SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2003

OR

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

Commission file number 1-9360

AMERICAN LAND LEASE, INC.

(Exact name of registrant as specified in its charter)

Delaware **(State or other jurisdiction of**	**84-1038736** **(IRS Employer**
Incorporation or organization)	**Identification No.)**
29399 U.S. Hwy 19, North Suite 320	**33761**

Clearwater, Florida
(Address of Principal Executive Offices) **(Zip Code)**

Registrant s telephone number, including area code (727) 726-8868

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨.

As of October 15, 2003, approximately 7,099,000 shares of common stock were outstanding.

AMERICAN LAND LEASE, INC. AND SUBSIDIARIES

FORM 10-Q

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2003

TABLE OF CONTENTS

Table of Contents

AMERICAN LAND LEASE, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(in thousands)

	September 30, 2003	December 31, 2002
	(Unaudited)	
ASSETS		
Real estate, net of accumulated depreciation of $19,453 and $17,818, respectively, including real estate under development of $36,669 and $40,053, respectively.	$ 216,022	$ 206,624
Cash and cash equivalents	3,077	1,223
Inventory	10,335	10,101
Investment in unconsolidated real estate partnerships		1,684
Other assets, net	8,774	8,330
Assets held for sale	418	881
Total Assets	$ 238,626	$ 228,843
LIABILITIES		
Secured long-term notes payable	$ 111,236	$ 97,201
Secured short-term financing	8,921	19,118
Accounts payable and accrued liabilities	10,310	7,544
Liabilities related to assets held for sale	7	8
	130,474	123,871
MINORITY INTEREST IN OPERATING PARTNERSHIP	13,849	13,130
STOCKHOLDERS EQUITY		
Preferred stock, par value $.01 per share, 1,000 shares authorized, no shares issued or outstanding		
Common stock, par value $.01 per share; 12,000 shares authorized; 8,825 and 8,649 shares issued; 7,099 and 6,939 shares outstanding (excluding treasury stock), respectively	88	86
Additional paid-in capital	282,719	280,665
Notes receivable from officers re common stock purchases	(814)	(848)
Deferred compensation re restricted stock	(1,487)	(396)
Dividends in excess of accumulated earnings	(159,591)	(161,280)
Treasury stock, 1,726 and 1,710 shares at cost, respectively	(26,612)	(26,385)
	94,303	91,842
Total Liabilities and Stockholders Equity	$ 238,626	$ 228,843

See Notes to Condensed Consolidated Financial Statements

Table of Contents

AMERICAN LAND LEASE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(in thousands, except per share data)

(unaudited)

	Three Months Ended September 30, 2003	Three Months Ended September 30, 2002	Nine Months Ended September 30, 2003	Nine Months Ended September 30, 2002
RENTAL PROPERTY OPERATIONS				
Rental and other property revenues	$ 6,428	$ 6,000	$ 19,176	$ 17,714
Golf course operating revenues	120	105	631	598
Total property operating revenues	6,548	6,105	19,807	18,312
Property operating expenses	(2,315)	(2,206)	(6,959)	(6,596)
Golf course operating expenses	(293)	(295)	(915)	(929)
Total property operating expenses	(2,608)	(2,501)	(7,874)	(7,525)
Depreciation	(662)	(597)	(1,972)	(1,854)
Income from rental property operations	3,278	3,007	9,961	8,933
SALES OPERATIONS				
Home sales revenue	12,354	6,620	28,016	16,018
Cost of home sales	(8,920)	(4,910)	(20,235)	(12,155)
Gross profit on home sales	3,434	1,710	7,781	3,863
Commissions earned on brokered sales	151	102	394	375
Commissions paid on brokered sales	(74)	(51)	(200)	(207)
Gross profit on brokered sales	77	51	194	168
Selling and marketing expenses	(2,071)	(1,534)	(5,504)	(4,072)
Income (loss) from sales operations	1,440	227	2,471	(41)

General and administrative expenses	(687)	(499)	(1,966)	(1,464)
Interest and other income	47	211	493	847
Gain (loss) on sale of real estate	971		971	
Interest expense	(1,344)	(1,256)	(3,998)	(3,441)
Equity in income of unconsolidated real estate partnerships		17	37	51

Enrollment and Participation

You can enroll in the Plan at any time by going online at www.shareowneronline.com or by completing an Account Authorization Form and returning the form and check to the Plan Administrator at the address set forth on the form.

Note: Regulations in certain countries may limit or prohibit participation in this type of Plan. Accordingly, persons residing outside the United States who wish to participate in the Plan should first determine whether they are subject to any governmental regulation prohibiting their participation.

Existing Stockholders. You can enroll by going online or by completing an Account Authorization Form. To enroll online, go to www.shareowneronline.com and click on First Time Visitor Sign On. Next, simply follow the instructions found on the First Time Sign On page. You must complete an Account Authorization Form and either (a) become a stockholder of record by having shares registered in your name, or (b) become a stockholder of record by enrolling in the Plan in the same manner as a non-stockholder. http://www.shareowneronline.com/tplLeavingsite3.html

Non-Stockholders. If you are not a registered owner of Common Stock, you can enroll online by going to www.shareowneronline.com and clicking on Invest in a Direct Purchase Plan . Then simply follow the instructions found on the Invest in a Direct Purchase Plan page. Or, you can complete an Account

9

Table of Contents

Authorization Form, pay a one-time enrollment fee and make an initial cash investment of at least $350. If you authorize automatic monthly cash investments, an initial investment of $50 together with a one-time enrollment fee are required. A maximum of $50,000 may be initially invested in the Plan.

EXAMPLE 1: A non-stockholder who wishes to enroll in the Plan by making an initial investment would complete the Invest in a Direct Purchase Plan page online or send the Account Authorization Form and submit a check made payable to Shareowner Services for at least $360 (initial investment of at least $350 plus $10 one-time enrollment fee).

EXAMPLE 2: A non-stockholder who wishes to enroll in the Plan by authorizing monthly electronic investments from his savings or checking account would complete the Invest in a Direct Purchase Plan page online or the Account Authorization Form **INCLUDING SECTION 6** authorizing monthly investments of at least $50. The investor would include a check made payable to Shareowner Services in US funds and drawn on a United States bank (money orders cannot be accepted) for at least $60 to cover the one-time enrollment fee of $10 and the first optional cash investment of at least $50. All subsequent monthly optional cash investments will be electronically debited from the participant s bank account. All monthly cash purchases made by electronic investment will be assessed a transaction fee which will be deducted from the cash investment.

INVESTMENTS

Dividends Options

As described below, by participating in the Plan you may have the cash dividends paid on all or a percentage of your shares of Common Stock (net of brokerage commissions and service fees as described on pages 13 to 14) automatically reinvested in Common Stock on the dividend payment date. **THE PAYMENT OF DIVIDENDS ON COMMON STOCK IS AT THE DISCRETION OF THE BOARD OF DIRECTORS OF MERCK & CO., INC.**

Full Dividend Reinvestment. All cash dividends on shares held in physical certificate form registered in your name, and shares held in book-entry (DRS) form on the records of the Company, and all cash dividends on all Plan shares credited to your account under the Plan will be used to purchase additional shares. If you elect Full Dividend Reinvestment, you will not receive cash dividends from the Company. The dividends will be reinvested.

Partial Dividend Reinvestment. All cash dividends on a percentage of your Plan shares and any shares held by you in physical certificate form, including book-entry (DRS), which you specify by going online or on the Account Authorization Form, will be used to purchase additional shares. You may elect percentages from 10-90 in increments of 10 percent. If you elect Partial Dividend Reinvestment, you will receive checks from the Company for dividends, when declared and paid, only for those shares not subject to dividend reinvestment. For example, a shareowner has 90 shares registered in his name on the records of the Company and 10 Plan shares. The shareowner specifies 50 percent of his total shares subject to dividend reinvestment. When dividends are declared, all cash dividends on 50 shares (50 percent of 100 shares) will be used to purchase additional shares for his account under the Plan. You also will receive dividend checks or direct deposit of the dividends from the Company, when declared and paid, only for the 50 shares not subject to dividend reinvestment. You may change your investment option at any time by sending written notice, going online or calling Wells Fargo Shareowner Services. Notices received after a dividend record date will not be effective for that dividend.

Cash Payments Investments Only (No Dividend Reinvestment). If you elect the Cash Payments Only option, then you will continue to receive, when declared and paid, by check or direct deposit, cash dividends paid on all shares of Common Stock then or subsequently held in physical certificate form registered in your name including book-entry (DRS) on the records of the Company, and on all shares of Common Stock then or subsequently held in your Plan account.

Table of Contents

Direct Deposit of Dividends. You can have the cash dividends you elect not to reinvest transferred directly to your bank for deposit. For electronic direct deposit of dividend funds, contact the Plan Administrator to request a Direct Deposit of Dividends Authorization Form, complete the form, and return it to the Plan Administrator. Be sure to include a voided check for checking accounts or a savings deposit slip for savings accounts. If your stock is jointly owned, all owners must sign the form.

Dividend Payment Dates. If your Account Authorization Form is received by the Plan Administrator on or before the record date for a particular dividend, dividend reinvestment will begin with respect to dividends paid on the next dividend payment date. If your Account Authorization Form is received by the Plan Administrator after the record date, dividend reinvestment will not begin until the dividend payment date following the next record date. Dividends on Common Stock have historically been paid on the first business day of January, April, July and October. Thus, for example, to begin automatic reinvestment of a dividend expected to be paid on April 1 in a given year, the Plan Administrator should receive your Account Authorization Form by the first week in March.

You may change your reinvestment option at any time by going online (see Online Access on page 9), or by calling (see General Information on page 9) or sending written notice to the Plan Administrator. You may also send in optional cash investments with any of the above options.

Cash Investments

Initial Cash Investment. If you are not a registered owner of Common Stock and are enrolling online, funds will be debited from your United States bank account. Or, you may enroll by including an initial cash investment of at least $350 with your completed form or authorize automatic monthly cash investments by electronic funds transfer of at least $50. If you include an initial cash investment with your Account Authorization Form, you must also include a one-time enrollment fee. If you elect to sign up for automatic monthly cash investments of at least $50, you must include at least $50 to cover the first initial investment along with a one-time enrollment fee. Subsequent electronic cash investments will be assessed a transaction fee which will be deducted from the investment amount. See Enrollment and Participation on pages 9 to 10. Initial cash investments and payment of the one-time enrollment fee must be made by check payable to Shareowner Services in U.S. funds and drawn on a United States bank. Your check also should include your name, address, Company s stock name and Shareowner Services account number. Money orders cannot be accepted.

Optional Cash Investments. Participants may make optional cash investments at any time by personal check or by automatic monthly withdrawal from a designated United States bank account. Participants may vary their optional cash investments from a minimum of $50 per investment up to a maximum of $50,000 per calendar year. Initial cash investments are included in the month in which they are made for purposes of determining whether the $50,000 maximum has been reached.

You may obtain the return of any optional cash investment upon request received by Wells Fargo Shareowner Services on or before the second business day prior to the date on which it is to be invested.

Initial and optional cash investments are invested in shares of Common Stock net of brokerage commissions and service fees as described on pages 13 to 14.

Check. Optional cash investments made by check must be accompanied by a completed Transaction Request form or other written request. The Plan Administrator will make every effort to process your cash investment for the next investment date (Investment Dates are described below), provided that the funds are received by the Plan Administrator no later than two business days prior to the investment date for an initial cash investment and one business day prior to an investment date for optional cash payments. Otherwise, cash investments are held by the Plan Administrator for investment on the next investment date. (See definition of Cash Investments, above.) Cash investments made by check must be payable to Shareowner Services in U.S.

Table of Contents

funds. The Plan Administrator will not be liable for any claim arising out of failure to purchase stock on a certain date or at a specific price. This risk should be evaluated by the participant and is a risk that is borne solely by the participant. Money orders cannot be accepted.

Electronic Funds Transfer. In addition to making optional cash investments by check, participants may authorize automatic monthly withdrawals by electronic funds transfer from designated United States bank accounts. Participants bank accounts are debited four business days prior to the investment date which is generally the third Tuesday or, if the third Tuesday is not a business day, the business day next following the third Tuesday of each month. Participants do not receive any confirmation of the transfer of funds other than as reflected in their monthly Plan account statements and in their bank account statements.

To authorize automatic monthly withdrawals by electronic funds transfer, go online at www.shareowneronline.com or complete and sign the Bank Authorization Agreement section of the Account Authorization Form and return it to the Plan Administrator together with a voided blank check from a United States checking account or a deposit slip from a savings account from which funds are to be transferred. Your automatic monthly withdrawal will begin as soon as practicable after the Plan Administrator receives the Account Authorization Form. To change the amount of your automatic monthly withdrawal by electronic funds transfer or terminate your monthly transfer altogether, access your account online, complete an Account Authorization Form and return it to the Plan Administrator, or call Wells Fargo Shareowner Services. To be effective with respect to a particular investment date, your request to enroll, or to terminate automatic monthly withdrawals by electronic funds transfer, or any other changes must be received by the Plan Administrator at least fifteen business days prior to the investment date.

Dishonored Investments. If any optional cash contribution, including payments by check or automatic monthly withdrawal by electronic funds transfer, is returned for any reason, the Plan Administrator will remove from the participant s account any shares purchased upon prior credit of such funds, and will sell these shares.

The Plan Administrator may sell other shares in the account to recover a returned funds fee for each optional cash contribution returned unpaid for any reason or any rejected automatic bank withdrawal and may sell additional shares as necessary to cover any market loss incurred by the Plan Administrator.

During the period from the time that an optional cash investment is received by the Plan Administrator, until invested in Common Stock, the collected funds in the possession of the Plan Administrator may be invested in certain Permitted Investments. For purposes of this Plan, Permitted Investments means any money market mutual funds registered under the Investment Company Act of 1940, as amended (including those of an affiliate of the Plan Administrator or for which the Plan Administrator or any of its affiliates provides management advisory or other services), consisting entirely of (i) direct obligations of the United States of America or (ii) obligations fully guaranteed by the United States of America. The risk of any loss from such Permitted Investments is the responsibility of the Plan Administrator, and the Plan Administrator retains any investment income from the Permitted Investments.

Investment Dates

Dividend Reinvestment. Cash dividends are expected to be reinvested on the applicable dividend payment date or, if the dividend payment date is not a business day, the business day next following the dividend payment date.

Initial and Optional Cash Investments. Initial and optional cash investments are expected to be made on (a) Tuesday of each week or, if Tuesday is not a business day, the business day next following Tuesday or (b) in any week in which a cash dividend is paid, the dividend payment date or, if the dividend payment date is not a business day, the business day next following the dividend payment date.

Table of Contents

NO INTEREST IS PAID ON FUNDS HELD BY THE PLAN ADMINISTRATOR PENDING THEIR INVESTMENT IN COMMON STOCK. ALL OPTIONAL CASH INVESTMENTS, INCLUDING THE INITIAL CASH INVESTMENT, ARE SUBJECT TO THE COLLECTION BY THE PLAN ADMINISTRATOR OF FULL FACE VALUE IN U.S. FUNDS.

