennsylvania, has a total of 59 developed sites situated on 22 acres. The average occupancy for these communities is 75%. The Company used proceeds from the preferred stock offering to finance this acquisition.

Acquisitions in 2010

On June 4, 2010, the Company acquired two manufactured home communities from ARCPA Properties, LLC, an unrelated entity, for a total purchase price of \$13,200,000. The purchase price also included related notes receivables, rental homes and equipment. Proceeds from homes sold prior to acquisition of approximately \$23,200 have been treated as a reduction in the purchase price. Sunny Acres is a 207 space community located in Somerset, PA. Suburban Estates is a 200 space community located in Greensburg, PA. The Company obtained a \$7,478,250 mortgage from Sun National Bank at a fixed rate of 6.5% which matures on June 1, 2020. The interest rate will reset after five years to the rate the Federal Home Loan Bank of New York charges to its members plus 3%. The Company utilized its margin loan for the remaining purchase price.

On December 15, 2010, the Company acquired five manufactured home communities from ARCPA Properties, LLC, an unrelated entity, for a total purchase price of \$24,250,000. The purchase price also included related notes receivables, rental homes and equipment. Proceeds from homes sold prior to acquisition of approximately \$147,400 have been treated as a reduction in the purchase price. These five all-age communities,

Brookside Village, Maple Manor, Moosic Heights, Oakwood Lake Village and Pleasant View Estates, total 824 developed sites situated on 215 acres. The average occupancy for these communities is approximately 86%. The Company obtained a \$15,000,000 mortgage from KeyBank National Association (KeyBank), borrowed \$3,000,000 on its unsecured line of credit, and took down the balance from its margin line. Interest on the KeyBank mortgage is at LIBOR plus 350 basis points. This mortgage payable is due on December 15, 2013 but may be extended for an additional year. On December 13, 2011, this mortgage was refinanced with Oritani Bank (See Note 5 in the Notes to the Consolidated Financial Statements).

2011 vs. 2010

Rental and related income increased from \$27,877,470 for the year ended December 31, 2010 to \$32,990,219 for the year ended December 31, 2011, or 18%. This increase was due to the acquisitions during 2010 and 2011. This was partially offset by a decrease in occupancy of 82 sites in Memphis Mobile City due to an unusual flood that swept the region. All residents of the community were evacuated. The community remains closed. While, at this time, we anticipate re-opening Memphis Mobile City, we have not yet reached any final decision as to the future of this community. In addition to the loss in rental and related income, we have recorded a loss of \$984,701 for the estimated amount, net of insurance proceeds, for the loss of inventory, rental homes, and disposal and other costs associated with this event.

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. Without the effect of Memphis Mobile City, the Company's occupancy rate has remained relatively stable at 78% at December 31, 2010 and 77% at December 31, 2011. Some of the Company's vacant sites were the results of 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 enhance shareholder value. The Company has faced many challenges in filling vacant homesites due to the current economic environment. Despite selling approximately 145 newer homes into our communities, our occupancy rate did not change. Homes have left the communities for various reasons, including destruction through flood and removal for obsolescence.

Sales of manufactured homes increased from \$6,133,494 for the year ended December 31, 2010 to \$6,323,135 for the year ended December 31, 2011, or 3%. Cost of sales of manufactured homes remained stable at \$5,747,963 and \$5,721,977 for the years ended December 31, 2011 and 2010, respectively. Selling expenses increased from \$1,718,719 for the year ended December 31, 2010 to \$2,104,077 for the year ended December 31, 2011, or 22%. Loss from the sales operations (defined as sales of manufactured homes less cost of sales of manufactured homes less selling expenses) increased from \$1,307,202 for the year ended December 31, 2010 to \$1,528,905 for the year ended December 31, 2011. The losses on sales include selling expenses of approximately \$2,100,000 for the year ended December 31, 2011. Many of these costs, such as rent, salaries, and to an extent, advertising and promotion, are fixed. Adverse conditions have continued to plague the manufactured housing industry and the broader housing market in the U.S. The turmoil in the economy and the financial markets, the inability of our customers to sell their current homes and the decline in consumer confidence have 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), has also increased costs. The gross profit percentage increased from 7% for the year ended December 31, 2010 to 9% for the year ended December 31, 2011. However, because conventional home ownership rates continue to decline, the

Company is optimistic about future sales and rental prospects. 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 \$14,870,694 for the year ended December 31, 2010 to \$17,758,332 for the year ended December 31, 2011, or 19%. This increase was due to the acquisitions during 2010 and 2011.

