

UMH PROPERTIES, INC.  
Form 10-Q  
May 07, 2009

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

**FORM 10-Q**

( x )

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

For the quarterly period ended March 31, 2009

( )

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

For the transition period from \_\_\_\_\_ 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)

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Juniper Business Plaza, 3499 Route 9 North, Suite 3-C, Freehold, NJ 07728

(Address of Principal Executive Offices) (Zip Code)

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

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(Former name, former address and former fiscal year, if changed since last report.)

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 X 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 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

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Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).

Yes \_\_\_\_\_

No X

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The number of shares outstanding of issuer's common stock as of May 1, 2009 was 11,177,491 shares.

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**UMH PROPERTIES, INC.**

**FORM 10-Q**

**FOR THE QUARTER ENDED MARCH 31, 2009**

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**UMH PROPERTIES, INC.**

**CONSOLIDATED BALANCE SHEETS**

**AS OF MARCH 31, 2009 AND DECEMBER 31, 2008**

|   | March 31,<br>2009<br>(Unaudited) | December 31,<br>2008 |
|---|----------------------------------|----------------------|
| <b>- ASSETS -</b>                               |                                  |                      |
| <b>INVESTMENT PROPERTY AND EQUIPMENT</b>        |                                  |                      |
| Land  | \$ 13,300,614                    | \$ 13,300,614        |
| Site and Land Improvements                      | 89,116,249                       | 88,926,418           |
| Buildings and Improvements                      | 3,996,288                        | 3,990,275            |
| Rental Homes and Accessories                    | 16,198,980                       | 15,814,192           |
| Total Investment Property                       | 122,612,131                      | 122,031,499          |
| Equipment and Vehicles                          | 7,496,326                        | 7,487,571            |
| Total Investment Property and Equipment         | 130,108,457                      | 129,519,070          |
| Accumulated Depreciation                        | (54,070,552)                     | (53,111,822)         |
| Net Investment Property and Equipment           | 76,037,905                       | 76,407,248           |
| <b>OTHER ASSETS</b>                             |                                  |                      |
| Cash and Cash Equivalents                       | 2,951,568                        | 2,783,250            |
| Securities Available for Sale                   | 19,577,745                       | 21,575,072           |
| Inventory of Manufactured Homes                 | 9,005,056                        | 9,459,924            |
| Notes and Other Receivables, net                | 22,110,336                       | 22,597,670           |
| Unamortized Financing Costs                     | 622,060                          | 670,783              |
| Prepaid Expenses                                | 702,998                          | 479,363              |
| Land Development Costs                          | 4,384,014                        | 3,966,015            |
| Total Other Assets                              | 59,353,777                       | 61,532,077           |
| <b>TOTAL ASSETS</b>                             | <b>\$135,391,682</b>             | <b>\$137,939,325</b> |
| <b>- LIABILITIES AND SHAREHOLDERS' EQUITY -</b> |                                  |                      |
| <b>LIABILITIES:</b>                             |                                  |                      |
| MORTGAGES PAYABLE                               | \$ 65,508,731                    | \$ 65,952,895        |

## OTHER LIABILITIES

|                                  |            |            |
|----------------------------------|------------|------------|
| Accounts Payable                 | 300,271    | 614,252    |
| Loans Payable                    | 23,168,874 | 23,611,574 |
| Accrued Liabilities and Deposits | 2,833,385  | 2,507,751  |
| Tenant Security Deposits         | 550,271    | 531,153    |
| Total Other Liabilities          | 26,852,801 | 27,264,730 |
| Total Liabilities                | 92,361,532 | 93,217,625 |

## SHAREHOLDERS EQUITY:

Common Stock - \$.10 par value per share, 20,000,000 shares

authorized; 11,153,164 and 11,021,734 shares issued and

outstanding as of March 31, 2009 and December 31, 2008,

respectively

1,115,316 1,102,173

Excess Stock - \$.10 par value per share, 3,000,000 shares

authorized; no shares issued or outstanding

-0- -0-

Additional Paid-In Capital

50,657,879 49,958,681

Accumulated Other Comprehensive Loss

(4,989,976) (5,671,361)

Accumulated Deficit

(3,753,069) (667,793)

