UMH PROPERTIES, INC.
Form 10-K
March 11, 2011

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

[X]

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

For the fiscal year ended December 31, 2010

[ ]

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

For the transition period ____________________ to _____________________

Commission File Number 001-12690

UMH Properties, Inc.

(Exact name of registrant as specified in its charter)

Maryland 22-1890929

(State or other jurisdiction of incorporation or organization) (I.R.S. Employer identification number)

3499 Route 9, Suite 3C, Freehold, New Jersey 07728

(Address of principal executive offices) (Zip code)

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

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

Securities registered pursuant to Section 12(g) of the Act: Common Stock $.10 par value

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

___Yes _X_ No

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

___Yes _X_ No

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

_X_ Yes ____ No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

____Yes ____ No

Indicate by check if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K __X__.

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

Large accelerated filer

____

Accelerated filer

__X__

Non-accelerated filer

____

Smaller reporting company

____

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

Based upon the assumption that directors and executive officers of the registrant are not affiliates of the registrant, the aggregate market value of the voting stock of the registrant held by nonaffiliates of the registrant at June 30, 2010 was $127,398,148. Presuming that such directors and executive officers are affiliates of the registrant, the aggregate market value of the voting stock of the registrant held by nonaffiliates of the registrant at June 30, 2010 was $106,205,098.

The number of shares outstanding of issuer's common stock as of March 4, 2011 was 14,019,794 shares.

Documents Incorporated by Reference:

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Part III incorporates certain information by reference from the Registrant s proxy statement for the 2011 annual meeting of stockholders, which will be filed no later than 120 days after the close of the Registrant s fiscal year ended December 31, 2010.

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

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PART I

Item 1 Business

General Development of Business

In this Form 10-K, we , us , our , or the Company , refers to UMH Properties, Inc., together with its predecessors subsidiaries, unless the context requires otherwise.

UMH Properties, Inc. owns and operates thirty-five manufactured home communities containing approximately 8,000 sites. The communities are located in New Jersey, New York, Ohio, Pennsylvania and Tennessee. The Company, through its wholly-owned taxable subsidiary, UMH Sales and Finance, Inc. (S&F), conducts manufactured home sales in its communities. Inherent in the operation of manufactured home communities is site vacancies. S&F was established to fill these vacancies and potentially enhance the value of the communities.

Effective January 1, 1992, the Company elected to be taxed as a real estate investment trust (REIT) under Sections 856-860 of the Internal Revenue Code (the Code), and intends to maintain its qualification as a REIT in the future. As a qualified REIT, with limited exceptions, the Company will not be taxed under Federal and certain state income tax laws at the corporate level on taxable income that it distributes to its shareholders. For special tax provisions applicable to REITs, refer to Sections 856-860 of the Code. The Company is subject to franchise taxes in some of the states in which the Company owns property.

The Company was incorporated in the state of New Jersey in 1968. On September 29, 2003, the Company changed its state of incorporation from New Jersey to Maryland. The reincorporation was approved by the Company s shareholders at the Company s annual meeting on August 14, 2003.

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

Background

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

Narrative Description of Business

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

A manufactured home community is designed to accommodate detached, single-family manufactured homes. These manufactured homes are produced off-site by manufacturers and installed on sites within the community. These homes are often improved with the addition of features constructed on site, including garages, screened rooms and carports. Manufactured homes are available in a variety of designs and floor plans, offering many amenities and custom options. Manufactured homes, once located, are rarely transported to another site; typically, a manufactured home remains on site and is sold by its owner to a subsequent occupant. This transaction

is commonly handled through a broker in the same manner that a more traditional single-family residence is sold. Each owner of a manufactured home leases the site on which the home is located from the Company.

Manufactured homes are being accepted by the public as a viable and economically attractive alternative to common stick-built single-family housing. The affordability of the modern manufactured home makes it a very attractive housing alternative. Depending on the region of the country, construction cost per square foot for a new manufactured home averages anywhere from 10 to 45 percent less than a comparable site-built home, excluding the cost of land. This is due to a number of factors, including volume purchase discounts and inventory control of construction materials and control of all aspects of the construction process, which is generally a more efficient and stream-lined process as compared to a site-built home.

Modern residential land lease communities are similar to typical residential subdivisions containing central entrances, paved well-lit streets, curbs and gutters. The size of a modern manufactured home community is limited, as are other residential communities, by factors such as geography, topography, and funds available for development. Generally, modern manufactured home communities contain buildings for recreation, green areas, and other common area facilities, which, as distinguished from resident owned manufactured homes, are the property of the community owner. In addition to such general improvements, certain manufactured home communities include recreational improvements such as swimming pools, tennis courts and playgrounds. Municipal water and sewer services are available to some manufactured home communities, while other communities supply these facilities on site. Therefore, the owner of a home in our communities leases from us not only the site on which the home is located, but also the physical community framework, and acquires the right to utilize the community common areas and amenities.

Typically, the leases are on a month-to-month or year-to-year basis, renewable upon the consent of both parties. The community manager interviews prospective residents, ensures compliance with community regulations, maintains public areas and community facilities and is responsible for the overall appearance of the community. The manufactured home community, once fully occupied, historically tends to achieve a stable rate of occupancy. The cost and effort in moving a home once it is located in a community encourages the owner of the manufactured home to resell the manufactured home rather than to remove it from the community. This ability to produce relatively predictable income streams, together with the location of the community, its condition and its appearance, are factors in the long-term appreciation of the community.

Inherent in the operation of a manufactured home community is the development, redevelopment, and expansion of our communities. Effective April 1, 2001, the Company, through its wholly-owned taxable REIT subsidiary, UMH Sales and Finance, Inc. (S&F), began to conduct manufactured home sales, and financing of these sales, in our communities. S&F was established to potentially enhance the value of our communities. The home sales business is operated like other homebuilders with sales centers, model homes, an inventory of completed homes and the ability to supply custom designed homes based upon the requirements of the new homeowners.

The Company had operated as part of a group of three public companies (all REITs) which included Monmouth Real Estate Investment Corporation (MREIC) and Monmouth Capital Corporation (MCC) (the affiliated companies). On July 31, 2007, MREIC and MCC completed a strategic combination whereby a wholly-owned subsidiary of MREIC

merged with and into MCC, and MCC survived as a wholly-owned subsidiary of MREIC. The Company continues to operate in conjunction with MREIC. MREIC invests in long-term net-leased industrial properties leased primarily to investment grade tenants. Prior to the merger of MREIC and MCC, some general and administrative expenses were allocated among the three affiliated companies based on use or services provided. Allocations of salaries and benefits were made among the affiliated companies based on the amount of the employees time dedicated to each affiliated company. Subsequent to the merger, shared expenses are allocated between the Company and MREIC. The Company currently has approximately 130 employees.

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

Investment and Other Policies of the Company

The Company may invest in improved and unimproved real property and may develop unimproved real property. Such properties may be located throughout the United States. In the past, it has concentrated on the northeast.

The Company has no restrictions on how it finances new manufactured home communities. It may finance communities with purchase money mortgages or other financing, including first liens, wraparound mortgages or subordinated indebtedness. In connection with its ongoing activities, the Company may issue notes, mortgages or other senior securities. The Company intends to use both secured and unsecured lines of credit.

The Company may issue securities for property, however, this has not occurred to date, and it may repurchase or reacquire its shares from time to time if, in the opinion of the Board of Directors, such acquisition is advantageous to the Company.

The Company also invests in both debt and equity securities of other REITs. The Company from time to time may purchase these securities on margin when the interest and dividend yields exceed the cost of funds. The securities portfolio provides the Company with additional income and, to the extent not pledged to secure borrowings, provides the Company with liquidity. Such securities are subject to risk arising from adverse changes in market rates and prices, primarily interest rate risk relating to debt securities and market price risk relating to equity securities. From time to time, the Company may use derivative instruments to mitigate interest rate risk. At December 31, 2010 and 2009, the Company had $28,757,477 and $31,824,277, respectively, of securities available for sale. Included in these securities are Preferred Stock and Debt securities of $6,042,931 and $-0-, respectively at December 31, 2010 and $8,438,200 and $5,567,911, respectively, at December 31, 2009. The unrealized net gain on securities available for sale at December 31, 2010 and 2009 amounted to $6,450,381 and $2,214,307, respectively.

Property Maintenance and Improvement Policies

It is the policy of the Company to properly maintain, modernize, expand and make improvements to its properties when required. The Company anticipates that renovation expenditures with respect to its present properties during 2011 will be approximately $1,000,000. It is the policy of the Company to maintain adequate insurance coverage on all of its properties; and, in the opinion of the Company, all of its properties are adequately insured.

Number of Employees

On March 1, 2011, the Company had approximately 130 employees, including Officers. During the year, the Company hires approximately 30 part-time and full-time temporary employees as lifeguards, grounds keepers and for emergency repairs.

Item 1A Risk Factors

Risks Related to Current Global Financial Conditions

Current economic conditions, including recent volatility in the capital and credit markets, could harm our business, results of operations and financial condition.

The United States is continuing to experience the effects of an economic recession, during which the capital and credit markets experienced extreme volatility and disruption. The current economic environment has been affected by dramatic declines in the stock and housing markets, increases in foreclosures, unemployment and living costs as well as limited access to credit. This economic situation has impacted and is expected to continue to impact consumer spending levels. The continued slowness of the recovery could impact the availability and cost of financing for our home-buyers. Additionally, the selling prices of homes that we market may be pressured due to competition from excess inventories of new and pre-owned homes and from foreclosures. This may negatively affect our operations and result in lower sales, occupancy, income and cash flows. The Company requires access to adequate cash to finance our operations, distributions, capital expenditures, debt service obligations, development and redevelopment costs and property acquisition costs. We expect to generate the cash to be used for these purposes primarily with operating cash flow, borrowings under secured term loans, and, when market conditions permit, through the issuance of equity securities from time to time.

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

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

Real Estate Industry Risks

General economic conditions and the concentration of our properties in New Jersey, New York, Ohio, Pennsylvania and Tennessee may affect our ability to generate sufficient revenue.

The market and economic conditions in our current markets may significantly affect manufactured home occupancy or rental rates. Occupancy and rental rates, in turn, may significantly affect our revenues, and if our communities do not generate revenues sufficient to meet our operating expenses, including debt service and capital expenditures, our cash flow and ability to pay or refinance our debt obligations could be adversely affected. As a result of the geographic concentration of our properties in New Jersey, New York, Ohio, Pennsylvania and Tennessee, we are exposed to the risks of downturns in the local economy or other local real estate market conditions which could adversely affect occupancy rates, rental rates, and property values in these markets.

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

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

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

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the number of repossessed homes in a particular market;

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

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

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zoning or other regulatory restrictions;

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competition from other available manufactured housing communities and alternative forms of housing (such as apartment buildings and single-family homes);

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our ability to provide adequate management, maintenance and insurance;

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increased operating costs, including insurance premiums, real estate taxes and utilities; and

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the enactment of rent control laws or laws taxing the owners of manufactured homes.

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

We may be unable to compete with our larger competitors and other alternatives available to tenants or potential tenants of our properties, which may in turn adversely affect our profitability. The real estate business is highly competitive. We compete for manufactured home community investments with numerous other real estate entities, such as individuals, corporations, REITs and other enterprises engaged in real estate activities. In many cases, the competing concerns may be larger and better financed than we are, making it difficult for us to secure new manufactured home community investments. Competition among private and institutional purchasers of manufactured home community investments has resulted in increases in the purchase price paid for manufactured home communities and consequent higher fixed costs. To the extent we are unable to effectively compete in the marketplace, our business may be adversely affected.

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

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downturns in economic conditions which adversely impact the housing market;

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

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the difficulty facing potential purchasers in obtaining affordable financing as a result of heightened lending criteria; and

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an increase or decrease in the rate of manufactured home repossessions which provide aggressively priced competition to new manufactured home sales.

Any of the above listed factors could adversely impact our rate of manufactured home sales, which would

result in a decrease in profitability.

Costs associated with taxes and regulatory compliance may reduce our revenue. We are subject to significant regulation that inhibits our activities and may increase our costs. Local zoning and use laws, environmental statutes and other governmental requirements may restrict expansion, rehabilitation and reconstruction activities. These regulations may prevent us from taking advantage of economic opportunities. Legislation such as the Americans with Disabilities Act may require us to modify our properties at a substantial cost and noncompliance could result in the imposition of fines or an award of damages to private litigants. Future legislation may impose additional requirements. We cannot predict what requirements may be enacted or amended or what costs we will incur to comply with such requirements. Costs resulting from changes in real estate laws, income taxes, service or other taxes may adversely affect our funds from operations and our ability to pay or refinance our debt. Similarly, changes in laws increasing the potential liability for environmental conditions existing on properties or increasing the restrictions on discharges or other conditions may result in significant unanticipated expenditures, which would adversely affect our business and results of operations.

Licensing laws and compliance could affect our profitability. We are subject to the Secure and Fair Enforcement for Mortgage Licensing Act of 2008 (SAFE Act), which requires that we obtain appropriate licenses pursuant to the Nationwide Mortgage Licensing System & Registry in each state where we conduct business. There are extensive federal and state requirements mandated by the SAFE Act and there can be no assurance that we will obtain or renew our SAFE Act licenses, which could result in fees and penalties and have an adverse impact on our ability to continue with our home financing activities.

Rent control legislation may harm our ability to increase rents.

State and local rent control laws in certain jurisdictions may limit our ability to increase rents and to recover increases in operating expenses and the costs of capital improvements. Currently, rent control affects only two of our manufactured home communities, both of which are in New Jersey, and has resulted in a slower growth of earnings from these properties. However, we may purchase additional properties in markets that are either subject to rent control or in which rent-limiting legislation exists or may be enacted.

Our investments are concentrated in the manufactured housing/residential sector and our business would be adversely affected by an economic downturn in that sector. Our investments in real estate assets are primarily concentrated in the manufactured housing/residential sector. This concentration may expose us to the risk of economic downturns in this sector to a greater extent than if our business activities included a more significant portion of other sectors of the real estate industry.

Environmental liabilities could affect our profitability.

Under various federal, state and local laws, ordinances and regulations, an owner or operator of real estate is liable for the costs of removal or remediation of certain hazardous substances at, on, under or in such property. Such laws often impose such liability without regard to whether the owner knew of, or was responsible for, the presence of such hazardous substances. The presence of such substances, or the failure to properly remediate such substances, may adversely affect the owner s ability to sell or rent such property, to borrow using such property as collateral or to develop such property. Persons who arrange for the disposal or treatment of hazardous substances also may be liable for the costs of removal or remediation of such substances at a disposal or treatment facility owned or operated by another person. In addition, certain environmental laws impose liability for the management and disposal of asbestos-containing materials and for the release of such materials into the air. These laws may provide for third parties to seek recovery from owners or operators of real properties for personal injury associated with asbestos-containing materials. In connection with the ownership, operation, management, and development of real properties, we may be considered an owner or operator of such properties and, therefore, are potentially liable for removal or remediation costs, and also may be liable for governmental fines and injuries to persons and property. When we arrange for the treatment or disposal of hazardous

substances at landfills or other facilities owned by other persons, we may be liable for the removal or remediation costs at such facilities.