General and administrative expenses increased from \$3,245,853 for the year ended December 31, 2010 to \$3,979,866 for the year ended December 31, 2011, or 23%. This was primarily due to an increase in personnel costs, including bonuses and restricted stock costs.

Loss relating to flood of \$984,701 represents the estimated amount, net of insurance proceeds, for the loss of inventory, rental homes, and disposal and other costs associated with the unusual flood that occurred at Memphis

Mobile City, a 157-site community in Memphis TN. All residents of the community were evacuated. The community remains closed. While, at this time, we anticipate re-opening Memphis Mobile City, we have not yet reached any final decision as to the future of this community.

Acquisition costs relating to the transaction and due diligence costs associated with the acquisitions of five communities amounted to \$260,463 for the year ended December 31, 2011. These costs would have previously been capitalized.

Depreciation expense increased from \$4,516,026 for the year ended December 31, 2010 to \$5,962,338 for the year ended December 31, 2011, or 32%. This was primarily due to the acquisitions during 2010 and 2011.

Amortization of financing costs increased from \$210,054 for the year ended December 31, 2010 to \$376,918 for the year ended December 31, 2011, or 79%. This was primarily due to the refinancing of the mortgage on five manufactured home communities located in Pennsylvania.

Interest and dividend income remained relatively stable for the year ended December 31, 2011 as compared to the year ended December 31, 2010. The Company's weighted-average yield on the securities portfolio was approximately 7% at both December 31, 2011 and 2010. The Company's average yield on notes receivable was approximately 10% at both December 31, 2011 and 2010.

Gain on securities transactions, net consists of the following:

	2011	2010
Gross realized gains	\$2,692,649	\$3,970,927
Gross realized losses	-0-	(39,047)
Total Gain on Securities Transactions, net	\$2,692,649	\$3,931,880

During 2011 and 2010, the Company recognized a gain on securities transactions of \$2,692,649 and \$3,931,880, respectively. The Company also had an accumulated unrealized gain on its securities portfolio of \$2,461,305 as of December 31, 2011.

Interest expense increased from \$5,183,296 for the year ended December 31, 2010 to \$5,744,567 for the year ended December 31, 2011, or 11%. This was primarily as a result of an increase in the average balance of mortgages and

loans payable. The average balance of our mortgages and loans payable amounted to approximately \$114,000,000 and \$101,000,000 in 2011 and 2010, respectively. Interest capitalized on construction in progress amounted to \$294,150 and \$309,111 for 2011 and 2010, respectively.

Net income decreased from \$6,668,915 for the year ended December 31, 2010 to \$3,696,263 for the year ended December 31, 2011, or 45%. This was primarily due to a decrease in gain on securities transactions and the loss recorded for the flood at Memphis Mobile City.

2010 vs. 2009

Rental and related income increased from \$26,491,999 for the year ended December 31, 2009 to \$27,877,470 for the year ended December 31, 2010, or 5%. Approximately 60% of this increase was due to the acquisition of the seven communities during 2010, and the remainder was due to rental increases to residents. This was partially offset by a decrease in occupancy of 70 sites in one of our communities in Memphis, TN due to a severe flood that swept the region. The Company has been raising rental rates by approximately 3% to 6% annually.

Occupancy, as well as the ability to increase rental rates, directly affects revenues. The Company's occupancy rate has remained relatively stable at 78% from December 2009 through December 2010. Some of the Company's vacant sites were the results of expansions completed during 2008. The Company continues to evaluate further expansion at selected communities in order to increase the number of available sites, obtain efficiencies and enhance shareholder value. The Company has faced many challenges in filling vacant homesites due to the current economic environment. Despite selling approximately 130 newer homes into our communities, our occupancy rate

did not change. Homes have left the communities for various reasons, including destruction through flood and removal for obsolescence. Historically low interest rates have continued to make site-built housing more accessible.