Total Shareholders Equity

43,030,150 44,721,700

TOTAL LIABILITIES AND SHAREHOLDERS EQUITY \$135,391,682 \$137,939,325

See Accompanying Notes to Consolidated Financial Statements

## UMH PROPERTIES, INC.

## CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

## FOR THE THREE MONTHS ENDED

MARCH 31, 2009 AND 2008

|  | 2009                    | 2008                  |
|--|-------------------------|-----------------------|
| REVENUES:  |                         |                       |
| Rental and Related Income  | \$6,556,499             | \$6,254,570           |
| Sales of Manufactured Homes  | 1,085,800               | 1,784,043             |
| Interest and Dividend Income   | 1,035,262               | 891,429               |
| Loss on Securities Transactions,<br>net                                      | (2,280,585)             | (650,560)             |
| Other Income   | 8,889                   | 36,058                |
| <br>Total Revenues   | <br>6,405,865           | <br>8,315,540         |
| EXPENSES:  |                         |                       |
| Community Operating Expenses   | 3,210,686               | 3,182,176             |
| Cost of Sales of Manufactured<br>Homes                                       | 1,002,239               | 1,484,965             |
| Selling Expenses   | 323,630                 | 408,445               |
| General and Administrative<br>Expenses                                       | 781,638                 | 985,887               |
| Interest Expense   | 1,095,261               | 1,500,658             |
| Depreciation Expense   | 1,030,874               | 1,014,750             |
| Amortization of Financing Costs  | 48,870                  | 39,444                |
| <br>Total Expenses   | <br>7,493,198           | <br>8,616,325         |
| <br>Loss before Loss on Sales of<br><br>Investment Property and<br>Equipment | <br><br><br>(1,087,333) | <br><br><br>(300,785) |
| Loss on Sales of Investment  | (11,503)                | (4,255)               |

Property and Equipment

|                         |               |            |
|-------------------------|---------------|------------|
| Net Loss                |               | (\$        |
|                         | (\$1,098,836) | 305,040)   |
| Net Loss per Share -    |               |            |
| Basic                   | (\$0.10)      | ( \$ 0.03) |
| Diluted                 | (\$0.10)      | (\$ 0.03)  |
| Weighted Average Shares |               |            |
| Outstanding -           |               |            |
| Basic                   | 11,060,041    | 10,770,683 |
| Diluted                 | 11,060,041    | 10,770,819 |

-UNAUDITED-

See Accompanying Notes to Consolidated Financial Statements

## UMH PROPERTIES, INC.

## CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

## FOR THE THREE MONTHS ENDED

MARCH 31, 2009 AND 2008

|   | 2009          | 2008          |
|---|---------------|---------------|
| CASH FLOWS FROM OPERATING ACTIVITIES:                               |               |               |
| Net Loss  | (\$1,098,836) | ( \$ 305,040) |
| Non-Cash Adjustments:   |               |               |
| Depreciation  | 1,030,874     | 1,014,750     |
| Amortization of Financing Costs                                     | 48,870        | 39,444        |
| Stock Compensation Expense  | 7,075         | 25,917        |
| Increase in Provision for Uncollectible Notes and Other Receivables | 88,500        | 73,350        |
| Loss on Securities Transactions, net                                | 2,280,585     | 650,560       |
| Loss on Sales of Investment Property and Equipment                  | 11,503        | 4,255         |
| Changes in Operating Assets and Liabilities:                        |               |               |
| Inventory of Manufactured Homes                                     | 454,868       | 542,418       |
| Notes and Other Receivables   | 398,834       | 120,773       |
| Prepaid Expenses  | (223,635)     | (37,644)      |
| Accounts Payable  | (313,981)     | (309,713)     |
| Accrued Liabilities and Deposits                                    | 325,634       | 79,329        |
| Tenant Security Deposits  | 19,118        | 10,910        |
| Net Cash Provided by Operating Activities                           | 3,029,409     | 1,909,309     |
| CASH FLOWS FROM INVESTING ACTIVITIES:                               |               |               |
| Purchase of Investment Property and Equipment                       | (780,899)     | (1,590,828)   |
| Proceeds from Sales of Assets                                       | 107,865       | 137,072       |
| Additions to Land Development                                       | (417,999)     | (1,096,362)   |
| Purchase of Securities Available for Sale                           | (305,680)     | (10,756)      |
| Settlement of Futures Transactions                                  | -0-           | (418,529)     |
| Net Proceeds from Sales of Securities Available for Sale            | 703,807       | -0-           |
| Net Cash Used in Investing Activities                               | (692,906)     | (2,979,403)   |
| CASH FLOWS FROM FINANCING ACTIVITIES:                               |               |               |
| Proceeds from Mortgages and Loans                                   | -0-           | 8,700,000     |

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|  |             |             |
|--|-------------|-------------|
| Principal Payments of Mortgages and Loans                    | (887,011)   | (5,927,086) |
| Financing Costs on Debt                                      | -0-         | (182,627)   |
| Proceeds from Issuance of Common Stock, net of reinvestments | 430,011     | 486,408     |
| Dividends Paid, net of amount reinvested                     | (1,711,185) | (2,289,135) |
| Net Cash Provided by (Used in) Financing Activities          | (2,168,185) | 787,560     |
| NET INCREASE (DECREASE) IN CASH                              |             |             |
| AND CASH EQUIVALENTS   | 168,318     | (282,534)   |
| CASH & CASH EQUIVALENTS-BEGINNING                            | 2,783,250   | 2,221,976   |
| CASH & CASH EQUIVALENTS-ENDING                               | \$2,951,568 | \$1,939,442 |

-UNAUDITED-

See Accompanying Notes to Consolidated Financial Statements

**UMH PROPERTIES, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**MARCH 31, 2009 (UNAUDITED)**

NOTE 1 ORGANIZATION AND ACCOUNTING POLICY

The interim consolidated financial statements furnished herein have been prepared in accordance with generally accepted accounting principles for interim financial information, the instructions to Form 10-Q, and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three months ended March 31, 2009 are not necessarily indicative of the results that may be expected for the year ended December 31, 2009. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's annual report on Form 10-K for the year ended December 31, 2008.