Source of Shares. Shares purchased by participants under the Plan are acquired in the open market, negotiated transactions, or purchased from treasury or new issue Common Stock that Merck has registered under the Securities Act. The Plan Administrator purchases shares in the open market or in negotiated transactions as soon as practicable (but in no event more than five business days) after the applicable investment date, subject to any waiting periods required under applicable securities laws or stock exchange regulations. Merck determines the source or sources of shares used to fulfill Plan requirements and, subject to certain regulatory restrictions on the frequency with which it can change its determination, may change such determination from time to time without notice to Plan participants. Merck expects that generally all Plan purchases will be effected in open market transactions.

Price of Shares. The price per share of treasury or new issue Common Stock is the average of the high and low sale prices of the Common Stock (as reported on the New York Stock Exchange Composite Tape) on the applicable investment date or, if the New York Stock Exchange is closed on the investment date, on the next preceding day the New York Stock Exchange is open. The price of shares purchased in the open market or in negotiated transactions is the weighted average price at which the shares are actually purchased for the applicable investment date. All purchases will be made within five business days of an investment date, or the next business day, if the market is closed on an investment date. Because the prices at which shares are purchased under the Plan are determined as of specified dates or as of dates otherwise beyond the control of participants, the participants may lose any advantage otherwise available from being able to select the timing of their investment.

Brokerage Commissions, Service Fees and Other Costs

Account Set-up. Persons who are not registered holders of Common Stock, including persons authorizing automatic monthly cash investments by electronic funds transfer, are charged a one-time enrollment fee. Please note: As mentioned earlier in this Prospectus, a one-time enrollment fee will be assessed on all initial investments made online or by check. The fee must be paid by check in U.S. funds and is due at the time of enrollment. The fees must be added to the minimum initial cash investment of $350. In addition, a cash investment fee of $2 is assessed on all monthly optional cash investments made by electronic bank transfer. See Transaction and Plan Service Fees.

Brokerage Commissions. In addition to the service fees discussed below, participants pay a brokerage commission for each share of Common Stock purchased or sold for their Plan account in open market transactions, even if a purchase or sale order is used to offset another Plan order. Merck expects that generally all Plan purchases and sales will be effected in open market transactions. Brokerage commissions payable with respect to Plan purchases are deducted from the amount invested on behalf of participants. Brokerage commissions payable with respect to Plan sales are deducted from the proceeds payable to participants. See Transaction and Plan Service Fees for the amount of brokerage commissions assessed.

Service Fees. For each dividend reinvestment transaction, each optional cash investment made by check, and for each optional cash investment made by automatic monthly withdrawal by electronic funds transfer, participants pay a service fee. Dividend reinvestment and optional cash investment service fees are in addition to brokerage commissions and are deducted from the amount invested on behalf of participants. Participants pay a service fee in connection with sales of Plan shares. The service fee is in addition to brokerage commissions and is deducted from the proceeds payable to the selling participant. See Transaction and Plan Service Fees for the amounts assessed.

Commissions and Fees Subject to Change. The Plan Administrator may change from time to time the amount of commissions and fees charged participants upon 30 days prior notice to participants.

Table of Contents

Account Statements

The Plan Administrator maintains an account for each Plan participant and sends account statements to each participant as soon as practicable after (1) each quarterly dividend reinvestment, (2) each weekly optional cash investment, or (3) after any transfer, sale or withdrawal of Plan shares, as applicable. The account statements provide participants with records of their purchases and sales and should be retained for tax purposes.

Share Certificates

Plan purchases are credited to each participant s account and shown on the participant s account statement. Participants do not receive certificates for their Plan shares unless requested. This protects against loss, theft or destruction of stock certificates and reduces Merck s administrative costs associated with the Plan. Participants may obtain certificates for some or all full Plan shares at any time by submitting a written request to the Plan Administrator or contacting the Plan Administrator via phone. Any remaining full and fractional shares continue to be credited to participant s accounts. Certificates for fractional shares are not issued under any conditions.

Share Safekeeping

At any time beginning with enrollment in the Plan, participants may deposit with the Plan Administrator certificates representing shares of Common Stock, whether or not the shares were acquired under the Plan, at no cost to participants. To use this service, participants must send their certificates to the Plan Administrator with a properly completed Transaction Request form, other written request, or by completing an Account Authorization Form if you are a first time investor. Shares represented by certificates deposited with the Plan Administrator are credited to participant s accounts and thereafter are treated as if acquired under the Plan. Participants are responsible for maintaining their own records of the cost basis of certificated shares deposited with the Plan Administrator. Beneficial owners of Common Stock registered in street or other nominee name may in certain cases be able to electronically transfer their shares from their existing account to a Plan account. Beneficial owners who want to take advantage of this service should contact the Plan Administrator to obtain transfer instructions.

Merck strongly recommends that participants use registered mail to send their physical certificates to the Plan Administrator, insuring the certificates for 2 percent of the current market value of the shares represented thereby. In any case, participants bear the full risk of loss, regardless of the method used, in the event the certificates are lost.

PARTICIPANTS SHOULD *NOT* ENDORSE THEIR CERTIFICATES PRIOR TO MAILING.

Share Transfers within the Plan

Plan shares also may be transferred to a Plan account of another person subject to compliance with any applicable laws. To do this, participants must complete an executed Stock Power form and return it to the Plan Administrator. The signature of the transferring participant on the Stock Power form must be medallion guaranteed by an eligible financial institution. The medallion guarantee cannot be dated. Stock Power forms can be obtained from the Plan Administrator. If the person to whom the shares are gifted or transferred is not a participant in the Plan, the Plan Administrator will automatically open an account for the person and enroll him or her in the Plan.

Participants may not pledge or grant a security interest in Plan shares or transfer Plan shares outside of the Plan unless certificates representing the shares have been issued by the Plan Administrator.

If you request to transfer all shares in your Plan account between a dividend record date and payable date, your transfer request will be processed; however, your Plan account will not be terminated. You may receive additional dividend reinvestment shares which will require you to submit a written request to transfer the additional shares.

Table of Contents

Sale of Shares

If submitting a request to sell all or part of your Plan shares and you request net proceeds to be automatically deposited to a United States bank checking or savings account, you must provide a voided blank check for a checking account or a blank savings deposit slip for a savings account. If you are unable to provide a voided check or deposit slip, your written request must have your signature(s) medallion guaranteed by an eligible financial institution for direct deposit. The medallion guarantee cannot be dated. Requests for automatic deposit of sale proceeds that do not provide the required documentation cannot be processed as requested and a check for the net proceeds will be issued. Your notice to Wells Fargo Shareowner Services should specify the number of full Plan shares to be sold. All authorized signers are to sign their written request as their signatures appear on their account statement. If the current market value of the shares requested to be sold is $25,000 or less and the participant has previously authorized automated privileges, a participant may sell Plan shares by contacting the Plan Administrator via phone or by going online. The Plan Administrator may match or offset participants sales orders against one or more purchase orders of other participants in the Plan. If not offset, the Plan Administrator executes the order on behalf of the participant in the open market or in negotiated transactions. The Plan Administrator may sell Plan shares to Merck. After settlement of the sale, the Plan Administrator will send the participant a check for the net proceeds of the sale, and, in cases where all Plan shares are sold, the account will be terminated. The proceeds received by the participant are based on the weighted average price at which the shares were sold less brokerage commissions and service fees charged by the Plan Administrator. See Transaction and Plan Service Fees for the amounts assessed.

The Plan Administrator will make every effort to process your sale order on the next business day following receipt of your properly completed request (sale requests involving multiple transactions may experience a delay). The Plan Administrator will not be liable for any claim arising out of failure to sell stock on a certain date or at a specific price. This risk should be evaluated by the participant and is a risk that is borne solely by the participant.

Termination

Participants may terminate their participation in the Plan by submitting the appropriate information on a Transaction Request form or by submitting a written request to the Plan Administrator. If the current market value of a participant s Plan account is $25,000 or less and the participant has previously authorized automated privileges, a participant may terminate his or her participation in the Plan by contacting the Plan Administrator via phone or by going online at www.shareowneronline.com. If your request to terminate your participation in the Plan is received on or after the dividend record date but before the dividend payment date, your termination will be processed as soon as practicable and a separate dividend check will be sent to you. Future dividends will be paid in cash, unless you rejoin the plan. In addition, termination requests of participants making optional cash investments by automatic monthly withdrawal by electronic funds transfer must be received by the Plan Administrator at least 15 business days prior to the scheduled investment date to ensure that the request is effective as to the next optional cash investment.

Upon termination of participation in the Plan, unless the participant has requested on the Transaction Request form or other written request that some or all Plan shares be sold, the Plan Administrator will convert, as requested, all full Plan shares to book-entry (DRS) or if specifically requested send the participant a certificate representing the number of full shares in the participant s Plan account and a check in the amount of the market value of those shares, minus service fees and brokerage commissions of any fractional share. If a participant so requests on the Transaction Request form or other written request, the Plan Administrator will sell all Plan shares on behalf of the participant. After settlement of the sale, the Plan Administrator will send the participant a check in the amount of the net proceeds of the sale (plus the market value of any fractional Plan share minus service fees and brokerage commissions). The net proceeds received by the participant are based on the weighted average price at which the shares were sold less brokerage commissions and any fee charged by the Plan Administrator. See Transaction and Plan Service Fees for the amounts assessed.

Table of Contents

After termination, previous participants may re-enroll in the Plan by complying with enrollment procedures (see Enrollment and Participation). In order to minimize unnecessary Plan administrative costs and to encourage use of the Plan as a long-term investment vehicle, Merck reserves the right to deny participation in the Plan to previous participants who Merck or the Plan Administrator believe have been excessive in their enrollment and termination.

OTHER INFORMATION

Stock Dividends and Stock Splits

Any shares distributable to Plan participants as a result of stock dividends or stock splits by Merck will be credited to the participant s account and not mailed or delivered directly to the participant. The participant, however, may request that Merck issue certificates for such stock dividends or split shares once they are added to the participant s account (see Share Certificates on page 14). If a participant sends notice of termination or a request to sell to the Plan Administrator between the record date and the payable date for a stock distribution, the request will not be processed until the stock distribution is credited to the participant s account.

Dividend and Voting Rights

Dividend and voting rights of shares purchased under the Plan commence upon settlement of the transaction, which normally is three business days after purchase. Shares of Common Stock purchased on or within two business days prior to a dividend record date are considered ex-dividend and therefore not entitled to payment of that dividend.

Voting of Plan Shares

For each meeting of stockholders, participants receive proxy materials that allow them to vote their Plan shares by proxy, online, by telephone, or in person at the Annual Meeting of Stockholders.

Limitation of Liability

In administering the Plan, neither Merck, the Plan Administrator nor any broker/dealer selected by the Plan Administrator to execute purchases and sales on behalf of Plan participants is liable for any good faith act or good faith omission to act, including but not limited to any claim of liability:

arising out of the failure to terminate a participant s account upon such participant s death prior to receipt of a notice in writing of such death,

with respect to the prices or times at which Merck shares are purchased or sold, or

as to the value of the Merck shares acquired for participants.

Participants selling shares should be aware that the share price of Common Stock may fall or rise during the period between a request for sale, its receipt by the Plan Administrator, and the ultimate sale in the open market. Participants should evaluate these possibilities while deciding whether and when to sell any shares through the Plan. The price risk will be solely the responsibility of the participant.

The Plan Administrator is acting solely as agent of the Company and owes no duties, fiduciary or otherwise, to any other person by reason of this Plan, and no implied duties, fiduciary or otherwise, shall be read into this Plan. The Plan Administrator agrees to perform such duties and only such duties as are expressly set forth in this Prospectus, to be performed by it, and no implied covenants or obligations shall be read into this Plan against the Plan Administrator or the Company.

Table of Contents

In the absence of negligence or willful misconduct on its part, the Plan Administrator, whether acting directly or through agents or attorneys, will not be liable for any action taken, suffered, or omitted or for any error of judgment made by it in the performance of its duties hereunder. In no event will the Plan Administrator be liable for special, indirect or consequential loss or damage of any kind whatsoever (including but not limited to lost profit), even if the Plan Administrator has been advised of the likelihood of such loss or damage and regardless of the form of action.

The Plan Administrator will not be required to and shall make no representations and have no responsibilities as to the validity, accuracy, value or genuineness of any signatures or endorsements, other than its own. Additionally, the Plan Administrator will not be obligated to take any legal action hereunder that might, in its judgment, involve any expense or liability, unless it has been furnished with reasonable indemnity.

The Plan Administrator will not be responsible or liable for any failure or delay in the performance of its obligations under this Plan arising out of or caused, directly or indirectly, by circumstances beyond its reasonable control, including, without limitation the circumstances described in the following list, it being understood that the Plan Administrator shall use reasonable efforts which are consistent with accepted practices in the banking industry to resume performance as soon as practicable under the circumstances:

- acts of God;
- earthquakes;
- fires;
- floods;
- wars;
- civil or military disturbances;
- sabotage;

- epidemics;
- riots;
- interruptions, loss or malfunctions of utilities;
- computer (hardware or software) or communications services;
- accidents;
- labor disputes;
- acts of civil or military authority or governmental actions.

Merck reserves the right to interpret and regulate the Plan as it deems necessary or advisable in connection with the Plan s operations.

Modification or Termination of the Plan

Merck may suspend, modify or terminate the Plan at any time in whole or in part or with respect to participants in certain jurisdictions. Notice of such suspension, modification or termination will be sent to all affected participants. Merck may also suspend the Plan in whole or in part, from time to time, to the extent necessary to comply with the federal securities laws or in circumstances where the issuance of shares of Common Stock pursuant to the Plan would violate the federal securities laws. No such event will affect the amount of any shares then credited to a participant s account. Upon any whole or partial termination of the Plan by the Company, (1) each affected participant will have their full Plan shares converted to book-entry (DRS), and (2) will receive a check less service fees and broker commissions in the amount of the market value of any fractional Plan share.

Table of Contents

Denial or Termination from the Plan

At the direction of Merck, the Plan Administrator may terminate participation in the Plan if the participant does not own at least one full share in the participant s name or held through the Plan. If a participant s account is terminated because the participant does not own at least one full share, the fractional share will be sold and a check for the proceeds will be mailed to the address on record. The service fees and brokerage commission normally applied to sales will be waived if the account is terminated by the Plan Administrator due to insufficient share balance.

Merck reserves the right to deny, modify, suspend, or terminate participation in the Plan by otherwise eligible persons to the extent Merck deems it advisable or necessary in its discretion to comply with applicable laws or to eliminate practices that are not consistent with the purposes of the Plan. Participants whose participation in the Plan is terminated, other than as described in the above paragraph, (1) will have their full plan shares converted to book-entry (DRS), and (2) will receive a check less any service fees and broker commissions in the amount of the market value of any fractional Plan share.

Broker Selection

The Plan Administrator is authorized to choose a broker/dealer, including an affiliated broker/dealer, at its sole discretion to facilitate purchases and sales of Common Stock by Plan participants. The Plan Administrator will furnish the name of the registered broker/dealer, including any affiliated broker/dealer, utilized in share transactions within a reasonable time upon written request from the participant.