We own and operate 17 manufactured home communities which either have their own wastewater treatment facility, water distribution system, or both. At these locations, we are subject to compliance with monthly, quarterly and yearly testing for contaminants as outlined by the individual state s Department of Environmental Protection Agencies. Currently, we are not subject to radon or asbestos monitoring requirements. In addition, all of our properties have been subject to a Phase I or similar environmental audit (which involves general inspections without soil sampling or ground water analysis) completed by independent environmental consultants, which have not revealed any significant environmental liability that would have a material adverse effect on our business. However, these audits cannot reflect conditions arising after the studies were completed, and no assurances can be given that existing environmental studies reveal all environmental liabilities, that any prior owner or operator of a property or neighboring owner or operator did not create any material environmental condition not known to us, or that a material environmental condition does not otherwise exist as to any one or more properties.

Actions by our competitors may decrease or prevent increases in the occupancy and rental rates of our properties which could adversely affect our business.

We compete with other owners and operators of manufactured housing community properties, some of which own properties similar to ours in the same submarkets in which our properties are located. The number of competitive manufactured housing community properties in a particular area could have a material adverse effect on our ability to lease sites and increase rents charged at our properties or at any newly acquired properties. In addition, other forms of multi-family residential properties, such as private and federally funded or assisted multi-family housing projects and single-family housing, provide housing alternatives to potential tenants of manufactured housing communities. If our competitors offer housing at rental rates below current market rates or below the rental rates we currently charge our tenants, we may lose potential tenants, and we may be pressured to reduce our rental rates below those we currently charge in order to retain tenants when our tenants leases expire. As a result, our financial condition, cash flow, cash available for distribution, and ability to satisfy our debt service obligations could be materially adversely affected.

Losses in excess of our insurance coverage or uninsured losses could adversely affect our cash flow.

We generally maintain insurance policies related to our business, including casualty, general liability and other policies covering business operations, employees and assets. However, we may be required to bear all losses that are not adequately covered by insurance. In addition, there are certain losses that are not generally insured because it is not economically feasible to insure against them, including losses due to riots or acts of war. If an uninsured loss or a loss in excess of insured limits occurs with respect to one or more of our properties, then we could lose the capital we invested in the properties, as well as the anticipated profits and cash flow from the properties and, in the case of debt, which is with recourse to us, we would remain obligated for any mortgage debt or other financial obligations related to the properties. Although we believe that our insurance programs are adequate, no assurance can be given that we will not incur losses in excess of its insurance coverage, or that we will be able to obtain insurance in the future at acceptable levels and reasonable cost.

We may not be able to integrate or finance our acquisitions and our acquisitions may not perform as expected.

We acquire and intend to continue to acquire manufactured housing communities on a select basis. Our acquisition activities and their success are subject to the following risks:

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we may be unable to acquire a desired property because of competition from other well capitalized real estate investors, including both publicly traded REITs and institutional investment funds;

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even if we enter into an acquisition agreement for a property, it is usually subject to customary conditions to closing, including completion of due diligence investigations to our satisfaction, which may not be satisfied;

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

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we may be unable to finance acquisitions on favorable terms;

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acquired properties may fail to perform as expected;

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acquired properties may be located in new markets where we face risks associated with a lack of market knowledge or understanding of the local economy, lack of business relationships in the area and unfamiliarity with local governmental and permitting procedures; and

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we may be unable to quickly and efficiently integrate new acquisitions, particularly acquisitions of portfolios of properties, into our existing operations.

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

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

Financing Risks

We face risks generally associated with our debt

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

rising interest rates on our variable rate debt;

failure to repay or refinance existing debt as it matures, which may result in forced disposition of assets on disadvantageous terms;

refinancing terms less favorable than the terms of existing debt; and

failure to meet required payments of principal and/or interest.

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

We face risks related to balloon payments and refinancings.

Certain of our mortgages will have significant outstanding principal balances on their maturity dates, commonly known as balloon payments. There can be no assurance that we will be able to refinance the debt on favorable terms or at all. To the extent we cannot refinance debt on favorable terms or at all, we may be forced to dispose of properties on disadvantageous terms or pay higher interest rates, either of which would have an adverse impact on our financial performance and ability to service debt and make distributions.

We face risks associated with our dependence on external sources of capital

. In order to qualify as a REIT, we are required each year to distribute to our stockholders at least 90% of our REIT taxable income, and we are subject to tax on our income to the extent it is not distributed. Because of this distribution requirement, we may not be able to fund all future capital needs from cash retained from operations. As a result, to fund capital needs, we rely on third-party sources of capital, which we may not be able to obtain on favorable terms, if at all. Our access to third-party sources of capital depends upon a number of factors, including (i) general market conditions; (ii) the market s perception of our growth potential; (iii) our current and potential future earnings and cash distributions; and (iv) the market price of our

securities. Additional debt financing may substantially increase our debt-to-total capitalization ratio. Additional equity issuance may dilute the holdings of our current stockholders.

We may become more highly leveraged

. Our governing documents do not limit the amount of indebtedness we may incur. Accordingly, our board of directors may vote to incur additional debt and would do so, for example, if it were necessary to maintain our status as a REIT. We might become more highly leveraged as a result, and our financial condition and cash available for service of debt and distributions might be negatively affected and the risk of default on our indebtedness could increase.

Covenants in our credit agreements could limit our flexibility and adversely affect our financial condition

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

We face risks associated with the financing of home sales to customers in our manufactured home communities. To produce new rental revenue and to upgrade our communities, we sell homes to customers in our communities at competitive prices and finance these home sales. We allow banks and outside finance companies the first opportunity to finance these sales. There is a risk of default in financing these sales. These loans may have higher default rates than we anticipate, and demand for consumer financing may not be as great as we anticipate or may decline. Additionally, there are many regulations pertaining to our home sales and financing activities. There are significant consumer protection laws and the regulatory framework may change in a manner which may adversely affect our operating results. The regulatory environment and associated consumer finance laws create a risk of greater liability from our home sales and financing activities and could subject us to additional litigation. We are also dependent on licenses granted by state and other regulatory authorities, which may be withdrawn or which may not be renewed and which could have an adverse impact on our ability to continue with our home sales and financing activities.

Other Risks

We are dependent on key personnel.

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

We may amend our business policies without your approval

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

The market value of our common stock could decrease based on our performance and market perception and conditions

. The market value of our common stock may be based primarily upon the market s perception of our growth potential and current and future cash dividends, and may be secondarily based upon the real estate market value of our underlying assets. The market price of our common stock is influenced by their respective distributions relative to market interest rates. Rising interest rates may lead potential buyers of our stock to expect a higher distribution rate, which would adversely affect the market price of our stock. In addition, rising interest rates would result in increased expense, thereby adversely affecting cash flow and our ability to service our indebtedness and pay distributions.

There are restrictions on the transfer of our capital stock

. To maintain our qualification as a REIT under the Code, no more than 50% in value of our outstanding capital stock may be owned, actually or by attribution, by five or fewer individuals, as defined in the Code to also include certain entities, during the last half of a taxable year.

Accordingly, our charter and bylaws contain provisions restricting the transfer of our capital stock. See Description of Capital Stock - Restrictions on Ownership and Transfer.

Our earnings are dependent, in part, upon the performance of our investment portfolio

. As permitted by the Code, we invest in and own securities of other real estate investment trusts. To the extent that the value of those investments declines or those investments do not provide a return, our earnings and cash flow could be adversely affected.

We are subject to restrictions that may impede our ability to effect a change in control

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

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Our charter provides for three classes of directors with the term of office of one class expiring each year, commonly referred to as a staggered board. By preventing common stockholders from voting on the election of more than one class of directors at any annual meeting of stockholders, this provision may have the effect of keeping the current members of our board of directors in control for a longer period of time than stockholders may desire.

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Our charter generally limits any holder from acquiring more than 9.8% (in value or in number, whichever is more restrictive) of our outstanding equity stock (defined as all of our classes of capital stock, except our excess stock). While this provision is intended to assure our ability to remain a qualified REIT for Federal income tax purposes, the ownership limit may also limit the opportunity for stockholders to receive a premium for their shares of common stock that might otherwise exist if an investor was attempting to assemble a block of shares in excess of 9.8% of the outstanding shares of equity stock or otherwise effect a change in control.

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The request of the holders of a majority or more of our outstanding common stock is necessary for stockholders to call a special meeting. We also require advance notice by common stockholders for the nomination of directors or proposals of business to be considered at a meeting of stockholders.

Our Board of Directors may authorize and issue securities without stockholder approval

. Under our charter, the board has the power to classify and reclassify any of our unissued shares of capital stock into shares of capital stock with such preferences, rights, powers and restrictions as the board of directors may determine. The authorization and issuance of a new class of capital stock could have the effect of delaying or preventing someone from taking control of us, even if a change in control were in our stockholders best interests.

Maryland business statutes may limit the ability of a third party to acquire control of us

. Maryland law provides protection for Maryland corporations against unsolicited takeovers by limiting, among other things, the duties of the directors in unsolicited takeover situations. The duties of directors of Maryland corporations do not require them to (a) accept, recommend or respond to any proposal by a person seeking to acquire control of the corporation, (b) authorize the corporation to redeem any rights under, or modify or render inapplicable, any stockholders rights plan, (c) make a determination under the Maryland Business Combination Act or the Maryland Control Share Acquisition Act, or (d) act or fail to act solely because of the effect of the act or failure to act may have on an acquisition or potential acquisition of control of the corporation or the amount or type of consideration that may be offered or paid to the stockholders in an acquisition. Maryland law also contains a statutory presumption that an act of a director of a Maryland corporation satisfies the applicable standards of conduct for directors under Maryland law.

The Maryland Business Combination Act provides that unless exempted, a Maryland corporation may not engage in business combinations, including mergers, dispositions of 10% or more of its assets, certain issuances of shares of stock and other specified transactions, with an interested stockholder or an affiliate of an interested stockholder for five years after the most recent date on which the interested stockholder became an interested stockholder, and thereafter unless specified criteria are met. An interested stockholder is generally a person owning or controlling, directly or indirectly, 10% or more of the voting power of the outstanding stock of the Maryland corporation

or an affiliate or associate of the Maryland corporation that was the beneficial owner of 10% or more of the voting power of the corporation s outstanding stock during the past two years. In our charter, we have expressly elected that the Maryland Business Combination Act not govern or apply to any transaction with MREIC.

We cannot assure you that we will be able to pay dividends regularly.

Our ability to pay dividends in the future is dependent on our ability to operate profitably and to generate cash from our operations and the operations of our subsidiaries. We cannot guarantee that we will be able to pay dividends on a regular quarterly basis in the future.

If our leases are not respected as true leases for federal income tax purposes, we would fail to qualify as a REIT.

To qualify as a REIT, we must, among other things, satisfy two gross income tests, under which specified percentages of our gross income must be passive income, such as rent. For the rent paid pursuant to our leases, to qualify for purposes of the gross income tests, the leases must be respected as true leases for federal income tax purposes and not be treated as service contracts, joint ventures or some other type of arrangement. We believe that our leases will be respected as true leases for federal income tax purposes. However, there can be no assurance that the Internal Revenue Service (IRS) will agree with this view. If the leases are not respected as true leases for federal income tax purposes, we would not be able to satisfy either of the two gross income tests applicable to REITs, and we would most likely lose our REIT status.

Failure to make required distributions would subject us to additional tax.

In order to qualify as a REIT, we must, among other requirements, distribute, each year, to our stockholders at least 90% of our taxable income, excluding net capital gains. To the extent that we satisfy the 90% distribution requirement, but distribute less than 100% of our taxable income, we will be subject to federal corporate income tax on our undistributed income. In addition, we will incur a 4% nondeductible excise tax on the amount, if any, by which our distributions (or deemed distributions) in any year are less than the sum of:

85% of our ordinary income for that year;

95% of our capital gain net earnings for that year; and

100% of our undistributed taxable income from prior years.

To the extent we pay out in excess of 100% of our taxable income for any tax year, we may be able to carry forward such excess to subsequent years to reduce our required distributions in such years. We intend to pay out our income to

our stockholders in a manner intended to satisfy the distribution requirement. Differences in timing between the recognition of income and the related cash receipts or the effect of required debt amortization payments could require us to borrow money or sell assets to pay out enough of our taxable income to satisfy the distribution requirement and to avoid corporate income tax.

We may not have sufficient cash available from operations to pay distributions, and, therefore, distributions may be made from borrowings.

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

We may be required to pay a penalty tax upon the sale of a property.

The federal income tax provisions applicable to REITs provide that any gain realized by a REIT on the sale of property held as inventory or other property held primarily for sale to customers in the ordinary course of business is treated as income from a prohibited transaction that is subject to a 100% penalty tax. Under current law, unless a sale of real property qualifies for a safe harbor, the question of whether the sale of real estate or other property constitutes the sale of property held primarily for sale to customers is generally a question of the facts and circumstances regarding a particular transaction. We intend that we and our subsidiaries will hold the interests in the real estate for investment with a view to long-term appreciation, engage in the business of acquiring and owning real estate, and make occasional sales as are consistent with our

investment objectives. We do not intend to engage in prohibited transactions. We cannot assure you, however, that we will only make sales that satisfy the requirements of the safe harbors or that the IRS will not successfully assert that one or more of such sales are prohibited transactions.

We may fail to qualify as a REIT

. If we fail to qualify as a REIT, we will not be allowed to deduct distributions to stockholders in computing our taxable income and will be subject to Federal income tax, including any applicable alternative minimum tax, at regular corporate rates. In addition, we might be barred from qualification as a REIT for the four years following disqualification. The additional tax incurred at regular corporate rates would reduce significantly the cash flow available for distribution to stockholders and for debt service. Furthermore, we would no longer be required to make any distributions to our stockholders as a condition to REIT qualification. Any distributions to stockholders would be taxable as ordinary income to the extent of our current and accumulated earnings and profits, although such dividend distributions would be subject to a top federal tax rate of 15% through 2012. Corporate distributees, however, may be eligible for the dividends received deduction on the distributions, subject to limitations under the Code.

To qualify as a REIT, we must comply with certain highly technical and complex requirements

. We cannot be certain we have complied, and will always be able to comply, with the requirements to qualify as a REIT because there are few judicial and administrative interpretations of these provisions. In addition, facts and circumstances that may be beyond our control may affect our ability to continue to qualify as a REIT. We cannot assure you that new legislation, regulations, administrative interpretations or court decisions will not change the tax laws significantly with respect to our qualification as a REIT or with respect to the Federal income tax consequences of qualification. We believe that we have qualified as a REIT since our inception and intend to continue to qualify as a REIT. However, we cannot assure you that we are qualified or will remain qualified.

There is a risk of changes in the tax law applicable to real estate investment trusts

. Because the IRS, the United States Treasury Department and Congress frequently review federal income tax legislation, we cannot predict whether, when or to what extent new federal tax laws, regulations, interpretations or rulings will be adopted. Any of such legislative action may prospectively or retroactively modify our tax treatment and, therefore, may adversely affect taxation of us and/or our investors.

We may be unable to comply with the strict income distribution requirements applicable to REITs

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

distribution requirements and interest and penalties could apply which could adversely affect our financial condition. If we fail to make a required distribution, we would cease to be taxed as a REIT.

Notwithstanding our status as a REIT, we are subject to various federal, state and local taxes on our income and property

. For example, we will be taxed at regular corporate rates on any undistributed taxable income, including undistributed net capital gains, provided; however, that properly designated undistributed capital gains will effectively avoid taxation at the stockholder level. We may be subject to other Federal income taxes as more fully described in Material United States Federal Income Tax Consequences-Taxation of Us as a REIT. We may also have to pay some state income or franchise taxes because not all states treat REITs in the same manner as they are treated for Federal income tax purposes.

Future terrorist attacks and military conflicts could have a material adverse effect on general economic conditions, consumer confidence and market liquidity.