The Company, through its wholly-owned taxable subsidiary, UMH Sales and Finance, Inc. (S&F), conducts manufactured home sales in its communities. This company was established to enhance the occupancy of the communities. The consolidated financial statements of the Company include S&F and all of its other wholly-owned subsidiaries. All intercompany transactions and balances have been eliminated in consolidation.

Use of Estimates

In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, as well as contingent assets and liabilities as of the dates of the consolidated balance sheets and revenue and expenses for the years then ended. Actual results could differ significantly from these estimates and assumptions.

Employee Stock Options

The Company accounts for its stock option plan under the provisions of SFAS No. 123 (revised 2004), Share-Based Payment (SFAS No. 123R). SFAS 123R requires that compensation cost for all stock awards be calculated and recognized over the service period (generally equal to the vesting period). This compensation cost is determined using option pricing models, intended to estimate the fair value of the awards at the grant date.

Compensation cost which has been determined consistent with SFAS No. 123R, amounted to \$7,075 and \$25,917 for the three months ended March 31, 2009 and 2008, respectively.

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

|                         | 2009   | 2008   |
|-------------------------|--------|--------|
| Dividend yield          | 9.25%  | 7.48%  |
| Expected volatility     | 20.35% | 18.66% |
| Risk-free interest rate | 2.02%  | 3.47%  |
| Expected lives          | 8      | 8      |

The weighted-average fair value of options granted during the three months ended March 31, 2009 and 2008 was \$.19 and \$.65, respectively.

During the three months ended March 31, 2009, the following stock options were granted:

| Date of Grant | Number of Employees | Number of Shares | Exercise Price | Expiration Date |
|---------------|---------------------|------------------|----------------|-----------------|
| 1/7/09        | 1                   | 14,000           | \$7.12         | 1/7/17          |
| 1/7/09        | 1                   | 61,000           | 6.47           | 1/7/17          |

As of March 31, 2009, there were options outstanding to purchase 601,000 shares and 925,188 shares were available for grant under the Company's 2003 Stock Option Plan. As of March 31, 2008, there were options outstanding to purchase 476,000 shares and 1,050,188 shares were available for grant under the Company's 2003 Stock Option Plan.

#### Recent Accounting Pronouncements

In December 2007, the FASB issued SFAS No. 141R, Business Combinations ( SFAS 141R ) and SFAS No. 160, Noncontrolling Interests in Consolidated Financial Statements - An Amendment of ARB No. 51 ( SFAS 160 ). SFAS 141R and SFAS 160 require most identifiable assets, liabilities, noncontrolling interests and goodwill acquired in a business combination to be recorded at full fair value and require noncontrolling interests (previously referred to as

minority interests) to be reported as a component of equity, which changes the accounting for transactions with noncontrolling interest holders. The provisions of SFAS 141R and SFAS 160 are effective for our fiscal year beginning January 1, 2009. SFAS 141R will be applied to business combinations occurring after the effective date and SFAS 160 will be applied prospectively to all changes in noncontrolling interests, including any that existed at the effective date. The Company adopted SFAS 141R and SFAS 160 effective January 1, 2009. The adoption of these statements did not have a material effect on our financial condition or results of operations.

In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities* an amendment of FASB Statement No. 133 ( SFAS 161 ). SFAS 161 requires enhanced disclosures about (a) how and why derivative instruments are used, (b) how derivative instruments and related hedged items are accounted for and (c) how derivative instruments and related hedged items affect an entity's financial position, financial performance and cash flows. SFAS 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. The Company adopted SFAS 161 effective January 1, 2009. The adoption of this statement did not have a material effect on our financial condition or results of operations.

In May 2008, the FASB issued SFAS No. 162, *The Hierarchy of Generally Accepted Accounting Principles* ( SFAS 162 ). The current hierarchy of generally accepted accounting principles is set forth in the American Institute of Certified Public Accountants (AICPA) Statement on Auditing Standards (SAS) No. 69, *The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles*. SFAS 162 is intended to improve financial reporting by identifying a consistent framework, or hierarchy, for selecting accounting principles to be used in preparing financial statements that are presented in conformity with U.S. generally accepted accounting principles for nongovernmental entities. This Statement is effective 60 days following the Securities and Exchange Commission's approval of the Public Company Oversight Board Auditing amendments to SAS 69. The Company is evaluating the impact of SFAS 162 but does not believe that the adoption of this statement will have a material effect on our financial condition or results of operations, as the Statement does not directly impact the accounting principles applied in the preparation of the Company's financial statements.