Sales of manufactured homes increased from \$5,527,253 for the year ended December 31, 2009 to \$6,133,494 for the year ended December 31, 2010, or 11%. Cost of sales of manufactured homes increased from \$5,060,631 for the year ended December 31, 2009 to \$5,721,977 for the year ended December 31, 2010, or 13%. Selling expenses increased from \$1,198,921 for the year ended December 31, 2009 to \$1,718,719 for the year ended December 31, 2010, or 43%. Loss from the sales operations (defined as sales of manufactured homes less cost of sales of manufactured homes less selling expenses) increased from \$732,299 for the year ended December 31, 2009 to \$1,307,202 for the year ended December 31, 2010. The losses on sales include selling expenses of approximately \$1,700,000 for the year ended December 31, 2010. Many of these costs, such as rent, salaries, and to an extent, advertising and promotion, are fixed. Adverse conditions have continued to plague the manufactured housing industry and the broader housing market in the U.S. The turmoil in the economy and the financial markets, the inability of our customers to sell their current homes and the decline in consumer confidence have 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), has also increased costs. The gross profit percentage decreased from 8% for the year ended December 31, 2009 to 7% for the year ended December 31, 2010. However, because conventional home ownership rates continue to decline, the Company is optimistic about future sales and rental prospects. 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 \$13,200,885 for the year ended December 31, 2009 to \$14,870,694 for the year ended December 31, 2010, or 13%. Approximately 15% of this increase was due to the acquisition of the seven communities during 2010. The remainder was primarily due to an increase in repairs and maintenance due to the severe winter and spring and an increase in personnel. Additionally, we incurred approximately \$176,000 of flood-related costs (cleanup costs, legal fees, public relations, etc.).

General and administrative expenses increased from \$3,115,501 for the year ended December 31, 2009 to \$3,245,853 for the year ended December 31, 2010, or 4%. This was primarily due to an increase in personnel costs.

Acquisition costs relating to the transaction and due diligence costs associated with the acquisitions of seven communities amounted to \$447,577 for the year ended December 31, 2010. These costs would have previously been capitalized.

Depreciation expense increased from \$4,082,124 for the year ended December 31, 2009 to \$4,516,026 for the year ended December 31, 2010, or 11%. This was primarily due to the acquisition of the two communities in June 2010.

Amortization of financing costs remained relatively stable for the year ended December 31, 2010 as compared to the year ended December 31, 2009.

Interest and dividend income remained relatively stable for the year ended December 31, 2010 as compared to the year ended December 31, 2009. The average balance of securities at December 31, 2010 and 2009 was \$30,290,877 and \$26,699,675. The average balance of notes receivable at December 31, 2010 and 2009 was \$20,954,689 and \$21,978,130, respectively. The Company's weighted-average yield on the securities portfolio was approximately 7% and 8% at December 31, 2010 and 2009, respectively. The Company's average yield on notes receivable was approximately 10% at both December 31, 2010 and 2009.

Gain (loss) on securities transactions, net consists of the following:

	2010	2009
Gross realized gains	\$3,970,927	\$ 706,833
Gross realized losses	(39,047)	(602,181)
Impairment loss	-0-	(1,908,798)
Total Gain (Loss) on Securities Transactions, net	\$3,931,880	(\$1,804,146)

During 2010, the Company recognized a gain on securities transactions of \$3,931,880. The market for REIT securities had significantly improved and the Company took advantage of this. The Company also had an accumulated unrealized gain on its securities portfolio of \$6,450,381 as of December 31, 2010. During 2009, the Company recognized a loss of \$1,804,146, primarily due to write-downs to the carrying value of securities available for sale which were considered other than temporarily impaired.

Interest expense increased from \$4,455,332 for the year ended December 31, 2009 to \$5,183,296 for the year ended December 31, 2010, or 16%. This was primarily as a result of an increase in the average balance of mortgages and loans payable, partially offset by the change in fair value of the Company's interest rate swaps in 2009. The average balance of our mortgages and loans payable amounted to approximately \$101,000,000 and \$89,000,000 in 2010 and 2009, respectively. The change in fair value of the Company's interest rate swaps decreased interest expense by approximately \$391,000 in 2009. Interest capitalized on construction in progress amounted to \$309,111 and \$273,231 for 2010 and 2009, respectively.