Among other things, it is possible that interest rates may be affected by these events. An increase in interest rates may increase our costs of borrowing, leading to a reduction in our earnings. Terrorist acts could also result in significant damages to, or loss of, our properties. Additionally, we may be

unable to obtain adequate insurance coverage on acceptable economic terms for losses resulting from acts of terrorism. Our lenders may require that we carry terrorism insurance even if we do not believe this insurance is necessary or cost effective. Should an act of terrorism result in an uninsured loss or a loss in excess of insured limits, we could lose capital invested in a property, as well as the anticipated future revenues from a property, while remaining obligated for any mortgage indebtedness or other financial obligations related to the property. Any loss of these types would adversely affect our financial condition.

We are subject to risks arising from litigation.

We may become involved in litigation. Litigation can be costly, and the results of litigation are often difficult to predict. We may not have adequate insurance coverage or contractual protection to cover costs and liability in the event we are sued, and to the extent we resort to litigation to enforce our rights, we may incur significant costs and ultimately be unsuccessful or unable to recover amounts we believe are owed to us. We may have little or no control of the timing of litigation, which presents challenges to our strategic planning.

Item 1B Unresolved Staff Comments

None

Item 2 Properties

UMH Properties, Inc. is engaged in the ownership and operation of manufactured home communities located in New Jersey, New York, Ohio, Pennsylvania and Tennessee. The Company owns thirty-five manufactured home communities containing approximately 8,000 sites. The following is a brief description of the properties owned by the Company. There is a long-term trend toward larger manufactured homes. Manufactured home communities designed for older manufactured homes must be modified to accommodate modern wider and longer manufactured homes. These changes may decrease the number of homes that may be accommodated in a manufactured home community. The rents collectible from the land ultimately depend on the value of the home and land. Therefore, fewer but more expensive homes can actually produce the same or greater rents. For this reason, the number of sites operated by the Company is subject to change, and the number of sites listed is always an approximate number.

Name of Community	Number of Sites	Occupied Sites at December 31, 2010	Approximate Monthly Rent Per Site at December 31, 2010
Allentown 4912 Raleigh-Millington Road Memphis, TN 38128	429	391	$387
Brookside Village 89 Valley Drive Berwick, PA 18603	171	149	$331
Brookview Village Route 9N Greenfield Center, NY 12833	132	107	$410
Cedarcrest 1976 North East Avenue Vineland, NJ 08360	283	279	$521
Cranberry Village 201 North Court Cranberry Township, PA 16066	195	166	$491
Cross Keys Village Old Sixth Avenue Road, RD #1 Duncansville, PA 16635	133	92	$352

D & R Village Route 146, RD 13 Clifton Park, NY 12065	237	211	$454
Fairview Manor 2110 Mays Landing Road Millville, NJ 08332	318	314	$525
Forest Park Village 724 Slate Avenue Cranberry Township, PA 16066	252	183	$437
Heather Highlands 109 S. Main Street Pittston, PA 18640	404	257	$338

Name of Community	Number of Sites	Occupied Sites at December 31, 2010	Approximate Monthly Rent Per Site at December 31, 2010
Highland Estates 60 Old Route 22 Kutztown, PA 19530	327	285	$476
Kinnebrook 201 Route 17B Monticello, NY 12701	222	186	$492
Lake Sherman Village 7227 Beth Avenue, SW Navarre, OH 44662	238	141	$363
Laurel Woods 1943 St. Joseph Street Cresson, PA 16630	217	157	$305
Maple Manor 18 Williams Street Taylor, PA 18517	311	268	$299
Memphis Mobile City 3894 N. Thomas Street Memphis, TN 38127	157	82	$345
Moosic Heights 118 1st Street Avoca, PA 18641	153	134	$295
Oakwood Lake Village 308 Gruver Lake Tunkhannock, PA 18657	79	79	$324
Oxford Village 2 Dolinger Drive	224	221	$532

West Grove, PA 19390			
Pine Ridge Village/Pine Manor 147 Amy Drive Carlisle, PA 17013	184	135	$454
Pine Valley Estates 700 Pine Valley Estates Apollo, PA 15613	218	112	$338
Pleasant View Estates 6020 Fort Jenkins Lane Bloomsburg, PA 17815	110	78	$323
Port Royal Village 400 Patterson Lane Belle Vernon, PA 15012	460	236	$389

Name of Community	Number of Sites	Occupied Sites at December 31, 2010	Approximate Monthly Rent Per Site at December 31, 2010
River Valley Estates 2066 Victory Road Marion, OH 43302	231	180	$322
Sandy Valley Estates 801 First, Route #2 Magnolia, OH 44643	364	249	$362
Somerset Estates/Whispering Pines 1873 Husband Rd Somerset, PA 15501	249	196	$265/$355
Southwind Village 435 E. Veterans Highway Jackson, NJ 08527	250	249	$356
Spreading Oaks Village 7140-29 Selby Road Athens, OH 45701	151	121	$282
Suburban Estates 33 Maruca Drive Greensburg, PA 15601	200	187	$299
Sunny Acres 272 Nicole Lane Somerset, PA 15501	207	203	$288
Waterfalls Village 3450 Howard Road Hamburg, NY 14075	202	155	$466
Weatherly Estates 271 Weatherly Drive	270	196	$380

Lebanon, TN 37087			
Woodland Manor 338 County Route 11, Lot 165 West Monroe, NY 13167	149	73	$320
Woodlawn Village Route 35 Eatontown, NJ 07724	157	144	$640
Wood Valley 1493 N. Whetstone River Road Caledonia, OH 43314	161	90	$310

The Company actively seeks to have older homes removed from the community and replaced by newer modern homes. During 2010, the Company sold approximately 130 newer homes into our communities. However, overall occupancy remained the same. Homes left the communities for various reasons, including demolished as

obsolete. Overall occupancy remained relative stable at 78% at both December 31, 2010 and 2009. The ability of manufactured home communities to be renewed and upgraded is believed to be a positive factor.

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

In connection with the operation of its communities, the Company operates approximately 780 rental units. These are homes owned by the Company and rented to residents. The Company engages in the rental of manufactured homes primarily in areas where the communities have existing vacancies. The rental homes produce income on both the home and for the site which might otherwise be non-income producing. The Company sells the older rental homes when the opportunity arises.

The Company has approximately 1,000 additional sites in various stages of engineering/construction. Due to the difficulties involved in the approval and construction process, it is difficult to predict the number of sites which will be completed in a given year.

Significant Properties

The Company operates approximately $169,000,000 (at original cost) in manufactured home properties. These consist of 35 separate manufactured home communities and related equipment and improvements. No one community constitutes more than 10% of the total assets of the Company. Port Royal Village with 460 sites, Allentown with 429 sites, Heather Highlands with 404 sites, Sandy Valley Estates with 364 sites, Highland Estates with 327 sites, Fairview Manor with 318 sites, and Maple Manor with 311 sites, are the larger properties.

Mortgages on Properties

The Company has mortgages on various properties. The maturity dates of these mortgages range from the year 2011 to 2020. Interest varies from fixed rates of 5.614% to 8.04% and variable rates of prime plus 0.5% to LIBOR plus 4.0%. The weighted-average interest rate on our mortgages was approximately 5.8% at December 31, 2010. The aggregate balances of these mortgages total $90,815,777 at December 31, 2010. (For additional information, see Part IV, Item 15(a) (1) (vi), Note 5 of the Notes to Consolidated Financial Statements   Loans and Mortgages Payable).

Item 3 Legal Proceedings

Legal proceedings are incorporated herein by reference and filed as Part IV, Item 15(a)(1)(vi), Note 12 of the Notes to Consolidated Financial Statements Commitments, Contingencies and Legal Matters.

Item 4 Submission of Matters To a Vote of Security Holders

No matters were submitted during the fourth quarter of 2010 to a vote of security holders through the solicitation of proxies or otherwise.

PART II

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

The Company s shares are listed on the NYSE Amex (symbol UMH). The per share range of high and low quotes for the Company s stock and distributions paid to shareholders for each quarter of the last two years are as follows:

	2010			2009		
	HIGH	LOW	Distribution	HIGH	LOW	Distribution
First Quarter	8.62	7.77	$ .18	7.50	4.87	$ .18
Second Quarter	10.90	8.12	.18	9.09	5.44	.18
Third Quarter	11.93	9.19	.18	9.01	7.40	.18
Fourth Quarter	11.01	9.50	.18	8.65	7.35	.18
			$0.72			$0.72

On March 4, 2011, the closing price of the Company s stock was $10.24.

As of December 31, 2010, there were approximately 780 registered shareholders of the Company s common stock based on the number of record owners.

For the years ended December 31, 2010 and 2009, total distributions paid by the Company amounted to $9,216,462 or $0.72 per share ($.45866 taxed as ordinary income, $.16367 taxed as capital gains and $.09767 as a return of capital) and $8,220,262 or $0.72 per share ($.5852 taxed as ordinary income and $.1348 as a return of capital), respectively.

It is the Company s intention to continue distributing quarterly dividends. On January 13, 2011, the Company declared a cash dividend of $.18 per share to be paid on March 15, 2011 to shareholders of record February 15, 2011. Future dividend policy will depend on the Company s earnings, capital requirements, REIT requirements, financial condition, availability and cost of bank financing and other factors considered relevant by the Board of Directors.

Securities Authorized for Issuance Under Equity Compensation Plans

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

The following table summarizes information, as of December 31, 2010, relating to equity compensation plans of the Company (including individual compensation arrangements) pursuant to which equity securities of the Company are authorized for issuance.

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (a)	Weighted-average Exercise Price of Outstanding Options, Warrants and Rights (b)	Number of Securities Remaining Available for Future Issuance (c)
Equity Compensation Plans Approved by Security Holders	731,000	$12.33	735,188
Equity Compensation Plans not Approved by Security Holders	N/A	N/A	N/A
Total	731,000	$12.33	735,188

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Comparative Stock Performance

The line graph compares the total return of the Company s common stock for the last five years to the FTSE NAREIT ALL REIT Total Return Index published by the National Association of Real Estate Investment Trusts (NAREIT) and to the S&P 500 Index for the same period. The total return reflects stock price appreciation and dividend reinvestment for all three comparative indices. The information herein has been obtained from sources believed to be reliable, but neither its accuracy nor its completeness is guaranteed.

Item 6 Selected Financial Data

The following table sets forth selected financial and other information for the Company as of and for each of the years in the five year period ended December 31, 2010. This table should be read in conjunction with all of the financial statements and notes thereto included elsewhere herein.

	2010	2009	2008	2007	2006
Operating Data:					
Rental and Related Income	$27,877,470	$26,491,999	$25,542,745	$23,997,178	23,186,485
Sales of Manufactured Homes	6,133,494	5,527,253	9,560,912	12,672,844	15,799,748
Total Income	34,010,964	32,019,252	35,103,657	36,670,022	38,986,233
Interest and Dividend Income	4,579,668	4,584,917	4,318,512	3,357,524	3,156,255
Gain (Loss) on Securities					
Transactions, net	3,931,880	(1,804,146)	(2,860,804)	(1,398,377)	266,847
Community Operating Expenses	14,870,694	13,200,885	13,083,959	12,633,042	12,274,363
Total Expenses	30,730,900	26,911,082	30,186,474	32,136,169	33,689,016
Interest Expense	5,183,296	4,455,332	4,957,437	4,171,109	3,273,720
Gain (Loss) on Sales of Investment					
Property and Equipment	(8,244)	179,607	14,661	99,318	158,403
Net Income	6,668,915	3,689,388	1,527,150	2,632,741	5,840,277
Net Income Per Share -					
Basic	.52	.32	.14	.25	.58
Diluted	.52	.32	.14	.25	.58
Cash Flow Data:					
Net Cash Provided (Used) by:					
Operating Activities	$6,481,751	$11,355,096	$8,267,886	$2,766,606	$4,161,938
Investing Activities	(33,894,219)	(8,288,707)	(11,941,757)	(21,089,748)	(2,591,532)
Financing Activities	28,553,703	(1,329,854)	4,235,145	18,540,091	(4,120,735)
Balance Sheet Data:					
Total Assets	$188,780,515	$147,971,540	$137,939,325	$136,503,463	$115,740,444
Mortgages Payable	90,815,777	70,318,950	65,952,895	61,749,700	46,817,633

Shareholders Equity	71,927,753	55,971,862	44,721,700	53,995,133	57,640,419

Other Information:

Average Number of Shares Outstanding	12,767,904	11,412,536	10,876,840	10,535,162	10,093,546
Funds from Operations (1)	$11,193,185	$7,834,295	$5,585,059	$6,191,659	$9,097,444
Cash Dividends Per Share	.72	.72	.79	1.00	.985

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

The Company s FFO is calculated as follows:

	2010	2009	2008	2007	2006
Net Income	$6,668,915	$3,689,388	$1,527,150	$2,632,741	$5,840,277
Loss (Gain) on Sales of Depreciable Assets	8,244	62,783	(14,661)	(99,318)	(158,403)
Depreciation Expense	4,516,026	4,082,124	4,072,570	3,658,236	3,415,570
FFO *	$11,193,185	$7,834,295	$5,585,059	$6,191,659	$9,097,444

* Includes gain on sale of easement of $242,390 in 2009.

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

Safe Harbor Statement

Statements contained in this Form 10-K, including the documents that are incorporated by reference, that are not historical facts are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the Securities Act), and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act). Also, when we use any of the words anticipate, assume, believe, estimate, expect, intends, plans, may, or similar expressions, we are making forward-looking statements. These forward-looking statements are not guaranteed and are based on our current intentions and on our current expectations and assumptions. These statements, intentions, expectations and assumptions involve risks and uncertainties, some of which are beyond our control, which could cause actual results or events to differ materially from those we anticipate or project. Such risks and uncertainties include, but are not limited to, the following:

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changes in the real estate market and general economic conditions;

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the inherent risks associated with owning real estate, including local real estate market conditions, governing laws and regulations affecting manufactured housing communities and illiquidity of real estate investments;

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increased competition in the geographic areas in which we own and operate manufactured housing communities;

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our ability to continue to identify, negotiate and acquire manufactured housing communities and/or vacant land which may be developed into manufactured housing communities on terms favorable to us;

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our ability to maintain rental rates and occupancy levels;

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changes in market rates of interest;

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our ability to repay debt financing obligations;

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our ability to refinance amounts outstanding under our credit facilities at maturity on terms favorable to us;

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our ability to comply with certain debt covenants;

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the availability of other debt and equity financing alternatives;

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continued ability to access the debt or equity markets;

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the loss of any member of our management team;

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our ability to maintain internal controls and processes to ensure all transactions are accounted for properly, all relevant disclosures and filings are timely made in accordance with all rules and regulations, and any potential fraud or embezzlement is thwarted or detected;

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

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the ability of manufactured home buyers to obtain financing;

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the level of repossessions by manufactured home lenders;

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changes in federal or state tax rules or regulations that could have adverse tax consequences;

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

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those risks and uncertainties referenced under the heading "Risk Factors" contained in this Form 10-K and the Company's filings with the Securities and Exchange Commission.

You should not place undue reliance on these forward-looking statements, as events described or implied in such statements may not occur. The forward-looking statements contained in this Form 10-K speak only as of the date hereof and the Company expressly disclaims any obligation to publicly update or revise any forward-looking statements whether as a result of new information, future events, or otherwise.

Overview

The following discussion and analysis of the consolidated financial condition and results of operations should be read in conjunction with the Consolidated Financial Statements and notes thereto elsewhere herein.

