

UMH PROPERTIES, INC.

FORM 10-K (Annual Report)

Filed 02/24/22 for the Period Ending 12/31/21

Address	3499 ROUTE 9 N, SUITE 3-C JUNIPER BUSINESS PLAZA FREEHOLD, NJ, 07728
Telephone	7325779997
CIK	0000752642
Symbol	UMH
SIC Code	6798 - Real Estate Investment Trusts
Industry	Residential REITs
Sector	Financials
Fiscal Year	12/31

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

FORM 10-K

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

For the fiscal year ended December 31, 2021

☐ 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

(State or other jurisdiction of
incorporation or organization)

22-1890929

(I.R.S. Employer
identification number)

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

(Address of principal executive offices)

07728

(Zip code)

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

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

Title of each class	Trading Symbol(s)	Name of exchange on which registered
Common Stock, \$.10 par value	UMH	New York Stock Exchange
6.75% Series C Cumulative Redeemable Preferred Stock, \$.10 par value	UMH PRC	New York Stock Exchange
6.375% Series D Cumulative Redeemable Preferred Stock, \$.10 par value	UMH PRD	New York Stock Exchange

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined 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 every Interactive Data File required to be submitted 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 such files). ☒ Yes ☐ No

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

Large accelerated filer

☒

Accelerated filer

☐

Non-accelerated filer

☐

Smaller reporting company

☐

Emerging growth company

☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

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

Based upon the assumption that directors and executive officers of the registrant are not affiliates of the registrant, the aggregate market value of the voting stock of the registrant held by nonaffiliates of the registrant at June 30, 2021 was \$1.0 billion. 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, 2021 was \$961.1 million.

The number of shares outstanding of issuer's common stock as of February 22, 2022 was 52,029,801 shares.

Documents Incorporated by Reference:

-Part III incorporates certain information by reference from the Registrant's definitive proxy statement for the 2022 annual meeting of shareholders, which will be filed no later than 120 days after the close of the Registrant's fiscal year ended December 31, 2021.

TABLE OF CONTENTS

<u>PART I</u>	3
Item 1 – Business	3
Item 1A – Risk Factors	8
Item 1B – Unresolved Staff Comments	23
Item 2 – Properties	23
Item 3 – Legal Proceedings	33
Item 4 – Mine Safety Disclosures	33
<u>PART II</u>	34
Item 5 – Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	34
Item 6 – Reserved	35
Item 7 – Management’s Discussion and Analysis of Financial Condition and Results of Operations	35
Item 7A – Quantitative and Qualitative Disclosures about Market Risk	46
Item 8 – Financial Statements and Supplementary Data	47
Item 9 – Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	47
Item 9A – Controls and Procedures	47
Item 9B – Other Information	50
Item 9C – Disclosure Regarding Foreign Jurisdiction that Prevent Inspections	50
<u>PART III</u>	50
Item 10 – Directors, Executive Officers and Corporate Governance	50
Item 11 – Executive Compensation	50
Item 12 – Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	50
Item 13 – Certain Relationships and Related Transactions, and Director Independence	50
Item 14 – Principal Accountant Fees and Services	50
<u>PART IV</u>	51
Item 15 – Exhibits, Financial Statement Schedules	51
Item 16 – Form 10-K Summary	55
<u>SIGNATURES</u>	56

PART I

Item 1 – Business

General Development of Business

UMH Properties, Inc. (“UMH”), together with its predecessors and consolidated subsidiaries, are referred to herein as “we”, “us”, “our”, or “the Company”, unless the context requires otherwise.

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

UMH was incorporated in the state of New Jersey in 1968. On September 29, 2003, UMH changed its state of incorporation from New Jersey to Maryland by merging with and into a Maryland corporation. Our executive office is located in Freehold, NJ.

Description of Business

The Company’s primary business is the ownership and operation of manufactured home communities – leasing manufactured homesites to private manufactured home owners. The Company also leases manufactured homes to residents and, through its wholly-owned taxable REIT subsidiary, UMH Sales and Finance, Inc. (“S&F”), sells and finances the sale of manufactured homes to residents and prospective residents of our communities and for placement on customers’ privately-owned land.

We have expanded our portfolio of manufactured home communities through numerous acquisitions. During 2021, the Company purchased three communities totaling 543 homesites, located in Alabama, Ohio and South Carolina, for a total purchase price of \$18.3 million. During 2021, the Company also purchased one community in Florida, totaling 219 homesites, through its joint venture with Nuveen Real Estate for a total purchase price of \$22.2 million. As of December 31, 2021, the Company owned and operated 127 manufactured home communities containing approximately 24,000 developed homesites. These communities are located in New Jersey, New York, Ohio, Pennsylvania, Tennessee, Indiana, Michigan, Maryland, Alabama and South Carolina. The Company also has an ownership interest in and operates one community in Florida through its joint venture with Nuveen Real Estate (See “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and Note 5 “Investment in Joint Venture” of the Notes to Consolidated Financial Statements).

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 communities. These homes may be improved with the addition of features constructed on-site, including garages, screened rooms and carports. Manufactured homes are available in a variety of designs and floor plans, offering many amenities and custom options. Each manufactured home owner leases the site on which the home is located from the Company. Generally, the Company owns the underlying land, utility connections, streets, lighting, driveways, common area amenities and other capital improvements and is responsible for enforcement of community guidelines and maintenance.

Manufactured homes are accepted by the public as a viable and economically attractive alternative to conventional site-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, prices per square foot for a new manufactured home average up to 50 percent less than a comparable site-built home, excluding the cost of land. This is due to a number of factors, including volume purchase discounts, inventory control of construction materials and control of all aspects of the construction process, which is generally a more efficient and streamlined process as compared to a site-built home.

Modern residential land lease communities are similar to typical residential subdivisions containing central entrances, paved well-lit streets, curbs and gutters. Generally, modern manufactured home communities contain buildings for recreation, green areas, and other common area facilities, all of which 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 in some manufactured home communities, while other communities supply these facilities on-site.

Typically, our leases are on an annual or month-to-month basis, and renewable upon the consent of both parties. The community manager interviews prospective residents, collects rent and finance payments, ensures compliance with community regulations, maintains common areas and community facilities and is responsible for the overall appearance of the community. The homeowner is responsible for the maintenance of the home and leased site. As a result, our capital expenditures tend to be less significant relative to multi-family rental apartments. Manufactured home communities produce predictable income streams and provide protection from inflation due to the ability to annually increase rents.

Many of our communities compete with other manufactured home community properties located in the same or nearby markets that are owned and operated by other companies in our business. We generally monitor the rental rates and other terms being offered by our competitors and consider this information as a factor in determining our own rental rates. In addition to competing with other manufactured home community properties, our communities also compete with alternative forms of housing (such as apartments and single-family homes).

In connection with the operation of its communities, UMH also leases homes to prospective tenants. As of December 31, 2021, UMH owned a total of 8,700 rental homes, representing approximately 36% of its developed homesites. The Company engages in the rental of manufactured homes primarily in areas where the communities have existing vacancies. The rental homes produce income from both the home and the site which might otherwise be non-income producing.

Inherent in the operation of a manufactured home community is the development, redevelopment, and expansion of our communities. The Company sells and finances, through a third party lending program, the sale of manufactured homes in our communities through S&F. S&F was established to potentially enhance the value of our communities by filling sites that would otherwise be vacant. The home sales business is operated as it is with traditional 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. In addition, our sales centers earn a profit by selling homes to customers for placement on their own private land.

Investment and Other Policies

The Company may invest in improved and unimproved real property and may develop unimproved real property. Such properties may be located throughout the U.S. but the Company has generally concentrated on the Northeast, Midwest and Southeast. Since 2010, we have tripled the number of developed homesites by purchasing 99 communities containing approximately 17,200 homesites. We are focused on acquiring communities with significant upside potential and leveraging our expertise to build long-term capital appreciation.

Our growth strategy involves purchasing well located communities in our target markets. During 2021, we entered the Alabama and South Carolina markets by acquiring communities in those markets and acquired one community in Florida through our joint venture with Nuveen Real Estate. As part of our growth strategy, we intend to evaluate potential opportunities to expand into additional geographic markets, including certain other markets in the southeastern United States.

The Company also evaluates our properties for expansion opportunities. Development of the additional acreage available for expansion allows us to leverage existing communities and amenities. We believe our ability to complete expansions translates to greater value creation and cash flow through operating efficiencies. The Company has approximately 1,800 acres of additional land potentially available for future development. See PART I, Item 2 – Properties, for a list of our additional acreage.

The Company seeks to finance acquisitions with the most appropriate available source of capital, including purchase money mortgages or other financing, which may be first liens, wraparound mortgages or subordinated indebtedness, sales of investments, and issuance of additional equity securities. 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's joint venture with Nuveen Real Estate also provides a source of financing for acquisitions of newly developed communities.

The Company may repurchase or reacquire its shares from time to time if, in the opinion of the Board of Directors, such an acquisition is advantageous to the Company. During the year ended December 31, 2021, the Company did not repurchase any shares of its Common Stock.

In addition to its manufactured home communities, the Company also owns a portfolio of investment securities, consisting of marketable equity securities issued by other REITs, which represented 7.2% of undepreciated assets (which is the Company's total assets excluding accumulated depreciation) at year end. The Company generally limits the portfolio to no more than approximately 15% of its undepreciated assets. These liquid real estate holdings provide diversification, additional liquidity and income, and serve as a proxy for real estate when more favorable risk adjusted returns are not available. The Company, from time to time, may purchase these securities on margin when the interest and dividend yields exceed the cost of funds.

Regulations, Insurance and Property Maintenance and Improvement

Manufactured home communities are subject to various laws, ordinances and regulations, including regulations relating to recreational facilities such as swimming pools, clubhouses and other common areas, and regulations relating to operating water and wastewater treatment facilities at several of our communities. We believe that each community has all necessary operating permits and approvals.

Our properties are insured against risks that may cause property damage and business interruption including events such as fire, business interruption, general liability and if applicable, flood. Our insurance policies contain deductible requirements, coverage limits and particular exclusions. It is the policy of the Company to maintain adequate insurance coverage on all of our properties; and, in the opinion of management, all of our properties are adequately insured. We also obtain title insurance insuring fee title to the properties in an aggregate amount which we believe to be adequate.

State and local rent control laws in certain jurisdictions may dictate the structure of rent increases and limit our ability to recover increases in operating expenses and the costs of capital improvements. In 2019, the State of New York enacted the Housing Stability and Tenant Protection Act of 2019, which, among other things, set maximum collectible rent increases. Rent control also affects two of our manufactured home communities in New Jersey. Enactment of such laws has been considered at various times in other jurisdictions. We presently expect to continue to maintain properties, and may purchase additional properties, in markets that are either subject to rent control or in which rent related legislation exists or may be enacted.

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 2022 will be approximately \$10 - \$15 million.

Human Capital

The attraction, motivation and retention of our employees are critical factors in furthering the growth and financial success of the Company. We recognize that our ability to achieve the high standards we set for ourselves can best be accomplished by having a diverse team. We are committed to promoting diversity, equity and inclusion and our benefits programs are designed to achieve employee satisfaction and advancement. As of February 22, 2022, the Company had approximately 430 employees, including officers. Approximately half of our management team and 45% of our total employee population are female. Over 34% of our employees are 40 years of age or older and 31% are over 60 years of age. During each year, the Company hires additional part-time and seasonal employees as grounds keepers and lifeguards and to conduct emergency repairs.

Our employees are fairly compensated as compared to employees of our competitors and are routinely recognized for outstanding performance. They are offered regular opportunities to participate in professional development programs which focus on building their skills and capabilities. We conduct regional training sessions and are committed to providing a safe and healthy workplace that is free from violence, intimidation and other unsafe or disruptive practices. We hold an annual employee meeting that includes safety training, as required under the federal Occupational, Safety and Health Act, as well as harassment training. The Company also offers a robust wellness program to its employees that incorporates health benefits, including incentives for enrolling in exercise classes and for gym memberships. This encourages our employees to improve their mental and physical well-being.

Information about our Executive Officers

The following table sets forth information with respect to the executive officers of the Company as of December 31, 2021:

Name	Age	Position
Eugene W. Landy	88	Chairman of the Board of Directors and Founder
Samuel A. Landy	61	President and Chief Executive Officer
Anna T. Chew	63	Vice President, Chief Financial and Accounting Officer and Treasurer
Craig Koster	46	General Counsel and Secretary
Brett Taft	32	Vice President and Chief Operating Officer

Environmental, Social and Governance (“ESG”) Considerations

The Company’s mission is to address the fundamental need of providing affordable housing and in doing so, create sustainable and environmentally friendly communities that have a positive societal impact. We recognize our obligation, as well as that of our industry, to reduce our impact on the environment and to conserve natural resources. We continually invest in energy-efficient technology where practicable, including water and energy conservation initiatives, and are committed to incorporating environmental and social considerations into our business practices to create value and enhance the communities where our residents live. We also recognize the importance of good corporate governance in ensuring the Company’s continued success and maintaining the confidence of our shareholders and financing sources. Our policies and practices are endorsed and supported by the Company’s executive management, including its Director of ESG, and are regularly reviewed by the Board of Directors and its Nominating and Corporate Governance Committee.

Summary of Risk Factors

The following is a summary of the principal risk factors associated with an investment in us. These are not the only risks we face. You should carefully consider these risk factors, together with the risk factors set forth in Item 1A. of this Annual Report on Form 10-K and other reports and documents filed by us with the SEC.

Real Estate Industry Risks:

- General economic conditions and the concentration of our properties in certain states may affect our ability to generate revenue.
- We may be unable to compete with our larger competitors for acquisitions, which may increase prices for communities.
- We may not be able to integrate or finance our acquisitions and our acquisitions may not perform as expected.
- We may be unable to finance or accurately estimate or anticipate costs and timing associated with expansion activities.
- We may be unable to sell properties when appropriate because real estate investments are illiquid.
- Our ability to sell manufactured homes may be affected by various factors, which may in turn adversely affect our profitability.
- Licensing laws and compliance could affect our profitability.
- The termination of our third party lending program could adversely affect us.
- Costs associated with taxes and regulatory compliance may reduce our revenue.
- Rent control legislation may harm our ability to increase rents.
- Environmental liabilities could affect our profitability.
- Some of our properties are subject to potential natural or other disasters.
- Climate change may adversely affect our business.
- Actions by our competitors may decrease or prevent increases in the occupancy and rental rates of our properties which could adversely affect our business.
- Losses in excess of our insurance coverage or uninsured losses could adversely affect our cash flow.
- 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 joint venture with Nuveen Real Estate may subject us to risks, including limitations on our decision-making authority and the risk of disputes, which could adversely affect us.

Financing Risks:

- We face risks generally associated with our debt.
- We mortgage our properties, which subjects us to the risk of foreclosure in the event of non-payment.
- We face risks associated with our dependence on external sources of capital.
- 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.
- Fluctuations in interest rates could materially affect our financial results.
- We may be adversely affected by the market transition away from LIBOR.
- Covenants in our credit agreements and other debt instruments could limit our flexibility and adversely affect our financial condition.
- A change in the U.S. government policy with regard to Fannie Mae and Freddie Mac could impact our financial condition.
- We face risks associated with the financing of home sales to customers in our manufactured home communities.

Risks Related to our Status as a REIT:

- If our leases are not respected as true leases for federal income tax purposes, we would fail to qualify as a REIT.
- Failure to make required distributions would subject us to additional tax.
- We may not have sufficient cash available from operations to pay distributions to our stockholders, and, therefore, distributions may be made from borrowings.
- We may be required to pay a penalty tax upon the sale of a property.
- We may be adversely affected if we fail to qualify as a REIT.
- To qualify as a REIT, we must comply with certain highly technical and complex requirements.
- There is a risk of changes in the tax law applicable to REITs.
- We may be unable to comply with the strict income distribution requirements applicable to REITs.
- Our taxable REIT subsidiary (“TRS”) is subject to special rules that may result in increased taxes.
- Notwithstanding our status as a REIT, we are subject to various federal, state and local taxes on our income and property.

General Risk Factors

- We face risks and uncertainties related to public health crises, including the COVID-19 pandemic.
- Global and regional economic conditions could materially adversely affect our business, results of operations, financial condition and growth.
- We may not be able to obtain adequate cash to fund our business.
- We are dependent on key personnel.
- Some of our directors and officers may have conflicts of interest with respect to related party transactions and other business interests.
- We may amend our business policies without stockholder approval.
- The market value of our preferred and common stock could decrease based on our performance and market perception and conditions.
- The market price and trading volume of our common stock, Series C Preferred Stock and Series D Preferred Stock may fluctuate significantly.
- The future issuance or sale of additional shares of Common Stock or Preferred Stock could adversely affect the trading prices of our outstanding Common Stock and Preferred Stock.
- Future issuances of our debt securities, which would be senior to our Series C Preferred Stock and Series D Preferred Stock upon liquidation, or preferred equity securities which may be senior to our Series C Preferred Stock and Series D Preferred Stock for purposes of dividend distributions or upon liquidation, may adversely affect the per-share trading prices of our Series C Preferred Stock or Series D Preferred Stock.
- There are restrictions on the transfer of our capital stock.
- The dual listing of our Common Stock on the NYSE and the Tel Aviv Stock Exchange (TASE) may result in price variations that could adversely affect liquidity of the market for our Common Stock.
- The existing mechanism for the dual listing of securities on the NYSE and the TASE may be eliminated or modified in a manner that may subject us to additional regulatory burden and additional costs.
- Our earnings are dependent, in part, upon the performance of our investment portfolio.
- We are subject to restrictions that may impede our ability to effect a change in control.
- We may not be able to pay distributions regularly.
- Dividends on our capital stock do not qualify for the reduced tax rates available for some dividends.
- We are subject to risks arising from litigation.
- Future terrorist attacks and military conflicts could have a material adverse effect on general economic conditions, consumer confidence and market liquidity.
- Disruptions in the financial markets could affect our ability to obtain financing on reasonable terms and have other adverse effects on us and the market price of our capital stock.
- We face risks relating to cybersecurity attacks which could adversely affect our business, cause loss of confidential information and disrupt operations.
- We are dependent on continuous access to the Internet to use our cloud-based applications.
- We face risks relating to expanding use of social media mediums.

Cautionary Statement Regarding Forward-Looking Statements

Certain statements contained in this Annual Report on Form 10-K that are not historical facts are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Forward-looking statements provide our current expectations or forecasts of future events. Forward-looking statements include statements about the Company’s expectations, beliefs, intentions, plans, objectives, goals, strategies, future events, performance and underlying assumptions and other statements that are not historical facts. Forward-looking statements can be identified by their use of forward-looking words, such as “may,” “will,” “anticipate,” “expect,”

“believe,” “intend,” “plan,” “should,” “seek” or comparable terms, or the negative use of those words, but the absence of these words does not necessarily mean that a statement is not forward-looking.

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

- changes in the real estate market conditions and general economic conditions;
- risks and uncertainties related to the COVID-19 pandemic;
- 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;
- increases in commodity prices and the cost of purchasing manufactured homes;
- our ability to purchase manufactured homes for rental or sale;
- 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 made in a timely manner in accordance with all rules and regulations, and any potential fraud or embezzlement is thwarted or detected;
- the ability of manufactured home buyers to obtain financing;
- the level of repossessions by manufactured home lenders;
- market conditions affecting our investment securities;
- changes in federal or state tax rules or regulations that could have adverse tax consequences;
- our ability to qualify as a real estate investment trust for federal income tax purposes; and,
- those risks and uncertainties referenced under the heading “Risk Factors” contained in this Form 10-K and the Company’s filings with the Securities and Exchange Commission (“SEC”).

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 Annual Report on 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.

Available Information

Additional information about the Company can be found on the Company’s website which is located at www.umh.reit. Information contained on or hyperlinked from our website is not incorporated by reference into and should not be considered part of this Annual Report on Form 10-K or our other filings with the SEC. The Company makes available, free of charge, on or through its website, annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. The SEC maintains an Internet site (<http://www.sec.gov>) that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC.

Item 1A – Risk Factors

Our business faces many risks. The following risk factors may not be the only risks we face but address what we believe may be the material risks concerning our business at this time. If any of the risks discussed in this report were to occur, our business, prospects, financial condition, results of operation and our ability to service our debt and make distributions to our shareholders could be materially and adversely affected and the market price per share of our stock could decline significantly. Some statements in this report, including statements in the following risk factors, constitute forward-looking statements. Please refer to the section entitled “Cautionary Statement Regarding Forward-Looking Statements.”

Real Estate Industry Risks

General economic conditions and the concentration of our properties in certain states 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 ten states in the Eastern United States, we are exposed to the risks of downturns in the local economy or other local real estate market conditions which could adversely affect occupancy rates, rental rates, and property values in these markets.

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

- the national and local economic climate, including that of the energy-market dependent Marcellus and Utica Shale regions, may be adversely impacted by, among other factors, potential restrictions on drilling, plant closings, and industry slowdowns;
- local real estate market conditions such as the oversupply of manufactured homesites or a reduction in demand for manufactured homesites in an area;
- the number of repossessed homes in a particular market;
- the lack of an established dealer network;
- the rental market which may limit the extent to which rents may be increased to meet increased expenses without decreasing occupancy rates;
- the safety, convenience and attractiveness of our properties and the neighborhoods where they are located;
- zoning or other regulatory restrictions;
- competition from other available manufactured home communities and alternative forms of housing (such as apartment buildings and single-family homes);
- our ability to provide adequate management, maintenance and insurance;
- a pandemic or other health crisis, such as the outbreak of COVID-19;
- increased operating costs, including insurance premiums, real estate taxes and utilities; and
- the enactment of rent control laws or laws taxing the owners of manufactured homes.

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

We may be unable to compete with our larger competitors for acquisitions, which may increase prices for communities. 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 competitors 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 consequently higher fixed costs. To the extent we are unable to effectively compete in the marketplace, our business may be adversely affected.

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

- 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;
- we may be unable to finance acquisitions on favorable terms;
- acquired properties may fail to perform as expected;
- the actual costs of repositioning or redeveloping acquired properties may be higher than our estimates;
- acquired properties may be located in new markets where we face risks associated with a lack of market knowledge or understanding of the local economy, lack of business relationships in the area and unfamiliarity with local governmental and permitting procedures; and
- we may be unable to quickly and efficiently integrate new acquisitions, particularly acquisitions of portfolios of properties, into our existing operations.

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

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

We may be unable to finance or accurately estimate or anticipate costs and timing associated with expansion activities. We periodically consider expansion of existing communities and development of new communities. Our expansion and development activities are subject to risks such as:

- we may not be able to obtain financing with favorable terms for community development which may make us unable to proceed with the development;
- we may be unable to obtain, or may face delays in obtaining, necessary zoning, building and other governmental permits and authorizations, which could result in increased costs and delays, and even require us to abandon development of a community entirely if we are unable to obtain such permits or authorizations;
- we may abandon development opportunities that we have already begun to explore and as a result we may not recover expenses already incurred in connection with exploring such development opportunities;

- we may be unable to complete construction and lease-up of a community on schedule resulting in increased debt service expense and construction costs;
- we may incur construction and development costs for a community which exceed our original estimates due to increased materials, labor or other costs, which could make completion of the community uneconomical and we may not be able to increase rents to compensate for the increase in development costs which may impact our profitability;
- we may be unable to secure long-term financing on completion of development resulting in increased debt service and lower profitability; and
- occupancy rates and rents at a newly developed community may fluctuate depending on several factors, including market and economic conditions, which may result in the community not being profitable.

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

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

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

- downturns in economic conditions which adversely impact the housing market;
- an oversupply of, or a reduced demand for, manufactured homes;
- the ability of manufactured home manufacturers to adapt to change in the economic climate and the availability of units from these manufacturers;
- 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.

Licensing laws and compliance could affect our profitability. Our subsidiary S&F is 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 S&F conducts business. There are extensive federal and state requirements mandated by the SAFE Act and other laws pertaining to financing, including the Dodd-Frank Wall Street Reform and Consumer Protection 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.

The termination of our third party lending program could adversely affect us. S&F currently relies exclusively on its third-party lending program for all loan origination and servicing activity. As a result, the termination of our third-party lending program could impact our ability to continue with our home financing activities.

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.

Laws and regulations also govern the provision of utility services. Such laws regulate, for example, how and to what extent owners or operators of property can charge renters for provision of utilities. Such laws can also regulate the operations and performance of utility systems and may impose fines and penalties on real property owners or operators who fail to comply with these requirements. The laws and regulations may also require capital investment to maintain compliance.

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. In 2019, the State of New York enacted the Housing Stability and Tenant Protection Act of 2019, which, among other things, set maximum collectible rent increases. Rent control also affects two of our manufactured home communities in New Jersey. Enactment of such laws has been considered at various times in other jurisdictions. We presently expect to continue to maintain properties, and may purchase additional properties, in markets that are either subject to rent control or in which rent related legislation exists or may be enacted.

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

Of the 127 manufactured home communities we operated as of December 31, 2021, 47 have their own wastewater treatment facility or water distribution system, or both. At these locations, we are subject to compliance with monthly, quarterly and yearly testing for contaminants as outlined by the individual state's Department of Environmental Protection Agencies. Currently, our community-owned manufactured homes are not subject to radon or asbestos monitoring requirements.

Additionally, in connection with the management of the properties or upon acquisition or financing of a property, the Company authorizes the preparation of Phase I or similar environmental reports (which involves general inspections without soil sampling or ground water analysis) completed by independent environmental consultants. Based upon such environmental reports and the Company's ongoing review of its properties, as of the date of this Annual Report, the Company is not aware of any environmental condition with respect to any of its properties which it believes would be reasonably likely to have a material adverse effect on its financial condition and/or results of operations. However, these reports cannot reflect conditions arising after the studies were completed, and no assurances can be given that existing environmental studies reveal all environmental liabilities, that any prior owner or operator of a property or neighboring owner or operator did not create any material environmental condition not known to us, or that a material environmental condition does not otherwise exist as to any one or more properties.

Some of our properties are subject to potential natural or other disasters. Certain of our manufactured home communities are located in areas that may be subject to natural disasters, including our manufactured home communities in flood plains, in areas that may be adversely affected by tornados and in coastal regions that may be adversely affected by increases in sea levels or in the frequency or severity of hurricanes, tropical storms or other severe weather conditions. The occurrence of natural disasters may delay redevelopment or development projects, increase investment costs to repair or replace damaged properties, increase future property insurance costs and negatively impact the tenant demand for lease space. To the extent insurance is unavailable to us or is unavailable on acceptable terms, or our insurance is not adequate to cover losses from these events, our financial condition and results of operations could be adversely affected.

Climate change may adversely affect our business. To the extent that significant changes in the climate occur in areas where our properties are located, we may experience extreme weather and changes in precipitation and temperature, all of which may result in physical damage to or a decrease in demand for properties located in these areas or affected by these conditions. Should the impact of climate change be material in nature, including significant property damage to or destruction of our properties, or occur for lengthy periods of time, our financial condition or results of operations may be adversely affected. In addition, changes in federal, state and local legislation and regulations based on concerns about climate change could result in increased capital expenditures on our properties (for example, to improve their energy efficiency and/or resistance to inclement weather) without a corresponding increase in revenue, resulting in adverse impacts to our net income.

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

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, acts of war or other catastrophic events. 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 our insurance coverage, or that we will be able to obtain insurance in the future at acceptable levels and reasonable cost.

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.

Our joint venture with Nuveen Real Estate may subject us to risks, including limitations on our decision-making authority and the risk of disputes, which could adversely affect us. We have entered into a joint venture with Nuveen Real Estate to acquire manufactured home communities that are recently developed or under development. We are required to contribute 40% of the capital required for investments by this joint venture. It is possible that our joint venture partner, Nuveen Real Estate, may have business interests or goals that are different from our business interests or goals. Although we manage the joint venture and its properties, we do not have full control over decisions and require approval of Nuveen Real Estate for major decisions. As a result, we may face the risk of disputes, including potential deadlocks in making decisions. In addition, the joint venture agreement provides that until the capital contributions to the joint venture are fully funded or the joint venture is terminated, and unless Nuveen declines an acquisition proposed by us, the joint venture will be the exclusive vehicle for us to acquire any manufactured home communities that meet the joint venture's investment guidelines. Nuveen Real Estate will have the right to remove and replace us as managing member of the joint venture and manager of the joint venture's properties if we breach certain obligations or certain events occur, in which event Nuveen Real Estate may elect to buy out our interest in the joint venture at 98% of its value. There are also significant restrictions on our ability to exit the joint venture. Any of these provisions could adversely affect us.

Financing Risks

We face risks generally associated with our debt. We finance a portion of our investments in properties and marketable securities through debt. We are subject to the risks normally associated with debt financing, including the risk that our cash flow will be insufficient to meet required payments of principal and interest. In addition, debt creates other risks, including:

- rising interest rates on our variable rate debt;
- inability 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.

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

We face risks 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.

Fluctuations in interest rates could materially affect our financial results. Because a portion of our debt bears interest at variable rates, increases in interest rates could materially increase our interest expense. Interest rates currently remain substantially below historical long-term averages and may increase in the future. If the U.S. Federal Reserve increases short-term interest rates, this may have a significant upward impact on the interest rates that our variable rate debt is based upon. Potential future increases in interest rates and credit spreads may increase our interest expense and therefore negatively affect our financial condition and results of operations, and reduce our access to the debt or equity capital markets. Additionally, if we choose to hedge any interest rate risk, we cannot assure that any such hedge will be effective or that our hedging counterparty will meet its obligations to us. As a result, any increases in future interest rates could adversely affect us.

We may be adversely affected by the market transition away from the London Interbank Offered Rate (“LIBOR”). A portion of our debt bears interest at variable rates based on LIBOR for deposits of U.S. dollars. The United Kingdom’s Financial Conduct Authority, which regulates LIBOR, has announced that it intends to stop encouraging or requiring banks to submit LIBOR rates after 2021. On March 5, 2021, ICE Benchmark Administration (“IBA”), the administrator of LIBOR, announced plans to cease publication of USD LIBOR on December 31, 2021 for only the one week and two month USD LIBOR tenors, and on June 30, 2023 for all other USD LIBOR tenors. While this announcement extends the transition period to June 2023, it is likely that, over time, LIBOR may be replaced by the Secured Overnight Financing Rate (“SOFR”) published by the Federal Reserve Bank of New York or another alternative benchmark. We are monitoring these developments and evaluating the related risks. Although the full impact of such reforms and actions, together with the transition away from LIBOR, alternative reference rates or other reforms, remains unclear, these changes may have a material adverse impact on the availability of financing, including variable rate loans, and as a result on our financing costs.

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

A change in the U.S. government policy with regard to Fannie Mae and Freddie Mac could impact our financial condition. Fannie Mae and Freddie Mac are major sources of financing for the manufactured housing real estate sector. We depend frequently on Fannie Mae and Freddie Mac to finance growth by purchasing or guaranteeing manufactured housing community loans. A decision by the government to eliminate Fannie Mae or Freddie Mac, or reduce their acquisitions or guarantees of our mortgage loans, may adversely affect interest rates, capital availability and our ability to refinance our existing mortgage obligations as they come due and obtain additional long-term financing for the acquisition of additional communities on favorable terms or at all.

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

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

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

Risks Related to our Status as a REIT

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

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

We may be adversely affected if we fail to qualify as a REIT. If we fail to qualify as a REIT, we will not be allowed to deduct distributions to shareholders in computing our taxable income and will be subject to federal income tax at regular corporate rates and possibly increased state and local taxes. In addition, we might be barred from qualification as a REIT for the four years following the year of disqualification. The additional tax incurred at regular corporate rates would reduce significantly the cash flow available for distribution to shareholders and for debt service. Furthermore, we would no longer be required to make any distributions to our shareholders as a condition to REIT qualification. Any distributions to shareholders would be taxable as ordinary income to the extent of our current and accumulated earnings and profits, although such dividend distributions to non-corporate shareholders would be subject to a maximum federal income tax rate of 20% (and potentially a Medicare tax of 3.8%), provided applicable requirements of the Code are satisfied. Furthermore, corporate shareholders may be eligible for the dividends received deduction on the distributions, subject to limitations under the Code. Additionally, if we fail to qualify as a REIT, non-corporate stockholders would no longer be able to deduct up to 20% of our dividends (other than capital gain dividends and dividends treated as qualified dividend income), as would otherwise generally be permitted for taxable years beginning after December 31, 2017 and before January 1, 2026.

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 so qualified or will remain so qualified.

There is a risk of changes in the tax law applicable to REITs. Because the IRS, the U.S. 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. Numerous changes to the U.S. federal income tax laws are proposed on a regular basis. 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. Additionally, the REIT rules are constantly under review by persons involved in the legislative process and by the IRS and the U.S. Treasury Department, which may result in revisions to regulations and interpretations in addition to statutory changes. Furthermore, members of the U.S. Congress and the Biden administration have expressed intent to pass legislation to change or repeal parts of currently enacted tax law, including, in particular, legislation that will increase corporate tax rates from the current flat rate of 21%. If enacted, certain proposed changes could have an adverse impact on our business and financial results. Importantly, legislation has been proposed in several states specifically taxing REITs. If such legislation were to be enacted, our income from such states would be adversely impacted.

The act popularly known as the Tax Cuts and Jobs Act of 2017 (the “TCJA”), as amended by the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”), has significantly changed the U.S. federal income taxation of U.S. businesses and their owners, including REITs and their shareholders. On March 27, 2020, the CARES Act, federal legislation intended to ameliorate the economic impact of the COVID-19 pandemic, was signed into law. The CARES Act made technical corrections, or temporary modifications, to certain of the provisions of the TCJA. The individual and collective impact of the changes made by the TCJA and the CARES Act on REITs and their security holders are uncertain and may not become evident for some period of time. It is also possible that additional legislation could be enacted in the future as a result of the ongoing COVID-19 pandemic which may affect the holders of our securities. Changes made by the TCJA and the CARES Act that could affect us and our shareholders include:

- temporarily reducing individual U.S. federal income tax rates on ordinary income; the highest individual U.S. federal income tax rate has been reduced from 39.6% to 37% for taxable years beginning after December 31, 2017 and before January 1, 2026;

- permanently eliminating the progressive corporate tax rate structure, with a maximum corporate tax rate of 35%, and replacing it with a flat corporate tax rate of 21%;
- permitting a deduction for certain pass-through business income, including dividends received by our shareholders from us that are not designated by us as capital gain dividends or qualified dividend income, which will allow individuals, trusts, and estates to deduct up to 20% of such amounts for taxable years beginning after December 31, 2017 and before January 1, 2026;
- reducing the highest rate of withholding with respect to our distributions to non-U.S. stockholders that are treated as attributable to gains from the sale or exchange of U.S. real property interests from 35% to 21%;
- limiting our deduction for net operating losses (“NOLs”) to 80% of REIT taxable income (prior to the application of the dividends paid deduction) (this was modified by the CARES Act as discussed below);
- generally limiting the deduction for net business interest expense in excess of a specified percentage (50% for taxable years beginning in 2019 and 2020 and 30% for subsequent taxable years) of a business’s adjusted taxable income except for taxpayers that engage in certain real estate businesses and elect out of this rule (provided that such electing taxpayers must use an alternative depreciation system for certain property). The CARES Act increases this interest limitation to 50% for taxable years beginning in 2019 or 2020 (with special rules applicable to interest allocation from entities treated as partnerships for tax purposes) and permits an entity to elect to use its 2019 adjusted taxable income to calculate the applicable limitation for its 2020 taxable year; and
- eliminating the corporate alternative minimum tax.

The CARES Act significantly modified the treatment of NOLs. Generally, a corporate taxpayer must pay tax on its net capital gain at ordinary corporate rates and may deduct capital losses only to the extent of capital gains, though excess capital losses may be carried forward indefinitely. As discussed above, under the TCJA, corporate NOLs arising in tax years beginning after December 31, 2017, can only offset 80% of taxable income (before the dividends paid deduction). These NOLs can now be carried forward indefinitely instead of the previous 20-year limitation, and carrybacks of these losses are no longer permitted. NOLs arising in tax years beginning before December 31, 2017 retain the same rules, and can be carried back two years and forward 20 years. There is no taxable income limit to usage of such losses. The CARES Act repeals the above 80% limitation for taxable years beginning before January 1, 2021, and allows a five-year carryback for NOLs arising in 2018, 2019 or 2020. This NOL carryback does not apply directly to REITs, however, taxable REIT subsidiaries are eligible to carry back NOLs and may benefit from this provision.

The TCJA and the CARES Act are subject to potential amendments and technical corrections, as well as interpretations and implementing regulations by the United States Treasury Department and the IRS, any of which could lessen or increase certain impacts of the TCJA and/or the CARES Act. Some technical corrections, proposed regulations and final regulations have already been promulgated, some of which specifically address REITs. It is unclear how these U.S. federal income tax changes will affect state and local taxation in various states and localities, which often use federal taxable income as a starting point for computing state and local tax liabilities. You are urged to consult with your tax advisor with respect to the status of legislative, regulatory, judicial or administrative developments and proposals and their potential effect on an investment in our securities.

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

Our taxable REIT subsidiary ("TRS") is subject to special rules that may result in increased taxes. As a REIT, we must pay a 100% penalty tax on certain payments that we receive or on certain deductions taken if the economic arrangements between us and our TRS are not comparable to similar arrangements between unrelated parties. The IRS may successfully assert that the economic arrangements of any of our inter-company transactions are not comparable to similar arrangements between unrelated parties, and may assess the above 100% penalty tax or make other reallocations of income or loss. This would result in unexpected tax liability which would adversely affect our cash flows.

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.

General Risk Factors

We face various risks and uncertainties related to public health crises, including the ongoing COVID-19 pandemic. The COVID-19 pandemic and its consequences may have a material adverse effect on us. We face various risks and uncertainties related to public health crises, including the ongoing global COVID-19 pandemic, which has disrupted financial markets and significantly impacted worldwide economic activity. The future effects of the evolving impact of the COVID-19 pandemic as well as mandatory and voluntary actions taken to mitigate the public health impact of the pandemic may have a material adverse effect on our financial condition. The COVID-19 pandemic and social and governmental responses to the pandemic have caused, and may continue to cause, severe economic, market and other disruptions worldwide. Although the COVID-19 pandemic and related societal and government responses have not, to date, had a material impact on our business or financial results, the extent to which COVID-19 and related actions may, in the future, impact our operations cannot be predicted with any degree of confidence. As a result, we cannot at this time predict the direct or indirect impact on us of the COVID-19 pandemic, but it could have a material adverse effect on our business, financial condition, liquidity, results of operations and prospects.

Global and regional economic conditions could materially adversely affect the Company's business, results of operations, financial condition and growth. Adverse macroeconomic conditions, including inflation, slower growth or recession, tighter credit, higher interest rates and high unemployment could materially adversely affect the Company's business, results of operations, financial condition and growth. In addition, uncertainty about, or a decline in, global or regional economic conditions could have a significant impact on the Company's suppliers.

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

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

Some of our directors and officers may have conflicts of interest with respect to certain related party transactions and other business interests. Mr. Eugene W. Landy, the Founder and Chairman of the Board of Directors of the Company, owns a 24% interest in the entity that is the landlord of the property where the Company's corporate office space is located. Effective October 1, 2019, the Company entered into a new lease for its executive offices in Freehold, New Jersey which combines the existing corporate office space with additional adjacent office space. This new lease extends our existing lease through April 30, 2027 and requires monthly lease payments of \$23,098 through April 30, 2022 and \$23,302 from May 1, 2022 through April 30, 2027. The Company is also responsible for its proportionate share of real estate taxes and common area maintenance. Mr. Eugene Landy may have a conflict of interest with respect to his obligations as our officer and/or director and his ownership interest in the landlord of the property.

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

The market value of our preferred and common stock could decrease based on our performance and market perception and conditions. The market value of our preferred and common stock may be based primarily upon the market's perception of our growth potential and current and future cash dividends, and may be secondarily based upon the real estate market value of our underlying assets. The market price of our preferred and common stock is influenced by their respective distributions relative to market interest rates. Rising interest rates may lead potential buyers of our stock to expect a higher distribution rate, which could 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.

The market price and trading volume of our common stock may fluctuate significantly. The per-share trading price of our common stock may fluctuate. In addition, the trading volume in our common stock may fluctuate and cause significant price variations to occur. If the per-share trading price of our common stock declines significantly, investors in our common stock may be unable to resell their shares at or above their purchase price. We cannot provide any assurance that the per-share trading price of our common stock will not fluctuate or decline significantly in the future.

Some of the factors that could negatively affect our share price or result in fluctuations in the price or trading volume of our stock include:

- actual or anticipated variations in our quarterly operating results or dividends;
- changes in our funds from operations or earnings estimates;
- publication of research reports about us or the real estate industry;
- prevailing interest rates;
- the market for similar securities;
- changes in market valuations of similar companies;
- adverse market reaction to any additional debt we incur in the future;
- additions or departures of key management personnel;
- actions by institutional stockholders;
- speculation in the press or investment community;
- the extent of investor interest in our securities;
- the general reputation of REITs and the attractiveness of our equity securities in comparison to other equity securities, including securities issued by other real estate-based companies;

- our underlying asset value;
- investor confidence in the stock and bond markets, generally;
- changes in tax laws;
- future equity issuances;
- failure to meet earnings estimates;
- failure to maintain our REIT status;
- changes in valuation of our REIT securities portfolio;
- general economic and financial market conditions;
- war, terrorist acts and epidemic disease, including the ongoing COVID-19 pandemic;
- our issuance of debt or preferred equity securities;
- our financial condition, results of operations and prospects; and
- the realization of any of the other risk factors presented in this Annual Report on Form 10-K.

In the past, securities class action litigation has often been instituted against companies following periods of volatility in the price of their common stock. This type of litigation could result in substantial costs and divert our management's attention and resources, which could have an adverse effect on our financial condition, results of operations, cash flow and per-share trading price of our common stock.

The market prices and trading volumes of our Series C Preferred Stock and Series D Preferred Stock may fluctuate significantly. Although our Series C Preferred Stock and Series D Preferred Stock are listed and traded on the NYSE, the trading markets for the Series C Preferred Stock and Series D Preferred Stock are limited. Since the Series C Preferred Stock and the Series D Preferred Stock have no maturity dates, investors seeking liquidity may elect to sell their shares of Series C Preferred Stock or Series D Preferred Stock in the secondary market. If an active trading market does not exist, the market price and liquidity of the Series C Preferred Stock or Series D Preferred Stock may be adversely affected by such sales. Even if an active public market exists, we cannot guarantee that the market price for the Series C Preferred Stock or the Series D Preferred Stock will equal or exceed the price that investors in the Series C Preferred Stock or the Series D Preferred Stock paid for their shares.

The future issuance or sale of additional shares of Common Stock or Preferred Stock could adversely affect the trading prices of our outstanding Common Stock and Preferred Stock. Future issuances or sales of substantial numbers of shares of our Common Stock or Preferred Stock in the public market, or the perception that such issuances or sales might occur, could adversely affect the per-share trading prices of our Common Stock, Series C Preferred Stock or Series D Preferred Stock. The per-share trading price of our Common Stock, Series C Preferred Stock or Series D Preferred Stock may decline significantly upon the sale or registration of additional shares of our Common Stock, Series C Preferred Stock or Series D Preferred Stock.

Future issuances of our debt securities, which would be senior to our Series C Preferred Stock and Series D Preferred Stock upon liquidation, or preferred equity securities which may be senior to our Series C Preferred Stock and Series D Preferred Stock for purposes of dividend distributions or upon liquidation, may adversely affect the per-share trading prices of our Series C Preferred Stock or Series D Preferred Stock. In the future, we may attempt to increase our capital resources by issuing additional debt securities and/or additional classes or series of preferred stock. Upon liquidation, holders of our debt securities and lenders with respect to other borrowings will be entitled to receive our available assets prior to any distribution to holders of our Series C Preferred Stock or Series D Preferred Stock. Additionally, any convertible or exchangeable securities that we issue in the future may have rights, preferences and privileges more favorable than those of our Series C Preferred Stock or Series D Preferred Stock. Any shares of preferred stock that we issue in the future could have a preference on liquidating distributions or a preference on dividend payments that could limit our ability to pay dividends to holders of our Series C Preferred Stock or Series D Preferred Stock. Any such future issuances may adversely affect the trading price of our Series C Preferred Stock or Series D Preferred Stock.

There are restrictions on the transfer of our capital stock. To maintain our qualification as a REIT under the Code, no more than 50% in value of our outstanding capital stock may be owned, actually or by attribution, by five or fewer individuals, as defined in the Code to also include certain entities, during the last half of a taxable year. Accordingly, our charter contains provisions restricting the transfer of our capital stock. These restrictions may discourage a tender offer or other transaction, or a change in management or of control of us that might involve a premium price for our common stock or preferred stock or that our shareholders otherwise believe to be in their best interests, and may result in the transfer of shares acquired in excess of the restrictions to a trust for the benefit of a charitable beneficiary and, as a result, the forfeiture by the acquirer of the benefits of owning the additional shares.

The dual listing of our Common Stock on the New York Stock Exchange ("NYSE") and the Tel Aviv Stock Exchange ("TASE") may result in price variations that could adversely affect liquidity of the market for our Common Stock. Our common stock is listed and trades on both the NYSE and the TASE. The dual listing may result in price variations of our common stock between the two exchanges due to various factors, including the use of different currencies and the different days and hours of trading for the two exchanges. Any decrease in the trading price of our common stock in one market could cause a decrease in the trading price on the other market. In addition, the dual-listing may adversely affect liquidity and trading prices on one or both of the exchanges as a result of circumstances that may be outside of our control. For example, transfers by holders of our securities from trading on one exchange to the other could result in increases or decreases in liquidity and or trading prices on either or both of the exchanges. Holders could also seek to sell or buy our Common Stock to take advantage of any price differences between the two markets through a practice referred to as arbitrage. Any such arbitrage activity could create volatility in both the price and volume of trading of our Common Stock.

The existing mechanism for the dual listing of securities on the NYSE and the TASE may be eliminated or modified in a manner that may subject us to additional regulatory burden and additional costs. The current Israeli regulatory regime provides a mechanism for the dual-listing of securities traded on the NYSE and the TASE that does not impose any significant regulatory burden or significant costs on us. If this dual-listing regime is eliminated or modified, it may become more difficult for us to comply with the regulatory requirements, and this could result in additional costs. In such event, we may consider delisting of our common stock from the TASE.

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 REITs, which we generally limit to no more than approximately 15% of our undepreciated assets. To the extent that the value of those investments decline or those investments do not provide a return, our earnings and cash flow could be adversely affected.

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

- Our charter provides for three classes of directors with the term of office of one class expiring each year, commonly referred to as a “staggered board.” By preventing common stockholders from voting on the election of more than one class of directors at any annual meeting of stockholders, this provision may have the effect of keeping the current members of our Board of Directors in control for a longer period of time than stockholders may desire.
- Our charter generally limits any holder from acquiring more than 9.8% (in value or in number, whichever is more restrictive) of our outstanding equity stock (defined as all of our classes of capital stock, except our excess stock). While this provision is intended to assure our ability to remain a qualified REIT for Federal income tax purposes, the ownership limit may also limit the opportunity for stockholders to receive a premium for their shares of common stock that might otherwise exist if an investor was attempting to assemble a block of shares in excess of 9.8% of the outstanding shares of equity stock or otherwise effect a change in control.
- The request of stockholders entitled to cast at least a majority of all votes entitled to be cast at such meeting is necessary for stockholders to call a special meeting. We also require advance notice by common stockholders for the nomination of directors or proposals of business to be considered at a meeting of stockholders.
- Our Board of Directors may authorize and cause us to issue securities without shareholder approval. Under our charter, the board 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.
- “Business combination” provisions that provide that, unless exempted, a Maryland corporation may not engage in certain 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 shareholder” or an affiliate of an interested shareholder for five years after the most recent date on which the interested shareholder became an interested shareholder, and thereafter unless specified criteria are met. An interested shareholder is defined generally as any person who beneficially owns 10% or more of the voting power of our shares or an affiliate thereof or an affiliate or associate of ours who was the beneficial owner, directly or indirectly, of 10% or more of the voting power of our then outstanding voting stock at any time within the two-year period immediately prior to the date in question. In our charter, we have expressly elected that the Maryland Business Combination Act not govern or apply to any transaction with our affiliated company, Monmouth Real Estate Investment Corporation (“MREIC”), a Maryland corporation.
- The duties of directors of a Maryland corporation do not require them to, among other things (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 shareholders rights plan, (c) make a determination under the Maryland Business Combination Act or the Maryland Control Share Acquisition Act to exempt any person or transaction from the requirements of those provisions, 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 shareholders in an acquisition.

We cannot assure you that we will be able to pay distributions regularly. Our ability to pay distributions in the future is dependent on our ability to operate profitably and to generate cash from our operations and the operations of our subsidiaries and is subject to limitations under our financing arrangements and Maryland law. Under the 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 became 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 charter permits otherwise, the amount that would be needed if the corporation were to be dissolved at the time of the distribution to satisfy the preferential rights upon dissolution of stockholders whose preferential rights on dissolution are superior to those receiving the distribution. Accordingly, we cannot guarantee that we will be able to pay distributions on a regular quarterly basis in the future.

Dividends on our capital stock do not qualify for the reduced tax rates available for some dividends. Income from "qualified dividends" payable to U.S. stockholders that are individuals, trusts and estates are generally subject to tax at preferential rates. Dividends payable by REITs, however, generally are not eligible for the preferential tax rates applicable to qualified dividend income. Although these rules do not adversely affect our taxation or the dividends payable by us, to the extent that the preferential rates continue to apply to regular corporate qualified dividends, investors who are individuals, trusts and estates may perceive an investment in us to be relatively less attractive than an investment in the stock of a non-REIT corporation that pays dividends, which could materially and adversely affect the value of the shares of, and per share trading price of, our capital stock. It should be noted that the TCJA provides for a deduction from income for individuals, trusts and estates up to 20% of certain REIT dividends, which reduces the effective tax rate on such dividends below the effective tax rate on interest, though the deduction is generally not as favorable as the preferential rate on qualified dividends. The deduction for certain REIT dividends, unlike the favorable rate for qualified dividends, expires after 2025.

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.

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

Disruptions in the financial markets could affect our ability to obtain financing on reasonable terms and have other adverse effects on us and the market price of our capital stock. Uncertainty in the stock and credit markets may negatively impact our ability to access additional financing at reasonable terms, which may negatively affect our ability to acquire properties and otherwise pursue our investment strategy. A prolonged downturn in the stock or credit markets may cause us to seek alternative sources of potentially less attractive financing, and may require us to adjust our investment strategy accordingly. These types of events in the stock and credit markets may make it more difficult or costly for us to raise capital through the issuance of the common stock, preferred stock or debt securities. The potential disruptions in the financial markets may have a material adverse effect on the market value of the common stock and preferred stock, or the economy in general. In addition, the national and local economic climate, including that of the energy-market dependent Marcellus and Utica Shale regions, may be adversely impacted by, among other factors, potential restrictions on drilling, plant closings and industry slowdowns, which may have a material adverse effect on the return we receive on our properties and investments, as well as other unknown adverse effects on us.

We face risks relating to cybersecurity attacks which could adversely affect our business, cause loss of confidential information and disrupt operations. We rely extensively on information technology to process transactions and manage our business. In the ordinary course of our business, we collect and store sensitive data, including our business information and that of our tenants, clients, vendors and employees on our network. This data is hosted on internal, as well as external, computer systems. Our external systems are hosted by third-party service providers that may have access to such information in connection with providing necessary information technology and security and other business services to us. This information may include personally identifiable information such as social security numbers, banking information and credit card information. We employ a number of measures to prevent, detect and mitigate potential breaches or disclosure of this confidential information. We have established a Cybersecurity Subcommittee of our Audit Committee to review and provide high level guidance on cybersecurity related issues of importance to the Company. We also maintain cyber risk insurance to provide some coverage for certain risks arising out of data and network breaches. While we continue to improve our cybersecurity and take measures to protect our business, we and our third-party service providers may be vulnerable to attacks by hackers (including through malware, ransomware, computer viruses, and email phishing schemes) or breached due to employee error, malfeasance, fire, flood or other physical event, or other disruptions. Any such breach or disruption could compromise the confidential information of our employees, customers and vendors to the extent such information exists on our systems or on the systems of third-party providers. Such an incident could result in potential liability or a loss of confidence and legal claims or proceedings; damage our reputation, competitiveness, stock price and long-term value; increase remediation, cybersecurity protection and insurance premium costs; disrupt and affect our business operations; or have material adverse effects on our business.

We are dependent on continuous access to the Internet to use our cloud-based applications. Damage or failure to our information technology systems, including as a result of any of the reasons described above, could adversely affect our results of operations as we may incur significant costs or data loss. We continually assess new and enhanced information technology solutions to manage risk of system failure or interruption.

We face risks relating to expanding use of social media mediums. The use of social media could cause us to suffer brand damage or information leakage. Negative posts or comments about us or our properties on any social networking website could damage our, or our properties' reputations. In addition, employees or others might disclose non-public sensitive information relating to our business through external media channels. The continuing evolution of social media may present us with new challenges and risks. The considerable increase in the use of social media over recent years has greatly expanded the potential scope and scale, and increased the rapidity of the dissemination of negative publicity that could be generated by negative posts and comments.

Item 1B – Unresolved Staff Comments

None.

Item 2 – Properties

UMH Properties, Inc. is engaged in the ownership and operation of manufactured home communities. As of December 31, 2021, the Company owned 127 manufactured home communities containing approximately 24,000 developed sites, located in New Jersey, New York, Ohio, Pennsylvania, Tennessee, Indiana, Michigan, Maryland, Alabama and South Carolina. The Company also has an ownership interest in and operates one community in Florida through its joint venture. The rents collectible from the land in our communities ultimately depend on the value of the home and land. Therefore, fewer but more expensive homes can actually produce the same or greater rents. There is a long-term trend toward larger manufactured homes. Existing 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. 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. The following table sets forth certain information concerning the Company's real estate investments as of December 31, 2021.