Gain (loss) on sale of investment property and equipment decreased from a gain of \$179,607 for the year ended December 31, 2009 to a loss of \$8,244 for the year ended December 31, 2010. This was primarily as a result of the sale of an easement in 2009.

Net income increased from \$3,689,388 for the year ended December 31, 2009 to \$6,668,915 for the year ended December 31, 2010, or 81%. This was primarily due to the gain on securities transactions.

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, 2011:

Contractual Obligations	Total	Less than 1		More than 5	
		year	1-3 years	3-5 years	years
Mortgages Payable	\$90,282,010	\$8,899,127	\$11,366,087	\$4,448,120	\$65,568,676
Operating Lease Obligations	553,600	163,200	334,400	56,000	-0-
Purchase of Property	2,100,000	2,100,000	-0-	-0-	-0-
Retirement Benefits	550,000	50,000	50,000	-0-	450,000
Total	\$93,485,610	\$11,212,327	\$11,750,487	\$4,504,120	\$66,018,676

Mortgages payable represents the principal amounts outstanding based on scheduled payments. The interest rates on these mortgages vary from fixed rates ranging from 4.25% to 7.36% and variable rates of prime plus 1.0% to LIBOR plus 4.0%. The weighted-average interest rate was approximately 5.63% at December 31, 2011. The above table does not include the Company's obligation under short-term borrowings including its loans and lines of credit as described in Note 5 of the Notes to Consolidated Financial Statements.

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 is reimbursed by MREIC.

Purchase of Property represents the purchase of Countryside Estates in Muncie, Indiana. This acquisition was completed on January 12, 2012 (See Note 16 of the Notes to Consolidated Financial Statements).

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 shareholders' equity increased from \$71,927,753 as of December 31, 2010 to \$105,877,205 as of December 31, 2011, primarily due to the issuance of 1,338,800 shares of 8.25% Series A Cumulative Redeemable Preferred Stock for net proceeds of \$31,854,328, issuance of 1,467,214 shares of common stock through the dividend reinvestment and stock purchase plan (DRIP). These increases were partially offset by distributions to our common and preferred shareholders totaling \$11,921,696 and a decrease in the unrealized gain on available for sale securities of \$3,989,076. See further discussion below.

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 DRIP, and access to the capital markets.

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 current global economic situation and turbulence in the capital markets may impact management's ability to grow by acquiring additional properties or REIT securities. Current economic indicators show the U.S. economy to be slowly emerging from a deep and protracted recession. Whether this return to economic growth is sustainable remains to be seen especially in light of the end of the massive government stimulus programs. However, the affordability of our homes and the slow-down in site-built homes should enable the Company to perform well despite the weak economy.

On May 26, 2011, the Company issued 1,338,800 shares of 8.25% Series A Cumulative Redeemable Preferred Stock (Series A Preferred Stock) for net proceeds of \$31,854,328. With these proceeds, we have purchased five communities and paid down certain loans and mortgages.

As of December 31, 2011, the Company had \$8,798,023 of cash and cash equivalents, securities available for sale of \$43,298,214 subject to margin loans totaling \$13,662,267 and \$5,000,000 available on its unsecured line of credit. The margin loans are due on demand and require a coverage ratio of approximately 2 times. The Company also has a \$10,000,000 revolving line of credit for the financing of homes, of which \$7,920,199 was utilized at December 31, 2011. The Company also has revolving credit facilities totaling \$5,000,000 to finance inventory purchases, of which \$2,367,366 was utilized at December 31, 2011. At December 31, 2011, the Company owns forty communities of which twenty are unencumbered. These marketable securities, non-mortgaged properties, and lines of credit provide the Company with additional liquidity. The Company has been raising equity capital through its DRIP and through 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 2011, total investment property and equipment increased 13% or \$23,196,916. The Company made acquisitions of five manufactured home communities totaling approximately 900 developed sites at an aggregate purchase price of approximately \$17,500,000, which were funded primarily from proceeds from the preferred stock offering. The Company plans to continue to acquire additional properties. The funds for these acquisitions may come from bank borrowings and proceeds from the DRIP or 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 debt and equity securities of other REITs for liquidity and additional income. The securities portfolio increased 51% or \$14,540,737 primarily due to purchases of \$21,100,859, partially offset by sales of securities with a cost of \$2,571,046 and a decrease in the unrealized gain of \$3,989,076. The Company from time to time may purchase these securities on margin when there is an adequate yield spread. At December 31, 2011, \$13,662,267 was outstanding on the margin loan. At December 31, 2011, the market value of these securities was \$43,298,214. The Company has an investment in one REIT security which is at a loss of approximately \$900,000 or 38% as of December 31, 2011. The Company has determined that this security was temporarily impaired as of December 31, 2011. Management is continuing to monitor this security for other than temporary impairment under its policy. If the fair value of this security continues to decline or the security is downgraded, then the Company may have to record an impairment loss related to this security in future periods.