The Company is a self-administered, self-managed, real estate investment trust (REIT) with headquarters in Freehold, New Jersey. The Company s primary business is the ownership and operation of manufactured home communities leasing manufactured home spaces on a month-to-month basis to private manufactured home owners. The Company also leases homes to residents and, through, its taxable REIT subsidiary, UMH Sales and Finance, Inc. (S&F), sells and finances homes to residents and prospective residents of our communities. During the year ended December 31, 2010, we have purchased seven manufactured home communities located in Pennsylvania for an aggregate purchase price of $37,450,000. These acquisitions added over 1,200 sites to our portfolio. The Company now owns thirty-five communities containing approximately 8,000 sites. These communities are located in New Jersey, New York, Ohio, Pennsylvania and Tennessee. The Company also invests in debt and equity securities of other REITs.

The Company s income primarily consists of rental and related income from the operation of its manufactured home communities. Income also includes sales of manufactured homes. Total income remained relatively stable. However, sales of manufactured homes have continued to be disappointing due to weaknesses in the overall economy. While housing markets are beginning to stabilize, our customers still face difficulties in selling their existing homes. This coupled with continued high unemployment rates, has negatively impacted our sales and our gross profit percentage.

Economic growth in the US economy has moderated and high unemployment rates have persisted. However, activity in our communities has recently increased as conventional home ownership rates continue to fall. In this environment, we are seeing increased demand for rental units and have added a net of approximately 160 rental units to selected communities. We hope to convert renters to new homeowners in the future.

The Company also holds a portfolio of securities of other REITs with a fair value of $28,757,477 at December 31, 2010. The Company invests in these securities on margin from time to time when the Company can achieve an adequate yield spread. The REIT securities portfolio provides the Company with liquidity and additional income and serves as a proxy for real estate investments. At December 31, 2010, the Company s portfolio consisted of 21% preferred stocks and 79% common stocks. The Company s weighted-average yield on the securities portfolio was approximately 6.8% at December 31, 2010.

The market for REIT securities had significantly improved during 2010. The Company took advantage of this and realized a net gain of $3,931,880 on securities transactions in 2010 as compared to a net loss of $1,804,146 during 2009. The loss in 2009 was primarily due to non-cash impairment losses of approximately $1,900,000 due to the writing down of the carrying value of certain securities which were considered other than temporarily impaired. At December 31, 2010, the Company had unrealized gains of $6,450,381 in its REIT securities portfolio. The dividends received from our securities investments continue to meet our expectations. It is our intent to hold these securities long-term.

Total expenses increased 14% for the year ended December 31, 2010 as compared to the year ended December 31, 2009. This was primarily due to increases in community operating expenses, selling expenses, depreciation and professional and other acquisition costs.

Net income increased $2,979,527 or 81% for the year ended December 31, 2010 as compared to the year ended December 31, 2009.

In spite of challenges in the broad economy, the Company continues to strengthen its balance sheet. We have extended our line of credit through June 30, 2011. We have extended our one mortgage loan which expired in 2010 through July 1, 2012. At December 31, 2010, the Company had approximately $6 million in cash, $29 million in securities encumbered by $8 million in margin and term loans, and $2 million available on its unsecured line of credit.

The Company intends to continue to increase its real estate investments. In 2010, we have added seven manufactured home communities, encompassing over 1,200 sites, to our portfolio. We have been positioning ourselves for future growth and will continue to seek opportunistic investments in 2011. However, there is no guarantee that any of these opportunities will materialize or that the Company will be able to take advantage of such opportunities.

The Company believes that funds generated from operations and the DRIP, the funds available on the line of credit, together with the ability to finance and refinance its properties will provide sufficient funds to adequately meet its obligations over the next several years.

See PART I, Item 1- Business and Item 1A Risk Factors for a more complete discussion of the economic and industry-wide factors relevant to the Company, the Company's lines of business and principal products and services, and the opportunities, challenges and risks on which the Company is focused.

Significant Accounting Policies and Estimates

The discussion and analysis of the Company s financial condition and results of operations are based upon the Company s consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these consolidated financial statements requires management to make estimates and judgments that affect the reported amounts of assets and liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities at the date of the Company s consolidated financial statements. Actual results may differ from these estimates under different assumptions or conditions.

Significant accounting policies are defined as those that involve significant judgment and potentially could result in materially different results under different assumptions and conditions. Management believes the following critical accounting policies are affected by our more significant judgments and estimates used in the preparation of the Company s consolidated financial statements. For a detailed description of these and other accounting policies, see Note 2 in the notes to the Company s consolidated financial statements included in this Form 10-K.

Real Estate Investments

The Company applies Financial Accounting Standards Board Accounting Standards Codification (ASC) 360-10, Property, Plant & Equipment (ASC 360-10) to measure impairment in real estate investments. Rental properties are individually evaluated for impairment when conditions exist which may indicate that it is probable that the sum of expected future cash flows (on an undiscounted basis without interest) from a rental property is less than the carrying value under its historical net cost basis. These expected future cash flows consider factors such as future operating income, trends and prospects as well as the effects of leasing demand, competition and other factors. Upon determination that a permanent impairment has occurred, rental properties are reduced to their fair value. For properties to be disposed of, an impairment loss is recognized when the fair value of the property, less the estimated cost to sell, is less than the carrying amount of the property measured at the time there is a commitment to sell the property and/or it is actively being marketed for sale. A property to be disposed of is reported at the lower of its carrying amount or its estimated fair value, less its cost to sell. Subsequent to the date that a property is held for disposition, depreciation expense is not recorded.

Upon acquisition of a property, the Company applies ASC 805, Business Combinations (ASC 805) and allocates the purchase price of the property based upon the fair value of the assets acquired, which generally consist of land, site and land improvements, buildings and improvements and rental homes. The Company allocates the purchase price of an acquired property generally determined by third-party appraisal of the property obtained in

conjunction with the purchase. Transaction costs, such as broker fees, transfer taxes, legal, accounting, valuation, and other professional and consulting fees, related to acquisitions are expensed as incurred.

Securities Available for Sale

Investments in non-real estate assets consist primarily of marketable securities. The Company individually reviews and evaluates our marketable securities for impairment on a quarterly basis or when events or circumstances that may indicate possible impairment occur. The Company considers, among other things, credit aspects of the issuer, amount of decline in fair value over cost and length of time in a continuous loss position. The Company has developed a general policy of evaluating whether an unrealized loss is other than temporary. On a quarterly basis, the Company makes an initial review of every individual security in its portfolio. If the security is impaired, the Company first determines our intent and ability to hold this investment for a period of time sufficient to allow for any anticipated recovery in market value. Next, the Company determines the length of time and the extent of the impairment. Barring other factors, including the downgrading of the security or the cessation of dividends, if the fair value of the security is below cost by less than 20% for less than 6 months and the Company has the intent and ability to hold the security, the security is deemed to not be other than temporarily impaired. Otherwise, the Company reviews additional information to determine whether the impairment is other than temporary. The Company discusses and analyzes any relevant information known about the security, such as:

a.

Whether the decline is attributable to adverse conditions related to the security or to specific conditions in an industry or in a geographic area.

b.

Any downgrading of the security by a rating agency.

c.

Whether the financial condition of the issuer has deteriorated.

d.

Status of dividends Whether dividends have been reduced or eliminated, or scheduled interest payments have not been made.

e.

Analysis of the underlying assets (including NAV analysis) using independent analysis or recent transactions.

The Company normally holds REIT securities long term and has the ability and intent to hold securities to recovery. If a decline in fair value is determined to be other than temporary, an impairment charge is recognized in earnings

and the cost basis of the individual security is written down to fair value as the new cost basis.

The Company s securities consist primarily of debt securities and common and preferred stock of other REITs. These securities are all publicly-traded and purchased on the open market, through private transactions or through dividend reinvestment plans. These securities are classified among three categories: Held-to-maturity, trading and available-for-sale. As of December 31, 2010 and 2009, the Company s securities are all classified as available-for-sale and are carried at fair value based upon quoted market prices. Gains or losses on the sale of securities are based on identifiable cost and are accounted for on a trade date basis. Unrealized holding gains and losses are excluded from earnings and reported as a separate component of Shareholders Equity until realized.

Other

Estimates are used when accounting for the allowance for doubtful accounts for our rents and loans receivable, potentially excess and obsolete inventory and contingent liabilities, among others. These estimates are susceptible to change and actual results could differ from these estimates. The effects of changes in these estimates are recognized in the period they are determined.

Results of Operations

Acquisitions

On June 4, 2010, the Company acquired two manufactured home communities from ARCPA Properties, LLC, an unrelated entity, for a total purchase price of $13,200,000. The purchase price also included related notes receivables, rental homes and equipment. Proceeds from homes sold prior to acquisition of approximately $23,200 have been treated as a reduction in the purchase price. Sunny Acres is a 207 space community located in Somerset,

PA. Suburban Estates is a 200 space community located in Greensburg, PA. The Company obtained a $7,478,250 mortgage from Sun National Bank at a fixed rate of 6.5% which matures on June 1, 2020. The interest rate will reset after five years to the rate the Federal Home Loan Bank of New York charges to its members plus 3%. The Company utilized its margin loan for the remaining purchase price.

On December 15, 2010, the Company acquired five manufactured home communities from ARCPA Properties, LLC, an unrelated entity, for a total purchase price of $24,250,000. The purchase price also included related notes receivables, rental homes and equipment. Proceeds from homes sold prior to acquisition of approximately $147,400 have been treated as a reduction in the purchase price. These five all-age communities, Brookside Village, Maple Manor, Moosic Heights, Oakwood Lake Village and Pleasant View Estates, total 824 sites situated on 215 acres. The average occupancy for these communities is approximately 86%. The Company obtained a $15,000,000 mortgage from KeyBank National Association (KeyBank), borrowed $3,000,000 on its unsecured line of credit, and took down the balance from its margin line. Interest on the KeyBank mortgage is at LIBOR plus 350 basis points. This mortgage payable is due on December 15, 2013 but may be extended for an additional year.

2010 vs. 2009

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

Occupancy, as well as the ability to increase rental rates, directly affects revenues. The Company s occupancy rate has remained relatively stable at 78% from December 2009 through December 2010. Some of the Company s vacant sites were the results of expansions completed during 2008. The Company continues to evaluate further expansion at selected communities in order to increase the number of available sites, obtain efficiencies and enhance shareholder value. The Company has faced many challenges in filling vacant homesites due to the current economic environment. Despite selling approximately 130 newer homes into our communities, our occupancy rate did not change. Homes have left the communities for various reasons, including destruction through flood and removal for obsolescence. Historically low interest rates have continued to make site-built housing more accessible.

Sales of manufactured homes increased from $5,527,253 for the year ended December 31, 2009 to $6,133,494 for the year ended December 31, 2010, or 11%. Cost of sales of manufactured homes increased from $5,060,631 for the year ended December 31, 2009 to $5,721,977 for the year ended December 31, 2010, or 13%. Selling expenses increased from $1,198,921 for the year ended December 31, 2009 to $1,718,719 for the year ended December 31, 2010, or 43%. Loss from the sales operations (defined as sales of manufactured homes less cost of sales of manufactured homes less selling expenses) increased from $732,299 for the year ended December 31, 2009 to $1,307,202 for the year ended December 31, 2010. The losses on sales include selling expenses of approximately $1,700,000 for the year ended December 31, 2010. Many of these costs, such as rent, salaries, and to an extent, advertising and promotion, are fixed. Adverse conditions have continued to plague the manufactured housing industry and the broader housing market in the U.S. The turmoil in the economy and the financial markets, the inability of our customers to sell their current homes and the decline in consumer confidence have negatively impacted our sales and our gross profit percentage.

New licensing laws, including the Secure and Fair Enforcement for Mortgage Licensing Act of 2008 (SAFE Act), has also increased costs. The gross profit percentage decreased from 8% for the year ended December 31, 2009 to 7% for the year ended December 31, 2010. However, because conventional home ownership rates continue to decline, the Company is optimistic about future sales and rental prospects. We have adjusted our inventory accordingly. The Company believes that sales of new homes produces new rental revenue and is an investment in the upgrading of our communities.

Community operating expenses increased from $13,200,885 for the year ended December 31, 2009 to $14,870,694 for the year ended December 31, 2010, or 13%. Approximately 15% of this increase was due to the acquisition of the seven communities during 2010. The remainder was primarily due to an increase in repairs and maintenance due to the severe winter and spring and an increase in personnel. Additionally, we incurred approximately $176,000 of flood-related costs (cleanup costs, legal fees, public relations, etc.).

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

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

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

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

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

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

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

During 2010, the Company recognized a gain on securities transactions of $3,931,880. The market for REIT securities had significantly improved and the Company took advantage of this. The Company also had an accumulated unrealized gain on its securities portfolio of $6,450,381 as of December 31, 2010. During 2009, the Company recognized a loss of $1,908,798, primarily due to write-downs to the carrying value of securities available for sale which were considered other than temporarily impaired.

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

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

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

2009 vs. 2008

Rental and related income increased from $25,542,745 for the year ended December 31, 2008 to $26,491,999 for the year ended December 31, 2009, or 4%, primarily due to rental increases to residents. During 2009, the Company was able to obtain average rent increases of approximately 5%.

Occupancy, as well as the ability to increase rental rates, directly affects revenues. The Company s occupancy rate has decreased from 80% in 2008 to 78% in 2009. Some of these vacant sites were the results of expansions completed during 2008. The Company continues to evaluate further expansion at selected communities in order to increase the number of available sites, obtain efficiencies and enhance shareholder value. The Company has faced many challenges in filling vacant homesites. Despite selling approximately 128 newer homes into our communities, our occupancy declined by 168 sites. Approximately 300 homes left the communities for various reasons, including demolished as obsolete. Relatively low interest rates have continued to make site-built housing more accessible. In addition, attractive apartment rental deals continue to hinder occupancy advances.

Sales of manufactured homes decreased from $9,560,912 for the year ended December 31, 2008 to $5,527,253 for the year ended December 31, 2009, or 42%. Cost of sales of manufactured homes decreased from $8,225,464 for the year ended December 31, 2008 to $5,060,631 for the year ended December 31, 2009, or 38%. Selling expenses decreased from $1,381,135 for the year ended December 31, 2008 to $1,198,921 for the year ended December 31, 2009, or 13%. Loss from the sales operations (defined as sales of manufactured homes less cost of sales of manufactured homes less selling expenses) increased from $45,687 for the year ended December 31, 2008 to $732,299 for the year ended December 31, 2009. This increase was primarily due to a decrease in sales. Adverse conditions have existed in the manufactured housing industry and the broader housing market in the U.S. for several years. The turmoil in the economy and the financial markets, the inability of our customers to sell their current homes and the decline in consumer confidence have negatively impacted our sales and our gross profit percentage. The gross profit percentage decreased from 14% for the year ended December 31, 2008 to 8% for the year ended December 31, 2009. The Company believes that sales of new homes produces new rental revenue and is an investment in the upgrading of the communities.

Community operating expenses remained relatively stable for the year ended December 31, 2009 as compared to the year ended December 31, 2008.

General and administrative expenses decreased from $3,239,882 for the year ended December 31, 2008 to $3,115,501 for the year ended December 31, 2009, or 4%. The Company has been focusing on reducing costs, including salaries, employee benefits, professional fees and travel.

Depreciation expense remained relatively stable for the year ended December 31, 2009 as compared to the year ended December 31, 2008.

Amortization of financing costs increased from $183,464 for the year ended December 31, 2008 to $253,020 for the year ended December 31, 2009, or 38%. This was primarily as a result of the new mortgages obtained in 2009.