Table of Contents

U.S. FEDERAL INCOME TAX INFORMATION

THE INFORMATION SET FORTH BELOW SUMMARIZES CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES OF PARTICIPATION IN THE PLAN. THE INFORMATION IS NOT INTENDED TO BE A COMPLETE DESCRIPTION OF ALL SUCH CONSEQUENCES, NOR IS IT INTENDED TO BE A DESCRIPTION OF ANY KIND OF THE STATE, LOCAL OR FOREIGN TAX CONSEQUENCES OF PARTICIPATION IN THE PLAN. THE DESCRIPTION OF FEDERAL INCOME TAX CONSEQUENCES MAY BE AFFECTED BY FUTURE LEGISLATION, IRS RULINGS AND REGULATIONS AND/OR COURT DECISIONS. FOR THAT REASON, PARTICIPANTS SHOULD CONSULT THEIR OWN TAX ADVISORS WITH RESPECT TO THE FEDERAL INCOME TAX CONSEQUENCES, AS WELL AS THE STATE, LOCAL AND FOREIGN INCOME TAX CONSEQUENCES, OF PARTICIPATION IN THE PLAN.

Federal Income Tax Consequences

Dividend Income. Reinvested dividends are treated for federal income tax purposes in the same manner as if the participant had received the dividends in cash on the applicable dividend payment date.

Cost Basis of Shares. For federal income tax purposes, the cost basis of shares purchased with reinvested dividends or optional cash investments is the purchase price of the shares.

Gains and Losses from the Sale of Shares. Participants do not realize any taxable income from the issuance of certificates representing Plan shares. Participants may realize gain or loss, however, at the time the Plan shares are sold by the Plan Administrator or by the participants after withdrawal of the shares from the Plan. The amount of realized gain or loss, if any, is based on the difference between the amount the participant receives for the shares and the cost basis of the shares.

IRS Reports. The Plan Administrator reports dividend income to participants and the Internal Revenue Service (the IRS) on Form 1099-DIV. The Plan Administrator reports the proceeds from the sale of Plan shares to the selling participants and the IRS on Form 1099-B.

Dividends Subject to Withholding

A participant s dividends are subject to federal withholding if the participant fails to provide a taxpayer identification number to the Plan Administrator. Dividends of participants residing in certain foreign countries may also be subject to federal withholding. In any case in which federal income taxes are required to be withheld, the Plan Administrator reinvests an amount equal to the dividends less the amount of tax withheld. For IRS reporting purposes, the amount of the dividend withheld is included in the dividend income.

Table of Contents

USE OF PROCEEDS

The proceeds from the sales of treasury or new issue Common Stock pursuant to the Plan, if any, would be used for general corporate purposes. Merck has no basis for estimating either the number of shares of Common Stock that will ultimately be sold pursuant to the Plan or the prices at which such shares will be sold. Merck expects that generally all Plan purchases and sales will be effected in open market transactions.

Table of Contents

EXPERTS

The financial statements incorporated in this prospectus by reference to the Current Report on Form 8-K dated May 20, 2009 of Merck & Co., Inc. (now known as Merck Sharp & Dohme Corp.) and management s assessment of the effectiveness of internal control over financial reporting (which is included in Management s Report on Internal Control over Financial Reporting) incorporated in this prospectus by reference to the Annual Report on Form 10-K of Merck & Co., Inc. for the year ended December 31, 2008 have been so incorporated in reliance on the report of PricewaterhouseCoopers LLP, an independent registered public accounting firm, given on the authority of said firm as experts in auditing and accounting.

The consolidated financial statements, the related financial statement schedule, incorporated in this prospectus by reference from Schering-Plough Corporation (now known as Merck & Co., Inc.) and subsidiaries (Schering- Plough) Annual Report on Form 10-K for the year ended December 31, 2008, and the effectiveness of Schering-Plough s internal control over financial reporting have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their reports, which are incorporated herein by reference. Such reports (1) express an unqualified opinion on the consolidated financial statements and the related financial statement schedule and included an explanatory paragraph regarding Schering-Plough s adoption of Statement of Financial Accounting Standards No. 158, Employers Accounting for Defined Benefit Pension and Other Postretirement Plans, and Financial Accounting Standards Board Interpretation No. 48, Accounting for Uncertainty in Income Taxes, and (2) express an unqualified opinion on the effectiveness of internal control over financial reporting. Such financial statements and financial statement schedule have been so incorporated in reliance upon the reports of such firm given upon their authority as experts in accounting and auditing.

With respect to the unaudited interim financial information for the periods ended March 31, 2009, June 30, 2009 and September 30, 2009, which is incorporated herein by reference, Deloitte & Touche LLP, an independent registered public accounting firm, have applied limited procedures in accordance with the standards of the Public Company Accounting Oversight Board (United States) for a review of such information. However, as stated in their reports, included in Schering-Plough s Quarterly Reports on Form 10-Q for the quarters ended March 31, 2009, June 30, 2009 and September 30, 2009, and incorporated by reference herein, they did not audit and they do not express an opinion on that interim financial information.

Accordingly, the degree of reliance on their report on such information should be restricted in light of the limited nature of the review procedures applied. Deloitte & Touche LLP are not subject to the liability provisions of Section 11 of the Securities Act of 1933 for their report on the unaudited interim financial information because that report is not a report or a part of the Registration Statement prepared or certified by an accountant within the meaning of Sections 7 and 11 of the Act.

The combined financial statements of the Merck/Schering-Plough cholesterol partnership incorporated in this prospectus by reference from Schering-Plough and Merck & Co., Inc. s (now known as Merck Sharp & Dohme Corp.) Annual Reports on Form 10-K for the year ended December 31, 2008, have been audited by Deloitte & Touche LLP, independent auditors, as stated in their report which is incorporated herein by reference. Such combined financial statements have been so incorporated in reliance upon the report of such firm given their authority as experts in accounting and auditing.

Table of Contents

TRANSACTION AND PLAN SERVICE FEES

Account Set-up	$ 10
One-time enrollment fee for non-stockholders	
Optional Cash Investments by check	$ 5
Fee is assessed on each investment mailed to the administrator if multiple investments are made for one investment date, a $5 fee will be charged for each optional cash investment processed for that investment date.	
Optional Cash Investments by electronic funds transfer	$ 2
Dividend Reinvestment (per dividend reinvested)	4% of the dividend to be reinvested, or
The fee is deducted from the dividend amount.	$ 2, whichever is smaller
Sales (full or partial)	$ 5
Fee is assessed for each sale request the sale fee and brokerage commissions are deducted from the sale proceeds.	
Brokerage Commissions	$.01 per share purchased or sold
Brokerage commissions apply to all share purchases and sales, including dividend reinvestment.	
Returned Funds Fee	$ 25 per item
Fee for returned checks or rejected automatic bank withdrawals.	
Copies of Prior Year Account Statements	$ 15 per year

The following services are provided at no cost to the participant:

Certificate withdrawal requests,

Safekeeping of Plan shares,

Full or partial transfer of Plan shares, and

Copies of account statements for the current year.

Table of Contents

Stock Investment Plan

CUSIP 58933Y 10 5

PROSPECTUS

December 7, 2009

Table of Contents

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 14. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION

The following table sets forth all fees and expenses payable by the registrant in connection with the issuance and distribution of the shares of Common Stock being registered hereby (other than underwriting or broker-dealer discounts and commissions). All of the amounts shown are estimates.

SEC registration fee	$ 10,343
Accounting fees and expenses	50,000
Legal fees and expenses	25,000
Printing and engraving expenses	5,000
Miscellaneous	10,000
Total	$ 100,343

ITEM 15. INDEMNIFICATION OF DIRECTORS AND OFFICERS

The New Jersey Business Corporation Act provides that a New Jersey corporation has the power to indemnify a director or officer against his or her expenses and liabilities in connection with any proceeding involving the director or officer by reason of his or her being or having been such a director or officer, other than a proceeding by or in the right of the corporation, if such a director or officer acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the corporation; and with respect to any criminal proceeding, such director or officer had no reasonable cause to believe his or her conduct was unlawful.

The indemnification and advancement of expenses shall not exclude any other rights, including the right to be indemnified against liabilities and expenses incurred in proceedings by or in the right of the corporation, to which a director or officer may be entitled under a certificate of incorporation, bylaw, agreement, vote of stockholders, or otherwise; provided that no indemnification shall be made to or on behalf of a director or officer if a judgment or other final adjudication adverse to the director or officer establishes that his or her acts or omissions (a) were in breach of his or her duty of loyalty to the corporation or its stockholders, (b) were not in good faith or involved in a knowing violation of law or (c) resulted in receipt by the director or officer of an improper personal benefit.

The Company s Restated Certificate of Incorporation provides that, to the fullest extent permitted by the laws of the State of New Jersey, directors and officers of the Company shall not be personally liable to the Company or its stockholders for damages for breach of any duty owed to the Company or its stockholders, except that a director or officer shall not be relieved from liability for any breach of duty based upon an act or omission (a) in breach of such person s duty of loyalty to the Company or its stockholders, (b) not in good faith or involving a knowing violation of law or (c) resulting in receipt by such person of an improper personal benefit.

The By-Laws of the Company provide that a former, present or future director, officer or employee of the Company or the legal representative of any such director, officer or employee shall be indemnified by the Company:

(a) against reasonable costs, disbursements and counsel fees paid or incurred where such person has been successful in the defense on the merits or otherwise of any pending, threatened or completed civil, criminal, administrative or arbitrative action, suit or proceeding, and any appeal therein and any inquiry or investigation which could lead to such action, suit or proceeding or in defense of any claim, issue or matter therein, brought by reason of such person s being or having been such director, officer or employee, and

Table of Contents

(b) with respect to the defense of any such action, suit, proceeding, inquiry or investigation for which indemnification is not made under (a) above, against reasonable costs, disbursements (which shall include amounts paid in satisfaction of settlements, judgments, fines and penalties, exclusive, however, of any amount paid or payable to the Company) and counsel fees if such person acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the Company, and in connection with any criminal proceedings such person also had no reasonable cause to believe the conduct was unlawful, with the determination as to whether the applicable standard of conduct was met to be made by a majority of the members of the Board of Directors (sitting as a Committee of the Board) who were not parties to such inquiry, investigation, action, suit or proceeding or by any one or more disinterested counsel to whom the question may be referred by the Board of Directors; provided, however, in connection with any proceeding by or in the right of the Company, no indemnification shall be provided as to any person adjudged by any court to be liable to the Company except as and to the extent determined by such court.

The Company enters into indemnification agreements with its directors and officers and enters into insurance agreements on its own behalf. The indemnification agreements provide that the Company agrees to hold harmless and indemnify its directors and officers to the fullest extent authorized or permitted by the Business Corporation Act of the State of New Jersey, or any other applicable law, or by any amendment thereof or other statutory provisions authorizing or permitting such indemnification that is adopted after the date hereof. Without limiting the generality of the foregoing, the Company agrees to hold harmless and indemnify its directors and officers to the fullest extent permitted by applicable law against any and all expenses, judgments, fines and amounts paid in settlement actually and reasonably incurred by its directors and officers in connection with the defense of any present or future threatened, pending or completed claim, action, suit or proceeding by reason of the fact that they were, are, shall be or shall have been a director or officer of the Company, or are or were serving, shall serve or shall have served, at the request of the Company, as director or officer of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise.

ITEM 16. EXHIBITS

	Opinion and Consent of Celia A. Colbert, Esq., Senior Vice President, Secretary and Assistant General Counsel of the Registrant.
15(a)	Awareness Letter of Deloitte & Touche LLP, independent registered public accounting firm for Schering-Plough Corporation.
23(a)	Consent of PricewaterhouseCoopers LLP, independent registered public accounting firm for the Registrant.
23(b)	Consent of Deloitte & Touche LLP, independent registered public accounting firm for Schering-Plough Corporation.
23(c)	Consent of Deloitte & Touche LLP, independent auditors for the Merck/Schering-Plough Cholesterol Partnership.
23(d)	Consent of Celia A. Colbert, Esq., Senior Vice President, Secretary and Assistant General Counsel of the Registrant (contained in Exhibit 5 to this registration statement).
24	Power of Attorney.

Table of Contents

ITEM 17. UNDERTAKINGS

The undersigned Registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

(i) To include any prospectus required by Section 10(a)(3) of the Securities Act of 1933;

(ii) To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than a 20% change in the maximum aggregate offering price set forth in the Calculation of Registration Fee table in the effective registration statement;

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement;

provided, however, that paragraphs (i), (ii) and (iii) do not apply if the information required to be included in a post-effective amendment by those paragraphs is contained in reports filed with or furnished to the Commission by the Registrant pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934 that are incorporated by reference in the registration statement, or is contained in a form of prospectus filed pursuant to Rule 424(b) that is part of the registration statement.

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(4) That, for the purpose of determining liability under the Securities Act of 1933 to any purchaser:

(A) Each prospectus filed by the Registrant pursuant to Rule 424(b)(3) shall be deemed to be part of the registration statement as of the date the filed prospectus was deemed part of and included in the registration statement; and

(B) Each prospectus required to be filed pursuant to Rule 424(b)(2), (b)(5) or (b)(7) as part of a registration statement in reliance on Rule 430B relating to an offering made pursuant to Rule 415(a)(1)(i), (vii) or (x) for the purpose of providing the information required by Section 10(a) of the Securities Act of 1933 shall be deemed to be part of and included in the registration statement as of the earlier of the date such form of prospectus is first used after effectiveness or the date of the first contract of sale of securities in the offering described in the prospectus. As provided in Rule 430B, for liability purposes of the issuer and any person that is at that date an underwriter, such date shall be deemed to be a new effective date of the registration statement relating to the securities in the registration statement to which that prospectus relates, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof. Provided, however, that no statement made in a registration statement or prospectus that is part of the registration statement or made in a document incorporated or deemed incorporated by reference into the registration statement or prospectus that is part of the registration statement will, as to a purchaser with a time of contract of sale prior to such effective date, supersede or modify any statement that was made in the registration statement or prospectus that was part of the registration statement or made in any such document immediately prior to such effective date.

II-3

Table of Contents

(5) That, for the purpose of determining liability of a Registrant under the Securities Act of 1933 to any purchaser in the initial distribution of the securities, the undersigned Registrant undertakes that in a primary offering of securities of an undersigned Registrant pursuant to this registration statement, regardless of the underwriting method used to sell the securities to the purchaser, if the securities are offered or sold to such purchaser by means of any of the following communications, the undersigned Registrant will be a seller to the purchaser and will be considered to offer or sell such securities to such purchaser:

(i) Any preliminary prospectus or prospectus of an undersigned Registrant relating to the offering required to be filed pursuant to Rule 424;

(ii) Any free writing prospectus relating to the offering prepared by or on behalf of an undersigned Registrant or used or referred to by an undersigned Registrant;

(iii) The portion of any other free writing prospectus relating to the offering containing material information about an undersigned Registrant or its securities provided by or on behalf of an undersigned Registrant; and

(iv) Any other communication that is an offer in the offering made by an undersigned Registrant to the purchaser.