Name of Community	Number of Developed Sites	Occupancy Percentage at 12/31/21	Occupancy Percentage at 12/31/20	Acreage Developed	Additional Acreage	Weighted Average Monthly Rent Per Site at 12/31/21
Allentown 4912 Raleigh-Millington Road Memphis, TN 38128	434	97%	97%	87	18	\$ 513
Arbor Estates 1081 North Easton Road Doylestown, PA 18902	230	97%	94%	31	-0-	\$ 784
Auburn Estates 919 Hostetler Road Orrville, OH 44667	42	95%	93%	13	-0-	\$ 394
Bayshore Estates 105 West Shoreway Drive Sandusky, OH 44870	206	84%	N/A	56	-0-	\$ 367
Birchwood Farms 8057 Birchwood Drive Birch Run, MI 48415	143	95%	95%	28	-0-	\$ 500
Boardwalk 2105 Osolo Road Elkhart, IN 46514	195	98%	97%	45	-0-	\$ 419
Broadmore Estates 148 Broadmore Estates Goshen, IN 46528	390	93%	90%	93	19	\$ 505
Brookside Village 107 Skyline Drive Berwick, PA 18603	170	82%	80%	37	2	\$ 501
Brookview Village 2025 Route 9N, Lot 137 Greenfield Center, NY 12833	172	92%	92%	46	64	\$ 580
Camelot Village 2700 West 38 th Street Anderson, IN 46013	95	96%	92%	32	50	\$ 324
Camelot Woods 500 Earnhardt Dr. Altoona, PA 16601	149	55%	54%	32	-0-	\$ 311
Candlewick Court 1800 Candlewick Drive Owosso, MI 48867	211	70%	72%	40	-0-	\$ 521
Carsons 649 North Franklin St. Lot 116 Chambersburg, PA 17201	131	85%	84%	14	4	\$ 458

Name of Community	Number of Developed Sites	Occupancy Percentage at 12/31/21	Occupancy Percentage at 12/31/20	Acreage Developed	Additional Acreage	Weighted Average Monthly Rent Per Site at 12/31/21
Catalina 6501 Germantown Road Middletown, OH 45042	462	73%	66%	75	26	\$ 476
Cedarcrest Village 1976 North East Avenue Vineland, NJ 08360	283	99%	96%	71	30	\$ 693
Chambersburg I & II 5368 Philadelphia Ave Lot 34 Chambersburg, PA 17201	99	76%	78%	11	-0-	\$ 430
Chelsea 459 Chelsea Lane Sayre, PA 18840	84	99%	96%	12	-0-	\$ 464
Cinnamon Woods 70 Curry Avenue Conowingo, MD 21918	62	100%	98%	10	67	\$ 569
City View 110 Fort Granville Lot C5 Lewistown, PA 17044	57	96%	95%	20	2	\$ 370
Clinton Mobile Home Resort 60 N State Route 101 Tiffin, OH 44883	116	99%	100%	23	1	\$ 464
Collingwood 358 Chambers Road Lot 001 Horseheads, NY 14845	102	85%	90%	20	-0-	\$ 504
Colonial Heights 917 Two Ridge Road Wintersville, OH 43953	160	96%	88%	31	1	\$ 370
Countryside Estates 1500 East Fuson Road Muncie, IN 47302	164	85%	80%	44	20	\$ 399
Countryside Estates 6605 State Route 5 Ravenna, OH 44266	142	96%	95%	27	-0-	\$ 397
Countryside Village/ Duck River Estates 200 Early Road Columbia, TN 38401	376	92%	89%	79	103	\$ 436
Cranberry Village 100 Treedale Drive Cranberry Township, PA 16066	187	98%	98%	36	-0-	\$ 639
Crestview Wolcott Hollow Rd & Route 220 Athens, PA 18810	98	92%	95%	19	-0-	\$ 426

Name of Community	Number of Developed Sites	Occupancy Percentage at 12/31/21	Occupancy Percentage at 12/31/20	Acreage Developed	Additional Acreage	Weighted Average Monthly Rent Per Site at 12/31/21
Cross Keys Village 259 Brown Swiss Circle Duncansville, PA 16635	132	93%	89%	21	2	\$ 517
Crossroads Village 549 Chicory Lane Mount Pleasant, PA 15666	34	76%	79%	9	-0-	\$ 423
Dallas Mobile Home Community 1104 N 4 th Street Toronto, OH 43964	145	92%	86%	21	-0-	\$ 298
Deer Meadows 1291 Springfield Road New Springfield, OH 44443	98	94%	95%	22	8	\$ 373
Deer Run 3142 Flynn Road Lot 194 Dothan, AL 36303	195	31%	N/A	33	-0-	\$ 175
D & R Village 430 Route 146 Lot 65A Clifton Park, NY 12065	234	95%	94%	44	-0-	\$ 647
Evergreen Estates 425 Medina Street Lodi, OH 44254	55	96%	98%	10	3	\$ 393
Evergreen Manor 26041 Aurora Avenue Bedford, OH 44146	68	90%	90%	7	-0-	\$ 369
Evergreen Village 9249 State Route 44 Mantua, OH 44255	50	86%	92%	10	4	\$ 419
Fairview Manor 2110 Mays Landing Road Millville, NJ 08332	317	96%	95%	66	132	\$ 729
Fifty-One Estates Hayden Boulevard Elizabeth, PA 15037	171	89%	86%	42	6	\$ 467
Forest Creek 855 E. Mishawaka Road Elkhart, IN 46517	167	96%	95%	37	-0-	\$ 534
Forest Park Village 102 Holly Drive Cranberry Township, PA 16066	246	94%	95%	79	-0-	\$ 581
Fox Chapel Village 7 Greene Drive Cheswick, PA 15024	120	97%	92%	23	2	\$ 405

Name of Community	Number of Developed Sites	Occupancy Percentage at 12/31/21	Occupancy Percentage at 12/31/20	Acreage Developed	Additional Acreage	Weighted Average Monthly Rent Per Site at 12/31/21
Frieden Manor 102 Frieden Manor Schuylkill Haven, PA 17972	193	97%	92%	42	22	\$ 535
Friendly Village 27696 Oregon Road Perrysburg, OH 43551	824	52%	49%	101	-0-	\$ 428
Green Acres 4496 Sycamore Grove Road Chambersburg, PA 17201	24	92%	96%	6	-0-	\$ 450
Gregory Courts 1 Mark Lane Honey Brook, PA 19344	39	97%	90%	9	-0-	\$ 713
Hayden Heights 5501 Cosgray Road Dublin, OH 43016	115	99%	98%	19	-0-	\$ 448
Heather Highlands 109 Main Street Inkerman, PA 18640	408	74%	74%	79	-0-	\$ 508
High View Acres 399 Blue Jay Lane Apollo, PA 15613	154	84%	83%	43	-0-	\$ 423
Highland 1875 Osolo Road Elkhart, IN 46514	246	90%	88%	42	-0-	\$ 437
Highland Estates 60 Old Route 22 Kutztown, PA 19530	317	98%	97%	98	65	\$ 653
Hillcrest Crossing 100 Lorraine Drive Lower Burrell, PA 15068	198	80%	75%	60	16	\$ 357
Hillcrest Estates 14200 Industrial Parkway Marysville, OH 43040	219	98%	96%	46	45	\$ 479
Hillside Estates Snyder Avenue Greensburg, PA 15601	89	92%	95%	29	20	\$ 394
Holiday Village 201 Grizzard Avenue Nashville, TN 37207	319	79%	90%	36	29	\$ 514
Holiday Village 1350 Co Road 3 Elkhart, IN 46514	326	87%	85%	53	2	\$ 527

Name of Community	Number of Developed Sites	Occupancy Percentage at 12/31/21	Occupancy Percentage at 12/31/20	Acreage Developed	Additional Acreage	Weighted Average Monthly Rent Per Site at 12/31/21
Holly Acres Estates 7240 Holly Dale Drive Erie, PA 16509	153	96%	93%	30	9	\$ 428
Hudson Estates 100 Keenan Road Peninsula, OH 44264	159	94%	91%	19	-0-	\$ 353
Huntingdon Pointe 240 Tee Drive Tarrs, PA 15688	76	97%	91%	45	4	\$ 329
Independence Park 355 Route 30 Clinton, PA 15026	92	96%	91%	36	15	\$ 431
Iris Winds 1230 South Pike East Lot 144 Sumter, SC 29153	142	44%	N/A	24	-0-	\$ 195
Kinnebrook 351 State Route 17B Monticello, NY 12701	250	100%	98%	66	8	\$ 654
Lake Erie Estates 3742 East Main Street, Apt 1 Fredonia, NY 14757	162	69%	70%	21	-0-	\$ 412
Lake Sherman Village 7227 Beth Avenue, SW Navarre, OH 44662	250	95%	94%	63	34	\$ 515
Lakeview Meadows 11900 Duff Road, Lot 58 Lakeview, OH 43331	79	96%	99%	21	32	\$ 405
Laurel Woods 1943 St. Joseph Street Cresson, PA 16630	208	82%	76%	43	-0-	\$ 462
Little Chippewa 11563 Back Massillon Road Orrville, OH 44667	62	97%	92%	13	-0-	\$ 409
Maple Manor 18 Williams Street Taylor, PA 18517	318	79%	82%	71	-0-	\$ 437
Marysville Estates 548 North Main Street Marysville, OH 43040	306	67%	65%	58	-0-	\$ 440
Meadowood 9555 Struthers Road New Middletown, OH 44442	122	93%	93%	20	-0-	\$ 467

Name of Community	Number of Developed Sites	Occupancy Percentage at 12/31/21	Occupancy Percentage at 12/31/20	Acreage Developed	Additional Acreage	Weighted Average Monthly Rent Per Site at 12/31/21
Meadows 11 Meadows Nappanee, IN 46550	335	80%	77%	61	-0-	\$ 459
Meadows of Perrysburg 27484 Oregon Road Perrysburg, OH 43551	191	97%	93%	47	8	\$ 449
Melrose Village 4400 Melrose Drive, Lot 301 Wooster, OH 44691	293	95%	91%	71	-0-	\$ 410
Melrose West 4455 Cleveland Road Wooster, OH 44691	29	100%	100%	27	3	\$ 422
Memphis Blues ⁽¹⁾ 1401 Memphis Blues Avenue Memphis, TN 38127	90	92%	69%	16	78	\$ 478
Monroe Valley 15 Old State Road Jonestown, PA 17038	44	95%	98%	11	-0-	\$ 569
Moosic Heights 118 1st Street Avoca, PA 18641	149	93%	93%	35	-0-	\$ 452
Mount Pleasant Village 549 Chicory Lane Mount Pleasant, PA 15666	114	95%	97%	19	-0-	\$ 367
Mountaintop Mountain Top Lane Narvon, PA 17555	39	90%	92%	11	2	\$ 656
Mountain View ⁽²⁾ Van Dyke Street Coxsackie, NY 12501	-0-	N/A	N/A	-0-	220	\$ -0-
New Colony 3101 Homestead Duquesne Road West Mifflin, PA 15122	113	74%	68%	16	-0-	\$ 471
Northtowne Meadows 6255 Telegraph Road Erie, MI 48133	380	90%	87%	85	-0-	\$ 435
Oak Ridge Estates 1201 Country Road 15 (Apt B) Elkhart, IN 46514	205	99%	96%	40	-0-	\$ 529
Oakwood Lake Village 308 Gruver Lake Tunkhannock, PA 18657	78	74%	67%	40	-0-	\$ 513

Name of Community	Number of Developed Sites	Occupancy Percentage at 12/31/21	Occupancy Percentage at 12/31/20	Acreage Developed	Additional Acreage	Weighted Average Monthly Rent Per Site at 12/31/21
Olmsted Falls 26875 Bagley Road Olmsted Township, OH 44138	124	98%	97%	15	-0-	\$ 465
Oxford Village 2 Dolinger Drive West Grove, PA 19390	224	99%	98%	59	2	\$ 750
Parke Place 2331 Osolo Road Elkhart, IN 46514	364	98%	97%	94	15	\$ 425
Perrysburg Estates 23720 Lime City Road Perrysburg, OH 43551	133	95%	88%	26	7	\$ 393
Pikewood Manor 1780 Lorain Boulevard Elyria, OH 44035	490	88%	84%	86	31	\$ 461
Pine Ridge Village/Pine Manor 100 Oriole Drive Carlisle, PA 17013	194	89%	88%	50	30	\$ 597/\$612
Pine Valley Estates 1283 Sugar Hollow Road Apollo, PA 15613	213	82%	77%	38	-0-	\$ 413
Pleasant View Estates 6020 Fort Jenkins Lane Bloomsburg, PA 17815	110	85%	81%	21	9	\$ 443
Port Royal Village 485 Patterson Lane Belle Vernon, PA 15012	476	63%	63%	101	-0-	\$ 515
Redbud Estates 1800 West 38 th Street Anderson, IN 46013	580	96%	94%	128	21	\$ 280
River Valley Estates 2066 Victory Road Marion, OH 43302	231	86%	85%	60	-0-	\$ 433
Rolling Hills Estates 14 Tip Top Circle Carlisle, PA 17015	90	96%	90%	31	1	\$ 426
Rostraver Estates 1198 Rostraver Road Belle Vernon, PA 15012	66	91%	89%	17	66	\$ 510
Sandy Valley Estates 11461 State Route 800 N.E. Magnolia, OH 44643	364	75%	74%	102	10	\$ 468

Name of Community	Number of Developed Sites	Occupancy Percentage at 12/31/21	Occupancy Percentage at 12/31/20	Acreage Developed	Additional Acreage	Weighted Average Monthly Rent Per Site at 12/31/21
Shady Hills 1508 Dickerson Pike #L1 Nashville, TN 37207	212	89%	91%	25	-0-	\$ 499
Somerset Estates/Whispering Pines 1873 Husband Road Somerset, PA 15501	249	84%	82%	74	24	\$ 427/\$509
Southern Terrace 1229 State Route 164 Columbiana, OH 44408	118	99%	100%	26	4	\$ 395
Southwind Village 435 E. Veterans Highway Jackson, NJ 08527	250	99%	99%	36	-0-	\$ 614
Spreading Oaks Village 7140-29 Selby Road Athens, OH 45701	148	95%	92%	37	24	\$ 459
Springfield Meadows 4100 Troy Road Springfield, OH 45502	123	95%	97%	43	77	\$ 403
Suburban Estates 33 Maruca Drive Greensburg, PA 15601	200	96%	95%	36	-0-	\$ 440
Summit Estates 3305 Summit Road Ravenna, OH 44266	141	97%	98%	25	1	\$ 404
Summit Village 246 North 500 East Marion, IN 46952	100	87%	85%	25	33	\$ 277
Sunny Acres 272 Nicole Lane Somerset, PA 15501	207	95%	94%	55	3	\$ 436
Sunnyside 2901 West Ridge Pike Eagleview, PA 19403	63	84%	86%	8	1	\$ 747
Trailmont 122 Hillcrest Road Goodlettsville, TN 37072	129	95%	92%	32	-0-	\$ 508
Twin Oaks I & II 27216 Cook Road Lot 1-A Olmsted Township, OH 44138	141	97%	96%	21	-0-	\$ 566
Twin Pines 2011 West Wilden Avenue Goshen, IN 46528	219	92%	84%	48	2	\$ 498

Name of Community	Number of Developed Sites	Occupancy Percentage at 12/31/21	Occupancy Percentage at 12/31/20	Acreage Developed	Additional Acreage	Weighted Average Monthly Rent Per Site at 12/31/21
Valley High 229 Fieldstone Lane Ruffs Dale, PA 15679	75	87%	95%	13	16	\$ 393
Valley Hills 4364 Sandy Lake Road Ravenna, OH 44266	267	97%	98%	66	67	\$ 398
Valley Stream 60 Valley Stream Mountaintop, PA 18707	143	78%	77%	37	6	\$ 384
Valley View I 1 Sunflower Drive Ephrata, PA 17522	104	98%	98%	19	-0-	\$ 579
Valley View II 1 Sunflower Drive Ephrata, PA 17522	43	100%	100%	7	-0-	\$ 597
Valley View – Honey Brook 1 Mark Lane Honey Brook, PA 19344	144	92%	90%	28	13	\$ 703
Voyager Estates 1002 Satellite Drive West Newton, PA 15089	259	68%	65%	72	20	\$ 391
Waterfalls Village 3450 Howard Road Lot 21 Hamburg, NY 14075	196	83%	82%	35	-0-	\$ 634
Wayside 1000 Garfield Avenue Bellefontaine, OH 43331	82	94%	93%	16	5	\$ 355
Weatherly Estates 271 Weatherly Drive Lebanon, TN 37087	271	100%	96%	41	-0-	\$ 463
Wellington Estates 58 Tanner Street Export, PA 15632	206	84%	72%	46	1	\$ 336
Woodland Manor 338 County Route 11, Lot 165 West Monroe, NY 13167	148	72%	71%	77	-0-	\$ 415
Woodlawn Village 265 Route 35 Eatontown, NJ 07724	156	92%	91%	14	-0-	\$ 706
Woods Edge 1670 East 650 North West Lafayette, IN 47906	599	59%	58%	151	50	\$ 437

Name of Community	Number of Developed Sites	Occupancy Percentage at 12/31/21	Occupancy Percentage at 12/31/20	Acreage Developed	Additional Acreage	Weighted Average Monthly Rent Per Site at 12/31/21
Wood Valley 2 West Street Caledonia, OH 43314	160	71%	68%	31	56	\$ 386
Worthington Arms 5277 Columbus Pike Lewis Center, OH 43035	222	94%	92%	36	-0-	\$ 637
Youngstown Estates 999 Balmer Road Youngstown, NY 14174	89	64%	66%	14	59	\$ 397
Total	24,025	86.0%	85.0%	5,150	1,830	\$ 480

- (1) Community was closed due to unusual flooding throughout the region in May 2011. We are currently working on the redevelopment of this community. The total redevelopment will be 134 sites. Phase I, consisting of 39 sites, was 100% occupied as of December 31, 2018. Phase II, consisting of 51 sites, was recently completed in 2020 and in the process of being occupied. Phase III, consisting of 44 sites, is in the process of being developed.
- (2) We are currently seeking site plan approvals for approximately 360 sites for this property.

The Company also has 1,830 undeveloped acres that may be developed into approximately 7,300 sites. We have approximately 3,500 sites in various stages of the approval process that may be developed over the next 7 years. Due to the uncertainties involved in the approval and construction process, it is difficult to predict the number of sites which will be completed in a given year.

In addition to the communities owned by the Company listed above, the Company's recently-formed joint venture with Nuveen Real Estate owns a newly-developed all-age, manufactured home community named Sebring Square, located in Sebring, Florida, which was acquired in December 2021. This community contains 219 developed homesites situated on approximately 39 acres and is now open for presales.

Significant Properties

The Company operated manufactured home properties with an approximate cost of \$1.2 billion as of December 31, 2021. These properties consist of 127 separate manufactured home communities and related improvements (excluding the Sebring Square community in Florida acquired in December 2021, which is operated by the Company and owned by the Company's joint venture with Nuveen Real Estate). No single community constitutes more than 10% of the total assets of the Company. Our larger properties consist of: Friendly Village (Ohio) with 824 developed sites, Woods Edge (Indiana) with 599 developed sites, Redbud Estates (Indiana) with 580 developed sites, Pikewood Manor (Ohio) with 490 developed sites, and Port Royal Village (Pennsylvania) with 476 developed sites.

Mortgages on Properties

The Company has mortgages on many of its properties. The maturity dates of these mortgages range from 2022 to 2031, with a weighted average term of 5.2 years. Interest on these mortgages is payable at fixed rates ranging from 2.62% to 6.35%. The weighted average interest rate on our mortgages, not including the effect of unamortized debt issuance costs, was approximately 3.8% at both December 31, 2021 and 2020. The aggregate balances of these mortgages, net of unamortized debt issuance costs, totaled \$452.6 million and \$471.5 million at December 31, 2021 and 2020, respectively. (For additional information, see Part IV, Item 15(a)(1)(vi), Note 6 of the Notes to Consolidated Financial Statements – Loans and Mortgages Payable).

Joint Venture with Nuveen Real Estate

In December 2021, the Company and Nuveen Real Estate ("Nuveen Real Estate"), a part of Nuveen Global Investments LLC, established a joint venture for the purpose of acquiring manufactured housing and/or recreational vehicle communities that are under development and/or newly developed and meet certain other investment guidelines. Nuveen Real Estate and the Company agreed to initially fund up to \$70 million of equity capital for acquisitions during a 24-month commitment period, with Nuveen Real Estate having the option, subject to certain conditions, to elect to increase the parties' total commitments by up to an additional \$100 million and to extend the commitment period for up to an additional four years. Committed capital will be funded 60% by Nuveen Real Estate and 40% by the Company on a parity basis. The Company serves as managing member of the joint venture and is responsible for day-to-day operations of the joint venture and management of its properties, subject to obtaining approval of Nuveen Real Estate for major decisions (including investments, dispositions, financings, major capital expenditures and annual budgets). The Company receives property management and other fees from the joint venture. On December 22, 2021, the joint venture closed on the acquisition of a newly developed all-age, manufactured home community named Sebring Square, located in Sebring, Florida, for a total purchase price of \$22.2 million. This community contains 219 developed homesites situated on approximately 39 acres. For additional information about the Company's joint venture with Nuveen Real Estate, see Note 5, "Investments in Joint Venture," of the Notes to Consolidated Financial Statements.

Item 3 – Legal Proceedings

The Company is subject to claims and litigation in the ordinary course of business. For additional information about legal proceedings, see 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

Market Information

The Company’s common stock and its Series C Preferred Stock and Series D Preferred Stock are traded on the New York Stock Exchange (“NYSE”), under the symbols “UMH”, “UMHPRC” and “UMHPRD”, respectively. Effective February 9, 2022, the Company’s common stock also began trading on the Tel Aviv Stock Exchange.

Shareholder Information

As of February 18, 2022, there were 1,292 registered shareholders of the Company’s common stock based on the number of record owners. Because many shares of the Company’s common stock are held by brokers and other institutions on behalf of their clients, we believe there are considerably more beneficial holders of our common stock than record holders.

Dividends

During the year ended December 31, 2021, the Company paid quarterly cash dividends to holders of its common stock of \$0.19 per share. On January 12, 2022, the Company’s Board of Directors approved an increase in the quarterly cash dividend to \$0.20 per share, representing an annualized dividend rate of \$0.80 per share. The increase will be effective commencing with the payment to be made on March 15, 2022 to shareholders of record as of the close of business on February 15, 2022.

Recent Sales of Unregistered Equity Securities

None.

Issuer Purchases of Equity Securities

On January 13, 2021, the Board of Directors reaffirmed our Common Stock Repurchase Program (the “Repurchase Program”) that authorized us to repurchase up to \$25 million in the aggregate of the Company’s common stock. Purchases under the Repurchase Program were permitted to be made 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 would be based on business, market and other conditions and factors, including price, regulatory and contractual requirements or consents, and capital availability. The Repurchase Program did not require the Company to acquire any particular amount of common stock and may be suspended, modified or discontinued at any time at the Company’s discretion without prior notice. Although the Repurchase Program remains in effect, during 2021, the Company did not repurchase any shares of its Common Stock.

Comparative Stock Performance

The following line graph compares the total return of the Company’s common stock for the last five years to the FTSE NAREIT All REITs Index published by the National Association of Real Estate Investment Trusts (“NAREIT”) and to the S&P 500 Index for the same period. The graph assumes a \$100 investment in our common stock and in each of the indexes listed below on December 31, 2016 and the reinvestment of all dividends. The total return reflects stock price appreciation and dividend reinvestment for all three comparative indices. The information herein has been obtained from sources believed to be reliable, but neither its accuracy nor its completeness is guaranteed. Our stock performance shown in the graph below is not necessarily indicative of future stock performance.



YEAR ENDED DECEMBER 31,

—●— UMH PROPERTIES, INC.
—■— FTSE NAREIT ALL REIT
—▲— S & P 500

Item 6 – Reserved

Not applicable.

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

2021 Accomplishments

During 2021, UMH made substantial progress on multiple fronts – generating solid operating results, achieving strong growth and improving our financial position. We have:

- Increased Rental and Related Income by 11%;
- Increased Community Net Operating Income (“NOI”) by 13%;
- Increased Normalized Funds from Operations (“Normalized FFO”) by 41% and Normalized FFO per share by 24%;
- Improved our Operating Expense ratio by 130 basis points to 42.8%;
- Increased Same Property NOI by 13%;
- Increased Same Property Occupancy by 413 sites from 85.4% to 87.1% or 170 basis points;
- Increased our rental home portfolio by 454 homes to approximately 8,700 total rental homes, representing an increase of 6%;
- Increased rental home occupancy by 90 basis points from 94.6% to 95.5%;
- Increased Sales of Manufactured Homes by 34%;
- Acquired three communities containing approximately 543 homesites for a total cost of approximately \$18.3 million (in addition to one community acquired in December 2021 by our joint venture with Nuveen Real Estate);
- Increased our Total Market Capitalization by 50% to \$2.4 billion at yearend;
- Increased our Equity Market Capitalization by 127% to \$1.4 billion at yearend;
- Reduced our Net Debt to Total Market Capitalization from 34% at 2020 to 16% at 2021;
- Issued and sold approximately 8.2 million shares of Common Stock through At-the-Market Sale Programs for our Common Stock at a weighted average price of \$22.14 per share, generating gross proceeds of \$182.0 million and net proceeds of \$179.1 million, after offering expenses;
- Issued and sold, through an At-the-Market Sale Program for our Preferred Stock, 2.2 million shares of Series D Preferred Stock at a weighted average price of \$24.89 per share, generating total gross proceeds of \$54.1 million and total net proceeds of \$53.2 million, after offering expenses; and
- Entered into a joint venture with Nuveen Real Estate, a TIAA company, for the purpose of development or acquisition of new manufactured housing communities, with an initial capital commitment by the joint venture partners of at least \$70 million and potentially up to \$170 million, 60% of which would be provided by Nuveen Real Estate and 40% of which would be provided by the Company. The joint venture acquired one community, containing approximately 219 developed home sites, for a total purchase price of \$22.2 million.

Refer to the discussion below in this Item 7, Management's Discussion and Analysis of Financial Condition, Results of Operations, and Non-GAAP Measures, contained in this Form 10-K for information regarding the presentation of community NOI, and for the presentation and reconciliation of funds from operations and normalized funds from operations to net income (loss) attributable to common shareholders.

Overview

The following discussion and analysis of the consolidated financial condition and results of operations should be read in conjunction with the historical Consolidated Financial Statements and Notes thereto included elsewhere in this Form 10-K.

The Company is a Maryland corporation that operates as a self-administered, self-managed REIT with headquarters in Freehold, New Jersey. The Company's primary business is the ownership and operation of manufactured home communities, which includes leasing manufactured home spaces on an annual or month-to-month basis to residents. The Company also leases manufactured homes to residents and, through its wholly-owned taxable REIT subsidiary, S&F, sells and finances the sale of manufactured homes to residents and prospective residents of our communities and for placement on customers' privately-owned land.

As of December 31, 2021, we owned and operated 127 manufactured home communities containing approximately 24,000 developed homesites. These communities are located in New Jersey, New York, Ohio, Pennsylvania, Tennessee, Indiana, Michigan, Maryland, Alabama and South Carolina. UMH has continued to execute our growth strategy of purchasing well-located communities in our target markets, including the energy-rich Marcellus and Utica Shale regions. During the year ended December 31, 2021, we purchased three manufactured home communities, located in Alabama, Ohio and South Carolina, for an aggregate purchase price of \$18.3 million. These acquisitions added approximately 543 developed homesites to our portfolio. The Company also operates one community in Florida owned by the Company's joint venture with Nuveen Real Estate that was formed in December 2021.

The Company earns income from the operation of its manufactured home communities, leasing of manufactured homesites, the rental of manufactured homes, the sale and finance of manufactured homes and the brokering of home sales and revenue under cable service agreements as well as from appreciation in the values of the manufactured home communities and vacant land owned by the Company. In addition, the Company receives property management and other fees from its joint venture with Nuveen Real Estate. Management views the Company as a single segment based on its method of internal reporting in addition to its allocation of capital and resources. The Company also invests in equity securities of other REITs which the Company generally limits to no more than approximately 15% of its undepreciated assets.

Occupancy in our properties, as well as our ability to increase rental rates, directly affects revenues. In 2021, total income increased 14% from the prior year due to the acquisition and rental programs, rent increases and the growth of our sales business and Community NOI (as defined below) increased 13% from the prior year. Overall occupancy was 86.0% and 85.0% at December 31, 2021 and 2020, respectively. Overall occupancy includes communities acquired in 2021 with an average occupancy of 59%. Same property occupancy, which includes communities owned and operated as of January 1, 2020, increased from 85.4% at December 31, 2020 to 87.1% at December 31, 2021. (Unless expressly indicated, information in this report with respect to the Company's properties, including financial and operating results for the year ended December 31, 2021, does not include the property owned by the Company's joint venture with Nuveen Real Estate.)

Sales of manufactured homes performed well during 2021, increasing by 34% year-over-year. Demand for quality affordable housing remains healthy. Conventional single-family home prices continue their rise supported by low inventories and increasing sales. As for-sale inventory remains limited, a large share of housing demand will be looking at alternative forms of housing. Our property type offers substantial comparative value that should result in increased demand.

The macro-economic environment and current housing fundamentals continue to favor home rentals. Rental homes in a manufactured home community allow the resident to obtain the efficiencies of factory-built housing and the amenities of community living for less than the cost of other forms of affordable housing. We continue to see strong demand for rental homes. During 2021, our portfolio of rental homes increased by 454 homes. Occupied rental homes represent approximately 40.2% of total occupied sites. Occupancy in rental homes continues to be strong and is at 95.5% as of December 31, 2021. We compare favorably with other types of rental housing, including apartments, and we will continue to allocate capital to rental home purchases, as demand dictates.

The Company holds a portfolio of marketable equity securities of other REITs with a fair value of \$113.7 million at December 31, 2021, representing 7.2% of our undepreciated assets (total assets excluding accumulated depreciation). The REIT securities portfolio provides the Company with additional diversification, liquidity and income, and serves as a proxy for real estate when more favorable risk adjusted returns are not available. As of December 31, 2021, 2% of the Company's portfolio consisted of REIT preferred stocks and 98% consisted of REIT common stocks.

The Company invests in these REIT securities and, from time to time, may use margin debt when an adequate yield spread can be obtained. The Company's weighted average yield on the securities portfolio was approximately 4.4% at December 31, 2021. At December 31, 2021, the Company had unrealized losses of \$14.3 million in its REIT securities portfolio. During 2021, the Company sold positions in securities, generating realized gains of 2.3 million. It is our intent to hold these securities for investment on a long-term basis.

The Company continues to strengthen its balance sheet. During 2021, the Company raised approximately \$9.8 million in new capital through the Dividend Reinvestment and Stock Purchase Plan ("DRIP"). During the year ended December 31, 2021, through an At-the-Market Sale Program for our Series C Preferred Stock and Series D Preferred Stock (the "2020 Preferred ATM Program"), the Company issued and sold a total of 2.2 million shares of our Series D Preferred Stock, generating gross proceeds of \$54.1 million and net proceeds of \$53.2 million, after offering expenses.

During the year ended December 31, 2021, through an At-the-Market Sale Program for our Common Stock (the "2020 Common ATM Program"), that we commenced in June 2020 and an At-the-Market Sale Program (the "2021 Common ATM Program") that we commenced in August 2021, the Company issued and sold a total of 8.2 million shares of our Common Stock, generating gross proceeds of \$182.0 million and net proceeds of \$179.1 million, after offering expenses.

The Company believes that its capital structure, which allows for the ownership of assets using a balanced combination of equity obtained through the issuance of common stock, preferred stock and debt, will enhance shareholder returns as the properties appreciate over time.

At December 31, 2021, the Company had approximately \$116.2 million in cash and cash equivalents and \$50 million available on our credit facility, with an additional \$50 million potentially available pursuant to an accordion feature. We also had \$31.6 million available on our revolving lines of credit for the financing of home sales and the purchase of inventory and \$15 million available on our line of credit secured by rental homes and rental homes leases. Subsequent to year end, the Company completed an offering to investors in Israel of \$102.7 million principal amount of its 4.72% Series A Bonds due February 28, 2027.

The Company intends to continue to increase its real estate investments. Our business plan includes acquiring communities that over time are expected to yield in excess of our cost of funds and then making physical improvements, including adding rental homes onto otherwise vacant sites. In 2020 and 2021, we added a total of five manufactured home communities to our portfolio, encompassing approximately 850 developed sites. These manufactured home communities were acquired with an average occupancy rate of 61%. The Company will utilize the rental home program to seek to increase occupancy rates and improve operating results at these communities. In addition, on behalf of our recently-formed joint venture with Nuveen Real Estate, we will seek opportunities to acquire manufactured home communities that are under development and/or newly developed and meet certain other investment guidelines. There is no guarantee that acquisition opportunities will continue to materialize or that the Company will be able to take advantage of such opportunities. The growth of our real estate portfolio and success of the joint venture depends on the availability of suitable properties which meet the Company's investment criteria and appropriate financing. Competition in the market areas in which the Company operates is significant and affects acquisitions, occupancy levels, rental rates and operating expenses of certain properties.

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.

Acquisitions in 2021 and 2020

The following table lists the property acquisitions completed by the Company during the years ended December 31, 2021 and 2020:

<u>Community</u>	<u>Date of Acquisition</u>	<u>State</u>	<u>Number of Sites</u>	<u>Purchase Price (in thousands)</u>	<u>Number of Acres</u>	<u>Occupancy at Acquisition</u>
Acquisitions in 2021						
Deer Run	January 8, 2021	AL	195	\$ 4,555	33	37%
Iris Winds	January 21, 2021	SC	142	3,445	24	49%
Bayshore Estates	June 1, 2021	OH	206	10,300	56	86%
Total 2021			543	\$ 18,300	113	59%
Acquisitions in 2020						
Camelot Woods	July 24, 2020	PA	147	\$ 3,340	27	56%
Lake Erie Estates	September 21, 2020	NY	163	4,500	21	71%
Total 2020			310	\$ 7,840	48	64%

In addition to the acquisitions shown above, on December 22, 2021, the Company, on behalf of its joint venture with Nuveen Real Estate, closed on the acquisition of Sebring Square, a newly developed manufactured home community located in Sebring, Florida containing 219 developed homesites, for a total purchase price of \$22.2 million. This community is situated on approximately 39 acres and is now open for occupancy. The joint venture realized minimal revenue from this community during 2021.

Results of Operations

2021 vs. 2020

Rental and related income increased from \$143.3 million for the year ended December 31, 2020 to \$159.0 million for the year ended December 31, 2021, or 11%. This increase was due to the acquisitions during 2020 and 2021, as well as an increase in rental rates, same property occupancy and additional rental homes. During 2021, the Company raised rental rates by 3% to 4% at most communities. Rent increases vary depending on overall market conditions and demand. Occupancy, as well as the ability to increase rental rates, directly affects revenues. The Company has been acquiring communities with vacant sites that can potentially be occupied and earn income in the future. Overall occupancy was 86.0% and 85.0% at December 31, 2021 and 2020, respectively. Overall occupancy includes communities acquired in 2021 and 2020, which had an average occupancy of 59% and 64%, respectively, at the time of acquisition. Same property occupancy has increased from 85.4% at December 31, 2020 to 87.1% at December 31, 2021. (The same property occupancy rate is exclusive of the sites at Memphis Blues, which is under redevelopment due to a flood in 2011.) Demand for rental homes continues to be strong. As of December 31, 2021, we had approximately 8,700 rental homes with an occupancy rate of 95.5%. We continue to evaluate the demand for rental homes and will invest in additional homes as demand dictates.

Community operating expenses increased from \$63.2 million for the year ended December 31, 2020 to \$68.0 million for the year ended December 31, 2021, or 8%. This increase was primarily due to new acquisitions, and increases in snow removal costs, tree removal, water and sewer, real estate taxes and payroll and personnel costs.

Community NOI increased from \$80.2 million for the year ended December 31, 2020 to \$91.0 million for the year ended December 31, 2021, or 13%. This increase was primarily due to the acquisitions during 2020 and 2021 and an increase in rental rates, occupancy and rental homes. The operating expense ratio (defined as community operating expenses divided by rental and related income) improved from 44.1% in 2020 to 42.8% for 2021. Many recently acquired communities have deferred maintenance requiring higher than normal expenditures in the first few years of ownership. In addition, expansions of our communities may require investments in infrastructure before we can generate revenue from additional sites. Because most of the community expenses consist of fixed costs, as occupancy rates increase, these expense ratios are expected to continue to improve. Since the Company has the ability to increase its rental rates annually, increasing costs due to inflation and changing prices have generally not had a material effect on revenues and income from continuing operations.

Sales of manufactured homes increased from \$20.3 million for the year ended December 31, 2020 to \$27.1 million for the year ended December 31, 2021, or 34%. The total number of homes sold was 370 homes in 2021 as compared to 323 homes in 2020. There were 182 new homes sold in 2021 as compared to 140 in 2020. The Company's average sales price was approximately \$73,000 and \$63,000 for the years ended December 31, 2021 and 2020, respectively. Cost of sales of manufactured homes increased from \$14.4 million for the year ended December 31, 2020 to \$20.1 million for the year ended December 31, 2021, or 39%. The gross profit percentage was 26% and 29% for 2021 and 2020, respectively. Selling expenses decreased from \$4.9 million for the year ended December 31, 2020 to \$4.8 million for the year ended December 31, 2021, or 3%. Gain from the sales operations (defined as sales of manufactured homes less cost of sales of manufactured homes less selling expenses less interest on the financing of inventory) increased from a gain of \$768,000 for the year ended December 31, 2020 to a gain of \$2.0 million for the year ended December 31, 2021. Many of the costs associated with sales, such as rent, salaries, and to an extent, advertising and promotion, are fixed. The National Association of Realtors reported that in December 2021, sales of existing homes grew 9% from December 2020. Home prices have continued their rise as fewer sellers are listing homes and inventories decline. With the passage of time, the inherent relative affordability of our property type becomes more and more apparent, which should result in increased demand. The Company continues to be optimistic about future sales and rental prospects given the fundamental need for affordable housing. The Company believes that sales of new homes produce new revenue and represent an investment in the upgrading of our communities.

General and administrative expenses increased from \$11.1 million for the year ended December 31, 2020 to \$14.1 million for the year ended December 31, 2021, or 27%. These increases were due to an increase in personnel costs, including an increase in the bonus accrual based on FFO metrics and an increase in stock-based compensation, including special restricted stock grants for the 2020 groundbreaking Fannie Mae financing. General and administrative expenses, excluding non-recurring expenses, as a percentage of gross revenue (total income plus interest, dividend and other income) was 6.2% and 6.4% at December 31, 2021 and 2020, respectively.

Depreciation expense increased from \$41.7 million for the year ended December 31, 2020 to \$45.1 million for the year ended December 31, 2021, or 8%. This increase was primarily due to the acquisitions and the increase in rental homes during 2021 and 2020.

Interest income increased from \$2.9 million for the year ended December 31, 2020 to \$3.4 million for the year ended December 31, 2021, or 15%. This increase was primarily due to an increase in the average balance of notes receivable from \$40.4 million for the year ended December 31, 2020 to \$48.6 million for the year ended December 31, 2021.

Dividend income decreased from \$5.7 million for the year ended December 31, 2020 to \$5.1 million for the year ended December 31, 2021, or 11%. This decrease was primarily due to reduced dividends from our securities holdings. Dividends received from our marketable securities investments were at a weighted average yield of approximately 4.4% and 4.7% at December 31, 2021 and 2020, respectively.

Gain on sales of marketable securities amounted to \$2.3 million for the year ended December 31, 2021. Increase (decrease) in fair value of marketable securities increased from an unrealized loss of \$14.1 million for the year ended December 31, 2020 to an unrealized gain of \$25.1 million for the year ended December 31, 2021. As of December 31, 2021, the Company had total net unrealized losses of \$14.3 million in its REIT securities portfolio.

Interest expense, including amortization of financing costs, increased from \$18.3 million for the year ended December 31, 2020 to \$19.2 million for the year ended December 31, 2021, or 5%. The average balance of mortgages payable was approximately \$462.0 million during 2021 as compared to approximately \$421.5 million during 2020. The weighted average interest rate on mortgages, not including the effect of unamortized debt issuance costs, was 3.8% at both December 31, 2021 and 2020.

Rental and related income increased from \$128.6 million for the year ended December 31, 2019 to \$143.3 million for the year ended December 31, 2020, or 11%. This increase was due to the acquisitions during 2019 and 2020, as well as an increase in rental rates, same property occupancy and additional rental homes. During 2020, the Company raised rental rates by 3% to 4% at most communities. Rent increases vary depending on overall market conditions and demand. Occupancy, as well as the ability to increase rental rates, directly affects revenues. The Company has been acquiring communities with vacant sites that can potentially be occupied and earn income in the future. Overall occupancy was 85.0% and 82.0% at December 31, 2020 and 2019, respectively. Overall occupancy includes communities acquired in 2020 and 2019, which had an average occupancy of 64% and 62%, respectively, at the time of acquisition. Same property occupancy increased from 83.6% at December 31, 2019 to 86.8% at December 31, 2020. The same property occupancy rate is exclusive of the sites at Memphis Blues, which is under redevelopment due to a flood in 2011. As of December 31, 2020, we had approximately 8,300 rental homes with an occupancy of 94.6%.

Community operating expenses remained relatively stable increasing from \$61.7 million for the year ended December 31, 2019 to \$63.2 million for the year ended December 31, 2020, or 2%.

Community NOI increased from \$66.9 million for the year ended December 31, 2019 to \$80.2 million for the year ended December 31, 2020, or 20%. This increase was primarily due to the acquisitions during 2019 and 2020 and an increase in rental rates, occupancy and rental homes. The operating expense ratio (defined as community operating expenses divided by rental and related income) was 47.5% and 44.1%, excluding non-recurring operating expenses, for the years ended December 31, 2019 and 2020, respectively.

Sales of manufactured homes increased from \$18.0 million for the year ended December 31, 2019 to \$20.3 million for the year ended December 31, 2020, or 13%. The total number of homes sold was 323 homes in 2020 as compared to 299 homes in 2019. There were 140 new homes sold in 2020 as compared to 135 in 2019. The Company's average sales price was approximately \$63,000 and \$60,000 for the years ended December 31, 2020 and 2019, respectively. Cost of sales of manufactured homes increased from \$12.9 million for the year ended December 31, 2019 to \$14.4 million for the year ended December 31, 2020, or 11%. The gross profit percentage was 29% and 28% for 2020 and 2019, respectively. Selling expenses decreased from \$5.1 million for the year ended December 31, 2019 to \$4.9 million for the year ended December 31, 2020, or 3%. Gain from the sales operations (defined as sales of manufactured homes less cost of sales of manufactured homes less selling expenses less interest on the financing of inventory) increased from a loss of \$290,000 for the year ended December 31, 2019 to a gain of \$768,000 for the year ended December 31, 2020. Many of the costs associated with sales, such as rent, salaries, and to an extent, advertising and promotion, are fixed. The National Association of Realtors reported that in December 2020, sales of existing homes grew 22% from December 2019.

General and administrative expenses increased from \$10 million for the year ended December 31, 2019 to \$11.1 million for the year ended December 31, 2020, or 10%. These increases were due to an increase in personnel costs, including an increase in incentive compensation based on FFO metrics and an increase in matching contributions associated with our 401(k) Plan. General and administrative expenses, excluding non-recurring expenses, as a percentage of gross revenue (total income plus interest, dividend and other income) was 6.4% and 6.3% at December 31, 2020 and 2019, respectively.

Depreciation expense increased from \$36.8 million for the year ended December 31, 2019 to \$41.7 million for the year ended December 31, 2020, or 13%. This increase was primarily due to the acquisitions and the increase in rental homes during 2020 and 2019.

Interest income increased from \$2.6 million for the year ended December 31, 2019 to \$2.9 million for the year ended December 31, 2020, or 11%. This increase was primarily due to an increase in the average balance of notes receivable from \$33.1 million for the year ended December 31, 2019 to \$40.4 million for the year ended December 31, 2020.

Dividend income decreased from \$7.5 million for the year ended December 31, 2019 to \$5.7 million for the year ended December 31, 2020, or 24%. This decrease was primarily due to reduced dividends from our securities holdings, as many REITs reduced their dividends in 2020 due to the COVID-19 pandemic. Dividends received from our marketable securities investments were at a weighted average yield of approximately 4.7% and 6.3% at December 31, 2020 and 2019, respectively.

Increase (decrease) in fair value of marketable securities decreased from an unrealized gain of \$14.9 million for the year ended December 31, 2019 to an unrealized loss of \$14.1 million for the year ended December 31, 2020. This decrease was due to the effects of the COVID-19 pandemic on prices in the securities market. As of December 31, 2020, the Company had total net unrealized losses of \$39.4 million in its REIT securities portfolio.

Interest expense, including amortization of financing costs, increased from \$17.8 million for the year ended December 31, 2019 to \$18.3 million for the year ended December 31, 2020, or 3%. This increase was primarily due to the \$106 million Fannie Mae credit facility we entered into during August 2020. The average balance of mortgages payable was approximately \$421.5 million during 2020 as compared to approximately \$352.4 million during 2019. The weighted average interest rate on mortgages, not including the effect of unamortized debt issuance costs, was 3.8% at December 31, 2020 as compared to 4.1% at December 31, 2019.

Non-GAAP Measures

In addition to the results reported in accordance with GAAP, management's discussion and analysis of financial condition and results of operations include certain non-GAAP financial measures that in management's view of the business we believe are meaningful as they allow the investor the ability to understand key operating details of our business both with and without regard to certain accounting conventions or items that may not always be indicative of recurring annual cash flow of the portfolio. These non-GAAP financial measures as determined and presented by us may not be comparable to related or similarly titled measures reported by other companies, and include Community Net Operating Income ("Community NOI"), Funds from Operations Attributable to Common Shareholders ("FFO") and Normalized Funds from Operations Attributable to Common Shareholders ("Normalized FFO").

We define Community NOI as rental and related income less community operating expenses such as real estate taxes, repairs and maintenance, community salaries, utilities, insurance and other expenses. We believe that Community NOI is helpful to investors and analysts as a direct measure of the actual operating results of our manufactured home communities, rather than our Company overall. Community NOI should not be considered a substitute for the reported results prepared in accordance with GAAP. Community NOI should not be considered as an alternative to net income (loss) as an indicator of our financial performance, or to cash flows as a measure of liquidity; nor is it indicative of funds available for our cash needs, including our ability to make cash distributions.

The Company's Community NOI is calculated as follows (*in thousands*):

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Rental and Related Income	\$ 159,010	\$ 143,344	\$ 128,611
Community Operating Expenses	<u>(68,046)</u>	<u>(63,175)</u>	<u>(61,708)</u>
Community NOI	<u>\$ 90,964</u>	<u>\$ 80,169</u>	<u>\$ 66,903</u>

We assess and measure our overall operating results based upon FFO an industry performance measure which management believes is a useful indicator of our operating performance. FFO is used by industry analysts and investors as a supplemental operating performance measure of a REIT. FFO, as defined by NAREIT, represents net income (loss) attributable to common shareholders, as defined by accounting principles generally accepted in the U.S. ("U.S. GAAP"), excluding extraordinary items, as defined under U.S. GAAP, gains or losses from sales of previously depreciated real estate assets, impairment charges related to depreciable real estate assets, and the change in the fair value of marketable securities plus certain non-cash items such as real estate asset depreciation and amortization. Included in the NAREIT FFO White Paper - 2018 Restatement, is an option pertaining to assets incidental to our main business in the calculation of NAREIT FFO to make an election to include or exclude gains and losses on the sale of these assets, such as marketable equity securities, and include or exclude mark-to-market changes in the value recognized on these marketable equity securities. In conjunction with the adoption of the FFO White Paper - 2018 Restatement, for all periods presented, we have elected to exclude the change in the fair value of marketable securities from our FFO calculation. NAREIT created FFO as a non-U.S. GAAP supplemental measure of REIT operating performance. We define Normalized Funds from Operations Attributable to Common Shareholders ("Normalized FFO"), as FFO, excluding gains and losses realized on marketable securities investments and certain one-time charges. FFO and Normalized FFO should be considered as supplemental measures of operating performance used by REITs. FFO and Normalized FFO exclude historical cost depreciation as an expense and may facilitate the comparison of REITs which have a different cost basis. However, other REITs may use different methodologies to calculate FFO and Normalized FFO and, accordingly, our FFO and Normalized FFO may not be comparable to all other REITs. The items excluded from FFO and Normalized FFO are significant components in understanding the Company's financial performance.

FFO and Normalized FFO (i) do not represent Cash Flow from Operations as defined by GAAP; (ii) should not be considered as an alternative to net income (loss) as a measure of operating performance or to cash flows from operating, investing and financing activities; and (iii) are not alternatives to cash flow as a measure of liquidity. FFO and Normalized FFO, as calculated by the Company, may not be comparable to similarly titled measures reported by other REITs.

The Company's FFO and Normalized FFO attributable to common shareholders are calculated as follows *(in thousands except footnotes)*:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Net Income (Loss) Attributable to Common Shareholders	\$ 21,249	\$ (29,759)	\$ 2,566
Depreciation Expense	45,124	41,707	36,811
Loss on Sales of Investment Property and Equipment	170	216	111
(Increase) Decrease in Fair Value of Marketable Securities	(25,052)	14,119	(14,915)
Gain on Sales of Marketable Securities, net	(2,342)	-0-	-0-
FFO Attributable to Common Shareholders	<u>39,149</u>	<u>26,283</u>	<u>24,573</u>
Adjustments:			
Redemption of Preferred Stock	-0-	2,871	-0-
Non-Recurring Other Expense ⁽¹⁾	1,995	-0-	634
Normalized FFO Attributable to Common Shareholders	<u>\$ 41,144</u>	<u>\$ 29,154</u>	<u>\$ 25,207</u>

- (1) Consists of special bonus and restricted stock grants for the August 2020 groundbreaking Fannie Mae financing, which are being expensed over the vesting period (\$1.8 million) and non-recurring expenses for the joint venture (\$171,000) in 2021, utility billing dispute over a prior 10-year period (\$375,000), emergency windstorm tree removal expenses in three communities (\$179,000) and costs associated with acquisitions not completed (\$80,000) in 2019.

Liquidity and Capital Resources

The Company operates as a REIT deriving its income primarily from real estate rental operations. The Company's principal liquidity demands have historically been, and are expected to continue to be, distributions to the Company's shareholders, acquisitions, capital improvements, development and expansions of properties, debt service, purchases of manufactured home inventory and rental homes, 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 marketable securities portfolio, the sale of real estate investments and marketable securities, refinancing of mortgage debt, leveraging of real estate investments, availability of bank borrowings or lines of credit, proceeds from the DRIP and access to the capital markets. In addition to cash generated through operations, the Company uses a variety of sources to fund its cash needs, including acquisitions. Specifically, the Company may sell marketable securities from its investment portfolio, borrow on its unsecured credit facility or lines of credit, finance and refinance its properties, and/or raise capital through the DRIP and capital markets. In order to provide financial flexibility to opportunistically access the capital markets, the Company has implemented At-the-Market Sales Programs for both our common and preferred stock. The 2021 Common ATM Program, commenced in August 2021, allowed the Company to offer and sell shares of the Company's common stock, having an aggregate sales price of up to \$100 million from time to time through the Distribution Agents for the 2021 Common ATM Program. All shares of Common Stock available to be sold under the 2021 Common ATM Program have been sold. The Company intends to commence a new At-the-Market Sales Program for its common stock during the first quarter of 2022. The Company's 2020 Preferred ATM Program allows the Company to offer and sell shares of the Company's Series C Preferred Stock and/or Series D Preferred Stock, having an aggregate sales price of up to \$100 million from time to time.

The Company intends to continue to increase its real estate investments. Our business plan includes acquiring communities that over time are expected to yield in excess of our cost of funds and then investing in physical improvements, including adding rental homes onto otherwise vacant sites. In addition, on behalf of our recently-formed joint venture with Nuveen Real Estate, we will seek opportunities to acquire manufactured home communities that are under development and/or newly developed and meet certain other investment guidelines. There is no guarantee that any of these additional opportunities will materialize or that the Company will be able to take advantage of such opportunities. The growth of our real estate portfolio and success of our joint venture depends on the availability of suitable properties which meet the Company's investment criteria and appropriate financing. Competition in the market areas in which the Company operates is significant. To the extent that funds or appropriate communities are not available, fewer acquisitions will be made.

The Company continues to strengthen its capital and liquidity positions and maintains financial flexibility. Through our 2020 Preferred ATM Program, the Company issued and sold a total of 2.2 million shares of our Series D Preferred Stock generating gross proceeds of \$54.1 million and net proceeds after offering expenses of \$53.2 million during the year ended December 31, 2021.

During the year ended December 31, 2021, the Company issued and sold 8.2 million shares of Common Stock through our 2020 Common ATM Program and our 2021 Common ATM Program at a weighted average price of \$22.14 per share, generating gross proceeds of \$182.0 million and net proceeds of \$179.1 million, after offering expenses.

As of December 31, 2021, \$4.0 million of common stock remained available for sale under the 2021 Common ATM Program and \$12.2 million in shares of Series C Preferred Stock and/or Series D Preferred Stock remained available for sale under the 2020 Preferred ATM Program. Subsequent to year end, in January 2022, the Company issued and sold 300,000 shares of Common Stock under the 2021 Common ATM Program for gross proceeds of \$8.0 million.

In addition, the Company has a DRIP in which participants can purchase original issue shares of common stock from the Company at a price of approximately 95% of market. During 2021, amounts received under the DRIP, including dividends reinvested of \$3.5 million, totaled \$9.8 million. The Company issued a total of 503,000 shares under the DRIP during 2021.

The Company also has the ability to finance home sales, inventory purchases and rental home purchases. The Company has a \$20 million revolving line of credit for the financing of homes, of which \$6 million was utilized at December 31, 2021, and revolving credit facilities totaling \$28.5 million to finance inventory purchases, of which \$10.9 million was utilized at December 31, 2021.

As of December 31, 2021, the Company had \$116.2 million of cash and cash equivalents and marketable securities of \$113.7 million. The Company owned 127 communities of which 28 are unencumbered. The Company's marketable securities and non-mortgaged properties provide us with additional liquidity. As of December 31, 2021, the Company also held a 40% equity interest in its joint venture with Nuveen Real Estate, which owns one newly developed community that is unencumbered. Subsequent to year end, the Company completed an offering to investors in Israel of \$102.7 million of its new unsecured 4.72% Series A Bonds due February 28, 2027. The Company believes that cash on hand, funds generated from operations, the DRIP and capital markets, 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 2021, total investment property, including rental homes, increased 9% or \$96.6 million. The Company made acquisitions of three manufactured home communities totaling 543 developed sites at an aggregate purchase price of \$18.3 million. These acquisitions were funded by the use of our unsecured credit facility. See Note 3 of the Notes to Consolidated Financial Statements for additional information on our acquisitions and Note 6 of the Notes to Consolidated Financial Statements for related debt transactions. In addition, in December 2021, the Company's joint venture with Nuveen Real Estate acquired one newly-developed community in Florida containing 219 developed homesites, for a total purchase price of \$22.2 million, 40% of which was funded by the Company. The Company continues to evaluate acquisition opportunities. The funds for these acquisitions (including the Company's 40% share of acquisition costs that may be incurred by the joint venture with Nuveen Real Estate) may come from bank borrowings, proceeds from the DRIP, and private placements or public offerings of debt, common or preferred stock, including under a new ATM Program for the Company's common stock expected to be commenced in the first quarter of 2022 or the 2020 Preferred ATM Program. To the extent that funds or appropriate properties are not available, fewer acquisitions will be made.

The Company owned approximately 8,700 rental homes, or approximately 36% of our total homesites as of December 31, 2021. During 2021, our rental home portfolio increased by 454 homes or \$33.7 million. The Company markets these rental homes for sale to existing residents. The Company estimates that in 2022 it will order approximately 700-800 manufactured homes to use as rental units at its properties for a total cost, including setup, of approximately \$56 million. Rental home rates on new homes range from approximately \$650-\$1,500 per month, including lot rent, depending on size, location and market conditions. During 2021, the Company also invested approximately \$25 million in other improvements to its communities.

Additionally, the Company has investments in marketable equity securities of other REITs. The REIT securities portfolio provides the Company with additional liquidity and income and serves as a proxy for real estate when more favorable risk adjusted returns are not available. The Company generally limits its marketable securities investments to no more than approximately 15% of its undepreciated assets. During 2021, the securities portfolio increased 10% or \$10.6 million primarily due to a net unrealized gain of \$25.1 million, realized gain of \$2.3 million partially offset by sales of \$14.5 million. The Company had dividend income earned of \$5.1 million. The Company from time to time may purchase these securities on margin when there is an adequate yield spread.

The following table summarizes cash flow activity for the years ended December 31, 2021, 2020 and 2019 (*in thousands*):

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Net Cash Provided by Operating Activities	\$ 65,163	\$ 66,839	\$ 38,516
Net Cash Used in Investing Activities	(94,364)	(103,770)	(122,350)
Net Cash Provided by Financing Activities	125,634	46,528	90,053
Net Increase in Cash, Cash Equivalents and Restricted Cash	\$ 96,433	\$ 9,597	\$ 6,219

Net cash provided by operating activities remained relatively stable in 2020 and 2021. Net cash provided by operating activities increased by \$28.3 million in 2020 to \$66.8 million. This increase was primarily due to an increase in Community NOI and a decrease in inventory in 2020 compared to an increase in 2019.

Net cash used in investing activities decreased by \$9.4 million in 2021, primarily due to a decrease in acquisitions of manufactured homes and the proceeds from sales of marketable securities offset by the increase in purchase of manufactured home communities and investment in the joint venture. Net cash used in investing activities decreased by \$18.6 million in 2020, primarily due to a decrease in acquisitions of manufactured homes.

Net cash provided by financing activities increased by \$79.1 million in 2021 to \$125.6 million. The Company received \$9.8 million, including dividends reinvested, through the DRIP. In addition, the Company issued and sold 2.2 million shares of its Series D Preferred Stock during 2021 through the 2020 Preferred ATM Program, raising net proceeds of approximately \$53.2 million. The Company also issued and sold 8.2 million shares of its Common Stock during 2021 through the 2020 Common ATM Program and 2021 Common ATM Program, raising net proceeds of approximately \$179.1 million. During 2021, the Company distributed to our common shareholders a total of \$35.0 million, including dividends reinvested. In addition, the Company also paid \$29.8 million in preferred dividends.

Net cash provided by financing activities decreased by \$43.5 million in 2020 to \$46.5 million. The Company obtained new mortgages of \$106 million. The Company also received \$9.2 million, including dividends reinvested, through the DRIP. In addition, in 2020 the Company issued and sold 134,000 shares of its Series C Preferred Stock and 3.8 million shares of its Series D Preferred Stock through the 2019 Preferred ATM Program (described below) and the 2020 Preferred ATM Program, raising net proceeds during 2020 of approximately \$96.1 million. The Company also issued and sold 135,000 shares of its Common Stock through the 2020 Common ATM Program, raising net proceeds of approximately \$1.7 million. In October 2020, the Company voluntarily redeemed all of its Series B Preferred Stock for approximately \$96.1 million. During 2020, the Company distributed to our common shareholders a total of \$29.8 million, including dividends reinvested. In addition, the Company also paid \$31.9 million in preferred dividends.

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

Cash flows used for 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 \$15 million in capital improvements for 2022.

The Company's significant commitments and contractual obligations relate to its mortgages, loans payable and other indebtedness, acquisitions of manufactured home communities, retirement benefits, and the lease on its corporate offices as described in Note 9 to the Consolidated Financial Statements.

The Company has approximately 1,800 acres of undeveloped land which it could develop over the next several years. The Company continues to analyze the best use of its vacant land.

As of December 31, 2021, the Company had total assets of \$1.3 billion and total liabilities of \$528.7 million. Our net debt (net of cash and cash equivalents) to total market capitalization as of December 31, 2021 and 2020 was approximately 16% and 34%, respectively. Our net debt, less securities (net of cash and cash equivalents and marketable securities) to total market capitalization as of December 31, 2021 and 2020 was approximately 11% and 28%, respectively.

The Company believes that it has the ability to meet its obligations and to generate funds for new investments.

Contractual Obligations

The Company has an investment in its joint venture with Nuveen Real Estate which is accounted for under the equity method of accounting as we have the ability to exercise significant influence, but not control, over the operating and financial decisions for the joint venture. The terms of the joint venture require the Company to fund 40% of the total capital contributions made by the members to the joint venture. See Note 5, "Investments in Joint Venture," of the Notes to Consolidated Financial Statements for additional information.

Our other primary contractual obligations relate to our loans and mortgages payable and other indebtedness and our operating lease obligations. See Note 2 "Summary of Significant Accounting Policies", Note 6 "Loans and Mortgages Payable" and Note 9 "Related Party Transactions and Other Matters" of the Notes to Consolidated Financial Statements for additional information.

Impact of COVID-19

The following discussion is intended to provide certain information regarding the impacts of the COVID-19 pandemic on our business and management's efforts to respond to those impacts.

We continue to monitor our operations and government recommendations and have taken steps to make the safety, security and welfare of our employees, their families and our residents a top priority.

Collections are consistent with pre-pandemic levels and we have collected 94% of January 2022 site and home rent as of today's date. Some of our residents benefitted from the federal government's funding of the Emergency Rental Assistance Programs that were enacted in each state.

The impact of the COVID-19 pandemic remains uncertain and dependent on future developments, including the possible emergence of new variants of the original virus and the ongoing roll-out of vaccines and their efficacy. We will continue to monitor these rapidly evolving developments and respond in the best interests of our employees, residents and shareholders. At this time, we believe that the COVID-19 pandemic and its consequences will not have a material adverse effect on our operations.

Critical 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 GAAP. 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 policy is affected by our more significant judgments and estimates used in the preparation of the Company's consolidated financial statements. For a detailed description of this and other accounting policies, see Note 2 of the Notes to Consolidated Financial Statements included in this Form 10-K.