Interest and dividend income increased from $4,318,512 for the year ended December 31, 2008 to $4,584,917 for the year ended December 31, 2009, or 6%. The increase was primarily due to an increase in securities available for sale during 2009. The average balance of securities at December 31, 2009 and 2008 was $26,699,675 and $22,549,152. The average balance of notes receivable at December 31, 2009 and 2008 was $21,978,130 and $21,838,734, respectively. The Company s weighted-average yield on the securities portfolio was approximately 8% and 11% at December 31, 2009 and 2008, respectively. The Company s average yield on notes receivable was approximately 10% at both December 31, 2009 and 2008.

Loss on securities transactions, net consists of the following:

	2009	2008
Gross realized gains	$ 706,833	$ 22,379
Gross realized losses	(602,181)	(30,965)
Net loss on settled futures contracts	-0-	(304,088)
Impairment loss	(1,908,798)	(2,548,130)
Total Loss on Securities Transactions, net	($1,804,146)	($2,860,804)

Loss on securities transactions, net decreased from $2,860,804 for the year ended December 31, 2008 to $1,804,146 for the year ended December 31, 2009. This was due primarily to a decrease in the write-down of the carrying value of securities which were considered other than temporarily impaired. The market for REIT securities has improved during 2009 and the Company has unrealized gains of $2,214,307 in its REIT securities portfolio as of December 31, 2009. The dividends received from our securities investments continue to meet our expectations. It is our intent to hold these securities long-term.

Interest expense decreased from $4,957,437 for the year ended December 31, 2008 to $4,455,332 for the year ended December 31, 2009, or 10%. This was primarily as a result of the change in fair value of the Company s interest rate swaps, partially offset by an increase in the average balance of mortgages and loans payable. The change in fair value of the Company s interest rate swaps decreased interest expense by approximately $391,000 in 2009 but increased interest expense by approximately $327,000 in 2008. The average balance of our mortgages and loans payable amounted to approximately $89,000,000 and $84,000,000 in 2009 and 2008, respectively. Interest capitalized on construction in progress amounted to $273,231 and $315,985 for 2009 and 2008, respectively.

Gain on sale of investment property and equipment increased from $14,661 for the year ended December 31, 2008 to $179,607 for the year ended December 31, 2009. This was primarily as a result of the sale of an easement.

Income from community operations (defined as rental and related income less community operating expenses) increased from $12,458,786 for the year ended December 31, 2008 to $13,291,114, an increase of approximately 7%. The Company has been raising rental rates approximately 5% and controlling operating expenses.

Off-Balance Sheet Arrangements and Contractual Obligations

The Company has not executed any off-balance sheet arrangements.

The following is a summary of the Company s contractual obligations as of December 31, 2010:

Contractual Obligations	**Total**	**Less than 1 year**	**1-3 years**	**3-5 years**	**More than 5 years**
Mortgages Payable	$90,815,777	$6,519,441	$30,173,017	$6,355,775	$47,767,544
Operating Lease Obligations	716,800	163,200	329,600	224,000	-0-
Retirement Benefits	622,050	50,000	100,000	-0-	472,050
Total	$92,154,627	$6,732,641	$30,602,617	$6,579,775	$48,239,594

Mortgages payable represents the principal amounts outstanding based on scheduled payments. The interest rates on these mortgages vary from fixed rates ranging from 5.614% to 8.04% and variable rates of prime plus 1/2% to LIBOR plus 4.0%. The weighted-average interest rate was approximately 5.8% at December 31, 2010. The above table does not include the Company s obligation under short-term borrowings including its loans and lines of credit as described in Note 5 of the Notes to Consolidated Financial Statements.

Operating lease obligations represent a lease, with a related party, for the Company s corporate offices. On May 1, 2010, the Company renewed this lease for an additional five-year term with monthly lease payments of $13,600 through April 30, 2013 and $14,000 through April 30, 2015. The Company is also responsible for its proportionate share of real estate taxes and common area maintenance. Approximately 70% of the monthly lease payment plus its proportionate share of real estate taxes and common area maintenance is reimbursed by other related entities utilizing the leased space (See Note 8 of the Notes to Consolidated Financial Statements).

Retirement benefits represent the total future amount to be paid, on an undiscounted basis, relating to certain executive officers. These benefits are based upon specific employment agreements. The agreements do not require the Company to separately fund the obligation and therefore will be paid from the general assets of the Company. The Company has accrued these benefits on a present value basis over the terms of the agreements (See Note 8 of the Notes to Consolidated Financial Statements).

Liquidity and Capital Resources

The Company operates as a real estate investment trust deriving its income primarily from real estate rental operations. The Company s shareholders equity increased from $55,971,862 as of December 31, 2009 to $71,927,753 as of December 31, 2010, primarily due to issuance of common shares in the dividend reinvestment and stock purchase plan (DRIP), and an increase in the unrealized gain of available for sale securities, partially offset by payments of distributions in excess of income. See further discussion below.

The Company s principal liquidity demands have historically been, and are expected to continue to be, distributions to the Company s stockholders, acquisitions, capital improvements, development and expansions of properties, debt service, purchases of manufactured home inventory, investment in debt and equity securities of other REITs, financing of manufactured home sales and payments of expenses relating to real estate operations. The Company s ability to generate cash adequate to meet these demands is dependent primarily on income from its real estate investments and securities portfolio, the sale of real estate investments and securities, refinancing of mortgage debt, leveraging of real estate investments, availability of bank borrowings, proceeds from the DRIP, and access to the capital markets.

The Company intends to operate its existing properties from the cash flows generated by the properties. However, the Company s expenses are affected by various factors, including inflation. Increases in operating expenses raise the breakeven point for a property and, to the extent that they cannot be passed on through higher rents, reduce the

amount of available cash flow which can adversely affect the market value of the property.

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

As of December 31, 2010, the Company had $5,661,020 of cash and cash equivalents, securities available for sale of $28,757,477 subject to margin and term loans totaling $7,685,212, and approximately $2,000,000 available on its lines of credit. The margin loans are due on demand and require a coverage ratio of approximately 2 times. The Company has a $10,000,000 line of credit for the financing of homes, of which $8,100,000 was utilized at December 31, 2010, and a $5,000,000 unsecured line of credit, of which $3,000,000 was utilized at December 31, 2010. The Company also has a $7,500,000 revolving credit facility to finance inventory purchases, of which $3,450,951 was utilized at December 31, 2010. At December 31, 2010, the Company owns thirty-five communities of which 14 are unencumbered. These marketable securities, non-mortgaged properties, and lines of credit provide the Company with additional liquidity. The Company has been raising capital through its DRIP. The Company

believes that funds generated from operations and the DRIP, the funds available on the lines of credit, together with the ability to finance and refinance its properties will provide sufficient funds to adequately meet its obligations over the next several years.

The Company s focus is on real estate investments. The Company has historically financed purchases of real estate primarily through mortgages. During 2010, total investment property and equipment increased 33% or $43,936,076. The Company made acquisitions of seven manufactured home communities totaling over 1,200 sites at an aggregate purchase price of approximately $37,450,000, which were funded primarily through new mortgages and additional borrowings on its line of credit and margin loan. The Company plans to continue to acquire additional properties. The funds for these acquisitions may come from bank borrowings and proceeds from the DRIP or private placements or public offerings of common or preferred stock. To the extent that funds or appropriate properties are not available, fewer acquisitions will be made.

The Company also invests in debt and equity securities of other REITs for liquidity and additional income. The securities portfolio decreased 10% or $3,066,800 primarily due to sales of securities with a cost of $13,322,780. This decrease was partially offset by purchases of $6,019,906 and an increase in the unrealized gain of $4,236,074. At December 31, 2010, the market value of these securities was $28,757,477. The Company from time to time may purchase these securities on margin when there is an adequate yield spread. At December 31, 2010, $5,185,212 was outstanding on the margin loan. Additionally, the Company also has a $2,500,000 loan with Two River Community Bank collateralized by 750,000 shares of Monmouth Real Estate Investment Corporation common stock.

Net cash provided by operating activities amounted to $6,481,751, $11,355,096 and $8,267,886 for the years ended December 31, 2010, 2009 and 2008, respectively. The decrease in 2010 as compared to 2009 was primarily due to an increase in inventory of manufactured homes and notes and other receivables. Inventory of manufactured homes increased 32% or $2,558,030. Because conventional home ownership rates continue to decline, the Company is optimistic about future sales and rental prospects. We have adjusted our inventory accordingly. The Company continues to finance home sales. The increase in 2009 as compared to 2008 was primarily due to a decrease in notes and other receivables.

Net cash used by investing activities amounted to $33,894,219, $8,288,707 and $11,941,757 for the years ended December 31, 2010, 2009 and 2008, respectively. The increase in 2010 as compared to 2009 was primarily due to the acquisitions of the seven communities made in 2010. The decrease in 2009 as compared to 2008 was primarily due to a decrease in expenditures for expansion projects.

Net cash provided (used) by financing activities amounted to $28,553,703, ($1,329,854) and $4,235,145 for the years ended December 31, 2010, 2009 and 2008, respectively. The increase in 2010 as compared to 2009 was primarily due to the new mortgages on the acquisitions of the seven communities made in 2010, an increase in short-term borrowings and an increase in proceeds from the issuance of common stock. Mortgages payable increased 29% or $20,496,827 due to new mortgages totaling $22,478,250 on the acquisitions of the seven communities partially offset by principal repayments. Loans payable increased 19% or $3,571,123 primarily due to an increase in the margin loan for the purchase of the new communities. The Company raised $14,166,360 from the issuance of shares in the DRIP,

which included dividend reinvestments of $1,375,331. The decrease in 2009 as compared to 2008 was primarily due to decreased proceeds from mortgages and short-term borrowings, partially offset by an increase in proceeds from the issuance of common stock.

Cash flow was primarily used for purchases of manufactured home communities, capital improvements, payment of dividends, purchases of securities available for sale, purchase of inventory of manufactured homes, loans to customers for the sales of manufactured homes, and expansion of existing communities. The Company meets maturing mortgage obligations by using a combination of cash flow and refinancing. During 2010, the Company extended its mortgage on Sandy Valley Estates to July 1, 2012. The dividend payments were primarily made from cash flow from operations.

The Company has one mortgage with a balance of approximately $4.7 million that is due in December 2011. Management intends and has the ability to refinance this mortgage.

The Company owns approximately 780 rental homes. During 2010, rental homes increased by $5,423,759. The Company added approximately 160 net rental homes to selected communities to fill demand. The Company tries to sell these rental homes to existing residents. The Company estimates that in 2011 it will purchase approximately 50 manufactured homes to replace these older homes for a total cost of approximately $1,500,000. Management believes that these manufactured homes will each generate approximately $300 per month in rental income in addition to lot rent.

Capital improvements include amounts needed to meet environmental and regulatory requirements in connection with the manufactured home communities that provide water or sewer service. Excluding expansions and rental home purchases, the Company is budgeting approximately $1,000,000 in capital improvements for 2011.

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

The Company has a Dividend Reinvestment and Stock Purchase Plan (DRIP), in which participants can purchase stock from the Company at a price of approximately 95% of market. During 2010, amounts received, including dividends reinvested of $1,375,331, amounted to $14,166,360. During 2010, the Company paid $9,216,462, including dividends reinvested. It is anticipated, although no assurances can be given, that the level of participation in the DRIP in 2011 will be comparable to 2010.

The Company has undeveloped land which it could develop over the next several years. The Company continues to analyze the highest and best use of its vacant land.

As of December 31, 2010, the Company had total assets of $188,780,515 and liabilities of $116,852,762. The Company believes that it has the ability to meet its obligations and to generate funds for new investments.

New Accounting Pronouncements

In May 2009, the Financial Accounting Standards Board (FASB) issued guidance on the accounting for and disclosure of events that occur after the balance sheet date. This guidance was effective for interim and annual financial periods ending after June 15, 2009. In February 2010, the FASB issued Accounting Standards Update (ASU) 2010-09, Subsequent Events: Amendments to Certain Recognition and Disclosure Requirements. This ASU retracts the requirement to disclose the date through which subsequent events have been evaluated and whether that date is the date the financial statements were issued or were available to be issued. ASU 2010-09 requires an entity that is a SEC filer to evaluate subsequent events through the date that the financial statements are issued. ASU 2010-09 is effective for interim and annual financial periods ending after February 24, 2010. The adoption of this guidance did not have an impact on our consolidated financial statements.

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

In January 2010, the FASB issued ASU 2010-06, Fair Value Measurements and Disclosures (Topic 820) Improving Disclosures about Fair Value Measurements. This ASU requires new disclosures and clarifies certain existing disclosure requirements about fair value measurements. ASU 2010-06 requires a reporting entity to disclose significant transfers in and out of Level 1 and Level 2 fair value measurements, to describe the reasons for the transfers and to present separately information about purchases, sales, issuances and settlements for fair value measurements using significant unobservable inputs. ASU 2010-06 is effective for interim and annual reporting periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances and settlements in the roll forward of activity in Level 3 fair value measurements, which is effective for interim and annual reporting periods beginning after December 15, 2010; early adoption is permitted. The adoption of ASU

2010-06 has not and full adoption is not expected to have a material impact on our financial position, results of operations or cash flows.

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

In December 2010, the FASB issued ASU 2010-29, Business Combinations (Topic 805) Disclosure of Supplementary Pro Forma Information for Business Combinations. ASU 2010-29 addresses the diversity in practice about the interpretation of the pro forma revenue and earnings disclosure requirements for business combinations. The amendments in ASU 2010-29 specify that if a public entity presents comparative financial statements, the entity should disclose revenue and earnings of the combined entity as though the business combination(s) that occurred during the current year had occurred as of the beginning of the comparable prior annual reporting period only. The amendments in ASU 2010-29 also expand the supplemental pro forma disclosures to include a description of the nature and amount of material, nonrecurring pro forma adjustments directly attributable to the business combination included in the reported pro forma revenue and earnings. The amendments in ASU 2010-29 are effective prospectively for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2010. We do not expect that the adoption of ASU 2010-29 will have a material impact on our financial position, results of operations or cash flows.

Item 7A Quantitative and Qualitative Disclosures about Market Risk

The Company's principal market risk exposure is interest rate risk. The Company mitigates this risk by maintaining prudent amounts of leverage, minimizing capital costs and interest expense while continuously evaluating all available debt and equity resources and following established risk management policies and procedures, which include the periodic use of derivatives. The Company's primary strategy in entering into derivative contracts is to minimize the variability that changes in interest rates could have on its future cash flows. The Company generally employs derivative instruments that effectively convert a portion of its variable rate debt to fixed rate debt. The Company does not enter into derivative instruments for speculative purposes.

The following table sets forth information as of December 31, 2010, concerning the Company s long-term debt obligations, including principal cash flow by scheduled maturity, weighted average interest rates and estimated fair

value.

	Fixed Rate Carrying Value	Weighted Average Fixed Interest Rate	Variable Rate Carrying Value	Total Long-Term Debt
2011	$ 4,676,776	6.36%	$ -0-	$ 4,676,776
2012	4,830,956	7.36%	2,238,046	7,069,002
2013	7,950,165	5.61%	15,000,000	22,950,165
2014	-0-	-0-	3,850,003	3,850,003
2015	-0-	-0-	-0-	-0-
Thereafter	50,159,954	6.20%	2,109,877	52,269,831
Total	$67,617,851		$23,197,926	$90,815,777
Estimated Fair Value	$67,154,675		$23,197,926	$90,352,601

The Company s variable rate long-term debt consists of four mortgage loans with a total balance of $23,197,926 as of December 31, 2010. Interest rates on these mortgages range from prime plus 0.5% to LIBOR plus 4.0%. If prime or LIBOR increased or decreased by 1%, the Company believes its interest expense would have increased or decreased by approximately $232,000, based on the balance of long-term debt outstanding at December 31, 2010.