That, for purposes of determining any liability under the Securities Act of 1933, each filing of the Registrant s annual report pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (and, where applicable, each filing of an employee benefit plan s annual report pursuant to Section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

Table of Contents

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Whitehouse Station, State of New Jersey, on the 7th day of December, 2009.

MERCK & CO., INC.

By: /s/ RICHARD T. CLARK

Richard T. Clark
Chairman, President and Chief Executive Officer

Table of Contents

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated:

Signature	Title	Date
/s/ Richard T. Clark **Richard T. Clark**	Chairman, President and Chief Executive Officer; Principal Executive Officer; Director	December 7, 2009
/s/ Peter N. Kellogg **Peter N. Kellogg**	Executive Vice President and Chief Financial Officer; Principal Financial Officer	December 7, 2009
/s/ John Canan **John Canan**	Senior Vice President and Global Controller; Principal Accounting Officer	December 7, 2009
/s/ Leslie A. Brun **Leslie A. Brun**	Director	December 7, 2009
/s/ Thomas R. Cech **Thomas R. Cech**	Director	December 7, 2009
/s/ Thomas H. Glocer **Thomas H. Glocer**	Director	December 7, 2009
/s/ Steven F. Goldstone **Steven F. Goldstone**	Director	December 7, 2009
	Director	December 7, 2009

/s/ William B. Harrison, Jr. **William B. Harrison, Jr.**		
/s/ Harry R. Jacobson **Harry R. Jacobson**	Director	December 7, 2009
/s/ C. Robert Kidder **C. Robert Kidder**	Director	December 7, 2009
/s/ William N. Kelley **William N. Kelley**	Director	December 7, 2009
/s/ Rochelle B. Lazarus **Rochelle B. Lazarus**	Director	December 7, 2009
/s/ Carlos E. Represas **Carlos E. Represas**	Director	December 7, 2009
/s/ Patricia F. Russo **Patricia F. Russo**	Director	December 7, 2009
/s/ Thomas E. Shenk **Thomas E. Shenk**	Director	December 7, 2009

Table of Contents

Signature	Title	Date
/s/ ANNE M. TATLOCK **Anne M. Tatlock**	Director	December 7, 2009
/s/ SAMUEL O. THIER **Samuel O. Thier**	Director	December 7, 2009
/s/ CRAIG B. THOMPSON, M.D. **Craig B. Thompson, M.D.**	Director	December 7, 2009
/s/ WENDELL P. WEEKS **Wendell P. Weeks**	Director	December 7, 2009
/s/ PETER C. WENDELL **Peter C. Wendell**	Director	December 7, 2009

Table of Contents

EXHIBIT INDEX

5	Opinion and Consent of Celia A. Colbert, Esq., Senior Vice President, Secretary and Assistant General Counsel of the Registrant.
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23(c)	Consent of Deloitte & Touche LLP, independent auditors for the Merck/Schering-Plough Cholesterol Partnership.
23(d)	Consent of Celia A. Colbert, Esq., Senior Vice President, Secretary and Assistant General Counsel of the Registrant (contained in Exhibit 5 to this registration statement).
24	Power of Attorney.

/TD>$0.97 $0.65

Pro Forma

$0.44 $0.21 $0.97 $0.61

As more fully described in Note L, the Company made a grant of performance based restricted stock in 2003. To the extent that it is probable that the performance targets will be reached, the Company provides compensation expense ratably over the vesting period, which is included in the table above.

Capitalized Interest

Interest incurred relating to the development of communities is capitalized during the active development period. The Company s strategy is to master plan, develop, and build substantially all of the home sites in its communities. Accordingly, substantially all projects, excluding finished lots where the home is available for occupancy, are undergoing active development. Capitalized interest was approximately $810,000 and $833,000 for the three months ended September 30, 2003 and 2002, and $2,474,000 and $2,594,000 for the nine months ended September 30, 2003 and 2002, respectively.

Legal Contingencies

The Company is currently involved in certain legal proceedings. The Company does not believe these proceedings will have a material adverse effect on its consolidated financial position. It is possible, however, that future results of operations for any particular quarterly or annual period could be materially affected by changes in assumptions and the effectiveness of strategies, related to these proceedings.

Table of Contents

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Reclassifications

Certain reclassifications have been made in the 2002 consolidated financial statements to conform to the classifications used in the current period, including treatment of discontinued operations. Such reclassifications have no material effect on the amounts as originally presented.

D. Real Estate

Real estate at September 30, 2003 and December 31, 2002 is as follows (in thousands):

	2003	2002
Land	$ 46,399	$ 46,312
Land improvements and buildings	189,076	178,130
	235,475	224,442
Less accumulated depreciation	(19,453)	(17,818)
Real estate, net	$ 216,022	$ 206,624

Land improvements and buildings consist primarily of infrastructure, roads, landscaping, clubhouses, maintenance buildings and common amenities.

The Company calculates depreciation using the straight-line method over an estimated useful life of 5 to 75 years for land improvements, 30 to 45 years for buildings and 5 years for furniture and other equipment. Land is not depreciated. The Company s real estate investment consists of buildings, land improvements, and land. Buildings consist primarily of the clubhouses at its residential land lease communities maintained as amenities for tenant use. A majority of the Company s investment in land improvements consists of long-lived assets such as lateral infrastructure at its residential land lease communities including sanitary sewer and storm water collection systems, potable water supply systems, roads and walkways. The balance of land improvements consists of assets with shorter lives such as marinas, fencing, swimming pools, spas, shuffleboard courts, tennis courts and other tenant amenities.

During the nine months ended September 30, 2003, the Company sold a 28 home site community in Bensalem, Pennsylvania to a third party for an aggregate sales price of approximately $1,125,000. The net proceeds of $1,082,000 were used to repay a portion of the Company s outstanding short-term indebtedness and for other corporate purposes. The Company recognized a loss on the sale of approximately $86,000, net of minority interest in the Operating Partnership.

During the nine months ended September 30, 2003, the Company sold ten home sites for total consideration of approximately $309,000 to existing tenants in Arizona.

Table of Contents

E. Home Sales Business

The Company, through a taxable subsidiary corporation, owns an inventory of developed vacant sites within our portfolio of residential land lease communities. In addition, the Company owns undeveloped land that is contiguous to existing occupied communities. The Company s home sales business seeks to facilitate the conversion of this inventory of unleased land into leased sites with long-term cash flows. The Company s home sales business closed sales of 125 and 84 new homes for the three months ended September 30, 2003 and 2002, an increase of 48.8% and closed sales of 311 and 217 new homes for the nine months ended September 30, 2003 and 2002, an increase of 43.3%.

F. Discontinued Operations

The Financial Accounting Standards Board (FASB) issued SFAS 144, *for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed OF* (SFAS 121), to determine when a long-lived asset is classified as held for sale, and it provides a single accounting model for the disposal of long-lived assets. SFAS 144 was effective beginning January 1, 2002. Due to the adoption of SFAS 144, the Company now reports as discontinued operations real estate assets held for sale (as defined by SFAS 144) and real estate assets sold. All results of these discontinued operations, less applicable income taxes, are included in a separate component of income on the consolidated statements of income under the heading discontinued operations. This change has resulted in certain reclassifications of 2002 financial statement amounts.

The following is a summary of the components of income (loss) from discontinued operations for the three and nine months ended September 30, 2003 and 2002 (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2003	2002	2003	2002
Discontinued Property Operations:				
Rental and other property revenues	$ 15	$ 115	89	$ 312
Property operating expenses	(3)	(47)	(38)	(123)
Depreciation	(1)	(9)	(3)	(26)
Income from discontinued operations before loss on disposition of discontinued operations	11	59	48	163
Impairment of property	(151)		(151)	
Loss on disposition of discontinued operations			(98)	
Income from discontinued operations before minority interest	(140)	59	(201)	163
Minority interest attributed to discontinued operations	17	(7)	24	(20)
(Loss) Income from discontinued operations, net of minority interest	$ (123)	$ 52	$ (177)	$ 143

For the three months ended September 30, 2003, an impairment loss of approximately $151,000 was recognized on an asset reclassified as held for sale. As of September 30, 2003, the Company had one

Table of Contents

community in Arizona classified as held for sale. The results of operations of this community were included within discontinued operations for the three and nine months ended September 30, 2003 and 2002.

G. Secured Long-Term Notes Payable

The following table summarizes the Company s secured long-term notes payable (in thousands):

	September 30, 2003	December 31, 2002
Fixed rate, ranging from 6.5% to 8.75%, fully amortizing, non-recourse notes maturing at various dates from 2018 through 2020.	$ 69,878	$ 71,672
Fixed rate, ranging from 6.6% to 7.8%, partially amortizing, non-recourse notes maturing at various dates from 2007 through 2011.	17,261	17,435
Variable rate, at LIBOR plus 300 basis points with a 6.5% floor , non-recourse notes maturing in 2005 and 2007.	9,082	8,094
Variable rate, at LIBOR plus 250 basis points, non-amortizing, non-recourse notes maturing in 2013.	15,015	
	$ 111,236	$ 97,201

On September 30, 2003 the Company received an additional advance of $1,000,000 in accordance with the terms of an existing debt mortgage as a result of reaching certain performance criteria.

On May 13, 2003, the Company closed seven non-recourse loans secured by properties in Florida and Arizona totaling $7,975,000. The loans bear interest at a rate equal to the London Interbank Offered Rate (LIBOR) plus 250 basis points. These non-amortizing loans mature in May of 2013.

On March 21, 2003, the Company closed two non-recourse loans secured by properties in Florida totaling $7,040,000. The loans bear interest at a rate equal to LIBOR plus 250 basis points. These non-amortizing loans mature in March of 2013.

H. Secured Short-Term Financing

On July 31, 2003, the Company closed a revolving line of credit with a new lender for a total commitment of $16,000,000. The line of credit is secured by real property and improvements located in St. Lucie County, Florida and Maricopa County, Arizona. The loan bears interest at a rate equal to the thirty-day LIBOR plus 200 basis points. This interest-only note matures in July 2005. The availability of funds to the Company under the line of credit is subject to certain borrowing base restrictions and other customary restrictions, including compliance with financial and other covenants thereunder. There is no amount outstanding as of September 30, 2003. Based upon the application of these covenants as of September 30, 2003, the entire undrawn balance of $16,000,000 was available to the Company.

The Company has a floor plan line of credit with a floor plan lender providing a credit facility of $11,000,000 with a variable interest rate indexed to the prime rate and spreads varying from 1% to 1.75%, depending on the manufacturer and age of the inventory. During the nine months ended September 30, 2003, the Company s current floor plan lender acquired the former floor plan lender s notes and amounts due from the Company were consolidated with the current floor plan lender s facility described above. Individual advances mature as early as 360 days or have no stated maturity, based upon

Table of Contents

the manufacturer. Amounts outstanding are non-recourse to the Company for the period of time the financed home is subject to a repurchase agreement with the manufacturer of the home. This floor plan line of credit is secured by inventory located in the Company s residential land lease communities with a carrying value of approximately $8,983,000. At September 30, 2003, $8,921,000 was outstanding, of which $8,530,000 was non-recourse to the Company and $391,000 was recourse to the Company and $2,079,000 was available under the floor plan credit facility.

I. Commitments and Contingencies

The Company is party to various legal actions resulting from its operating activities. These actions are routine litigation and administrative proceedings arising in the ordinary course of business, some of which are covered by liability insurance, and none of which are expected to have a material adverse effect on the consolidated financial condition or results of operations of the Company and its subsidiaries taken as a whole.

The Company entered into various construction contracts with third parties to develop subdivisions within the Company s existing portfolio of residential land lease communities. Certain of these contracts contain cancellation provisions at the option of the Company. The unpaid balance of these contracts remaining at September 30, 2003 is approximately $5,617,000.

As of September 30, 2003, the Company s outstanding purchase obligations with manufacturers of homes to be constructed in the Company s communities totaled $3,201,000.

In connection with the acquisition of a residential land lease community, the Company entered into an earn-out agreement with respect to 142 unoccupied home sites. The Company advances an additional $16,500 pursuant to the earn-out agreement for each newly occupied home site either in the form of cash or 1,178 OP Units, as determined by the seller. The Company paid $66,000 and $66,000 for the three months ended September 30, 2003 and 2002, respectively and $248,000 and $132,000 for the nine months ended September 30, 2003 and 2002, respectively in cash and OP Units for newly occupied home sites. At September 30, 2003, there were 65 unoccupied home sites subject to the earnout.

J. Operating Segments

Investments in residential land lease communities constitute substantially the Company s entire portfolio, and as such, management of the Company assesses the performance of the Company as one operating segment.

K. Fair Value of Financial Instruments

The following methods and assumptions were used to estimate the fair value of each type of financial instrument. The estimates of fair value have been determined by the Company using available market information and valuation methodologies.

Cash and cash equivalents, accounts payable and accrued liabilities, and secured short-term financing - the carrying amounts approximate fair value because of the short maturity of these instruments.

Non-agency MBS and CMBS Bonds - the carrying amount of non-agency MBS and CMBS bonds included in other assets in the balance sheet approximate those assets fair values. The Company generally estimates fair value of the non-agency MBS and CMBS bonds based on the present value

Table of Contents

of future expected cash flows of the bonds. The fair value of the non-agency MBS and CMBS bonds, based on the underlying assets that secure the bonds, are estimated using managements best estimate of the future cash flows.

Secured long-term notes payable - based upon borrowing rates currently available to the Company, the carrying value of secured long-term notes payable approximate their fair value.

L. Common Stock and Dividends

Officer Stock Loans

In previous years, the Company had provided loans to three of its executive officers in an amount equal to the total cash required to purchase common stock in the Company at the then prevailing market prices. These loans have a 10-year maturity, are 25% recourse to the executive officers, bear interest at 7.5% and are secured by the stock acquired with the proceeds from the loan. During the year ended December 31, 2002, an officer who had separated from the Company repaid the balance due in full in accordance with the terms of the loan. As of September 30, 2003, the total balance outstanding on loans made to officers secured by Company common stock was approximately $814,000 and principal payments made on these obligations were $18,000 and $437,000 for the three months ended September 30, 2003 and 2002, and $34,000 and $458,000 for the nine months ended September 30, 2003 and 2002, respectively, and the loans are current with respect to principal and interest. In compliance with current regulations, the Company has not made loans to executive officers since January 1, 2001.

Restricted Stock

The Company issued 50,000 shares of restricted stock to members of management during the nine months ended September 30, 2003. The restricted stock was issued at the fair value of the common stock on the date of issuance. The restricted stock may not be sold, assigned, transferred, pledged, hypothecated or otherwise disposed of and is subject to a risk of forfeiture within the vesting period. Vesting periods of the restricted stock issued range from four to five years. The fair value of the restricted stock is amortized to compensation expense over the vesting period.