**NOTE 2 NET LOSS PER SHARE AND COMPREHENSIVE LOSS**

Basic net loss per share is calculated by dividing net loss by the weighted average shares outstanding for the period. Diluted net loss per share is calculated by dividing net loss by the weighted average number of common shares outstanding plus the weighted average number of net shares that would be issued upon exercise of stock options pursuant to the treasury stock method. Options in the amount of -0- and 136 shares for the three months ended March 31, 2009 and 2008, respectively, are included in the diluted weighted average shares outstanding. As of March 31, 2009 and 2008, options to purchase 601,000 and 470,000 shares, respectively, were antidilutive.

The following table sets forth the components of the Company's comprehensive loss for the three months ended March 31, 2009 and 2008:

|          | 2009          | 2008         |
|----------|---------------|--------------|
| Net loss | (\$1,098,836) | (\$ 305,040) |

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|   |             |              |
|---|-------------|--------------|
| (Increase) decrease in unrealized loss on securities available for sale | 681,385     | (137,689)    |
| Comprehensive loss  | (\$417,451) | (\$ 442,729) |

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NOTE 3 SECURITIES AVAILABLE FOR SALE

The following table summarizes the Company's loss on securities transactions, net for the three months ended March 31, 2009 and 2008:

|  | 2009          | 2008         |
|--|---------------|--------------|
| Loss on sale of securities, net            | (\$556,751)   | \$ -0-       |
| Loss on open and settled futures contracts | -0-           | (650,560)    |
| Impairment loss                            | (1,723,834)   | -0-          |
| Loss on securities transactions, net       | (\$2,280,585) | (\$ 650,560) |

During the three months ended March 31, 2009, the Company recognized a loss of \$1,723,834, due to the write-down of the carrying value of securities which were considered other than temporarily impaired. The Company also recognized a loss of \$556,751 on securities sold.

During the three months ended March 31, 2008, the Company recognized a total loss on settled and open futures contracts of \$650,560. The Company invested in futures contracts of ten-year treasury notes with the objective of reducing the risks of rolling over its fixed-rate mortgages at higher interest rates and reducing the exposure of the preferred equity and debt securities portfolio to interest rate fluctuations. As of May 15, 2008, we have settled our position in these futures contracts and no longer invest in them.

NOTE 4 DERIVATIVE INSTRUMENTS

The Company invested in futures contracts on ten-year Treasury notes with the objective of reducing the exposure of the debt securities portfolio to market rate fluctuations. In May 2008, we settled our position in these futures contracts and no longer invest in them. The notional amount of these contracts amounted to \$9,000,000 at March 31, 2008.

Changes in the market value of these derivatives have been recorded in gain (loss) on securities available for sale transactions, net with corresponding amounts recorded in other assets or other liabilities on the balance sheet. During the three months ended March 31, 2009 and 2008, the Company recorded a loss of \$-0- and \$650,560, respectively, on settled and open futures contracts. These losses are included in loss on securities transactions, net.

The Company had entered into various interest rate swap agreements to effectively convert a portion of its variable rate debt to fixed rate debt. Changes in the fair value of these agreements have been recorded as an increase or deduction from interest expense with corresponding amounts in other assets or other liabilities. The increase (decrease) in the fair value of these agreements for the three months ended March 31, 2009 and 2008 amounted to \$77,121 and (\$348,540), respectively, and has been recorded as a reduction (addition) to interest expense. The fair value of these agreements at March 31, 2009 and December 31, 2008 amounted to liabilities of \$313,813 and \$390,934, respectively, which have been included in accrued liabilities and deposits.

NOTE 5 - LOANS AND MORTGAGES PAYABLE

During the quarter ended March 31, 2009, the Company extended its mortgage on Sandy Valley Estates to April 30, 2009. Subsequently, the Company received a commitment from Bank of America to further extend this mortgage to May 1, 2010.

NOTE 6 - DIVIDEND REINVESTMENT AND STOCK PURCHASE PLAN

On February 16, 2009, the Company paid \$1,986,440 of which \$275,255 was reinvested, as a dividend of \$.18 per share to shareholders of record as of February 17, 2009.

During the three months ended March 31, 2009, the Company received, including dividends reinvested, a total of \$705,266 from the Dividend Reinvestment and Stock Purchase Plan. There were 131,430 new shares issued under the Plan.

On May 5, 2009, the Company declared a dividend of \$.18 per share to be paid June 30, 2009 to shareholders of record as of June 1, 2009.