The Company also has approximately $19,800,000 in variable rate debt due on demand. This debt primarily consists of $5,200,000 margin loans secured by marketable securities, $3,500,000 outstanding on our inventory financing line, $8,100,000 outstanding on our revolving line of credit to finance home sales and $3,000,000 outstanding on our line of credit. The interest rates on these loans range from 2% to 9.35% at December 31, 2010. The carrying value of the Company s variable rate debt approximates fair value at December 31, 2010. The value of marketable securities was $28,757,477 as of December 31, 2010.

The Company also has a $2,500,000 fixed rate loan at 6.75% due October 31, 2011 secured by securities.

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

Item 8 Financial Statements and Supplementary Data

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

The following is the Unaudited Selected Quarterly Financial Data:

SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

THREE MONTHS ENDED

2010	March 31	June 30	September 30	December 31
Total Income	$8,161,272	$7,862,640	$8,470,339	$9,516,713
Total Expenses	7,143,948	7,136,585	7,674,868	8,775,499
Other Income (Expense)	852,569	755,493	407,877	1,381,156
Net Income (1)	1,884,998	1,472,638	1,197,304	2,113,975
Net Income per Share				
Basic	.15	.12	.09	.16
Diluted	.15	.12	.09	.16

2009	March 31	June 30	September 30	December 31
Total Income	$7,642,299	$8,118,648	$8,463,899	$7,794,406
Total Expenses	6,397,937	6,845,290	7,416,556	6,251,299
Other Income (Expense)	(2,331,695)	(84,319)	292,654	524,971
Net Income (Loss) (1)	(1,098,836)	1,178,562	1,340,030	2,269,632
Net Income (Loss) per Share				
Basic	(.10)	.11	.12	.19
Diluted	(.10)	.11	.12	.19

(1)

Fluctuations are primarily due to Gain (Loss) on Securities Transactions, net. During 2009, the Company recognized a loss of $1,908,798 due to write-downs to the carrying value of securities available for sale which were considered other than temporarily impaired. Included in net income for the quarter ended December 31, 2009, was gain on sale of an easement of $242,390.

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

There were no changes in, or any disagreements with, the Company s independent registered public accounting firm on accounting principles and practices or financial disclosure during the years ended December 31, 2010 and 2009.

Item 9A Controls and Procedures

Disclosure Controls and Procedures

The Company maintains controls and procedures designed to ensure that it is able to collect the information that is required to be disclosed in the reports it files with the SEC, and to process, summarize and disclose this information within the time period specified by the rules of the SEC. The Company s Chief Executive Officer and the Chief Financial Officer are responsible for establishing, maintaining and enhancing these controls and procedures. Based on their evaluation of the Company s disclosure controls and procedures as of December 31, 2010, the Company s Chief Executive Officer and Chief Financial Officer concluded that the Company s disclosure controls and procedures were effective.

Internal Control over Financial Reporting

(a)

Management s Annual Report on Internal Control over Financial Reporting

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

Management assessed the Company s internal control over financial reporting as of December 31, 2010. This assessment was based on criteria for effective internal control over financial reporting established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management has concluded that the Company s internal control over financial reporting was effective as of December 31, 2010.

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

(b)

Attestation Report of the Independent Registered Public Accounting Firm

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders

UMH Properties, Inc.

We have audited UMH Properties, Inc. s internal control over financial reporting as of December 31, 2010, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). UMH Properties, Inc. s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management s Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material

weakness exists, testing and evaluating the design and operating effectiveness of internal control, based upon the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

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

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

In our opinion, UMH Properties, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2010 based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of UMH Properties, Inc. as of December 31, 2010 and 2009, and the related consolidated statements of income, shareholders equity and comprehensive income, and cash flows for each of the three years ended December 31, 2010 and our report dated March 9, 2011 expressed an unqualified opinion thereon.

/s/ PKF LLP

New York, New York

March 9, 2011

(c) Changes in Internal Control over Financial Reporting

There have been no changes to internal control over financial reporting during the Company s fourth fiscal quarter.

Item 9B Other Information

None.

PART III

Item 10 Directors, Executive Officers and Corporate Governance

The Company will file its definitive Proxy Statement for its 2010 Annual Meeting of Stockholders within the period required under the applicable rules of the Securities and Exchange Commission. Additional information required by this Item is included under the captions "ELECTION OF DIRECTORS" and CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS of such Proxy Statement and is incorporated herein by reference.

The following are the Directors and Executive Officers of the Company as of December 31, 2010.

Name	Age	Present Position with the Company; Business Experience During Past Five Years; Other Directorships	Director Since
Anna T. Chew	52	Vice President and Chief Financial Officer (1995 to present), Controller (1991 to 1995) and Director. Certified Public Accountant; Treasurer (2010 to present), Chief Financial Officer (1991 to 2010) and Director (1993 to 2004, and 2007 to present) of Monmouth Real Estate Investment Corporation, an affiliated company.	1995
Eugene W. Landy	77	Chairman of the Board (1995 to present), President (1969 to 1995) and Director. Attorney at Law; President, Chief Executive Officer and Director (1968 to present) of Monmouth Real Estate Investment Corporation, an affiliated company.	1969
Michael P. Landy	48	Vice President Investments (2001 to present). Chairman of the Executive Committee and Executive Vice President (2010 to present), Executive Vice President Investments (2006 to 2010), Vice President Investments (2001 to 2006) and Director (2007 to present) of Monmouth Real Estate Investment Corporation, an affiliated company; President (1998 to 2001) of Siam Records, LLC; Chief Engineer and Technical Director (1987 to 1998) of GRP Recording Company.	N/A

Samuel A. Landy	50	President and Chief Executive Officer (1995 to present), Vice President (1991-1995) and Director. Attorney at Law; Director (1989 to present) of Monmouth Real Estate Investment Corporation, an affiliated company.	1992
James E. Mitchell	70	**Independent Director.** Attorney at Law; General Partner, Mitchell Partners, L.P. (1979 to present); President, Mitchell Capital Management, Inc. (1987 to present).	2001
Richard H. Molke	84	**Independent Director.** General Partner of Molke Family Limited Partnership (1994 to present).	1986
Allison Nagelberg	46	General Counsel (2000 to present). Attorney at Law (1989 to present); General Counsel (2000 to present) of Monmouth Real Estate Investment Corporation, an affiliated company.	N/A

Eugene Rothenberg	78	**Independent Director.** Retired physician; Director (2007 to present) of Monmouth Real Estate Investment Corporation, an affiliated company.	1977
Stephen B. Wolgin	55	**Independent Director**. Managing Director of U.S. Real Estate Advisors, Inc. (2000 to present), a real estate advisory services group based in New York; Partner with the Logan Equity Distressed Fund (2007-present); Director (2003 to present) of Monmouth Real Estate Investment Corporation, an affiliated company; prior affiliations with J.P. Morgan, Odyssey Associates, The Prudential Realty Group, Standard & Poor s Corporation, and Grubb and Ellis.	2007

Family Relationships

There are no family relationships between any of the Directors or executive officers, except that Samuel A. Landy and Michael P. Landy are the sons of Eugene W. Landy, the Chairman of the Board and a Director of the Company.

Audit Committee

The Company has a separately-designated standing audit committee established in accordance with section 3(a)(58)(A) of the Exchange Act (15 U.S.C. 78c(a)(58)(A)). The members of the audit committee are Stephen B. Wolgin (Chairman), James E. Mitchell, Richard H. Molke and Eugene Rothenberg. The Company s Board of Directors has determined that Stephen B. Wolgin and James E. Mitchell are financial experts and are independent. The audit committee operates under the Audit Committee Charter which can be found at the Company s website at www.umh.com. In addition, the Audit Committee Charter was filed with the Securities Exchange Commission on May 8, 2009 with the Company s 2009 Definitive Proxy Statement (DEF 14A). The charter is reviewed annually for adequacy.

Delinquent Filers

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

Code of Ethics

The Company has adopted the Code of Business Conduct and Ethics (the Code of Ethics). The Code of Ethics can be found at the Company s website at www.umh.com. In addition, the Code of Ethics was filed with the Securities Exchange Commission on March 11, 2004 with the Company s December 31, 2003 Form 10-K. The Company will satisfy any disclosure requirements under Item 5.05 of Form 8-K regarding a waiver from any provision of the Code of Ethics for principal officers or directors by disclosing the nature of such amendment of waiver on our website.

Item 11 Executive Compensation

The Company will file its definitive Proxy Statement for its 2010 Annual Meeting of Stockholders within the period required under the applicable rules of the Securities and Exchange Commission. Additional information required by this Item is included under the caption "ELECTION OF DIRECTORS , EXECUTIVE COMPENSATION and CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS of such Proxy Statement and is incorporated herein by reference.

Compensation Discussion and Analysis

Overview of Compensation Program

The Compensation Committee (for purposes of this analysis, the "Committee") of the Board has been appointed to discharge the Board's responsibilities relating to the compensation of the Company's executive officers. The Committee has the overall responsibility for approving and evaluating the executive officer compensation plans, policies and programs of the Company. The Committee's primary objectives include serving as an independent and objective party to review such compensation plans, policies and programs. Our Compensation Committee does not operate under a written charter.

Throughout this report, the individuals who served as the Company s chief executive officer and chief financial officer during fiscal 2010, as well as the other individuals included in the Summary Compensation Table presented below in Item 11 of this report, are sometimes referred to in this report as the "named executive officers."

Compensation Philosophy and Objectives

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

establishing a plan that attracts, retains and motivates executives through compensation that is competitive with a peer group of other publicly-traded real estate investment trusts, or REITs;

linking a portion of executives' compensation to the achievement of the Company's business plan by using measurements of the Company's operating results and shareholder return; and

building a pay-for-performance system that encourages and rewards successful initiatives within a team environment.

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

Role of Executive Officers in Compensation Decisions

The Committee makes all final compensation decisions for the Company's executive officers. The President annually reviews the performance of the chief financial officer and then presents his conclusions and recommendations to the Committee with respect to base salary adjustments and annual cash bonus and stock option

and restricted stock awards. The Committee exercises its own discretion in modifying any recommended adjustments or awards, but does consider the recommendations from the President.

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

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

Role of Employment Agreements in Determining Executive Compensation

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

Base Salaries

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

Bonuses

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

a.

FFO per share to increase 5% per year. Income to be calculated based on ordinary park operation including sales of homes after tax income. Extraordinary one time items are not to be included for performance purposes. Any increase or decrease in the number of shares is to be adjusted so that the determination is based on a constant number of shares. (Bonus of 7% of base salary.)

b.

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

c.

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

d.

Acquisition of at least 250 spaces per year. (Bonus of 7% of base salary.)

Bonuses awarded to other senior executives are recommended by the President and are approved by the Compensation Committee. The President and the Compensation Committee believe that short-term rewards in the form of cash bonuses to senior executives generally should reflect short-term results and should take into consideration both the profitability and performance of the Company and the performance of the individual, which may include comparing such individual s performance to the preceding year, reviewing the breadth and nature of the senior executives responsibilities and valuing special contributions by each such individual. In evaluating performance of the Company annually, the Compensation Committee considers a variety of factors, including, among others, Funds From Operations (FFO), net income, growth in asset size, occupancy and total return to

shareholders. The Company considers FFO to be an important measure of an equity REIT s operating performance and has adopted the definition suggested by the National Association of Real Estate Investment Trusts (NAREIT), which defines FFO to mean net income computed in accordance with generally accepted accounting principles (GAAP) excluding gains or losses from sales of property, plus depreciation and amortization. The Company considers FFO to be a meaningful, additional measure of operating performance primarily because it excludes the assumption that the value of its real estate assets diminishes predictably over time and because industry analysts have accepted it as a performance measure.

Various other factors considered include the employee s title and years of service. The employee s title generally reflects the employee s responsibilities and the employee s years of service may be considered in determining the level of bonus in comparison to base salary. The President and the Compensation Committee have declined to use specific performance formulas with respect to the other senior executives, believing that with respect

to Company performance, such formulas do not adequately account for many factors, including, among others, the relative performance of the Company compared to its competitors during variations in the economic cycle, and that with respect to individual performance, such formulas are not a substitute for the subjective evaluation by the President and Compensation Committee of a wide range of management and leadership skills of each of the senior executives.

Stock Options and Restricted Stock Awards

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

In fiscal 2010, the Compensation Committee received the recommendations from the President for the number of options or restricted stock to be awarded. The factors that were considered in awarding the stock options and restricted stock included the following progress that was made by management:

.

Located and acquired seven manufactured home communities without placing undue burden on its liquidity.

.

Raised approximately $14 million in equity via the DRIP.

.

Maintained its cash distributions to shareholders.

.

Maintained its occupancy rate.

.

Managed general and administrative costs to an appropriate level.

The individual awards were allocated based on the named officers individual contributions to these accomplishments. Other factors included the named officers title, responsibilities and years of service. In

addition, the awards were compared to each named officers total compensation and compared with comparable Real Estate Investment Trusts (REITS) using the annual Compensation Survey published by NAREIT as a guide for setting total compensation.

Perquisites and Other Personal Benefits

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

The named executive officers are provided the following benefits under the terms of their employment agreements: an allotted number of paid vacation weeks; eligibility for the executives, spouses and dependents in all Company sponsored employee benefits plans, including 401(k) plan, group health, accident, and life insurance, on such terms no less favorable than applicable to any other executive; use of an automobile; and, supplemental long-term disability insurance, at the Company's cost, as agreed to by the Company and the executive. Attributed costs of the personal benefits described above for the named executive officers for the fiscal year ended December 31, 2010, are included in All Other Compensation of the Summary Compensation Table provided below under Item 11 of this report.

Payments upon Termination or Change in Control

In addition, the named executive officers' employment agreements each contain provisions relating to change in control events and severance upon termination for events other than without cause or good reason (as defined under the terms of the employment agreements). These change in control and severance terms are designed to promote stability and continuity of senior management. Information regarding these provisions is included in Employment Agreements provided below in Item 11 of this report. There are no other agreements or arrangements governing change in control payments.

Evaluation

Mr. Eugene Landy is under an employment agreement with the Company. His base compensation under his amended contract was increased in 2004 to $175,000 per year. Mr. Eugene Landy also received $115,100 of restricted stock and $21,250 in director s fees and fringe benefits.

The Committee also reviewed the progress made by Mr. Samuel A. Landy, President, including funds from operations. Mr. Samuel Landy is under an employment agreement with the Company. His base compensation under this contract was $315,000 for 2010. Mr. Samuel Landy also received bonuses totaling $36,538, option awards with a fair value of $7,987, $287,750 of restricted stock and director s fees and fringe benefits totaling $34,085. Bonuses were primarily based upon achievement of certain performance goals.

Ms. Chew is under an employment agreement with the Company. Her base compensation under this contract is $260,600 for 2010. Ms. Chew also received bonuses totaling $24,565, $115,100 of restricted stock and director s fees and fringe benefits totaling $31,050. Bonuses were based on performance, recommended by the President and approved by the Committee.