Net cash provided by operating activities amounted to \$8,410,892, \$6,481,751 and \$11,355,096 for the years ended December 31, 2011, 2010 and 2009, respectively. These fluctuations were primarily due to the large increase in inventory of manufactured homes in 2010.

Net cash used by investing activities amounted to \$39,765,028, \$33,894,219 and \$8,288,707 for the years ended December 31, 2011, 2010 and 2009, respectively. These fluctuations were primarily due to securities transactions and the purchases of manufactured home communities.

Net cash provided (used) by financing activities amounted to \$34,491,139, \$28,553,703 and (\$1,329,854) for the years ended December 31, 2011, 2010 and 2009, respectively. The increase in 2011 as compared to 2010 was primarily due to proceeds from the issuance of preferred stock offset by the principal payments of mortgages and loans. The increase in 2010 as compared to 2009 was primarily due to the new mortgages on the acquisitions of the seven communities made in 2010, an increase in short-term borrowings and an increase in proceeds from the issuance of common stock.

On March 28, 2011, the Company obtained a \$9,520,000 mortgage on Cedarcrest Village from Oritani Bank. On December 13, 2011, the Company obtained a new \$15,500,000 mortgage loan from Oritani Bank, to refinance the KeyBank mortgage. On February 2, 2012, the Company obtained an \$11,400,000 mortgage on Allentown and Clinton Mobile Home Resort from Bank of America, N.A.

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 of manufactured 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.

The Company has two mortgages totaling approximately \$6.7 million that are due in 2012. One mortgage with a balance of approximately \$4.7 million was repaid in February 2012. Management intends and has the ability to refinance or repay the remaining \$2 million mortgage.

The Company owns approximately 940 rental homes. During 2011, rental homes increased by \$3,502,015. The Company added approximately 120 net rental homes to selected communities to fill demand. The Company tries to sell these rental homes to existing residents. The Company estimates that in 2012 it will purchase approximately 100 manufactured homes to replace these older homes for a total cost of approximately \$3,000,000. Management believes that these manufactured homes will each generate approximately \$300 per month in rental income in addition to lot rent.

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 \$3,300,000, including approximately \$1,600,000 of improvements relating to Memphis Mobile City (See Note 11 in the Notes to the Consolidated Financial Statements) in capital improvements for 2012.

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

Financial Statements.

On January 12, 2012, the Company acquired Countryside Estates, a 90-site manufactured home community situated on approximately 64 acres, located in Muncie, Indiana, for a purchase price of \$2,100,000.

The Company has a Dividend Reinvestment and Stock Purchase Plan (DRIP), in which participants can purchase stock from the Company at a price of approximately 95% of market. During 2011, amounts received, including dividends reinvested of \$1,628,507, amounted to \$13,938,991. During 2011, the Company paid to common shareholders \$10,495,037, including dividends reinvested. It is anticipated, although no assurances can be given, that the level of participation in the DRIP in 2012 will be comparable to 2011. In addition, the Company also paid \$1,426,659 in preferred dividends.

The Company has 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, 2011, the Company had total assets of \$223,944,536 and total liabilities of \$118,067,331. The Company believes that it has the ability to meet its obligations and to generate funds for new investments.

New Accounting Pronouncements

In January 2010, the FASB issued ASU 2010-01, Equity (Topic 505) Accounting for Distributions to Shareholders with Components of Stock and Cash. ASU 2010-01 clarifies that the stock portion of a distribution to shareholders that allows them to elect to receive cash or shares with a potential limitation on the amount of cash that all shareholders can elect to receive is considered a share issuance. ASU 2010-01 is effective for interim and annual periods ending on or after December 15, 2009 and should be applied on a retrospective basis. The adoption of ASU 2010-01 did not have any impact on our financial position, results of operations or cash flows since UMH distributed only cash dividends.