Impairment in Real Estate Investments

The Company applies Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 360-10, Property, Plant & Equipment (“ASC 360-10”) to measure impairment in real estate investments. The Company’s primary indicator of potential impairment is based on net operating income trends year over year. 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 an other than temporary impairment has occurred, rental properties are reduced to their fair value. For properties to be disposed of, an impairment loss is recognized when the fair value of the property, less the estimated cost to sell, is less than the carrying amount of the property measured at the time there is a commitment to sell the property and/or it is actively being marketed for sale. A property to be disposed of is reported at the lower of its carrying amount or its estimated fair value, less its cost to sell. Subsequent to the date that a property is held for disposition, depreciation expense is not recorded.

The Company conducted a comprehensive review of all real estate asset classes in accordance with ASC 360-10-35-21, 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 entailed 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, 2021, 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.

Recent Accounting Pronouncements

See Note 2 of the Notes to Consolidated Financial Statements.

Item 7A – Quantitative and Qualitative Disclosures about Market Risk

As of December 31, 2021, we were exposed to risks associated with adverse changes in market prices and interest rates. The Company’s principal market risk exposure is interest rate risk. The Company’s future income, cash flows and fair values relevant to financial instruments are dependent upon prevalent market interest rates. Many factors, including governmental monetary and tax policies, domestic and international economic and political considerations and other factors that are beyond the Company’s control contribute to interest rate risk. The Company mitigates this risk by maintaining prudent amounts of leverage, minimizing capital costs and interest expense while continuously evaluating all available debt and equity resources and following established risk management policies and procedures, which may include the periodic use of derivatives. The Company’s primary strategy in entering into derivative contracts is to minimize the variability that changes in interest rates could have on its future cash flows. The Company generally employs derivative instruments that effectively convert a portion of its variable rate debt to fixed rate debt. The Company does not enter into derivative instruments for speculative purposes.

The following table sets forth information as of December 31, 2021, concerning the Company’s mortgages and loans payable, including principal cash flow by scheduled maturity, weighted average interest rates and estimated fair value (*in thousands*).

	Mortgages Payable		Loans Payable	
	Carrying Value	Weighted Average Interest Rate	Carrying Value	Weighted Average Interest Rate
2022	\$ 6,523	4.75%	\$ 46,945	2.66%
2023	63,437	3.88%	-0-	-0-%
2024	-0-	-0-%	-0-	-0-%
2025	128,501	4.06%	-0-	-0-%
2026	39,388	4.04%	-0-	-0-%
Thereafter	218,853	2.20%	-0-	-0-%
Total	<u>\$ 456,702</u>	<u>3.75%⁽¹⁾</u>	<u>\$ 46,945</u>	<u>2.66%⁽¹⁾</u>
Estimated Fair Value	<u>\$ 458,389</u>		<u>\$ 46,945</u>	

⁽¹⁾ Weighted average interest rate, not including the effect of unamortized debt issuance costs. The weighted average interest rate, including the effect of unamortized debt issuance costs, at December 31, 2021 was 3.79% for mortgages payable and 2.67% for loans payable.

All mortgage loans are at fixed rates. The Company has approximately \$46.9 million in variable rate loans payable. If short-term interest rates increased or decreased by 1%, interest expense would have increased or decreased by approximately \$469,000.

The Company invests in equity securities of other REITs and is primarily exposed to market price risk from adverse changes in market rates and conditions. The Company generally limits its marketable securities investments to no more than approximately 15% of its undepreciated assets. All securities are 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) and included immediately following the signature pages to this report are incorporated herein by reference.

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, 2021 and 2020.

Item 9A – Controls and Procedures

Disclosure Controls and Procedures

Management, with the participation of the Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Securities Exchange Act of 1934 Rule 13a-15(e) and 15d-15(e)) as of the end of the period covered by this report. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective to give reasonable assurances to the timely collection, evaluation and disclosure of information that would potentially be subject to disclosure under the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder as of December 31, 2021.

Internal Control over Financial Reporting

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

Management of the Company is responsible for establishing and maintaining effective internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act). The Company's internal control system was designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with GAAP. Because of its inherent limitations, including the possibility of collusion or improper management override of controls, internal control over financial reporting may not prevent or detect misstatements.

Management assessed the Company's internal control over financial reporting as of December 31, 2021. This assessment was based on criteria for effective internal control over financial reporting established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") (2013 framework). Based on this assessment, management has concluded that the Company's internal control over financial reporting was effective as of December 31, 2021.

PKF O'Connor Davies, LLP, 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

**To the Board of Directors and Shareholders of
UMH Properties, Inc.**

Opinion on Internal Control over Financial Reporting

We have audited UMH Properties, Inc.'s (the "Company") internal control over financial reporting as of December 31, 2021, based on criteria established in Internal Control–Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2021, based on criteria established in Internal Control–Integrated Framework (2013) issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated balance sheets of the Company as of December 31, 2021 and 2020, and the related consolidated statements of income (loss), comprehensive income (loss), shareholders' equity and cash flows for each of the three years in the period ended December 31, 2021, and our report dated February 24, 2022, expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. 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 of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

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

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

/s/ PKF O'Connor Davies, LLP

February 24, 2022
New York, New York

(c) Changes in Internal Control over Financial Reporting

There have been no changes to our internal control over financial reporting during the quarter ended December 31, 2021 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

Item 9B – Other Information

None.

Item 9C – Disclosure Regarding Foreign Jurisdiction that Prevent Inspections

Not applicable.

PART III

Item 10 – Directors, Executive Officers and Corporate Governance

The information required by this item is incorporated herein by reference to the definitive proxy statement for the Company's 2022 annual meeting of stockholders to be filed with the SEC pursuant to Regulation 14A and the information included under the caption "Information about our Executive Officers" in Part I hereof, in accordance with General Instruction G(3) to Form 10-K.

Item 11 – Executive Compensation

The information required by this item is incorporated herein by reference to the definitive proxy statement for the Company's 2022 annual meeting of stockholders to be filed with the SEC pursuant to Regulation 14A, in accordance with General Instruction G(3) to Form 10-K.

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

The information required by this item is incorporated herein by reference to the definitive proxy statement for the Company's 2022 annual meeting of stockholders to be filed with the SEC pursuant to Regulation 14A, in accordance with General Instruction G(3) to Form 10-K.

Item 13 – Certain Relationships and Related Transactions, and Director Independence

The information required by this item is incorporated herein by reference to the definitive proxy statement for the Company's 2022 annual meeting of stockholders to be filed with the SEC pursuant to Regulation 14A, in accordance with General Instruction G(3) to Form 10-K.

Item 14 – Principal Accountant Fees and Services

The information required by this item is incorporated herein by reference to the definitive proxy statement for the Company's 2022 annual meeting of stockholders to be filed with the SEC pursuant to Regulation 14A, in accordance with General Instruction G(3) to Form 10-K.

PART IV

Item 15 – Exhibits, Financial Statement Schedules

	<u>Page(s)</u>
(a) (1) The following Financial Statements are filed as part of this report.	
(i) Report of Independent Registered Public Accounting Firm (PCAOB ID No. 127)	57-58
(ii) Consolidated Balance Sheets as of December 31, 2021 and 2020	59-60
(iii) Consolidated Statements of Income (Loss) for the years ended December 31, 2021, 2020 and 2019	61-62
(iv) Consolidated Statements of Shareholders' Equity for the years ended December 31, 2021, 2020 and 2019	63-64
(v) Consolidated Statements of Cash Flows for the years ended December 31, 2021, 2020 and 2019	65
(vi) Notes to Consolidated Financial Statements	66-96
(a) (2) The following Financial Statement Schedule is filed as part of this report:	
(i) Schedule III – Real Estate and Accumulated Depreciation as of December 31, 2021	97-106

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

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

Exhibit No.	Description
(2)	Plan of Acquisition, Reorganization, Arrangement, Liquidation or Succession
2.1	<u>Agreement and Plan of Merger dated as of June 23, 2003 (incorporated by reference from the Company's Definitive Proxy Statement as filed with the Securities and Exchange Commission on July 10, 2003, Registration No. 001-12690).</u>
(3)	Articles of Incorporation and By-Laws
3.1	<u>Articles of Incorporation of UMH Properties, Inc., a Maryland corporation (incorporated by reference from the Company's Definitive Proxy Statement as filed with the Securities and Exchange Commission on July 10, 2003, Registration No. 001-12690).</u>
3.2	<u>Amendment to Articles of Incorporation (incorporated by reference to the 8-K as filed by the Registrant with the Securities and Exchange Commission on April 3, 2006, Registration No. 001-12690).</u>
3.3	<u>Amendment to Articles of Incorporation (incorporated by reference to the Form 8-K as filed by the Registrant with the Securities and Exchange Commission on May 26, 2011, Registration No. 001-12690).</u>
3.4	<u>Articles Supplementary (incorporated by reference to the Form 8-K as filed by the Registrant with the Securities and Exchange Commission on May 26, 2011, Registration No. 001-12690).</u>
3.5	<u>Amendment to Articles of Incorporation (incorporated by reference to the Form 8-K as filed by the Registrant with the Securities and Exchange Commission on April 10, 2012, Registration No. 001-12690).</u>
3.6	<u>Articles Supplementary (incorporated by reference to the Form 8-K as filed by the Registrant with the Securities and Exchange Commission on April 10, 2012, Registration No. 001-12690).</u>
3.7	<u>Amendment to Articles of Incorporation (incorporated by reference to the Form 8-K as filed by the Registrant with the Securities and Exchange Commission on October 31, 2012, Registration No. 001-12690).</u>
3.8	<u>Articles Supplementary (incorporated by reference to the Form 8-K as filed by the Registrant with the Securities and Exchange Commission on October 31, 2012, Registration No. 001-12690).</u>
3.9	<u>Amendment to Articles of Incorporation (incorporated by reference to the Form 8-K as filed by the Registrant with the Securities and Exchange Commission on October 20, 2015, Registration No. 001-12690).</u>
3.10	<u>Articles Supplementary (incorporated by reference to the Form 8-K as filed by the Registrant with the Securities and Exchange Commission on October 20, 2015, Registration No. 001-12690).</u>
3.11	<u>Amendment to Articles of Incorporation (incorporated by reference to the Form 8-K as filed by the Registrant with the Securities and Exchange Commission on April 5, 2016, Registration No. 001-12690).</u>

Exhibit No.	Description
3.12	<u>Articles Supplementary (incorporated by reference to the Form 8-K as filed by the Registrant with the Securities and Exchange Commission on April 5, 2016, Registration No. 001-12690).</u>
3.13	<u>Amendment to Articles of Incorporation (incorporated by reference to the Form 8-K as filed by the Registrant with the Securities and Exchange Commission on August 11, 2016, Registration No. 001-12690).</u>
3.14	<u>Amendment to Articles of Incorporation (incorporated by reference to the Form 8-K as filed by the Registrant with the Securities and Exchange Commission on June 5, 2017, Registration No. 001-12690).</u>
3.15	<u>Amendment to Articles of Incorporation (incorporated by reference to the Form 8-K as filed by the Registrant with the Securities and Exchange Commission on July 26, 2017, Registration No. 001-12690).</u>
3.16	<u>Articles Supplementary (incorporated by reference to the Form 8-K as filed by the Registrant with the Securities and Exchange Commission on July 26, 2017, Registration No. 001-12690).</u>
3.17	<u>Articles Supplementary (incorporated by reference to the Form 8-K as filed by the Registrant with the Securities and Exchange Commission on January 22, 2018, Registration No. 001-12690).</u>
3.18	<u>Amendment to Articles of Incorporation (incorporated by reference to the Form 8-K as filed by the Registrant with the Securities and Exchange Commission on April 29, 2019, Registration No. 001-12690).</u>
3.19	<u>Articles Supplementary (incorporated by reference to the Form 8-K as filed by the Registrant with the Securities and Exchange Commission on April 29, 2019, Registration No. 001-12690).</u>
3.20	<u>Amendment to Articles of Incorporation (incorporated by reference to the Form 8-K as filed by the Registrant with the Securities and Exchange Commission on October 22, 2019, Registration No. 001-12690).</u>
3.21	<u>Articles Supplementary (incorporated by reference to the Form 8-K as filed by the Registrant with the Securities and Exchange Commission on October 22, 2019, Registration No. 001-12690).</u>
3.22	<u>Amendment to Articles of Incorporation (incorporated by reference to the Form 8-K as filed by the Registrant with the Securities and Exchange Commission on May 18, 2020, Registration No. 001-12690).</u>
3.23	<u>Articles Supplementary (incorporated by reference to the Form 8-K as filed by the Registrant with the Securities and Exchange Commission on July 16, 2020, Registration No. 001-12690).</u>
3.24	<u>Bylaws of the Company, as amended and restated, dated March 31, 2014 (incorporated by reference to the Form 8-K as filed by the Registrant with the Securities and Exchange Commission on March 31, 2014, Registration No. 001-12690).</u>
(4)	Instruments Defining the Rights of Security Holders, Including Indentures

Exhibit No.	Description
4.1	<u>Specimen certificate of common stock of UMH Properties, Inc. (incorporated by reference to Exhibit 4.1 to the Form S-3 as filed by the Registrant with the Securities and Exchange Commission on December 21, 2010, Registration No. 333-171338).</u>
4.2	<u>Specimen certificate representing the Series C Preferred Stock of UMH Properties, Inc. (incorporated by reference to Exhibit 4.2 to the Form 8-A12B as filed by the Registrant with the Securities and Exchange Commission on July 26, 2018, Registration No. 001-12690).</u>
4.3	<u>Specimen certificate representing the Series D Preferred Stock of UMH Properties, Inc. (incorporated by reference to Exhibit 4.2 to the Form 8-A12B as filed by the Registrant with the Securities and Exchange Commission on January 22, 2018, Registration No. 001-12690).</u>
4.4	* <u>Deed of Trust for the 4.72% Series A Bonds due 2027 between UMH Properties, Inc. and Reznik Paz Nevo Trusts Ltd., as trustee, dated as of January 31, 2022</u>
4.5	* <u>Description of the Company's Securities Registered Under Section 12 of the Securities Exchange Act of 1934.</u>
(10)	Material Contracts
10.1	+ Employment Agreement with Mr. Eugene W. Landy dated December 14, 1993 (incorporated by reference to the Company's 1993 Form 10-K as filed with the Securities and Exchange Commission on March 28, 1994).
10.2	+ <u>Amendment to Employment Agreement with Mr. Eugene W. Landy effective January 1, 2004 (incorporated by reference to the Company's 2004 Form 10-K/A as filed with the Securities and Exchange Commission on March 30, 2005, Registration No. 001-12690).</u>
10.3	+ <u>Second Amendment to Employment Agreement of Eugene W. Landy, dated April 14, 2008 (incorporated by reference to the Form 8-K as filed by the Registrant with the Securities and Exchange Commission on April 16, 2008, Registration No. 001-12690).</u>
10.4	+ <u>Third Amendment to Employment Agreement with Mr. Eugene W. Landy effective October 1, 2014 (incorporated by reference to the Form 8-K as filed by the Registrant with the Securities and Exchange Commission on October 8, 2014, Registration No. 001-12690).</u>
10.5	+ <u>Amended and Restated Employment Agreement Effective January 1, 2018, between UMH Properties, Inc. and Samuel A. Landy (incorporated by reference to the Form 8-K as filed by the Registrant with the Securities and Exchange Commission on April 13, 2018, Registration No. 001-12690).</u>
10.6	+ <u>Amended and Restated Employment Agreement Effective January 1, 2018, between UMH Properties, Inc. and Anna T. Chew (incorporated by reference to the Form 8-K as filed by the Registrant with the Securities and Exchange Commission on April 13, 2018, Registration No. 001-12690).</u>
10.7	+ <u>Form of Indemnification Agreement between UMH Properties, Inc. and its Directors and Executive Officers (incorporated by reference to the Form 8-K as filed by the Registrant with the Securities and Exchange Commission on April 23, 2012, Registration No. 001-12690).</u>
10.8	+ <u>UMH Properties, Inc. Amended and Restated 2013 Incentive Award Plan (incorporated by reference to the Company's Definitive Proxy Statement (DEF 14A) as filed with the Securities and Exchange Commission on April 20, 2018, Registration No. 001-12690).</u>
10.9	Reserved.
10.10	<u>Dividend Reinvestment and Stock Purchase Plan (incorporated by reference to the Company's Registration Statement filed on Form S-3D as filed with the Securities and Exchange Commission on June 17, 2019, Registration No. 333-232162).</u>

Exhibit No.	Description
10.11	<u>Amended and Restated Credit Agreement by and among UMH Properties, Inc. and Bank of Montreal dated March 28, 2018 (incorporated by reference to the Form 8-K as filed by the Registrant with the Securities and Exchange Commission on December 4, 2018, Registration No. 001-12690).</u>
10.12	<u>Equity Distribution Agreement by and between UMH Properties, Inc. and BMO Capital Markets Corp., B. Riley FBR, Inc., Compass Point Research & Trading LLC, D.A. Davidson & Co., Janney Montgomery Scott LLC, and J.P. Morgan Securities LLC (incorporated by reference to the Form 8-K as filed by the Registrant with the Securities and Exchange Commission on June 30, 2020, Registration No. 001-12690).</u>
10.13	<u>At-the-Market Sales Agreement by and between UMH Properties, Inc. and B. Riley Securities, Inc. (incorporated by reference to the Form 8-K as filed by the Registrant with the Securities and Exchange Commission on July 22, 2020, Registration No. 001-12690).</u>
10.14	<u>Equity Distribution Agreement by and between UMH Properties, Inc. and BMO Capital Markets Corp., B. Riley FBR, Inc., Compass Point Research & Trading LLC, Janney Montgomery Scott LLC, and J.P. Morgan Securities LLC (incorporated by reference to the Form 8-K as filed by the Registrant with the Securities and Exchange Commission on August 17, 2021, Registration No. 001-12690).</u>
(21)	* <u>Subsidiaries of the Registrant.</u>
(23)	* <u>Consent of PKF O'Connor Davies, LLP.</u>
(31.1)	* <u>Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>
(31.2)	* <u>Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>
(32)	* <u>Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>
(101)	Interactive Data File
	++ Inline XBRL Instance Document (the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document)
101.SCH	++ Inline XBRL Taxonomy Extension Schema Document
101.CAL	++ Inline XBRL Taxonomy Extension Calculation Document
101.LAB	++ Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	++ Inline XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF	++ Inline XBRL Taxonomy Extension Definition Linkbase Document
104	++ Cover Page Interactive Data File (embedded within the Inline XBRL document)
*	Filed herewith.
+	Denotes a management contract or compensatory plan or arrangement.
++	Pursuant to Rule 406T of Regulation S-T, this interactive data file is deemed not “filed” or part of a registration statement or prospectus for purposes of Section 11 or 12 of the Securities Act, is deemed not “filed” for purposes of Section 18 of the Exchange Act, and otherwise is not subject to liability under these sections.

Item 16 – Form 10-K Summary

Not applicable.

SIGNATURES

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

UMH PROPERTIES, INC.

BY: /s/ Samuel A. Landy

SAMUEL A. LANDY

President, Chief Executive Officer and Director

(Principal Executive Officer)

BY: /s/ Anna T. Chew

ANNA T. CHEW

Vice President, Chief Financial and Accounting Officer, Treasurer and

Director (Principal Financial and Accounting Officer)

Dated: February 24, 2022

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

	<u>Title</u>	<u>Date</u>
<u>/s/ Eugene W. Landy</u> EUGENE W. LANDY	Chairman of the Board	<u>February 24, 2022</u>
<u>/s/ Samuel A. Landy</u> SAMUEL A. LANDY	President, Chief Executive Officer and Director	<u>February 24, 2022</u>
<u>/s/ Anna T. Chew</u> ANNA T. CHEW	Vice President, Chief Financial and Accounting Officer, Treasurer and Director	<u>February 24, 2022</u>
<u>/s/ Amy Butewicz</u> AMY BUTEWICZ	Director	<u>February 24, 2022</u>
<u>/s/ Jeffrey A. Carus</u> JEFFREY A. CARUS	Director	<u>February 24, 2022</u>
<u>/s/ Matthew Hirsch</u> MATTHEW HIRSCH	Director	<u>February 24, 2022</u>
<u>/s/ Michael P. Landy</u> MICHAEL P. LANDY	Director	<u>February 24, 2022</u>
<u>/s/ Stuart Levy</u> STUART LEVY	Director	<u>February 24, 2022</u>
<u>/s/ William Mitchell</u> WILLIAM MITCHELL	Director	<u>February 24, 2022</u>
<u>/s/ Angela Pruitt</u> ANGELA PRUITT	Director	<u>February 24, 2022</u>
<u>/s/ Kenneth K. Quigley, Jr.</u> KENNETH K. QUIGLEY	Director	<u>February 24, 2022</u>
<u>/s/ Stephen B. Wolgin</u> STEPHEN B. WOLGIN	Director	<u>February 24, 2022</u>

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders of UMH Properties Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of UMH Properties, Inc. and subsidiaries (the “Company”) as of December 31, 2021 and 2020, and the related consolidated statements of income (loss), shareholders’ equity, and cash flows for each of the three years in the period ended December 31, 2021, and the related notes and schedule listed in the Index at Item 15(a)(2)(i) (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2021, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (“PCAOB”), the Company’s internal control over financial reporting as of December 31, 2021, based on criteria established in *Internal Control–Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 24, 2022, expressed an unqualified opinion.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of a critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Valuation of Investment in Property and Equipment

At December 31, 2021, the Company's net consolidated investment property and equipment totaled \$913 million. As discussed in note 2 to the consolidated financial statements, the Company's investment property and equipment is evaluated annually or whenever events or changes in circumstances indicates possible impairment.

The Company reviews investment properties for indicators of impairment through an analysis of net operating income trends period over period. In the event that any impairment indicators are present, the Company undertakes additional analyses utilizing expected undiscounted future cash flows for identified investment properties considering factors such as future operating income, trends and prospects as well as the effects of leasing demand, competition and other factors. For the year ended December 31, 2021, the Company's net operating income trend analysis did not result in investment properties requiring undiscounted cash flow analysis. Therefore, no indicators of impairment were identified as a result of the Company's review for impairment.

Auditing management's evaluation of investment property and equipment for impairment was complex and highly subjective due to the high degree of subjective auditor judgment necessary in evaluating management's identification of indicators of potential impairment.

We obtained an understanding, evaluated the design, and tested the operating effectiveness of controls related to the Company's process for evaluating investment in real estate for impairment, including management's review of the operations and financial performance of investment properties.

To test the Company's process for evaluating investment property and equipment for impairment, we performed audit procedures that included, among others, assessing the methodologies, evaluating the significant assumptions of the matters discussed above and testing the completeness and accuracy of the underlying data used by the Company in its analysis.

/s/ PKF O'Connor Davies, LLP

February 24, 2022
New York, New York

We have served as the Company's auditor since 2008.

UMH PROPERTIES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2021 and 2020
(in thousands except per share amounts)

	<u>2021</u>	<u>2020</u>
-ASSETS-		
Investment Property and Equipment		
Land	\$ 74,963	\$ 73,491
Site and Land Improvements	716,211	657,301
Buildings and Improvements	30,450	28,106
Rental Homes and Accessories	383,467	349,585
Total Investment Property	1,205,091	1,108,483
Equipment and Vehicles	24,437	22,572
Total Investment Property and Equipment	1,229,528	1,131,055
Accumulated Depreciation	(316,073)	(272,823)
Net Investment Property and Equipment	913,455	858,232
Other Assets		
Cash and Cash Equivalents	116,175	15,336
Marketable Securities at Fair Value	113,748	103,172
Inventory of Manufactured Homes	23,659	25,450
Notes and Other Receivables, net	55,359	46,414
Prepaid Expenses and Other Assets	17,135	19,984
Land Development Costs	22,352	20,825
Investment in Joint Venture	8,937	-0-
Total Other Assets	357,365	231,181
TOTAL ASSETS	<u>\$ 1,270,820</u>	<u>\$ 1,089,413</u>

See Accompanying Notes to Consolidated Financial Statements

UMH PROPERTIES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (CONTINUED)
AS OF DECEMBER 31, 2021 and 2020
(in thousands except per share amounts)

	<u>2021</u>	<u>2020</u>
- LIABILITIES AND SHAREHOLDERS' EQUITY -		
LIABILITIES:		
Mortgages Payable, net of unamortized debt issuance costs	\$ 452,567	\$ 471,477
Other Liabilities:		
Accounts Payable	4,274	4,390
Loans Payable, net of unamortized debt issuance costs	46,757	87,009
Accrued Liabilities and Deposits	17,162	17,296
Tenant Security Deposits	7,920	7,433
Total Other Liabilities	76,113	116,128
Total Liabilities	528,680	587,605
Commitments and Contingencies		
Shareholders' Equity:		
Series C – 6.75% Cumulative Redeemable Preferred Stock, par value \$0.10 per share, 13,750 shares authorized; 9,884 shares issued and outstanding as of December 31, 2021 and 2020	247,100	247,100
Series D – 6.375% Cumulative Redeemable Preferred Stock, par value \$0.10 per share, 9,300 shares authorized; 8,609 and 6,434 shares issued and outstanding as of December 31, 2021 and 2020, respectively	215,219	160,854
Common Stock - \$0.10 par value per share, 144,164 shares authorized; 51,651 and 41,920 shares issued and outstanding as of December 31, 2021 and 2020, respectively	5,165	4,192
Excess Stock - \$0.10 par value per share, 3,000 shares authorized; no shares issued or outstanding as of December 31, 2021 and 2020	-0-	-0-
Additional Paid-In Capital	300,020	115,026
Undistributed Income (Accumulated Deficit)	(25,364)	(25,364)
Total Shareholders' Equity	742,140	501,808
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 1,270,820	\$ 1,089,413

See Accompanying Notes to Consolidated Financial Statements

UMH PROPERTIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME (LOSS)
FOR THE YEARS ENDED DECEMBER 31, 2021, 2020 and 2019
(in thousands)

	<u>2021</u>	<u>2020</u>	<u>2019</u>
INCOME:			
Rental and Related Income	\$ 159,010	\$ 143,344	\$ 128,611
Sales of Manufactured Homes	<u>27,089</u>	<u>20,265</u>	<u>17,980</u>
Total Income	<u>186,099</u>	<u>163,609</u>	<u>146,591</u>
EXPENSES:			
Community Operating Expenses	68,046	63,175	61,708
Cost of Sales of Manufactured Homes	20,091	14,417	12,938
Selling Expenses	4,807	4,941	5,079
General and Administrative Expenses	14,095	11,056	10,046
Depreciation Expense	<u>45,124</u>	<u>41,707</u>	<u>36,811</u>
Total Expenses	<u>152,163</u>	<u>135,296</u>	<u>126,582</u>
OTHER INCOME (EXPENSE):			
Interest Income	3,362	2,917	2,619
Dividend Income	5,098	5,729	7,535
Gain on Sales of Marketable Securities, net	2,342	-0-	-0-
Increase (Decrease) in Fair Value of Marketable Securities	25,052	(14,119)	14,915
Other Income	626	718	588
Interest Expense	<u>(19,158)</u>	<u>(18,287)</u>	<u>(17,805)</u>
Total Other Income (Expense)	<u>17,322</u>	<u>(23,042)</u>	<u>7,852</u>
Income Before Loss on Sales of Investment Property and Equipment	51,258	5,271	27,861
Loss on Sales of Investment Property and Equipment	<u>(170)</u>	<u>(216)</u>	<u>(111)</u>
Net Income	51,088	5,055	27,750
Less: Preferred Dividends	(29,839)	(31,943)	(25,184)
Less: Redemption of Preferred Stock	<u>-0-</u>	<u>(2,871)</u>	<u>-0-</u>
Net Income (Loss) Attributable to Common Shareholders	<u>\$ 21,249</u>	<u>\$ (29,759)</u>	<u>\$ 2,566</u>

See Accompanying Notes to Consolidated Financial Statements

UMH PROPERTIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME (LOSS) (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2021, 2020 and 2019
(in thousands except per share amounts)

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Basic Income (Loss) Per Share:			
Net Income	\$ 1.10	\$ 0.12	\$ 0.70
Less: Preferred Dividends	(0.64)	(0.77)	(0.63)
Less: Redemption of Preferred Stock	-0-	(0.07)	-0-
Net Income (Loss) Attributable to Common Shareholders	<u>\$ 0.46</u>	<u>\$ (0.72)</u>	<u>\$ 0.07</u>
Diluted Income (Loss) Per Share:			
Net Income	\$ 1.08	\$ 0.12	\$ 0.69
Less: Preferred Dividends	(0.63)	(0.77)	(0.63)
Less: Redemption of Preferred Stock	-0-	(0.07)	-0-
Net Income (Loss) Attributable to Common Shareholders	<u>\$ 0.45</u>	<u>\$ (0.72)</u>	<u>\$ 0.06</u>
Weighted Average Common Shares Outstanding:			
Basic	<u>46,332</u>	<u>41,395</u>	<u>39,909</u>
Diluted	<u>47,432</u>	<u>41,395</u>	<u>40,203</u>

See Accompanying Notes to Consolidated Financial Statements

UMH PROPERTIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2021, 2020 and 2019
(in thousands)

	Common Stock Issued and Outstanding		Preferred Stock Series B	Preferred Stock Series C
	Number	Amount		
Balance December 31, 2018	38,320	\$ 3,832	\$ 95,030	\$ 143,750
Common Stock Issued with the DRIP	2,468	247	0	0
Common Stock Issued through Restricted/ Unrestricted Stock Awards	122	12	0	0
Common Stock Issued through Stock Options	240	24	0	0
Repurchase of Common Stock	(20)	(2)	0	0
Preferred Stock Issued through Underwritten Registered Public Offering, net	0	0	0	100,000
Preferred Stock Issued in connection with At-The-Market Offerings, net	0	0	0	0
Distributions	0	0	0	0
Stock Compensation Expense	0	0	0	0
Net Income	0	0	0	0
Balance December 31, 2019	41,130	4,113	95,030	243,750
Common Stock Issued with the DRIP	720	72	0	0
Common Stock Issued through Restricted/ Unrestricted Stock Awards	46	5	0	0
Common Stock Issued through Stock Options	63	6	0	0
Common Stock Issued in connection with At-The-Market Offerings, net	135	13	0	0
Repurchase of Common Stock	(174)	(17)	0	0
Repurchase of Preferred Stock	0	0	(13)	0
Preferred Stock Issued in connection with At-The-Market Offerings, net	0	0	0	3,350
Redemption of Preferred Stock	0	0	(95,017)	0
Distributions	0	0	0	0
Stock Compensation Expense	0	0	0	0
Net Income	0	0	0	0
Balance December 31, 2020	41,920	4,192	0	247,100
Common Stock Issued with the DRIP	503	50	0	0
Common Stock Issued through Restricted/ Unrestricted Stock Awards	297	30	0	0
Common Stock Issued through Stock Options	710	71	0	0
Common Stock Issued in connection with At-The-Market Offerings, net	8,221	822	0	0
Preferred Stock Issued in connection with At-The-Market Offerings, net	0	0	0	0
Distributions	0	0	0	0
Stock Compensation Expense	0	0	0	0
Net Income	0	0	0	0
Balance December 31, 2021	51,651	\$ 5,165	\$ 0	\$ 247,100

See Accompanying Notes to Consolidated Financial Statements

UMH PROPERTIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2021, 2020 and 2019
(in thousands)

	Preferred Stock Series D	Additional Paid-In Capital	Undistributed Income (Accumulated Deficit)	Total Shareholders' Equity
Balance December 31, 2018	\$ 50,000	\$ 157,450	\$ (25,364)	\$ 424,698
Common Stock Issued with the DRIP	0	31,256	0	31,503
Common Stock Issued through Restricted/ Unrestricted Stock Awards	0	(12)	0	0
Common Stock Issued through Stock Options	0	2,579	0	2,603
Repurchase of Common Stock	0	(235)	0	(237)
Preferred Stock Issued through Underwritten Registered Public Offering, net	0	(3,312)	0	96,688
Preferred Stock Issued in connection with At-The-Market Offerings, net	16,268	(337)	0	15,931
Distributions	0	(26,786)	(27,750)	(54,536)
Stock Compensation Expense	0	1,939	0	1,939
Net Income	<u>0</u>	<u>0</u>	<u>27,750</u>	<u>27,750</u>
Balance December 31, 2019	66,268	162,542	(25,364)	546,339
Common Stock Issued with the DRIP	0	9,082	0	9,154
Common Stock Issued through Restricted/ Unrestricted Stock Awards	0	(5)	0	0
Common Stock Issued through Stock Options	0	653	0	659
Common Stock Issued in connection with At-The-Market Offerings, net	0	1,730	0	1,743
Repurchase of Common Stock	0	(1,813)	0	(1,830)
Repurchase of Preferred Stock	0	1	0	(12)
Preferred Stock Issued in connection with At-The-Market Offerings, net	94,586	(1,795)	0	96,141
Redemption of Preferred Stock	0	2,871	(2,871)	(95,017)
Distributions	0	(59,567)	(2,184)	(61,751)
Stock Compensation Expense	0	1,327	0	1,327
Net Income	<u>0</u>	<u>0</u>	<u>5,055</u>	<u>5,055</u>
Balance December 31, 2020	160,854	115,026	(25,364)	501,808
Common Stock Issued with the DRIP	0	9,723	0	9,773
Common Stock Issued through Restricted/ Unrestricted Stock Awards	0	(30)	0	0
Common Stock Issued through Stock Options	0	8,530	0	8,601
Common Stock Issued in connection with At-The-Market Offerings, net	0	178,247	0	179,069
Preferred Stock Issued in connection with At-The-Market Offerings, net	54,365	(1,152)	0	53,213
Distributions	0	(13,771)	(51,088)	(64,859)
Stock Compensation Expense	0	3,447	0	3,447
Net Income	<u>0</u>	<u>0</u>	<u>51,088</u>	<u>51,088</u>
Balance December 31, 2021	<u>\$ 215,219</u>	<u>\$ 300,020</u>	<u>\$ (25,364)</u>	<u>\$ 742,140</u>

See Accompanying Notes to Consolidated Financial Statements

UMH PROPERTIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021, 2020 and 2019
(in thousands)

	2021	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net Income	\$ 51,088	\$ 5,055	\$ 27,750
Non-cash items included in Net Income:			
Depreciation	45,124	41,707	36,811
Amortization of Financing Costs	1,001	1,027	758
Stock Compensation Expense	3,447	1,327	1,939
Provision for Uncollectible Notes and Other Receivables	1,213	1,546	1,408
Gain on Sales of Marketable Securities, net	(2,342)	-0-	-0-
(Increase) Decrease in Fair Value of Marketable Securities	(25,052)	14,119	(14,915)
Loss on Sales of Investment Property and Equipment	170	216	111
Changes in Operating Assets and Liabilities:			
Inventory of Manufactured Homes	1,791	6,517	(8,264)
Notes and Other Receivables, net of notes acquired with acquisitions	(9,957)	(9,965)	(7,909)
Prepaid Expenses and Other Assets	(1,557)	(2,058)	(3,817)
Accounts Payable	(116)	(182)	699
Accrued Liabilities and Deposits	(134)	6,720	3,164
Tenant Security Deposits	487	810	781
Net Cash Provided by Operating Activities	<u>65,163</u>	<u>66,839</u>	<u>38,516</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of Manufactured Home Communities, net of mortgages assumed	(18,405)	(5,320)	(36,654)
Purchase of Investment Property and Equipment	(59,270)	(76,761)	(64,535)
Proceeds from Sales of Investment Property and Equipment	2,859	2,657	2,745
Additions to Land Development Costs	(27,428)	(23,241)	(22,231)
Purchase of Marketable Securities	(18)	(1,105)	(1,800)
Proceeds from Sales of Marketable Securities	16,835	-0-	125
Investment in Joint Venture	(8,937)	-0-	-0-
Net Cash Used in Investing Activities	<u>(94,364)</u>	<u>(103,770)</u>	<u>(122,350)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from Mortgages, net of mortgages assumed	6,070	105,984	44,850
Net Proceeds (Payments) from Short Term Borrowings	(40,448)	3,309	(24,373)
Principal Payments of Mortgages and Loans	(25,618)	(7,115)	(21,624)
Financing Costs on Debt	(167)	(4,737)	(752)
Proceeds from Issuance of Preferred Stock, net of offering costs	-0-	-0-	96,688
Proceeds from At-The-Market Preferred Equity Program, net of offering costs	53,213	96,141	15,931
Redemption of 8.0% Series B Preferred Stock	-0-	(95,017)	-0-
Proceeds from At-The-Market Common Equity Program, net of offering costs	179,069	1,743	-0-
Proceeds from Issuance of Common Stock in the DRIP, net of dividend reinvestments	6,267	6,003	23,796
Repurchase of Preferred Stock, net	-0-	(12)	-0-
Repurchase of Common Stock, net	-0-	(1,830)	(237)
Proceeds from Exercise of Stock Options	8,601	659	2,603
Preferred Dividends Paid	(29,839)	(31,943)	(25,709)
Common Dividends Paid, net of dividend reinvestments	(31,514)	(26,657)	(21,120)
Net Cash Provided by Financing Activities	<u>125,634</u>	<u>46,528</u>	<u>90,053</u>
Net Increase in Cash, Cash Equivalents and Restricted Cash	96,433	9,597	6,219
Cash, Cash Equivalents and Restricted Cash at Beginning of Year	<u>28,593</u>	<u>18,996</u>	<u>12,777</u>
CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT END OF YEAR	<u>\$ 125,026</u>	<u>\$ 28,593</u>	<u>\$ 18,996</u>

See Accompanying Notes to Consolidated Financial Statements

UMH PROPERTIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 and 2020

NOTE 1 – ORGANIZATION

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

On March 11, 2020, the World Health Organization declared COVID-19 a pandemic, and on March 13, 2020, the United States declared a national emergency with respect to COVID-19. The Company’s 127 residential communities remain open and operational. The effects of the COVID-19 pandemic did not significantly impact the Company’s operating results for the year ended December 31, 2021. However, the future effects of the evolving impact of the COVID-19 pandemic are uncertain.

Description of the Business

As of December 31, 2021, the Company owned and operated 127 manufactured home communities containing approximately 24,000 developed sites. These communities are located in New Jersey, New York, Ohio, Pennsylvania, Tennessee, Indiana, Michigan, Maryland, Alabama and South Carolina.

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

MANUFACTURED HOME COMMUNITY	LOCATION
Allentown	Memphis, Tennessee
Arbor Estates	Doylestown, Pennsylvania
Auburn Estates	Orrville, Ohio
Bayshore Estates	Sandusky, Ohio
Birchwood Farms	Birch Run, Michigan
Boardwalk	Elkhart, Indiana
Broadmore Estates	Goshen, Indiana
Brookside Village	Berwick, Pennsylvania
Brookview Village	Greenfield Center, New York
Camelot Village	Anderson, Indiana
Camelot Woods	Altoona, Pennsylvania
Candlewick Court	Owosso, Michigan
Carsons	Chambersburg, Pennsylvania
Catalina	Middletown, Ohio
Cedarcrest Village	Vineland, New Jersey
Chambersburg I & II	Chambersburg, Pennsylvania
Chelsea	Sayre, Pennsylvania
Cinnamon Woods	Conowingo, Maryland
City View	Lewistown, Pennsylvania
Clinton Mobile Home Resort	Tiffin, Ohio
Collingwood	Horseheads, New York
Colonial Heights	Wintersville, Ohio
Countryside Estates	Muncie, Indiana
Countryside Estates	Ravenna, Ohio
Countryside Village	Columbia, Tennessee
Cranberry Village	Cranberry Township, Pennsylvania

MANUFACTURED HOME COMMUNITY

Crestview
Cross Keys Village
Crossroads Village
Dallas Mobile Home Community
Deer Meadows
Deer Run
D & R Village
Evergreen Estates
Evergreen Manor
Evergreen Village
Fairview Manor
Fifty One Estates
Forest Creek
Forest Park Village
Fox Chapel Village
Frieden Manor
Friendly Village
Green Acres
Gregory Courts
Hayden Heights
Heather Highlands
High View Acres
Highland
Highland Estates
Hillcrest Crossing
Hillcrest Estates
Hillside Estates
Holiday Village
Holiday Village
Holly Acres Estates
Hudson Estates
Huntingdon Pointe
Independence Park
Iris Winds
Kinnebrook
Lake Erie Estates
Lake Sherman Village
Lakeview Meadows
Laurel Woods
Little Chippewa
Maple Manor
Marysville Estates
Meadowood
Meadows
Meadows of Perrysburg
Melrose Village
Melrose West
Memphis Blues
Monroe Valley
Moosic Heights
Mount Pleasant Village
Mountaintop
New Colony
Northtowne Meadows
Oak Ridge Estates
Oakwood Lake Village

LOCATION

Athens, Pennsylvania
Duncansville, Pennsylvania
Mount Pleasant, Pennsylvania
Toronto, Ohio
New Springfield, Ohio
Dothan, Alabama
Clifton Park, New York
Lodi, Ohio
Bedford, Ohio
Mantua, Ohio
Millville, New Jersey
Elizabeth, Pennsylvania
Elkhart, Indiana
Cranberry Township, Pennsylvania
Cheswick, Pennsylvania
Schuylkill Haven, Pennsylvania
Perrysburg, Ohio
Chambersburg, Pennsylvania
Honey Brook, Pennsylvania
Dublin, Ohio
Inkerman, Pennsylvania
Apollo, Pennsylvania
Elkhart, Indiana
Kutztown, Pennsylvania
Lower Burrell, Pennsylvania
Marysville, Ohio
Greensburg, Pennsylvania
Nashville, Tennessee
Elkhart, Indiana
Erie, Pennsylvania
Peninsula, Ohio
Tarrs, Pennsylvania
Clinton, Pennsylvania
Sumter, South Carolina
Monticello, New York
Fredonia, New York
Navarre, Ohio
Lakeview, Ohio
Cresson, Pennsylvania
Orrville, Ohio
Taylor, Pennsylvania
Marysville, Ohio
New Middletown, Ohio
Nappanee, Indiana
Perrysburg, Ohio
Wooster, Ohio
Wooster, Ohio
Memphis, Tennessee
Jonestown, Pennsylvania
Avoca, Pennsylvania
Mount Pleasant, Pennsylvania
Narvon, Pennsylvania
West Mifflin, Pennsylvania
Erie, Michigan
Elkhart, Indiana
Tunkhannock, Pennsylvania

MANUFACTURED HOME COMMUNITY

Olmsted Falls
Oxford Village
Parke Place
Perrysburg Estates
Pikewood Manor
Pine Ridge Village/Pine Manor
Pine Valley Estates
Pleasant View Estates
Port Royal Village
Redbud Estates
River Valley Estates
Rolling Hills Estates
Rostraver Estates
Sandy Valley Estates
Shady Hills
Somerset Estates/Whispering Pines
Southern Terrace
Southwind Village
Spreading Oaks Village
Springfield Meadows
Suburban Estates
Summit Estates
Summit Village
Sunny Acres
Sunnyside
Trailmont
Twin Oaks I & II
Twin Pines
Valley High
Valley Hills
Valley Stream
Valley View I
Valley View II
Valley View Honeybrook
Voyager Estates
Waterfalls Village
Wayside
Weatherly Estates
Wellington Estates
Woodland Manor
Woodlawn Village
Woods Edge
Wood Valley
Worthington Arms
Youngstown Estates

LOCATION

Olmsted Township, Ohio
West Grove, Pennsylvania
Elkhart, Indiana
Perrysburg, Ohio
Elyria, Ohio
Carlisle, Pennsylvania
Apollo, Pennsylvania
Bloomsburg, Pennsylvania
Belle Vernon, Pennsylvania
Anderson, Indiana
Marion, Ohio
Carlisle, Pennsylvania
Belle Vernon, Pennsylvania
Magnolia, Ohio
Nashville, Tennessee
Somerset, Pennsylvania
Columbiana, Ohio
Jackson, New Jersey
Athens, Ohio
Springfield, Ohio
Greensburg, Pennsylvania
Ravenna, Ohio
Marion, Indiana
Somerset, Pennsylvania
Eagleville, Pennsylvania
Goodlettsville, Tennessee
Olmsted Township, Ohio
Goshen, Indiana
Ruffs Dale, Pennsylvania
Ravenna, Ohio
Mountaintop, Pennsylvania
Ephrata, Pennsylvania
Ephrata, Pennsylvania
Honey Brook, Pennsylvania
West Newton, Pennsylvania
Hamburg, New York
Bellefontaine, Ohio
Lebanon, Tennessee
Export, Pennsylvania
West Monroe, New York
Eatontown, New Jersey
West Lafayette, Indiana
Caledonia, Ohio
Lewis Center, Ohio
Youngstown, New York

In addition to the manufactured home communities owned by the Company listed above, the Company's recently-formed joint venture with Nuveen Real Estate owns a newly-developed manufactured home community named Sebring Square, located in Sebring, Florida, which was acquired in December 2021.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**Basis of Presentation and Principles of Consolidation**

The Company prepares its financial statements under the accrual basis of accounting, in conformity with accounting principles generally accepted in the United States of America ("GAAP"). The Company's subsidiaries are all 100% wholly-owned. The consolidated financial statements of the Company include all of these subsidiaries. All intercompany transactions and balances have been eliminated in consolidation.

A subsidiary of the Company is the managing member of the Company's joint venture with Nuveen Real Estate.

Use of Estimates

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

Investment Property and Equipment and Depreciation

Property and equipment are carried at cost less accumulated depreciation. Depreciation for Sites and Buildings is computed principally on the straight-line method over the estimated useful lives of the assets (ranging from 15 to 27.5 years). Depreciation of Improvements to Sites and Buildings, Rental Homes and Equipment and Vehicles is computed principally on the straight-line method over the estimated useful lives of the assets (ranging from 3 to 27.5 years). Land Development Costs are not depreciated until they are put in use, at which time they are capitalized as Site and Land Improvements. Interest Expense pertaining to Land Development Costs are capitalized. Maintenance and Repairs are charged to expense as incurred and improvements are capitalized. The Company uses its professional judgement in determining whether such costs meet the criteria for capitalization or must be expensed as incurred. The Company's business plan includes the purchase of value-add communities, redevelopment, development and expansion of communities. During 2021 and 2020, we acquired 5 value-add communities containing 853 sites and developed 271 expansions sites. The Company capitalizes payroll for those individuals responsible for and who spend their time on the execution and supervision of development activities and capital projects. Salaries and benefits capitalized to land development were approximately \$2.6 and \$2.5 million for the years ended December 31, 2021 and 2020, respectively. The costs and related accumulated depreciation of property sold or otherwise disposed of are removed from the financial statements and any gain or loss is reflected in the current year's results of operations.

The Company applies Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 360-10, Property, Plant & Equipment ("ASC 360-10") to measure impairment in real estate investments. The Company's primary indicator of potential impairment is based on net operating income trends year over year. 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 an other than temporary impairment has occurred, rental properties are reduced to their fair value. For properties to be disposed of, an impairment loss is recognized when the fair value of the property, less the estimated cost to sell, is less than the carrying amount of the property measured at the time there is a commitment to sell the property and/or it is actively being marketed for sale. A property to be disposed of is reported at the lower of its carrying amount or its estimated fair value, less its cost to sell. Subsequent to the date that a property is held for disposition, depreciation expense is not recorded.

The Company conducted a comprehensive review of all real estate asset classes in accordance with ASC 360-10-35-21. The process entailed the analysis of property for instances where the net book value exceeded the estimated fair value. The Company utilizes the experience and knowledge of its internal valuation team to derive certain assumptions used to determine an operating property's cash flow. Such assumptions include lease-up rates, rental rates, rental growth rates, and capital expenditures. The Company reviewed its operating properties in light of the requirements of ASC 360-10 and determined that, as of December 31, 2021, the undiscounted cash flows over the expected holding period for these properties were in excess of their carrying values and, therefore, no impairment charges were required.

Acquisitions

The Company accounts for acquisitions in accordance with ASC 805, Business Combinations ("ASC 805") and allocates the purchase price of the property based upon the fair value of the assets acquired, which generally consist of land, site and land improvements, buildings and improvements and rental homes. The Company allocates the purchase price of an acquired property generally determined by internal evaluation as well as third-party appraisal of the property obtained in conjunction with the purchase.

In January 2017, the FASB issued Accounting Standards Update (“ASU”) 2017-01, “Business Combinations (Topic 805), Clarifying the Definition of a Business”. ASU 2017-01 seeks to clarify the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The definition of a business affects many areas of accounting including acquisitions, disposals, intangible assets and consolidation. The adoption of ASU 2017-01 was effective for annual periods beginning after December 15, 2017, including interim periods within those periods. The amendments should be applied prospectively on or after the effective dates. Early adoption is permitted. The Company adopted this standard effective January 1, 2017, on a prospective basis. The Company evaluated its acquisitions and has determined that its acquisitions of manufactured home communities during 2020 and 2021 should be accounted for as acquisitions of assets. As such, transaction costs, primarily consisting of broker fees, transfer taxes, legal, accounting, valuation, and other professional and consulting fees, related to acquisitions are capitalized as part of the cost of the acquisitions, which is then subject to a purchase price allocation based on relative fair value. Prior to the adoption of ASU 2017-01, the Company’s acquisitions were considered an acquisition of a business and therefore, the acquisition costs were expensed.

Investment in Joint Venture

The Company accounts for its investment in its joint venture with Nuveen Real Estate under the equity method of accounting in accordance with ASC 323, Investments – Equity Method and Joint Ventures. The Company has the ability to exercise significant influence, but not control, over the operating and financial decisions of the joint venture. Under the equity method of accounting, the cost of an investment is adjusted for the Company’s share of the equity in net income or loss from the date of acquisition, reduced by distributions received and increased by contributions made. The income or loss is allocated in accordance with the provisions of the operating agreement. The carrying value of the investment in joint venture is reviewed for other than temporary impairment whenever events or changes in circumstances indicate a possible impairment. Financial condition, operational performance, and other economic trends are among the factors that are considered in evaluation of the existence of impairment indicators (See Note 5).

Cash and Cash Equivalents

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

Marketable Securities

Investments in marketable securities consist of marketable common and preferred stock securities of other REITs, which the Company generally limits to no more than approximately 15% of its undepreciated assets. These marketable securities are all publicly traded and purchased on the open market, through private transactions or through dividend reinvestment plans. The Company normally holds REIT securities on a long-term basis and has the ability and intent to hold securities to recovery, therefore as of December 31, 2021 and 2020, gains or losses on the sale of securities are based on average cost and are accounted for on a trade date basis.

Inventory of Manufactured Homes

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

Accounts and Notes Receivables

The Company's accounts, notes and other receivables are stated at their outstanding balance and reduced by an allowance for uncollectible accounts. The Company evaluates the recoverability of its receivables whenever events occur or there are changes in circumstances such that management believes it is probable that it will be unable to collect all amounts due according to the contractual terms of the notes receivable or lease agreements. The collectability of notes receivable is measured based on the present value of the expected future cash flow discounted at the notes receivable effective interest rate or the fair value of the collateral if the notes receivable is collateral dependent. At December 31, 2021 and 2020, the reserves for uncollectible accounts, notes and other receivables were \$2.1 million and \$1.6 million, respectively. For the years ended December 31, 2021, 2020 and 2019 the provisions for uncollectible notes and other receivables were \$1.2 million, \$1.5 million and \$1.4 million, respectively. Charge-offs and other adjustments related to repossessed homes for the years ended December 31, 2021, 2020 and 2019 amounted to \$712,000, \$1.2 million and \$1.2 million, respectively. In 2020, the Company adopted ASU No. 2016-13, "Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments." See "Recently Adopted Accounting Pronouncements" below for additional information regarding the adoption of this ASU.

The Company's notes receivable primarily consists of installment loans collateralized by manufactured homes with principal and interest payable monthly. The weighted average interest rate on these loans is approximately 6.9% and the average maturity is approximately 9 years.

Unamortized Financing Costs

Costs incurred in connection with obtaining mortgages and other financings and refinancings are deferred and presented in the consolidated balance sheet as a direct deduction from the carrying amount of that debt liability. These costs are amortized on a straight-line basis which approximates the effective interest method over the term of the related obligations, and included as a component of interest expense. Unamortized costs are charged to expense upon prepayment of the obligation. Upon amendment of the line of credit or refinancing of mortgage debt, unamortized deferred financing fees are accounted for in accordance with ASC 470-50-40, Modifications and Extinguishments. As of December 31, 2021 and 2020, accumulated amortization amounted to \$7.2 million and \$6.2 million, respectively. The Company estimates that aggregate amortization expense will be approximately \$1.0 million for 2022, \$722,000 for 2023, \$676,000 for 2024, \$543,000 for 2025, \$397,000 for 2026 and \$978,000 thereafter.

Leases

We account for our leases under ASC 842, "Leases." Our primary source of revenue is generated from lease agreements for our sites and homes, where we are the lessor. These leases are generally for one-year or month-to-month terms and renewable by mutual agreement from us and the resident, or in some cases, as provided by jurisdictional statute.

We are the lessee in other arrangements, primarily for our corporate office and a ground lease at one community. As of December 31, 2021, the right-of-use assets and corresponding lease liabilities of \$3.5 million are included in Prepaid Expenses and Other Assets and Accrued Liabilities and Deposits on the Consolidated Balance Sheets.

Future minimum lease payments under these leases over the remaining lease terms are as follows (in thousands):

2022	\$ 423
2023	391
2024	391
2025	391
2026	391
Thereafter	19,105
Total Lease Payments	<u>\$ 21,092</u>

The weighted average remaining lease term for these leases is 164.0 years. The right of use assets and lease liabilities was calculated using an interest rate of 5%.

Restricted Cash

The Company's restricted cash consists of amounts primarily held in deposit for tax, insurance and repair escrows held by lenders in accordance with certain debt agreements. Restricted cash is included in Prepaid Expenses and Other Assets on the Consolidated Balance Sheets.

The following table reconciles beginning of period and end of period balances of cash, cash equivalents and restricted cash for the periods shown (*in thousands*):

	<u>12/31/21</u>	<u>12/31/20</u>	<u>12/31/19</u>	<u>12/31/18</u>
Cash and Cash Equivalents	\$ 116,175	\$ 15,336	\$ 12,902	\$ 7,433
Restricted Cash	<u>8,851</u>	<u>13,257</u>	<u>6,094</u>	<u>5,344</u>
Cash, Cash Equivalents And Restricted Cash	<u>\$ 125,026</u>	<u>\$ 28,593</u>	<u>\$ 18,996</u>	<u>\$ 12,777</u>

Revenue Recognition

On January 1, 2018, the Company adopted ASU 2014-09 "Revenue from Contracts with Customers (Topic 606)" (ASC 606). For transactions in the scope of ASC 606, we recognize revenue when control of goods or services transfers to the customer, in the amount that we expect to receive for the transfer of goods or provision of services.

Rental and related income is generated from lease agreements for our sites and homes. The lease component of these agreements is accounted for under ASC 842 "Leases." The non-lease components of our lease agreements consist primarily of utility reimbursements, which are accounted for with the site lease as a single lease under ASC 842.

Revenue from sales of manufactured homes is recognized in accordance with the core principle of ASC 606, at the time of closing when control of the home transfers to the customer. After closing of the sale transaction, we generally have no remaining performance obligation.

Interest income is primarily from notes receivables for the previous sales of manufactured homes. Interest income on these receivables is accrued based on the unpaid principal balances of the underlying loans on a level yield basis over the life of the loans.

Dividend income and gain (loss) on sales of marketable securities are from our investments in marketable securities and are presented separately but are not in the scope of ASC 606.

Other income primarily consists of brokerage commissions for arranging for the sale of a home by a third party and other miscellaneous income. This income is recognized when the transactions are completed and our performance obligations have been fulfilled.

Notes Receivables

On January 1, 2020, the Company adopted ASU No. 2016-13, "Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments." ASU 2016-13 requires that entities use a new forward looking "expected loss" model that generally will result in the earlier recognition of allowance for credit losses. The measurement of expected credit losses is based upon historical experience, current conditions, and supportable forecasts that affect the collectability of the reported amount. As of December 31, 2021 and 2020, the Company had notes receivable of \$51.9 million and \$43.4 million, net of a fair value adjustment of \$1.0 million and \$0.9 million, respectively. Notes receivables are presented as a component of notes and other receivables, net on our consolidated balance sheets. These receivables represent balances owed to us for previously completed performance obligations for sales of manufactured homes.

Net Income (Loss) Per Share

Basic net income (loss) per share is calculated by dividing net income (loss) by the weighted average number of common shares outstanding during the period (46.3 million, 41.4 million and 39.9 million in 2021, 2020 and 2019, respectively). Diluted net income (loss) per share is calculated by dividing net income (loss) by the weighted average number of common shares outstanding plus the weighted average number of net shares that would be issued upon exercise of stock options pursuant to the treasury stock method. For the year ended December 31, 2021, common stock equivalents resulting from employee stock options to purchase 3.3 million shares of common stock amounted to 1.1 million shares, which were included in the computation of Diluted Net Income (Loss) per Share. For the year ended December 31, 2019, common stock equivalents resulting from employee stock options to purchase 2.6 million shares of common stock amounted to 294,000 shares, which were included in the computation of Diluted Net Income (Loss) per Share. For the year ended December 31, 2020, employee stock options to purchase 3.3 million shares of common stock were excluded from the computation of Diluted Net Income (Loss) per Share as their effect would be anti-dilutive.

Stock Compensation Plan

The Company accounts for awards of stock, stock options and restricted stock in accordance with ASC 718-10, Compensation-Stock Compensation. ASC 718-10 requires that compensation cost for all stock awards be calculated and amortized over the service period (generally equal to the vesting period). The compensation cost for stock option grants are determined using option pricing models, intended to estimate the fair value of the awards at the grant date less estimated forfeitures. The compensation expense for restricted stock are recognized based on the fair value of the restricted stock awards less estimated forfeitures. The fair value of restricted stock awards are equal to the fair value of the Company's stock on the grant date. Compensation costs, which is included in General and Administrative Expenses, of \$3.4 million, \$1.3 million and \$1.9 million have been recognized in 2021, 2020 and 2019, respectively. During 2021, 2020 and 2019, compensation costs included a one-time charge of \$44,000, \$127,000 and \$179,000, respectively, for restricted stock and stock option grants awarded to participants who were of retirement age and therefore the entire amount of measured compensation cost has been recognized at grant date. Included in Note 7 to these consolidated financial statements are the assumptions and methodology used to calculate the fair value of stock options and restricted stock awards.