NOTE 7 - FAIR VALUE MEASUREMENTS

On January 1, 2008, the Company adopted SFAS No. 157, Fair Value Measurements ( SFAS No. 157 ), for financial assets and liabilities recognized at fair value on a recurring basis. We measure certain financial assets and liabilities at fair value on a recurring basis, including securities available for sale and interest rate swap agreements. The fair value of these certain financial assets and liabilities was determined using the following inputs at March 31, 2009:

| Total | Fair Value Measurements at Reporting Date Using |                      |                             |
|-------|---|----------------------|-----------------------------|
|       | Quoted Prices<br>in Active                      | Significant<br>Other | Significant<br>Unobservable |

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|                                  |              | Markets for<br>Identical<br>Assets<br>(Level 1) | Observable<br>Inputs<br>(Level<br>2) | Inputs<br>(Level 3) |
|----------------------------------|--------------|---|--------------------------------------|---------------------|
| Securities available for<br>sale | \$19,577,745 | \$14,577,745                                    | \$ 5,000,000                         | \$ -0-              |
| Interest rate swaps (1)          | (313,813)    | -0-   | (313,813)                            | -0-                 |
|                                  | \$19,263,932 | \$14,577,745                                    | \$4,686,187                          | \$ -0-              |

(1) Included in accrued liabilities and deposits.

NOTE 8 - RELATED PARTY TRANSACTIONS

Effective January 1, 2009, the Company and Samuel A. Landy entered into a new three-year Employment Agreement under which Mr. Samuel Landy receives an annual base salary of \$300,000 for 2009, \$315,000 for 2010 and \$330,000 for 2011, subject to increases in Funds from Operations (FFO) of 3% per year or 9% over the three-year period. If this increase is not met, the salary increase will be limited to the increase in the consumer price index. Bonuses are based on performance goals relating to FFO, home sales, occupancy and acquisitions, with a maximum of 21% of salary. Mr. Samuel Landy will also receive stock options to purchase 75,000 shares in January 2009 and 25,000 shares in January 2010. Mr. Samuel Landy will receive customary fringe benefits, four weeks vacation, reimbursement of reasonable and necessary business expenses and use of an automobile. The Company will reimburse Mr. Samuel Landy for the cost of a disability insurance policy. In the event of a merger, sale or change of voting control of the Company, excluding transactions between the Company and MREIC, Mr. Samuel Landy will have the right to extend and renew this employment agreement so that the expiration date will be three years from the date of merger, sale or change of voting control, or the employee may terminate the employment agreement and be entitled to receive one year's compensation in accordance with the agreement. If there is a termination of employment by the Company for any reason, either involuntary or voluntary, including the death of the employee, the employee shall be entitled to the greater of the salary due under the remaining term of the agreement or one year's compensation at the date of termination, paid monthly over the remaining term or life of the agreement.

Effective January 1, 2009, the Company and Anna T. Chew entered into a new three-year employment agreement, under which Ms. Chew receives an annual base salary of \$248,200 for 2009, \$260,600 for 2010 and \$273,700 for 2011, plus bonuses and customary fringe benefits. Ms. Chew will also receive four weeks vacation, reimbursement of reasonable and necessary business expenses and use of an automobile. The Company will reimburse Ms. Chew for the cost of a disability insurance policy such that, in the event of the employee's disability for a period of more than 90 days, the employee will receive benefits up to 60% of her then-current salary. In the event of a merger, sale or change of voting control of the Company, excluding transactions between the Company and MREIC, the employee will have the right to extend and renew this employment agreement so that the expiration date will be three years from the date of merger, sale or change of voting control, or the employee may terminate the employment agreement and be entitled to receive one year's compensation in accordance with the agreement. If there is a termination of employment by the Company for any reason, either involuntary or voluntary, including the death of the employee, other than a termination for cause as defined by the agreement, the employee shall be entitled to the greater of the salary due under the remaining term of the agreement or one year's compensation at the date of termination, paid monthly over the remaining term or life of the agreement.

NOTE 9 - CONTINGENCIES

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



NOTE 10 - SUPPLEMENTAL CASH FLOW INFORMATION

Cash paid during the three months ended March 31, 2009 and 2008 for interest was \$1,177,999 and \$1,358,251, respectively. Interest cost capitalized to Land Development was \$64,278 and \$65,000 for the three months ended March 31, 2009 and 2008, respectively. The increase (decrease) in fair value of the interest rate swap agreements amounted to \$77,121 and (\$348,540) for the three months ended March 31, 2009 and 2008, respectively.

During the three months ended March 31, 2009 and 2008, the Company had dividend reinvestments of \$275,255 and \$402,889, respectively, which required no cash transfers.

## ITEM 2 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### 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 included elsewhere herein and in our annual report on Form 10-K for the year ended December 31, 2008.

The Company is a real estate investment trust (REIT). 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. The Company owns twenty-eight communities containing approximately 6,800 sites. These communities are located in New Jersey, New York, Ohio, Pennsylvania and Tennessee.