In January 2010, the FASB issued ASU 2010-06, Fair Value Measurements and Disclosures (Topic 820) Improving Disclosures about Fair Value Measurements. This ASU requires new disclosures and clarifies certain existing disclosure requirements about fair value measurements. ASU 2010-06 requires a reporting entity to disclose significant transfers in and out of Level 1 and Level 2 fair value measurements, to describe the reasons for the transfers and to present separately information about purchases, sales, issuances and settlements for fair value measurements using significant unobservable inputs. ASU 2010-06 is effective for interim and annual reporting periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances and settlements in the roll forward of activity in Level 3 fair value measurements, which is effective for interim and annual reporting periods beginning after December 15, 2010; early adoption is permitted. The adoption of ASU 2010-06 did not have a material impact on our financial position, results of operations or cash flows.

In July 2010, the FASB issued ASU 2010-20, Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses, which amends ASC Topic 310, Receivables, which will require significant new disclosures about the allowance for credit losses and the credit quality of an entity's financing receivables. The requirements are intended to enhance transparency regarding credit losses and the credit quality of financing receivables by disclosing an evaluation of (i) the nature of credit risk inherent in the entity's portfolio of financing receivables, (ii) how that risk is analyzed and assessed in arriving at the allowance for credit losses and (iii) the changes and reasons for those changes in the allowance for credit losses. The new and amended disclosures as of the end of a reporting period are effective for interim and annual reporting periods ending on or after December 15, 2010. The new and amended disclosures about activity that occurs during a reporting period are effective for interim and annual reporting periods beginning on or after December 15, 2010. The adoption of ASU 2010-20 did not have a material impact on our financial position, results of operations or cash flows.

In December 2010, the FASB issued ASU 2010-29, Business Combinations (Topic 805) Disclosure of Supplementary Pro Forma Information for Business Combinations. ASU 2010-29 addresses the diversity in practice about the interpretation of the pro forma revenue and earnings disclosure requirements for business combinations. The amendments in ASU 2010-29 specify that if a public entity presents comparative financial statements, the entity should disclose revenue and earnings of the combined entity as though the business combination(s) that occurred during the current year had occurred as of the beginning of the comparable prior annual reporting period only. The amendments in ASU 2010-29 also expand the supplemental pro forma disclosures to include a description of the nature and amount of material, nonrecurring pro forma adjustments directly attributable to the business combination included in the reported pro forma revenue and earnings. The amendments in ASU 2010-29 are effective prospectively for business combinations for which the acquisition date is on or after the beginning of the first annual

reporting period beginning on or after December 15, 2010. The adoption of ASU 2010-29 did not have a material impact on our financial position, results of operations or cash flows.

In May 2011, the FASB issued ASU 2011-04, Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs. The pronouncement was issued to provide a uniform framework for fair value measurements and related disclosures between U.S. GAAP and International Financial Reporting Standards. ASU 2011-04 changes certain fair value measurement principles and enhances the disclosure requirements particularly for Level 3 fair value measurements. This pronouncement is effective for interim and annual reporting periods beginning after December 15, 2011. The adoption of ASU 2011-04 will not have a material impact on our financial position, results of operations or cash flows.

In June 2011, the FASB issued ASU 2011-05, Comprehensive Income (Topic 220): Presentation of Comprehensive Income. ASU 2011-05 allows an entity the option to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous

statement of comprehensive income or in two separate but consecutive statements. In both choices, an entity is required to present each component of net income along with total net income, each component of other comprehensive income along with a total for other comprehensive income, and a total amount for comprehensive income. ASU 2011-05 eliminates the option to present the components of other comprehensive income as part of the statement of changes in stockholders' equity. The amendments to the Codification in the ASU do not change the items that must be reported in other comprehensive income or when an item of other comprehensive income must be reclassified to net income and are effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. The adoption of ASU 2011-05 will not have a material impact on our financial position, results of operations or cash flows.

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. To achieve its objectives, the Company borrows primarily at fixed rates.

The following table sets forth information as of December 31, 2011, concerning the Company's long-term debt obligations, including principal cash flow by scheduled maturity, weighted average interest rates and estimated fair value.