Changes in unamortized deferred compensation re restricted stock for the nine months ended September 30, 2003 and 2002, respectively are as follows:

	September 30, 2003	September 30, 2002
Beginning unamortized value as of January 1	$ 396,000	$ 278,000
Fair value of restricted stock issued	1,524,000	294,000
Forfeiture of restricted shares	(32,000)	(71,000)
Amortization of fair value	(401,000)	(93,000)
Ending unamortized value as of September 30	$ 1,487,000	$ 408,000

In addition to the ratable amortization of fair value over the vesting period, dividends paid on unvested shares of restricted stock are charged to compensation expense in the period paid. The total compensation expense charged to income related to restricted share awards was $179,000 and $51,000 for the three months ended September 30, 2003 and 2002, respectively, and $514,000 and $157,000 for the nine months ended September 30, 2003 and 2002, respectively.

Table of Contents

Effective 2003, the Company made a grant of performance based restricted stock awards whereby the Company issued restricted common stock (the HPS shares) under the terms of the 1998 Stock Incentive Plan. Dividends are paid on the HPS shares in the same amounts and at the same time as dividends are paid on outstanding common stock. In furtherance of the Company s goal of making share ownership the primary motivation of its senior management team, the Company has made grants of performance based restricted stock which vest over a three year period, as described below. Future grants of performance based restricted stock and the terms thereof will be subject to the approval of the Board of Directors.

As described below, the HPS shares vest based upon the extent, if any, that the total return realized by shareholders exceeds the ten-year average total return of the Equity REIT Index, as reported by the National Association of Real Estate Investment Trusts (NAREIT). Total return is defined as the total of the closing price at year-end plus any dividends paid less the closing price for the prior year-end. The total return for the Company is measured over a three-year period that ends on the final valuation date. To the extent that shares are not vested as of the final valuation date, such shares are forfeited and are returned to the Company. Vesting is achieved ratably on the final valuation date to the extent that excess value has been realized. In order for management to earn vesting in all of the HPS shares for a given final valuation date, the actual total return to shareholders for the three-year period is required to exceed the Equity REIT Index total return by 5 percentage points.

The 2003 HPS grant was 50,000 shares with a final measurement date of December 31, 2005. The Equity REIT Index average total return over the trailing ten years as of December 31, 2002 was 10.53%. For the 2003 HPS grant to fully vest, the actual total return over the three-year period is required to be 15.53%. If the actual total return is between 10.53% and 15.53% then a ratable portion of the shares would vest (for example, one half of the shares would vest if the actual total return is 13.03%). If the actual total return does not exceed 10.53%, all shares would be forfeited, but none of the dividends paid during the three-year period would be forfeited.

For the three and nine months ended September 30, 2003, the Company has provided compensation expense of $59,000 and $177,000, respectively, related to the above award.

Dividends

The Company s dividend is set quarterly by the Company s Board of Directors and is subject to change or elimination at any time. The Company paid quarterly dividends on common stock of $0.25 per share, totaling $1,715,000 and $1,705,000 for the three months ended September 30, 2003 and 2002, and $5,152,000 and $5,056,000 for the nine months ended September 30, 2003 and 2002, respectively.

M. Certain Relationships and Related Transactions

During the nine months ended September 30, 2002, Brandywine Financial Services Corporation, an affiliate of Brandywine, received fees of $56,000 to provide back office support to both the Company s communities and the Company s corporate office located in Florida. Bruce Moore, a Director of the Company, is also an owner of Brandywine Financial Services as of September 30, 2003. Pursuant to the Company s consolidation of its offices from Chadds Ford, Pennsylvania and Denver, Colorado to Clearwater, Florida, the Company now performs these functions out of its Clearwater office. Effective March 31, 2002, Brandywine Financial Service s services to the Company were terminated.

As of January 1, 2003, the Company s contracts to manage properties owned by third parties were cancelled. These contracts had been acquired in 1997 from entities affiliated with Brandywine Financial

Table of Contents

Services Corporation (Brandywine) in exchange for common stock of the Company. Bruce Moore, a Director of the Company, is also an owner of Brandywine. The purchase agreement provided that the common stock issued was to be held in escrow and released to Brandywine ratably over ten years. When the contracts were cancelled, approximately 16,000 shares were returned to the Company. The Company s basis in these third party management contracts had been fully amortized to expense in prior years. The Company recorded the forfeiture of the common stock as other income, and as an increase to treasury stock, totaling $227,000.

N. Recent Accounting Developments

SFAS 146

In July 2002, FASB issued Statement of Financial Accounting Standard No. 146, *Accounting for Costs Associated with Exit or Disposal Activities* (SFAS 146) which requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred and nullifies EITF 94-3. The Company adopted SFAS No. 146 in January 2003. The adoption of SFAS 146 did not have a material effect on the Company s financial position or results of operations.

FIN 45

In November 2002, FASB issued Interpretation No. 45, *Guarantor s Accounting and Disclosure Requirements of Guarantees, Including Indirect Guarantees of Indebtedness of Others* (FIN 45). FIN 45 will significantly change current practice in the accounting for, and disclosure of, guarantees. Guarantees meeting the characteristics described in FIN 45, which are not included in the long list of exceptions, are required to be initially recorded at fair value, which is different from the general current practice of recording a liability only when a loss is probable and reasonably estimable. FIN 45 also requires a guarantor to make significant new disclosures for virtually all guarantees, even if the likelihood of the guarantor s having to make payments under the guarantee is remote. FIN 45 s disclosure requirements are effective for financial statements of interim or annual periods ending after December 15, 2002. FIN 45 s initial recognition and initial measurement provisions are applicable on a prospective basis to guarantees issued or modified after December 31, 2002. The guarantor s previous accounting for guarantees issued prior to the date of FIN 45 s initial application should not be revised or restated to reflect its provisions. The Company adopted FIN 45 in January 2003. The adoption of FIN 45 did not have a material impact on the Company s financial position or results of operations.

SFAS 148

In December 2002, the FASB issued Statement No. 148 *Accounting for Stock-Based Compensation-Transition and Disclosure an amendment of FASB Statement No. 123* (SFAS 148). SFAS 148 amends SFAS 123, Accounting for Stock-Based Compensation, to provide transition alternatives for adopting the accounting provisions of SFAS 123 and also amends the disclosure requirements of SFAS 123. Additionally, SFAS 148 requires disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. The transition provisions of SFAS 148 were adopted on January 1, 2003 when the Company adopted the accounting provisions of SFAS 123. See Note C for information on the impact that the adoption of SFAS 148 had on the Company s financial position and results of operations.

Table of Contents

FIN 46

In January 2003, the Financial Accounting Standards Board issued Interpretation No. 46, *Consolidation of Variable Interest Entities*, (FIN 46) an interpretation of Accounting Research Bulletin No. 51. FIN 46 requires the consolidation of entities in which an enterprise absorbs a majority of the entity s expected losses, receives a majority of the entity s expected residual returns, or both, as a result of ownership, contractual or other financial interests in the entity. Currently, entities are generally consolidated by an enterprise when it has a controlling financial interest through ownership of a majority voting interest in the entity. FIN 46 s consolidation requirements apply immediately to variable interest entities created or acquired after January 31, 2003. The consolidation requirements apply to older entities in the first fiscal year or interim period beginning after June 15, 2003. On October 8, 2003, the FASB granted a deferral of FIN46 for all entities formed on or after February 1, 2003 and has elected to defer implementation of FIN 46 until fourth quarter 2003 for entities in existence on January 31, 2003. The adoption of FIN 46 did not have a material impact on the Company s financial position or results of operations.

SFAS 150

In May 2003, FASB issued Statement of Financial Accounting Standards No. 150 *Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity (SFAS 150),* which establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. The requirements of SFAS 150 apply to the classification and measurement of freestanding financial instruments, including those that compromise more than one option or forward contract. It requires that certain financial instruments, such as mandatorily redeemable shares, put options and forward purchase contracts, and obligations that can be settled with shares be classified as liabilities, where in some cases these have previously been classified as equity or between the liabilities and equity section of the consolidated balance sheet. SFAS 150 is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. In September 2003, financial statement issuers first became aware that the FASB intended for SFAS 150 to also apply to the non-controlling interests in consolidated finite life subsidiaries. However, on October 29, 2003, the FASB indefinitely deferred the provisions of SFAS 150 for non-controlling interest in consolidated finite life subsidiaries. The Company adopted SFAS 150 in June 2003, to the extent of the remaining applicable portions of SFAS 150. The adoption of SFAS 150 did not have a material impact on the Company s financial position or results of operations.

O. Subsequent Events

The Company s dividend is set quarterly and is subject to change or elimination at any time. On November 5, 2003, the Board of Directors declared a quarterly cash dividend of $0.25 per common share for the quarter ended September 30, 2003, payable on November 25, 2003, to shareholders of record on November 20, 2003. Shareholders may reinvest the dividends paid under the Dividend Reinvestment and Stock Purchase Plan that was adopted in May of 2002. The Plan allows shareholders to acquire additional shares of common stock by reinvesting some or all of the cash dividends paid on the Company s outstanding common stock.

On October 9, 2003, the Company increased its floor plan line of credit from $11,000,000 to $15,000,000.

Table of Contents

On October 17, 2003, the Company completed the acquisition of an age restricted residential land lease community in Central Florida comprised of 301 home sites and amenities. The total home sites are comprised of 130 leased sites and an additional 171 sites for future development. The total cost of the acquisition will include a purchase price of $4.9 million for the community, an estimated $50,000 in transaction costs and $150,000 of initial capital expenditures to address identified property needs. The Company may also spend as much as an additional $825,000 in capital expenditures for development in support of its leasing activities. Initial funding for the acquisition will be borrowings under the Company s credit facility. The Company expects to repay the facility with operating cash flows and proceeds from permanent financing of the property.

Item 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

Introduction

The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements in certain circumstances. Certain information included in this report and our other filings with the Securities and Exchange Commission under the Securities Act of 1933, as amended, and the Securities Exchange Act of 1934, as amended, as well as information communicated orally or in writing between the dates of these SEC filings, constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements may include projections relating to our cash flow, dividends, anticipated returns on real estate investments and opportunities to acquire additional communities. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include: general economic and business conditions; interest rate changes; financing and refinancing risks; risks inherent in owning real estate or debt secured by real estate; future development rate of home sites; competition; the availability of real estate assets at prices which meet our investment criteria; our ability to reduce expense levels, implement rent increases, use leverage and other risks set forth in our SEC filings. In addition, our current and continuing qualification as a real estate investment trust involves the application of highly technical and complex provisions of the Internal Revenue Code and depends on our ability to meet the various requirements imposed by the Internal Revenue Code, through actual operating results, distribution levels and diversity of stock ownership. Readers should carefully review our financial statements and the notes thereto, as well as the risk factors described in the documents we file from time to time with the Securities and Exchange Commission.

Critical Accounting Policies and Estimates

Our consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States, which require us to make estimates and assumptions. We believe that of our significant accounting policies (see Note C to the consolidated financial statements), the following may involve a higher degree of judgment and complexity.

Impairment of Long-Lived Assets

Real estate and other long-lived assets are recorded at cost, less accumulated depreciation, unless considered impaired. If events or circumstances indicate that the carrying amount of a property may be impaired, we will make an assessment of its recoverability by estimating the undiscounted future cash flows, excluding interest charges, of the property. In the event the property is under development, the

18

estimate of future cash flows includes all future expenditures necessary to develop the property. If the carrying amount exceeds the aggregate future cash flows, we would recognize an impairment loss to the extent the carrying amount exceeds the fair value of the property.

Real property investments are subject to varying degrees of risk. Several factors may adversely affect the economic performance and value of our real estate investments. These factors include changes in the national, regional and local economic climates; local conditions, such as an oversupply of residential land lease properties or a reduction in the demand for our residential land lease properties; and competition from other housing sources including single and multifamily properties; plus changes in market rental rates. Additional factors that may adversely affect the economic performance and value of our development properties include regulatory changes that impact the number of home sites that can be built on our undeveloped land, changes in projected costs to construct new subdivisions in our communities and regulatory changes made by local, regional, state or national authorities. Any adverse changes in these factors could cause impairment in our real estate.

Capitalized Costs

We capitalize direct and indirect costs (including interest, real estate taxes, and other costs) in connection with initial capital expenditures, capital enhancements, and capital replacements, as well as similar spending for development and redevelopment of our properties. Indirect costs that are not capitalized, including general and administrative expenses, are charged to expense as incurred. The amounts capitalized vary with the volume, cost and timing of these activities and, especially, with the pace of development and redevelopment activities. As a result, changes in the volume, cost and timing of these activities may have a significant impact on our financial results.

The most significant capitalized cost is interest. We capitalize interest when the following three conditions are present: (i) expenditures for the asset have been made, (ii) activities necessary to get the asset ready for its intended use are in progress and (iii) interest cost is being incurred. Our determination of the activities in progress for a development property is subject to professional judgment. The most significant judgment is the determination to capitalize interest relating to the ownership of land being developed as new home sites. In many cases, the development activity is expected to take place over several years and in multiple phases. It is our conclusion that the entirety of each parcel is under development and is a qualifying asset. Accordingly, interest is capitalized with respect to the entire parcel until such time as development activities cease or the individual home site is ready for its intended use. We regularly review the amount of capitalized costs in conjunction with our review of impairment of long-lived assets.

Rental Property Depreciation

Depreciation is computed using the straight-line method over an estimated useful life of 5 to 75 years for land improvements, 30 to 45 years for buildings and 5 years for furniture and other equipment, all of which are judgmental determinations. These determinations may prove to be different than the actual life of any individual asset.

Inventory

Carrying amounts for inventory are determined on a specific identification basis and are stated at the lower of cost or market. If actual market conditions are less favorable than those projected by management, if customer preferences change, or if material improvements are made by suppliers that are preferred by our customers to inventory we own, inventory write-downs may be required. Any such

Table of Contents

write-downs may have a significant impact on our financial results. On a quarterly basis, we review each home in inventory that is older than one year and evaluate our carrying amount versus recent offers, comparable sales, and our asking price in order to derive an estimate of its market value. In the event that the carrying amount exceeds our estimate of market value, less a normalized margin, we record a write-down of the carrying amount as a charge to the cost of home sales in the current period. As of September 30, 2003, $1,701,000 of our total inventory of $10,335,000 was older than one year. For the three and nine months ended September 30, 2003, we recorded a charge of $191,000 and $438,000 to write carrying amounts down to market value.

Legal Contingencies

The Company is currently involved in certain legal proceedings. The Company does not believe these proceedings will have a material adverse effect on its consolidated financial position. It is possible, however, that future results of operations for any particular quarterly or annual period could be materially affected by changes in assumptions and the effectiveness of strategies, related to these proceedings. The amount of loss contingencies involving litigation, for which a loss is probable and such loss can be reasonably estimated, is determined through consultation with legal counsel representing the Company. The Company s evaluation of loss contingencies arising from litigation, claims and assessments, considers unasserted claims and associated estimates of loss, if any, are provided to the extent probable and reasonably estimable.