Income Tax

The Company has elected to be taxed as a REIT under the applicable provisions of Sections 856 to 860 of the Internal Revenue Code. Under such provisions, the Company will not be taxed on that portion of its income which is distributed to shareholders, provided it distributes at least 90% of its taxable income, has at least 75% of its assets in real estate or cash-type investments and meets certain other requirements for qualification as a REIT. The Company has and intends to continue to distribute all of its income currently, and therefore no provision has been made for income or excise taxes. If the Company fails to qualify as a REIT in any taxable year, it will be subject to federal income taxes at regular corporate rates and may not be able to qualify as a REIT for four subsequent taxable years. The Company is also subject to certain state and local income, excise or franchise taxes. In addition, the Company has a taxable REIT Subsidiary ("TRS") which is subject to federal and state income taxes at regular corporate tax rates (See Note 11).

The Company follows the provisions of ASC Topic 740, Income Taxes, that, among other things, defines a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. ASC Topic 740 also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. Based on its evaluation, the Company determined that it has no uncertain tax positions and no unrecognized tax benefits as of December 31, 2021. The Company records interest and penalties relating to unrecognized tax benefits, if any, as interest expense. As of December 31, 2021, the tax years 2018 through and including 2021 remain open to examination by the Internal Revenue Service. There are currently no federal tax examinations in progress.

Reclassifications

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

Other Recent Accounting Pronouncements

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

NOTE 3 – INVESTMENT PROPERTY AND EQUIPMENT

Acquisitions in 2021

On January 8, 2021, the Company acquired Deer Run, located in Dothan, Alabama, for approximately \$4.6 million. This community contains a total of 195 developed homesites that are situated on approximately 33 total acres. At the date of acquisition, the average occupancy for this community was approximately 37%.

On January 21, 2021, the Company acquired Iris Winds, located in Sumter, South Carolina, for approximately \$3.4 million. This community contains a total of 142 developed homesites that are situated on approximately 24 total acres. At the date of acquisition, the average occupancy for this community was approximately 49%.

On June 1, 2021, the Company acquired Bayshore Estates, located in Sandusky, Ohio, for approximately \$10.3 million. This community contains a total of 206 developed homesites that are situated on approximately 56 total acres. At the date of acquisition, the average occupancy for this community was approximately 86%.

Acquisitions in 2020

On July 24, 2020, the Company acquired Camelot Woods, located in Altoona, Pennsylvania, for approximately \$3.3 million. This all-age community contains a total of 147 developed homesites that are situated on approximately 27 total acres. At the date of acquisition, the average occupancy for this community was approximately 56%.

On September 21, 2020, the Company acquired Lake Erie Estates, located in Fredonia, New York, for approximately \$4.5 million. This community contains a total of 163 developed homesites that are situated on approximately 21 total acres. At the date of acquisition, the average occupancy for this community was approximately 71%. In conjunction with this acquisition, the Company assumed a mortgage of approximately \$2.7 million on this property (See Note 5).

The Company has evaluated these acquisitions and has determined that they should be accounted for as acquisitions of assets. As such, we have allocated the total cash consideration, including transaction costs of approximately \$109,000 for 2021 and \$223,000 for 2020, to the individual assets acquired on a relative fair value basis. The following table summarizes our purchase price allocation for the assets acquired for the years ended December 31, 2021 and 2020, respectively (*in thousands*):

	2021 Acquisitions	2020 Acquisitions
Assets Acquired:		
Land	\$ 986	\$ 693
Depreciable Property	17,223	7,301
Notes Receivable and Other	197	-0-
Total Assets Acquired	\$ 18,406	\$ 7,994

Total Income, Community Net Operating Income ("Community NOI")* and Net Income (Loss) for communities acquired in 2021 and 2020, which are included in our Consolidated Statements of Income (Loss) for the years ended December 31, 2021 and 2020, are as follows (*in thousands*):

	2021 Acquisitions	2020 Acquisitions	
	2021	2021	2020
Total Income	\$ 1,134	\$ 1,092	\$ 374
Community NOI *	\$ 235	\$ 474	\$ 158
Net Income (Loss)	\$ (740)	\$ (238)	\$ (73)

* Community NOI is defined as rental and related income less community operating expenses.

See Note 6 for additional information relating to Loans and Mortgages Payable and Note 17 for the Unaudited Pro Forma Financial Information relating to these acquisitions.

In addition to the acquisitions listed above made by the Company, the Company's newly-formed joint venture with Nuveen Real Estate consummated its first acquisition in December 2021. (See Note 5.)

Accumulated Depreciation

The following is a summary of accumulated depreciation by major classes of assets (*in thousands*):

	December 31, 2021	December 31, 2020
Site and Land Improvements	\$ 199,482	\$ 175,219
Buildings and Improvements	10,020	8,860
Rental Homes and Accessories	87,104	71,112
Equipment and Vehicles	19,467	17,632
Total Accumulated Depreciation	\$ 316,073	\$ 272,823

NOTE 4 – MARKETABLE SECURITIES

-

The Company's marketable securities primarily consist of common and preferred stock of other REITs. The Company does not own more than 10% of the outstanding shares of any of these securities, nor does it have controlling financial interest. The Company generally limits its investment in marketable securities to no more than approximately 15% of its undepreciated assets. The REIT securities portfolio provides the Company with additional liquidity and additional income and serves as a proxy for real estate when more favorable risk adjusted returns are not available.

The following is a listing of marketable securities at December 31, 2021 *(in thousands)*:

	<u>Series</u>	<u>Interest Rate</u>	<u>Number of Shares</u>	<u>Cost</u>	<u>Market Value</u>
Equity Securities:					
Preferred Stock:					
Cedar Realty Trust, Inc.	B	7.250%	10	\$ 237	\$ 264
Cedar Realty Trust, Inc.	C	6.500%	20	494	505
Centerspace	C	6.625%	20	500	522
Pennsylvania Real Estate Investment Trust	B	7.375%	40	1,000	304
Pennsylvania Real Estate Investment Trust	D	6.875%	20	498	145
Total Preferred Stock				<u>2,729</u>	<u>1,740</u>
Common Stock:					
CBL & Associates Properties, Inc.			12	18,230	361
Five Star Senior Living			12	45	34
Franklin Street Properties Corporation			220	2,219	1,309
Industrial Logistics Properties Trust			87	1,729	2,186
Kimco Realty Corporation			890	16,677	21,939
Monmouth Real Estate Investment Corporation ⁽¹⁾			2,655	25,031	55,778
Office Properties Income Trust			562	36,418	13,948
Orion Office REIT, Inc.			18	293	345
Pennsylvania Real Estate Investment Trust			222	2,316	226
Diversified HealthCare Trust			171	2,920	528
Urstadt Biddle Properties, Inc.			100	2,049	2,130
Realty Income Corporation			185	10,910	13,224
Washington Prime Group			3	6,489	-0-
Total Common Stock				<u>125,326</u>	<u>112,008</u>
Total Marketable Securities				<u>\$ 128,055</u>	<u>\$ 113,748</u>

(1) Related entity – See Note 9.

The following is a listing of marketable securities at December 31, 2020 (in thousands):

	<u>Series</u>	<u>Interest Rate</u>	<u>Number of Shares</u>	<u>Cost</u>	<u>Market Value</u>
Equity Securities:					
Preferred Stock:					
CBL & Associates Properties, Inc.	D	7.375%	2	\$ 50	\$ 2
CBL & Associates Properties, Inc.	E	6.625%	63	1,487	50
Cedar Realty Trust, Inc.	B	7.250%	10	219	206
Cedar Realty Trust, Inc.	C	6.500%	20	494	428
Colony Capital Inc.	I	7.150%	20	500	472
Centerspace	C	6.625%	20	500	520
Pennsylvania Real Estate Investment Trust	B	7.375%	40	1,000	404
Pennsylvania Real Estate Investment Trust	D	6.875%	20	498	206
Urstadt Biddle Properties, Inc.	H	6.250%	13	313	313
Total Preferred Stock				<u>5,061</u>	<u>2,601</u>
Common Stock:					
CBL & Associates Properties, Inc.			1,600	16,692	66
Diversified Healthcare Trust			171	2,920	704
Five Star Senior Living			12	45	80
Franklin Street Properties Corporation			220	2,219	961
Industrial Logistics Properties Trust			502	9,951	11,698
Kimco Realty Corporation			910	17,052	13,659
Monmouth Real Estate Investment Corporation ⁽¹⁾			2,655	25,031	45,982
Office Properties Income Trust			562	36,418	12,757
Pennsylvania Real Estate Investment Trust			222	2,316	222
Tanger Factory Outlet			180	4,229	1,793
Urstadt Biddle Properties, Inc.			100	2,049	1,413
Vereit, Inc.			282	12,059	10,657
Washington Prime Group			89	6,489	579
Total Common Stock				<u>137,470</u>	<u>100,571</u>
Total Marketable Securities				<u>\$ 142,531</u>	<u>\$ 103,172</u>

(1) Related entity – See Note 9.

The Company normally holds REIT securities long term and has the ability and intent to hold securities to recovery. As of December 31, 2021, 2020 and 2019, the securities portfolio had net unrealized holding losses of \$14.3 million, \$39.4 million and \$25.2 million, respectively.

NOTE 5- INVESTMENT IN JOINT VENTURE

On December 8, 2021, the Company and Nuveen Real Estate, a part of Nuveen Global Investments LLC (“Nuveen”), established a joint venture for the purpose of acquiring manufactured housing and/or recreational vehicle communities that are under development and/or newly developed and meet certain other investment guidelines. The terms of the joint venture are set forth in a Limited Liability Company Agreement dated as of December 8, 2021 (the “LLC Agreement”) entered into between a wholly owned subsidiary of the Company and an affiliate of Nuveen. The LLC Agreement provides for the parties to initially fund up to \$70 million of equity capital for acquisitions during a 24-month commitment period, with Nuveen having the option, subject to certain conditions, to elect to increase the parties’ total commitments by up to an additional \$100 million and to extend the commitment period for up to an additional four years. Committed capital will be funded 60% by Nuveen and 40% by the Company on a parity basis. The Company serves as managing member of the joint venture and will be responsible for day-to-day operations of the joint venture and management of its properties, subject to obtaining Nuveen’s approval of major decisions (including investments, dispositions, financings, major capital expenditures and annual budgets). For its role as managing member and property manager, the Company will receive asset management and property management fees. In addition, the Company will be entitled to receive a promote percentage once each member of the joint venture has recouped its invested capital and received a 7.5% net unlevered internal rate of return.

After December 8, 2024 or, if later, the second anniversary of the joint venture’s acquisition and placing in service of a manufactured housing or recreational vehicle community, Nuveen will have a right to initiate the sale of one or more of the communities owned by the joint venture. If Nuveen elects to initiate such a sale process, the Company may exercise a right of first refusal to acquire Nuveen’s interest in the community or communities to be sold for a purchase price corresponding to the greater of the appraised value of such communities or the amount required to provide a 7.5% net unlevered internal rate of return on Nuveen’s investment. In addition, the Company will have the right to buy out Nuveen’s interest in the joint venture at any time after December 8, 2031 at a purchase price corresponding to the greater of the appraised value of the portfolio or the amount required to provide a 7.5% net unlevered internal rate of return on Nuveen’s investment.

The LLC Agreement provides that until the capital contributions to the joint venture are fully funded or the joint venture is terminated, the joint venture will be the exclusive vehicle for the Company to acquire any manufactured housing communities and/or recreational vehicle communities that meet the joint venture’s investment guidelines. These guidelines call for the joint venture to acquire manufactured housing and recreational vehicle communities that have been developed within the previous two years and are less than 20% occupied, are located in certain geographic markets, are projected to meet certain cash flow and internal rate of return targets, and satisfy certain other criteria. The Company has agreed to offer Nuveen the opportunity to have the joint venture acquire any manufactured housing community or recreational vehicle community that meets these investment guidelines. If Nuveen determines not to pursue or approve any such acquisition, the Company would be permitted to acquire the property outside the joint venture. Except for investment opportunities that are offered to and declined by Nuveen, the Company will be prohibited from developing, owning, operating or managing manufactured housing communities or recreational vehicle communities within a 10-mile radius of any community owned by the joint venture. However, this restriction will not apply with respect to investments by the Company in existing communities operated by the Company.

Nuveen will have the right to remove and replace the Company as managing member of the joint venture and manager of the joint venture’s properties if the Company breaches certain obligations or certain events occur. Upon such removal, Nuveen may elect to buy out the Company’s interest in the joint venture at 98% of the value of the Company’s interest in the joint venture. If Nuveen does not exercise such buy-out right, the Company may, at specified times, elect to initiate a sale of the communities owned by the joint venture, subject to a right of first refusal on the part of Nuveen. The LLC Agreement contains restrictions on a party’s right to transfer its interest in the joint venture without the approval of the other party.

While the Company considers the LLC Agreement with Nuveen to be an important agreement, the Company has concluded that the LLC Agreement does not fall within the definition of a “material contract” as defined by SEC rules. The LLC Agreement requires the Company to offer Nuveen the opportunity to have the joint venture acquire a manufactured housing community or recreational vehicle community that meets the investment guidelines. If Nuveen decides not to acquire the community through the joint venture, however, the Company is free to purchase the community on its own outside of the joint venture. Based upon this, and in light of the Company’s relationship and its dealings with Nuveen since entering into the LLC Agreement, the Company has concluded that there is no meaningful restriction on the Company’s ability to acquire communities that meet the investment guidelines and that the other provisions of the LLC Agreement do not impose any material obligations or restrictions on the Company.

On December 22, 2021, the Company, through its joint venture with Nuveen Real Estate, closed on the acquisition of a newly developed all-age, manufactured home community located in Sebring, Florida for a total purchase price of \$22.2 million. This community contains 219 developed homesites. It is situated on approximately 39 acres. The Company manages this community on behalf of the joint venture. See Note 13 for additional information.

NOTE 6 – LOANS AND MORTGAGES PAYABLE

Loans Payable

The Company may purchase securities on margin. The interest rates charged on the margin loans at December 31, 2021 and 2020 was 0.75%. These margin loans are due on demand. At December 31, 2021 and 2020, the margin loans amounted to \$-0- and \$17.6 million, respectively, and are collateralized by the Company’s securities portfolio. The Company must maintain a coverage ratio of approximately 2 times.

The Company has revolving credit agreements totaling \$28.5 million with 21st Mortgage Corporation (“21st Mortgage”), Customers Bank and Northpoint Commercial Finance to finance inventory purchases. Interest rates on these agreements range from 4.15% to prime with a minimum of 6%. As of December 31, 2021 and 2020, the total amount outstanding on these lines was \$10.9 million and \$13.1 million, respectively, with a weighted average interest rate of 4.38% and 4.44%, respectively.

In June 2020, the Company expanded its revolving line of credit with OceanFirst Bank (“OceanFirst Line”) from \$15 million to \$20 million. This line is secured by the Company’s eligible notes receivable. Interest was reduced from prime plus 25 basis points to prime with a floor of 3.25%. The amendment also extended the maturity date from June 1, 2020 to June 1, 2022, with a one year extension at the Bank’s option. As of December 31, 2021 and 2020, the amount outstanding on this revolving line of credit was \$6 million and the interest rate was 3.25%.

On October 7, 2020, the Company entered into a revolving line of credit with FirstBank secured by rental homes and rental home leases in several of our manufactured home communities. This facility allows for proceeds of \$20 million and is expandable to \$30 million with an accordion feature. The facility has a maturity date of November 29, 2022, with a one-year extension available at the Company’s option. Interest is payable at prime plus 25 basis points with a floor of 3.5%. As of December 31, 2021 and 2020, the amount outstanding on this revolving line of credit was \$5 million and the interest rate was 3.5%.

Unsecured Line of Credit

On November 29, 2018, the Company entered into a First Amendment to Amended and Restated Credit Agreement (the “Amendment”) to expand and extend its existing unsecured revolving credit facility (the “Facility”). The Facility is syndicated with two banks led by BMO Capital Markets Corp. (“BMO”), as sole lead arranger and sole book runner, with Bank of Montreal as administrative agent, and includes JPMorgan Chase Bank, N.A. (“J.P. Morgan”) as the sole syndication agent. The Amendment provided for an increase from \$50 million in available borrowings to \$75 million in available borrowings with a \$50 million accordion feature, bringing the total potential availability up to \$125 million, subject to certain conditions including obtaining commitments from additional lenders. The Amendment also extended the maturity date of the Facility from March 27, 2020 to November 29, 2022, with a one-year extension available at the Company’s option, subject to certain conditions including payment of an extension fee. Availability under the Facility is limited to 60% of the value of the unencumbered communities which the Company has placed in the Facility’s unencumbered asset pool (“Borrowing Base”). The First Amendment increased the value of the Borrowing Base communities by reducing the capitalization rate applied to the Net Operating Income (“NOI”) generated by the communities in the Borrowing Base from 7.5% to 7.0%. On February 5, 2021, the Company entered into a Second Amendment to Amended and Restated Credit Agreement with BMO to further reduce the capitalization rate from 7.0% to 6.5%.

Interest rates on borrowings are based on the Company’s overall leverage ratio and decreased from LIBOR plus 1.75% to 2.50% or BMO’s prime lending rate plus 0.75% to 1.50%, at the Company’s option, to LIBOR plus 1.50% to 2.20%, or BMO’s prime lending rate plus 0.50% to 1.20%. Based on the Company’s current leverage ratio, borrowings under the Facility will bear interest at LIBOR plus 1.60% or at BMO’s prime lending rate plus 0.60%, which results in an interest rate of 1.60% and 1.65% at December 31, 2021 and 2020, respectively.

As of December 31, 2021 and 2020, the amount outstanding under this Facility was \$25 million and \$45 million, respectively.

The aggregate principal payments of all loans payable, including the Credit Facility, are scheduled as follows (*in thousands*):

Year Ended December 31,	
2022	\$ 46,945
2023	-0-
2024	-0-
2025	-0-
2026	-0-
Thereafter	-0-
Total Loans Payable	46,945
Unamortized Debt Issuance Costs	(188)
Total Loans Payable, net of	
Unamortized Debt Issuance Costs	<u>\$ 46,757</u>

Mortgages Payable

Mortgages Payable represents the principal amounts outstanding, net of unamortized debt issuance costs. Interest is payable on these mortgages at fixed rates ranging from 2.62% to 6.35%. The weighted average interest rate was 3.8% and 3.9% as of December 31, 2021 and 2020, respectively, including the effect of unamortized debt issuance costs. The weighted average interest rate as of December 31, 2021 and 2020 was 3.8%, respectively, not including the effect of unamortized debt issuance costs. The weighted average loan maturity of the Mortgage Notes Payable was 5.2 and 6.0 years at December 31, 2021 and 2020, respectively.

The following is a summary of mortgages payable at December 31, 2021 and 2020 (*in thousands*):

Property	At December 31, 2021		Balance at December 31,	
	Due Date	Interest Rate	2021	2020
Allentown	10/01/25	4.06%	\$ 12,295	\$ 12,587
Brookview Village	04/01/25	3.92%	2,539	2,603
Candlewick Court	09/01/25	4.10%	4,104	4,201
Catalina	08/19/25	3.00%	4,586	4,853
Cedarcrest Village	04/01/25	3.71%	10,956	11,238
Clinton Mobile Home Resort	10/01/25	4.06%	3,227	3,303
Cranberry Village	04/01/25	3.92%	6,965	7,139
D & R Village	03/01/25	3.85%	7,013	7,191
Fairview Manor	11/01/26	3.85%	14,739	15,076
Forest Park Village	09/01/25	4.10%	7,652	7,833
Friendly Village	05/06/23	4.618%	6,650	6,906
Hayden Heights	04/01/25	3.92%	1,914	1,962
Highland Estates	06/01/27	4.12%	15,419	15,744
Holiday Village	09/01/25	4.10%	7,282	7,454
Holiday Village- IN	11/01/25	3.96%	7,811	7,998
Holly Acres Estates	09/01/31	3.21%	6,031	2,077
Kinnebrook Village	04/01/25	3.92%	3,700	3,792
Lake Erie Estates	07/06/25	5.16%	2,604	2,657
Lake Sherman Village	09/01/25	4.10%	5,060	5,180
Meadows of Perrysburg	10/06/23	5.413%	2,825	2,888
Northtowne Meadows	09/06/26	4.45%	11,576	11,818
Olmsted Falls	04/01/25	3.98%	1,915	1,962
Oxford Village	07/01/29	3.41%	14,985	15,301
Perrysburg Estates	09/06/25	4.98%	1,526	1,558
Pikewood Manor	11/29/28	5.00%	13,766	14,103
Shady Hills	04/01/25	3.92%	4,563	4,677
Springfield Meadows	10/06/25	4.83%	2,914	2,975
Suburban Estates	10/01/25	4.06%	5,126	5,248
Sunny Acres	10/01/25	4.06%	5,706	5,842
Trailmont	04/01/25	3.92%	3,042	3,118
Twin Oaks	10/01/29	3.37%	5,809	5,930
Valley Hills	06/01/26	4.32%	3,152	3,220
Waterfalls	06/01/26	4.38%	4,293	4,386
Weatherly Estates	04/01/25	3.92%	7,422	7,607
Wellington Estates	01/01/23	6.35%	2,205	2,263
Woods Edge	01/07/26	3.25%	5,627	5,940
Worthington Arms	09/01/25	4.10%	8,580	8,783
Various (2 properties)	02/01/27	4.56%	13,073	13,335
Various (2 properties)	08/01/28	4.27%	12,661	12,902
Various (2 properties)	07/01/29	3.41%	21,907	22,368
Various (4 properties)	07/01/23	4.975%	7,418	7,596
Various (5 properties)	01/01/22	4.25%	-0-	12,694
Various (5 properties)	12/06/22	4.75%	6,523	6,692
Various (6 properties)	08/01/27	4.18%	12,320	12,581
Various (13 properties)	03/01/23	4.065%	44,339	45,588
Various (28 properties)	09/01/30	2.62%	102,882	105,221
Total Mortgages Payable			456,702	476,390
Unamortized Debt Issuance Costs			(4,135)	(4,913)
Total Mortgages Payable, net of Unamortized Debt Issuance Costs			\$ 452,567	\$ 471,477

At December 31, 2021 and 2020, mortgages were collateralized by real property with a carrying value of \$950.9 million and \$932.5 million, respectively, before accumulated depreciation and amortization. Interest costs amounting to \$1.5 million, \$1.3 million and \$1.5 million were capitalized during 2021, 2020 and 2019, respectively, in connection with the Company's expansion program. At December 31, 2021, the Company owned 127 communities of which 28 are unencumbered.

Recent Financing Transactions

During the year ended December 31, 2021

On August 17, 2021, the Company obtained a Federal Home Loan Mortgage Corporation ("Freddie Mac") mortgage totaling \$6.1 million through Wells Fargo Bank, N.A. ("Wells Fargo") on Holly Acres. The interest rate on this mortgage is fixed at 3.21%. This mortgage matures on September 1, 2031, with principal repayments based on a 30-year amortization schedule.

During the year ended December 31, 2020

On August 20, 2020, the Company completed the financing of 28 of its previously unencumbered communities, containing approximately 4,100 sites, through Wells Fargo Bank, N. A. for total proceeds of approximately \$106 million. This Federal National Mortgage Association ("Fannie Mae") credit facility has a 10-year maturity with a 30-year amortization schedule. Interest is at a fixed rate of 2.62%.

On September 21, 2020, the Company assumed a mortgage loan with a balance of approximately \$2.7 million, in conjunction with its acquisition of Lake Erie Estates in Fredonia, New York. The interest rate on this mortgage is fixed at 5.16%. This mortgage matures on July 6, 2025.

The aggregate principal payments of all mortgages payable are scheduled as follows (*in thousands*):

Year Ended December 31,		
2022	\$	17,870
2023		71,368
2024		10,182
2025		138,969
2026		35,863
Thereafter		182,450
Total	\$	<u>456,702</u>

Subsequent to year end, the Company issued \$102.7 million of its 4.72% Series A Bonds due 2027. (See Note 16.)

NOTE 7 – STOCK COMPENSATION PLAN

On June 13, 2013, the shareholders approved and ratified the Company's 2013 Stock Option and Stock Award Plan (the "2013 Plan") authorizing the grant of stock options or restricted stock awards to directors, officers and key employees of options to purchase up to 3 million shares of common stock. The 2013 Plan replaced the Company's 2003 Stock Option Plan (the "2003 Plan"), which, pursuant to its terms, terminated in 2013. The outstanding options under the 2003 Plan, as amended, remain outstanding until exercised, forfeited or expired.

On June 14, 2018, the shareholders approved and ratified an amendment and restatement (and renaming) of the 2013 Plan (now referred to as the Amended and Restated 2013 Incentive Award Plan) (the "Amended and Restated 2013 Plan") The amendment and restatement made two substantive changes: (1) provide an additional 2 million common shares for future grant of option awards, restricted stock awards, or other stock-based awards; and (2) allow for the issuance of other stock-based awards.

On June 16, 2021, the shareholders approved and ratified an amendment of the Company's Amended and Restated 2013 Plan. The amendment provides for an additional 3 million common shares for future grants of option awards, restricted stock awards, or other stock-based awards.

The Compensation Committee has the exclusive authority to administer and construe the Amended and Restated 2013 Plan and shall determine, among other things: persons eligible for awards and who shall receive them; the terms and conditions of the awards; the time or times and conditions subject to which awards may become vested, deliverable, exercisable, or as to which any may apply, be accelerated or lapse; and amend or modify the terms and conditions of an award with the consent of the participant.

Generally, the term of any stock option may not be more than 10 years from the date of grant. The option price may not be below the fair market value at date of grant. If and to the extent that an award made under the Amended and Restated 2013 Plan is forfeited, terminated, expires or is canceled unexercised, the number of shares associated with the forfeited, terminated, expired or canceled portion of the award shall again become available for additional awards under the Amended and Restated 2013 Plan.

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

Stock Options

During the year ended December 31, 2021, forty-six employees were granted options to purchase a total of 767,900 shares. During the year ended December 31, 2020, forty-one employees were granted options to purchase a total of 715,000 shares. During the year ended December 31, 2019, forty-one employees were granted options to purchase a total of 644,000 shares. The fair value of these options for the years ended December 31, 2021, 2020 and 2019 was approximately \$2.1 million, \$686,000 and \$1.1 million, respectively, based on assumptions noted below and is being amortized over the vesting period. The remaining unamortized stock option expense was \$2.3 million as of December 31, 2021, which will be expensed ratably through 2026.

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

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

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

	2021	2020	2019
Dividend yield	4.66%	5.33%	5.13%
Expected volatility	24.59%	24.57%	24.04%
Risk-free interest rate	1.44%	0.89%	2.50%
Expected lives	10	10	10
Estimated forfeitures	-0-	-0-	-0-

During the year ended December 31, 2021, options to thirty-five employees to purchase a total of 709,980 shares were exercised. During the year ended December 31, 2020, options to ten employees to purchase a total of 62,500 shares were exercised. During the year ended December 31, 2019, options to sixteen employees to purchase a total of 240,000 shares were exercised. During the year ended December 31, 2021, options to one employee to purchase a total of 400 shares were forfeited. During the year ended December 31, 2020, options to two employees to purchase a total of 23,000 shares were forfeited or expired. During the year ended December 31, 2019, options to one employee to purchase a total of 20,000 shares were forfeited.

A summary of the status of the stock options outstanding under the Company's stock compensation plans as of December 31, 2021, 2020 and 2019 and changes during the years then ended are as follows (*in thousands*):

	2021		2020		2019	
	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price
Outstanding at beginning of year	3,266	\$ 12.03	2,637	\$ 12.05	2,253	\$ 12.09
Granted	768	21.90	715	9.84	644	13.67
Exercised	(710)	12.11	(63)	10.55	(240)	10.84
Forfeited	-0-	19.36	(11)	11.65	(20)	13.50
Expired	-0-	-0-	(12)	11.29	-0-	-0-
Outstanding at end of year	3,324	14.25	3,266	12.03	2,637	12.05
Options exercisable at end of year	2,556		2,556		1,196	
Weighted average fair value of options granted during the year		\$ 2.77		\$ 0.96		\$ 1.72

The following is a summary of stock options outstanding as of December 31, 2021 (*in thousands*):

Date of Grant	Number of Employees	Number of Shares	Option Price	Expiration Date
06/11/14	4	136	9.85	06/11/22
06/24/15	5	195	9.82	06/24/23
04/05/16	8	237	9.77	04/05/24
01/19/17	2	60	14.25	01/19/27
04/04/17	21	422	15.04	04/04/27
04/02/18	17	301	13.09	04/02/28
07/09/18	4	40	15.75	07/09/28
12/10/18	1	25	12.94	12/10/28
01/02/19	2	60	11.42	01/02/29
04/02/19	19	419	13.90	04/02/29
01/17/20	1	10	16.37	01/17/30
03/25/20	39	637	9.70	03/25/30
05/20/20	2	14	11.80	05/20/30
03/18/21	41	159*	19.36	03/18/31
07/14/21	46	609*	22.57	07/14/31
		3,324		

* Unexercisable

The aggregate intrinsic value is calculated as the difference between the exercise price of the underlying awards and the quoted price of the Company's common stock for the options that were in-the-money. The aggregate intrinsic value of options outstanding as of December 31, 2021, 2020 and 2019 was \$42.9 million, \$9.3 million and \$8.3 million, respectively, of which \$39.9 million, \$5.7 million and \$6.9 million relate to options exercisable. The intrinsic value of options exercised in 2021, 2020 and 2019 was \$3.6 million, \$283,000 and \$914,000, respectively, determined as of the date of option exercise. The weighted average remaining contractual term of the above options was 10.7, 9.9 and 9.1 years as of December 31, 2021, 2020 and 2019, respectively. For the years ended December 31, 2021, 2020 and 2019, amounts charged to stock compensation expense relating to stock option grants, which is included in General and Administrative Expenses, totaled \$325,000, \$396,000 and \$1.2 million, respectively.

Restricted Stock

On January 29, 2021, the Company awarded special restricted stock grants totaling 146,572 shares to five employees for their successful efforts on the August 2020 groundbreaking Federal National Mortgage Association ("Fannie Mae") financing at 2.62%, the proceeds of which were used to redeem our 8% Series B Cumulative Redeemable Preferred Stock, Liquidation Preference \$25.00 per share. The grant date fair value of the restricted stock grants awarded on January 29, 2021 was \$4.3 million, which will be expensed over the vesting period. Vesting of these grants is subject to both time and performance-based vesting criteria as follows:

Vesting Date	Performance Goal to be Met ⁽¹⁾	Percent of Shares Vested
June 30, 2023	Growth in cumulative Normalized Funds from Operations ("Normalized FFO") over the past 3 years is 2% or greater	100%
June 30, 2023	Growth in cumulative Normalized FFO over the past 3 years is 5% or greater	Bonus of 50% of the Restricted Stock (total of 150%)
June 30, 2023	Growth in cumulative Normalized FFO over the past 3 years is 20% or greater	Bonus of 100% of the Restricted Stock (total of 200%)

(1) Growth in cumulative Normalized FFO is measured as the trailing 12-month Normalized FFO per share at June 30, 2023 divided by the trailing 12-month Normalized FFO per share at June 30, 2020, which amount is \$0.64/share at June 30, 2020.

On January 13, 2021, the Company awarded a total of 25,000 shares of restricted stock to five employees. On March 18, 2021, the Company awarded a total of 108,500 shares of restricted stock to four employees. On January 8, 2020, the Company awarded a total of 15,000 shares of restricted stock to three employees. On October 23, 2020, the Company awarded a total of 19,700 shares of restricted stock to two participants, pursuant to their employment agreements. On April 2, 2019, the Company awarded a total of 118,000 shares of restricted stock to two participants, pursuant to their employment agreements. The grant date fair value of the restricted stock grants awarded to participants (other than the performance based awards granted in January 2021) was \$2.5 million, \$512,000 and \$1.6 million for the years ended December 31, 2021, 2020 and 2019, respectively. These grants primarily vest in equal installments over five years. As of December 31, 2021, there remained a total of \$5.9 million of unrecognized restricted stock compensation related to outstanding non-vested restricted stock grants awarded and outstanding at that date. Restricted stock compensation is expected to be expensed over a remaining weighted average period of 2.3 years. For the years ended December 31, 2021, 2020 and 2019, amounts charged to stock compensation expense related to restricted stock grants, which is included in General and Administrative Expenses, totaled \$3.1 million, 931,000 and \$723,000, respectively.

A summary of the status of the Company's non-vested restricted stock awards as of December 31, 2021, 2020 and 2019, and changes during the year ended December 31, 2021, 2020 and 2019 are presented below *(in thousands)*:

	2021		2020		2019	
	Shares	Weighted-Average Grant Date Fair Value	Shares	Weighted-Average Grant Date Fair Value	Shares	Weighted-Average Grant Date Fair Value
Non-vested at beginning of year	212	\$ 13.69	238	\$ 13.33	161	\$ 12.44
Granted	280	16.51	35	14.75	118	11.12
Dividend Reinvested Shares	15	21.68	11	12.91	11	13.51
Vested	(73)	8.48	(72)	12.87	(52)	5.69
Non-vested at end of year	<u>434</u>	<u>\$ 16.66</u>	<u>212</u>	<u>\$ 13.69</u>	<u>238</u>	<u>\$ 13.33</u>

Other Stock-Based Awards

Effective June 20, 2018, a portion of our quarterly directors' fee was paid with our unrestricted common stock. During 2021, 16,500 unrestricted shares of common stock were granted as directors' fees with a weighted average fair value on the grant date of \$14.78 per share. During 2020, 11,000 unrestricted shares of common stock were granted as directors' fees with a weighted average fair value on the grant date of \$16.13 per share. During 2019, 4,000 unrestricted shares of common stock were granted as directors' fees with a weighted average fair value on the grant date of \$13.52 per share.

As of December 31, 2021, there were 2.4 million shares available for grant as stock options, restricted stock or other stock-based awards under the 2013 Plan.

NOTE 8 – 401(k) PLAN

All full-time employees who are over 21 years old are eligible for the Company's 401(k) Plan ("Plan"). Under this Plan, an employee may elect to defer his/her compensation, subject to certain maximum amounts, and have it contributed to the Plan. Employer contributions to the Plan are at the discretion of the Company. During 2021, 2020 and 2019, the Company made matching contributions to the Plan of up to 100% of the first 3% of employee salary and 50% of the next 2% of employee salary. The total expense relating to the Plan, including matching contributions amounted to \$752,000, \$1.1 million and \$376,000 in 2021, 2020 and 2019, respectively.

NOTE 9 – RELATED PARTY TRANSACTIONS AND OTHER MATTERS

Transactions with Monmouth Real Estate Investment Corporation

There are four Directors of the Company who are also Directors and shareholders of MREIC. The Company holds common stock of MREIC in its securities portfolio. As of December 31, 2021, the Company owned a total of 2.7 million shares of MREIC common stock, representing 2.7% of the total MREIC shares outstanding at December 31, 2021 (See Note 4). The Company shares one officer (Chairman of the Board) with MREIC. In November 2021, MREIC entered into a merger agreement pursuant to which, subject to satisfaction of certain closing conditions, a third party agreed to acquire MREIC in an all-cash merger, which, if consummated, would result in the Company and MREIC's other shareholders receiving a cash payment of \$21.00 per share in cancellation of their MREIC common shares. (See Note 16.)

Employment Agreements and Compensation

The Company has three-year employment agreements with Mr. Eugene W. Landy, Mr. Samuel A. Landy and Ms. Anna T. Chew. The agreements provide for base compensation aggregating approximating \$1.4 million. In addition, the agreements call for incentive bonuses, and an extension of services and severance payments upon certain future events, such as a change in control.

Other Matters

Mr. Eugene W. Landy, the Founder and Chairman of the Board of Directors of the Company, owns a 24% interest in the entity that is the landlord of the property where the Company's corporate office space is located. On October 1, 2019, the Company entered into a new lease for its executive offices in Freehold, New Jersey which combines the existing corporate office space with additional adjacent office space. This new lease extends our existing lease through April 30, 2027 and requires monthly lease payments of \$23,098 through April 30, 2022 and \$23,302 from May 1, 2022 through April 30, 2027. The Company is also responsible for its proportionate share of real estate taxes and common area maintenance. Management believes that the aforesaid rents are no more than what the Company would pay for comparable space elsewhere.

NOTE 10 – SHAREHOLDERS' EQUITY

As of December 31, 2021, the Company's authorized capital stock consists of 170.4 million shares, classified as 144.2 million shares of common stock, par value \$0.10 per share, 199,000 shares of 8.00% Series B Cumulative Redeemable Preferred Stock ("Series B Preferred Stock"), 13.8 million shares of Series C Preferred Stock, 9.3 million shares of Series D Preferred Stock, and 3.0 million shares of excess stock. The excess stock is designed to help us protect our status as a REIT under the Internal Revenue Code.

Common Stock

The Company has a Dividend Reinvestment and Stock Purchase Plan ("DRIP"), as amended. Under the terms of the DRIP, shareholders who participate may reinvest all or part of their dividends in additional shares of the Company at a discounted price (approximately 95% of market value) directly from the Company, from authorized but unissued shares of the Company's common stock. Shareholders may also purchase additional shares at this discounted price by making optional cash payments monthly. Optional cash payments must be not less than \$500 per payment nor more than \$1,000 unless a request for waiver has been accepted by the Company. On January 15, 2020, the Company increased the monthly maximum for the purchase of shares for cash under its DRIP from \$1,000 to \$5,000. On February 11, 2021, the Company reduced the monthly maximum from \$5,000 to \$1,000.

Amounts received in connection with the DRIP for the years ended December 31, 2021, 2020 and 2019 were as follows (*in thousands*):

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Amounts Received	\$ 9,773	\$ 9,154	\$ 31,503
Less: Dividends Reinvested	(3,506)	(3,151)	(7,705)
Amounts Received, net	<u>\$ 6,267</u>	<u>\$ 6,003</u>	<u>\$ 23,798</u>
Number of Shares Issued	<u>503</u>	<u>720</u>	<u>2,468</u>

Common Stock At-The-Market Sales Program

On June 30, 2020, the Company entered into an Equity Distribution Agreement (the "2020 Common ATM Program") with BMO Capital Markets Corp., B. Riley FBR, Inc. ("B Riley"), Compass Point Research & Trading, LLC, D.A. Davidson & Co., Janney Montgomery Scott LLC, and J.P. Morgan Securities LLC, as distribution agents (the "2020 Distribution Agents") under which the Company was permitted to offer and sell shares of the Company's Common Stock, having an aggregate sales price of up to \$100 million from time to time through the 2020 Distribution Agents. Sales of the shares of Common Stock under the 2020 Common ATM Program were made in "at the market offerings" as defined in Rule 415 under the Securities Act, including, without limitation, sales made directly on or through the NYSE or on any other existing trading market for the Common Stock, as applicable, or to or through a market maker or any other method permitted by law, including, without limitation, negotiated transactions and block trades. Shares of Common Stock sold under the 2020 Common ATM Program were offered pursuant to the Company's Registration Statement on Form S-3 (File No. 333-238321), filed with the Securities and Exchange Commission (the "SEC") on May 15, 2020, and declared effective on June 1, 2020 (the "2020 Registration Statement"), and the prospectus dated June 1, 2020 included in the 2020 Registration Statement and the related prospectus supplement dated June 30, 2020. During 2021, 4.2 million shares of Common Stock were issued and sold at a weighted average price of \$20.26 per share, generating gross proceeds of \$86.0 million and net proceeds of \$84.7 million, after offering expenses, under the 2020 Common ATM Program. The Company discontinued the sale of shares under the 2020 Common ATM Program prior to July 31, 2021.

On August 16, 2021, the Company entered into a new Equity Distribution Agreement (the “2021 Common ATM Program”) with BMO Capital Markets Corp., J.P. Morgan Securities LLC, B. Riley Securities, Inc., Compass Point Research & Trading, LLC, and Janney Montgomery Scott LLC, as distribution agents (the “2021 Distribution Agents”) under which the Company was permitted to offer and sell shares of the Company’s Common Stock, having an aggregate sales price of up to \$100 million from time to time through the 2021 Distribution Agents. Sales of the shares of Common Stock under the 2021 Common ATM Program were made in “at the market offerings” as defined in Rule 415 under the Securities Act, including, without limitation, sales made directly on or through the NYSE or on any other existing trading market for the Common Stock, as applicable, or to or through a market maker or any other method permitted by law, including, without limitation, negotiated transactions and block trades. The shares of Common Stock sold under the 2020 Common ATM Program were offered and sold pursuant to the 2020 Registration Statement and pursuant to the Company’s prospectus dated June 1, 2020 included in the 2020 Registration Statement and the related prospectus supplement, dated August 16, 2021. The 2021 Common ATM Program replaced the Company’s previous 2020 Common ATM Program. The Company began selling shares under the 2021 Common ATM Program on August 24, 2021 and through December 31, 2021, 4.0 million shares of Common Stock were issued and sold at a weighted average price of \$24.15 per share, generating gross proceeds of \$96.0 million and net proceeds of \$94.4 million, after offering expenses, under the 2021 Common ATM Program. As of December 31, 2021, \$4.0 million of common stock remained eligible for sale under the 2021 Common ATM Program. The additional shares of common stock remaining available for sale under the 2021 Common ATM Program were sold during 2022 and the 2021 Common ATM Program is no longer available.

Issuer Purchases of Equity Securities

On January 13, 2021, the Board of Directors reaffirmed our Common Stock Repurchase Program (the “Repurchase Program”) that authorized us to repurchase up to \$25 million in the aggregate of the Company’s common stock. Purchases under the Repurchase Program were permitted to be made 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 would be based on business, market and other conditions and factors, including price, regulatory and contractual requirements or consents, and capital availability. The Repurchase Program did not require the Company to acquire any particular amount of common stock and may be suspended, modified or discontinued at any time at the Company’s discretion without prior notice. Although the Repurchase Program remains in effect, the Company did not make any repurchases of common stock during 2021.

Preferred Stock

8.0% Series B Cumulative Redeemable Preferred Stock

On October 20, 2020, the Company voluntarily redeemed all 3.8 million issued and outstanding shares of its 8.0% Series B Preferred Stock at a redemption price equal to the \$25.00 per share liquidation preference plus accrued and unpaid dividends to, but not including, the October 20, 2020 redemption date in an amount of \$0.2722 per share, for a total payment of \$25.2722 per share, or \$96.1 million. As a result of our redemption notice, the Company recognized a preferred share redemption charge of approximately \$2.9 million related to the original issuance costs. Upon the redemption, all 3.8 million outstanding shares of Series B Preferred reverted to authorized unissued shares of Common Stock.

6.75% Series C Cumulative Redeemable Preferred Stock

On July 26, 2017, the Company issued 5 million shares of its new 6.75% Series C Cumulative Redeemable Preferred Stock, Liquidation Preference \$25.00 per share (“Series C Preferred Stock”) at an offering price of \$25.00 per share in an underwritten registered public offering. The Company received net proceeds from the sale of these 5 million shares, after deducting the underwriting discount and other estimated offering expenses, of approximately \$120.8 million. On August 2, 2017, the Company issued an additional 750,000 shares of Series C Preferred Stock pursuant to the underwriters’ exercise of their overallotment option and received additional net proceeds of approximately \$18.2 million.

Dividends on the Series C Preferred Stock shares are cumulative at an annual rate of \$1.6875 per share and will be payable quarterly in arrears on March 15, June 15, September 15, and December 15.

The Series C Preferred Stock, par value \$0.10 per share, has no maturity and will remain outstanding indefinitely unless redeemed or otherwise repurchased. Except in limited circumstances relating to the Company’s qualification as a REIT, and as described below, the Series C Preferred Stock is not redeemable prior to July 26, 2022. On and after July 26, 2022, the Series C Preferred Stock will be redeemable at the Company’s option for cash, in whole or, from time to time, in part, at a price per share equal to \$25.00, plus all accrued and unpaid dividends (whether or not declared) to the date of redemption. The Series C Preferred Stock ranks on a parity with the Company’s Series D Preferred Stock with respect to dividend rights and rights upon liquidation, dissolution or winding up.

Upon the occurrence of a Delisting Event or Change of Control, each as defined in the Prospectus pursuant to which the shares of Series C Preferred Stock were offered, each holder of the Series C Preferred Stock will have the right to convert all or part of the shares of the Series C Preferred Stock held into common stock of the Company, unless the Company elects to redeem the Series C Preferred Stock.

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

In conjunction with the issuance in July and August 2017 of the Company's Series C Preferred Stock, the Company filed with the Maryland SDAT, an amendment to the Company's charter to increase the authorized number of shares of the Company's common stock by 30.8 million shares. Immediately following this amendment, the Company filed with the Maryland SDAT Articles Supplementary setting forth the rights, preferences and terms of the Series C Preferred Stock and reclassifying 5.8 million shares of Common Stock as shares of Series C Preferred Stock. Additionally, upon the redemption on August 31, 2017 of all 3.7 million outstanding shares of the Company's Series A Preferred Stock, the authorized shares of Series A Preferred automatically reverted to authorized Common Stock, which increased our authorized Common Stock by that amount.

On April 29, 2019, the Company issued and sold a total of 4 million shares, including as a result of the underwriters' exercise in full of their overallotment option of 400,000 shares, of our Series C Preferred Stock at an offering price of \$25.00 per share in an underwritten registered public offering. The additional shares of Series C Preferred Stock form a single series with, have the same terms as, and vote as a single class with, the 5.8 million previously outstanding shares of Series C Preferred Stock issued in July 2017 and rank on a parity with the Company's outstanding Series B Preferred Stock and its outstanding 6.375% Series D Cumulative Redeemable Preferred Stock. After giving effect to the April 2019 offering, the Company had a total of 9.8 million shares of Series C Preferred Stock outstanding.

The Company received net proceeds from the sale of the 4 million shares of Series C Preferred Stock of approximately \$96.7 million, after deducting the underwriting discount and other estimated offering expenses, and used the proceeds for general corporate purposes, which included purchase of manufactured homes for sale or lease to customers, expansion of its existing communities, acquisitions of additional properties and repayment of indebtedness on a short-term basis.

In conjunction with the issuance in April 2019 of the Company's Series C Preferred Stock, on April 26, 2019 the Company filed with the Maryland SDAT, an amendment to the Company's charter to increase the authorized number of shares of the Company's common stock by 16 million shares.

Immediately following this amendment, the Company filed with the Maryland SDAT Articles Supplementary reclassifying 4 million shares of Common Stock as shares of Series C Preferred Stock.

6.375% Series D Cumulative Redeemable Preferred Stock

On January 22, 2018, the Company issued 2 million shares of its new 6.375% Series D Cumulative Redeemable Preferred Stock, Liquidation Preference \$25.00 Per Share (“Series D Preferred Stock”) at an offering price of \$25.00 per share in an underwritten registered public offering. The Company received net proceeds from the sale of these 2 million shares, after deducting the underwriting discount and other estimated offering expenses, of approximately \$48.2 million and has used the net proceeds of the offering for general corporate purposes, which included the purchase of manufactured homes for sale or lease to customers, expansion of its existing communities, acquisitions of additional properties and repayment of indebtedness on a short-term basis.

Dividends on the Series D Preferred Stock shares are cumulative from January 22, 2018 and are payable quarterly in arrears on March 15, June 15, September 15, and December 15 at an annual rate of \$1.59375 per share.

The Series D Preferred Stock, par value \$0.10 per share, has no maturity and will remain outstanding indefinitely unless redeemed or otherwise repurchased. Except in limited circumstances relating to the Company’s qualification as a REIT, and as described below, the Series D Preferred Stock is not redeemable prior to January 22, 2023. On and after January 22, 2023, the Series D Preferred Stock will be redeemable at the Company’s option for cash, in whole or, from time to time, in part, at a price per share equal to \$25.00, plus all accrued and unpaid dividends (whether or not declared) to the date of redemption. The Series D Preferred Stock shares rank on a parity with the Company’s Series C Preferred Stock shares with respect to dividend rights and rights upon liquidation, dissolution or winding up.

Upon the occurrence of a Delisting Event or Change of Control, each as defined in the Prospectus pursuant to which the shares of Series D Preferred Stock were offered, each holder of the Series D Preferred Stock will have the right to convert all or part of the shares of the Series D Preferred Stock held into common stock of the Company, unless the Company elects to redeem the Series D Preferred Stock.

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

In conjunction with the issuance of the Company’s Series D Preferred Stock, in January 2018 the Company filed with the Maryland SDAT Articles Supplementary setting forth the rights, preferences and terms of the Series D Preferred Stock shares and reclassifying 2.3 million shares of Common Stock as shares of Series D Preferred Stock.

During 2019, 2020 and 2021, the Company sold additional shares of Series D Preferred Stock pursuant to its at-the-market sales programs, and amended its charter in connection therewith, as described below.

Preferred Stock At-The-Market Sales Programs

On October 21, 2019, the Company entered into a Preferred Stock At-The-Market Sales Program (“2019 Preferred ATM Program”) with B. Riley, as distribution agent, under which the Company was permitted to offer and sell shares of the Company’s Series C Preferred Stock and/or Series D Preferred Stock, having an aggregate sales price of up to \$100 million. Sales of shares under the 2019 Preferred ATM Program were made in “at the market offerings” as defined in Rule 415 under the Securities Act, including, without limitation, sales made directly on or through the NYSE, or on any other existing trading market for the Series C Preferred Stock or Series D Preferred Stock, as applicable, or to or through a market maker or any other method permitted by law, including, without limitation, negotiated transactions and block trades. The Company began selling shares under the 2019 Preferred ATM Program on October 22, 2019 and through June 30, 2020, 3.2 million shares of Series D Preferred Stock were issued and sold under the 2019 Preferred ATM Program at a weighted average price of \$25.09 per share, generating gross proceeds of \$80.5 million and net proceeds of \$79.1 million, after offering expenses. Of these amounts, during 2020, we issued and sold 2.6 million shares of Series D Preferred Stock at a weighted average price of \$25.06 per share, generating gross proceeds of \$64.1 million and net proceeds after offering expenses of \$63.1 million. The Company discontinued the sale of shares under the 2019 Preferred ATM Program prior to June 30, 2020.

On July 15, 2020, the Company filed with the Maryland SDAT Articles Supplementary reclassifying and designating 3.3 million shares of the Company's Common Stock as shares of Series D Preferred Stock. Following the filing of the Articles Supplementary, the authorized capital stock of the Company consisted of 140.4 million shares of Common Stock, 4.0 million shares of Series B Preferred Stock, 13.8 million shares of Series C Preferred Stock, 9.3 million shares of Series D Preferred Stock and 3 million shares of excess stock, par value \$0.10 per share. Additionally, upon the redemption on October 20, 2020 of all 3.7 million outstanding shares of the Company's Series B Preferred Stock, the authorized shares of Series B Preferred Stock automatically reverted to authorized Common Stock, which increased our authorized Common Stock by 3.7 million shares.

On July 22, 2020, the Company entered into a new Preferred ATM Stock At-The-Market Sales Program ("2020 Preferred ATM Program") with B. Riley, as distribution agent, under which the Company may offer and sell shares of the Company's Series C Preferred Stock and/or Series D Preferred Stock, having an aggregate sales price of up to \$100 million. Sales of shares under the 2020 Preferred ATM Program are "at the market offerings" as defined in Rule 415 under the Securities Act, including, without limitation, sales made directly on or through the NYSE, or on any other existing trading market for the Series C Preferred Stock or Series D Preferred Stock, as applicable, or to or through a market maker or any other method permitted by law, including, without limitation, negotiated transactions and block trades. Shares of Series C Preferred Stock and/or Series D Preferred Stock sold under the 2020 Preferred ATM Program are offered pursuant to the Company's 2020 Registration Statement and are sold and issued pursuant to the Company's prospectus dated June 1, 2020 included in the 2020 Registration Statement and the related prospectus supplement dated July 22, 2020. The 2020 Preferred ATM Program replaced the 2019 Preferred ATM Program. During 2021, 2.2 million shares of Series D Preferred Stock were issued and sold at a weighted average price of \$24.89 per share, generating total gross proceeds of \$54.1 million and total net proceeds of \$53.2 million, after offering expenses. As of December 31, 2021, \$12.2 million in shares of Series C Preferred Stock and/or Series D Preferred Stock remained eligible for sale under the 2020 Preferred ATM Program.

NOTE 11 – DISTRIBUTIONS

Common Stock

The following cash distributions, including dividends reinvested, were paid to common shareholders during the three years ended December 31, 2021, 2020 and 2019 (*in thousands*):

<u>Quarter Ended</u>	<u>2021</u>		<u>2020</u>		<u>2019</u>	
	<u>Amount</u>	<u>Per Share</u>	<u>Amount</u>	<u>Per Share</u>	<u>Amount</u>	<u>Per Share</u>
March 31	\$ 8,048	\$ 0.19	\$ 7,417	\$ 0.18	\$ 6,980	\$ 0.18
June 30	8,629	0.19	7,417	0.18	7,159	0.18
September 30	9,016	0.19	7,454	0.18	7,322	0.18
December 31	9,327	0.19	7,520	0.18	7,364	0.18
	<u>\$ 35,020</u>	<u>\$ 0.76</u>	<u>\$ 29,808</u>	<u>\$ 0.72</u>	<u>\$ 28,825</u>	<u>\$ 0.72</u>

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

On January 12, 2022, the Company declared a 5.3% increase in the cash dividend, raising it from a quarterly \$0.19 per share to \$0.20 per share, beginning with the dividend to be paid on March 15, 2022 to shareholders of record as of the close of business on February 15, 2022.

Preferred Stock

The following dividends were paid to holders of our Series B Preferred Stock during the years ended December 31, 2020 and 2019:

<u>Declaration Date</u>	<u>Record Date</u>	<u>Payment Date</u>	<u>Dividend</u>	<u>Dividend per Share</u>
1/15/2020	2/18/2020	3/16/2020	\$ 1,900,600	\$ 0.50
4/2/2020	5/15/2020	6/15/2020	1,900,335	0.50
7/1/2020	8/17/2020	9/15/2020	1,900,335	0.50
9/11/2020	9/11/2020	10/20/2020	1,034,541	0.2722
			<u>\$ 6,735,811</u>	<u>\$ 1.7722</u>
1/15/2019	2/15/2019	3/15/2019	\$ 1,900,600	\$ 0.50
4/1/2019	5/15/2019	6/17/2019	1,900,600	0.50
7/1/2019	8/15/2019	9/16/2019	1,900,600	0.50
10/1/2019	11/15/2019	12/16/2019	1,900,600	0.50
			<u>\$ 7,602,400</u>	<u>\$ 2.00</u>

The following dividends were paid to holders of our Series C Preferred Stock during the years ended December 31, 2021, 2020 and 2019:

<u>Declaration Date</u>	<u>Record Date</u>	<u>Payment Date</u>	<u>Dividend</u>	<u>Dividend per Share</u>
1/15/2021	2/16/2021	3/15/2021	\$ 4,169,813	\$ 0.421875
4/1/2021	5/17/2021	6/15/2021	4,169,813	0.421875
7/1/2021	8/15/2021	9/15/2021	4,169,813	0.421875
10/1/2021	11/15/2021	12/15/2021	4,169,813	0.421875
			<u>\$ 16,679,252</u>	<u>\$ 1.68750</u>
1/15/2020	2/18/2020	3/16/2020	\$ 4,113,281	\$ 0.421875
4/2/2020	5/15/2020	6/15/2020	4,113,281	0.421875
7/1/2020	8/17/2020	9/15/2020	4,127,330	0.421875
10/1/2020	11/16/2020	12/15/2020	4,169,813	0.421875
			<u>\$ 16,523,705</u>	<u>\$ 1.68750</u>
1/15/2019	2/15/2019	3/15/2019	\$ 2,425,781	\$ 0.421875
4/1/2019	5/15/2019	6/17/2019	4,113,281	0.421875
7/1/2019	8/15/2019	9/16/2019	4,113,281	0.421875
10/1/2019	11/15/2019	12/16/2019	4,113,281	0.421875
			<u>\$ 14,765,624</u>	<u>\$ 1.68750</u>

On January 12, 2022, the Board of Directors declared a quarterly dividend of \$0.421875 per share for the period from December 1, 2021 through February 28, 2022, on the Company's Series C Preferred Stock payable March 15, 2022 to shareholders of record as of the close of business on February 15, 2022.

The following dividends were paid to holders of our Series D Preferred Stock during the years ended December 31, 2021, 2020 and 2019:

<u>Declaration Date</u>	<u>Record Date</u>	<u>Payment Date</u>	<u>Dividend</u>	<u>Dividend per Share</u>
1/15/2021	2/16/2021	3/15/2021	\$ 2,869,321	\$ 0.3984375
4/1/2021	5/17/2021	6/15/2021	3,430,045	0.3984375
7/1/2021	8/15/2021	9/15/2021	3,430,045	0.3984375
10/1/2021	11/15/2021	12/15/2021	3,430,045	0.3984375
			<u>\$ 13,159,456</u>	<u>\$ 1.59375</u>
1/15/2020	2/18/2020	3/16/2020	\$ 2,076,126	\$ 0.3984375
4/2/2020	5/15/2020	6/15/2020	2,076,126	0.3984375
7/1/2020	8/17/2020	9/15/2020	2,081,704	0.3984375
10/1/2020	11/16/2020	12/15/2020	2,449,415	0.3984375
			<u>\$ 8,683,371</u>	<u>\$ 1.59375</u>
1/15/2019	2/15/2019	3/15/2019	\$ 796,876	\$ 0.3984375
4/1/2019	5/15/2019	6/17/2019	796,876	0.3984375
7/1/2019	8/15/2019	9/16/2019	796,876	0.3984375
10/1/2019	11/15/2019	12/16/2019	950,760	0.3984375
			<u>\$ 3,341,388</u>	<u>\$ 1.59375</u>

On January 12, 2022, the Board of Directors declared a quarterly dividend of \$0.3984375 per share for the period from December 1, 2021 through February 28, 2022, on the Company's Series D Preferred Stock payable March 15, 2022 to shareholders of record as of the close of business on February 15, 2022.