	<u>Fixed Rate Carrying Value</u>	<u>Weighted Average Fixed Interest Rate</u>	<u>Variable Rate Carrying Value</u>	<u>Total Long-Term Debt</u>
2012	\$ 4,744,677	7.36%	\$ 2,031,946	\$ 6,776,623
2013	7,670,858	5.61%	-0-	7,670,858
2014	-0-	-0-	-0-	-0-
2015	-0-	-0-	-0-	-0-
2016	-0-	-0-	-0-	-0-
Thereafter	73,986,971	5.60%	1,847,558	75,834,529
Total	\$86,402,506	5.70%	\$3,879,504	\$90,282,010
Estimated Fair Value	\$89,368,581		\$3,879,504	\$93,248,085

The Company's variable rate long-term debt consists of two mortgage loans with a total balance of \$3,879,504 as of December 31, 2011. Interest rates on these mortgages range from prime plus 1.0% to LIBOR plus 4.0%. If prime or LIBOR increased or decreased by 1%, the Company believes its interest expense would have increased or decreased by approximately \$39,000, based on the balance of variable rate long-term debt outstanding at December 31, 2011.

The Company also has approximately \$24,000,000 in variable rate debt due on demand. This debt primarily consists of \$13,700,000 margin loans secured by marketable securities, \$2,400,000 outstanding on our inventory financing line, \$7,900,000 outstanding on our revolving line of credit to finance home sales. The interest rates on these loans range from 2% to 6.45% at December 31, 2011. The carrying value of the Company's variable rate debt approximates fair value at December 31, 2011. The value of marketable securities was \$43,298,214 as of December 31, 2011.

The Company invests in both debt and equity securities of other REITs and is primarily exposed to market price risk from adverse changes in market rates and conditions. All securities are classified as available for sale and are carried at fair value.

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

2011	March 31	June 30	September 30	December 31
Total Income	\$9,016,454	\$9,605,680	\$9,664,577	\$11,026,643
Total Expenses (2)	8,043,413	8,968,945	9,168,822	10,993,478
Other Income (Expense)	1,143,259	(418,259)	293,836	509,858
Net Income	2,124,864	235,976	792,877	542,546
Net Income (Loss) Attributable				
to Common Shareholders	2,124,864	(40,152)	102,558	(147,773)
Net Income (Loss) Attributable to Common Shareholders per Share				
Basic	.15	-0-	-0-	(.01)
Diluted	.15	-0-	-0-	(.01)
2010	March 31	June 30	September 30	December 31
Total Income	\$8,161,272	\$7,862,640	\$8,470,339	\$9,516,713
Total Expenses	7,143,948	7,136,585	7,674,868	8,775,499
Other Income (Expense)	852,569	755,493	407,877	1,381,156
Net Income	1,884,998	1,472,638	1,197,304	2,113,975
Net Income Attributable to				
Common Shareholders	1,884,998	1,472,638	1,197,304	2,113,975
Net Income (Loss) Attributable to Common Shareholders per Share				
Basic	.15	.12	.09	.16
Diluted	.15	.12	.09	.16

(1)

Fluctuations are primarily due to Gain (Loss) on Securities Transactions, net.

(2)

Includes loss relating to unusual flood at Memphis Mobile City.

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, 2011 and 2010.

Item 9A Controls and Procedures

Disclosure Controls and Procedures

The Company maintains controls and procedures designed to ensure that it is able to collect the information that is required to be disclosed in the reports it files with the SEC, and to process, summarize and disclose this information within the time period specified by the rules of the SEC. The Company's Chief Executive Officer and the Chief Financial Officer are responsible for establishing, maintaining and enhancing these controls and procedures. Based on their evaluation of the Company's disclosure controls and procedures as of December 31, 2011, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective.

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. The Company's internal control system was designed to provide reasonable assurance regarding the preparation and fair presentation of published financial statements. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance regarding the reliability of financial statement preparation and presentation.

Management assessed the Company's internal control over financial reporting as of December 31, 2011. 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. Based on this assessment, management has concluded that the Company's internal control over financial reporting was effective as of December 31, 2011.

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.

(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 internal control over financial reporting as of December 31, 2011, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). 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. 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 reasona