Ms. Nagelberg is under an employment agreement with the Company. Her base compensation under this contract is $178,126 for 2010. Ms. Nagelberg also received bonuses totaling $11,851, $57,550 of restricted stock and reimbursement of tuition and fees of $40,393 associated with her pursuit of an Executive MBA degree. Bonuses were based on performance, recommended by the President and approved by the Committee.

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

In addition to its determination of the executive's individual performance levels for 2010, the Committee also compared the executive's total compensation for 2010 to that of similarly-situated personnel in the REIT industry using the NAREIT Compensation Survey described above. The Company s salary and bonus amounts were compared to the ranges presented for reasonableness. The Company s total compensation fell in the lowest range (25th percentile) of this survey.

Risk Management

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

Compensation Committee Report

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

Compensation Committee:

James E. Mitchell

Richard H. Molke

Eugene Rothenberg

Stephen B. Wolgin

Summary Compensation Table

The following Summary Compensation Table shows compensation paid by the Company for services rendered during 2010, 2009 and 2008 to the Chairman of the Board, President, Vice President and General Counsel. There were no other executive officers whose aggregate cash compensation exceeded $100,000:

Name and Principal Position	Year	Salary	Bonus	Option Awards (5)	Restricted Stock Awards (6)	All Other Compen-sation	Total
Eugene W. Landy	2010	$175,000	$ -0-	$ -0-	$115,100	$21,250 (1)	$311,350
Chairman of the	2009	175,000	-0-	-0-	-0-	36,801 (1)	211,801
Board	2008	175,000	-0-	-0-	-0-	19,801 (1)	194,801
Samuel A. Landy	2010	315,000	36,538	7,987	287,750	34,085 (2)	681,360
President and Chief	2009	300,000	41,500	14,300	-0-	25,700 (2)	381,500
Executive Officer	2008	363,739	43,452	32,268	-0-	23,750 (2)	463,209
Anna T. Chew (4)	2010	260,600	24,565	-0-	115,100	31,050 (2)	431,315
Vice President and	2009	248,208	25,047	3,700	-0-	25,700 (2)	302,655
Chief Financial Officer	2008	248,208	24,547	2,800	-0-	26,220 (2)	301,775
Allison Nagelberg (4)	2010	178,126	11,851	-0-	57,550	40,393 (3)	287,920
General Counsel	2009	178,126	9,351	1,850	-0-	-0-	189,327
	2008	169,644	8,525	1,400	-0-	-0-	179,569

(1)

Represents Director s fees of $21,250, $16,500 and $17,000 for 2010, 2009 and 2008, respectively, and legal fees of $17,500 in 2009 and fringe benefits.

(2)

Represents Director s fees of $21,250, $16,500 and $17,000 for 2010, 2009 and 2008, respectively, fringe benefits and discretionary contributions by the Company to the Company s 401(k) Plan allocated to an account of the named executive officer.

(3)

Represents reimbursement of tuition and fees associated with her pursuit of an Executive MBA degree.

(4)

Approximately 25% of her compensation is billed to MREIC.

(5)

These values were established using the Black-Scholes stock option valuation model. The following weighted-average assumptions were used in the model for 2010, 2009 and 2008, respectively: expected volatility of 23.59%, 21.14% and 18.52%; risk-free interest rate of 2.67%, 2.62% and 3.46%; dividend yield of 8.85%, 9.25% and 8.13%%; expected life of the options of eight years; and forfeitures of $-0-. The actual value of the options will depend upon the performance of the Company during the period of time the options are outstanding and the price of the Company s common stock on the date of exercise.

(6)

These values were established based on the number of shares granted during 2010 at the fair value on the date of grant of $11.51.

(7)

Michael P. Landy, the Company s Vice President Investments, is paid by MREIC, a related company. Approximately 30% of his total compensation cost, or $70,000, is allocated to the Company by MREIC, pursuant to a cost sharing arrangement between the Company and MREIC. See MREIC S annual report on Form 10-K for details of Mr. Michael Landy s employment agreement and compensation arrangement. Mr. Michael Landy received stock options to purchase 5,000 shares of the Company s common stock, for 2009 and 2008. The estimated value of these options based on the Black-Scholes stock option valuation model as described in (5) above was $1,850 and $1,400 for 2009 and 2008, respectively. Mr. Michael Landy also received a restricted stock award of 10,000 shares for 2010 with a value of $115,100.

Grants of Plan-Based Awards

On August 14, 2003, the shareholders approved and ratified the Company s 2003 Stock Option Plan (the 2003 Plan) authorizing the grant to officers and key employees of options to purchase up to 1,500,000 shares of common stock. On June 7, 2010, the shareholders approved and ratified an amendment and restatement of the Plan. The amendment and restatement made two substantive changes: (1) the inclusion of Directors as participants in the Plan, and (2) the ability to grant restricted stock to Directors, officers and key employees. The amendment and restatement also made other conforming, technical and other nonsubstantive changes. There was no change to the

total number of shares subject to grant under the Plan. The amendment and restatement also makes certain modifications and clarifications, including those concerning administration and compliance with applicable tax rules, such as Section 162(m) of the Internal Revenue Code. Options or restricted stock may be granted any time as determined by the Company s Compensation Committee up through August 14, 2013.

Stock Options

All options are exercisable one year from the date of grant. The option price shall not be below the fair market value at date of grant. If options granted under the 2003 Plan expire or terminate for any reason without having been exercised in full, the Shares subject to, but not delivered under, such options shall become available for additional option grants under the 2003 Plan.

During the years ended December 31, 2010, 2009 and 2008, options to purchase 111,000, 138,000 and 100,000 shares, respectively, were granted. No options were exercised during 2010, 2009 or 2008. During the years ended December 31, 2010, 2009 and 2008, options to purchase 38,000, 6,000 and -0- shares, respectively, were forfeited.

The following table sets forth, for the executive officers named in the Summary Compensation Table, information regarding individual grants of stock options made during the year ended December 31, 2010:

Name	Grant Date	Number of Shares Underlying Options (1)	Exercise Price of Option Award	Grant Date Fair Value (2)
Samuel A. Landy	01/08/10	10,900	$9.13	$3,052
Samuel A. Landy	01/08/10	14,100	8.30	4,935

(1)

These options expire 8 years from grant date.

(2)

These values were established using the Black-Scholes stock option valuation model. The following weighted-average assumptions were used in the model: expected volatility of 22.37%; risk-free interest rate of 3.31%; dividend yield of 9.85%; expected life of the options of eight years; and forfeitures of $-0-. The actual value of the options will depend upon the performance of the Company during the period of time the options are outstanding and the price of the Company s common stock on the date of exercise.

Restricted Stock

Under the 2003 Plan, the Compensation Committee determines the recipients of restricted stock award; the number of restricted shares to be awarded; the length of the restricted period of the award; the restrictions applicable to the award including, without limitation, the employment or retirement status of the participant; rules governing forfeiture and restrictions applicable to any sale, assignment, transfer, pledge or other encumbrance of the restricted stock during the restricted period; and the eligibility to share in dividends and other distributions paid to the Company s stockholders during the restricted period. The maximum number of shares underlying restricted stock awards that may be granted in any one fiscal year to a participant shall be 100,000.

The following table sets forth, for the executive officers named in the Summary Compensation Table, information regarding individual grants of restricted stock made during the year ended December 31, 2010:

Name	Grant Date	Number of Shares of Restricted Stock	Grant Date Fair Value per Share	Grant Date Fair Value
Eugene W. Landy	08/02/10	10,000	$11.51	$115,100
Samuel A. Landy	08/02/10	25,000	11.51	287,750
Michael P. Landy	08/02/10	10,000	11.51	115,100
Anna T. Chew	08/02/10	10,000	11.51	115,100
Allison Nagelberg	08/02/10	5,000	11.51	57,550

These awards vest over five years.

Outstanding Equity Awards at Fiscal Year-End

The following table sets forth for the executive officers named in the Summary Compensation Table, information regarding stock options outstanding at December 31, 2010:

	Option Awards				Restricted Stock Awards	
Name	Number of Securities Underlying Unexercised Options Exercisable	Number of Securities Underlying Unexercised Options UnExercisable (1)	Option Exercise Price	Option Expiration Date	Number of Shares that have not Vested	Market Value of Shares that have not Vested (2)
Eugene W. Landy					10,000	$102,000
Samuel A. Landy					25,000	$255,000
Samuel A. Landy	25,000	-0-	16.92	08/18/11		
Samuel A. Landy	25,000	-0-	18.62	01/16/12		
Samuel A. Landy	6,400	-0-	17.19	02/01/13		

Samuel A. Landy	43,600	-0-	15.62	02/01/13		
Samuel A. Landy	5,800	-0-	17.21	01/09/14		
Samuel A. Landy	44,200	-0-	15.62	01/09/14		
Samuel A. Landy	5,800	-0-	17.06	01/03/15		
Samuel A. Landy	44,200	-0-	15.51	01/03/15		
Samuel A. Landy	7,700	-0-	12.97	01/08/16		
Samuel A. Landy	42,300	-0-	11.79	01/08/16		
Samuel A. Landy	14,000	-0-	7.12	01/07/17		
Samuel A. Landy	61,000	-0-	6.47	01/07/17		
Samuel A. Landy	-0-	10,900	9.13	01/08/18		
Samuel A. Landy	-0-	14,100	8.30	01/08/18		
Anna T. Chew					10,000	$102,000
Anna T. Chew	10,000	-0-	15.00	08/25/11		
Anna T. Chew	10,000	-0-	13.05	07/06/12		
Anna T. Chew	10,000	-0-	15.05	07/18/13		
Anna T. Chew	10,000	-0-	15.15	07/21/14		
Anna T. Chew	10,000	-0-	14.21	07/19/15		
Anna T. Chew	10,000	-0-	7.55	09/25/16		

	Option Awards				Restricted Stock Awards	
Name	Number of Securities Underlying Unexercised Options Exercisable	Number of Securities Underlying Unexercised Options Unexercisable (1)	Option Exercise Price	Option Expiration Date	Number of Shares that have not Vested	MarketValueof Shares that have not Vested (2)
Anna T. Chew	10,000	-0-	7.57	06/22/17		
Michael P. Landy					10,000	$102,000
Michael P. Landy	10,000	-0-	14.21	07/19/15		
Michael P. Landy	5,000	-0-	7.55	09/25/16		
Michael P. Landy	5,000	-0-	7.57	06/22/17		
Allison Nagelberg					5,000	51,000
Allison Nagelberg	5,000	-0-	14.21	07/19/15		
Allison Nagelberg	5,000	-0-	7.55	09/25/16		
Allison Nagelberg	5,000	-0-	7.57	06/22/17		

(1) These options are exercisable one year from date of grant, January 8, 2011.

(2) Based on the closing price of our common stock on December 31, 2010 of $10.20. Restricted stock awards vest over 5 years.

Employment Agreements

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

automatically renews each year for successive one-year periods. Effective January 1, 2004, this agreement was amended to increase Mr. Landy's annual base compensation to $175,000. Additionally, Mr. Landy's pension benefit of $50,000 per year has been extended for an additional three years. On April 14, 2008, the Company executed a Second Amendment to the Employment Agreement with Mr. Landy (the second amendment). The second amendment provides that in the event of a change in control, Eugene W. Landy shall receive a lump sum payment of $1,200,000, provided the sale price of the Company is at least $16 per share of common stock. A change of control shall be defined as the consummation of a reorganization, merger, share exchange, consolidation, or sale or disposition of all or substantially all of the assets of the Company. This change of control provision shall not apply to any combination between the Company and MREIC. Payment shall be made simultaneously with the closing of the transaction, and only in the event that the transaction closes.

Effective January 1, 2009, the Company and Samuel A. Landy entered into a new three-year Employment Agreement under which Mr. Samuel Landy receives an annual base salary of $300,000 for 2009, $315,000 for 2010 and $330,000 for 2011, subject to increases in Funds from Operations (FFO) of 3% per year or 9% over the three-year period. If this increase is not met, the salary increase will be limited to the increase in the consumer price index. Bonuses are based on performance goals relating to FFO, home sales, occupancy and acquisitions, with a maximum of 21% of salary. Mr. Samuel Landy will also receive stock options to purchase 75,000 shares in January 2009 and 25,000 shares in January 2010. Mr. Samuel Landy will receive customary fringe benefits, four weeks vacation, reimbursement of reasonable and necessary business expenses and use of an automobile. The Company

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

Effective January 1, 2009, the Company and Anna T. Chew entered into a new three-year employment agreement, under which Ms. Chew receives an annual base salary of $248,200 for 2009, $260,600 for 2010 and $273,700 for 2011, plus bonuses and customary fringe benefits. Ms. Chew will also receive four weeks vacation, reimbursement of reasonable and necessary business expenses and use of an automobile. The Company will reimburse Ms. Chew for the cost of a disability insurance policy such that, in the event of the employee s disability for a period of more than 90 days, the employee will receive benefits up to 60% of her then-current salary. In the event of a merger, sale or change of voting control of the Company, excluding transactions between the Company and MREIC, the employee will have the right to extend and renew this employment agreement so that the expiration date will be three years from the date of merger, sale or change of voting control, or the employee may terminate the employment agreement and be entitled to receive one year s compensation in accordance with the agreement. If there is a termination of employment by the Company for any reason, either involuntary or voluntary, including the death of the employee, other than a termination for cause as defined by the agreement, the employee shall be entitled to the greater of the salary due under the remaining term of the agreement or one year s compensation at the date of termination, paid monthly over the remaining term or life of the agreement.

Effective January 1, 2010, the Company and Allison Nagelberg, General Counsel, entered into a three-year employment agreement, under which Ms. Nagelberg receives an annual base salary of $178,126 for 2010, $178,126 for 2011 and $196,000 for 2012, plus bonuses and customary fringe benefits. Ms. Nagelberg will also receive four weeks vacation and reimbursement of reasonable and necessary business expenses. Pursuant to this employment agreement, the Company will also pay on behalf of Ms. Nagelberg, all tuition and fees associated with her pursuit of an Executive MBA degree. In the event of a merger, sale or change of voting control of the Company, the employee will have the right to extend and renew this employment agreement so that the expiration date will be three years from the date of merger, sale or change of voting control. If there is a termination of employment by the Company for any reason, either involuntary or voluntary, including the death of the employee, other than a termination for cause as defined by the agreement, the employee shall be entitled to the greater of the salary due under the remaining term of the agreement or one year s compensation at the date of termination, paid monthly over the remaining term or life of the agreement.

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

Under the terms of the employment agreements of the named executive officers, such named executive officers are entitled to receive the following estimated payments and benefits upon a termination of employment or voluntary resignation (with or without a change-in-control). These disclosed amounts are estimates only and do not necessarily reflect the actual amounts that would be paid to the named executive officers, which would only be known at the time that they become eligible for payment and would only be payable if a termination of employment, or voluntary resignation, were to occur. The table below reflects the amount that could be payable under the various arrangements assuming that the termination of employment had occurred at December 31, 2010.

	Voluntary Resignation on 12/31/10	Termination Not for Cause or Good Reason on 12/31/10	Termination for Cause on 12/31/10	Termination Not for Cause or Good Reason (After a Change-in-Control) on 12/31/10	Disability or Death on 12/31/10
Eugene W. Landy	$450,000 (1)	$450,000 (1)	$450,000 (1)	$1,650,000 (2)	$525,000 (3)
Samuel A. Landy	330,000 (4)	330,000 (4)	330,000 (4)	330,000 (4)	330,000 (4)
Anna T. Chew	-0-	273,700 (4)	-0-	273,700 (4)	273,700 (4)
Allison Nagelberg	-0-	374,126 (5)	-0-	374,126 (5)	374,126 (5)

(1)

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

(2)

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

(3)

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

(4)

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

(5)

Represents two year's salary. Ms. Nagelberg's employment agreement provides for the greater of the salary due under the remaining term of the agreement or one year. Her employment agreement also provide for death benefits of the same amount.