NOTE 12 – FEDERAL INCOME TAXES

Characterization of Distributions

The following table characterizes the distributions paid for the years ended December 31, 2021, 2020 and 2019:

	2021		2020		2019	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Common Stock						
Ordinary income	\$ 0.024636	3.24%	\$ 0	0%	\$ 0	0%
Capital gains	0.002008	0.26%	0	0%	0	0%
Return of capital	0.733356	96.50%	0.72	100.00%	0.72	100.00%
	<u>\$ 0.76</u>	<u>100.00%</u>	<u>\$ 0.72</u>	<u>100.00%</u>	<u>\$ 0.72</u>	<u>100.00%</u>
Preferred Stock - Series B						
Ordinary income	\$ 0	0%	\$ 0.661633	37.33%	\$ 1.18476	59.24%
Capital gains	0	0%	0	0%	0.05394	2.70%
Return of capital	0	0%	1.110567	62.67%	0.76130	38.06%
	<u>\$ 0</u>	<u>0%</u>	<u>\$ 1.772200</u>	<u>100.00%</u>	<u>\$ 2.00000</u>	<u>100.00%</u>
Preferred Stock - Series C						
Ordinary income	\$ 1.560268	92.46%	\$ 0.630008	37.33%	\$ 0.999640	59.24%
Capital gains	0.127232	7.54%	0	0%	0.045508	2.70%
Return of capital	0	0%	1.057492	62.67%	0.642352	38.06%
	<u>\$ 1.687500</u>	<u>100.00%</u>	<u>\$ 1.687500</u>	<u>100.00%</u>	<u>\$ 1.687500</u>	<u>100.00%</u>
Preferred Stock - Series D						
Ordinary income	\$ 1.473586	92.46%	\$ 0.595008	37.33%	\$ 0.94410	59.24%
Capital gains	0.120164	7.54%	0	0%	0.04298	2.70%
Return of capital	0	0%	0.998742	62.67%	0.60667	38.06%
	<u>\$ 1.593750</u>	<u>100.00%</u>	<u>\$ 1.593750</u>	<u>100.00%</u>	<u>\$ 1.593750</u>	<u>100.00%</u>

In addition to the above, taxable income from non-REIT activities conducted by S&F, a Taxable REIT Subsidiary (“TRS”), is subject to federal, state and local income taxes. Deferred income taxes pertaining to S&F are accounted for using the asset and liability method. Under this method, deferred income taxes are recognized for temporary differences between the financial reporting bases of assets and liabilities and their respective tax bases and for operating loss and tax credit carryforwards based on enacted tax rates expected to be in effect when such amounts are realized or settled. However, deferred tax assets are recognized only to the extent that it is more likely than not that they will be realized based on consideration of available evidence, including tax planning strategies and other factors. For the years ended December 31, 2021, 2020 and 2019, S&F had operating losses for financial reporting purposes of \$1.4 million, \$273,000 and \$1.3 million, respectively. Therefore, a valuation allowance has been established against any deferred tax assets relating to S&F. For the years ended December 31, 2021, 2020 and 2019, S&F recorded \$10,000, \$10,000 and \$8,000, respectively, in federal, state and franchise taxes.

NOTE 13 – COMMITMENTS, CONTINGENCIES AND LEGAL MATTERS

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

The Company and S&F have an agreement with 21st Mortgage Corporation (“21st Mortgage”) under which 21st Mortgage can provide financing for home purchasers in the Company’s communities. The Company does not receive referral fees or other cash compensation under the agreement. If 21st Mortgage makes loans to purchasers and those purchasers default on their loans and 21st Mortgage repossesses the homes securing such loans, the Company has agreed to purchase from 21st Mortgage each such repossessed home for a price equal to 80% to 95% of the amount under each such loan, subject to certain adjustments. This agreement may be terminated by either party with 30 days written notice. As of December 31, 2021, the total loan balance under this agreement was approximately \$1.3 million. Additionally, 21st Mortgage previously made loans to purchasers in certain communities we acquired. In conjunction with these acquisitions, the Company has agreed to purchase from 21st Mortgage each repossessed home, if those purchasers default on their loans. The purchase price ranges from 55% to 100% of the amount under each such loan, subject to certain adjustments. As of December 31, 2021, the total loan balance owed to 21st Mortgage with respect to homes in these acquired communities was approximately \$1.5 million. Although this agreement is still active, this program is not being utilized by the Company’s new customers as a source of financing.

S&F entered into a Chattel Loan Origination, Sale and Servicing Agreement (“COP Program”) with Triad Financial Services, effective January 1, 2016. Neither the Company, nor S&F, receive referral fees or other cash compensation under the agreement. Customer loan applications are initially submitted to Triad for consideration by Triad’s portfolio of outside lenders. If a loan application does not meet the criteria for outside financing, the application is then considered for financing under the COP Program. If the loan is approved under the COP Program, then it is originated by Triad, assigned to S&F and then assigned by S&F to the Company. Included in Notes and Other Receivables is approximately \$46.0 million of loans that the Company acquired under the COP Program as of December 31, 2021.

The Company and one of its subsidiaries are parties to a Limited Liability Company Agreement dated as of December 8, 2021 with an affiliate of Nuveen Real Estate, which governs the joint venture formed between the Company and Nuveen Real Estate. The LLC Agreement provides for the parties to initially fund up to \$70 million of equity capital for acquisitions during a 24-month commitment period, with Nuveen having the option, subject to certain conditions, to elect to increase the parties’ total commitments by up to an additional \$100 million and to extend the commitment period for up to an additional four years. The Company is required to fund 40% of the committed capital and Nuveen is required to fund 60%. All such funding will be on a parity basis. (See Note 5).

NOTE 14 - FAIR VALUE MEASUREMENTS

The Company follows ASC 825, Fair Value Measurements, for financial assets and liabilities recognized at fair value on a recurring basis. The Company measures certain financial assets and liabilities at fair value on a recurring basis, including marketable securities. The fair value of these certain financial assets and liabilities was determined using the following inputs at December 31, 2021 and 2020 (*in thousands*):

	Fair Value Measurements at Reporting Date Using			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2021:				
Equity Securities - Preferred Stock	\$ 1,740	\$ 1,740	\$ 0	\$ 0
Equity Securities - Common Stock	112,008	112,008	0	0
Total	<u>\$ 113,748</u>	<u>\$ 113,748</u>	<u>\$ 0</u>	<u>\$ 0</u>
December 31, 2020:				
Equity Securities - Preferred Stock	\$ 2,601	\$ 2,601	\$ 0	\$ 0
Equity Securities - Common Stock	100,571	100,571	0	0
Total	<u>\$ 103,172</u>	<u>\$ 103,172</u>	<u>\$ 0</u>	<u>\$ 0</u>

In addition to the Company’s investment in Marketable Securities at Fair Value, the Company is required to disclose certain information about fair values of its other financial instruments, as defined in ASC 825-10, Financial Instruments. Estimates of fair value are made at a specific point in time, based upon, where available, relevant market prices and information about the financial instrument. Such estimates do not include any premium or discount that could result from offering for sale at one time the Company’s entire holdings of a particular financial instrument. All of the Company’s marketable securities have quoted market prices. However, for a portion of the Company’s other financial instruments, no quoted market value exists. Therefore, estimates of fair value are necessarily based on a number of significant assumptions (many of which involve events outside the control of management). Such assumptions include assessments of current economic conditions, perceived risks associated with these financial instruments and their counterparties, future expected loss experience and other factors. Given the uncertainties surrounding these assumptions, the reported fair values represent estimates only and, therefore, cannot be compared to the historical accounting model. Use of different assumptions or methodologies is likely to result in significantly different fair value estimates.

The fair value of cash and cash equivalents and notes receivables approximates their current carrying amounts since all such items are short-term in nature. The fair value of marketable securities is primarily based upon quoted market values. The fair value of variable rate mortgages payable and loans payable approximate their current carrying amounts since such amounts payable are at approximately a weighted average current market rate of interest. The estimated fair value of fixed rate mortgage notes payable is based on discounting the future cash flows at a year-end risk adjusted borrowing rate currently available to the Company for issuance of debt with similar terms and remaining maturities. These fair value measurements fall within level 2 of the fair value hierarchy. As of December 31, 2021, the fair and carrying value of fixed rate mortgages payable amounted to \$458.4 million and \$456.7 million, respectively. As of December 31, 2020, the fair and carrying value of fixed rate mortgages payable amounted to \$487.7 million and \$476.4 million, respectively.

NOTE 15 – SUPPLEMENTAL CASH FLOW INFORMATION

Cash paid for interest during the years ended December 31, 2021, 2020 and 2019 was \$19.7 million, \$18.3 million and \$18.4 million, respectively. Interest cost capitalized to land development during the years ended December 31, 2021, 2020 and 2019 was \$1.5 million, \$1.3 million and \$1.5 million, respectively.

During the years ended December 31, 2020 and 2019, the Company assumed mortgages totaling \$2.7 million and \$19.4 million, respectively, for the acquisition of communities.

During the years ended December 31, 2021, 2020 and 2019, land development costs of \$25.9 million, \$14.4 million and \$19.7 million, respectively were transferred to investment property and equipment and placed in service.

During the years ended December 31, 2021, 2020 and 2019, the Company had dividend reinvestments of \$3.5 million, \$3.2 million and \$7.7 million, respectively which required no cash transfers.

NOTE 16 – SUBSEQUENT EVENTS

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were issued.

Restricted Stock Awards

On January 12, 2022, the Company awarded approximately 25,000 shares of restricted stock to five employees.

Issuance of Series A Bonds

On February 6, 2022, the Company issued \$102.7 million of its new 4.72% Series A Bonds due 2027, or the 2027 Bonds, in an offering to investors in Israel. The Company received \$98.7 million, net of offering expenses. The 2027 Bonds are unsecured obligations of the Company denominated in Israeli shekels (NIS) and were issued pursuant to a Deed of Trust dated January 31, 2022 between the Company and Reznik Paz Nevo Trusts Ltd., an Israeli trust company, as trustee. The 2027 Bonds will pay interest at a rate of 4.72% per year. Interest on the 2027 Bonds is payable semi-annually on August 31, 2022, and on February 28 and August 31 of the years 2023-2026 (inclusive) and on the final maturity date of February 28, 2027. The principal and interest will be linked to the U.S. Dollar. In the event of a future downgrade by two or more notches in the rating of the 2027 Bonds or a failure by the Company to comply with certain covenants in the Deed of Trust, the interest rate on the 2027 Bonds will be subject to increase. However, any such increases, in the aggregate, would not exceed 1.25% per annum.

Under the Deed of Trust, the Company has the right to redeem the 2027 Bonds, in whole or in part, at any time on or after 60 days from February 9, 2022, the date on which the 2027 Bonds were listed for trading on the Tel Aviv Stock Exchange (the “TASE”). Any such voluntary early redemption by the Company will require payment of the applicable early redemption amount calculated in accordance with the Deed of Trust. Upon the occurrence of an event of default or certain other events, including a delisting of the 2027 Bonds by the TASE, the Company may be required to effect an early repayment or redemption of all or a portion of the 2027 Bonds at their par value plus accrued and unpaid interest. The Deed of Trust permits the Company, subject to certain conditions, to issue additional 2027 Bonds without obtaining approval of the holders of the 2027 Bonds.

The 2027 Bonds are general unsecured obligations of the Company and rank equal in right of payment with all of the Company’s existing and future unsecured indebtedness. The Deed of Trust includes certain customary covenants, including financial covenants requiring the Company to maintain certain ratios of debt to net operating income, to shareholders equity and to earnings, and customary events of default.

The 2027 Bonds were offered solely to investors outside the United States and were not offered to, or for the account or benefit of, U.S. Persons (as defined in Regulation S under the Securities Act of 1933).

Listing of Common Stock on the TASE

On February 8, 2022, the Company’s common stock was approved for listing on the TASE. Trading of the common stock on the TASE began on February 9, 2022.

MREIC

On February 17, 2022, the shareholders of MREIC approved a proposed sale of MREIC pursuant to a merger agreement with a third party, whereby such third party would acquire MREIC in an all-cash merger and the Company and MREIC’s other shareholders would receive a cash payment of \$21.00 per share in cancellation of their MREIC common shares. As of December 31, 2021, the Company owned 2.7 million shares of MREIC common stock. This transaction is expected to be consummated by February 28, 2022.

NOTE 17– PRO FORMA FINANCIAL INFORMATION (UNAUDITED)

The following unaudited pro forma condensed financial information reflects the acquisitions during 2020 and through 2021. This information has been prepared utilizing the historical financial statements of the Company and the effect of additional revenue and expenses from the properties acquired during this period, after giving effect to certain adjustments including (a) rental and related income; (b) community operating expenses; (c) interest expense resulting from the assumed increase in mortgages and loans payable related to the new acquisitions and (d) depreciation expense related to the new acquisitions. The unaudited pro forma condensed financial information is not indicative of the results of operations that would have been achieved had the acquisitions reflected herein been consummated on the dates indicated or that will be achieved in the future (in thousands).

For the years ended December 31,

	2021	2020
Rental and Related Income	\$ 159,465	\$ 145,658
Community Operating Expenses	68,254	64,692
Net Income (Loss) Attributable to Common Shareholders	21,290	(30,273)
Net Income (Loss) Attributable to Common Shareholders per Share:		
Basic	0.46	(0.73)
Diluted	0.45	(0.73)

Rental and Related Income	\$	159,465	\$	145,658
Community Operating Expenses		68,254		64,692
Net Income (Loss) Attributable to Common Shareholders		21,290		(30,273)
Net Income (Loss) Attributable to Common Shareholders per Share:				
Basic		0.46		(0.73)
Diluted		0.45		(0.73)

UMH PROPERTIES, INC.
SCHEDULE III
REAL ESTATE AND ACCUMULATED DEPRECIATION
DECEMBER 31, 2021 (in thousands)

Column A		Column B		Column C		Column D
Description				Initial Cost		
				Site, Land & Building Improvements and Rental Homes		Capitalization Subsequent to Acquisition
Name	Location	Encumbrances		Land		
Allentown	Memphis, TN	\$ 12,295		\$ 250	\$ 2,569	\$ 14,003
Arbor Estates	Doylestown, PA		(2)	2,650	8,266	2,581
Auburn Estates	Orrville, OH		(4)	114	1,174	896
Bayshore Estates	Sandusky, OH	-0-		561	9,553	2,067
Birchwood Farms	Birch Run, MI		(2)	70	2,797	4,219
Boardwalk	Elkhart, IN	13,073	(6)	1,796	4,768	216
Broadmore Estates	Goshen, IN	44,339	(2)	1,120	11,136	12,006
Brookside	Berwick, PA	-0-		372	4,776	3,892
Brookview	Greenfield Ctr, NY	2,539		38	233	11,529
Camelot Village	Anderson, IN		(7)	824	2,480	518
Camelot Woods	Altoona, PA	-0-		573	2,767	1,567
Candlewick Court	Owosso, MI	4,104		159	7,087	5,910
Carsons	Chambersburg, PA		(1)	176	2,411	2,655
Catalina	Middletown, OH	4,586		1,008	11,735	12,567
Cedarcrest Village	Vineland, NJ	10,956		320	1,866	3,614
Chambersburg	Chambersburg, PA		(1)	108	2,397	818
Chelsea	Sayre, PA		(3)	124	2,049	2,220
Cinnamon Woods	Conowingo, MD		(1)	1,884	2,116	1,117
City View	Lewistown, PA	-0-		137	613	1,530
Clinton	Tiffin, OH	3,227		142	3,302	484
Collingwood	Horseheads, NY		(1)	196	2,318	3,426
Colonial Heights	Wintersville, OH		(2)	67	2,383	8,076
Countryside Estates	Muncie, IN	-0-		174	1,926	6,057
Countryside Estates	Ravenna, OH		(1)	205	2,896	5,934
Countryside Village	Columbia, TN	102,881	(1)	394	6,917	11,537
Cranberry	Cranberry Twp, PA	6,965		182	1,923	4,489
Crestview	Athens, PA		(1)	188	2,258	3,086
Cross Keys	Duncansville, PA	-0-		61	378	4,731
Crossroads Village	Mount Pleasant, PA		(1)	183	1,403	220
D&R Village	Clifton Park, NY	7,013		392	704	3,728
Dallas Mobile Home	Toronto, OH		(1)	276	2,729	3,500
Deer Meadows	New Springfield, OH		(1)	226	2,299	3,861
Deer Run	Dothan, AL	-0-		298	4,242	1,610
Evergreen Estates	Lodi, OH		(1)	99	1,121	586
Evergreen Manor	Bedford, OH	-0-		49	2,372	1,522
Evergreen Village	Mantua, OH		(1)	105	1,277	1,202
Fairview Manor	Millville, NJ	14,739		216	1,167	11,029
Fifty One Estates	Elizabeth, PA		(1)	1,214	5,746	2,892
Forest Creek	Elkhart, IN		(2)	440	7,004	2,479
Forest Park	Cranberry Twp, PA	7,652		75	977	9,623
Fox Chapel Village	Cheswick, PA	-0-		372	4,082	3,574
Frieden Manor	Schuylkill Haven, PA	12,320	(3)	643	5,294	4,670
Friendly Village	Perrysburg, OH	6,650		1,215	18,141	9,510
Green Acres	Chambersburg, PA	-0-		63	584	147
Gregory Courts	Honey Brook, PA		(2)	370	1,220	1,266
Hayden Heights	Dublin, OH	1,914		248	2,148	948
Heather Highlands	Inkerman, PA	-0-		573	2,152	14,406
High View Acres	Apollo, PA		(1)	825	4,264	592
Highland	Elkhart, IN		(2)	510	7,084	5,980
Highland Estates	Kutztown, PA	15,419		145	1,695	12,724
Hillcrest Crossing	Lower Burrell, PA		(1)	961	1,464	8,736
Hillcrest Estates	Marysville, OH		(1)	1,277	3,034	5,630

UMH PROPERTIES, INC.

SCHEDULE III

REAL ESTATE AND ACCUMULATED DEPRECIATION

DECEMBER 31, 2021 *(in thousands)*

Column A		Column B		Column C		Column D
Description				Initial Cost		
				Site, Land & Building Improvements and Rental Homes		Capitalization Subsequent to Acquisition
Name	Location	Encumbrances		Land		
Hillside Estates	Greensburg, PA	\$	(5)	\$ 484	\$ 2,679	\$ 3,648
Holiday Village	Nashville, TN	7,282		1,632	5,618	13,300
Holiday Village	Elkhart, IN	7,811		491	13,808	8,593
Holly Acres	Erie, PA	6,031		194	3,591	1,288
Hudson Estates	Peninsula, OH		(1)	141	3,516	5,900
Huntingdon Pointe	Tarrs, PA		(1)	399	865	2,173
Independence Park	Clinton, PA	7,418	(5)	686	2,784	4,996
Iris Winds	Sumter, SC	-0-		121	3,324	699
Kinnebrook	Monticello, NY	3,700		236	1,403	14,731
Lake Erie Estates	Fredonia, NY	2,604		104	4,391	2,600
Lake Sherman	Navarre, OH	5,060		290	1,458	14,582
Lakeview Meadows	Lakeview, OH		(1)	574	1,104	1,999
Laurel Woods	Cresson, PA	-0-		433	2,070	5,721
Little Chippewa	Orrville, OH		(4)	113	1,135	2,739
Maple Manor	Taylor, PA	-0-		674	9,433	7,845
Marysville Estates	Marysville, OH		(1)	810	4,556	7,962
Meadowood	New Middletown, OH		(2)	152	3,191	5,140
Meadows	Nappanee, IN	-0-		549	6,721	10,904
Meadows of Perrysburg	Perrysburg, OH	2,825		2,146	5,541	1,004
Melrose Village	Wooster, OH	6,523	(4)	767	5,429	7,526
Melrose West	Wooster, OH		(4)	94	1,040	118
Memphis Blues	Memphis, TN	-0-		78	810	12,023
Monroe Valley	Jonestown, PA		(3)	114	994	715
Moosic Heights	Avoca, PA	-0-		330	3,794	3,902
Mount Pleasant Village	Mount Pleasant, PA		(1)	280	3,502	1,528
Mountaintop	Narvon, PA		(3)	134	1,665	1,593
New Colony	West Mifflin, PA		(1)	429	4,129	1,712
Northtowne Meadows	Erie, PA	11,576		1,272	23,859	2,732
Oak Ridge	Elkhart, IN		(2)	500	7,524	3,553
Oakwood Lake	Tunkhannock, PA	-0-		379	1,639	2,352
Olmsted Falls	Olmsted Township, OH	1,915		569	3,031	2,362
Oxford	West Grove, PA	14,985		175	991	2,885
Parke Place	Elkhart, IN		(6)	4,317	10,341	6,267
Perrysburg Estates	Perrysburg, OH	1,526		399	4,047	5,834
Pikewood Manor	Elyria, OH	13,766		1,053	22,068	16,100
Pine Ridge/Pine Manor	Carlisle, PA	-0-		38	198	10,757
Pine Valley	Apollo, PA	-0-		670	1,337	8,979
Pleasant View	Bloomsburg, PA	-0-		282	2,175	2,924
Port Royal	Belle Vernon, PA	-0-		150	2,492	16,011
Redbud Estates	Anderson, IN	12,661	(7)	1,739	15,091	6,251
River Valley	Marion, OH	-0-		236	785	8,943
Rolling Hills Estates	Carlisle, PA		(1)	301	1,419	2,415
Rostraver Estates	Belle Vernon, PA		(5)	814	2,204	2,565
Sandy Valley	Magnolia, OH	-0-		270	1,941	12,805
Shady Hills	Nashville, TN	4,563		337	3,379	4,458
Somerset/Whispering	Somerset, PA		(1)	1,485	2,050	9,437
Southern Terrace	Columbiana, OH		(2)	63	3,387	685
Southwind	Jackson, NJ	21,907	(8)	100	603	3,245
Spreading Oaks	Athens, OH	-0-		67	1,327	4,415
Springfield Meadows	Springfield, OH	2,914		1,230	3,093	2,340
Suburban Estates	Greensburg, PA	5,126		299	5,837	5,147

Summit Estates	Ravenna, OH	(1)	198	2,779	4,327
Summit Village	Marion, IN	-0-	522	2,821	2,374
Sunny Acres	Somerset, PA	5,706	287	6,114	3,383
Sunnyside	Eagleville, PA	(2)	450	2,674	945
Trailmont	Goodlettsville, TN	3,042	411	1,867	3,694
Twin Oaks	Olmsted Township, OH	5,809	823	3,527	2,308
Twin Pines	Goshen, IN	(2)	650	6,307	5,529
-99-					

UMH PROPERTIES, INC.
SCHEDULE III
REAL ESTATE AND ACCUMULATED DEPRECIATION
DECEMBER 31, 2021 (in thousands)

Column A		Column B	Column C		Column D
Description			Initial Cost		
Name	Location	Encumbrances	Land	Site, Land & Building Improvements and Rental Homes	Capitalization Subsequent to Acquisition
Valley High	Ruffs Dale, PA	\$ (5)	\$ 284	\$ 2,267	\$2,447
Valley Hills	Ravenna, OH	3,152	996	6,542	9,613
Valley Stream	Mountaintop, PA	-0-	323	3,191	1,242
Valley View HB	Honeybrook, PA	(2)	1,380	5,348	4,518
Valley View I	Ephrata, PA	(3)	191	4,359	1,220
Valley View II	Ephrata, PA	(3)	72	1,746	76
Voyager Estates	West Newton, PA	(1)	742	3,143	5,044
Waterfalls	Hamburg, NY	4,293	424	3,812	5,646
Wayside	Bellefontaine, OH	(1)	196	1,080	2,669
Weatherly Estates	Lebanon, TN	7,422	1,184	4,034	4,142
Wellington Estates	Export, PA	2,205	896	6,179	5,762
Wood Valley	Caledonia, OH	-0-	260	1,753	6,369
Woodland Manor	West Monroe, NY	(1)	77	841	4,825
Woodlawn	Eatontown, NJ	(8)	157	281	2,050
Woods Edge	West Lafayette, IN	5,628	1,808	13,321	9,423
Worthington Arms	Lewis Center, OH	8,580	437	12,706	6,208
Youngstown Estates	Youngstown, NY	(4)	269	1,606	1,837
		<u>\$ 456,702</u>	<u>\$ 66,905</u>	<u>\$ 504,964</u>	<u>\$ 626,234</u>

UMH PROPERTIES, INC.
SCHEDULE III
REAL ESTATE AND ACCUMULATED DEPRECIATION
DECEMBER 31, 2021 (in thousands)

Column A		Column E (9) (10)			Column F
Description		Gross Amount at Which Carried at 12/31/21			
Name	Location	Land	Site, Land & Building Improvements and Rental Homes	Total	Accumulated Depreciation
Allentown	Memphis, TN	\$ 703	\$ 16,119	\$ 16,822	\$ 7,547
Arbor Estates	Doylestown, PA	2,650	10,847	13,497	3,117
Auburn Estates	Orrville, OH	114	2,070	2,184	509
Bayshore Estates	Sandusky, OH	560	11,621	12,181	224
Birchwood Farms	Birch Run, MI	70	7,016	7,086	1,895
Boardwalk	Elkhart, IN	1,796	4,984	6,780	863
Broadmore Estates	Goshen, IN	1,120	23,142	24,262	6,648
Brookside	Berwick, PA	372	8,668	9,040	2,524
Brookview	Greenfield Ctr, NY	123	11,677	11,800	3,625
Camelot Village	Anderson, IN	828	2,994	3,822	363
Camelot Woods	Altoona, PA	766	4,141	4,907	201
Candlewick Court	Owosso, MI	159	12,997	13,156	3,189
Carsons	Chambersburg, PA	176	5,066	5,242	1,217
Catalina	Middletown, OH	1,008	24,302	25,310	4,991
Cedarcrest Village	Vineland, NJ	408	5,392	5,800	3,178
Chambersburg	Chambersburg, PA	118	3,205	3,323	1,003
Chelsea	Sayre, PA	124	4,269	4,393	1,097
Cinnamon Woods	Conowingo, MD	1,884	3,233	5,117	437
City View	Lewistown, PA	137	2,143	2,280	616
Clinton	Tiffin, OH	142	3,786	3,928	1,324
Collingwood	Horseheads, NY	196	5,744	5,940	1,389
Colonial Heights	Wintersville, OH	67	10,459	10,526	2,328
Countryside Estates	Muncie, IN	174	7,983	8,157	1,843
Countryside Estates	Ravenna, OH	205	8,830	9,035	2,014
Countryside Village	Columbia, TN	609	18,239	18,848	5,601
Cranberry	Cranberry Twp, PA	182	6,412	6,594	3,543
Crestview	Athens, PA	362	5,170	5,532	1,238
Cross Keys	Duncansville, PA	61	5,109	5,170	1,863
Crossroads Village	Mount Pleasant, PA	183	1,623	1,806	266
D&R Village	Clifton Park, NY	392	4,432	4,824	2,415
Dallas Mobile Home	Toronto, OH	276	6,229	6,505	1,252
Deer Meadows	New Springfield, OH	226	6,160	6,386	1,333
Deer Run	Dothan, AL	301	5,850	6,151	192
Evergreen Estates	Lodi, OH	119	1,687	1,806	439
Evergreen Manor	Bedford, OH	49	3,894	3,943	951
Evergreen Village	Mantua, OH	105	2,479	2,584	617
Fairview Manor	Millville, NJ	2,535	9,877	12,412	6,203
Fifty One Estates	Elizabeth, PA	1,330	8,522	9,852	648
Forest Creek	Elkhart, IN	440	9,483	9,923	3,202
Forest Park	Cranberry Twp, PA	75	10,600	10,675	4,468
Fox Chapel Village	Cheswick, PA	372	7,656	8,028	888
Frieden Manor	Schuylkill Haven, PA	643	9,964	10,607	2,662
Friendly Village	Perrysburg, OH	1,266	27,600	28,866	2,216
Green Acres	Chambersburg, PA	63	731	794	226
Gregory Courts	Honey Brook, PA	370	2,486	2,856	669
Hayden Heights	Dublin, OH	248	3,096	3,344	803
Heather Highlands	Inkerman, PA	573	16,558	17,131	6,929
High View Acres	Apollo, PA	825	4,856	5,681	707
Highland	Elkhart, IN	510	13,064	13,574	4,049
Highland Estates	Kutztown, PA	404	14,160	14,564	8,355
Hillcrest Crossing	Lower Burrell, PA	961	10,200	11,161	1,280
Hillcrest Estates	Marysville, OH	1,277	8,664	9,941	1,137

UMH PROPERTIES, INC.
SCHEDULE III
REAL ESTATE AND ACCUMULATED DEPRECIATION
DECEMBER 31, 2021 (in thousands)

Column A		Column E (9) (10)			Column F
Description		Gross Amount at Which Carried at 12/31/21			
Name	Location	Land	Site, Land & Building Improvements and Rental Homes	Total	Accumulated Depreciation
Hillside Estates	Greensburg, PA	\$ 484	\$ 6,327	\$ 6,811	\$ 1,382
Holiday Village	Nashville, TN	1,632	18,918	20,550	3,720
Holiday Village	Elkhart, IN	491	22,401	22,892	4,849
Holly Acres	Erie, PA	194	4,879	5,073	1,103
Hudson Estates	Peninsula, OH	141	9,416	9,557	2,259
Huntingdon Pointe	Tarrs, PA	399	3,038	3,437	484
Independence Park	Clinton, PA	686	7,780	8,466	1,513
Iris Winds	Sumter, SC	122	4,021	4,143	157
Kinnebrook	Monticello, NY	353	16,017	16,370	6,961
Lake Erie Estates	Fredonia, NY	140	6,955	7,095	309
Lake Sherman	Navarre, OH	290	16,040	16,330	5,900
Lakeview Meadows	Lakeview, OH	726	2,951	3,677	500
Laurel Woods	Cresson, PA	433	7,791	8,224	3,101
Little Chippewa	Orrville, OH	113	3,874	3,987	800
Maple Manor	Taylor, PA	674	17,278	17,952	5,465
Marysville Estates	Marysville, OH	818	12,510	13,328	1,635
Meadowood	New Middletown, OH	152	8,331	8,483	2,111
Meadows	Nappanee, IN	549	17,625	18,174	3,237
Meadows of Perrysburg	Perrysburg, OH	2,182	6,509	8,691	671
Melrose Village	Wooster, OH	767	12,955	13,722	3,041
Melrose West	Wooster, OH	94	1,158	1,252	326
Memphis Blues	Memphis, TN	336	12,575	12,911	2,849
Monroe Valley	Jonestown, PA	114	1,709	1,823	491
Moosic Heights	Avoca, PA	330	7,696	8,026	2,243
Mount Pleasant Village	Mount Pleasant, PA	280	5,030	5,310	827
Mountaintop	Narvon, PA	249	3,143	3,392	760
New Colony	West Mifflin, PA	448	5,822	6,270	460
Northtowne Meadows	Erie, PA	1,313	26,550	27,863	2,505
Oak Ridge	Elkhart, IN	500	11,077	11,577	3,366
Oakwood Lake	Tunkhannock, PA	379	3,991	4,370	1,013
Olmsted Falls	Olmsted Township, OH	569	5,393	5,962	1,477
Oxford	West Grove, PA	155	3,896	4,051	2,340
Parke Place	Elkhart, IN	4,317	16,608	20,925	3,290
Perrysburg Estates	Perrysburg, OH	407	9,873	10,280	816
Pikewood Manor	Elyria, OH	1,071	38,150	39,221	3,691
Pine Ridge/Pine Manor	Carlisle, PA	145	10,848	10,993	4,655
Pine Valley	Apollo, PA	732	10,254	10,986	3,917
Pleasant View	Bloomsburg, PA	282	5,099	5,381	1,360
Port Royal	Belle Vernon, PA	505	18,148	18,653	8,575
Redbud Estates	Anderson, IN	1,753	21,328	23,081	2,404
River Valley	Marion, OH	236	9,728	9,964	4,453
Rolling Hills Estates	Carlisle, PA	301	3,834	4,135	1,068
Rostraver Estates	Belle Vernon, PA	814	4,769	5,583	1,147
Sandy Valley	Magnolia, OH	270	14,746	15,016	6,082
Shady Hills	Nashville, TN	337	7,837	8,174	2,517
Somerset/Whispering	Somerset, PA	1,489	11,483	12,972	4,751
Southern Terrace	Columbiana, OH	63	4,072	4,135	1,307
Southwind	Jackson, NJ	100	3,848	3,948	2,282
Spreading Oaks	Athens, OH	67	5,742	5,809	2,447
Springfield Meadows	Springfield, OH	1,230	5,433	6,663	788
Suburban Estates	Greensburg, PA	299	10,984	11,283	3,373
Summit Estates	Ravenna, OH	198	7,106	7,304	1,700
Summit Village	Marion, IN	522	5,195	5,717	1,079

UMH PROPERTIES, INC.
SCHEDULE III
REAL ESTATE AND ACCUMULATED DEPRECIATION
DECEMBER 31, 2021 (in thousands)

Column A		Column E (9) (10)				Column F
Description		Gross Amount at Which Carried at 12/31/21				
		Site, Land & Building Improvements and Rental Homes				Accumulated Depreciation
Name	Location	Land		Total		
Sunny Acres	Somerset, PA	\$ 287	\$ 9,497	\$ 9,784	\$ 3,162	
Sunnyside	Eagleville, PA	662	3,407	4,069	990	
Trailmont	Goodlettsville, TN	411	5,561	5,972	1,658	
Twin Oaks	Olmsted Township, OH	998	5,660	6,658	1,756	
Twin Pines	Goshen, IN	650	11,836	12,486	3,482	
Valley High	Ruffs Dale, PA	284	4,714	4,998	1,033	
Valley Hills	Ravenna, OH	996	16,155	17,151	3,888	
Valley Stream	Mountaintop, PA	323	4,433	4,756	952	
Valley View HB	Honeybrook, PA	1,380	9,866	11,246	2,607	
Valley View I	Ephrata, PA	280	5,490	5,770	1,806	
Valley View II	Ephrata, PA	72	1,822	1,894	604	
Voyager Estates	West Newton, PA	742	8,187	8,929	1,498	
Waterfalls	Hamburg, NY	424	9,458	9,882	4,937	
Wayside	Bellefontaine, OH	261	3,684	3,945	439	
Weatherly Estates	Lebanon, TN	1,184	8,176	9,360	4,002	
Wellington Estates	Export, PA	896	11,941	12,837	1,447	
Wood Valley	Caledonia, OH	260	8,122	8,382	3,721	
Woodland Manor	West Monroe, NY	77	5,666	5,743	1,779	
Woodlawn	Eatontown, NJ	135	2,353	2,488	1,024	
Woods Edge	West Lafayette, IN	1,808	22,744	24,552	4,528	
Worthington Arms	Lewis Center, OH	437	18,914	19,351	3,795	
Youngstown Estates	Youngstown, NY	269	3,443	3,712	781	
		<u>\$ 72,744</u>	<u>\$ 1,125,359</u>	<u>\$ 1,198,103</u>	<u>\$ 295,740</u>	

UMH PROPERTIES, INC.
SCHEDULE III
REAL ESTATE AND ACCUMULATED DEPRECIATION
DECEMBER 31, 2021

Column A		Column G	Column H	Column I
Description				
Name	Location	Date of Construction	Date Acquired	Depreciable Life
Allentown	Memphis, TN	prior to 1980	1986	5 to 27.5
Arbor Estates	Doylestown, PA	1959	2013	5 to 27.5
Auburn Estates	Orrville, OH	1971/1985/1995	2013	5 to 27.5
Bayshore Estates	Sandusky, OH	1969	2021	5 to 27.5
Birchwood Farms	Birch Run, MI	1976-1977	2013	5 to 27.5
Boardwalk	Elkhart, IN	1995-1996	2017	5 to 27.5
Broadmore Estates	Goshen, IN	1950/1990	2013	5 to 27.5
Brookside	Berwick, PA	1973-1976	2010	5 to 27.5
Brookview	Greenfield Ctr, NY	prior to 1970	1977	5 to 27.5
Camelot Village	Anderson, IN	1998	2018	5 to 27.5
Camelot Woods	Altoona, PA	1999	2020	5 to 27.5
Candlewick Court	Owosso, MI	1975	2015	5 to 27.5
Carsons	Chambersburg, PA	1963	2012	5 to 27.5
Catalina	Middletown, OH	1968-1976	2015	5 to 27.5
Cedarcrest Village	Vineland, NJ	1973	1986	5 to 27.5
Chambersburg	Chambersburg, PA	1955	2012	5 to 27.5
Chelsea	Sayre, PA	1972	2012	5 to 27.5
Cinnamon Woods	Conowingo, MD	2005	2017	5 to 27.5
City View	Lewistown, PA	prior to 1980	2011	5 to 27.5
Clinton	Tiffin, OH	1968/1987	2011	5 to 27.5
Collingwood	Horseheads, NY	1970	2012	5 to 27.5
Colonial Heights	Wintersville, OH	1972	2012	5 to 27.5
Countryside Estates	Muncie, IN	1996	2012	5 to 27.5
Countryside Estates	Ravenna, OH	1972	2014	5 to 27.5
Countryside Village	Columbia, TN	1988/1992	2011	5 to 27.5
Cranberry	Cranberry Twp, PA	1974	1986	5 to 27.5
Crestview	Athens, PA	1964	2012	5 to 27.5
Cross Keys	Duncansville, PA	1961	1979	5 to 27.5
Crossroads Village	Mount Pleasant, PA	1955/2004	2017	5 to 27.5
D&R Village	Clifton Park, NY	1972	1978	5 to 27.5
Dallas Mobile Home	Toronto, OH	1950-1957	2014	5 to 27.5
Deer Meadows	New Springfield, OH	1973	2014	5 to 27.5
Deer Run	Dothan, AL	1960	2021	5 to 27.5
Evergreen Estates	Lodi, OH	1965	2014	5 to 27.5
Evergreen Manor	Bedford, OH	1960	2014	5 to 27.5
Evergreen Village	Mantua, OH	1960	2014	5 to 27.5
Fairview Manor	Millville, NJ	prior to 1980	1985	5 to 27.5
Fifty One Estates	Elizabeth, PA	1970	2019	5 to 27.5
Forest Creek	Elkhart, IN	1996-1997	2013	5 to 27.5
Forest Park	Cranberry Twp, PA	prior to 1980	1982	5 to 27.5
Fox Chapel Village	Cheswick, PA	1975	2017	5 to 27.5
Frieden Manor	Schuylkill Haven, PA	1969	2012	5 to 27.5
Friendly Village	Perrysburg, OH	1970	2019	5 to 27.5
Green Acres	Chambersburg, PA	1978	2012	5 to 27.5
Gregory Courts	Honey Brook, PA	1970	2013	5 to 27.5
Hayden Heights	Dublin, OH	1973	2014	5 to 27.5
Heather Highlands	Inkerman, PA	1970	1992	5 to 27.5
High View Acres	Apollo, PA	1984	2017	5 to 27.5
Highland	Elkhart, IN	1969	2013	5 to 27.5
Highland Estates	Kutztown, PA	1971	1979	5 to 27.5
Hillcrest Crossing	Lower Burrell, PA	1971	2017	5 to 27.5
Hillcrest Estates	Marysville, OH	1995	2017	5 to 27.5

UMH PROPERTIES, INC.
SCHEDULE III
REAL ESTATE AND ACCUMULATED DEPRECIATION
DECEMBER 31, 2021

Column A		Column G	Column H	Column I
Description				
Name	Location	Date of Construction	Date Acquired	Depreciable Life
Hillside Estates	Greensburg, PA	1980	2014	5 to 27.5
Holiday Village	Nashville, TN	1967	2013	5 to 27.5
Holiday Village	Elkhart, IN	1966	2015	5 to 27.5
Holly Acres	Erie, PA	1977/2007	2015	5 to 27.5
Hudson Estates	Peninsula, OH	1956	2014	5 to 27.5
Huntingdon Pointe	Tarrs, PA	2000	2015	5 to 27.5
Independence Park	Clinton, PA	1987	2014	5 to 27.5
Iris Winds	Sumter, SC	1972	2021	5 to 27.5
Kinnebrook	Monticello, NY	1972	1988	5 to 27.5
Lake Erie Estates	Fredonia, NY	1965	2020	5 to 27.5
Lake Sherman	Navarre, OH	prior to 1980	1987	5 to 27.5
Lakeview Meadows	Lakeview, OH	1995	2016	5 to 27.5
Laurel Woods	Cresson, PA	prior to 1980	2001	5 to 27.5
Little Chippewa	Orrville, OH	1968	2013	5 to 27.5
Maple Manor	Taylor, PA	1972	2010	5 to 27.5
Marysville Estates	Marysville, OH	1960s to 2015	2017	5 to 27.5
Meadowood	New Middletown, OH	1957	2012	5 to 27.5
Meadows	Nappanee, IN	1965-1973	2015	5 to 27.5
Meadows of Perrysburg	Perrysburg, OH	1998	2018	5 to 27.5
Melrose Village	Wooster, OH	1970-1978	2013	5 to 27.5
Melrose West	Wooster, OH	1995	2013	5 to 27.5
Memphis Blues	Memphis, TN	1955	1985	5 to 27.5
Monroe Valley	Jonestown, PA	1969	2012	5 to 27.5
Moosic Heights	Avoca, PA	1972	2010	5 to 27.5
Mount Pleasant Village	Mount Pleasant, PA	1977-1986	2017	5 to 27.5
Mountaintop	Narvon, PA	1972	2012	5 to 27.5
New Colony	West Mifflin, PA	1930/1973	2019	5 to 27.5
Northtowne Meadows	Erie, MI	1988	2019	5 to 27.5
Oak Ridge	Elkhart, IN	1990	2013	5 to 27.5
Oakwood Lake	Tunkhannock, PA	1972	2010	5 to 27.5
Olmsted Falls	Olmsted Township, OH	1953/1970	2012	5 to 27.5
Oxford	West Grove, PA	1971	1974	5 to 27.5
Parke Place	Elkhart, IN	1995-1996	2017	5 to 27.5
Perrysburg Estates	Perrysburg, OH	1972	2018	5 to 27.5
Pikewood Manor	Elyria, OH	1962	2018	5 to 27.5
Pine Ridge/Pine Manor	Carlisle, PA	1961	1969	5 to 27.5
Pine Valley	Apollo, PA	prior to 1980	1995	5 to 27.5
Pleasant View	Bloomsburg, PA	1960's	2010	5 to 27.5
Port Royal	Belle Vernon, PA	1973	1983	5 to 27.5
Redbud Estates	Anderson, IN	1966/1998/2003	2018	5 to 27.5
River Valley	Marion, OH	1950	1986	5 to 27.5
Rolling Hills Estates	Carlisle, PA	1972-1975	2013	5 to 27.5
Rostraver Estates	Belle Vernon, PA	1970	2014	5 to 27.5
Sandy Valley	Magnolia, OH	prior to 1980	1985	5 to 27.5
Shady Hills	Nashville, TN	1954	2011	5 to 27.5
Somerset/Whispering	Somerset, PA	prior to 1980	2004	5 to 27.5
Southern Terrace	Columbiana, OH	1983	2012	5 to 27.5
Southwind	Jackson, NJ	1969	1969	5 to 27.5
Spreading Oaks	Athens, OH	prior to 1980	1996	5 to 27.5
Springfield Meadows	Springfield, OH	1970	2016	5 to 27.5
Suburban Estates	Greensburg, PA	1968/1980	2010	5 to 27.5
Summit Estates	Ravenna, OH	1969	2014	5 to 27.5
Summit Village	Marion, IN	2000	2018	5 to 27.5
Sunny Acres	Somerset, PA	1970	2010	5 to 27.5
Sunnyside	Eagleville, PA	1960	2013	5 to 27.5
Trailmont	Goodlettsville, TN	1964	2011	5 to 27.5

UMH PROPERTIES, INC.
SCHEDULE III
REAL ESTATE AND ACCUMULATED DEPRECIATION
DECEMBER 31, 2021

Column A		Column G	Column H	Column I
Description				
Name	Location	Date of Construction	Date Acquired	Depreciable Life
Twin Oaks	Olmsted Township, OH	1952/1997	2012	5 to 27.5
Twin Pines	Goshen, IN	1956/1990	2013	5 to 27.5
Valley High	Ruffs Dale, PA	1974	2014	5 to 27.5
Valley Hills	Ravenna, OH	1960-1970	2014	5 to 27.5
Valley Stream	Mountaintop, PA	1970	2015	5 to 27.5
Valley View HB	Honeybrook, PA	1970	2013	5 to 27.5
Valley View I	Ephrata, PA	1961	2012	5 to 27.5
Valley View II	Ephrata, PA	1999	2012	5 to 27.5
Voyager Estates	West Newton, PA	1968	2015	5 to 27.5
Waterfalls	Hamburg, NY	prior to 1980	1997	5 to 27.5
Wayside	Bellefontaine, OH	1960's	2016	5 to 27.5
Weatherly Estates	Lebanon, TN	1997	2006	5 to 27.5
Wellington Estates	Export, PA	1970/1996	2017	5 to 27.5
Wood Valley	Caledonia, OH	prior to 1980	1996	5 to 27.5
Woodland Manor	West Monroe, NY	prior to 1980	2003	5 to 27.5
Woodlawn	Eatontown, NJ	1964	1978	5 to 27.5
Woods Edge	West Lafayette, IN	1974	2015	5 to 27.5
Worthington Arms	Lewis Center, OH	1968	2015	5 to 27.5
Youngstown Estates	Youngstown, NY	1963	2013	5 to 27.5

UMH PROPERTIES, INC.
SCHEDULE III
REAL ESTATE AND ACCUMULATED DEPRECIATION
DECEMBER 31, 2021

- (1) Represents one mortgage note payable secured by twenty-eight properties.
- (2) Represents one mortgage note payable secured by thirteen properties.
- (3) Represents one mortgage note payable secured by six properties.
- (4) Represents one mortgage note payable secured by five properties.
- (5) Represents one mortgage note payable secured by four properties.
- (6) Represents one mortgage note payable secured by two properties.
- (7) Represents one mortgage note payable secured by two properties.
- (8) Represents one mortgage note payable secured by two properties.
- (9) Reconciliation

	/———FIXED ASSETS———/ (in thousands)		
	12/31/21	12/31/20	12/31/19
Balance – Beginning of Year	\$ 1,100,256	\$ 1,008,104	\$ 874,601
Additions:			
Acquisitions	8,546	7,835	56,015
Improvements	94,213	88,684	81,399
Total Additions	102,759	96,519	137,414
Deletions	(4,911)	(4,367)	(3,911)
Balance – End of Year	\$ 1,198,104	\$ 1,100,256	\$ 1,008,104

	/———ACCUMULATED DEPRECIATION———/ (in thousands)		
	12/31/21	12/31/20	12/31/19
Balance – Beginning of Year	\$ 254,369	\$ 216,332	\$ 182,599
Additions:			
Depreciation	43,064	39,525	34,816
Total Additions	43,064	39,525	34,816
Deletions	(1,693)	(1,488)	(1,083)
Balance – End of Year	\$ 295,740	\$ 254,369	\$ 216,332

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

EXPLANATORY NOTE: The Deed of Trust between the Company and the Trustee is written in the Hebrew language and is governed by the laws of Israel. This English translation has been prepared for informational purposes only. While the English translation is believed to be generally accurate, the official Hebrew-language original is the controlling document for all purposes.

**[CONVENIENCE TRANSLATION FROM
THE ORIGINAL HEBREW VERSION]**

UMH PROPERTIES, INC.

Deed of Trust

For Bonds Offered to the Public

Prepared and executed on the 31st day of January 2022

Between UMH Properties, Inc. and Reznik Paz Nevo Trusts Ltd.

Table of Contents

Section	Subject	Page
Deed of Trust		
1	Preamble, Interpretation and Definitions	2
2	Issuance of the Bonds	8
3	Appointment and Duties of the Trustee	13
4	Powers of the Trustee	14
5	Repurchase of Bonds by the Company	15
6	Covenants of the Company	17
7	Interest Rate Adjustments	23
8	Security and Seniority of the Bonds	27
9	Early Redemption	28
10	Call for Immediate Repayment	32
11	Claims and Proceedings by the Trustee	39
12	Trust over Receipts	40
13	Power to Withhold Distribution of Funds	40
14	Failure to Make Payment for Reason Beyond the Company's Control	41
15	Receipts as Proof	42
16	Undertakings of the Company Toward the Trustee	43
17	The Trustee as Representative	45
18	Other Agreements between the Trustee and the Company	46
19	Reporting by the Trustee	46
20	Trustee's Fees	47
21	Special Powers of the Trustee	48
22	Trustee's Authority to Engage Agents	49
23	Indemnification of the Trustee	50
24	Notices	53
25	Waiver and Compromise	54
26	Bondholders Register	55
27	Replacement of the Trustee	56
28	Reporting to the Trustee and to the Bondholders	56
29	Bondholders' Meetings	57
30	Governing Law	57
31	Trustee's Responsibility	58
32	Addresses	58
Schedule I – Form of Bond Certificate		59
Terms and Conditions Overleaf		61
Schedule II – General Meetings of Bondholders		66
Schedule III – Urgent Representation of Bondholders		74

DEED OF TRUST

Made and entered into on January 31, 2022

Between: UMH PROPERTIES, INC

File Number 22-1890920
3499 US Highway 9, Ste 3C
Freehold, NJ, 07728-3277 USA
Telephone: +(1) 732-577-997
Fax: +(1)732-577-9980 (the “**Company**”)

The Company’s address in Israel for purposes of service of process:
98 Yigal Alon Street, Tel Aviv 6789141
c/o Goldfarb Seligman & Co. Law Offices
Telephone: 03-608-9999
Facsimile: 03-608-9909

on one side;

And: Reznik Paz Nevo Trusts Ltd.

From 14 Yad Harutzim Street, Tel Aviv, Israel
Tel: 03-6380200
Fax: 03-6289222
(hereinafter: the “**Trustee**”)

on the other;

WHEREAS: The Company was incorporated under the laws of the State of Maryland, USA, its Common Shares and certain other securities are listed on the New York Stock Exchange (NYSE) and, subject to the closing of the Offering of the Bonds that are the subject matter of this Deed of Trust, its Common Shares will be listed on the Tel Aviv Stock Exchange Ltd.; and

WHEREAS: The Company’s Board of Directors resolved on January 31, 2022 to approve an offering to the public in Israel of bonds (the “**Offering**”) under the terms and conditions set forth in this Deed of Trust, and no additional action or resolution is required by the Company in order to pursue the Offering and for assume the undertaking set forth in this Deed of Trust; and

WHEREAS: The Company represents that it has obtained all approvals required under applicable law (Israeli and foreign laws) and/or contract for issuing the Bonds, and there is no impediment under such law and/or contract to effectuating the Offering; and

WHEREAS: The Company intends to issue the Bonds in the manner and in accordance with the provisions set forth in this Deed of Trust; and

WHEREAS: On January 13, 2022, S&P Global Ratings Maalot Ltd. (“**Maalot**”) issued with respect to the Bonds an ilAA-rating (such rating, or any corresponding rating issued by a successor Rating Agency, the “**Base Credit Rating**”) for a bond issuance by the Company; and

WHEREAS: The Trustee is a company limited by shares and is incorporated in Israel under the Companies Law, 5759-1999 (the “**Companies Law**”), whose main purpose is to engage in trusteeships; and

WHEREAS: The Trustee represents that there is no prevention under the Securities Law (as defined below) and/or any other law for its appointment as the Trustee for the Bonds, nor to its entering into this Deed of Trust with the Company, and that it complies with the requirements and the competency qualification, if any, to serve as Trustee for the Bondholders; and

WHEREAS: The Company has requested the Trustee to serve as Trustee to the Bondholders, and the Trustee has agreed to serve under Chapter E’ of the Securities Law, all subject to and in accordance with the terms of this Deed of Trust; and

WHEREAS: The Trustee has no interest in the Company, and the Company has no interest in the Trustee.

Now, therefore, it is agreed, declared, and stipulated by the parties as follows:

1. Preamble, Interpretation and Definitions

- 1.1 The preamble to this Deed of Trust and the schedules attached hereto constitute a material and integral part hereof.
- 1.2 The division of this Deed of Trust into sections and the provision of headings for such Sections are for the sake of convenience and reference only and shall not be used for purposes of interpretation.
- 1.3 All references in this Deed of Trust in the plural shall also include the singular and *vice versa*, anything appearing in the masculine gender shall also include the feminine and *vice versa*, and any reference to a person shall also include a corporation, unless otherwise explicitly provided.
- 1.4 In this Deed of Trust, its schedules and the Bonds, the following capitalized terms will have the meanings prescribed opposite them, unless explicitly stated otherwise:

“**Affiliate**” - An entity in which another person (which is not its parent corporation) holds 25% or more of its Voting Stock or in which it may appoint 25% or more of its directors;

“**Base Rate**” - The average dollar exchange rate, on the Clearing Day of the Offering, as determined in the Bloomberg system in “ILS CMPL Currency”, based on the average closing rates in 7 samples to be performed at 15-minute intervals between 12:00 and 13:30. The Company will announce the Base Rate by way of an Immediate Report at the end of the Clearing Date and prior to the listing;

“Bond Certificate” -	A certificate in the form set forth in the <u>First Schedule</u> to this Deed;
“Bondholder” or “Holder” -	As the term “Holder” or “Bondholder” is defined in Section 35A of the Securities Law;
“Bondholders’ Meeting” -	A general meeting of the Bondholders convened in accordance with the terms of this Deed of Trust;
“Bonds” or “Bonds (Series A)” -	The Bonds (Series A) issued by the Company pursuant to this Deed, the terms of which are set forth in the Bond Certificate;
“Business Day” -	Any day on which the Stock Exchange Clearing House and most of the banks in Israel are open for carrying out transactions;
“Change of Control” -	If any person, other than one or more Authorized Shareholders (as defined below), is or becomes the holder, directly or indirectly, of more than 50% of the total voting rights of the Voting Stock of the Company; provided that if the Company becomes the Subsidiary (as defined below), directly or indirectly, of a holding company, such holding company shall not itself be considered such a person if (a) such holding company owns, directly or indirectly, 100% of the Company’s Share Capital and (b) upon completion of such transaction, no person, other than one or more Authorized Shareholders, is or becomes the holder, directly or indirectly, of more than 50% of the total voting rights of the Voting Stock of such holding company;
“Clearing House” -	The Tel Aviv Stock Exchange Clearing House Ltd.;
“Regulation Codex” -	The Regulation Codex – Title 5 – principles for conducting businesses, Part 2 – equity, measurement and risk management, Chapter 4 – managing investment properties, as published by the Capital Market, Insurance and Savings Authority of the Ministry of Finance, as updated from time to time; ¹

¹ <https://www.gov.il/he/Departments/Guides/information-entities-codex>

“CFO Certificate” -	A certificate executed by the Chief Financial Officer of the Company with respect to the Company’s compliance with specific provisions of this Deed of Trust, which in any event in which it is required under this Deed of Trust, will be in form and content reasonably satisfactory to the Trustee;
“Consumer Price Index” -	The Israeli Consumer Price Index , which includes vegetables and fruit and is published by the Israeli Central Bureau of Statistics, and any similar index published by any successor institute or body, whether or not such index will be based on the same data on which the existing index is based as of the date of this Deed, provided that if such similar index shall be published by a successor institute or body which has not determined the ratio between the existing index as of the date of this Deed and the similar index, such ratio shall be determined by the Israeli Central Bureau of Statistics, and in the event that such ratio shall not have been determined, then the ratio shall be determined by the Trustee following its consultation with an economic expert chosen by the Trustee for such purpose;
“Credit Facility”	With respect to the Company or any of its Subsidiaries y, any obligation or debt, or commercial paper facilities with banks or other lenders providing credit, including revolving credit or term loans or any agreement treated as a financial or capital lease in accordance with U.S. GAAP.
“Cross Default”	<p>Calling for the immediate repayment of a Credit Facility, if said calling for an immediate repayment:</p> <p>(a) was caused by a failure to pay principal of, or interest or premium, if any, on outstanding indebtedness under such Credit Facility (other than non-recourse indebtedness of any of the Company’s Subsidiaries) prior to the expiration of the grace period for the repayment payment of such indebtedness set forth in such Credit Facility (“Payment Default”); or</p> <p>(b) results in the acceleration of such indebtedness prior to its maturity;</p> <p>and, in any event, the principal amount of any such indebtedness, together with the principal amount of any other such indebtedness under which there has been a call for an Immediate repayment as aforesaid, if any, exceeds \$75,000,000.</p>

“Issuance Date” - The Business Day on which the Offering proceeds are deposited in the Offering coordinator’s account;

“Deed” or the **“Deed of Trust”** or **“This Deed of Trust”** - This Deed of Trust including the schedules attached hereto, which form an integral part thereof;

“Dollar” - United States dollar;

“Financial Statements” - The Company’s consolidated statements of assets and liabilities, consolidated statements of operations, consolidated statements of changes in net assets, consolidated statements of cash flows and consolidated schedules of investments for a given fiscal period prepared in accordance with U.S. GAAP and, to the extent required, according to any other accounting standard to which the Company may be subject, as shall be in effect from time to time (including additional statements), with a copy or reference to the filing published on the MAGNA website;

“Group” - The Company and its Subsidiaries;

“Listing” or **“Listed”** - Listing or listed for trade on the Stock Exchange;

“NIS” - New Israeli Shekel;

“Nominee Company” - The Tel Aviv Stock Exchange Nominee Company Ltd. or any other substitute nominee company and provided that all the securities which the Company is required to register in a nominee company in Israel, will be registered in its name;

“Ordinary Resolution” - A resolution, obtained by way of a simple majority, adopted at a Bondholders’ Meeting, in which there were present (in person or by proxy), at least two Bondholders that together hold at least twenty-five percent (25%) of the outstanding balance of the par value of the Bonds or at an adjourned meeting in which there were present any number of holders (in person or by proxy);

“Payment Rate” - In respect of any payment of Principal or interest under this Deed of Trust (including, without limitation, upon early redemption or acceleration of the Bonds), the Representative Rate published on the third Business Day before the applicable payment date, or if the Representative Rate was not published on such date, then the rate on the first subsequent Business Day;

“Authorized Shareholders” -	Any of (a) Eugene Landy and Samuel A. Landy or any of their estates, spouses, and/or descendants; (b) any trust in favor of any of the persons listed in (a) above only;
“Person”	any individual, corporation, partnership, joint venture, joint-stock company, trust, unincorporated organization or government or any agency or political subdivision thereof;
“Offering Clearing Day”	The Business Day on which the Offering proceeds are deposited in the Offering coordinator’s account;
“Principal” -	The aggregate outstanding balance of the principal amount of the Bonds in circulation;
“Prospectus” -	The Company’s prospectus, dated February 3, 2022, under which the Company offered the Bonds to the public in Israel;
“Public Tender” -	The public tender to be held in connection with the initial public offering of the Bonds;
“Publishing” or “Publish” -	Publishing on the Israel Security Authority’s MAGNA website, or, if the Company is no longer a Reporting Corporation, reporting to the Trustee in accordance with Subsection 28.4 hereunder;
“Rating Agency” -	An Israeli company engaged in credit ratings that is registered under the Regulation of Activities of Credit Rating Companies Law, 5774-2014;
“Register” -	The register of Bondholders as referred to in Section 26 of this Deed;
“Reporting Corporation” -	As defined in the Securities Law or any corporation listed for trading on a stock exchange outside of Israel set forth in the Second Schedule or in the Third Schedule of the Securities Law;

“Representative Rate” -	The representative exchange rate of the Dollar to the NIS as published by the Bank of Israel, or any other official exchange rate of the Dollar to the NIS that may replace it, if applicable, provided that during any period in which the Bank of Israel does not publish exchange rates of the Dollar to the NIS, and there is no official exchange rate that replaces it, the Representative Rate shall be the exchange rate of the Dollar to the NIS determined by the Minister of Finance together with the Governor of the Bank of Israel for purposes of Dollar-linked government bonds or, in the absence of such determination, then the Representative Rate shall be the exchange rate of the Dollar to the NIS determined by an economic expert as reasonably selected by the Trustee;
“Securities Law” -	The Securities Law, 5728-1968, and the regulations enacted/ will be enacted thereunder, from time to time;
“Insolvency Law” -	Insolvency and Economic Rehabilitation Law, 5778-2018, and regulations enacted /will be enacted pursuant thereto, from time to time;
“Special Resolution” -	A resolution adopted at a Bondholders’ Meeting, there were present (in person or by proxy) Bondholders who together hold at least fifty percent (50%) of the outstanding balance of the par value of the Bonds or at an adjourned meeting attended by (in person or by proxy) Bondholders who together hold at least twenty percent (20%) of the outstanding par value of the Bonds, by a 2/3 (two thirds) majority of Bondholders participating in the vote, excluding abstentions;
“Stock Exchange” or “TASE” -	The Tel Aviv Stock Exchange Ltd.;
“Subsidiary”	In respect of any person, any corporation, limited or general partnership or other business entity that: (a) on the record date more than 50% of the voting rights of the Voting Stock or other interests (including partnership interests) entitled (irrespective of the occurrence of any contingency) to vote in the appointment of directors, managers or trustees thereof is owned or controlled, directly or indirectly, by (i) such person, (ii) such person and one or more Subsidiaries of such person or (iii) one or more Subsidiaries of such person or (b) on the record date it holds control, directly or indirectly, including joint control.
“Trading Day” -	Any day on which trading takes place on the Stock Exchange;

“Trustee” -	Reznik Paz Nevo Trusts Ltd. or any other Person which will act from time to time as trustee for the Bondholders under this Deed pursuant to Chapter E’ of the Securities Law;
“U.S. GAAP” -	United States Generally Accepted Accounting Principles as in effect on December 31, 2021;
“Voting Stock” -	The capital stock of any corporation or other legal entity as of any date that has a right to vote on the appointing of directors and in general meetings.