Portfolio Summary

	Operational Home sites	Developed Home sites	Undeveloped Home sites	RV Sites	Total
As of December 31, 2002	6,090	1,123	1,543	129	8,885
Properties developed		58	(58)		
New lots purchased		6			6
Lots sold	(38)				(38)
New leases originated	300	(300)			
As of September 30, 2003	6,352(1)	887	1,485	129	8,853

(1) As of September 30, 2003, 6,131 of these operational home sites were occupied.

Occupancy Roll Forward

	Occupied Home sites	Operational Home sites	Occupancy
As of December 31, 2002	5,895	6,090	96.8%
New home sales	311	300	
Used home sales	30		
Used homes acquired	(47)		
Lots Sold	(31)	(38)	
Homes constructed by others	5		
Lots Purchased			
Homes removed from previously leased sites	(32)		
As of September 30, 2003	6,131	6,352	96.5%

Operating Strategy

In addition to reviewing financial measures determined in accordance with generally accepted accounting principles (GAAP), we assess the performance of the business by using several generally accepted industry financial measures, including funds from operations (FFO) which is defined below. We believe this measure provides useful information regarding our performance, but this measure should not be considered as an alternative to net income or net cash flow from operating activities, as determined in accordance with GAAP.

The Board of Governors of the National Association of Real Estate Investment Trusts (NAREIT) defines FFO as net income or loss, computed in accordance with generally accepted accounting principles, excluding gains and losses from debt restructuring and sales of property, plus real estate related depreciation and amortization (excluding amortization of financing costs) and after adjustments for unconsolidated partnerships and joint ventures. We calculate FFO beginning with the NAREIT definition and include adjustments for the minority interest in the Operating Partnership owned by persons other than us. In addition, in the three and nine months ended September 30, 2003, net income includes non-cash impairment losses on real estate assets held for sale of $0.1 million for both periods presented. The National Association of Real Estate Investment Trust (NAREIT) indicated, as of October 1, 2003, that impairment losses should be subtracted in the calculation of FFO. In the table presented below, we have complied with the October 1, 2003 guidance and have included impairment charges as a deduction in calculating FFO.

FFO should not be considered an alternative to net income or net cash flows from operating activities, as calculated in accordance with GAAP, as an indication of our performance or as a measure of liquidity. FFO is not necessarily indicative of cash available to fund future cash needs. In addition, although FFO is a measure used for comparability in assessing the performance of real estate investment trusts, there can be no assurance that our basis for computing FFO is comparable with that of other real estate investment trusts.

We use FFO in measuring our operating performance and believe that it is helpful to investors because we believe that (i) the items that result in a difference between FFO and net income do not impact the ongoing operating performance of a real estate company, (ii) FFO captures real estate performance by recognizing that real estate generally appreciates over time or maintains residual value to a much greater extent than do other depreciating assets such as machinery, computers or other personal property, and (iii) other real estate companies, analysts and investors utilize FFO in analyzing the results of real estate companies.

Table of Contents

For the three and nine months ended September 30, 2003 and 2002, our FFO was (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2003	**2002**	**2003**	**2002**
Net Income	$ 3,139	$ 1,545	$ 6,841	$ 4,415
Minority interest in operating partnership	443	214	951	613
Real estate depreciation	662	597	1,972	1,854
Recovery of common stock escrowed to secure management contracts (1)			(227)	
(Gain) on sale of interest in unconsolidated real estate partnerships	(971)		(971)	
Discontinued operations:				
Real estate depreciation	1	9	3	26
Minority interest in operating partnership attributed to discontinued operations	(17)	7	(24)	20
Loss on sale of real estate			98	
Depreciation from unconsolidated real estate partnerships			33	
Funds From Operations (FFO)	$ 3,257	$ 2,372	$ 8,676	$ 6,928
Weighted average common shares and OP Units outstanding	8,059	7,805	7,990	7,753

(1) The Company acquired certain third party management contracts in 1997 through the issuance of common stock. The terms of the purchase agreement provided that the common stock was issued under an escrow agreement that provided for a ratable release of the common stock based upon the continued existence of the third party management contracts. The property owner cancelled the management contracts effective January of 2003 and under the terms of the escrow agreement approximately 16,000 shares of common stock were returned to the Company. The Company s basis in these third party contracts had been fully amortized to expense in prior years. The Company recorded the forfeiture of the common stock as increases to treasury stock and other income in the nine months ended September 30, 2003. This element of net income has been excluded in arriving at FFO as the ratable amortization of the Company s basis in the contracts was excluded in arriving at FFO in prior periods. The forfeiture of common stock associated with third party management contracts did not occur in the past two years and no additional common stock is subject to contractual escrow agreements at September 30, 2003.

For the nine months ended September 30, 2003 and 2002, net cash flows were as follows (in thousands):

	Nine Months Ended September 30,	
	2003	**2002**
Cash provided by operating activities	$ 10,749	$ 8,941
Cash used in investing activities	(7,277)	(10,634)
Cash (used in) provided by financing activities	(1,618)	2,281

Table of Contents

RESULTS OF OPERATIONS FOR THE

THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2003

Comparison of Three Months Ended September 30, 2003 to Three Months Ended September 30, 2002

Rental Property Operations

Rental and other property revenues from our owned properties totaled $6,428,000 for the three months ended September 30, 2003 compared to $6,000,000 for the three months ended September 30, 2002, an increase of $428,000 or 7.1%. The increase of 7.1% is attributed to a 2.1% increase associated with sites leased for both periods and 5.0% to newly leased sites. The increase in property operating revenue was a result of:

$456,000 increase in base rental income driven by increases in rental rates and the origination of leases of new home sites at our development properties,

$3,000 increase in late fees, net of amounts written off as uncollectable,

$2,000 increase in income from our mini storage property,

$2,000 increase in other property income, all offset by a

$30,000 decrease in the pass on of property tax allocations to tenants correlated with the decrease in certain property tax expenses, and a

$5,000 decrease in rents for recreational vehicle sites.

Golf course operating revenues totaled $120,000 for the three months ended September 30, 2003 compared to $105,000 for the three months ended September 30, 2002, an increase of $15,000 or 14.3%. Golf revenues increased at all three communities that have adjacent golf courses.

Property operating expenses from our owned properties totaled $2,315,000 for the three months ended September 30, 2003 compared to $2,206,000 for the same period in 2002, an increase of $109,000 or 4.9%. The increase in property operating expenses was a result of:

$93,000 increase in property operating overhead,

$62,000 increase in salaries, wages and benefits,

$2,000 increase in utility operations maintenance and repairs at company owned utility plants, all offset by a

$39,000 decrease in property taxes, and a

$9,000 decrease in other property level expenses.

Golf course operating expenses totaled $293,000 for the three months ended September 30, 2003 compared to $295,000 for the three months ended September 30, 2002, a decrease of $2,000 or 0.7%.

Depreciation expense was $662,000 during the three months ended September 30, 2003 compared to $597,000 during the same period in 2002. The increase was as a result of an increase in depreciable property attributable to the continued development of previously undeveloped home sites.

Same store property revenues for the three months ended September 30, 2003, increased by 7.5% from the three months ended September 30, 2002 consisting of an 7.2% increase from same store rental revenues and 0.3% increase from golf revenues. Expenses related to those revenues increased 1.0% over that same period consisting of a 1.0% increase in same store rental expenses and flatline of golf expenses. Same store property net operating income increased 11.0% for the three months ended September 30, 2003. Our same store base included 98% of our property operating revenues for the three months ended September 30, 2003.

Table of Contents

The Company believes that same store information provides the user of these financial statements with a comparison of the profitability for properties owned during both reporting periods that cannot be obtained from a review of the consolidated income statement. This comparison can be useful to an understanding of the parts in addition to an understanding of the whole. A reconciliation of same store operating results used in the above calculation to total operating revenues and total expenses for the three months ended September 30, 2003 and 2002, determined in accordance with generally accepted accounting principles, is reflected in the table on the following page (in thousands):

		Three Months Ended September 30, 2003	Three Months Ended September 30, 2002	Change	% Change	Contribution to Same Store % Change(1)
Same site rental revenues		$ 5,950	$ 5,816	$ 134	2.3%	2.2%
Absorption rental revenues		403	102	301	295.1%	5.0%
Same site golf revenues		120	105	15	14.3%	0.3%
Same store revenues	A	6,473	6,023	450	7.5%	7.5%
Mini Storage revenue		69	66	3	4.5%	
Other income		6	16	(10)	(62.5)%	
Total property revenues	C	$ 6,548	$ 6,105	$ 443	7.3%	
Same site rental expenses		$ 1,846	$ 1,834	$ 12	0.7%	0.5%
Absorption rental expenses		12		12	100.0%	0.5%
Same site golf expenses		293	295	(2)	(0.7)%	
Same store expenses	B	2,151	2,129	22	1.0%	1.0%
Mini Storage expenses		38	46	(8)	(17.4)%	
Expenses related to offsite management [2]		419	326	93	28.5%	
Total property operating expenses	D	$ 2,608	$ 2,501	$ 107	4.3%	
Same Store net operating income	A-B	$ 4,322	$ 3,894	$ 428	11.0%	
Total net operating income	C-D	$ 3,940	$ 3,604	$ 336	9.3%	

(1) Contribution to Same Store% change is computed as the change in the individual component of same store revenue or expense divided by the total applicable same store base (revenue or expense) for the 2002 period. For example, same site rental revenue increase of $134 as compared to the total same store revenues in 2002 of $6,023 is a 2.2% increase ($134 / $6,023 = 2.2%).

(2) Expenses related to offsite management reflect portfolio property management costs not attributable to a specific property.

Table of Contents

Home Sales Operations

Revenues for the home sales business totaled $12,354,000 for the three months ended September 30, 2003 as compared to $6,620,000 for the three months ended September 30, 2002, with the increase driven by higher unit volumes and increased average selling prices. Units sold totaled 125 for the three months ended September 30, 2003 compared to 84 units for the three month period ended September 30, 2002, an increase of 49%. The average selling price of new homes closed was $96,000 and $80,000, respectively for the three months ended September 30, 2003 and 2002, an increase of 20.0%. Total cost of sales for the three months ended September 30, 2003 was $8,920,000 compared to $4,910,000 for the three months ended September 30, 2002. Resulting margin increases are attributable to product mix, reduced sales discounts driven by lower average age of homes sold, the realization of lot premiums at one community and increased supplier rebates due to increased volume. Selling and marketing expenses in the 2003 period increased $537,000 from the 2002 period primarily as a result of increased commissions associated with increased unit volume of home sales, increased marketing costs for newly constructed subdivisions within existing communities, increased staff levels and an expanded home sales operation serving one community in advance of contracts closing for a new subdivision within the community.

We reported income from the home sales business of $1,440,000 for the three months ended September 30, 2003 as compared to income of $227,000 for the three months ended September 30, 2002.

General and Administrative Expenses

During the three months ended September 30, 2003 and 2002, general and administrative expenses were $687,000 and $499,000 respectively. The increase of $188,000 is as a result of:

$100,000 increase in the amortization of deferred compensation relating to restricted stock awards,

$26,000 increase in directors costs as a result of expensing the equity compensation for directors in 2003 that was not expensed in the 2002 period,

$20,000 increase in dividends paid on non-vested restricted stock awards that are recorded as compensation expense,

$20,000 increase in professional fees,

$38,000 increase in salaries, wages and benefits,

$12,000 increase in regulatory compliance costs,

$1,000 increase in cost of umbrella liability insurance coverage, all offset by

$8,000 decrease in bank service charges,

$9,000 decrease in transfer agent fees,

$5,000 decrease in franchise taxes,

$5,000 decrease in investor relation costs, and a

$2,000 decrease in stock exchange registration fees.

Interest and Other Income

During the three months ended September 30, 2003 and 2002, interest and other income was $47,000 and $211,000 respectively. The decrease of $164,000 is a result of a decrease in interest income related to a reduction in the principal balance outstanding on an interest bearing note.

Table of Contents

Interest Expense

During the three months ended September 30, 2003 and 2002, interest expense was $1,344,000 and $1,256,000, respectively. The increase is primarily a result of new debt secured on existing owned properties, development expenditures made in advance of home sales and an increase in the amount outstanding on the floor plan facility on home sales inventory, all offset by scheduled amortization of existing long term debt and a reduction in amounts outstanding on the company line of credit and lower interest rates on short-term debt.

Comparison of Nine Months Ended September 30, 2003 to Nine Months Ended September 30, 2002

Rental Property Operations

Rental and other property revenues from our owned properties totaled $19,176,000 for the nine months ended September 30, 2003 compared to $17,714,000 for the nine months ended September 30, 2002, an increase of $1,462,000 or 8.3%. The increase of 8.3% is attributed to a 4.6% increase associated with sites leased for both periods, 3.6% to newly leased sites, and 0.1% to mini-storage revenues and other income. The increase in property operating revenue was a result of:

- $1,329,000 increase in base rental income driven by increases in rental rates and the origination of leases of new home sites at our development properties,
- $110,000 increase in late fees and recovery of bad debt previously expensed, net of amounts written off as uncollectible,
- $17,000 increase in the pass on of property tax increases to tenants,
- $18,000 increase in other property income, all offset by a
- $12,000 decrease in rents for recreational vehicle sites.

Golf course operating revenues totaled $631,000 for the nine months ended September 30, 2003 compared to $598,000 for the nine months ended September 30, 2002, an increase of $33,000 or 5.5%. Golf revenue increases at two communities were offset by a decrease at another community.

Property operating expenses from our owned properties totaled $6,959,000 for the nine months ended September 30, 2003 compared to $6,596,000 for the same period in 2002, an increase of $363,000 or 5.5%. The increase in property operating expenses was a result of:

- $115,000 increase in property operating overhead,

$115,000 increase in salaries and wages,

$69,000 increase in property taxes,

$55,000 increase in expenses associated with a wastewater regulatory fine and expenses associated with clean up from a windstorm impacting one community,

$14,000 increase in utility costs at the communities, all offset by a

$5,000 decrease in other property level expense.

Golf course operating expenses totaled $915,000 for the nine months ended September 30, 2003 compared to $929,000 for the nine months ended September 30, 2002, a decrease of $14,000 or 1.5%.

Table of Contents

Depreciation expense was $1,972,000 during the nine months ended September 30, 2003 compared to $1,854,000 during the same period in 2002. The increase was as a result of an increase in depreciable property attributable to the continued development of previously undeveloped home sites.

Same store property revenues for the nine months ended September 30, 2003, increased by 8.3% from the nine months ended September 30, 2002 consisting of an 8.2% increase from same store rental revenues and a 0.1% increase of golf revenues. Expenses related to those revenues increased 3.1% over that same period consisting of a 3.3% increase in same store rental expenses offset by a 0.2% decrease of golf expenses. Same store property net operating income increased 11.2% for the nine months ended September 30, 2003. Our same store base included 98% of our property operating revenues for the nine months ended September 30, 2003.