The Company also holds a portfolio of securities of other REITs and home manufacturers with a balance of \$19,577,745 at March 31, 2009. The Company invests in these securities on margin from time to time when the Company can achieve an adequate yield spread and when suitable acquisitions of real property cannot be found. At March 31, 2009, the Company's portfolio consisted of 14% preferred stocks, 61% common stocks and 25% debentures. The securities portfolio provides the Company with liquidity and additional income until suitable acquisitions of real property are found.

The Company's revenue primarily consists of rental and related income from the operation of its manufactured home communities. Revenues also include sales of manufactured homes, interest and dividend income and gain (loss) on securities transactions, net. Total revenues decreased by approximately 23% from \$8,315,540 for the quarter ended March 31, 2008 to \$6,405,865 for the quarter ended March 31, 2009. This was primarily due to an increase in the loss on securities transactions, net from \$650,560 for the quarter ended March 31, 2008 to \$2,280,585 for the quarter ended March 31, 2009 and a decrease in sales of manufactured homes of \$698,243, partially offset by an increase in rental and related income and interest and dividend income. Sales of manufactured homes decreased by approximately 39% for the quarter ended March 31, 2009 as compared to the quarter ended March 31, 2008. Over the past several years, the availability of liberal lending terms for conventional housing created a difficult competitive market for sales of manufactured homes. This resulted in a loss of occupancy from approximately 86% in 2005 to approximately 80% currently. Although the conventional home lending environment has returned to more disciplined lending practices, the return to affordability and the recovery of manufactured home communities have been slow. We believe that the general economic issues, rising unemployment rate, the decline in consumer confidence, the inability of our customers to sell their current homes, and the turmoil in the credit and financial markets have

negatively impacted our home sales. Loss on securities transactions, net increased by \$1,630,025, or approximately 251% for the quarter ended March 31, 2009 as compared to the quarter ended March 31, 2008, primarily due to the \$1,723,834 write-down of

securities which were considered other than temporarily impaired. The Company had unrealized losses of approximately \$4,990,000 in its securities portfolio as of March 31, 2009. Subsequent to March 31, 2009, the REIT market has improved and as a result, our losses have been reduced. Historically, REIT share prices were not volatile. Today, they are highly volatile with price swings of 5% or more recurring frequently. REIT securities have always represented less than 10% of the market value of our total assets. The dividends received from our securities investments continue to meet our expectations and we anticipate realizing satisfactory returns. It is our intent to hold these securities long-term. As the credit markets begin to normalize, more efficient pricing should return to the securities markets.

Total expenses decreased by approximately 13% from \$8,616,325 for the quarter ended March 31, 2008 to \$7,493,198 for the quarter ended March 31, 2009. This was primarily due to a decrease in cost of sales of manufactured homes of \$482,726, a decrease in interest expense of \$405,397, and a decrease in general and administrative expenses of \$204,249. The decrease in interest expense was primarily due to the change in fair value of the Company's interest rate swaps.

Net loss increased by approximately 260% for the quarter ended March 31, 2009. This increase was due primarily to the \$1,723,834 write-down of securities which were considered other than temporarily impaired and the decrease in sales of manufactured homes.

See PART I, Item 1 Business in the Company's 2008 annual report on Form 10-K for a more complete discussion of the economic and industry-wide factors relevant to the Company and the opportunities and challenges, and risks on which the Company is focused.

### **Changes In Results Of Operations**

Rental and related income increased 5% from \$6,254,570 for the quarter ended March 31, 2008 to \$6,556,499 for the quarter ended March 31, 2009. This was primarily due to rental increases to residents and an increase in home rental income. The Company has been raising rental rates by approximately 3% to 6% annually. Occupancy remained relatively stable at approximately 80% at both December 31, 2008 and March 31, 2009. The Company has faced many challenges in filling vacant homesites.

Interest and dividend income increased 16% from \$891,429 for the quarter ended March 31, 2008 to \$1,035,262 for the quarter ended March 31, 2009. This was primarily as a result of an increase in dividend income due to a higher weighted-average yield on securities available for sale during 2009. The weighted average yield on these securities at March 31, 2009 and 2008 was approximately 11.5% and 8.4%, respectively.