Other terms not defined above shall bear the meaning prescribed thereto in the Securities Law, unless otherwise explicitly stated.

- 1.5 In any event of a contradiction between this Deed of Trust and its Schedules, the provisions of this Deed of Trust shall prevail. The Company hereby confirms and clarifies, that as of the date of this Deed, there exists no contradiction between this Deed of Trust and the documents ancillary thereto and the provisions described in the Prospectus relating to this Deed and/or the Bonds.
- 1.6 For as long as the Bonds are listed, this Deed of Trust, including its Schedules, shall be subject to the applicable provisions of the bylaws and guidelines of the Stock Exchange, as in effect from time to time, and anywhere the rules of the Stock Exchange apply or shall apply to any action under this Deed of Trust, the rules of the Stock Exchange shall prevail.
- 1.7 Wherever the phrase “including” is used, it shall be interpreted as an example that neither reduces nor limits the generality of that certain term.
- 1.8 Wherever “subject to the provisions of applicable law” or a similar term is used, it shall be interpreted as subject to the provisions of the cogent law.

2. Issuance of the Bonds

- 2.1 The Company shall carry out an initial issuance of the Bonds, which shall be registered by name, in a total amount that shall not exceed the amount to be set forth in the Supplementary Notice to be Published by virtue of the Prospectus. The Principal and Interest of the Bonds shall be linked to the Dollar.
- 2.2 The Principal of the Bonds shall be repaid in one installment on February 28, 2027.
- 2.3 Principal on the Bonds shall bear fixed annual interest at a rate to be determined in the Public Tender to be held with respect to the Offering (the interest rate to be determined in the Public Tender shall be hereafter referred to as the **“Base Interest”** or the **“Annual Interest”**), subject to the adjustments as set forth in Section 7 hereunder. The Interest shall be payable in semi-annually installments, on August 31, 2022, and on February 28 and August 31 of the years 2023-2026 (inclusive) and on February 28, 2027 (each, an **“Interest Payment Date”**), for the six (6) month period commencing on the previous Interest Payment Date and ending on the day immediately preceding the applicable Interest Payment Date (the **“Interest Period”**), except for the first Interest Payment Date, which shall take place on August 31, 2022, for the period commencing on the first trading date after the Public Tender and ending on the day immediately preceding the first Interest Payment Date (the **“First Interest Period”**) and which shall be calculated on the basis of 365 days in a year and the actual number of days in such period. The final interest payment shall be paid on February 28, 2027, together with final Principal payment and against the delivery of the Bond Certificates to the Company and/or to any third party as instructed by the Company.

The Company shall publish the annual interest, the semi-annual interest (which shall apply to each full interest period in which the interest rate does not change and shall be calculated based on the Annual Interest rate divided by two (2)), and the interest amount that shall be payable for the First Interest Period, within the framework of its Immediate Report on the Public Tender results.

2.4 **Record Date** – Payments on account of the Principal and/or any Interest thereon shall be paid to the relevant Bondholder on the following dates:

2.4.1. Payments due on August 31 – shall be paid to those holding the Bonds at the end of the Trading Day on August 19.

2.4.2. Payments due February 28 (excluding the final payment of Principal and Interest) – shall be paid to those holding the Bonds at the end of the Trading Day on February 16.

2.4.3. The final payment of Principal and Interest shall be made against the delivery of the Bond Certificates to the Company, on the Payment Date, at a location in Israel as the Company shall instruct the Trustee, no later than five (5) Business Days prior to the final Payment Date.

In the event a certain Payment Date on account of Principal and/or Interest is not a Business Day, the date of such payment shall be postponed to the following Business Day and no interest or other payment shall be due on account of such delay, and the record date for determining the eligibility for redemption or interest shall not be changed as a result of such postponement.

2.5 **Currency Repayment and Linkage** – Other than payments for the fees and expenses as set forth in this Deed (including those of the Trustee), all payments which the Company is required to make under this Deed, including but not limited to, repayment of the Principal (whether scheduled, accelerated or upon an early redemption) and Interest payments on the outstanding balance of the Principal, shall be made to the Bondholders in NIS, linked to Dollar, as follows: (i) if the Payment Rate is higher than the Base Rate, then such payment in NIS shall be increased proportionately to the rate of increase of the Payment Rate compared to the Base Rate; (ii) if the Payment Rate is lower than the Base Rate, then such payment in NIS shall be reduced proportionately to the rate of decrease of the Payment Rate compared to the Base Rate; and (iii) if the Payment Rate is equal to the Base Rate, then such payment shall be made in the NIS amount originally determined.

- 2.6 **Issuance** – The Bonds are being offered initially within the framework of a public offering in Israel only.
- 2.7 **Default Interest** – See Section 3.8 of the Terms and Conditions Overleaf.
- 2.8 **Stock Exchange Listing** – The Company shall List the Bonds on the Stock Exchange.
- 2.9 **Series Expansion and Issuance of Additional Securities:**

Series Expansion

- 2.9.1. The Company shall be entitled, from time to time, at its sole discretion, without being required to obtain approval from the Trustee or the Bondholders, to expand the Bond series and issue additional Bonds (whether by means of a public offering, private placement or otherwise), the terms and conditions of which will be the same as the terms and conditions of these Bonds initially issued, at any price and in any manner as the Company deems fit, including at such discount or premium (including without discount or without premium); this, provided all the following conditions are met: (1) the series expansion of will not lead to the downgrading of the Bonds' rating, as shall be in effect immediately prior to the expansion date, and prior written confirmation thereof has been obtained from the Rating Agency, prior to the institutional tender for Classified Investors being held, to if held, including by way of granting a rating approval for the Bonds to be issued within the framework of the series expansion (in the event more than one Rating Agency is rating the Bonds, the higher rating shall apply); and (2) a CFO Certificate will be delivered by the Company pursuant to Section 6.1 prior to the expansion date, and no later than the date on which the institutional tender for Classified Investors will be held, if held, stating that (a) the Company is in compliance with all the Financial Covenants (pursuant to Section 6.1) immediately prior to the expansion and will be in compliance with all said Financial Covenants on a pro forma basis following the expansion, according to the most recent Financial Statements published prior to the series expansion and without accounting for any cure or grace period with respect to said covenant; (b) prior to the expansion, there shall exist no grounds for calling for the immediate repayment of the Bonds, nor shall there exist any such grounds as a result of the series expansion, without accounting for any cure or grace period with respect to such grounds; (c) the expansion will not affect the Company's ability to meet its obligations as they come due; and (d) the Company meets all its material undertakings towards the Bondholders.

- 2.9.2. The series expansion shall be subject to obtaining the Stock Exchange's approval to list the additional Bonds.
- 2.9.3. The Trustee shall serve, subject to the provisions of this Deed of Trust, as Trustee for the Bonds in circulation from time to time, including those issued within the framework of a series expansion, and the Trustee's consent for serving as Trustee to the expanded series shall not be required. Bonds in circulation and any additional Bonds that shall be issued in accordance with this Section 2.9 shall constitute (as of their issuance date) a single series for all intents and purposes, and this Deed of Trust in respect of the Bonds shall apply also to all additional Bonds of the same series. The Bonds issued within the framework of a series expansion shall not confer any right to payment of Principal or Interest if the record date for said payment occurred prior to the issuance date of the additional Bonds. The Trustee shall be entitled to demand an increase in the fees payable thereto, pro rata to the increase in the amount of Bonds issued (compared to the original issuance), and the Company hereby grants its consent to the increase in the Trustee's fees as set forth above.
- 2.9.4. In the event the discount rate applicable to the Bonds issued within the framework of the series expansion is different than the discount rate (if any) of the existing Bonds in circulation at such time, the Company shall submit a request to the Israeli Tax Authority, if necessary, prior to expanding the Bond series, in order to obtain its approval of a uniform discount rate regarding withholding tax on the discount amount, according to a formula weighting the different discount rates (if any). Should such approval be obtained, the Company shall calculate, upon the series expansion, the weighted discount rate for all the Bonds, and the Company shall publish in an Immediate Report together with the results of the Offering prior to the listing of the additional Bonds, the uniform weighted discount rate and the Stock Exchange Members shall withhold tax at the Payment Dates of said Bonds, according to said discount rate and the provisions of applicable law. In the event the Company shall fail to obtain the approval, the Company shall publish, prior to the listing of the additional Bonds, the uniform discount rate, which shall be the highest discount rate determined for the Bonds. In any event, all the provisions of applicable law pertaining to taxation of discount fees shall apply.

- 2.9.5. The applicable Stock Exchange Members shall withhold tax, pursuant to the applicable Israeli taxation laws upon payment on account of the Bonds, according to the discount rate the Company has published as aforesaid. Furthermore, the Company shall withhold tax pursuant to any other tax laws that may apply at said time. Consequently, there may be instances in which tax shall be withheld for the discount higher than the discount amount determined for the Bonds prior to the series expansion. In such event, a Bondholder that held Bonds at the eve of the series expansion shall be entitled to submit a request to the Israel Tax Authority in order to obtain a refund for tax withheld from the discount fees, pursuant to applicable law.
- 2.9.6. The Company shall notify the Trustee immediately after the Company's Board of Directors resolves to expand the Bond series and shall deliver to the Trustee immediately thereafter (on the aforesaid dates), and in any event prior to the date of the Public Tender for Classified Investors, if the expansion is by way of a public offering that includes a Public Tender for Classified Investors, and if there is no Public Tender for Classified Investors then prior to the Public Tender: (i) a CFO Certificate as set forth in Subsection 2.9.1(2) above; and (ii) the written approval of the Rating Agency as set forth in Subsection 2.9.1(1). The publishing of the Rating Agency's aforementioned approval or a rating report confirming that the rating of the Bonds shall not be impacted due to the expansion (including by way of approving a rating for the Bonds to be issued within the framework of the expansion) shall satisfy the requirement of delivering an approval from the Rating Agency to the Trustee as set forth in this Subsection 2.9.6.
- 2.9.7. For the avoidance of doubt, the Company's undertakings set forth in these Subsections 2.9.1-2.9.6 shall apply only with respect to additional issuances of Bonds by way of expanding the Bonds series issued hereunder, and such undertakings shall not apply with respect to issuances of Bonds by way of expansion of other series in circulation at such time, or with respect to new Bond series, or any other debt incurred by the Company, whether said other or new series or said other debt is rated or not, irrespective of the issuance dates or the dates in which said debt was incurred or to the proximity of such dates to the series expansion date or to the rating change date.
- 2.9.8. It is clarified that in any case the scope of the Bonds (Series A) shall not exceed NIS 1,100,000,000 par value.

Issuance of Additional Securities

- 2.9.9. Notwithstanding the foregoing and subject to the provisions of applicable law, the Company reserves the right to issue, at any time, and from time to time (by means of a private placement or prospectus or shelf offering report or otherwise), additional series of bonds or other securities of any kind or type, without being required to obtain the approval of the Trustee and/or the Bondholders existing at such time, and on such terms and conditions as shall deem fit, including with respect to payment terms, interest and collaterals; all without derogating from the repayment undertakings imposed on the Company by virtue of this Deed, provided only that any new bond series or any other securities that constitute debt which are issued without collateral shall not have any priority over the Bonds (Series A upon liquidation; and that the bonds or other securities that constitute debt and are secured by any collateral will be have priority only in respect to the collateral by which said bonds or securities have been secured. The Company will provide the Trustee with a CFO certificate confirming that said condition is met prior to the issuance of the other bond series or other securities as aforesaid.
- 2.9.10. The foregoing shall by no means derogate from any of the Trustee's rights and the Bondholders' rights under this Deed of Trust, including from their right to call for an immediate repayment of the Bonds pursuant to the provisions of this Deed of Trust.
- 2.10 The provisions of this Deed of Trust shall apply to the Bonds issued under this Deed and which shall be held from time to time by any purchaser of the Bonds , unless otherwise explicitly provided herein. Each Bond, whether issued on the Issuance Date or as a result of an Bond series expansion of, will have equal rights compared to any other Bond in the series (*pari passu*) without any such Bond having priority Notwithstanding the aforesaid, Section 52N1 of the Securities Law will apply.
- 2.11 This Deed of Trust shall enter into effect upon the initial issuance of the Bonds and shall apply as of the Issuance Date. It is hereby agreed that in the event the Offering is cancelled for any reason whatsoever, this Deed of Trust shall be null void *ab initio*.

3. Appointing the Trustee and the Duties Thereof

- 3.1 The Company hereby appoints the Trustee to serve solely as Trustee to the Bondholders by virtue of the provisions of Section 35B of the Securities Law.

- 3.2 The Trustee shall be a trustee to the Bondholders by virtue of the provisions of Chapter E1 of the Securities Law, including for those entitled to payments by virtue of the Bonds that were not paid when due.
- 3.3 Upon the Deed of Trust entering into effect, as is set forth in Section 2.11 of this Deed, the duties of the Trustee shall be in accordance with applicable law and the provisions of the Deed.
- 3.4 In the event the Trustee is replaced by another Trustee, such other Trustee shall act as trustee for the Bondholders, including for those persons entitled to payments by virtue of the Bonds that were not paid when due.
- 3.5 The Trustee is not required to act in any manner not explicitly set forth in this Deed of Trust in order to obtain any information, including information regarding the Company or its business or its ability to meet its obligations towards the Bondholders and such action is not included among its duties.

4. Powers of the Trustee

- 4.1 The Trustee shall use the powers, permissions and authorities conferred thereupon under law and under this Deed of Trust, at its sole discretion, or in accordance with a resolution passed at a Bondholders' Meeting; all, subject to the provisions of applicable law which are non-contingent. The Trustee shall not be liable for any damage that may be caused as a result of an error in such discretion, unless the Trustee acted in bad faith or with gross negligence (unless exempt by law), willful misconduct or malicious intent.
- 4.2 The Trustee shall be entitled to deposit any deeds and other documents which evidence, represent and/or stipulate its rights with respect to the trusteeship subject matter of this Deed of Trust, including with respect to any asset that is in its possession at such time, in a safe deposit box and/or at another place it may select, including at any bank, with an attorney and/or with an accountant. The Trustee shall not be liable for any loss that may be incurred in connection with a deposit made in accordance with this Section 4.2, unless the Trustee acted in bad faith or in gross negligence (unless exempt by law), willful misconduct or with malicious intent.
- 4.3 The Trustee shall represent the Bondholders with respect to any matter deriving from the Company's undertakings towards them, and for such purpose it shall be entitled to take action in order to exercise the rights conferred to the Bondholders by law or according to this Deed of Trust.
- 4.4 The Trustee may initiate any proceeding to protect the Bondholders' rights according to applicable law and the provisions set forth in this Deed of Trust.

- 4.5 The Trustee shall be entitled to appoint agents as set forth in Section 22 to this Deed.
- 4.6 The Trustee's actions shall be valid even if a defect is discovered in its appointment or qualifications.
- 4.7 The Trustee's execution of this Deed of Trust does not constitute an opinion on its part with respect to the quality of the Bonds or with respect to the advisability of investing therein.
- 4.8 The Trustee shall not be obliged to notify any party with respect to the execution of this Deed of Trust. The Trustee shall not interfere and shall not be entitled to interfere in any way in the management of the Company's business or its affairs, and no action or inaction by the Company shall require its approval, and these matters shall not form part of its duties. This Section shall not prevent the Trustee from taking any action which it is required to take under the provisions of this Deed or applicable law.
- 4.9 Within the framework of its trusteeship, the Trustee may rely on any written document including letter of instructions, notice, request, consent or approval, appearing to be executed or prepared by any Person or entity, which the Trustee believes in good faith that it had been executed or prepared thereby.
- 4.10 It is clarified that termination of the Trustee's term of office shall not derogate from the Company's and/or the Bondholders' rights, claims or demands towards the Trustee, if any, insofar as their grounds precede the termination of the Trustee's term in office, and the Trustee shall not be released from any liability in accordance with applicable law. In addition, the termination of the Trustee's term in office shall not derogate from the Trustee's rights, claims or demands of towards the Company and/or the Bondholders, if any, in so far as their grounds precede the termination of the Trustee's term in office, and the Company and/or Bondholders shall not be released from any liability in accordance with applicable law.

5. Repurchase of Bonds by the Company

- 5.1 The Company reserves, subject to any law, the right to repurchase all the Bonds, or a portion thereof, at any time and from time to time, without derogating from the repayment undertakings of the Bonds in circulation. The Company will file an Immediate Report regarding the repurchase if and to the extent it is required to do so by applicable law. If no Immediate Report is filed, then in the event of such repurchase, the Company shall inform the Trustee thereof in writing.

In the event of a repurchase as aforesaid, the purchased Bonds shall automatically expire and be cancelled and delisted from trade, and the Company shall not be entitled to reissue them.

In the event that the Bonds are repurchased by the Company in the framework of trading on the Stock Exchange, the Company will apply to the Clearing House to withdraw the certificates so purchased, unless otherwise stipulated by the legal provisions as these may be at such time. If according to the legal provisions at such time, the Bonds are neither cancelled nor delisted from trade on the Stock Exchange, the Company will be entitled to sell the Bonds, all or part thereof, at its sole discretion, in accordance with the provisions of the law as these will be at such time, without obtaining the consent of the Trustee and/or the Bondholders.

5.2 The foregoing shall not derogate from the Company's right to repay the Bonds by way of an early redemption as is set forth in Section 9 below.

Any subsidiary of the Company and/or a corporation controlled thereby and/or its Associate (*i.e.*, as defined in the Securities Regulations (Periodic and Immediate Reports), 5730-1970) and/or an Affiliate of the Company and/or a Controlling Shareholder of the Company (directly and/or indirectly) and/or any family member thereof (namely, spouse, sibling, parent, parent's parent, descendant or descendant of the spouse, or spouse of any of the above), and/or any corporation controlled thereby (directly or indirectly) (other than the Company itself (to which the provisions of this Section 5.1 above shall apply)) (each, an "**Related Holder**"), may purchase and/or sell at any time and from time to time on or off the Stock Exchange, including by way of the Company's issuance of Bonds to be issued pursuant to the Deed of Trust. In the event of a purchase or sale as aforesaid by a Subsidiary of the Company and/or any corporation controlled thereby, or in the event the Company becomes aware of a purchase or sale by any other Related Holder, the Company shall notify the Trustee thereof. The Bonds held as aforesaid by a Related Holder shall be deemed an asset of the applicable Related Holder and, if listed, shall not be delisted from the Stock Exchange and shall be transferable as the other Bonds. Bonds owned by a Related Holder shall not confer to the Related Holder voting rights at any Bondholders' Meeting and shall not be counted for purposes of determining whether a legal quorum is present as required for convening such a meeting. Bondholders' Meetings shall be held in accordance with the provisions of the Second Schedule to the Deed of Trust. A Related Holder shall report to the Company, to the extent that it is required by law to do so, regarding the purchase of Bonds thereby and the Company shall provide the Trustee, upon its demand, the list of Related Holders and the amounts held thereby on the date requested by the Trustee and this according to said reports received from Related Holders. For the purpose of this Section, an Immediate Report published on the MAGNA filing system or the Maya website, to the extent the Company ceases to be a reporting corporation, shall constitute a report to the Trustee for the purposes of this Section.

5.3 Nothing in this Section above shall in itself obligate the Company or any Related Holder or the Bondholders to purchase and/or sell any Bonds held thereby.

6. Covenants of the Company

The Company undertakes towards the Bondholders to pay all Principal and Interest, including any Default Interest in accordance with Section 2.7 above, and Interest applicable in the event of a decrease in rating and/or breach of a Financial Covenant (as defined below) (all as applicable and pursuant to the provisions of this Deed), as well as any linkage differentials, payable to the Bondholders in accordance with the terms of the Bonds and to meet all other terms and obligations imposed on it under the Bonds and this Deed of Trust.²

In addition, during the term of the Bonds, the Company shall (unless the Bondholders by way of a Special Resolution according to the provisions of this Deed have agreed otherwise) comply with the following covenants:

6.1 **Financial Covenants:**

6.1.1 **The ratio of Net Financial Debt to NOI shall not exceed 12.**

6.1.2 **The ratio of Net Financial Debt to Net CAP net shall not exceed 63%**

6.1.3 **The ratio of Net Financial debt to EBITDA shall not exceed 13.**

For the purposes of this section:

“**NOI**” - as the term Community NOI is defined in the Company’s quarterly Financial Statements.

“**Net Debt**” - short-term and long-term interest-bearing debt from banks and other financial creditors plus interest-bearing debt to Bondholders for the Bonds issued by the Company, less cash and cash equivalents, as well as short-term investments, marketable securities and deposits, all based on the Company’s most recent Financial Statements. It is clarified that the Net Financial Debt figure appearing in the Company’s Financial Statements does not include restricted cash.

“**Net CAP**” - Total Shareholders’ Equity (including minority interest(plus Accumulated Depreciation plus Net Financial Debt, all according to the Company’s most recent Consolidated Financial Statements,

“**EBIDTA**” - net profit/loss plus interest, taxes, depreciation, amortization, profit and loss from the change in fair value of securities as well as the profit or loss from the sale of securities, calculated according to the four quarters ended at the date of the applicable Financial Statements, all in accordance with the Company’s Financial Statements.

² The Company confirms that it is not subject to restrictions on dividend distributions, except for restrictions under applicable law.

The Company's compliance with each of the financial covenants set forth in Subsections 6.1.1 through 6.1.3 (hereinafter: the "**Financial Covenants**") shall be measured upon the publishing of the Financial Statements for each of the Company's fiscal quarters. The Company shall provide the Trustee, within five (5) Business Days from the date of the publishing of each of the Company's Financial Statements, a CFO Certificate with respect to the Company's compliance with each of the Financial Covenants, together with an electronic spreadsheet showing the manner of their calculation. Additionally, the Company will state in the notes to its Financial Statements its compliance with the Financial Covenants.

The terms employed with respect to the Financial Covenants shall be calculated and determined in accordance with U.S. GAAP as in effect as of the date hereof. In the event of a change in U.S. GAAP subsequent to the date hereof that affects the calculation of any of the Financial Covenants, the Financial Covenants will continue to be calculated in accordance with U.S. GAAP rules existing on the date in which this Deed was executed and the CFO Certificate shall include a brief description of such change.

6.2 **Negative pledge:**

The Company shall not create a general floating charge (or an equivalent thereof under the law applicable to the Company) on all its direct assets in favor of any third party whatsoever in order to secure its undertakings towards said third party, unless it obtained the prior consent of the Bondholders by way of a Special Resolution, or unless it grants, concurrently with granting said general floating charge on all the Company's direct assets as aforesaid in favor of a third party, a floating charge in favor of the Bondholders, and these charges shall be *pari passu* according to the ratio of the Company's debts to each of the parties. If any such charge is created, it shall be created while coordinating with the Trustee and in a form satisfactory thereto, alongside the provision of Officer Certificates and an Opinion with respect to the creation of said charge and it being valid and enforceable, all pursuant to applicable law. It is clarified that the Trustee will be entitled to appoint an attorney versed in the law applicable to said charge, and the Company will bear all of its costs.

For the avoidance of doubt, the foregoing shall not restrict (1) the Company from creating fixed charges on all or any of its assets, (2) the Company from creating floating charges on one or more specific assets or (3) the ability of corporations controlled by the Company to create any type of charge (whether fixed or floating) on any (including all or most) of their assets, in each case without any restriction or to guarantee the Company's undertakings.

For the avoidance of doubt, the Trustee is not responsible for examining the possibility and/or the need for registering negative pledges or any registration corresponding thereto in its nature and essence outside of Israel. The Company's declarations in this regard will be adequate with respect to the registration of the charges.

The Company hereby represents and warrants that as at the date of this Deed of Trust it has neither created nor registered floating charges on all its direct assets in respect of which the aforementioned undertaking has been granted, and that under the law applicable to the Company, there is no need to register an undertaking for a negative charge as aforesaid in any registry (external or internal).

6.3 **The Rating of the Bonds**

The Company undertakes to act, insofar that it falls under its control, and as long as the Bond Principal has yet to be repaid in full, to ensure that the Bonds will be rated by a Rating Agency, and accordingly the Company undertakes, *inter alia*, to pay the Rating Agency and provide it with all the information it shall require, including the reports required thereby within the framework of the Company's engagement with the Rating Agency. In this regard, failing to make payments or in providing the information required by the Rating Agency within the framework of the Company's engagement with the Rating Agency shall be deemed, *inter alia*, as reasons and circumstances that are under the Company's control. For the avoidance of doubt, it is clarified that the placing the of the Bonds under a watch list or any similar action taken by the Rating Agency will not be considered as a rating termination.

The Company does not undertake not to replace the Rating Agency nor that it shall not terminate its engagement therewith throughout the term of the Bonds. In the event that the Company replaces the Rating Agency and/or terminates engagement therewith, including in the event that the Bonds are rated by more than one Rating Agency, the Company undertakes to publish an Immediate Report regarding the termination and/or substitution of the Rating Agency, as well as to notify the Trustee of the circumstances that led to the replacement of the Rating Agency or the termination of the engagement, as the case may be, within two (2) Business Days of the earlier of (a) the replacement (b) the date in which the decision to terminate the engagement with the Rating Agency was made. The Company will also provide the Trustee a document comparing the rating scale of the exiting Rating Agency to those of the new Rating Agency.

It is hereby clarified that the aforementioned provisions shall not derogate from the Company's right to replace a Rating Agency at any time or terminate the engagement with a Rating Agency (in the event it is not the only Rating Agency) at its sole discretion and for any reason it deems fit and without the Trustee and/or the Bondholders having any claim in such respect (without derogating from the provisions of Section 10.1.13 below).

6.4 **Cross Default:**

Throughout the period in which there exists any cross default, at the request of any Bondholder, the Company, to the extent that it is not prevented or restricted under law from doing so, including under the provisions of any relevant credit facility, shall provide to said Bondholder any report or other information that is provided to any lender or other financing source under the credit facility causing the cross default. The receipt of such report or other information shall be contingent upon said Bondholder consenting not to divulge the report or information to any third party nor to purchase nor sell any of the Company's securities based on any material, nonpublic information included in such report or other information.

It should be emphasized that without derogating from the aforesaid in this Section, to the extent a cross default exists, the Company will notify by way of an Immediate Report the occurrence of a cross default and the reasons therefor, and will provide the Trustee with all documents and information described in the beginning of this Section, and the Trustee shall be entitled to provide said information to the Bondholders in a Bondholders' Meeting or by way of a report, without the Trustee having any duty of confidentiality.

6.5 **Appointing a Representative in Israel for the Company**

Until after the full, final and accurate repayment of the Bonds under the terms of the Deed of Trust to the Bondholders, the Company undertakes that it will have a representative on its behalf in Israel, to whom it will be possible to serve court documents concerning the Company and its Officers with respect to all matters pertaining to this Deed of Trust, *in lieu* of them being served at the Company's address abroad as set forth in the preamble to this Deed.

As of the execution date of the Deed, the Company's representative in Israel is Goldfarb Seligman & Co. Law Office (the address of which is specified in the preamble to this Deed) (the "**Company's Representative in Israel**"). Service upon the Company's Representative in Israel shall be considered valid and binding with respect to any claim and/or demand made by the Trustee and/or the Bondholders pursuant to this Deed of Trust. The Company may change the identity of the Company's Representative in Israel from time to time, provided that upon its replacement, the Company shall file an Immediate Report containing the details of the Company's new Representative in Israel no later than one Trading Day following the date on which the Company resolved to appoint another representative and deliver a notice thereof to the Trustee. If a new representative is appointed, the Immediate Report and the notice to the Trustee shall include also the date on which the appointment of the new representative entered into effect. For so long as the appointment of the new representative has not taken effect, the address of the substituted representative shall be the address for service. For the avoidance of doubt, it should be emphasized that for as long as the Company Representative in Israel resigns from its position (the "**Resigning Representative**"), for so long as there is no replacement who actually serves in that position, the Resigning Representative's address will be the address of the service.

6.6 **Controlling Shareholder Transactions:**

The Company clarifies that as of the execution date of this Deed, various securities of the Company are listed with the Securities and Exchange Commission (SEC) pursuant the U.S. Securities Exchange Act of 1934 (the “**Exchange Act**”). Various of the Company’s securities are listed under the Exchange Act and listed for trade on the New York Stock Exchange (“**NYSE**”). Consequently, the Company is subject to the laws and regulations applicable to public companies in the U.S. under the securities laws, rules and regulations of the NYSE governing listed companies.

6.7 **Expense Cushion**

Without derogating from the provisions of Section 23 to the Deed of Trust, out of the net Offering proceeds, the Company shall instruct the Offering coordinator to deposit to with the Trustee, simultaneously with the transfer of the Offering proceeds balance to the Company, an amount equal to \$300,000 (according to the Representative Rate known on the first Trading Day after the Public Tender date) to be used for the payment of ongoing expenses and administrative expenses reasonably incurred by the Trustee with respect to the calling for the immediate repayment of the Bonds pursuant to the provisions of Section 10 or with the Company breaching the provisions set forth herein, reasonably incurred in order to preserve the Bondholders’ rights (the “**Prepaid Expenses**”). It is clarified that the actual expenses will be borne by the Company whilst the Trustee will deposit said funds in a bank account opened thereby in its name in trust for the Bondholders only and which will shall serve to secure these payments. The Trustee shall be entitled to make use of said funds for the purposes set forth above, at its discretion, while acting reasonably, if the Company has failed to pay said expenses. Should the Trustee use the said funds as set aforesaid, the Company shall pay the Trustee, within 14 Business Days from the date on which the Company received from the Trustee a written demand for such payment, additional amounts so that the Trustee will have in such account Prepaid Expenses in the amount of \$300,000. The Prepaid Expenses shall be held by the Trustee as aforesaid until the full and final repayment of the Bonds (insofar as they are not used as specified above). Following the full and final repayment of the Bonds, the balance, if any, of the Prepaid Expenses will be transferred (together with all proceeds accrued thereon), inasmuch as it has not been used, to the Company in accordance with details to be provided by the Company to the Trustee in writing and in advance.

In the event that the aforesaid funds are not sufficient to cover the Trustee's expenses with respect to the calling for the immediate repayment of the Bonds and/or to the Company breaching the provisions of the Deed of Trust as aforesaid, the Trustee shall act pursuant to the provisions of Section 23 below.

For the avoidance of doubt, it is hereby clarified that the account in which the Prepaid Expenses are deposited will be managed solely by the Trustee, which will have sole signatory rights therein. The Prepaid Expenses will be invested in Permitted Investments (as defined in Section 13 below). The Trustee will not be liable towards the Bondholders and/or the Company for any loss that will be incurred due to these investments.

The Trustee will provide the Company, upon its written request, information on the manner in which the Prepaid Expenses are invested as well as of their balance. The Company shall bear all costs associated with the opening, management and closing of said account.

It is clarified that the amounts of the Prepaid Expenses paid by the Company as aforesaid in this Section shall be deemed amounts the Company will be required under any law, in as much as it will be required, to deposit with the Trustee, to the extent legal provisions applicable to the Company in this context will enter into effect.

6.8 Restrictions on Distribution

For long as the Company does not breach any of the Financial Covenants set forth in Section 6.1 above, no distribution restriction will apply to the Company. If the Company deviates from one or more of the Financial Covenants set forth in section 6.1 above, the Company shall be allowed to make a distribution in an amount that does not exceed the amount required to meet the requirements of U.S. law applicable to REITs.

In the event of a distribution while the Company is in breach of one or more of the Financial Covenants set forth in Section 6.1 above, the Company shall provide the Trustee, in advance, notice of its intent to pursue a distribution together with a confirmation from the Company's Chief Financial Officer that the amount to be distributed does not exceed the amount required to meet the requirements of U.S. law applicable to REITs. The Trustee shall rely on said confirmation and shall not be required to pursue any examination in this regard.

7. Interest Rate Adjustments

7.1 Mechanism for Interest Rate Adjustment due to a Change in Rating

- 7.1.1 In the event the Base Rating of the Bonds is downgraded during any Interest Period (the “**Downgraded Rating**”), the interest rate on the outstanding Principal balance shall be increased by 0.50% per annum (in addition to the Base Interest) against a downgrade of two “notches” (*i.e.*, a double downgrade) from the Base Rating and by an additional 0.25% for each further downgrade, up to a maximum additional interest rate of one percent (1%) per annum, for the period commencing on the date on which the applicable Downgraded Rating was published by the relevant Rating Agency and until the earlier of (i) the full repayment of the Principal and (ii) the date on which the applicable Rating Agency subsequently upgrades the Bond rating to a rating higher than the Downgraded Rating (such rating, the “**Updated Rating**”).
- 7.1.2 It is hereby clarified that the maximum increase of the Base Interest pursuant to this Section 7.1 shall not exceed 1% per annum.
- 7.1.3 No later than two (2) Business Days following the receipt of the Rating Agency’s notice regarding the downgrading of the Bonds to the Downgraded Rating, the Company shall publish in an Immediate Report the following: (A) the fact that the rating was downgraded, the Downgraded Rating and the date in which the Downgraded Rating entered into effect (the “**Rating Downgrade Date**”); (B) the interest rate that the Principal on the Bonds shall bear for the period commencing on the first day of the then-current Interest Period and until the Rating Downgrade Date (calculated on the basis of 365 days in a year and the actual number of days in such period) (in this Section 7.1.3 the “**Original Interest**”); (C) the interest rate the Principal on the Bonds shall bear commencing on the Rating Downgrade Date and until the following Interest Payment Date (assuming no other events affecting such interest rate shall occur and calculated on the basis of 365 days in a year and the actual number of days in such period); (D) the weighted interest rate to be paid by the Company to the Bondholders on the next Interest Payment Date, deriving from the interest payments described in clauses (B) and (C) above; (E) the annual interest rate reflected from the weighted interest rate; and (F) the updated annual interest rate and the semi-annual interest rate for the period commencing on the next Interest Payment Date (*i.e.*, the period commencing immediately following the period during which the Rating Downgrade Date occurred).

- 7.1.4 If the Rating Downgrade Date occurs within the four (4) days preceding the record date for a given interest payment and ending on the Interest Payment Date closest to such record date (in this Subsection 7.1.4, the “**Deferral Period**”), the Company shall pay the Original Interest to the Bondholders on such Interest Payment Date, and the amount of interest deriving from the additional interest at a rate equal to the additional interest rate per annum for the Deferral Period (calculated on the basis of 365 days in a year and the actual number of days in such period) shall be paid on the following Interest Payment Date. The Company shall Publish an Immediate Report detailing the additional interest amount to be paid on the following Interest Payment Date.
- 7.1.5 It is hereby clarified that if following a downgrade which has affected the Base Interest, the Rating Agency shall issue an Upgraded Rating whereby the rating of the Bonds has increased, the interest rate on the Bonds will be reduced in accordance with the interest rate increase steps applicable to downgrading as specified in Section 7.1.1 above, until a total maximum decrease in the interest rate of one percent (1%) per annum (*i.e.*, whereby the increase in rating to the Base Rating shall reinstate the Base Interest on the outstanding Principal balance, without any additional interest, subject to changes pursuant to Section 7.2), and until the full repayment of the unpaid Principal balance or until a change in the rating of the Bonds in accordance with and subject to the provisions of this Section 7.1. In such case, the Company shall act pursuant to the provisions of Sections 7.1.3 and 7.1.4 above, with requisite changes deriving from the fact that the Deviation no longer exists.
- 7.1.6 In the event the Bonds cease to be rated for reasons attributable to the Company (*e.g.*, due to the Company’s failure to meet its obligations towards the Rating Agency, including its failure to comply with its payment and/or reporting obligations to the Rating Agency) for a period exceeding twenty-one (21) consecutive days, commencing on the date of such rating cessation and until the earlier of: (1) full and final repayment of the Bonds in accordance with the provisions of this Deed; or (2) the date on which the Bonds are once more rated, additional interest shall be paid at a rate of 1% per annum (calculated on the basis 365 days in a year and the actual number of days in such period), including upon the Bondholders’ calling for the immediate repayment of the Bonds pursuant to the provisions of Section 10.1. For the avoidance of doubt, it is hereby clarified that (1) in the event the Bonds cease to be rated for reasons not attributable to the Company, the interest rate on the Bonds shall not be changed and the provisions of this Section 7.1.6 shall not apply; and (2) in the event the Bonds are rated by more than one Rating Agency, the interest rate adjustment pursuant to this Section 7.1.6 shall not apply for as long as the Bonds are rated by at least one Rating Agency.

- 7.1.7 In the event the Bonds cease to be rated by a Rating Agency, the Company shall Publish an Immediate Report as to the circumstances associated with such cessation.
- 7.1.8 In the event the Bonds are rated by more than one Rating Agency, the lower rating shall be deemed to be the applicable rating for the Bonds, as updated from time to time.
- 7.1.9 Any change in the rating outlook of the Bonds and/or any rating downgrade or upgrade due only to a change in the methodology or rating scales of the applicable Rating Agency, shall not be deemed a change in the rating and shall not have any impact on (including by way of increase and/or decrease) the interest rate applicable the Principal.
- 7.1.10 Notwithstanding the foregoing, in the event of a downgrade or cessation of rating which entitled the Bondholders to additional interest under Section 7.1 above and a deviation entitling the Bondholders to additional interest under Section 7.2 below, the maximum additional aggregate interest that may be received by the Bondholders shall not exceed the rate of 1.25% per annum.

7.2 Mechanism for Interest Rate Adjustments Resulting from the Company failing to comply with Financial Covenants

- 7.2.1 In the event the Company fails to comply with whichever of the Financial Covenants (each non-compliance event shall be referred to hereafter as a “**Deviation**”), as described below:

- (A) **The ratio of Net Financial Debt to NOI shall not exceed 10.**
- (B) **The ratio of Net Financial Debt to Net CAP shall not exceed 60%.**
- (C) **The ratio of Net Debt to EBITDA shall not exceed 12.**
- (D) **If the Company ceases to maintain its REIT status in the U.S. for more than 90 days.**

The annual interest rate on the outstanding Principal balance shall be increased by a 0.25% per annum for each of the foregoing Financial Covenants with respect to which there exists a Deviation, for the period commencing: with respect to Subsections A through C, on the date of the Company’s Publishing of its Financial Statements according to which a Deviation has occurred; and with respect to Subsection D, upon the Company’s Publishing a report whereby it ceased to hold REIT status in the U.S. (the “**Deviation Date**”), and until the earlier of: (1) repayment of the Company’s liabilities in accordance with the provisions of this Deed; or (2) with respect to Subsections A through C above – the Company’s Publishing of Financial Statements (and a CFO Certificate to be provided by Company to the Trustee) in which such Deviation is shown to have been cured, and with respect to Subsection D above – the Company’s Publishing a report whereby it resumed to hold REIT status in the U.S. The maximum increase in Base Interest pursuant to this Section 7.2.1 shall not exceed one-half percent (0.5%) per annum.

- 7.2.2 The Company shall provide the Trustee, no later than one (1) Business Day of the Deviation Date, a notice containing information with respect thereto and shall Publish in an Immediate Report the following information: (A) details regarding the non-compliance with the Financial Covenants; (B) the precise interest rate to be borne on the Principal for the period commencing on the first day of the then-current Interest Period and until the Deviation Date (calculated on the basis of 365 days in a year and the actual number of days in such period) (in this Section 7.2.2, the “**Original Interest**”); (C) the interest rate to be borne on the Principal commencing on the Deviation Date and until the following Interest Payment Date (assuming no other events affecting such interest shall occur and calculated on the basis of 365 days in a year and the actual number of days in such period); (D) the weighted interest rate to be paid by the Company to the Bondholders on the next Interest Payment Date, deriving from the interest payments described in clauses (B) and (C) above; (E) the annual interest rate reflected from the weighted interest rate; and (F) the updated annual interest rate and the semi-annual interest rate for the period commencing on the next Interest Payment Date (*i.e.*, the period commencing immediately following the period during which the Deviation occurred).
- 7.2.3 In the event a Deviation occurs within the four (4) days preceding the record date for a given Interest Payment and ending on the Interest Payment Date closest to such record date (in this Subsection 7.2.3, the “**Deferral Period**”), the Company shall pay the Bondholders, on such Interest Payment Date, the Original Interest, and the amount of interest deriving from the additional interest at a rate equal to the additional interest rate per annum for the Deferral Period (calculated on the basis of 365 days in a year and the actual number of days in such period) shall be paid on the following Interest Payment Date. The Company shall announce by way of Immediate Report the additional interest amount that shall be paid on said following Interest Payment Date.

7.2.4 In the event that after the occurrence of a Deviation in a manner affecting the Base Interest with respect to Subsections A through C above, the Company will Publish its Financial Statements and shall provide a CFO Certificate pursuant to the provisions set forth in Section 6.1 whereby the Deviation is shown to have been cured, and with respect to Subsection D above - the Publishing of a report whereby the Company resumed its REIT status in the U.S.; then the Interest rate shall be decreased by 0.25% per annum for each Financial Covenant cured up to a total maximum decrease of 0.5% per annum, provided that at that time there is no Deviation from at least two additional Financial Covenants (namely, if all Deviations have been cured, the Base Interest (as determined in the Tender) on the outstanding Principal balance of the on the Bonds will be reinstated, without any additional interest, subject to changes deriving from the provisions set forth in Section 7.1 above); this, for a period commencing on the date of Publishing the Financial Statements which evidence the termination of the Deviation as aforesaid and until the earlier of the full repayment of the outstanding Principal balance or until the creation of an additional Deviation (the interest rate shall be calculated for any partial interest period on the basis of 365 days in a year and the actual number of days in such period). In such instance, the Company shall act pursuant to the provisions of Sections 7.2.2 and 7.2.3 above, with requisite changes deriving from the fact that the Deviation no longer exists.

7.3 Notwithstanding the foregoing, in the event of a downgrade or the cessation of rating entitling the Bondholders to additional interest pursuant to Section 7.1 above and a Deviation entitling the Bondholders to additional interest pursuant to Section 7.2 above, the maximum aggregate additional interest which will be received by the Bondholders shall not exceed a rate of 1.25% per annum.

8. **Security and Seniority of the Bonds**

8.1 The Bonds are not secured by any collateral and are classified by the Company as unsecured bonds.

8.2 The Trustee has not examined, nor shall it be under any obligation to examine, the need to grant collateral in order to secure the payments to the Bondholders. The Trustee was neither asked to conduct nor did it *de facto* conduct nor will it conduct, due diligence (economic, accounting or legal) regarding the state of the Company's business or that of its Subsidiaries. By entering into this Deed of Trust, including by its consenting to serve as Trustee to the Bondholders, the Trustee is not expressing any opinion whatsoever, whether explicitly or implicitly, with respect to the Company's ability to meet its obligations towards the Bondholders. The foregoing shall by no means derogate from the Trustee's duties of the under applicable law and/or this under Deed of Trust.

- 8.3 All of the Bonds shall be ranked *pari passu* with amongst themselves with respect of the Company's obligations under the Bonds, without any Bond having a preferred rights or priority over the other, and together they shall rank *pari passu* with the Company's other unsecured obligations, except for obligations assigned priority by virtue of applicable law. The Bonds shall be senior to any of the Company's subordinated obligations.
- 8.4 Subject to the provisions of Section 6.4 above and without derogating from the provisions of Section 10 hereunder, the Company shall be entitled, from time to time, at its sole and absolute discretion, to sell, pledge, lease, assign, deliver or otherwise transfer, all, most or some of its assets, in any way whatsoever, without obtaining the consent of the Trustee and/or that of the Bondholders. It is hereby clarified that no restriction shall apply to the Company with respect to it providing guarantees in favor of another (or others), including to corporations held thereby, directly or indirectly, and subject to the provisions of Section 2.9.8 above, the Company shall not be prevented from receiving any new credit.

9. **Early Redemption**

9.1 **Early Redemption Initiated by the Company**

The Company may, at any time but not before 60 days have elapsed from the listing of the Bonds (Series A), at its sole discretion, effect a full or partial early redemption, in the manner set forth below, subject to the directives of the Israel Securities Authority and to the Stock Exchange Guidelines, as shall be in effect at the relevant date:

- 9.1.1 The frequency of the early redemptions shall not exceed one early redemption per quarter. In the event that a partial early redemption is scheduled for a quarter in which an interest payment date, a partial redemption date or a final redemption date is also due, the partial early redemption shall be effected on the date prescribed for said payment. For purposes hereof, a "**Quarter**" shall mean any of the following periods: January through March, April through June, July through September, or October through December.
- 9.1.2 The minimum amount of any early redemption shall not be less than NIS 1 million. Notwithstanding the aforementioned, the Company may effect an early redemption in an amount lower than NIS 1 million, provided that the frequency of the redemptions shall not exceed one early redemption per year. If a partial early redemption is effected, the final redemption amount shall not be less than three million two hundred thousand NIS (NIS 3,200,000). Any amount paid by the Company by way of an early redemption shall be paid with respect to all Bondholders, *pro rata* to the par value of the Bonds held thereby.

- 9.1.3 Upon the Company's resolution to carry out an early redemption, and in any event no less than seventeen (17) days and not more than forty five (45) days prior to the record date of the early redemption (the "**Early Redemption Date**"), the Company shall Publish an Immediate Report about the execution of the early redemption.
- 9.1.4 The Early Redemption Date shall not occur during the period between the record date for the payment of Interest and the *de facto* interest payment date. In the aforesaid Immediate Report, the Company shall set forth the amount of Bonds (expressed as the Principal amount) to be paid by way of early redemption as well as the interest accrued on said Principal amount until the Early Redemption Date.
- 9.1.5 Upon a partial Early Redemption Date, if any, the Company shall Publish an Immediate Report which shall contain the following information: (1) the partial redemption percentage in terms of the outstanding balance of the Bonds, prior to the redemption; (2) the partial redemption expressed as a percentage of the par value of the Bonds at the original Issuance Date; (3) the interest rate on the Principal portion to be redeemed; (4) the interest to be paid, calculated with respect to the outstanding balance; (5) an update regarding the remaining partial redemption rates in terms of the original series (*i.e.*, applying the original amortization schedule to the remaining outstanding balance of the Bonds, following the partial early redemption entering into effect); (6) the record date for the right to receive the early redemption of the Principal, which shall be twelve (12) days prior to the Early Redemption Date. A partial early redemption will be effected *pari passu* with respect to each of the Bondholders.
- 9.1.6 In the event of a partial early redemption, if any, the Company shall pay the Bondholders the interest accrued until the Early Redemption Date only with respect to the portion of the Principal being redeemed by way of the early redemption rather than with respect to the total outstanding balance of the Bonds, all, as part of the early partial redemption amount to be determined in accordance with Section 9.1.7 below.
- 9.1.7 The amount that shall be paid to the Bondholders in the case of an early redemption shall be the higher of the following: (1) the liability value of the Bonds in circulation to be redeemed, *i.e.*, the Principal plus accrued interest and any linkage differentials payable on the Early Redemption Date; (2) the market value of the Bonds that are to be redeemed in the early redemption (based on the average closing price of the Bonds over the thirty (30) Trading Days preceding the Board of Directors' resolution approving said redemption); however if the Early Redemption Date falls on an Interest Payment Date, only the interest amount, which will be paid separately, will be deducted from the aforementioned average closing price; and (3) the balance of the Bonds cash flow subject to early redemption, according to the original amortization table (*i.e.*, Principal plus Interest), while accounting for the Early Redemption Date, discounted at the Government Bond Yield (as defined below) plus annual interest at a 1.25% rate. The discount of the Bonds to be paid by way of an early redemption shall be calculated from the Early Redemption Date until the final payment date that applied to the Bonds to be paid by way of an early redemption. If additional interest shall be paid due to the early redemption, the additional interest shall be paid with respect to the par value being redeemed by way of an early redemption.

For the purpose of this Subsection, “**Government Bond Yield**” means the average weighted yield to maturity (gross), during a of seven (7) Business Days period, ending two (2) Business Days prior to the date of the early redemption notice, of two (2) series of Israeli Government Dollar-linked Bonds, bearing interest at a fixed rate, and having an average duration most similar to the average duration of the Bonds at the relevant date, *i.e.*, one series with the most similar average duration higher than the average duration of the Bonds at the relevant date, and one series with the most similar average duration lower than the average duration of the Bonds at the relevant date, weighted to reflect the average duration of the Bonds at the relevant date. Below is an example illustrating said calculation:

If the average duration of Government Bond A is 4 years, and the average duration of Government Bond B is 2 years, and the average duration of the balance of the Bonds is 3.5 years, the yield shall be calculated as follows:

$$4X + 2(1-X) = 3.5$$

Whilst

X = weight of the yield of Government Bond A.

1-X = weight of the yield of Government Bond B.

According to the calculation, the annual yield of Government Bond A shall be weighted at a rate of seventy five percent (75%) of the yield, and the average yield of Government Bond B shall be weighted at a rate of twenty five percent (25%) of the yield. It should be noted that insofar as the relevant date there will not be any Dollar Israeli Government Bonds, the examination will be made according to U.S. dollar Government Bonds of similar durations (as stated in the definition of the term “Government Bond Yield”).

- 9.1.8 The Company shall provide the Trustee with a CFO Certificate detailing the manner of calculation for the early redemption amount, including an active Excel spreadsheet which demonstrates the calculation performed by the Company, all in a form satisfactory of the Trustee, no later than two (2) Business Days following the date the decision of the Company's relevant organs to effect an early redemption of the Bonds.
- 9.1.9 Amounts paid within the framework of a partial early redemption shall be deemed to have been made on account of the most recent Principal payments closest to the Early Redemption Date.
- 9.1.10 Following the Early Redemption Date, the outstanding par value of the Bonds series shall decrease and future payments of the Principal shall be decreased pursuant to the provisions of Subsection 9.1.9 above, and in the event of a full early redemption of the Bonds, the Bonds shall be cancelled and no interest shall accrue with respect thereof following the redemption date.

9.2 Early Redemption Initiated by the Stock Exchange

In the event that the Stock Exchange resolves to delist the Bonds in circulation because the value of the Bonds has fallen below the minimum amount prescribed in the Stock Exchange rules regarding the delisting of bonds, the Company shall carry out an early redemption of the Bonds, as follows:

- 9.2.1 Within forty five (45) days from the date on which the Stock Exchange's Board of Directors resolved to delist the Bonds as aforesaid, the Company shall announce by way of an Immediate Report an early redemption date on which a Bondholder shall be entitled to redeem said Bonds.
- 9.2.2 The early redemption date shall occur no earlier than seventeen (17) days from the date in which the notice was published and no later than forty-five (45) days after such date, but not during the period between the record date for an interest payment and its *de facto* payment date.

- 9.2.3 Upon the Early Redemption Date, the Company shall redeem the Bonds the holders thereof requested to redeem, at the par value of said Bonds and interest accrued thereon until the actual payment date (plus linkage if any) (calculated on the basis of 365 days in a year and the actual number of days that elapsed since the most recent interest payment date).
- 9.2.4 The determination of an Early Redemption Date as set forth above shall not prejudice the redemption rights set forth in the Bonds of any of the Bondholders who shall not redeem them on the Early Redemption Date, but said Bonds shall be delisted from the Stock Exchange and shall be subject, *inter alia*, to the tax implications deriving therefrom.
- 9.2.5 Bonds that have been redeemed as set forth above shall be cancelled and no interest shall accrue with respect thereof after the redemption date. The early redemption of the Bonds as aforementioned shall deny the Bondholders of Bonds to be redeemed of the right to payment on account of Principal and/or of interest for the period following the redemption date. The notice of the Early Redemption Date will be Published by way of an Immediate Report delivered to the ISA and the Stock Exchange. This notice shall specify the early redemption amount.

9.3 For the avoidance of doubt, the provisions of this Deed concerning withholding tax shall apply in full also to the events described in this Section 9.

10. Call for Immediate Repayment

- 10.1. Upon the occurrence of one or more of the events set forth below, the Trustee and the Bondholders shall be entitled to call for the immediate repayment of the outstanding balance due to the Bondholders under the Bonds and this Deed:
- 10.1.1. If the Company fails to pay the Bondholders any amount it is obligated to pay under the Bonds and/or this Deed of Trust, within five (5) Business Days of the relevant payment date.
- 10.1.2. If the Company materially breaches the terms of the Bonds or this Deed of Trust and/or does not fulfill any of its material undertakings with respect thereof, and the Company fails to cure such breach within fourteen (14) days.
- 10.1.3. If it becomes evident that a material representation made by the Company under the Bonds or this Deed of Trust is incorrect or incomplete, and the Trustee has provided notice thereof to the Company, and the Company failed to cure such breach within fourteen (14) days from the date said notice was received.

- 10.1.4. If the Company adopts a liquidation resolution of (other than a liquidation resulting from a merger with another company) or if a permanent and final liquidation order is granted by the court with respect to the Company or if a permanent receiver is appointed with respect to the Company, or if a similar resolution is adopted or if a similar official is appointed by the Company and/or with respect thereto under the Insolvency Law or any other law, or if a Trustee was appointed pursuant the provisions set forth in the Insolvency Law. It should be clarified that for the purposes of this Subsection, liquidation proceedings or other similar proceedings with respect to the Company shall be proceedings under Israeli law or parallel proceedings under foreign law, similar to the Israeli proceeding.
- 10.1.5. If a temporary liquidation order or an order with similar characteristics according to the provisions of the Insolvency Law, or a similar order under the relevant law, is granted, or if a temporary liquidator or another official of similar characteristics is appointed according to the provisions of the Insolvency Law, or if a temporary trustee, as said term is defined under the Insolvency Law is appointed or if any other similar official is appointed under applicable law or if any judicial resolution is issued by the court, and such order or decision are neither rejected nor cancelled within forty-five (45) days from the date that said order or decision was issued, as applicable. Notwithstanding the foregoing, the Company will not be granted any grace period with respect to motions or orders filed or granted, as applicable, by the Company or with its consent. It should be clarified that for the purposes of this Subsection, liquidation proceedings in respect of the Company shall be proceedings under Israeli law or parallel proceedings under foreign law, similar to the Israeli proceeding.
- 10.1.6. If a foreclosure is imposed, execution actions taken or a pledge exercised on most of the Company's assets (as defined below), and the foreclosure was not removed or the action was not revoked, as applicable, within forty-five (45) days of them being imposed or executed, as applicable. Notwithstanding the foregoing, the Company will not be granted any grace period in respect of requests or orders submitted or granted, as applicable, by the Company or with its consent. It is clarified that for the purposes of this Subsection, foreclosure proceedings or execution proceedings or pledge exercise proceedings will be proceedings under Israeli law or similar proceedings under foreign law.
- 10.1.7. If a motion was filed for receivership or for appointing a receiver (temporary or permanent) or any similar official to be appointed by virtue of the law – which was not revoked within forty-five (45) days of the date in which they were filed granted, as applicable; or if an order for appointing a permanent receiver for most of the Company's assets (as defined below) or a similar order was granted under the law applicable to the Company. Notwithstanding the aforesaid, the Company shall not be granted any cure period with respect to motions or orders submitted or granted, as applicable, by the Company or with its consent. It is clarified that for the purposes of this Subsection, receivership proceedings with respect to the Company shall be proceedings under Israeli law or a corresponding proceeding under foreign law

- 10.1.8. (A) if the company files a motion for a stay of proceedings under Section 350 of the Companies Law or the Insolvency Law, or a similar proceeding under the provisions of applicable law, or if such a stay of proceedings is granted; or if the Company files a motion for a settlement or arrangement with the Company's creditors under Section 350 to the Companies Law or under the Insolvency Law, or a similar proceeding under applicable law (except for purposes of effecting (1) a merger with another company, including changes in the Company's capital structure that are not prohibited under this Deed and/or (2) an arrangement between the Company and its shareholders which does not impact the Company's ability to repay the Bonds and which is not prohibited under this Deed of Trust); or if the Company offers its creditors in any other manner a settlement or arrangement as a result of the Company's inability to meet its obligations when they come due or if said motions are filed at the Company's request or with its consent; or (B) if a motion is filed under Section 350 of the Companies Law or the Insolvency Law (or a similar proceeding under applicable law) against the Company and without its consent, which has neither been rejected nor revoked within forty-five (45) days from the date on which it was filed. It will be clarified that for the purposes of this Subsection, proceedings and actions, such as an arrangement, with respect to the Company shall be proceedings as well as actions under Israeli law or similar proceedings under foreign law.
- 10.1.9. If the Company ceased or gave notice of its intention to cease its payments or if it ceased or gave notice of its intention to cease operating its businesses, as these may be from time to time.
- 10.1.10. If the Company's main field of activity is no longer ownership and operation of manufactured home communities.
- 10.1.11. If there occurs a material worsening in the Company's business as compared to its status on the Issuance Date, and there is an actual concern that the Company will not be able to repay the Bonds when due; or if there exists an actual concern that the Company will fail to meet its material undertakings towards the Bondholders.