The Company believes that same store information provides the user of these financial statements with a comparison of the profitability for properties owned during both reporting periods that cannot be obtained from a review of the consolidated income statement. This comparison can be useful to an understanding of the parts in addition to an understanding of the whole. A reconciliation of same store operating results used in the above calculation to total operating revenues and total expenses for the nine months ended September 30, 2003 and 2002 determined in accordance with generally accepted accounting principles is reflected in the table below (in thousands):

		Nine Months Ended September 30, 2003	Nine Months Ended September 30, 2002	Change	% Change	Contribution to Same Store % Change(1)
Same site rental revenues		$ 18,135	$ 17,313	$ 822	4.7%	4.6%
Absorption rental revenue		798	152	646	425.0%	3.6%
Same store golf revenues		631	598	33	5.5%	0.1%
Total same store revenues	A	19,564	18,063	1,501	8.3%	8.3%
Mini Storage Revenue		218	213	5	2.3%	
Other income		25	36	(11)	(30.6)%	
Total property revenues	C	$ 19,807	$ 18,312	$ 1,495	8.2%	
Same site rental expenses		$ 5,559	$ 5,428	$ 131	2.4%	2.1%
Absorption rental expenses		76		76	100%	1.2%
Same store golf operating expenses		915	929	(14)	(1.5)%	(0.3)%
Total same store expenses	B	6,550	6,357	193	3.0%	3.0%
Mini Storage Expenses		115	127	(12)	(9.4)%	
Expenses related to offsite management[2]		1,209	1,041	168	16.1%	
Total property operating expenses	D	$ 7,874	$ 7,525	$ 349	4.6%	
Same store net operating income	A-B	$ 13,014	$ 11,706	$ 1,308	11.2%	

Total net operating income	C-D	$ 11,933	$ 10,787	$ 1,146	10.6%

Table of Contents

(1) Contribution to Same Store% change is computed as the change in the individual component of same store revenue or expense divided by the total applicable same store base (revenue or expense) for the 2002 period. For example, same site rental revenue increase of $822 as compared to the total same store revenues in 2002 of $18,063 is a 4.6% increase ($822 / $18,063 = 4.6%).

(2) Expenses related to offsite management reflect portfolio property management costs not attributable to a specific property.

Home Sales Operations

Revenues for the home sales business totaled $28,016,000 for the nine months ended September 30, 2003 as compared to $16,018,000 for the nine months ended September 30, 2002, with the increase driven by higher unit volumes and increased average selling prices. Units sold totaled 311 for the nine months ended September 30, 2003 compared to 217 units for the nine month period ended September 30, 2002, an increase of 43.3%. The average selling price of new homes closed was $88,000 and $75,000, respectively for the nine months ended September 30, 2003 and 2002, an increase of 17.3%. Total cost of sales for the nine months ended September 30, 2003 was $20,235,000 compared to $12,155,000 for the nine months ended September 30, 2002. Resulting margin increases are attributable to product mix, reduced sales discounts driven by lower average age of homes sold, the realization of lot premiums at one community and increased supplier rebates due to increased volume. Selling and marketing expenses in the 2003 period increased $1,432,000 from the 2002 period primarily as a result of increased commissions associated with increased unit volume of home sales, increased marketing costs for newly constructed subdivisions within existing communities, increased staff levels and an expanded home sales operation serving one community in advance of contracts closing for a new subdivision within the community.

We reported income from the home sales business of $2,471,000 for the nine months ended September 30, 2003 as compared to a loss of $41,000 for the nine months ended September 30, 2002.

General and Administrative Expenses

During the nine months ended September 30, 2003 and 2002, general and administrative expenses were $1,966,000 and $1,464,000, respectively. The increase of $502,000 is as a result of:

$277,000 increase in the amortization of deferred compensation relating to restricted stock awards,

$78,000 increase in directors costs as a result of expensing the equity compensation for directors in 2003 that was not expensed in the 2002 period,

$65,000 increase in dividends paid on non-vested restricted stock awards that are recorded as compensation expense,

$34,000 increase in regulatory compliance costs,

$32,000 increase in salaries and wages,

$27,000 increase in cost of umbrella liability insurance coverage,

$26,000 increase in legal costs,

$20,000 increase professional fees,

$14,000 increase in travel expenses,

$6,000 increase in stock option expense, all offset by a

$29,000 decrease in franchise tax expense,

Table of Contents

$24,000 decrease in bank service charges,

$15,000 decrease in transfer agent expense,

$4,000 decrease related to investor relations, and a

$5,000 decrease in stock exchange registration.

Interest and Other Income

During the nine months ended September 30, 2003 and 2002, interest and other income was $493,000 and $847,000 respectively. The decrease of $354,000 is a result of:

$523,000 decrease in interest income related to $1,058,000 in principal collected subsequent to September 30, 2002 on an interesting bearing note;

$82,000 decrease in interest income from interest bearing escrows that were collected subsequent to September 30, 2002;

$45,000 decrease in other income from mortgage backed securities;

$14,000 decrease in interest income on officer stock loans largely attributed to the repayment in full of one officer s note in July of 2002; all offset by

$227,000 increase in other income recognized for common stock forfeited re management contracts;

$83,000 increase in interest income from CMBS Bonds due to cash receipts in excess of our estimates.

Interest Expense

During the nine months ended September 30, 2003 and 2002, interest expense was $3,998,000 and $3,441,000, respectively. The increase is primarily a result of new debt secured on existing owned properties, development expenditures made in advance of home sales and an increase in the amount outstanding on the floor plan facility on home sales inventory, all offset by scheduled amortization of existing long term debt and lower interest rates on short-term debt.

Returns from Home Sales Business

We engage in the home sales business for four reasons:

1) To lease expansion home sites within our portfolio, thereby increasing the profitability and value of our communities,

2) To upgrade existing leased home sites with new and more valuable homes, thereby increasing the long term value of the lease income stream,

3) To broker the resale of homes in order to support investment values in the homes and to attract good neighbors all so as to promote the long term values of the communities, both for the residents who are our customers and for the long term growth and security of our own investment, and

4) To resell any homes we acquire as a result of defaults in lease obligations owed to us.

We seek to measure the profitability of developing and leasing expansion home sites within our portfolio through identifying the following:

1) An estimate of the first year annualized profit on the leases originated on expansion home sites,

2) An estimate of the total development costs of the expansion sites leased, including all current and projected development costs, and

3) An estimate of the home sales profit or loss attributable to new homes sold on expansion sites, without consideration for the other aspects of the home sales business.

We believe that our projection of the first year returns from the leases originated on expansion home sites provides the user of our financial statements with a comparison of the profitability of the new leased sites to our current portfolio and to alternative investments in stabilized communities. Our calculation of estimated first year annualized profit on leases originated on expansion home sites is based upon a non-GAAP financial measure. We project the amount of variable property operating expenses we will incur as a result of the newly leased home sites. In order to project our variable operating expenses, we begin with operating expenses determined under GAAP and deduct those expenses we believe will not increase with the addition of newly leased sites.

The most directly comparable financial measure that can be reconciled to GAAP is our historical return on investment in operational home sites, which is reconciled on page 34 in footnote 1. Our presentation of the estimated first year return on the home sites cannot be directly reconciled to a comparable GAAP measure principally, because there will be leases that begin in the middle of the period and we estimate the incremental operating expenses associated with these leases. The estimated first year annualized return on investment in expansion home sites should not be considered in isolation from nor is it intended to represent an alternative measure of operating income or cash flow or any other measure of performance as determined in accordance with generally accepted accounting principles.

By comparing the estimated first year annualized profit on the expansion home site leases originated to the sum of total development costs, as increased (in the event of a home sales loss) or decreased (in the event of a home sales profit) by the estimated home sales profit or loss, we are able to measure the estimated first year annualized return on our investment in expansion home sites. We believe that this measure provides a useful comparison to the returns available from investing in stabilized communities.

Our calculation of an estimated first year annualized return on investment of new home sales includes the following components:

(a) We derive our estimated first year annualized profit on leases originated on expansion home sites by deducting estimated operating expenses from the contractual annual revenues from leases originated during the period. We estimate operating expenses using one half of the actual ratio of property operating expenses incurred to property revenue generated in the prior year. For example, if we originate a lease at a property where the ratio of operating expense to property revenues was 40% for the prior year, we apply a 20% expense ratio to project the additional expense associated with the newly leased home site for the first year. We believe that one half of the actual expenses is an appropriate estimate of the relationship between fixed and variable expenses of operating our communities.

(b) The total development costs of the expansion sites leased are based upon the sum of land, construction costs, and other capitalized costs, including interest expense, as allocated to the individual home sites based upon the leased value of each home site.

Table of Contents

(c) We determine the home sales profit or loss that is attributable to sale of homes situated on expansion home sites by deducting from the reported home sales operating income the gross margin and commissions attributable to the (i) sale of new homes on existing leased sites, (ii) the sale of used homes, and (iii) brokerage of home sale transactions between third parties. We make no allocation of sales overhead to the transactions identified above.

We believe that our home sales operations drive our estimated first year annualized return on investment in expansion home sites because most of our expansion home site leases originate with our sale of a home.

Table of Contents

Comparison of the three months ended September 30, 2003 and 2002

For the three months ended September 30, 2003 and 2002, we estimate our profit or loss attributable to the sale of homes situated on expansion home sites as follows:

	Three Months Ended September 30, 2003	Three Months Ended September 30, 2002
Reported income (loss) from sales operations	$ 1,440,000	$ 227,000
Used home sales and brokerage business income	(77,000)	(90,000)
Adjusted income (loss) for proforma analysis	$ 1,363,000	$ 137,000

The leases facilitated by the home sales business during the three month periods ended September 30, 2003 and 2002 are estimated to provide a first year return on investment of 12.7% and 13.9%, respectively, as shown below based upon unaudited pro forma information. This compares to the 8.0% return realized for the year ended December 31, 2002 for our earning sites. The decrease in return on the home sales business from 2002 to 2003 is driven primarily by (i) increases in the per site cost of development as a result of larger lots to accommodate larger homes and (ii) increased lease incentives given in 2003 over 2002, resulting in lower profit, offset partially by increased profitability of our home sales business resulting from more home sales over which the fixed costs are allocated.

		Total Portfolio for Year Ended December 31, 2002	Three Months Ended September 30, 2003	Three Months Ended September 30, 2002
Expansion sites leased during three months ended September 30, 2003 and 2002			123	84
Profit from portfolio (actual 2002) or estimated first year annualized profit on leases originated during the period (for the three months ended September 30, 2003 and 2002)[1]	A	$ 14,665,000	$ 460,000	$ 266,000
Costs, including development costs of sites leased [1]		$ 182,455,000	$ 4,989,000	$ 2,054,000
Home sales income (loss) attributable to sites leased			1,363,000	137,000
Total investment in operating properties (actual 2002) or total costs incurred to originate ground leases (estimated for three months ended September 30, 2003 and 2002 [1]	B	$ 182,455,000	$ 3,626,000	$ 1,917,000
Return on investment for earning sites (actual 2002) or estimated first year annualized return on investment (for the three months	A/B	8.0%	12.7%	13.9%

ended September 30, 2003 and 2002) [1]			

[1] A reconciliation of our return on investment for operational sites for the year ended December 31, 2002 to property income before depreciation and investment in operational sites is reflected in a table at the end of this section.

Table of Contents

Comparison for the nine months ended September 30, 2003 and 2002

For the nine months ended September 30, 2003 and 2002, we estimate our profit or loss attributable to the sale of homes situated on expansion home sites as follows:

	Nine Months Ended September 30, 2003	Nine Months Ended September 30, 2002
Reported income (loss) from sales operations	$ 2,471,000	$ (41,000)
Used home sales and brokerage business income	(194,000)	(280,000)
Adjusted income (loss) for proforma analysis	$ 2,277,000	$ (321,000)

The leases facilitated by the home sales business during the nine month periods ended September 30, 2003 and 2002 are estimated to provide a first year return on investment of 11.6% and 12.4%, respectively, as shown below based upon unaudited pro-forma information. This compares to the 8.0% return realized for the year ended December 31, 2002 for our earning sites. The decrease in return on the home sales business from 2002 to 2003 is driven primarily by (i) increases in the per site cost of development as a result of larger lots to accommodate larger homes and (ii) increased lease incentives given in 2003 over 2002, resulting in lower profit, offset partially by increased profitability of our home sales business resulting from more home sales over which the fixed costs are allocated.

		Total Portfolio for Year Ended December 31, 2002	Nine Months Ended September 30, 2003	Nine Months Ended September 30, 2002
Expansion sites leased during nine months ended September 30, 2003 and 2002			301	217
Profit from portfolio (actual 2002) or estimated first year annualized profit on leases originated during the period (for the nine months ended September 30, 2003 and 2002)[1]	A	$ 14,665,000	$ 1,031,000	$ 646,000
Costs, including development costs of sites leased		$ 182,455,000	$ 11,158,000	$ 4,893,000
Home sales income (loss) attributable to sites leased			2,277,000	(321,000)
Total investment in operating properties (actual 2002) or total costs incurred to originate ground leases (estimated for nine months ended September 30, 2003 and 2002)[1]	B	$ 182,455,000	$ 8,881,000	$ 5,214,000
Return on investment for earning sites (actual 2002) or estimated first year annualized return on investment (for the nine months ended September 30, 2003 and 2002)[1]	A/B	8.0%	11.6%	12.4%

1 A reconciliation of our return on investment for operational sites for the year ended December 31, 2002 to property income before depreciation and investment in operational sites is shown below.

Table of Contents

	December 31, 2002
Rental and other property revenues	$ 24,039,000
Property operating expenses	(9,374,000)
Property income before depreciation (A)	$ 14,665,000
Real estate assets, net	$ 207,500,000
Add: Accumulated depreciation	17,827,000
Less: Real estate under development	(40,053,000)
Less: Cost of home sites ready for intended use	(2,819,000)
Investment in operational sites (B)	$ 182,455,000
Return on investment in operational sites (A/B)	8.0%

LIQUIDITY AND CAPITAL RESOURCES

As of September 30, 2003, we had cash and cash equivalents of $3,077,000. Our principal activities that demand liquidity include our normal operating activities, payments of principal and interest on outstanding debt, acquisitions of and additional investments in properties, and payments of dividends to stockholders and OP unit holders. The Company expects to utilize cash provided by operating activities and short-term borrowings to meet short-term liquidity demands. In the event that there is an economic downturn and the cash provided by operating activities is reduced or, if access to short term borrowing sources becomes restricted, the Company may be required to reduce or eliminate expenditures for the continued development of its communities and/or reduce its dividend.

On July 31, 2003, the Company closed a revolving line of credit with a new lender for a total commitment of $16,000,000. The line of credit is secured by real property and improvements located in St. Lucie County, Florida and Maricopa County, Arizona. The loan bears interest at a rate equal to the thirty-day London Interbank Offered Rate (LIBOR) plus 200 basis points. This interest-only note matures in July 2005. The availability of funds to the Company under the line of credit is subject to certain borrowing base restrictions and other customary restrictions, including compliance with financial and other covenants thereunder. The terms of our line of credit require that we maintain a ratio of cash flow (as defined by the lender) on a trailing twelve-month basis to current annual debt service obligations (as defined by the lender) of not less than 1.25 to 1.0. For the three months ended September 30, 2003, the debt service coverage ratio was 1.35 to 1.0 as defined by our lender. Based upon the application of these covenants as of September 30, 2003, the entire undrawn balance of $16,000,000 was available to the Company.