Loss on securities transactions, net for the three months ended March 31, 2009 and 2008 consisted of the following:

|  | 2009           | 2008         |
|--|----------------|--------------|
| Loss on sale of securities, net            | (\$ 556,751)   | \$ -0-       |
| Impairment loss                            | (1,723,834)    | -0-          |
| Loss on open and settled futures contracts | -0-            | (650,560)    |
| Loss on securities transactions, net       | (\$ 2,280,585) | (\$ 650,560) |

Loss on securities transactions, net increased 251% from \$650,560 for the quarter ended March 31, 2008 to \$2,280,585 for the quarter ended March 31, 2009. This was due primarily to the write-down of the carrying value of securities which were considered other than temporarily impaired. The Company had unrealized losses of \$4,989,976 in its securities portfolio as of March 31, 2009. Subsequent to March 31, 2009, the REIT market has improved and as a result, our losses have been reduced. Historically, REIT share prices were not volatile. Today, they are highly volatile with price swings of 5% or more recurring frequently. REIT securities have always represented less than 10% of the total market value of our assets. The dividends received from our securities investments continue to meet our expectations. It is our intent to hold these securities long-term and we anticipate realizing satisfactory returns. As the credit markets begin to normalize, more efficient pricing should return to the securities markets. During 2008, the Company also recognized a loss on open and settled futures contracts of \$650,560. The Company invested in futures contracts of ten-year treasury notes with the objective of reducing the risks of rolling over its fixed-rate mortgages at higher interest rates and reducing the exposure of the preferred equity and debt securities portfolio to interest rate fluctuations. As of May 15, 2008, we settled our position and no longer invest in these contracts.

Community operating expenses remained relatively stable for the quarter ended March 31, 2009 as compared to the quarter ended March 31, 2008. General and administrative expenses decreased 21% from \$985,887 for the quarter ended March 31, 2008 to \$781,638 for the quarter ended March 31, 2009. The Company has been focusing on reducing costs, including operating expenses, salaries, professional fees and travel. Interest expense decreased 27% from \$1,500,658 for the quarter ended March 31, 2008 to \$1,095,261 for the quarter ended March 31, 2009. This was primarily due to the change in fair value of the Company's interest rate swaps. The change in fair value of the Company's interest rate swaps decreased interest expense by approximately \$77,000 in 2009 but increased interest expense by approximately \$349,000 in 2008. Cash paid for interest during the three months ended March 31, 2009 and 2008 amounted to \$1,177,999 and \$1,358,251, respectively. Depreciation expense and amortization expense remained relatively stable for the quarter ended March 31, 2009 as compared to the quarter ended March 31, 2008.

Sales of manufactured homes amounted to \$1,085,800 and \$1,784,043 for the quarters ended March 31, 2009 and 2008, respectively. Cost of sales of manufactured homes amounted to \$1,002,239 and \$1,484,965 for the quarters

ended March 31, 2009 and 2008, respectively. Selling expenses amounted to \$323,630 and \$408,445 for the quarters ended March 31, 2009 and 2008,

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respectively. These decreases are directly attributable to the decrease in sales. Loss from the sales operations (defined as sales of manufactured homes less cost of sales of manufactured homes less selling expenses) amounted to \$240,069 or 22% of total sales, and \$109,367 or 6% of total sales for the quarters ended March 31, 2009 and 2008, respectively. The Company believes that sales of new homes produces new rental revenue and is an investment in the upgrading of the communities.

Income from community operations (defined as rental and related income less community operating expenses) increased 9% from \$3,072,394 for the quarter ended March 31, 2008 to \$3,345,813 for the quarter ended March 31, 2009.

### **Liquidity And Capital Resources**

The Company's principal liquidity demands have historically been, and are expected to continue to be, distributions to the Company's stockholders, acquisitions, capital improvements, development and expansions of properties, debt service, purchases of manufactured home inventory, investment in debt and equity securities of other REITs 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.

As of March 31, 2009, the Company owned securities available for sale of \$19,577,745, subject to margin loans of \$4,826,276. These marketable securities provide the Company with additional liquidity. The REIT securities market has been driven to inordinately low prices and high yields. This has resulted in substantial unrealized losses in our holdings. We believe this to be the result of indiscriminate selling and not the result of normal pricing considerations. Subsequent to March 31, 2009, the REIT market has improved and as a result our losses have been reduced. The dividends received from our securities investments continue to meet our expectations. It is our intent to hold these securities long-term and anticipate realizing satisfactory returns.

Net cash provided by operating activities increased 59% from \$1,909,309 for the quarter ended March 31, 2008 to \$3,029,409 for the quarter ended March 31, 2009. This was primarily due to the add-back of the non-cash impairment charge for securities which were considered other than temporarily impaired. The Company received, including dividends reinvested of \$275,255, new capital of \$705,266 through its Dividend Reinvestment and Stock Purchase Plan (DRIP). Mortgages and loans payable decreased by approximately \$887,000. The Company extended its mortgage on Sandy Valley Estates to April 30, 2009. Subsequently, the Company received a commitment from Bank of America to further extend this mortgage to May 1, 2010.

The Company believes that funds generated from operations together with the financing and refinancing of its properties will be sufficient to meet its needs over the next several years.