- 10.1.12. If the Company fails to Publish any Financial Statements under applicable law or under this Deed of Trust which it is required to publish within 30 days from the last date on which it was required to Publish them.
- 10.1.13. If the Bonds cease to be rated by a Rating Agency for a period exceeding sixty (60) consecutive days, for reasons and/or circumstances under the Company's control. The occurrence of the aforementioned event shall not constitute grounds for calling for the immediate repayment of the Bonds so long as the Bonds are rated by one Rating Agency.
- 10.1.14. If (A) one of the Company's other publicly traded bond series (on a standalone basis) was called for immediate repayment, or (B) a Cross Default occurs, unless such calling for an immediate repayment or Cross Default, as aforesaid, is rejected or revoked (including by way of settling said debt) within 30 days from the date on which of notice of the calling for the immediate repayment or of the Cross Default event was given.
- 10.1.15. If a merger was carried out, whether under Israeli law or under the law applicable to the Company, with another entity (except for a company that was merged into the Company, when prior to such a merger it was fully consolidated in the Company's Financial Statements), without obtaining the prior consent of the Bondholders, by way of an Ordinary Resolution, unless the Company or the surviving entity represented to the Bondholders and the Trustee, at least ten (10) Business Days prior to the effective date of the aforesaid merger that there exists no reasonable concern that the surviving entity will not be able to meet its obligations towards the Bondholders as a result of said merger.
- 10.1.16. If the Company sells all or most of its assets (as calculated below), in a transaction or in a series of related transactions (unless during the twelve (12) month period following said sale the Group acquires other assets within its field of activity for an amount not less than 50% of the consideration received for the assets sold) without the prior consent of the Bondholders in a Special Meeting and by a Special Resolution.
- 10.1.17. If the Company breaches its undertaking with respect to a negative pledge set forth in Section 6.2.

- 10.1.18. If the Company fails to comply with one or more of the Financial Covenants set forth in Section 6.1 above for two consecutive quarters.
- 10.1.19. If the Company breaches a term under Section 2.9 with respect to the expansion of the Bond series or with respect to the issuance of a bond series or of other securities that constitute debt.
- 10.1.20. If the Stock Exchange has suspended the trading of the Bond, except for a suspension caused by the creation of uncertainty, as specified in Part IV of the Stock Exchange Bylaws, and such suspension has not been revoked within sixty (60) days.
- 10.1.21. If the Bond are delisted from the Stock Exchange.
- 10.1.22. If the rating of the Bond falls below the rating of iBBB-..
- 10.1.23. If a Change of Control occurs, and the Company does not publish a tender offer for the purchase of all the Bonds, at a price not lower than their par value, within 45 days from the occurrence of said event.
- 10.1.24. If the Company ceases to be a Reporting Corporation.
- 10.1.25. If the Company does not nominate a Company's Representative in Israel as set forth in Section 6.5 above, or is it breaches any of the provisions set forth in Section 6.6 above.
- 10.1.26. If the company breaches whichever of its undertakings set forth in in Section 6.7 above, with respect to the expense cushion.
- 10.1.27. If a "Going Concern" note has been recorded in the Company's Financial Statements for two consecutive quarters.

For the purpose of Subsections 10.1.6, 10.1.7 and 10.1.16, "**most of the Company's assets**" shall mean an asset or a number of assets, in the aggregate, whose value, according to the Company's most recent consolidated Financial Statements published prior to the occurrence of the relevant event, constitutes at least 50% (fifty percent) of the total assets according to the Company's most recent consolidated Financial Statements.

- 10.2. Upon the occurrence of any of the events set forth in the foregoing Section 10.1:

- 10.2.1 The Trustee shall be required to convene a Bondholders' Meeting, which shall be held twenty-one (21) days following the date of notice thereof (or any earlier date according to the provisions of Subsection 10.2.7 below), the agenda of which shall include a resolution to call for the immediate repayment of the outstanding balance of the Bonds due to the occurrence of any of the events stipulated in Section 10.1 above, as applicable.

- 10.2.2 The notice of the aforesaid meeting shall state that if the Company shall cause the revocation, cure or removal of the event specified in Section 10.1 above for which the meeting has been called, prior to the date on which the meeting is to be held, the Bondholders' Meeting shall be cancelled.
- 10.2.3 It is hereby clarified that the foregoing shall by no means prevent the Trustee from convening a Bondholders' Meeting at an earlier date according to the provisions of Subsection 10.2.7 below.
- 10.2.4 The Bondholders' resolution to call for the immediate repayment of the Bonds shall be adopted at a Bondholders' Meeting at which Holders of at least fifty percent (50%) of the outstanding Principal balance of the Bonds are present, by a majority vote of the Bondholders participating, or by majority the votes of the participants at an adjourned Bondholders' Meeting in which Bondholders of at least twenty percent (20%) of the outstanding Principal balance of the Bonds are present.
- 10.2.5 If until the date on which said meeting is to be held, the events specified in Section 10.1 above for which the meeting has been called are not revoked, cured or removed, and the Bondholders' Meeting resolution, as set forth in Subsection 10.2.1 above to call for the immediate repayment of the outstanding balance of the Bonds, was adopted pursuant to the provisions of Subsection 10.2.4 above, the Trustee shall be required to promptly call for the immediate repayment of the outstanding balance of the Bonds, provided the Trustee has provided the Company seven (7) days' written notice of its intention to do so and the event with respect to which the resolution was adopted was not revoked, cured or removed within such period.
- 10.2.6 The Publishing of the notice of the meeting as set forth in Subsection 10.2.1 above shall be deemed as written notice to the Company with respect to the Trustee's intention to pursue the calling for the immediate repayment of the outstanding balance of the Bonds, including according to Section 10.2.5 above.
- 10.2.7 The Trustee may, at its sole discretion, shorten and even cancel the twenty-one (21) day period (as set forth in Subsection 10.2.1 above) if it is in the opinion that this is necessary for protecting the Bondholders' rights and/or shorten and even cancel the seven (7) days' notice period (as set forth in Subsection 10.2.5 above), if the Trustee is of the opinion that there is a concern that delivering such notice or delaying the meeting or the immediate repayment date will prejudice the possibility of calling for the immediate repayment of the Bonds.

- 10.2.8 If any of the Subsections to Section 10.1 above sets forth a “cure period” during which the Company may act or adopt resolutions resulting in the removal of the grounds for calling for an immediate repayment, the Trustee or the Bondholders shall be entitled to call for the immediate repayment of the Bonds as set forth in this Section 10 only upon the lapse of such period and if the grounds stated therein were not removed within such period; nevertheless, the Trustee may shorten the period prescribed in the Deed of Trust if it is of the opinion that a delay may prejudice the Bondholders’ rights.
- 10.2.9 If the Company is provided notice whereby the Bonds have been called for an immediate repayment pursuant to the provisions of this Section 10, the Company undertakes to take, from time to time, and at any time requested to do so by the Trustee, all reasonable actions necessary to enable the Trustee to exercise all the powers vested therein; particularly, the Company shall take all the following actions, no later than ten (10) Business Days of the date of the Trustee’s request:
- 10.2.9.1. transfer and deliver to the Trustee the Principal and accrued interest (if any) on the Bonds due for immediate repayment, including Default Interest if applicable, and linkage, if any, irrespective of their maturity dates;
 - 10.2.9.2. provide all the declarations and/or execute all the documents and/or take and/or cause the taking of all actions necessary and/or required under law to validate the exercise of authorities, powers and rights of the Trustee and/or its representative in with respect to the immediate repayment;
 - 10.2.9.3. provide all notices, orders and instructions as the Trustee deems fit with respect to the immediate repayment.
- For purpose of this Section 10 – written notice executed by the Trustee confirming that an action requested thereby, within the scope of its authority, is reasonable, shall constitute *prima facie* evidence thereof.
- 10.2.10 Subject to the provisions of applicable law, the duties of the Trustee under this Section 10 are subject to it being *de facto* knowledgeable of the facts, events, circumstances, and occurrences specified therein.

10.2.11 For the avoidance of doubt, it is clarified that the right to call for an immediate repayment as aforesaid or the calling for an immediate repayment shall neither derogate nor prejudice any other or additional remedy available to the Bondholders or to the Trustee under the terms of the Bonds and the provisions of this Deed or under the law, and the non-calling for an immediate repayment or the non-exercise of collateral (if granted) upon the occurrence of any of the events set forth in Section 10.1 above, shall by no means constitute any waiver of the Bondholders' or the Trustee's rights, unless expressly stated otherwise.

11. Claims and Proceedings by the Trustee

- 11.1. Without derogating from any provision of this Deed of Trust, the Trustee shall be entitled, at its sole discretion, with a seven (7) days' written notice to the Company, insofar as such notice would not prejudice the Bondholders' rights, and subject to Section 23 (Indemnification of the Trustee), and shall be obliged, if required by an Ordinary Resolution adopted by the Bondholders pursuant to the following provisions, to initiate all legal proceedings as it deems fit, subject to the provisions of any law, in order to the exercise and/or protect the Bondholders' rights and/or enforce the Company's performance of any of its undertakings under this Deed of Trust. Notwithstanding the foregoing, the right to call for an immediate repayment shall be governed by the provisions of Section 10 above and not by this Section 11.
- 11.2. The Trustee may, at its sole discretion, file a motion to the court to receive instructions on any matter connected with and/or pertaining to this Deed of Trust.
- 11.3. Subject to the provisions of this Deed of Trust, the Trustee may, but shall not be required to, convene a Bondholders' Meeting at any time in order to discuss and/or obtain instructions by way of an Ordinary Resolution on any matter pertaining to this Deed of Trust, provided that the meeting is convened without delay.
- 11.4. The Trustee may, at its sole discretion, delay the performance of any of its actions pursuant to this Deed of Trust until instructions are provided by the Bondholders' Meeting by way of an Ordinary Resolution, and/or until court instructions are received regarding the course of action, provided that the Trustee is not entitled to delay such proceedings once it has obtained the Bondholder's approval in the Bondholders' Meeting to call for an immediate repayment or initiate any proceedings, as well as in a case in which a delay may prejudice the Bondholders' rights.
- 11.5. For the avoidance of doubt, the foregoing provisions shall by no means prejudice and/or derogate from the right vested to Trustee to apply to the court, at its sole discretion, even before the Bonds are payable, in order to obtain an order concerning its position as Trustee. The expenses accrued under this Section will be covered according to provisions set forth in Section 23 (Indemnification of the Trustee).

12. Trust over Receipts

All amounts received by the Trustee from the Company under this Deed, other than the Trustee's fees and expenses, shall be held in trust by the Trustee. Amounts received by the Trustee from the Company under this Deed shall first be used to repay the Trustee's fees, reasonable expenses, payments, levies and liabilities incurred by the Trustee or imposed thereon or those caused during or as a result of actions pertaining to the execution of its role as Trustee under this Deed or those otherwise associated with the terms of the Deed of Trust (provided that the Trustee shall not be paid twice, namely by both the Company and the Bondholders). The balance shall be used, unless otherwise resolved by way of a Bondholders Special Resolution, in advance, for the following purposes and according to the following order of priorities: **first** – to repay the Bondholders, if any, for liabilities incurred and payments expensed thereby exceeding their Pro Rata Portion (as defined in Section 23 below) concerning an indemnity undertaking pursuant to Section 23 below; **second** – to repay the Bondholders for liabilities incurred and payments expensed thereby pursuant to their Pro Rata Portion concerning an indemnity undertaking pursuant to Section 23 below; **third** - to repay the Bondholders, if applicable, any Default Interest due thereto under the terms of the Bonds, *pari passu* and *pro rata*, without any individual Bondholder having any preference or priority over another; **fourth** – to repay the Bondholders overdue Principal amounts payable thereto under the terms of the Bonds, *pari passu* and *pro rata*, without any individual Bondholder having any preference or priority over another; **fifth** – to repay the Bondholders interest payments payable thereto under the terms of the Bonds, *pari passu* and *pro rata*, without any individual Bondholder being having any preference or priority over another; **sixth** – to repay the Bondholders Principal amounts, irrespective of their maturity date, *pari passu* and *pro rata*, without any individual Bondholder having to any preference or priority over another. Any excess amounts, if any remain after completing all the above-mentioned distributions, shall be paid by the Trustee to the Company or to any successor entity. Tax shall be withheld from all payments to the Bondholders pursuant to applicable law.

For the avoidance of doubt, to the extent the Company has to bear any of the expenses but has not borne them, the Trustee will act to obtain said amounts from the Company, and in the event it succeeds in obtaining them, these amounts will be held by the Trustee in trust and will be used for the purposes and according to the order of priority set forth in this Section above.

13. Power to Withhold Distribution of Funds

Notwithstanding the provisions of Section 12 above, should the amount received as a result of proceedings pursuant to the provisions of Section 11 above, which shall be available at a given time for distribution to the Bondholders, as set forth in Section 12 above, be equal to or lower than NIS one million (1,000,000) (the "**Minimum Amount**"), the Trustee shall not be required to distribute said amount and shall be entitled to invest it, fully or part thereof, in Permitted Investments, as it deems fit.

“Permitted Investments” – Investments in bank deposits with one or more of the five largest banks in Israel whose credit rating is not below ilAA or in Dollar-linked bonds issued by the Government of Israel or by the Government of the United States.

At the earlier of (i) the time when the aforementioned investments, including any profits resulting therefrom, is equal to or higher than the Minimum Amount and (ii) the next payment date of Principal and/or Interest thereon to the Bondholders (even if the amount accrued by such date is lower than the Minimum Amount), the Trustee shall distribute said accrued amounts to the Bondholders as set forth in Section 12 above.

Notwithstanding the aforesaid in this Section 13, following an Ordinary Resolution of the Bondholders, the Trustee shall distribute the amounts received thereby as a result of proceedings initiated pursuant to the provisions Section 11 above, even if said amounts fall below the Minimum Amount.

14. Failure to Make Payment for Reason Beyond the Company’s Control

- 14.1. Any amount payable to a Bondholder which was not actually paid to such Bondholder on the date on which it was due for a reason beyond the Company’s control, despite the Company’s ability and willingness to make such payment, in full and in a timely fashion, shall cease to bear interest as of the payment date, and such Bondholder shall be entitled only to those amounts to which it was entitled on the date on which the payment was due, provided that said amount has been deposited with the Trustee as set forth in Section 14.2 below. Notwithstanding the foregoing, to the extent said amounts, under the circumstances, remain in the Company’s account, the Company shall transfer them to the Bondholder (or the Trustee as set forth in Section 14.2 below) together with all profits accrued thereon, after the deduction of applicable tax, if any.
- 14.2. The Company shall deposit with the Trustee, within fourteen (14) days following the payment date, the amount payable which was not paid for a reason beyond the Company’s control, as set forth in Subsection 14.1 above, and shall provide written notice thereof to the relevant Bondholders with, and said deposit shall be deemed as the settling of said payment, and in the event of settling all amounts due in respect of the Bonds, it shall also be deemed to be a final redemption of the Bonds.

- 14.3. The Trustee shall invest any amount that has been deposited in its name pursuant to this Deed of Trust in Permitted Investments (as defined in Section 13 above), as the Trustee shall see fit and subject to the provisions of applicable law. If the Trustee has acted in such manner, it will not be liable to those entitled to said amounts, except for proceeds to be received from the realization of such investments, less the expenses associated therewith, including trust account administration costs and net of any mandatory payments. The payment to the Bondholders shall be made against the presentation of evidence acceptable to the Trustee in its absolute discretion.

The Trustee shall hold said funds and shall invest them in Permitted Investments as described above, until the earlier of (i) the end of one (1) year from the final repayment date of the Bonds and (ii) their date of payment to the Bondholders. After said date, the Trustee shall transfer the remaining amounts to the Company, including any profits earned from the investment thereof, less the Trustee's fees and expenses incurred according to the provisions of this Deed of Trust. The Company shall hold the aforementioned amounts in trust for an additional six (6) year period of from the date on which these were transferred to the Company by the Trustee, in favor of the Bondholders who are entitled to these amounts, and the provisions of the Deed of Trust concerning the investment of the funds as set forth above shall apply, *mutatis mutandis*. Following the transfer of said amounts to the Company, the Trustee will be released from any payment obligation with respect to said amounts due to the entitled Bondholders. The Company shall confirm to the Trustee in writing that these funds were transferred to the Company and the fact that said funds were received in trust for the entitled Bondholders, and the Company shall indemnify the Trustee in respect of any claim, expense and/or damage whatsoever that may be incurred by the Trustee as a result of and in respect to the transfer of said funds, unless the Trustee acted in bad faith or with gross negligence (unless exempt by law), or with malicious intent. Funds which a Bondholder has not claimed from the Company at the end of seven (7) years from the of final repayment date of the Bonds shall be converted in favor of the Company, and it shall be entitled to use the remaining funds for any purpose whatsoever. For the avoidance of doubt, the foregoing shall not derogate from the Company's undertaking to repay the Bondholders the amounts to which they are entitled under applicable law.

15. **Receipts as Proof**

Without derogating from any other provisions of the Bonds, a receipt signed by any Bondholder or any written evidence from the transferring Stock Exchange member shall constitute proof of the full settlement of any payment that was made by the Company as set forth in such receipt or evidence.

A receipt from a Bondholder regarding the amounts of Principal and Interest that were paid to thereto by the Trustee in respect of a Bond or any evidence from a transferring Stock Exchange Member shall release the Trustee from making the payment of the amounts set forth in the receipt or evidence.

Subject to the provisions of Section 14 above, a receipt from the Trustee regarding the deposit of Principal and interest amounts therewith in favor of the Bondholders shall be deemed a receipt from the Bondholders and shall release the Company in connection therewith.

16. Undertakings of the Company to the Trustee

The Company hereby undertakes to the Trustee that for as long as the Bonds (including any interest thereon) have yet to be fully repaid, it shall:

- 16.1 Pursue and manage the Company's business and those of the entities controlled thereby in an orderly and proper manner.
- 16.2 Notify the Trustee of and allow it to participate in all General Meetings (whether annual general meetings or special general meetings) of the Company's Shareholders, even by using means of communication, at the Company's expense, without granting the Trustee voting rights at such meetings. Notices through the MAGNA or Maya systems will be deemed sufficient notice of the General Meetings.
- 16.3 Deliver to the Trustee or to its authorized representative (the Trustee shall notify the Company of the appointment thereof, when appointed) any information about the Company (including explanations, calculations and documents relating to the Company, its business and financial condition and information which at the reasonable discretion of the Trustee is required for protecting the Bondholders' rights) no later than ten (10) Business Days of the Trustee's request, and instruct its accountants and legal advisors to do so no later than ten (10) Business Days of the Trustee's request, provided that in the Trustee's reasonable opinion, the information is required by the Trustee and those empowered thereby for exercising and implementing the Trustee's authorities, powers and rights under this Deed of Trust.
- 16.4 Maintain and keep books and records as required by U.S. GAAP and in accordance with the provisions of any law applicable to the Company and enable the Trustee and/or anyone the Trustee may appoint in writing for such purpose, to inspect, at a date scheduled in advanced and at any reasonable time, no later than ten (10) Business Days of the Trustee's request, any such books and/or records. It should be noted that the documents can be transferred by electronic means and/or by courier, subject to the approval of the Company or they can be transferred by the Trustee to its advisor subject to the same confidentiality requirement that applies to the Trustee.

- 16.5 Notify the Trustee in writing, immediately upon becoming aware of any case in a foreclosure was imposed and/or execution action was initiated with respect to most of the Company's assets (as this term is defined in Section 10.1 above), if a receiver or permanent liquidator or a Trustee is appointed for most of the Company's assets (as this term is defined in Section 10.1 above), within the framework of a motion for stay of proceedings pursuant to Section 350 of the Companies Law or to the Insolvency Law, or under any law applicable to the Company or if any other official was appointed with respect to most of the Company's assets (as said term is defined in Section 10.1 above), and to use, at its expense and as soon as possible, all the reasonable means required to remove such foreclosure or revoke such execution action or remove the receiver, the liquidation or trusteeship, as applicable.
- 16.6 Notify the Trustee immediately and in writing (without accounting for cure and waiting periods set forth in the same sections, if applicable), upon the Company becoming aware, or after the Company's concerns have materialized, as applicable, of the occurrence of any of the events specified in Section 10.1 above, including in all the subsections.
- 16.7 Alongside the delivery of the CFO Certificate with respect to the Financial Covenants pursuant to Section 6.1, the Company shall deliver to the Trustee a certificate signed by the Company's CEO or by its Chief Financial Officer whereby, following the examinations he or she has conducted, during the period commencing at the later of the date this Deed and the date of the previous certificate delivered to the Trustee, and until the date of the present certificate, the Company has not breached the provisions set forth in this Deed, and did not breach any of the terms of the Bonds, unless explicitly stated otherwise in such certificate.
- 16.8 Provide the Trustee upon its request, with any declarations, representations, documents, details and/or additional information that shall be reasonably required by the Trustee in order to protect the Bondholders' rights no later than 15 Business Days of the date of the Trustee's request.
- 16.9 Provide the Trustee with a copy of any document or information that the Company has delivered to the Bondholders.
- 16.10 Notify the Trustee in writing with respect to any change in the Company's name or address no later than 10 Business Days of the date of such change.
- 16.11 Deliver to the Trustee no later than the end of thirty (30) days of the Issuance Date of the Bonds under a Shelf Offering Report and/or as of the series expansion date a true copy of the Bond Certificate.

- 16.12 Notify the Trustee by way of a written notice signed by the Company's Chief Financial Officer within five (5) Business Days of the Trustee's demand, of the execution of any payment to the Bondholders and the outstanding balance due to the Bondholders at said date (and following the payment).
- 16.13 Provide the Trustee with copies of the notices and invitations that the Company shall provide to the Bondholders as specified in Section 24 of this Deed.
- 16.14 Provide the Trustee, upon its first written request, a written confirmation signed by an accountant that all the payments to the Bondholders were paid when due, showing the par value balance of the of the Bonds in circulation.

The Trustee hereby undertakes to maintain the confidentiality of all information concerning the Company provided thereto under this Deed of Trust and shall neither disclose it to another nor will it make any other use therewith, unless the disclosure or use thereof is required in order for the Trustee to fulfill its role under the law, the Deed of Trust, or under a court order in order to protect the Bondholders' rights. For the avoidance of doubt, the transfer of information to the Bondholders (including by way of Publishing the information) in order to make a decision concerning the their rights under this Deed of Trust, or to provide a report on the Company's status and/or as required under applicable law, shall not constitute a breach of the aforesaid confidentiality undertaking.

17. The Trustee as Representative

The Company hereby irrevocably appoints the Trustee as its representative to execute and perform in its name and in its stead all the actions it is obliged to perform according to the terms and conditions of this Deed, and to appoint any other Person the Trustee may deem fit for performing its duties pursuant to this Deed of Trust (subject to appropriate confidentiality undertakings), in each case, if the Company has not performed the actions which it is obliged to perform under the provisions of this Deed within a reasonable period of time, as determined by the Trustee, as of the date of the Trustee's written demand.

The appointment pursuant to this Section 17 does not oblige the Trustee to perform any action, and the Company hereby releases the Trustee in advance in the event that the Trustee does not perform any action when due and and/or performs it inappropriately. In addition, the Company hereby waives in advance any claim against the Trustee and/or its agents with respect to any damage incurred and/or which might to be incurred thereby, whether directly and/or indirectly, due to any action and/or omission of the Trustee pursuant to the provisions of this Section 17, unless the Trustee acted in bad faith or with gross negligence, willful misconduct or malicious intent.

18. **Other Agreements between the Trustee and the Company**

Subject to applicable law, neither the fulfillment of the Trustee's duties hereunder nor its mere status as a Trustee under this Deed of Trust, shall prevent the Trustee from entering into transactions with the Company in the Company's ordinary course of business, provided that such transactions do not place the Trustee in a conflict of interest toward the Bondholders.

19. **Reporting by the Trustee**

As of Issuance Date, the Trustee shall prepare, no later than June 30 of each calendar year, an annual report regarding the affairs of the trusteeship with respect to the Bonds (the "**Annual Report**"), which shall contain reports on extraordinary events associated with the trusteeship that occurred during the preceding year and other information as required under the Securities Law.

The Trustee shall notify the Bondholders of any material breach of this Deed of Trust by the Company of which it becomes aware, including the actions it has taken to prevent such breach or secure the fulfillment of the Company's obligations, as applicable.

The Trustee shall notify the Bondholders of any extraordinary event that is likely to have a material impact on the Bondholders' rights, immediately upon becoming aware thereof.

The Trustee shall provide a report regarding actions performed under the provisions of Chapter E1 to the Securities Law, pursuant to a reasonable demand of Bondholders holding of at least 10% (ten percent) of the par value of the Bonds, within a reasonable time from the date of demand, all subject to the confidentiality duty towards the Company set forth in Section 35J(d) of the Securities Law.

Upon the request of Bondholders holding more than five percent (5%) of the outstanding Principal balance of the Bonds, the Trustee shall furnish to the Bondholders information regarding its expenses associated with the trusteeship under this Deed of Trust.

As at the execution date of this Deed, the Trustee declares that it is insured under professional liability insurance in an amount of ten million Dollars (\$10,000,000)³ for the period (the "**Coverage Amount**"). To the extent that before the full repayment of the Bonds, the Coverage Amount will fall below eight million Dollars (\$8,000,000)⁴ for any reason whatsoever, the Trustee will update the Company no later than seven (7) Business Days from the date on which it was notified by the insurer of the abovementioned decrease in order to publish an Immediate Report on said matter. The provisions of this Section shall apply until the effective date of regulations under the Securities Law which shall regulate the requirement of the insurance coverage of the Trustee enter into effect. Once the said regulations enter into effect, the Trustee shall be required to update the Company only if it fails to comply with the requirements set forth in the regulations.

³At the time of renewal of the policy.

⁴See fn. 5.

20. Trustee's Fees

The Company shall pay the Trustee fees for the services rendered thereby with respect to this Deed of Trust, as follows:

- 20.1 In respect of its services as Trustee during the first twelve (12) months after the Issuance Date, a fee of NIS 26,000, which shall be paid immediately following the closing of the Offering (the "**First Term**").
- 20.2 After the original issuance of the series, whenever additional Bonds of the same series are issued, or if the scope of the series is expanded in any other way, the Trustee's annual fee shall be increased by an amount reflecting the full increase rate of the series' volume, in a fixed manner until the end of the trust period.
- 20.3 For each hour of work required for the purpose of special actions taken by the Trustee in connection with its service as Trustee to the Bondholders – a fee of NIS 500 per hour shall be paid. Special actions will include any action which is not in the ordinary course of business, including the following:
 - 20.3.1 Actions which the Trustee may take following the Company breaching or allegedly breaching its obligations under this Deed of Trust.
 - 20.3.2 Special actions that may be required or should be performed for the purpose of fulfilling its functions under this Deed with respect to the Bondholders' rights or the protection thereof, including due to the Company's non-compliance with its obligations under this Deed, including convening and attending the Bondholders' Meeting.
 - 20.3.3 Involvement in any judicial or quasi-judicial proceedings concerning the fulfillment of its obligations under this Deed of Trust, including according to any order or instruction issued by a competent authority.
 - 20.3.4 Any action or duty which will be added or modified by law (including any regulation, order, judicial directives, ISA opinion letters, etc.).
 - 20.3.5 Actions concerning the registration or cancellation of registration of collateral in a register maintained under any law (including abroad), as well as inspection, control supervision, enforcement, and so forth of liabilities (such as restrictions on the Company's ability to act freely, pledges imposed on assets, and the like), undertaken or to be undertaken by the Company or by whomever on its behalf or for it, in order to secure the Company's other undertakings or those of whomever on its behalf (such as making payments under the terms of the Bonds) toward the Bondholders, including with respect to the essence of the terms of said collateral and undertakings and the fulfillment thereof.
 - 20.3.6 For the Trustee's participation in the Bondholders' Meetings, the Trustee shall be entitled to a fee in the amount of NIS 750.
 - 20.3.7 If the Issuance is canceled or deferred or after the Trustee has already carried out work with respect to the drafting of trust documents, the Trustee will charge an amount of NIS 500 per hour, according to a detailed hourly report, and the maximum amount payable shall be NIS 10,000.

- 20.4 The payments set forth in Sections 20.1– 20.2 above shall be linked to the Consumer Price Index, whereby the base index shall be the index for the month of December 2021, which was published on January 14, 2022; nevertheless, in any event, an amount lower than the amount specified in this Deed will not be paid.
- 20.5 Reimbursement of reasonable expenses incurred by the Trustee in its capacity as Trustee to the Bondholders.
- 20.6 Should there be any change to the provisions of applicable law pursuant to which the Trustee shall be required to perform additional actions, examinations and/or prepare additional reports, the Company undertakes to bear all reasonable expenses incurred by the Trustee in connection therewith.
- 20.7 Value Added Tax shall be added to all payments specified above in this Section 20 in accordance with applicable law on the payment date.
- 20.8 If the Trustee’s term of office is terminated in accordance with Section 27 below, the Trustee shall not be entitled to an additional payment or fees following the termination date. For the avoidance of doubt, the Trustee shall be entitled to receive fees even if, during its term office, a receiver is appointed in respect of the Company or if the Company enters into liquidation proceedings.
- 20.9 All the amounts stated in this appendix shall have priority over the funds due to the Bondholders.

21. **Special Powers of the Trustee**

- 21.1 Within the framework of performing its duties associated with the trusteeship created under this Deed of Trust, the Trustee shall be entitled to commission the opinion and/or advice of any attorney, accountant, appraiser, assessor, broker or other expert. The Trustee is entitled to rely upon the opinion and/or advice of such Person whether said opinion and/or advice was prepared at the request of the Trustee or by the Company or whomever on its behalf, and the Trustee shall not be required to pay (and no amount shall be offset from the payments due to the Trustee hereunder) any amount associated with any loss or damage that may be caused as a result of any action and/or omission performed thereby while relying on said opinion and/or advice, unless the Trustee acted in bad faith or with gross negligence, willful misconduct or malicious intent. The Company will bear reasonable fees pertaining to engaging the advisors appointed as aforesaid, provided that the Trustee will provide the Company advance notice of its intention to obtain an expert opinion or advice as aforesaid, to the extent possible under the circumstances, and to the extent it will not prejudice the Bondholders’ rights, and in such case the notice shall be provided retrospectively, together with details of the fees required for executing the consultation and the purpose of the opinion or the advice, and that the said fees do not exceed what is customary and acceptable. Nevertheless, the Publishing of the Bondholders’ Meeting’s results concerning a resolution for the appointing of advisors as aforesaid shall be deemed sufficient notice to the Company thereof.

21.2 Any advice and/or opinion may be provided, sent or received by way of letter, telegram, facsimile, e-mail and/or any other electronic means for the transmission of information in writing, and the Trustee will not be responsible in respect of actions it took while relying on advice and/or an opinion or on information transferred in one of the aforementioned manners, even if it contains errors and/or these were inauthentic, unless the Trustee was aware that the opinion or information transferred in one of the aforementioned manners contained errors or was inauthentic, or otherwise acted in bad faith or with gross negligence (unless exempt by law) or malicious intent.

22. **Trustee's Authority to Engage Agents**

The Trustee shall be entitled to appoint an agent, or agents, to act in its stead, whether an attorney or other Person, in order to execute, or to participate in the execution of, special actions that are required to be performed with respect to the trusteeship created under this Deed, and without derogating from the generality of the foregoing, to initiate legal proceedings, provided that the Trustee provided the Company with advance written notice with respect to the appointment of such agent(s) (unless such advance notice shall prejudice the Bondholders' rights, in which case the notice shall be provided retrospectively, as soon as possible thereafter in order not to impact the Bondholders' rights). The Trustee shall further be entitled to settle, at the Company's expense, the reasonable, documented expenses of any such agent, and the Company shall, upon the Trustee's first demand, immediately reimburse any such expense to the Trustee, provided that the Trustee provided the Company prior notice regarding the appointing of such agent, to the extent possible under the circumstances, and provided it does not prejudice the Bondholders' rights, and in such a case the notice will be provided retrospectively. The Company may object in writing, within seven (7) Business Days of the date on which it received said notice, to the appointment of a particular agent on any reasonable grounds, if the agent is a competitor or if there exists a conflict of interests, whether directly or indirectly, with respect to the Company. Nevertheless, the Company's objection to the appointment of a certain agent appointed by the Bondholders' Meeting shall not delay the commencement of engagement of said agent if the delay will prejudice the Bondholders' rights.

23. Indemnification of the Trustee

- 23.1. The Company and the Bondholders (as of a given record date, as provided in Section 23.5 below), each in respect of its undertakings as is set forth in this Section 23, hereby undertake to indemnify the Trustee and each of its officers, employees, agents or advisors appointed on its behalf according to the provisions of this Deed and/or a resolution duly adopted by the Bondholders at a Bondholders' Meeting pursuant to the provisions of this Deed (hereinafter, all or any part thereof, jointly or severally, the "**Indemnitees**"), with respect to the following:
- 23.1.1 Any loss or liability in tort and/or any financial liability pursuant to a final ruling (regarding which no stay of execution has been issued), arbitration award or settlement that has concluded (and so far as the settlement concerns the Company, the Company's consent to the settlement has been granted) deriving from actions performed by any of the Indemnitees, or actions they must perform by virtue of this Deed and/or their capacity by virtue of this Deed and/or by applicable law and/or by an order of a competent authority with respect to the Bonds and/or at the request of the Bondholders and/or that of the Company;
- 23.1.2 The fees of the Indemnitees and reimbursement for reasonable expenses incurred thereby and/or those which shall be incurred thereby, including within the framework of the trusteeship or in respect thereof, which in their opinion were necessary for the performance of the aforementioned actions and/or for the exercise of authorizations and permissions granted under this Deed and/or for their roles under this Deed, as well as with respect to any legal proceeding, obtaining legal or other expert opinions, negotiations, disagreements, insolvency proceedings, collection proceedings, debt arrangements, debt assessments, valuations, claims and demands associated with any matter and/or actions taken and/or omitted in any manner with respect to the foregoing.

The indemnity undertaking provided under this Section 23 shall be subject to the following conditions:

- 23.1.3 The Indemnitees shall not demand advance indemnification in respect of an urgent matter (without derogating from their right to retrospective indemnification for such matter to the extent they are entitled thereto);
- 23.1.4 A final judicial ruling did not resolve that the Indemnitees have acted in bad faith, and/or that the action with respect to which the indemnification is required, falls beyond the scope of their duties, and/or was not performed pursuant to applicable law and/or this Deed of Trust;
- 23.1.5 A final judicial ruling did not resolve that the Indemnitees have acted with gross negligence which is not exempt by law, as may be in effect from time to time; and
- 23.1.6 A final judicial ruling did not resolve that the Indemnitees have acted with malicious intent.

The indemnity undertakings under this Section 23.1 shall be referred to as the “**Indemnity Undertaking**”.

It is hereby agreed that in any event in which a final judicial ruling resolves that the Indemnitees are not entitled to indemnification, the Indemnitees with respect to which such resolution was made shall reimburse the indemnity amounts, to the extent these were paid thereto.

- 23.2. Without derogating from the rights of the Indemnitees pursuant to the Indemnity Undertaking, whenever the Trustee is obligated to take any action under the this Deed of Trust, under applicable law, under an order issued by a competent authority or at the Bondholders’ or the Company’s, including without limitation, the initiation of proceedings or the filing of claims at the Bondholders’ request, the Trustee shall be entitled to refrain from taking any action as aforesaid until it receives a monetary deposit satisfactory thereto, in order to cover the Indemnity Undertaking (the “**Financing Cushion**”) in the amount required at first priority from the Company, and in the event that the Company does not deposit the entire Financing Cushion amount at the date required by the Trustee, the Trustee shall contact the Bondholders holding Bonds as of the record date (as provided in Section 23.5 below) and request each Bondholder to deposit its Pro Rata Portion (as defined below) of the Financing Cushion amount with the Trustee.
- 23.3. The Indemnity Undertaking:
 - 23.3.1 **Shall apply to the Company** in any event of (1) actions taken at the discretion of the Trustee and/or under applicable law and/or required under the Deed of Trust or required in order to protect the Bondholders’ rights (including at a Bondholder’s request for such protection) and/or a case in which the Indemnity Undertaking arises under this Deed (except as specified in Section 23.3.2(1) below); and (2) actions taken and/or required by the Company’s request.

23.3.2 **Shall apply to Bondholders** who held Bonds on the applicable record date (as provided in Section 23.5 below) in any event of (1) actions that were taken and/or those required at the Bondholders' request (excluding actions taken at the Bondholders' request in order to protect the Bondholders' rights), and (2) the Company's failure to pay the Indemnity Undertaking it was required to pay under Subsection 23.3.1 above (subject to the provisions of Section 23.7 below). For the avoidance of doubt, it shall be clarified that non-payment under this Subsection 23.3.2 shall not derogate from the Company's duty to bear the Indemnity Undertaking in accordance with Section 23.3.1 above.

23.4. In any event in which (a) the Company fails to pay the amounts required to cover the Indemnity Undertaking and/or fails to deposit the Financing Cushion amount, as applicable, following a request made in accordance with Section 23.3 above, (b) the Indemnity Undertaking applies to the Bondholders pursuant to Subsection 23.3.2 above or (c) the Bondholders were asked to deposit the amount of Financing Cushion amount pursuant to the provisions of Section 23.3 above, the following provisions shall apply to the payment of the applicable amount:

23.4.1 **First** – this amount shall be financed out of the Interest and/or the Principal payments that the Company shall pay the Bondholders after the date of the required action, and the provisions of Section 12 above shall apply; and

23.4.2 **Second** – if the Trustee is of the opinion that the amounts deposited in the Financing Cushion will not satisfy the Indemnity Undertaking, each Bondholder (as of the record date, as provided in Section 23.5 below) shall deposit its *pro rata* portion of the shortfall with the Trustee. The amount deposited by each Bondholder shall bear an annual interest at a rate equal to the annual interest rate of the Bonds (as is set forth in the First Schedule to the Deed of Trust), and shall be paid according to the priorities set forth in Section 12 above.

“Pro Rata Portion” means the relative portion of the Bonds held by a Bondholder on a given record date (as provided in Section 23.6 below), out of the total number of Bonds in circulation on such date. For the avoidance of doubt, the calculation of the Pro Rata Portion of any Bondholder shall remain unchanged even if, after such record date, a change shall occur to the number of Bonds held by such Bondholder.

23.5. For the avoidance of doubt it is hereby clarified that Bondholders that shall bear responsibility to cover expenses as aforesaid in this Section may bear expenses as aforesaid in this Section beyond their Pro Rata Portion, in which case the reimbursement of such funds shall be in accordance with the order of priority set forth in Section 12 above. The record date for determining the Bondholders' Indemnity Undertaking and/or for the Bondholders' liability of payment of the Financing Cushion shall be as follows:

23.5.1 In any event where the Indemnity Undertaking or payment of the Financing Cushion is required due to an urgent action necessary in order to prevent a materially adverse impact to the Bondholders' rights, without a prior resolution adopted at a Bondholders' Meeting – the record date shall be the end of the Trading Day on which the action has been taken (and if such day is not a Trading Day, the preceding Trading Day).

23.5.2 In any event where the Indemnity Undertaking or payment of the Financing Cushion is required pursuant to a resolution adopted at a Bondholders' Meeting – the record date for the Indemnity Undertaking shall be the record date for participation at such Bondholders' Meeting (as such date shall be set forth in the notice convening the Bondholders' Meeting) and such date shall apply to all the Bondholders, including those who were not present or did not attend the Bondholders' Meeting.

23.5.3 In any other event or in the event of any disagreement with respect to the record date – the record date shall be determined by the Trustee at its sole discretion.

- 23.6. For the avoidance of doubt, the Trustee's receipt from Bondholders of payments paid in respect of the Indemnity Undertaking pursuant to the provisions of Subsection 23.3.2(2) above shall not derogate from the Company's undertaking to make such payments, and the Trustee will use its best efforts to obtain said amounts from the Company according to the provisions of this Section 23.
- 23.7. With respect to priority in reimbursement to Bondholders who bore the payments under this Section out of the proceeds held by the Trustee, see Section 12 of the Deed.

24. **Notices**

- 24.1 Any notice on behalf of the Company and/or the Trustee to the Bondholders shall be provided by way of a report on the MAGNA System on the Israel Securities Authority website. The Trustee may instruct the Company, and the Company will be required to Publish on the MAGNA System on behalf of the Trustee as soon as possible, any report in the form as shall be provided in writing by the Trustee.
- 24.2 Any notice or demand on behalf of the Trustee to the Company or on behalf of the Company to the Trustee may be provided by way of registered mail to the address set forth in this Deed of Trust, or to other address of which one party has notified the other in writing, or by way of email, facsimile, or courier, and any such notice or demand will be deemed to have been received by the addressee as follows:
- 24.2.1. If by registered mail – upon the lapse of three (3) Business Days of the date on which the addressee was invited to collect the mail according to the post office registries.
- 24.2.2. If by facsimile transmission (followed by telephone receipt confirmation) – upon the lapse of one (1) Business Day of said transmission.
- 24.2.3. If by courier – upon delivery by the courier to the addressee or upon it being presented to the addressee for receipt.
- 24.2.4. If by email – upon receipt of telephone or written confirmation whereby the message was received by the recipient.
- 24.3. Copies of notices and invitations provided on behalf of the Company and/or the Trustee to the Bondholders shall be sent by the Company to the Trustee, and by the Trustee to the Company, as applicable.

25. **Waiver and Settlement**

- 25.1 The Trustee may from time to time, if convinced that such action does not prejudice the Bondholders, waive any breach or non-fulfillment by the Company of any of the terms under this Deed of Trust, provided that such action does not pertain to changes concerning: payment terms of the Bonds (including payment dates, interest rates and linkage terms), the expense cushions, the appointment of a representative in Israel, grounds for calling for an immediate repayment, a negative pledge, restrictions on series expansion, the Financial Covenants, interest adjustment mechanisms, a change in the identity of the Trustee or to its remuneration, the appointment of a Trustee in lieu of a Trustee whose term has ended, as well as with respect to reports that the Company is required to provide the Trustee.
- 25.2 The Trustee and the Company shall be entitled to, either before or after the outstanding Principal balance has been called for immediate repayment, amend this Deed of Trust, reach a settlement with respect to any of the Bondholders' rights or claims, and agree to any arrangement with respect to the Bondholders' rights, including the waiver of any of the Bondholders' rights or claims against the Company pursuant to this Deed of Trust, if one of the following conditions is met:
- 25.2.1 The Trustee is of the opinion that the proposed change does not prejudice the Bondholders, provided that such amendment does not pertain to the payment terms under the Bonds (including payment dates, interest rates and linkage terms), expense cushions, the appointment of a representative in Israel, grounds for calling for an immediate repayment, a negative pledge, restrictions on series expansion, the Financial Covenants, interest adjustment mechanisms, a change in the identity of the Trustee or to its remuneration, the appointment of a Trustee in lieu of a Trustee whose term has ended, as well as with respect to reports that the Company is required to furnish the Trustee; or
- 25.2.2 The Bondholders have agreed to the proposed change by way of a Special Resolution.

- 25.3 If the Trustee has reached a settlement with the Company after having obtained the Bondholders' approval in advance, by way of a Special Resolution obtained at a Bondholders' Meeting, the Trustee shall be released from any liability in respect thereto.
- 25.4 The Trustee shall be entitled to demand that the Bondholders deliver the Bond Certificates to it or to the Company in any instance in which the Trustee's rights pursuant to this Section 25 are exercised, in order to register a note therein with respect to any compromise, waiver, or amendment as aforesaid, and at the Trustee's request, the Company shall record such note.
- 25.5 The Trustee shall notify the Bondholders of each instance in which it exercised the Trustee's rights pursuant to this Section 25, within a reasonable period of time thereafter, except if the Trustee exercised its right pursuant to Subsection 25.2.1, in which case the Trustee shall notify the Bondholders within a reasonable period of time prior thereof.

26. **Bondholders Register**

- 26.1 The Company shall keep and maintain a Bondholders Register at its registered office, pursuant to the provisions of the Securities Law.
- The Register shall also record all transfers of registered ownership of Bonds pursuant to the provisions of this Deed of Trust. The Trustee and all Bondholder may, at any reasonable time, review the Register.
- 26.2 The Company shall not be required to record in the Register any notice concerning a trust, pledge or charge of any kind whatsoever or any equitable right, claim, or offset, or any other right with respect the Bonds. The Company shall only recognize the ownership of the Person under whose name the Bonds have been registered, provided that the Bondholder's lawful heirs, executors or administrators of the registered Bondholder and any Person who may be entitled to the Bonds as a consequence of the liquidation of any registered Bondholder, shall be entitled to be registered as Bondholders after providing evidence which the Company shall deem sufficient for proving their right to be registered as the Bondholders of the relevant Bonds.

- 26.3. The Company undertakes to provide a copy of the Register to the Trustee immediately after the Bond Issuance. The Company undertakes to notify the Trustee of any change or update made to the Register.

27. Replacement of the Trustee

- 27.1 The Trustee's term of office, including the termination thereof and the appointment and the termination of any new Trustee and the termination thereof, shall be governed by the provisions of the Securities Law, pursuant to which the Trustee and any successor thereof shall be entitled to resign from its position as Trustee, subject to the approval of the court, and said resignation shall enter into effect on the effective date to be set forth in said approval.
- 27.2 A court may dismiss the Trustee if the Trustee has not performed its duties properly or if a court finds another reason for its dismissal.
- 27.3 A resolution to terminate the term of a Trustee and its replacement with another shall be obtained by way of a resolution approved by 75% of the Bondholders participating in the vote (except abstentions) held at a Bondholders' Meeting attended by Bondholders representing at least fifty percent (50%) of the Bonds in circulation or, in an adjourned meeting, attended by Bondholders representing at least ten percent (10%) of the Bonds in circulation.
- 27.4 A trustee whose term has expired shall continue to serve in said capacity until its successor has been appointed. The successor Trustee shall be appointed at a Bondholders' Meeting convened by the outgoing Trustee or by the Bondholders, pursuant to the provisions of the foregoing Subsection 27.3.
- 27.5 Any successor Trustee shall have the same powers, authorities and other permissions as the outgoing Trustee and may act as though it were appointed as Trustee from the outset.

28. Reports to the Trustee and to the Bondholders

For as long as there remain Bonds in circulation, the Company shall prepare and deliver to the Trustee the following reports and notices:

- 28.1 Audited annual Financial Statements, immediately upon their publication, according to the dates in which the Company is required to publish them as a public company, under any law, even if the Company is not a Reporting Corporation.

- 28.2 Reviewed quarterly Financial Statements, immediately upon their publication, according to the in which the Company is required to publish them as a public company, under any law, even if the Company is not a Reporting Corporation.
- 28.3 Notices regarding the buyback of Bonds by the Company or by a company controlled thereby, or in the event the Company becomes aware of the purchase thereof by any other Related Holder, as set forth in Section 5 above, as well as copies of notices to the public which the Company is required to provide pursuant to applicable law, and of any other notices and/or invitations to Bondholders' Meetings the Company may provide to the Bondholders in its name or on behalf of the Trustee.
- 28.4 In the event the Company ceases to be a Reporting Corporation, any report required from a company that is not a Reporting Corporation pursuant to the Regulation Codex, including the provisions concerning investments made by institutional investors in non-government bonds. Any such report will be executed by the CEO (or such person fulfilling this position even if his or her title is different) and the Company's Chief Financial Officer.

The Company's submission of the documents as required under this Section 28 on the MAGNA website of the Israel Securities Authority shall be deemed a delivery of said documents to the Trustee.

The Trustee shall be entitled, at its sole discretion, to forward to the Bondholders documents it shall receive as set forth above.

29. **Bondholders' Meetings**

Bondholders' Meetings shall be convened and held in accordance with the provisions set forth in the Second Schedule to this Deed of Trust.

30. **Governing Law**

All matters deriving from this Deed or associated therewith shall be interpreted solely pursuant a and subject to the laws of the State of Israel, and for as long as the Bonds are Listed, the provisions set forth in the Stock Exchange's Bylaws and Guidelines. Without derogating from the provisions of Section 1.7 above, with respect to any matter which is not addressed in this Deed and in any event of a contradiction between the cogent provisions of the applicable laws of the State of Israel and the provisions of this Deed, the parties shall act pursuant to the provisions set forth in the of the laws of the State of Israel. The competent courts of Tel Aviv - Jaffa shall have sole jurisdiction to settle any matter arising from or associated with this Deed and/or the Bonds.

The Company shall not object to any motion filed on behalf of the Trustee and/or a Bondholder which was submitted to a court in Israel in order to apply Israeli law with respect to a settlement, debt arrangement and/or insolvency concerning the Company. The Company shall not object should the Israeli court seek to apply Israeli Law with respect a settlement, debt arrangement and/or insolvency concerning the Company, and the Company shall not raise arguments against Israeli jurisdiction with respect to proceedings initiated by the Trustee and/or the Bondholders as set forth above.

31. **Trustee’s Responsibility**

- 31.1 Notwithstanding what is stated in any law and anywhere in the Deed of Trust, insofar as the Trustee acted to fulfill its duty in good faith and within a reasonable time and also examined the facts that a reasonable Trustee would have examined under the circumstances, it shall not be liable for damages caused, unless a final ruling resolved that the Trustee acted with gross negligence. It is clarified that to the extent that a contradiction arises between the provision of this Section and another provision of the Deed of Trust, the provision of this Section shall prevail.
- 31.2 . If the Trustee acted in good faith and without negligence in accordance with the provisions of Section 35H(d2) or 35H(d3) of the Law, it shall not be liable for performing said action.

32. **Addresses**

The addresses of the parties are as set forth in the preamble to this Deed, or any other address in respect of which appropriate written notice is provided to the other party.

In witness whereof the parties have hereunto signed:

UMH PROPERTIES, INC

I the undersigned, Adv. _____ hereby confirm that this Deed of Trust was signed by **UMH PROPERTIES, INC** (“UMH”), by _____, and their signatures bind UMH in all respects.
_____, Adv.

Resnik Paz Nevo Trusts Ltd.

I the undersigned, _____ hereby confirm that this Deed of Trust was signed by _____, and that their signatures bind **Resnik Paz Nevo Trusts Ltd.** (the “Trustee”), in all respects.

_____.

UMH PROPERTIES, INC

The First Schedule

Bond Certificate

NIS 328,962,000, Bonds (Series A)

The Principal of the Bonds shall be repaid in one installment, on February 28, 2027.

The Principal on the Bonds shall bear fixed annual interest at a rate to be determined in the Public Tender to be held with respect of the Issuance (hereafter, the “**Base Interest**” or the “**Annual Interest**”), subject to adjustments as set forth in Section 7 to the Deed of Trust. The interest shall be payable in semiannual installments at the end of each period, on August 31, 2022, and on February 28 and August 31 of each of the years 2023-2026 (inclusive) and on February 28, 2027 (each, an “**Interest Payment Date**”), for the six (6) month period commencing on the previous Interest Payment Date and ending on the day immediately preceding the applicable Interest Payment Date (the “**Interest Period**”), except for the First Interest Payment Date, which shall be August 31, 2022, for the period commencing on the first Trading Day after the Public Tender Date and ending on the day immediately preceding the First Interest Payment Date (the “**First Interest Period**”) and which shall be calculated on the basis of 365 days in a year and the actual number of days in such period.

Registered Holder of this Bond: _____ (the “**Bondholder**” or “**Holder**”)

Certificate Number: 1

Par value of Bonds subject to this Certificate: 328,962,000

Interest: 4.72% per annum

This certificate witnesses that **UMH PROPERTIES, INC.** (the “**Company**”) shall pay to the Holder or to whomever is the registered as the Holder of this Bond the amount it has undertaken, all subject to the remaining provisions set forth in the Terms and Conditions Overleaf.

The final interest payment shall be paid on February 28, 2027, together with the final Principal repayment and against the delivery of the Bond Certificates to the Company and/or to any third party as instructed by the Company.

All the Bonds in this series are not secured by any collateral and will rank *pari passu* among themselves, without any single Bond having preference or priority over the other. This Bond is being issued subject to the conditions set forth in the Terms and Conditions Overleaf and the conditions set forth in the Deed of Trust between the Company and Resnik Paz Nevo Trusts Ltd. (the “**Trustee**”), dated January 31, 2022 (the “**Deed of Trust**”).

Signed by the Company on February 6, 2022

By: UMH PROPERTIES, INC.

Name: Craig Koster

Title: General Counsel

TERMS AND CONDITIONS OVERLEAF

1. General

- 1.1 In this Bond, terms and expressions shall have the meanings prescribed thereto in the Deed of Trust, unless otherwise explicitly stated
- 1.2 The provisions of the Deed of Trust with respect to the Bond Certificate (including the Terms and Conditions Overleaf) shall be deemed explicitly incorporated in the conditions of these Bonds.
- 1.3 The Bonds shall rank *pari passu* to the other Bonds in the same series, without any Bond having priority over another.
- 1.4 In case of a contradiction between the provisions set forth in the Deed of Trust and those of the Terms and Conditions Overleaf, the Deed of Trust shall prevail.

2. Repayment of the Bonds; Interest

2.1 Repayment of the Bonds

The Principal on the Bonds shall be repaid in one installment, on February 28, 2027.

2.2 Interest

The Principal on the Bonds shall bear fixed annual interest at a rate to be determined in the Public Tender with respect to the Issuance (hereafter, the “**Base Interest**” or the “**Annual Interest**”), subject to adjustments as set forth in Section 7 to the Deed. The interest shall be payable in semi-annual installments at the end of each period, on August 31, 2022, and on February 28 and August 31 of each of the years 2023-2026 (inclusive) and on February 28, 2027 (each, an “**Interest Payment Date**”), for the six (6) month period commencing on the previous Interest Payment Date and ending on the day immediately preceding the applicable Interest Payment Date (the “**Interest Period**”), except for the First Interest Payment Date, which shall take payable on August 31, 2022, for the period commencing on the first Trading Day following the Public Tender and ending on the day immediately preceding such First Interest Payment Date (the “**First Interest Period**”), which shall be calculated on the basis of 365 days in a year and the actual number of days in such period.

3. **Payments of Principal and Interest on the Bonds**

- 3.1. **Record Date** – Payments on account of the Principal and/or any Interest thereon shall be paid to the relevant Bondholder on the following dates:
- 3.1.1. Payments due on August 31 shall be made to those holding Bonds as at the end of the Trading Day on August 19.
 - 3.1.2. Payments due on February 28 (excluding the final payment of Principal and Interest) shall be made those holding Bonds as at the end of the Trading Day on February 16.
 - 3.1.3. The final payment of Principal and Interest shall be made against the delivery of the Bond Certificates to the Company, on the payment date, at a location in Israel as the Company shall instruct the Trustee, no later than five (5) Business Days prior to the last payment date.

In the event any payment date on account of Principal and/or Interest is not a Business Day, the payment date shall be postponed to the following Business Day and no interest or other payment shall be due on account of such delay, and the record date for determining the eligibility for redemption or interest shall not be changed as a result of such postponement.

- 3.2 The repayment of the Principal (whether scheduled, upon calling for an immediate repayment or upon an early redemption) and interest payments on the outstanding Principal balance, shall be made to the Bondholders in NIS, linked to the Dollar, as follows: (i) if the Payment Rate is higher than the Base Rate, then such payment in NIS shall be increased proportionately to the rate of increase of the Payment Rate compared to the Base Rate; (ii) if the Payment Rate is lower than the Base Rate, then such payment in NIS shall be reduced proportionately to the rate of decrease of the Payment Rate compared to the Base Rate; and (iii) if the Payment Rate is equal to the Base Rate, then such payment shall be made in the NIS amount originally determined. Pursuant to the Stock Exchange Guidelines, the linkage method cannot be modified. Payment to a Registered Bondholder will be made by check or wire transfer in favor of said persons whose names are registered in the Register or those who delivered the Bond Certificates in accordance with Subsection 2.3 above.
- 3.3 The Bondholder will inform the Company of its bank account information for crediting the payments to which said Bondholder is entitled under the Bonds, or of any change in said information or in the Bondholder's address, as applicable, by way of a written notice sent to the Company via registered mail. The Company will be obligated to act according to the Bondholder's notice with respect to such change, provided said notice was received after thirty (30) Business Days have elapsed as of the date in which the Bondholders' notice reached the Company. If a Bondholder who is entitled to payment as aforesaid fails to duly provide the Company with information pertaining to its bank account, then each payment on account of the Principal and/or Interest shall be made by way of a check sent via registered mail to its last known address as recorded in the Register. The sending of a check to a registered Holder via registered mail in accordance with the foregoing shall be deemed, for all intents and purposes, as payment of the amount stated therein on the date in which it was sent via post, unless it was not cleared when duly presented for at the time of its lawful presentation for collection.