The Company has a floor plan line of credit with a floor plan lender providing a credit facility of $11,000,000 with a variable interest rate indexed to the prime rate and spreads varying from 1% to 1.75%, depending on the manufacturer and age of the inventory. Individual advances mature as early as 360 days or have no stated maturity, based upon the manufacturer. Amounts outstanding are non-recourse to the Company for the period of time the financed home is subject to a repurchase agreement with the manufacturer of the home. This floor plan line of credit is secured by inventory located in the Company s residential land lease communities with a carrying value of approximately $8,983,000. At September 30, 2003, $8,921,000 was outstanding, of which $8,530,000 was non-recourse to the Company and $391,000 was recourse to the Company and approximately $2,079,000 was available under

Table of Contents

the floor plan credit facility. Subsequent to September 30, 2003, we increased our floor plan line of credit from $11,000,000 to $15,000,000.

We expect to meet our liquidity requirements in excess of 12 months through a variety of sources including cash generated by operations, long-term and short-term secured and unsecured borrowings, and the issuance of equity securities.

Our ability to access secured and unsecured borrowings as a source of liquidity is dependent upon factors outside of our control including economic trends that impact the availability of credit from lending sources we currently utilize. Our ability to issue additional equity in the form of OP Units and other equity securities (including the issuance by the Operating Partnership of OP Units) is dependent upon factors outside of our control including returns available on alternative investments and other economic factors. The extent of cash generated by our operations is dependent upon our ability to operate the existing portfolio of revenue earning sites at margins comparable to past results and to originate new earning sites through new lease originations generated by our home sales business. Our ability to generate cash through the operation of the current portfolio is dependent upon our ability to acquire the goods and services required to operate the portfolio at costs that increase no more than in the range of increases realized in prior years, the continued absence of natural disasters, such as hurricanes, that would disrupt the flow of rental income for an undeterminable time period and other factors. Our ability to generate cash through the origination of new earning sites is dependent upon our ability to effectively market to our target market customers, to originate contracts for sale of homes at our properties, thereby generating income producing leases and to develop the undeveloped land within our portfolio in a timely fashion, and on a cost effective basis.

Operating Activities

Our net cash provided by operating activities was $10.7 million during the nine months ended September 30, 2003 compared to $8.9 million during the same period in 2002. The $1.8 million increase was primarily the result of:

- an increase of $3.6 million related to earnings before depreciation, amortization, minority interest, and loss on sale of real estate, and
- an increase of $1.0 million related to additional inventory for our home sales business, all offset by
- a decrease of $1.6 million related to cash used by operating assets and liabilities as a result of increased business volumes and increases in accounts payable in 2002 period that did not recur in 2003,
- a decrease of $1.0 million related to the sale of the Company s equity interests in two joint ventures which did not occur in the 2002 period , and
- a decrease of $0.2 million related to income from the recovery of common stock escrowed to secure management contracts in the 2003 period that did not occur in 2002.

Table of Contents

Investing Activities

During the nine months ended September 30, 2003, the net cash used in investing activities was $7.3 million, compared with $10.6 million during the same period in 2002. The $3.3 million reduction in cash used for investing activities is primarily due to:

an increase of $2.7 million related to liquidating distribution from real estate joint venture,

an increase of $1.4 million related to proceeds from sale of real estate assets in the 2003 period,

an increase of $0.1 million related to a reduction in the amount of cash paid for capitalized interest,

an increase of $0.1 million related to collections on CMBS bonds, all offset by

a decrease of $0.7 million related to expenditures for capital replacements and improvements in the 2003 period as compared to the 2002 period, primarily related to the continued and accelerated development of unleased sites, and

a decrease of $0.3 million related to the collection of notes receivable.

Financing Activities

Net cash used by financing activities was $1.6 million for the nine months ended September 30, 2003 compared with net cash provided during the same period in 2002 of $ 2.3 million.

The $3.9 million decrease in cash provided by financing activities is primarily related to:

a decrease of $14.1 million related to additional principal payments on secured short-term financing in the 2003 period,

a decrease of $0.4 million related to collections of notes receivable on common stock purchases in the 2003 period compared to the 2002 period,

a decrease of $0.2 million related to stock options exercised in the 2003 period compared to the 2002 period,

a decrease of $0.1 million related to dividends paid in the 2003 period compared to the 2002 period,

a decrease of $0.1 million in costs associated with debt issuance which did not occur in the 2003 period, all offset by an increase of $10.2 million related to net proceeds from secured long-term financing in the 2003 period,

an increase of $0.4 million in costs associated with equity issuance which did not occur in the 2003 period,

an increase of $0.3 million in proceeds from dividend reinvestment program in the 2003 period, that did not occur in 2002 period, and

an increase of $0.1 million for the collection of escrow funds which did not occur in the 2002 period.

Dividends and Distributions

The Company s dividend is set quarterly by the Company s Board of Directors and is subject to change or elimination at any time. The Company s primary financial objective is to maximize long term, risk adjusted returns on investment for shareholders. While dividend policy is considered within the context

36

Table of Contents

of this objective, maintenance of past dividend levels is not a primary investment objective of the Company and is subject to numerous factors including the Company s profitability, capital expenditure plans, obligations related to principal payments and capitalized interest, and the availability of debt and equity capital at terms deemed attractive by the Company to finance these expenditures. The Company s net operating loss may be used to offset all or a portion of our REIT taxable income, which may allow us to reduce or eliminate our dividends paid and still maintain our REIT status.

Historically, the combination of dividend payments, capital expenditures, capitalized interest and debt repayment has exceeded funds provided from operating activities and the Company has funded a portion of these expenditures from debt financings. However, there is no assurance that it will be able to continue to do so on terms deemed acceptable in the future. In the event that the Company is unable to do so or decides not to pursue such financing source, it will be required to reduce or eliminate the dividend, reduce or eliminate capital expenditures, or both.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our principal exposure to market risk is changes in interest rates relating to our various debt instruments and borrowings. The following is a discussion of the potential impact of changes in interest rates on our debt instruments.

We have $70.0 million of fixed rate, fully amortizing, non-recourse, secured long-term notes payable. We do not have significant exposure to changing interest rates on these notes as the rates are fixed and the notes are fully amortizing.

We have $17.2 million of fixed rate, partially amortizing, non-recourse, secured long-term notes payable. We do not have significant exposure to changes in interest rates since the interest rates are fixed. We have repricing and refunding risks as to the unpaid balance on these notes of $14.5 million due at maturity between 2007 and 2011.

We have $15.0 million of interest only, non-recourse, secured long-term notes payable. These are variable rate loans at 30 day LIBOR plus 3%, with a floor of 6.5% and a ceiling of 10%. If the lender s LIBOR rate was greater than 3.5% and LIBOR increased immediately by 1%, then our annual income before minority interest in the Operating Partnership and cash flows would decrease by $150,000 due to an increase in interest expense based on the outstanding balance at September 30, 2003. We have repricing and refunding risks as to the unpaid balance due at maturity of these notes.

We have $9.0 million of interest only, non-recourse, secured long-term notes payable. These are variable rate loans at 90 day LIBOR plus 2.5%. If LIBOR increased immediately by 1%, then our annual income before minority interest in the Operating Partnership and cash flows would decrease by $90,000 due to an increase in interest expense based on the outstanding balance at September 30, 2003. We have repricing and refunding risks as to the unpaid balance due at maturity of these notes.

We have a recourse, secured floor plan facility that bears interest at the lender s prime rate plus amounts ranging from 0% to 2.5% based upon the manufacturer and age of the inventory. If the lender s prime rate increased immediately by 1%, then our annual income before minority interest in the Operating Partnership and cash flows would decrease by $90,000 due to an increase in interest expense on this line of credit, based on the approximately $9 million outstanding balance at September 30, 2003. We have repricing and refunding risks as to the unpaid balance due at the maturity of this note.

Table of Contents

Item 4. CONTROLS AND PROCEDURES

(a) Disclosure Controls and Procedures. The Company s management, with the participation of the Company s Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company s disclosure controls and procedures (as such terms is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act) as of the end of the period covered by this report. Based on such evaluation, the Company s Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of such period, the Company s disclosure controls and procedures are effective.

(b) Internal Control Over Financial Reporting. There have not been any changes in the Company s internal control over financial reporting (as such term is defined in Rules 13-a15(f) under the Exchange Act) during the fiscal quarter to which this report relates that have materially affected, or are reasonably likely to materially affect, the Company s internal control over financial reporting.

PART II

OTHER INFORMATION

Item 6. EXHIBITS AND REPORTS ON FORM 8-K.

(a) Exhibits:

Exhibit No.	Description
2.1	Second Amended and Restated Agreement and Plan of Merger, dated as of June 2, 2000, by and between the Registrant and Commercial Assets, Inc. (incorporated herein by reference to Annex A to the Registrant s Joint Proxy Statement/Prospectus dated June 13, 2000, Commission File No. 1-9360, filed on June 13, 2000).
3.1	Second Amended and Restated Certificate of Incorporation of American Land Lease, Inc. (incorporated herein by reference to Exhibit 3.1 to the Annual Report on Form 10-K of the Registrant for the year ended December 31, 2000, Commission File No. 1-9360, filed on April 2, 2001).
3.2	Third Amended and Restated By-laws of American Land Lease, Inc.(incorporated herein by reference to 10-K). (incorporated herein by reference to Exhibit 3.2 to the Quarterly Report on Form 10-Q of the Registrant for the quarter ended June 30, 2002, Commission File No. 1-9360, filed on August 14, 2002).
4.1	Waiver regarding stock ownership restrictions between the Registrant and Terry Considine dated August 11, 2000 (incorporated herein by reference to Exhibit 4.1 to the Annual Report on Form 10-K of the Registrant for the year ended December 31, 2000, Commission File No. 1-9360, filed on April 2, 2001).

Table of Contents

4.2	Waiver regarding stock ownership restrictions between the Registrant and Asset Investors Operating Partnership, L.P. dated August 11, 2000 (incorporated herein by reference to Exhibit 4.2 to the Annual Report on Form 10-K of the Registrant for the year ended December 31, 2000, Commission File No. 1-9360, filed on April 2, 2001).
10.1*	Form of Indemnification Agreement between the Registrant and each Director of the Registrant (incorporated herein by reference to Appendix A to the Proxy Statement of the Registrant, Commission File No. 1-9360, dated May 18, 1987).
10.2*	1998 Stock Incentive Plan of the Registrant (incorporated herein by reference to Exhibit 10.3 to the Quarterly Report on Form 10-Q of the Registrant for the quarter ended June 30, 1998, Commission File No. 1-9360, filed on August 14, 1998).
10.8	Trust Agreement, dated as of November 3, 1997, between CAX DTR Securitization Corp. and Wilmington Trust Company (incorporated herein by reference to Exhibit 10.9 to Commercial Assets, Inc. s Current Report on Form 8-K dated November 3, 1997, Commission File No. 1-2262, filed on November 14, 1997).
10.9	Note Purchase Agreement, dated as of November 3, 1997, among Structure Mortgage Trust 1997-2, CAX DTR Securitization Corp., and Painewebber Incorporated Company (incorporated herein by reference to Exhibit 10.9(a) to Commercial Assets, Inc. s Current Report on Form 8-K dated November 3, 1997, Commission File No. 1-2262, filed on November 14, 1997).
10.10	Trust Indenture and Security Agreement, dated as of November 3, 1997, between Structured Mortgage Trust 1997-2 and LaSalle National Bank, as Indenture Trustee Company (incorporated herein by reference to Exhibit 10.9(b) to Commercial Assets, Inc. s Current Report on Form 8-K dated November 3, 1997, Commission File No. 1-2262, filed on November 14, 1997).
10.11	Contribution Agreement, dated as of November 3, 1997, between Commercial Assets, Inc. and CAX DTR Securitization Corp. Company (incorporated herein by reference to Exhibit 10.9(c) to Commercial Assets, Inc. s Current Report on Form 8-K dated November 3, 1997. Commission File No. 1-2262, filed on November 14, 1997).
10.12	Securitization Cooperation Agreement, dated as of November 3, 1997, among CAX DTR Securitization Corp., Commercial Assets, Inc., 1997-2, and Painewebber Incorporated Company (incorporated herein by reference to Exhibit 10.9 to Commercial Assets, Inc. s dated November 3, 1997, Commission File No. 1-2262, filed on November 3, 1997, Commission File No. 1-2262, filed on November 14, 1997).
10.13	Securities Purchase Agreement, dated as of March 26, 1998, between Registrant and Westrec Marina Management, Inc. (incorporated herein by reference to Exhibit 10.1 to Commercial Assets, Inc. s Quarterly Report on Form 10-Q dated March 31, 1998, Commission File No. 1-2262, filed on May 14, 1998).
10.14	Put and Call Agreement dated as of November 30, 1998, between the Registrant and Westrec Marina Management, Inc. and Michael M. Sachs (incorporated herein by reference to Exhibit 10.10(a) to Commercial Assets, Inc. s Annual Report on Form 10-K dated December 31, 1998, Commission File No. I-2262, filed on March 25, 1999).

10.15	Secured Promissory Note dated as of November 30, 1998, between the Registrant and Michael M. Sachs (incorporated herein by reference to Exhibit 10.10 (a) to Commercial Assets, Inc. s Annual Report on Form 10-K dated December 31, 1998, Commission File No. 1-2262, filed on March 25, 1999).
10.16	Secured Promissory Note dated September 13, 1999 between Robert G. Blatz and Asset Investors Operating Partnership, L.P. (incorporated herein by reference to Exhibit 10.11 to the Registrant s Annual Report on Form 10-K dated December 31, 1999, Commission File No. 1-2262, filed on March 28, 2000).
10.27	Secured Promissory Note dated January 2, 2001 between Shannon E. Smith and Asset Investors Operating Partnership, L.P. (incorporated herein by reference to Exhibit 10.22 to the Registrant s Quarterly Report on Form 10-Q dated March 31, 2001, Commission File No. I-9360, filed on May 15, 2001).
10.28	Loan and Security agreement dated as of July 31, 2003 between American Land Lease, Inc. and Wachovia National Bank. (filed herewith)
31.1	Certification of Chief Executive Officer pursuant to Securities Exchange Act Rules 13a-14(a)/15d-14(a), as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Operating Officer pursuant to Securities Exchange Act Rules 13a-14(a)/15d-14(a), as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.3	Certification of Chief Financial Officer pursuant to Securities Exchange Act Rules 13a-14(a)/15d-14(a), as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of CEO Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 filed herewith.
32.2	Certification of COO Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 filed herewith.
32.3	Certification of CFO Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 filed herewith.

* Management contract or compensatory plan or arrangement.

(b) Reports on Form 8-K:

The following Current Reports on Form 8-K were filed by the Registrant during the period covered by this Quarterly Report on Form 10-Q:

None

Table of Contents

SIGNATURES

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

	AMERICAN LAND LEASE INC. (Registrant)	
Date: November 10, 2003	By	/s/ Shannon E. Smith
		Shannon E. Smith
		Chief Financial Officer

16