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**Funds From Operations**

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 bases. 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 for the quarter ended March 31, 2009 and 2008 is calculated as follows:

|                      | 2009          | 2008         |
|----------------------|---------------|--------------|
| Net Loss             | (\$1,098,836) | (\$ 305,040) |
| Loss on Sales of     |               |              |
| Depreciable Assets   | 11,503        | 4,255        |
| Depreciation Expense | 1,030,874     | 1,014,750    |
| FFO                  | (\$56,459)    | \$713,965    |

The following are the cash flows provided (used) by operating, investing and financing activities for the three months ended March 31, 2009 and 2008:

|                      | 2009        | 2008        |
|----------------------|-------------|-------------|
| Operating Activities | \$3,029,409 | \$1,909,309 |
| Investing Activities | (692,906)   | (2,979,403) |
| Financing Activities | (2,168,185) | 787,560     |



**Safe Harbor Statement**

Statements contained in this Form 10-Q, 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, intend, or similar e we are making forward-looking statements. These forward-looking statements are not guaranteed. They reflect the Company s current views with respect to future events and financial performance, but are based upon current assumptions regarding the Company s operations, future results and prospects, and are subject to many uncertainties and factors, some of which are beyond our control, relating to the Company s operations and business environment which could cause the actual results of the Company to be materially different from any future results expressed or implied by such forward-looking statements.

Such factors include, but are not limited to, the following: changes in the real estate market and general economic climate; increased competition in the geographic areas in which the Company owns and operates manufactured housing communities; changes in government laws and regulations affecting manufactured housing communities; the ability of the Company 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 the Company; the ability to maintain rental rates and occupancy levels; competitive market forces; changes in market rates of interest; our ability to repay debt financing obligations; our ability to comply with certain debt covenants; continued ability to access the debt or equity markets; the availability of other debt and equity financing alternatives; 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; 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; the ability of manufactured home buyers to obtain financing; the level of repossessions by manufactured home lenders; and those risks and uncertainties referenced under the heading "Risk Factors" contained in the Company s Form 10-K and other 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-Q 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.



### **ITEM 3 - QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

There have been no material changes to information required regarding quantitative and qualitative disclosures about market risk from the end of the preceding year to the date of this Quarterly Report on Form 10-Q.

### **ITEM 4 - CONTROLS AND PROCEDURES**

The Company's Chief Executive Officer and Chief Financial Officer, with the assistance of other members of the Company's management, have evaluated the effectiveness of the Company's disclosure controls and procedures as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on such evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures are effective.

#### **Changes In Internal Control Over Financial Reporting**

There were no changes in the Company's internal control over financial reporting during the first quarter of 2009 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

**PART II**

**OTHER INFORMATION**

Item 1 - Legal Proceedings none

Item 1A - Risk Factors

There have been no material changes to information required regarding risk factors from the end of the preceding year to the date of this Quarterly Report on Form 10-Q. In addition to the other information set forth in this Quarterly Report on Form 10-Q, you should carefully consider the factors discussed in Part I, Item 1A Risk Factors in the Company's Annual Report on Form 10-K for the year ended December 31, 2008, which could materially affect the Company's business, financial condition or future results. The risks described in the Company's Annual Report on Form 10-K are not the only risks facing the Company. Additional risks and uncertainties not currently known to the Company or that the Company currently deems to be immaterial also may materially adversely affect the Company's business, financial condition and/or operating results.

Item 2 - Unregistered Sale of Equity Securities and Use of Proceeds none

Item 3 - Defaults Upon Senior Securities none

Item 4 - Submission of Matters to a Vote of Security Holders none

Item 5 - Other Information

(a) Information Required to be Disclosed in a Report on Form 8-K, but  
not Reported none

(b) Material Changes to the Procedures by which Security Holders may  
Recommend Nominees to the Board of Directors none



Item 6 - Exhibits

10 (i)

Employment Agreement with Mr. Samuel A. Landy effective January 1, 2009 (incorporated by reference to the 8-K as filed by the Registrant with the Securities and Exchange Commission on January 30, 2009, Registration No. 001-12690).

10 (ii)

Employment Agreement with Ms. Anna T. Chew effective January 1, 2009 (incorporated by reference to the 8-K as filed by the Registrant with the Securities and Exchange Commission on January 22, 2009, Registration No. 001-12690).

31.1

Certification of Samuel A. Landy, President and Chief Executive Officer of the Company, pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended (Filed herewith).

31.2

Certification of Anna T. Chew, Chief Financial Officer of the Company, pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended (Filed herewith).

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Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, signed by Samuel A. Landy, President and Chief Executive Officer, and Anna T. Chew, Chief Financial Officer (Furnished herewith).

**SIGNATURES**

Pursuant to the requirements of the Securities and Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

UMH PROPERTIES, INC.

DATE:

May 7, 2009

By /s/ Samuel A. Landy

Samuel A. Landy

President and

Chief Executive Officer

DATE:

May 7, 2009

By /s/ Anna T. Chew

Anna T. Chew

Vice President and

Chief Financial Officer