- 3.4 A Bondholder wishing to alter the payment instruction it has provided may do so by providing notice sent by registered mail to the Company's registered office, and the Company shall comply with such instructions only if they have been received at the Company's registered office at least 30 days prior to the record date for an applicable payment. In the event such instructions are received after such day, the Company shall act according to said instructions with respect to subsequent payments.
- 3.5 Tax shall be withheld from each payment made by the Company to the Bondholders as required under applicable law, unless the Bondholders have provided the Company with a valid withholding tax exemption from the applicable tax authority, in a form satisfactory to the Company. The Company shall be entitled to rely on the information provided to it by the Nominee Company and which appears in the register maintained by the Stock Exchange Clearing House with respect to Bondholders entitled to payment, including information pertaining to the scope of their holdings in the Bonds and the interest to which they are entitled on any applicable Interest Payment Date.
- 3.6 Payment to an unregistered Bondholder will be made through the Tel Aviv Stock Exchange Clearing House.
- 3.7 Any payment on account of Principal and/or interest thereon that is paid at a date exceeding seven (7) days after the date scheduled for its repayment under the Bonds, for reasons within the Company's control, shall bear an additional default interest for the delay period at an annual interest rate of four percent (4%) ("**Default Interest**"), which shall be added to the interest borne by the Bonds at said time. If applied, the additional interest will be calculated from the date scheduled for the repayment. The Company shall issue an Immediate Report in the MAGNA System and/or on the Maya website, stating the exact rate including any Default Interest, no later than two (2) Business Days after such additional interest will apply to the Bonds.

4. **Failure to Make a Payment for Reason Beyond the Company's Control**

See Section 14 to the Deed of Trust.

5. **Bondholders Register**

See Section 26 to the Deed of Trust.

6. **Transfer and Split of Bond Certificates**

The Bonds are transferrable with respect to any par value amount, provided that it will be in whole New Israeli Shekels. Any transfer of Bonds (excluding a transfer executed by way of trading on the Stock Exchange or a transfer between Bondholders held by a Stock Exchange member) will be carried by way of a deed of transfer in a standard form for transferring securities, duly signed by the registered Bondholder (or its lawful representative) and by the transferee (or its lawful representative), which shall be delivered to the Company at its registered office, together with the Bond Certificate(s) transferred thereby and any other reasonable proof required by the Company in order to evidence the transferor's right to carry out said transference.

The transferring party shall provide the Company with reasonable evidence concerning the settlement of any payment required under applicable law in order to carry out the transference.

In the event whereby only part of the Principal amount set forth in the Bond Certificate is transferred, the Bond Certificate should first be split into several certificates, in the manner specified below.

After the fulfillment of all such conditions, the transfer will be registered in the Register and the transferee shall be bound by the terms specified in the Deed of Trust and in the Bond certificate and will be deemed a "Bondholder" for purposes of the Bond.

Each Bond certificate may be split into several new certificates and the total Principal amounts stated thereon shall be equal to the par value Principal amount of the Bond certificate subject to such split, provided that the new certificates shall each have par value amounts in whole NIS. The split will be carried out against the delivery of said Bond certificate to the Company at its registered office in order to carry out the split. All expenses associated with splitting of Bonds, including any stamp duty and other fees, if any, shall apply to the person requesting the split.

7. **Early Redemption**

See Section 9 to the Deed of Trust.

8. **Bond Buyback**

See Section 5 to the Deed of Trust.

9. **Additional Issuances**

See Section 2.9 to the Deed of Trust.

10. **Waiver and Settlement**

See Section 25 to the Deed of Trust.

11. **Bondholders' Meetings**

Bondholders' Meetings shall be convened and conducted in accordance with the provisions of Second Schedule to the Deed of Trust.

12. **Receipts as Proof**

See Section 15 to the Deed of Trust.

13. **Replacing Bond Certificates**

If a Bond certificate become worn, is lost, or destroyed, the Company may issue a new certificate *in lieu* thereof, under the same terms and conditions, provided that in the event the Bond certificate becomes worn, the worn Bond certificate shall be returned to the Company before the new certificate is issued. Any levies, taxes and other expenses associated with the issuance of the new certificate shall be borne by the person requesting said certificate.

14. **Calling for an Immediate Repayment**

See Section 10 to the Deed of Trust.

15. **Notices**

See Section 24 to the Deed of Trust.

UMH PROPERTIES, INC

Second Schedule

General Meetings of Bondholders

In any event that a different and/or supplementary mechanism for convening and/or holding of a Bondholders' Meeting shall be prescribed under any applicable law, including pursuant to the Stock Exchange's bylaws and guidelines, the provisions of this Schedule shall be automatically adjusted to the provisions of the law, to the extent the provisions of such law so mandate.

Without derogating from any other provision under applicable law or under the Deed of Trust, the following provisions shall apply to Bondholders' Meetings:

Convening Bondholders' Meetings

1. The Trustee, if it deems it necessary, if required by law or if requested by the Company, will convene a Bondholders' Meeting at the Company expense.
2. The Trustee shall convene a Bondholders' Meeting at the request of one or more Bondholders, holding at least five percent (5%) of the outstanding balance of the par value of the Bonds. The agenda of such meeting will include the subject which was requested by said Bondholder and may include additional items at the discretion of the Trustee. The Trustee may demand the Bondholders requesting the meeting to reimburse it for the reasonable expenses in connection therewith. For the avoidance of doubt, the Trustee's demand for reimbursement shall not prejudice the convening of a meeting called in order to take action aimed at preventing of a breach of the Bondholders' rights. It is noted that the Trustee's demand for reimbursement will not constitute a condition for convening a Bondholders' Meeting required in order to protect the Bondholders' rights and will not derogate from the Company's obligation to bear the costs of such meeting.
3. If the Trustee convenes a Bondholders' Meeting, it will convene it by publishing an invitation in an Immediate Report on the MAGNA and/or Maya System. This invitation will include notice of the place, date, and time for the meeting, as well as the agenda and the matters to be discussed therein.
4. The Trustee shall convene a Bondholders' Meeting pursuant to Section 2 above on a date not earlier than seven (7) days and not later than twenty-one (21) days from the date on which the Bondholders' request was submitted thereto; nevertheless, the Trustee may convene a Bondholders' Meeting on an earlier date if it believes that it is required in order to protect the Bondholders' rights and subject to the provisions of Section 7 below. In such case, the Trustee shall specify in the convening notice for such meeting the reasons for convening the Bondholders' Meeting at an earlier date.

5. If the Trustee failed to convene a Bondholders' Meeting upon the request of a Bondholder entitled thereto within the aforementioned period, the Bondholder may convene a Bondholders' Meeting, provided that the meeting shall take place on a date that is within fourteen (14) days from the end of the period in which the Trustee was required to convene such meeting, and the Trustee shall bear the expenses incurred by the Bondholder with respect to the convening thereof.
6. Notwithstanding the foregoing, it is possible to convene a Bondholders' Meeting only for the purpose of consultation and/or reporting, with a one-day prior notice (or more). No Bondholders' resolutions will be adopted in such meeting ("**Consultation Meeting**").
7. The Trustee is authorized to reschedule any Bondholders' Meeting. If a Bondholders' Meeting was not convened as set forth in Section 2 above or as set forth in Section 35B(a1) of the Securities Law, the court shall be entitled, at the request of a Bondholder, to order the convening thereof. In the event the aforesaid court order is granted, the Trustee shall bear the reasonable expenses incurred by the requesting Bondholder associated with obtaining said court order, in the amount determined by the court.
8. The court may, at the request of a Bondholder, order the revocation of a resolution adopted at a Bondholders' Meeting that was convened or conducted without complying with the terms prescribed therefor under applicable law or under the Deed of Trust. In case the fault pertains to the place or the time in which the Bondholders' Meeting is convened, as set forth in the convening notice, a Bondholder who attended said meeting, notwithstanding the fault, may not demand the revocation of the resolution.
9. Each Bondholders' Meeting shall take place at the Company's registered office in Israel, or at another address to be determined by the Company, provided that said address is in Israel.

Record Date; Proof of Ownership

10. The record date with respect to ownership of Bonds in order to establish the Bondholders' entitlement to participate and vote at the Bondholders' Meeting shall be the date set forth in the notice of the Bondholders' Meeting. The record date shall be determined by the Trustee subject to the law, which currently provides that such date shall be no less than three (3) Trading Days prior to the date on which Bondholders' Meeting is held, and no more than fourteen (14) days prior to the date of said meeting.
11. A Bondholder wishing to vote at a Bondholders' Meeting is entitled to receive from the Stock Exchange member by which the Bonds are held, a confirmation of its ownership of the Bonds. The Bondholder shall deliver to the Trustee at its registered office in Israel or through the ISA's electronic voting system (or in any other way which will be specified in the invitation), no later than the date as determined by the Person calling the Bondholder Meeting in the meeting invitation, said confirmation specifying the number of Bonds held by the Bondholder as of the date specified in said certificate, together with a power of attorney if such ownership confirmation does not indicate the name of the person participating at the meeting.

Meeting Chairperson

12. The Trustee or a person appointed thereby shall serve as the Chairman of the Bondholders' Meeting.

Legal Quorum; Adjourned Meeting

13. The Bondholders' Meeting will commence after it has been confirmed that the legal quorum required for holding a discussion in respect of any of the items on the meeting's agenda is present. In the Bondholders' Meeting, only resolutions which were included in the meeting's agenda will be put to a vote, provided that the legal quorum required for adoption thereof is present as further provided below.
14. The presence of Bondholders (one or more) irrespective of the amount of voting rights held thereby will constitute a legal quorum in a Consultation Meeting. The legal quorum required in order to adopt an Ordinary Resolution shall be the presence of two or more Bondholders, present in person or by proxy within half an hour as of the time prescribed for the beginning of the Bondholders' Meeting, jointly holding or representing at least twenty five percent (25%) of the voting rights assigned to the Bonds except with respect to resolutions for which a different quorum is required under applicable law or under the Deed of Trust.
15. If a legal quorum shall not be present within half an hour from the time prescribed for the beginning of a Bondholders' Meeting, such meeting shall be adjourned to another date which shall be no earlier than two (2) Business Days after the date prescribed for the convening of the original meeting or, if the Trustee believes that the Bondholders' Meeting is required in order to protect the Bondholders' rights, not earlier than one (1) Business Day after the date prescribed for the convening of the original meeting. In the event the Bondholders' Meeting was adjourned, the Trustee shall specify the reasons therefor in the notice announcing the new time and place of the adjourned Bondholders' Meeting.
16. If a legal quorum shall not be present at an adjourned Bondholders' Meeting within half an hour from the time prescribed for the beginning thereof, such meeting shall be held with any number of participants, unless otherwise provided by applicable law or the Deed of Trust. Notwithstanding the foregoing, if the Bondholders' Meeting was convened at the request of Bondholders as set forth in Section 2 above, the adjourned Bondholders' Meeting may be held only if the number of Bondholders required thereunder for convening a Bondholders' Meeting is present.

17. The presence of Bondholders, in person or by proxy, within half an hour from the time prescribed for the beginning of the Bondholders' Meeting, and jointly holding or representing at least fifty percent (50%) of the outstanding balance of the par value of the Bonds in circulation, shall constitute a legal quorum at any Bondholders' Meeting on the agenda of which there exists a proposal to approve a Special Resolution. If, within half an hour of the time from the time prescribed for the beginning of such meeting, a legal quorum shall not be present, such meeting shall be adjourned and the provisions of Section 12 above shall apply, *mutatis mutandis*. At a Bondholders' Meeting on the agenda of which there exists a proposal to approve a Special Resolution which was adjourned, the presence of at least two or more Bondholders, present in person or by proxy, jointly holding or representing at least twenty percent (20%) of the outstanding balance of the par value of the Bonds in circulation, shall constitute a legal quorum.
18. A Related Holder shall not be counted for purposes of determining the presence of a legal quorum required to open a Bondholders' Meeting (including any adjourned meeting) and will not be entitled to exercise the voting rights inherent in the Bonds held by it.

Continued Meeting

19. The majority of Bondholders at a Bondholders' Meeting in which a legal quorum is present, or the Trustee, may resolve to postpone the continuation of the Bondholders' Meeting, including any discussion or adoption of a resolution with respect to a matter specified in the agenda of such meeting, to another date and place to be determined (a "**Continued Meeting**"). At a Continued Meeting, only such matter which was on the agenda of the original Bondholders' Meeting and with respect thereof a resolution was not previously adopted shall be addressed. In the event that the Bondholders' Meeting was adjourned without amending its agenda, notification regarding the date of the new meeting shall be provided as soon as possible, but in any event no later than twelve (12) hours prior to convening the new Bondholders' Meeting. Notice of such a meeting shall be issued in accordance with the provisions of Section 31 below.

Vote; Required Majority

20. Any Bondholder which is present, in person or by proxy, at a Bondholders' Meeting, is entitled to one vote for every NIS 1 par value of the Principal of the Bonds held thereby, subject to the provisions of the Deed of Trust. The Trustee shall participate at Bondholders' Meetings, without any voting rights.

21. In the event that Bonds are jointly held by two or more Bondholders, only the vote of the Bondholder listed first in the Register of the same Bond series and wishing to vote either in person or by proxy, will be counted.
22. A resolution at a Bondholders' Meeting will be decided based on a tally of votes.
23. Resolutions shall be adopted at Bondholders' Meetings by a simple majority out of all participating votes, excluding abstentions, unless a different majority is prescribed under applicable law or under the Deed of Trust, or if the Trustee resolved, pursuant to the authority granted to it under the Deed of Trust, that a resolution shall be adopted by a majority which is not a simple majority. The adoption of a Special Resolution at a Bondholders' Meeting shall require a majority of at least two thirds (2/3) of all of the participating votes, excluding abstentions.
24. The Chairman's announcement regarding the adoption or rejection of a resolution and the recording thereof in the meeting's minutes, will serve as *prima facie* evidence of its adoption or rejection as aforesaid.
25. A Bondholder may vote in Bondholders' Meetings by itself or via proxy and also by way of a written ballot in which he shall state the manner of its vote, as specified in Section 28 below. A proxy appointing letter shall be made in writing and signed by the appointer or by its representative, who has been authorized in writing to do so. If the appointer is a corporation, the appointing shall be made in writing, the corporate stamp shall be placed thereupon alongside the signature of an Officer or an attorney representing the corporation who is authorized to do so. The proxy appointing letter may be drawn-up in any standard form. A proxy does not have to be a Bondholder.
26. A proxy appointing letter and a power of attorney pursuant to which the appointing form was signed, or a certified copy thereof, shall be delivered to the Trustee's registered office in Israel (or as will be instructed in the invitation) no later than the date as shall be determined by the Person convening the Bondholders' Meeting and as set forth in the meeting's convening notice, unless otherwise determined by the Trustee. The proxy appointing letter will be valid for any adjourned meeting of the meeting referred to in the proxy appointing letter, unless otherwise provided therein.
27. A vote cast in accordance with the provisions set forth in the proxy appointing letter shall be valid even if prior thereto, the appointer has passed away or was declared legally incompetent, or if the proxy appointing letter was revoked or the Bonds with respect to which the vote was granted were transferred.
28. A Bondholder or its proxy may cast a portion of its votes in favor of a certain proposal, and a portion against, and abstain in respect of others, all as he deems fit.

Minutes

29. The Trustee will record minutes of the Bondholders' Meetings and shall keep a copy of such at its registered office for a period of seven (7) years following the date of such meeting. Minutes executed by the Chairman of the meeting shall serve as *prima facie* evidence of the contents recorded therein. The Trustee shall maintain at its registered office a register containing the minutes recorded at Bondholders' Meetings, which shall be open for the Bondholders' and the Company's review (with respect to the part of the meeting in which only the Company's representatives were present) and a copy thereof shall be sent to any Bondholder at its request.

Written Ballot

30. Bondholders may vote at Bondholders' Meetings by way of a written ballot. A written ballot shall be Published by the Trustee in the MAGNA or Maya system and will specify the deadline for voting. A Bondholder may state the manner of its vote in the written ballot and send it to the Trustee. Subject to applicable law, each Bondholder is entitled to receive a written ballot from the Stock Exchange member by which its Bonds are held. Voting by way of a written ballot, shall be subject to the following conditions: (i) the written ballot shall be delivered to the place, at the dates and to the persons as shall be set forth in the notice of the Bondholders' Meetings and/or in the written ballot, and (ii) the written ballot shall be completed, duly signed and accompanied by all of the required documents attached thereto. A written ballot in which the Bondholder has set forth the manner in which he wishes to vote and was received by the Trustee prior to the last day scheduled therefor, shall be counted for determining a legal quorum. A written ballot received by the Trustee in respect of a certain matter which was not voted on at a Bondholders' Meeting shall be considered as abstaining from the vote at such meeting in respect of a resolution to hold a Continued Meeting according to the provisions of Section 16 above, and shall be counted at the adjourned Bondholders' Meeting to be held pursuant to the provisions of Sections 13 or 16 above. A written ballot which was submitted without the relevant documents or which was not duly completed or signed, will be disqualified from the voting.
31. The trustee may require a holder to declare within the framework of a written ballot the existence or absence of a conflicting interest that he has, and a Holder who will not complete the written ballot in full and/or who does not prove its eligibility to attend and vote at the meeting under the Second Schedule, shall be deemed as one who did not provide a written ballot and chose not to vote on the matters(s) set forth in the written ballot. A Bondholder who declares that he has a conflicting interest will be considered as instructing the Trustee not to count its vote in the vote (but to count them for the purpose of the legal quorum).
32. The Trustee shall be entitled, at its discretion and subject to any law, to hold voting meetings at which votes shall be held by way of written ballots and without convening the holders, and to hold votes by written ballot at a voting meeting (including at its adjourned meeting) at the opening of which the legal quorum required to adopt the resolution on the agenda was not present, provided that the Trustee obtained, by the closing of the voting meeting, as set forth in the notice for convening the meeting or holding a vote, as applicable, written ballots from Bondholders constituting a legal quorum required to adopt a resolution in the original or adjourned meeting, as applicable.

Presence

33. A person or persons appointed by the Trustee may be present but shall not be entitled to vote at Bondholders' Meetings. The Company's representatives and any other person or persons permitted by the Trustee may be present, with no voting rights. In the event that, at the Trustee's discretion, part of a Bondholders' Meeting calls for a discussion in the absence of a certain person, including the Company's representatives, such person shall not participate in said part of the discussion.

Meeting Notice; Agenda

34. The Trustee shall determine the agenda for a Bondholders' Meeting and shall include therein the matters in respect of which the convening of the Bondholders' Meeting was required pursuant to Section 2 above and any issue requested by a Bondholder as specified in Section 33 below. The Bondholders at a Bondholders' Meeting shall only adopt resolutions in respect of matters specified on the agenda. Notwithstanding the foregoing, the Bondholders at a Bondholders' Meeting may adopt resolutions that differ in wording from the resolutions on the agenda, according to the provisions of applicable law.
35. One Bondholder or more, holding at least five percent (5%) of the outstanding balance of the par value of the Bonds, may request that the Trustee include a certain matter on the agenda of a Bondholders' Meeting that shall be convened in the future, provided that such matter is appropriate for discussion at said meeting, subject to applicable law.

Additional Provisions

36. Nothing stated in Sections 2, 32 and 33 above shall derogate from the Trustee's authority to convene a Bondholders' Meeting if it deems it necessary in order to consult with the Bondholders. Notice of such a Bondholders' Meeting need not specify the matters on its agenda, and the date of such meeting shall be at least one day after the date on which notice thereof was given. No vote shall be held, and no resolutions shall be adopted, at such meeting and the provisions of the Securities Law shall apply thereto, other than the provisions specified in Section 35(12)26 of the Securities Law.
37. If it is not possible to convene a Bondholders' Meeting or to hold such meeting in the manner prescribed by the Deed of Trust or by the Securities Law, a court may, at the request of the Company, a Bondholder entitled to vote at a Bondholders' Meeting or the Trustee, order that a Bondholders' Meeting be convened and held in a manner determined by the court, and the court shall be entitled to set forth additional instructions for such purpose to the extent deemed fit thereby.

No resolution duly adopted at a Bondholders' Meeting convened in accordance with this Schedule shall be revoked, even if due to an error, notice thereof was not provided to all Bondholders, or if such notice was not received by all of the Bondholders, provided that notice of such meeting (or the adjourned meeting, as applicable) was Published on the MAGNA website of the Israel Securities Authority.

Announcing the of Decision

38. The Chairman's announcement that a resolution at a Bondholders' Meeting has been adopted or rejected, either unanimously or by a certain majority, shall be *prima facie* evidence of what is stated therein.
39. This Schedule will be subject to the Securities Regulations (Voting in Writing, Position Statements and Proof of Ownership in Bonds for the Purpose of Voting at a Bondholders Meeting), 5775-2015.

UMH PROPERTIES, INC

Third Schedule

Urgent Representation of the Bondholders

With respect to the Bonds, inasmuch as an Urgent Representation of the Bondholders is appointed, the Company undertakes that the Urgent Representation shall be appointed to act in accordance with the relevant provisions set forth in the Regulation Codex, as amended and updated from time to time, and the Company further undertakes to fully cooperate with the Urgent Representation and with the Trustee as necessary for them to conduct the investigations required by them and to formulate the Urgent Representation's decisions and to provide the Urgent Representation with any information and documents required by them with respect to the Company.

1. Appointment; term of tenure

- 1.1 The Trustee shall appoint and convene an Urgent Representation from amongst the Bondholders, as specified below (the "**Urgent Representation**"), at its own initiative or upon receiving the Company's written request to do so.
- 1.2 The Trustee shall appoint to the Urgent Representation the three (3) Bondholders which, based on information provided by the Company, hold the highest par value of outstanding Bonds amongst the Bondholders and which declare that the following conditions are true in respect of them (the "**Members of the Urgent Representation**"). In the event any of the aforementioned Bondholders are not able to serve as Members of the Urgent Representation, the Trustee shall appoint in lieu thereof the Bondholder holding the next highest par value of outstanding Bonds and for which all of the conditions specified hereunder hold true:
 - 1.2.1 The Bondholder is not in a material conflict of interest due to the existence of any additional material matter conflicting with the matter deriving from his service on the Urgent Representation and his holding the Bonds. For avoidance of doubt, a Holder who is a Related Holder (as defined in Section 5.2 to the Deed of Trust) shall be deemed to be in a material conflict of interest as aforementioned and shall not serve as a Member of the Urgent Representation; and
 - 1.2.2 In the course of the same calendar year, the Bondholder does not serve on similar representations in respect of other bonds with an aggregate value exceeding the percentage out of the asset portfolio managed thereby that was determined as the maximum percentage permitting service on an urgent representation under the directives of the Commissioner of the Anti-Trust Authority ("**the Commissioner**") which apply to the establishment of urgent representations.

- 1.3 If during the service of the Urgent Representation, one of the conditions set forth in Subsection 1.2.1 to 1.2.2 above shall have ceased to hold true with respect to any of its members, the term of such member shall expire and the Trustee shall appoint another member in lieu thereof from amongst the Bondholders as set forth in Section 1.2 above.
- 1.4 Prior to appointing the Members of the Urgent Representation, the Trustee shall receive from the candidates for service as Members of the Urgent Representation, a declaration regarding the existence or absence of material conflicts of interest as set forth in Subsection 1.2.1 above, and regarding service on additional urgent representation as set forth in Subsection 1.2.2 above. In addition, the Trustee shall be entitled to demand such declaration from Members of the Urgent Representation at any time during the term of the Urgent Representation. A Holder who fails to provide such declaration shall be deemed to have a material conflict of interest or to be prohibited from serving by virtue of the Commissioner's directives, as applicable. With respect to the declarations regarding conflict of interests, the Trustee shall examine the existence of the conflicted interests, and if necessary, decide whether the conflict of interests disqualifies such Holder from serving on the Urgent Representation. It is hereby clarified that the Trustee shall rely on such declarations and shall not conduct examinations or other independent investigations. Subject to applicable law, the Trustee's determination in these matters shall be final.
- 1.5 Immediately after the appointment of the Urgent Representation, the Trustee shall notify the Company thereof and shall set forth the names of the members serving thereon.
- 1.6 The term of the Urgent Representation shall end on the date on which the Company shall publish the decisions made by the Urgent Representation with respect to granting an extension to the Company for the purpose of its compliance with the terms under the Deed of Trust as detailed in Section 1.7 below. The Company shall make public all of the information provided to the Urgent Representation upon the termination of the Urgent Representation's term.
- 1.7 The Company shall Publish an Immediate Report immediately after the appointment of the Urgent Representation, stating the appointment of the Urgent Representation, the identity of its members and the powers vested therein. In addition, the Company shall Publish an Immediate report regarding the decisions made by the Urgent Representation.

2. Authority

- 2.1 The Urgent Representation shall have authority to grant a one-time extension to the Company with respect to the dates by which the Company must comply with any of the Financial Covenants set forth in Sections 6.1 and 6.2 of the Deed of Trust, until the earlier of (i) a period of additional ninety (90) days; or (ii) the date of publication of the Company's next consolidated, audited or reviewed (as the case may be) Financial Statements which the Company must publish by such date. It is clarified that the period until the appointment of the Urgent Representation shall be taken into account within the framework of such extension and shall not constitute grounds for the granting any additional extension to the Company beyond the aforementioned period. It is further clarified that the operation of the Urgent Representation and cooperation among its members shall be limited to the discussion of granting such extension, and no other information which does not concern the granting of such extension shall be transferred among the members of the Urgent Representation.
- 2.2 If an Urgent Representation is not appointed according to the provisions of this Schedule, or if the Urgent Representation resolved not to grant the Company an extension as set forth in Section 2.1 above, the Trustee shall act pursuant to the provisions set forth in Section 10.2 to the Deed of Trust.

3. Company Undertakings

- 3.1 The Company undertakes to provide the Trustee with all of the information in its possession or which it can obtain regarding the identity of the Bondholders and the scope of their holdings. In addition, the Trustee shall act to receive such information in accordance with powers granted hereto by law.
- 3.2 Furthermore, the Company undertakes to fully cooperate with the Urgent Representation and with the Trustee as shall be necessary to allow them to conduct the investigations required thereby and formulate the Urgent Representation's resolution, as well as to provide the Urgent Representation with any information and documents required thereby with respect to the Company, subject to the restrictions of the law. Without derogating from the generality of the foregoing, the Company shall provide the Urgent Representation with information relevant for it to arrive at a conclusion and shall not include any misleading or incomplete information.

- 3.3 The Company shall bear all of the expenses of the Urgent Representation, including expenses with respect to the engagement of advisors and experts by, or on behalf of, the Urgent Representation.
- 3.4 The appointment of the Urgent Representation or its operation shall by no means prejudice the powers granted to the Trustee according to the law and to the Deed of Trust and they will not limit the Trustee in its actions under the law and under the Deed of Trust.

4. Liability

- 4.1 The Urgent Representation shall act on and resolve on the matters at hand, at its sole and absolute discretion, and shall not be liable, nor shall any of its members or their officers, employees or advisors be liable, and the Company and the Bondholders hereby exempt them, with respect to any lawsuit, demand or claim raised against them due to their using, or failing to use, the powers, authorities or discretion conferred thereupon pursuant to the Deed of Trust and this Schedule and in connection therewith or for any other action carried out thereunder, unless they acted maliciously and/or in bad faith.
- 4.2 The indemnity provisions set forth in Section 23 of the Deed of Trust shall apply to actions of the Members of the Urgent Representation and any person acting on their behalf as if they were the Trustee.
- 4.3 Nothing stated shall derogate from the powers of the Trustee to convene a General Meeting of the Bondholders and to set forth on its agenda any matter it deems fit under the circumstances, including the calling for immediate repayment. If such General Meeting was convened and any resolutions were adopted thereby, the resolutions of the General Meeting shall override the resolutions adopted by the Urgent Representation.

**DESCRIPTION OF SECURITIES
REGISTERED PURSUANT TO SECTION 12 OF THE
SECURITIES EXCHANGE ACT OF 1934**

In this Exhibit 4.5, “we”, “us”, “our”, “UMH” or “the Company”, refers to UMH Properties, Inc.

The Company’s authorized capital stock consists of 170,413,800 shares, classified as 144,164,469 shares of common stock, par value \$0.10 per share (“Common Stock”), 199,331 shares of 8.00% Series B Cumulative Redeemable Preferred Stock, par value \$0.10 per share (“Series B Preferred Stock”), 13,750,000 shares of 6.75% Series C Cumulative Redeemable Preferred Stock, par value \$0.10 per share (“Series C Preferred Stock”), 9,300,000 shares of 6.375% Series D Cumulative Redeemable Preferred Stock, par value \$0.10 per share (“Series D Preferred Stock”), and 3,000,000 shares of excess stock, par value \$0.10 per share (“Excess Stock”).

As of February 22, 2022, 52,029,801 shares of Common Stock are outstanding, no shares of Series B Preferred Stock are outstanding, 9,884,000 shares of Series C Preferred Stock are outstanding, 8,608,740 shares of Series D Preferred Stock are outstanding, and no shares of Excess Stock are outstanding.

Under the Maryland General Corporation Law (“MGCL”) and our charter, a majority of our entire Board of Directors has the power, without action by holders of our Common Stock, to increase or decrease the aggregate number of shares of stock or the number of shares of stock of any class or series that we have the authority to issue. Our Board of Directors is also authorized under the MGCL and our charter to classify and reclassify any unissued shares of our Common Stock, preferred stock and Excess Stock into other classes, including classification into a class or classes of preferred stock, preference stock, special stock or other stock, and to divide or classify shares into one or more series of such class. These actions can be taken without stockholder approval, unless stockholder approval is required by applicable law or the rules of any stock exchange or automated quotation system on which shares of our stock may be listed or traded. Before issuance of shares of each class or series, our Board of Directors is required by the MGCL and our charter to set, subject to restrictions in our charter on transfer of our stock, the terms, preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends or other distributions, qualifications and terms and conditions of redemption for each class or series.

UMH has three classes of securities registered under Section 12 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”): (1) our Common Stock; (2) our Series C Preferred Stock; and (3) our Series D Preferred Stock.

Our Common Stock, Series C Preferred Stock and Series D Preferred Stock are traded on the NYSE. In addition, since February 9, 2022, our Common Stock has also been traded on the Tel Aviv Stock Exchange.

The transfer agent and registrar for our Common Stock, Series C Preferred Stock and Series D Preferred Stock is American Stock Transfer & Trust Company.

Restrictions on Ownership and Transfer

To qualify as a real estate investment trust (“REIT”) under the Internal Revenue Code (the “Code”), we must satisfy a number of statutory requirements, including a requirement that no more than 50% in value of our outstanding shares of stock may be owned, actually or constructively, by five or fewer individuals (as defined by the Code to include certain entities) during the last half of a taxable year. In addition, if we, or an actual or constructive owner of 10% or more of our company, actually or constructively owns 10% or more of a tenant of ours (or a tenant of any partnership in which we are a partner), the rent we receive (either directly or through any such partnership) from such tenant will not be qualifying income for purposes of the REIT gross income tests of the Code. Our capital stock must also be beneficially owned by 100 or more persons during at least 335 days of a taxable year of twelve months or during a proportionate part of a shorter taxable year.

Our charter prohibits any transfer of shares of our stock or any other change in our capital structure that would result in:

- any person directly or indirectly acquiring beneficial or constructive ownership of more than 9.8% (in value or number of shares, whichever is more restrictive) of the outstanding shares of our stock (other than shares of Excess Stock);
- outstanding shares of our stock (other than shares of Excess Stock) being beneficially owned by fewer than 100 persons;
- us being “closely held” within the meaning of Section 856 of the Code; or
- us otherwise failing to qualify as a REIT under the Code.

Our charter requires that any person who acquires or attempts to acquire shares of our stock (other than shares of Excess Stock), in violation of these restrictions, which we refer to as the ownership limits, give immediate written notice, or in the event of a proposed or attempted transfer at least 15 days’ prior written notice, to us. If any person attempts to transfer shares of our stock, or attempts to cause any other event to occur, that would result in a violation of the ownership limits, then, absent special permission from our Board of Directors:

- any proposed transfer will be void ab initio, the purported transferee of such shares will acquire no interest in the shares and the shares that were subject to the attempted transfer or other event will, effective as of the close of business on the business day before the date of the attempted transfer or other event, automatically, without action by us or any other person, be converted into and exchanged for an equal number of shares of Excess Stock;
- we may redeem any outstanding shares of Excess Stock and, before the attempted transfer or other event that results in a conversion into and exchange for shares of Excess Stock, any shares of our stock of any other class or series that are attempted to be owned or transferred in violation of the ownership limits, at a price equal to the lesser of the price per share paid in the attempted transfer or other event that violated the ownership limits and the last reported sales price of shares of such class of our stock on the NYSE on the day we give notice of redemption or, if shares of such class of our stock are not then traded on the NYSE the market price of such shares determined in accordance with our charter; and
- our Board of Directors may take any action it deems advisable to refuse to give effect to, or to prevent, any such attempted transfer or other event.

Shares of Excess Stock will be held in book entry form in the name of a trustee appointed by us to hold the excess shares for the benefit of one or more charitable beneficiaries appointed by us and a beneficiary designated by the purported transferee, which we refer to as the designated beneficiary, whose ownership of the shares of our stock that were converted into and exchanged for Excess Stock does not violate the ownership limits. The purported transferee may not receive consideration in exchange for designating the designated beneficiary in an amount that exceeds the price per share that the purported transferee paid for the shares of our stock converted into and exchanged for shares of Excess Stock or, if the purported transferee did not give value for such shares, the market price of the shares on the date of the purported transfer or other event resulting in the conversion and exchange. Any excess amounts received by the purported transferee as consideration for designating the designated beneficiary must be paid to the trustee for the benefit of the charitable beneficiary. Upon the written designation of a designated beneficiary and the waiver by us of our right to redeem the shares of Excess Stock, the trustee will transfer the shares of Excess Stock to the designated beneficiary and, upon such transfer, the shares of Excess Stock will automatically be converted into and exchanged for the number and class of shares of our stock as were converted into and exchanged for such shares of Excess Stock. Shares of Excess Stock are not otherwise transferable. If the purported transferee attempts to transfer shares of our stock before discovering that the shares have been converted into and exchanged for shares of Excess Stock, the shares will be deemed to have been sold on behalf of the trust and any amount received by the purported transferee in excess of what the purported transferee would have been entitled to receive as consideration for designating a designated beneficiary must be paid to the trustee on demand.

Holders of shares of Excess Stock are not entitled to vote on any matter submitted to a vote at a meeting of our stockholders. Upon the voluntary or involuntary liquidation, dissolution or winding up of the company, the trustee must distribute to the designated beneficiary any amounts received as a distribution on the shares of Excess Stock that do not exceed the price per share paid by the purported transferee in the transaction that created the violation or, if the purported transferee did not give value for such shares, the market price of the shares of our stock that were converted into and exchanged for shares of Excess Stock, on the date of the purported transfer or other event that resulted in such conversion and exchange. Any amount received upon the voluntary or involuntary liquidation, dissolution or winding up of the company not payable to the designated beneficiary, and any other dividends or distributions paid on shares of Excess Stock, will be distributed by the trustee to the charitable beneficiary.

Every holder of more than 1% of the number or value of outstanding shares of our stock must give written notice to us stating the name and address of such owner, the number of shares of stock beneficially or constructively owned and a description of the manner in which the shares are owned. Our Board of Directors may, in its sole and absolute discretion, exempt certain persons from the ownership limitations contained in our charter if ownership of shares of capital stock by such persons would not disqualify us as a REIT under the Code.

Description of Common Stock

The shares of Common Stock have no preferences, conversion, sinking fund, redemption (except with respect to shares of Excess Stock) or preemptive rights to subscribe for any of our securities.

Voting Rights

Holders of Common Stock are entitled to one vote per share on all matters voted on by the holders of Common Stock, including the election of directors. Except as provided with respect to any other class or series of capital stock, the holders of our Common Stock will possess the exclusive voting power. There is no cumulative voting in the election of directors, which means that the holders of a plurality of the outstanding shares of Common Stock can elect all of the directors then standing for election and the holders of the remaining shares of Common Stock, if any, will not be able to elect any directors, except as otherwise provided for in any other class or series of our capital stock, including any preferred stock.

Distributions

Subject to any preferential rights granted to any class or series of our capital stock, including the Series C Preferred Stock and the Series D Preferred Stock, and to the provisions of our charter regarding restrictions on transfer and ownership of shares of Common Stock, holders of our Common Stock will be entitled to receive dividends or other distributions if, as and when authorized by our Board of Directors and declared by us out of funds legally available for dividends or other distributions to stockholders. Subject to the provisions in our charter regarding restrictions on ownership and transfer, all shares of our Common Stock have equal distribution rights. In the event of our liquidation, dissolution or winding up, after payment of, or adequate provision for, all of our known debts and liabilities and after payment of any preferential amounts to any class of preferred stock which may be outstanding, including the Series C Preferred Stock and the Series D Preferred Stock, and after payment of, or adequate provision for, all of our known debts and liabilities, holders of Common Stock will be entitled to share ratably in all assets that we may legally distribute to our stockholders.

Other Rights and Preferences

Our outstanding shares of Common Stock are fully paid and nonassessable and will have no preferences, conversion, sinking fund, redemption rights (except with respect to shares of Excess Stock, described above) or preemptive rights to subscribe for any of our capital stock. Our stockholders generally have no appraisal rights unless our Board of Directors determines prospectively that appraisal rights will apply to one or more transactions in which holders of our Common Stock would otherwise be entitled to exercise appraisal rights.

Under Maryland law, holders of our Common Stock will generally not be liable for our obligations solely as a result of their status as stockholders.

Description of Preferred Stock

General

Shares of preferred stock may be issued from time to time, in one or more series, as authorized by our Board of Directors. Before issuance of shares of each series, the Board of Directors is required to fix for each such series, subject to the provisions of MGCL and our charter, the terms, preferences, conversion and other rights, voting powers, restrictions, limitations as to dividends and other distributions and terms and conditions of redemption, and such other matters as may be fixed by resolution of the Board of Directors or a duly authorized committee thereof.

Our outstanding shares of Series C Preferred Stock and Series D Preferred Stock are fully paid and nonassessable and have no preemptive rights. Our preferred stock, like our Common Stock, is subject to certain ownership restrictions designed to help us maintain our qualification as a REIT under the Code, which are described under “Restrictions on Ownership and Transfer.”

Under Maryland law, holders of our preferred stock will not be liable for our obligations solely as a result of their status as stockholders.

6.75% Series C Cumulative Redeemable Preferred Stock

Dividends on the outstanding shares of Series C Preferred Stock are cumulative and are payable quarterly in arrears at the rate of 6.75% per annum of the \$25.00 per share liquidation preference, or an annual dividend of \$1.6875 per share. The Series C Preferred Stock has no maturity and will remain outstanding indefinitely unless redeemed or otherwise repurchased. The Series C Preferred Stock is not redeemable by us prior to July 26, 2022, except in limited circumstances relating to the preservation of our qualification as a REIT, or upon a Change of Control or a Series C Delisting Event, each as described below. Beginning July 26, 2022, we will have the right, at any time, and from time to time, to elect to redeem the Series C Preferred Stock, in whole or in part, at a cash redemption price of \$25.00 per share, plus all accrued and unpaid dividends (whether or not declared) to the date of redemption.

In addition, upon the occurrence of a Change of Control (as defined in the Articles Supplementary setting forth the terms of the Series C Preferred Stock on file with the State Department of Assessments and Taxation of Maryland), or during any period of time (whether before or after July 26, 2022) that both (i) the Series C Preferred Stock is not listed on the NYSE, the NYSE American LLC or the NASDAQ, or listed or quoted on a successor exchange or quotation system, and (ii) we are not subject to the reporting requirements of the Exchange Act, but any Series C Preferred Stock is outstanding (a “Series C Delisting Event”), we may, subject to certain conditions and at our option, redeem the Series C Preferred Stock, in whole or in part, within 120 days after the date of the Change of Control or 90 days after the date of the Series C Delisting Event, for a cash redemption price per share of Series C Preferred Stock equal to \$25.00 plus any accumulated and unpaid dividends thereon (whether or not declared) to the date of redemption.

Upon the occurrence of a Series C Delisting Event or Change of Control, each holder of the Series C Preferred Stock will have the right to convert all or part of the shares of the Series C Preferred Stock held into Common Stock, unless we elect to redeem the Series C Preferred Stock. Except as described in the preceding sentence, the Series C Preferred Stock is not convertible into or exchangeable for any other securities or property.

We will not declare or pay or set aside for payment any dividends (other than a dividend paid in shares of our common stock or any other class or series of shares that ranks junior to the Series C Preferred Stock as to dividends and upon liquidation, dissolution or winding up) or declare or make any other distribution of cash or other property on our common stock or any other class or series of shares that ranks junior to or on a parity with our Series C Preferred Stock as to dividends and other distributions (including the Series D Preferred Stock) or redeem, purchase or otherwise acquire any shares of our common stock or any other class or series of shares that ranks junior to or on a parity with the Series C Preferred Stock as to dividends and other distributions (except by conversion into or exchange for shares of common stock or any other class or series of shares that ranks junior to the Series C Preferred Stock as to dividends and upon liquidation, dissolution or winding up and except for the redemption or acquisition of shares pursuant to the provisions of our charter relating to the restrictions upon ownership and transfer of our capital stock), unless we have also paid or declared and set aside for payment full cumulative dividends on the Series C Preferred Stock for all past dividend periods.

The Series C Preferred Stock ranks equal to the Series D Preferred Stock and senior to our common stock with respect to distribution rights and rights upon voluntary or involuntary liquidation, dissolution or winding up. In addition to other preferential rights, each holder of the Series C Preferred Stock is entitled to receive a liquidation preference, which is equal to \$25.00 per share of Series C Preferred Stock, plus any accumulated and unpaid distributions thereon (whether or not declared), before the holders of our common stock or other junior securities receive any distributions in the event of any voluntary or involuntary liquidation, dissolution or winding up.

Holders of our Series C Preferred Stock generally have no voting rights. However, if we fail to pay dividends on the outstanding shares of Series C Preferred Stock for six or more quarterly periods, whether or not consecutive, holders of the Series C Preferred Stock (and all other series of preferred stock ranking on a parity with the Series C Preferred Stock as to dividends or upon liquidation and which have similar voting rights, including the Series D Preferred Stock, voting together as a single class) will have the exclusive power, until all accumulated and unpaid dividends on the Series C Preferred Stock have been fully paid or declared and set apart for payment, to elect two additional directors to our board of directors. Any director so elected will serve on our board of directors until all accumulated and unpaid dividends on the Series C Preferred Stock and each such other series of preferred stock (including the Series D Preferred Stock) have been fully paid or declared and set apart for payment. In addition, we may not authorize or issue any class or series of shares ranking senior to the Series C Preferred Stock as to dividends or distributions upon liquidation (including securities convertible into or exchangeable for any such senior class or series of shares) or amend our charter to materially and adversely change the terms of the Series C Preferred Stock without the affirmative vote of the holders of at least two-thirds of the outstanding shares of Series C Preferred Stock and of all other similarly-affected classes and series of our preferred stock ranking on a parity with the Series C Preferred Stock as to dividends and upon liquidation and which have similar voting rights, including our Series D Preferred Stock, voting together as a single class.

6.375% Series D Cumulative Redeemable Preferred Stock

Dividends on the outstanding shares of Series D Preferred Stock are cumulative and are payable quarterly in arrears at the rate of 6.375% per annum of the \$25.00 per share liquidation preference, or an annual dividend of \$1.59375 per share. The Series D Preferred Stock has no maturity and will remain outstanding indefinitely unless redeemed or otherwise repurchased. The Series D Preferred Stock is not redeemable by us prior to January 22, 2023, except in limited circumstances relating to the preservation of our qualification as a REIT, or upon a Change of Control or a Series D Delisting Event, each as described below. Beginning January 22, 2023, we will have the right, at any time, and from time to time, to elect to redeem the Series D Preferred Stock, in whole or in part, at a cash redemption price of \$25.00 per share, plus all accrued and unpaid dividends (whether or not declared) to the date of redemption.

In addition, upon the occurrence of a Change of Control (as defined in the Articles Supplementary setting forth the terms of the Series D Preferred Stock on file with the State Department of Assessments and Taxation of Maryland), or during any period of time (whether before or after January 22, 2023) that both (i) the Series D Preferred Stock is not listed on the NYSE, the NYSE American LLC or the NASDAQ, or listed or quoted on a successor exchange or quotation system, and (ii) we are not subject to the reporting requirements of the Exchange Act, but any Series D Preferred Stock is outstanding (a “Series D Delisting Event”), we may, subject to certain conditions and at our option, redeem the Series D Preferred Stock, in whole or in part, within 120 days after the date of the Change of Control or 90 days after the date of the Series D Delisting Event, for a cash redemption price per share of Series D Preferred Stock equal to \$25.00 plus any accumulated and unpaid dividends thereon (whether or not declared) to the date of redemption.

Upon the occurrence of a Series D Delisting Event or Change of Control, each holder of the Series D Preferred Stock will have the right to convert all or part of the shares of the Series D Preferred Stock held into Common Stock, unless we elect to redeem the Series D Preferred Stock. Except as described in the preceding sentence, the Series D Preferred Stock is not convertible into or exchangeable for any other securities or property.

We will not declare or pay or set aside for payment any dividends (other than a dividend paid in shares of our common stock or any other class or series of shares that ranks junior to the Series D Preferred Stock as to dividends and upon liquidation, dissolution or winding up) or declare or make any other distribution of cash or other property on our common stock or any other class or series of shares that ranks junior to or on a parity with our Series D Preferred Stock as to dividends and other distributions (including the Series C Preferred Stock) or redeem, purchase or otherwise acquire any shares of our common stock or any other class or series of shares that ranks junior to or on a parity with the Series D Preferred Stock as to dividends and other distributions (except by conversion into or exchange for shares of common stock or any other class or series of shares that ranks junior to the Series D Preferred Stock as to dividends and upon liquidation, dissolution or winding up and except for the redemption or acquisition of shares pursuant to the provisions of our charter relating to the restrictions upon ownership and transfer of our capital stock), unless we have also paid or declared and set aside for payment full cumulative dividends on the Series D Preferred Stock for all past dividend periods.

The Series D Preferred Stock ranks equal to the Series C Preferred Stock and senior to our common stock with respect to distribution rights and rights upon voluntary or involuntary liquidation, dissolution or winding up. In addition to other preferential rights, each holder of the Series D Preferred Stock is entitled to receive a liquidation preference, which is equal to \$25.00 per share of Series D Preferred Stock, plus any accumulated and unpaid distributions thereon (whether or not declared), before the holders of our common stock or other junior securities receive any distributions in the event of any voluntary or involuntary liquidation, dissolution or winding up.

Holders of our Series D Preferred Stock generally have no voting rights. However, if we fail to pay dividends on the outstanding shares of Series D Preferred Stock for six or more quarterly periods, whether or not consecutive, holders of the Series D Preferred Stock (and all other series of preferred stock ranking on a parity with the Series D Preferred Stock as to dividends or upon liquidation and which have similar voting rights, including the Series C Preferred Stock, voting together as a single class) will have the exclusive power, until all accumulated and unpaid dividends on the Series D Preferred Stock have been fully paid or declared and set apart for payment, to elect two additional directors to our board of directors. Any director so elected will serve on our board of directors until all accumulated and unpaid dividends on the Series D Preferred Stock and each such other series of preferred stock (including the Series C Preferred Stock) have been fully paid or declared and set apart for payment. In addition, we may not authorize or issue any class or series of shares ranking senior to the Series D Preferred Stock as to dividends or distributions upon liquidation (including securities convertible into or exchangeable for any such senior class or series of shares) or amend our charter to materially and adversely change the terms of the Series D Preferred Stock without the affirmative vote of the holders of at least two-thirds of the outstanding shares of Series D Preferred Stock and of all other similarly-affected classes and series of our preferred stock ranking on a parity with the Series D Preferred Stock as to dividends and upon liquidation and which have similar voting rights, including our Series C Preferred Stock, voting together as a single class.

SUBSIDIARIES OF UMH PROPERTIES, INC.

Name	Description
Mobile Home Village, Inc.	New Jersey corporation
Oxford Village Homes, LLC	Pennsylvania limited liability company
UMH AL Deer Run, LLC	Alabama limited liability company
UMH TN Allentown, LLC	Tennessee limited liability company
UMH TN Allentown MHP, LLC	Delaware limited liability company
UMH Central OH, LLC	Ohio limited liability company
UMH IN Broadmore, LLC	Delaware limited liability company
UMH IN Countryside Estates, LLC	Indiana limited liability company
UMH IN Forest Creek, LLC	Delaware limited liability company
UMH IN Highland, LLC	Delaware limited liability company
UMH IN Holiday Village, LLC	Delaware limited liability company
UMH IN Land, LLC	Indiana limited liability company
UMH IN Meadows, LLC	Delaware limited liability company
UMH IN Monopoly, LLC	Delaware limited liability company
UMH IN Oak Ridge Estates, LLC	Delaware limited liability company
UMH IN Redbud, LLC	Delaware limited liability company
UMH IN Summit Village, LLC	Delaware limited liability company
UMH IN Twin Pines, LLC	Delaware limited liability company
UMH IN Woods Edge, LLC	Delaware limited liability company
UMH MD Cinnamon Woods, LLC	Delaware limited liability company
UMH Melrose, LLC	Delaware limited liability company
UMH Memphis, LLC	Tennessee limited liability company
UMH MI Birchwood Farms, LLC	Delaware limited liability company
UMH MI Candlewick Court, LLC	Delaware limited liability company
UMH MI Northtowne Meadows, LLC	Delaware limited liability company
UMH NJ Cedarcrest, LLC	Delaware limited liability company
UMH NJ Fairview Manor, LLC	Delaware limited liability company
UMH Northern OH, LLC	Ohio limited liability company
UMH NY Brookview MHP, LLC	Delaware limited liability company
UMH NY Brookview, LLC	New York limited liability company
UMH NY Collingwood, LLC	New York limited liability company
UMH NY D&R Village, LLC	Delaware limited liability company
UMH NY Kinnebrook MHP, LLC	Delaware limited liability company
UMH NY Lake Erie, LLC	New York limited liability company
UMH NY Waterfalls Village, LLC	Delaware limited liability company
UMH of Alabama, Inc.	Alabama corporation
UMH of Cocksackie, LLC	New York limited liability company
UMH of Indiana, Inc.	Indiana corporation
UMH of Maryland, Inc.	Maryland corporation
UMH of Michigan, Inc.	Michigan corporation
UMH of Nashville, Inc.	Tennessee corporation
UMH of South Carolina, Inc.	South Carolina corporation
UMH OH Buckeye II, LLC	Delaware limited liability company
UMH OH Buckeye, LLC	Delaware limited liability company

Name	Description
UMH OH Catalina, LLC	Delaware limited liability company
UMH OH Clinton MHP, LLC	Delaware limited liability company
UMH OH Colonial Heights, LLC	Delaware limited liability company
OH Bayshore Estates, LLC	Delaware limited liability company
OH Friendly Village, LLC	Delaware limited liability company
UMH OH Hayden Heights, LLC	Delaware limited liability company
UMH OH Hillcrest, LLC	Delaware limited liability company
UMH OH Lake Sherman Village, LLC	Delaware limited liability company
UMH OH Lakeview, LLC	Delaware limited liability company
UMH OH Marysville Estates, LLC	Delaware limited liability company
UMH OH Meadowood, LLC	Delaware limited liability company
OH Meadows of Perrysburg, LLC	Delaware limited liability company
UMH OH Olmsted Falls, LLC	Delaware limited liability company
OH Perrysburg Estates, LLC	Delaware limited liability company
OH Pikewood Manor, LLC	Delaware limited liability company
UMH OH Southern Terrace, LLC	Delaware limited liability company
UMH OH Springfield Meadows, LLC	Delaware limited liability company
UMH OH Twin Oaks, LLC	Ohio limited liability company
UMH OH Valley Hills, LLC	Delaware limited liability company
UMH OH Wayside, LLC	Delaware limited liability company
UMH OH Worthington Arms, LLC	Delaware limited liability company
UMH PA Athens, LLC	Pennsylvania limited liability company
UMH PA Brookside Village LLC	Pennsylvania limited liability company
UMH PA Camelot Woods, LLC	Pennsylvania limited liability company
UMH PA Chambersburg, LLC	Pennsylvania limited liability company
UMH PA City View, LLC	Pennsylvania limited liability company
UMH PA Cranberry Village, LLC	Delaware limited liability company
UMH PA Crossroads Village, LLC	Delaware limited liability company
UMH PA Forest Park, LLC	Delaware limited liability company
UMH PA Fox Chapel Village, LLC	Delaware limited liability company
UMH PA Frieden Manor, LLC	Pennsylvania limited liability company
UMH PA Gregory Courts, LLC	Delaware limited liability company
UMH PA Highland Estates. LLC	Delaware limited liability company
UMH PA High View Acres, LLC	Delaware limited liability company
UMH PA Hillcrest Crossing, LLC	Delaware limited liability company
UMH PA Holly Acres, LLC	Delaware limited liability company
UMH PA Huntingdon Pointe, LLC	Delaware limited liability company
UMH PA Independence, LLC	Delaware limited liability company
UMH PA Lancaster County, LLC	Pennsylvania limited liability company
UMH PA Maple Manor, LLC	Pennsylvania limited liability company
UMH PA Monroe Valley, LLC	Pennsylvania limited liability company
UMH PA Moosic Heights, LLC	Pennsylvania limited liability company
UMH PA Mount Pleasant Village, LLC	Delaware limited liability company
UMH PA Oakwood Lake Village, LLC	Pennsylvania limited liability company
UMH PA Pleasant View, LLC	Pennsylvania limited liability company
UMH PA Rolling Hills Estates, LLC	Pennsylvania limited liability company
UMH PA Suburban Estates, LLC	Delaware limited liability company
UMH PA Sunny Acres, LLC	Delaware limited liability company
UMH PA Sunnyside, LLC	Delaware limited liability company

Name	Description
UMH PA Three Rivers, LLC	Delaware limited liability company
UMH PA Valley Stream, LLC	Delaware limited liability company
UMH PA Valley View Danboro, LLC	Delaware limited liability company
UMH PA Valley View Honey Brook, LLC	Delaware limited liability company
UMH PA Voyager Estates, LLC	Delaware limited liability company
UMH PA Wellington Estates, LLC	Delaware limited liability company
UMH Rentals, LLC	Delaware limited liability company
UMH Sales and Finance, Inc.	New Jersey corporation
UMH SC Iris Winds, LLC	South Carolina limited liability company
UMH TN Allentown, LLC	Delaware limited liability company
UMH TN Countryside Village, LLC	Tennessee limited liability company
UMH TN Holiday Village MHP, LLC	Delaware limited liability company
UMH TN Shady Hills MHP, LLC	Delaware limited liability company
UMH TN Trailmont MHP, LLC	Delaware limited liability company
UMH TN Weatherly Estates, LLC	Delaware limited liability company
United Mobile Homes of Buffalo, Inc.	New York corporation
UMH of Florida, Inc.	Florida corporation
United Mobile Homes of New York, Inc.	New York corporation
United Mobile Homes of Ohio, Inc.	Ohio corporation
United Mobile Homes of Pennsylvania, Inc.	Pennsylvania corporation
United Mobile Homes of Tennessee, Inc.	Tennessee corporation
United Mobile Homes of Vineland, Inc.	New Jersey corporation
Venture Tranche 1 Manager, LLC	Delaware limited liability company

Consent of Independent Registered Public Accounting Firm**The Board of Directors
UMH Properties, Inc.**

We consent to the incorporation by reference in the registration statements on Form S-3 (File No. 333-238321), on Form S-3D (File No. 333-232162) and on Form S-8 (File No. 333-257797) of UMH Properties, Inc. and subsidiaries of our reports dated February 24, 2022, with respect to the consolidated balance sheets of UMH Properties, Inc. and subsidiaries as of December 31, 2021 and 2020 and the related consolidated statements of income (loss), shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2021 and the related financial statement schedule, and with respect to the effectiveness of internal control over financial reporting as of December 31, 2021, which reports appear in the December 31, 2021 annual report on Form 10-K of UMH Properties, Inc.

/s/ PKF O'Connor Davies, LLP

February 24, 2022
New York, New York

* * * * *

**CERTIFICATION PURSUANT TO
SARBANES-OXLEY ACT SECTION 302**

I, Samuel A. Landy, certify that:

1. I have reviewed this annual report on Form 10-K of UMH Properties, Inc.;
2. Based on my knowledge, this annual report does not contain any untrue statement of material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods represented in this annual report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure control and procedures, or caused such disclosure control and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Samuel A. Landy

President and Chief Executive Officer

Date: February 24, 2022

**CERTIFICATION PURSUANT TO
SARBANES-OXLEY ACT SECTION 302**

I, Anna T. Chew, certify that:

1. I have reviewed this annual report on Form 10-K of UMH Properties, Inc.;
2. Based on my knowledge, this annual report does not contain any untrue statement of material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods represented in this annual report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure control and procedures, or caused such disclosure control and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Anna T. Chew

Anna T. Chew

Vice President and Chief Financial Officer

Date: February 24, 2022

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

In connection with the Annual Report of UMH Properties, Inc. (the “Company”) on Form 10-K for the fiscal year ended December 31, 2021 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), Samuel A. Landy, President and Chief Executive Officer and Anna T. Chew, Vice President and Chief Financial Officer, of the Company, each hereby certifies, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of their knowledge:

- (1) The Report fully complies with the requirements of section 13 (a) or 15 (d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Samuel A. Landy

Samuel A. Landy
President and Chief Executive Officer
February 24, 2022

/s/ Anna T. Chew

Anna T. Chew
Vice President and Chief Financial Officer
February 24, 2022