(6)

Michael P. Landy is an employee of MREIC.

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

Director Compensation

Prior to July 1, 2010, Directors received a fee of $1,500 for each Board meeting attended, $500 for each Board phone meeting and an additional fixed annual fee of $10,000, payable $2,500 quarterly. Directors appointed to house committees received $150 for each meeting attended. Those specific committees are Compensation Committee, Audit Committee and Nominating Committee.

Effective July 1, 2010, Directors receive a fee of $2,250 for each Board meeting attended, $500 for each Board phone meeting, and an additional fixed annual fee of $15,000 payable quarterly. Directors appointed to board committees receive $500 for each meeting attended.

The following table sets forth a summary of director compensation for the year ended December 31, 2010:

		Fees Earned or Paid in Cash		
	Annual Board	Meeting	Committee	
Director	Cash Retainer	Fees	Fees	Total
Ernest Bencivenga (1)	$13,750	$6,000	$-0-	$19,750
Anna T. Chew	13,750	7,500	-0-	21,250
Charles Kaempffer (1)	13,750	4,500	1,000	19,250
Eugene W. Landy	13,750	7,500	-0-	21,250
Samuel A. Landy	13,750	7,500	-0-	21,250
James E. Mitchell (2)	13,750	7,500	1,600	22,850
Richard H. Molke (2)	13,750	7,500	1,600	22,850
Eugene Rothenberg (2)	13,750	7,500	1,600	22,850
Stephen B. Wolgin (2)	13,750	7,500	1,600	22,850
Total	$123,750	$63,000	$7,400	$194,150

(1)

Emeritus directors are retired directors who are not entitled to vote on board resolutions; however they receive directors fees for participation in the board meetings.

(2)

Mr. Mitchell, Mr. Molke, Mr. Rothenberg and Mr. Wolgin are members of the audit committee, the compensation committee and the nominating committee. The Board has determined that Mr. Mitchell and Mr. Wolgin are considered audit committee financial experts within the meaning of the rules of the SEC and are financially sophisticated within the meaning of the listing requirements of the NYSE Amex.

Pension Benefits and Nonqualified Deferred Compensation Plans

Except as provided in the specific agreements described above, the Company has no pension or other post-retirement plans in effect for Officers, Directors or employees. The Company s employees may elect to participate in the Company s 401(k) Plan.

Compensation Committee Interlocks and Insider Participation

There are no compensation committee interlocks and no member of the compensation committee has served as an officer or employee of the Company or any of its subsidiaries at any time.

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

The Company will file its definitive Proxy Statement for its 2010 Annual Meeting of Stockholders within the period required under the applicable rules of the Securities and Exchange Commission. Additional information required by this Item is included under the caption ELECTION OF DIRECTORS and SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT of such Proxy Statement and is incorporated herein by reference.

The following table lists information with respect to the beneficial ownership of the Company s Shares as of December 31, 2010 by:

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

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the Company s directors;

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the Company s executive officers; and

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

Unless otherwise indicated, the person or persons named below have sole voting and investment power and that person s address is c/o UMH Properties, Inc., Juniper Business Plaza, 3499 Route 9 North, Suite 3-C, Freehold, New Jersey 07728. In determining the number and percentage of Shares beneficially owned by each person, Shares that may be acquired by that person under options exercisable within 60 days of December 31, 2010 are deemed beneficially owned by that person and are deemed outstanding for purposes of determining the total number of outstanding Shares for that person and are not deemed outstanding for that purpose for all other shareholders.

Name and Address of Beneficial Owner	**Amount and Nature of Beneficial Ownership (1)**	**Percentage of Shares Outstanding (2)**
Wells Fargo and Company	1,019,005 (3)	7.44%
420 Montgomery Street		
San Francisco, CA 94104		
Monmouth Real Estate Investment Corporation	500,467(4)	3.65%
Anna T. Chew	188,511(5)	1.37%
Eugene W. Landy	1,224,709(6)	8.94%
Samuel A. Landy	616,024(7)	4.38%
Michael P. Landy	220,214(8)	1.60%
James E. Mitchell	178,532(9)	1.30%
Richard H. Molke	109,656(10)	*
Allison Nagelberg	21,615(11)	*
Eugene D. Rothenberg	84,697(12)	*
Stephen B. Wolgin	7,011(13)	*
Directors and Officers as a Group	2,625,969	18.58%

* Less than 1%

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(1)

Except as indicated in the footnotes to this table and pursuant to applicable community property laws, the Company believes that the persons named in the table have sole voting and investment power with respect to all Shares listed.

(2)

Based on the number of Shares outstanding on December 31, 2010 which was 13,701,625 Shares.

(3)

Based on Schedule 13G as of December 31, 2010, filed by Wells Fargo and Company the company owns 1,019,005 shares. This filing with the SEC by Wells Fargo and Company indicates that Wells Fargo and Company has sole voting power for 963,592 shares and sole dispositive power for 1,019,005 with respect to those shares.

(4)

Based on Schedule Form 4A filed on February 2, 2011, filed with the SEC by Monmouth Real Estate Investment Corporation, which indicates that Monmouth Real Estate Investment Corporation has sole voting and dispositive power as of December 31, 2010, with respect to 500,467 shares.

(5)

Includes (a) 106,742 shares owned jointly with Ms. Chew s husband, (b) 11,769 shares held in Ms. Chew s 401(k) Plan, and (c) 70,000 shares issuable upon exercise of stock options.

(6)

Includes (a) 144,693 shares owned by Mr. Landy s wife, (b) 172,608 shares held by Landy Investments, Ltd. for which Mr. Landy has power to vote, (c) 65,913 shares held in the Landy & Landy Employees Profit Sharing Plan of which Mr. Landy is a Trustee with power to vote, (d) 57,561 shares held in the Landy & Landy Employees Pension Plan of which Mr. Landy is a Trustee with power to vote, (e) 50,000 shares held in the Eugene W. Landy Charitable Lead Annuity Trust, a charitable trust for which Mr. Landy has power to vote, (f) 100,000 shares held in the Eugene W. Landy and Gloria Landy Family Foundation, a charitable trust for which Mr. Landy has power to vote, (g) 9,585 shares held in Windsor Industrial Park Associates for which Mr. Landy has power to vote, and (h) 11,559 shares held in Juniper Plaza Associates for which Mr. Landy has power to vote.

(7)

Includes (a) 35,127 shares owned jointly with Mr. Landy s wife, (b) 13,241 shares in custodial accounts for Mr. Landy s minor children under the NJ Uniform Transfers to Minors Act in which he disclaims any beneficial interest but has power to vote, (c) 6,221 shares in the Samuel Landy Limited Partnership, (d) 21,789 shares held in Mr. Landy s 401(k) Plan, and (e) 350,000 shares issuable upon exercise of stock options.

(8)

Includes (a) 10,001 shares owned by Mr. Landy s wife, (b) and 37,086 shares in custodial accounts for Mr. Landy s minor children under the NJ Uniform Transfers to Minors Act in which he disclaims any beneficial interest but has power to vote, and (c) 20,000 shares issuable upon exercise of stock options.

(9)

Includes 136,564 shares held by Mitchell Partners in which Mr. Mitchell has a beneficial interest.

(10)

Includes 50,563 shares owned by Mr. Molke s wife.

(11)

Includes 15,000 shares issuable upon exercise of stock options.

(12)

Includes 56,878 shares held by Rothenberg Investments, Ltd. in which Dr. Rothenberg has a beneficial interest.

(13)

Includes 774 shares in custodial accounts for Mr. Wolgin s minor children under the NJ Uniform Transfers to Minors Act in which he disclaims any beneficial interest but has power to vote.

Item 13 Certain Relationships and Related Transactions, and Director Independence

The Company will file its definitive Proxy Statement for its 2010 Annual Meeting of Stockholders within the period required under the applicable rules of the Securities and Exchange Commission. Additional information required by this Item is included under the caption ELECTION OF DIRECTORS and CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS of such Proxy Statement and is incorporated herein by reference.

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

No director, executive officer, or any immediate family member of such director or executive officer may enter into any transaction or arrangement with the Company without the prior approval of the Board of Directors. The Board of Directors will appoint a Business Judgment Committee consisting of independent directors who are also independent of the transaction or arrangement. This Committee will recommend to the Board of Directors approval or disapproval of the transaction or arrangement. In determining whether to approve such a transaction or arrangement, the Business Judgment Committee will take into account, among other factors, whether the transaction was on terms no less favorable to the Company than terms generally available to third parties and the extent of the executive officer s or director s involvement in such transaction or arrangement. While the Company does not have specific written standards for approving such related party transactions, such transactions are only approved if it is in the best interest of the Company and its shareholders. Additionally, the Company s Code of Business Conduct and Ethics requires all directors, officers and employees who may have a potential or apparent conflict of interest to immediately notify the Company s General Counsel. Further, to identify related party transactions, the Company submits and requires our directors and executive officers to complete director and officer questionnaires identifying

any transactions with the Company in which the director, executive officer or their immediate family members have an interest.

See identification of independent directors under Item 10 and committee members under Item 11.

Item 14 Principal Accounting Fees and Services

The Company will file its definitive Proxy Statement for its 2010 Annual Meeting of Stockholders within the period required under the applicable rules of the Securities and Exchange Commission. Additional information required by this Item is included under the caption FEES BILLED BY INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM of such Proxy Statement and is incorporated herein by reference.

PKF served as the Company s independent registered public accounting firm for the years ended December 31, 2010, 2009 and 2008. The following are fees billed by and accrued to PKF in connection with services rendered:

	2010	2009
Audit Fees	$135,500	$131,000
Audit Related Fees	15,900	3,590
Tax Fees	40,000	42,444
All Other Fees	-0-	-0-
Total Fees	$191,400	$177,034

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

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

Tax fees include professional services rendered for the preparation of the Company s federal and state corporate tax returns and supporting schedules as may be required by the Internal Revenue Service and applicable state taxing

authorities. Tax fees also include other work directly affecting or supporting the payment of taxes, including planning and research of various tax issues.

Audit Committee Pre-Approval Policy

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

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

PART IV

Item 15 Exhibits, Financial Statement Schedules

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

		Page(s)
(i)	(a) Report of Independent Registered Public Accounting Firm	58
(ii)	Consolidated Balance Sheets as of December 31, 2010 and 2009	59
(iii)	Consolidated Statements of Income for the years ended December 31, 2010, 2009, and 2008	60
(iv)	Consolidated Statements of Shareholders Equity and Comprehensive Income for the years ended December 31, 2010, 2009 and 2008	61-62
(v)	Consolidated Statements of Cash Flows for the years ended December 31, 2010, 2009 and 2008	63
(vi)	Notes to Consolidated Financial Statements	64-88

(a) (2) The following Financial Statement Schedule is filed as part of this report:

(i)	Schedule III Real Estate and Accumulated Depreciation	89-92

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

(a) (3)

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

Exhibit No.		Description
(2)		Plan of Acquisition, Reorganization, Arrangement, Liquidation or Succession
	2.1	Agreement and Plan of Merger dated as of June 23, 2003. (incorporated by reference from the Company s Definitive Proxy Statement as filed with the Securities and Exchange Commission on July 10, 2003, Registration No. 001-12690).
(3)		Articles of Incorporation and By-Laws:
	3.1	Articles of Incorporation of UMH Properties, Inc., a Maryland corporation (incorporated by reference from the Company s Definitive Proxy Statement as filed with the Securities and Exchange Commission on July 10, 2003, Registration No. 001-12690).
	3.2	Bylaws of UMH Properties, Inc. (incorporated by reference from the Company s Definitive Proxy Statement as filed with the Securities and Exchange Commission on July 10, 2003, Registration No. 001-12690).
	3.3	Amendment to Articles of Incorporation (incorporated by reference to the 8-K as filed by the Registrant with the Securities and Exchange Commission on April 3, 2006, Registration No. 001-12690).
	3.4	Amendment to Bylaws (incorporated by reference to the 8-K as filed by the Registrant with the Securities and Exchange Commission on January 22, 2008, Registration No. 001-12690).

Exhibit No.	Description
(10)	Material Contracts:
10.1	401(k) Plan Document and Adoption Agreement effective April 1, 1992 (incorporated by reference to the Company s 1992 Form 10-K as filed with the Securities and Exchange Commission on March 9, 1993).
10.2	Employment Agreement with Mr. Eugene W. Landy dated December 14, 1993 (incorporated by reference to the Company s 1993 Form 10-K as filed with the Securities and Exchange Commission on March 28, 1994).
10.3	Amendment to Employment Agreement with Mr. Eugene W. Landy effective January 1, 2004 (incorporated by reference to the Company s 2004 Form 10-K/A as filed with the Securities and Exchange Commission on March 30, 2005, Registration No. 001-12690).
10.4	Second Amendment to Employment Agreement of Eugene W. Landy, dated April 14, 2008 (incorporated by reference to the 8-K as filed by the Registrant with the Securities and Exchange Commission on April 16, 2008, Registration No. 001-12690).
10.5	Employment Agreement with Mr. Samuel A. Landy effective January 1, 2009 (incorporated by reference to the 8-K as filed by the Registrant with the Securities and Exchange Commission on January 30, 2009, Registration No. 001-12690).
10.6	Employment Agreement with Ms. Anna T. Chew effective January 1, 2009 (incorporated by reference to the 8-K as filed by the Registrant with the Securities and Exchange Commission on January 22, 2009, Registration No. 001-12690).
10.7	Employment Agreement with Ms. Allison Nagelberg effective January 1, 2010 (incorporated by reference to the 8-K as filed by the Registrant with the Securities and Exchange Commission on January 6, 2010, Registration No. 001-12690).
10.8	Dividend Reinvestment and Stock Purchase Plan (incorporated by reference to the Company s Registration Statement filed on Form S-3D as filed with the Securities and Exchange Commission on October 4, 2010, Registration No. 333-169-745).
10.9	UMH Properties, Inc. 2003 Stock Option and Stock Award Plan, as amended and restated (incorporated by reference to the Company s Definitive Proxy Statement (DEF 14A) as filed with the Securities and Exchange Commission on May 6, 2010, Registration No.

001-12690).

(14)	Code of Business Conduct and Ethics (incorporated by reference to the Company s 2003 Form 10-K as filed with the Securities and Exchange Commission on March 11, 2004, Registration No. 001-12690).
(21)	Subsidiaries of the Registrant.
(23.2)	Consent of PKF LLP.
(31.1)	Certification pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

Exhibit No.	Description
(31.2)	Certification pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
(32)	Certification pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
(99)	Audit Committee Charter, as amended January 16, 2008 (incorporated by reference to the Company s 2008 Definitive Proxy Statement (DEF 14A) as filed with the Securities and Exchange Commission on May 8, 2008, Registration No. 001-12690).

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders

UMH Properties, Inc.

We have audited the accompanying consolidated balance sheets of UMH Properties, Inc. and subsidiaries (the Company) as of December 31, 2010 and 2009 and the related consolidated statements of income, shareholders' equity and comprehensive income, and cash flows for each of the three years in the period ended December 31, 2010. Our audits also included the financial statement schedule listed in the Index at Item 15(a)(2)(i). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the c> 978 310

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(1) Amounts translated from Argentine pesos at the average exchange rate for the period.
(2) Per thousand cubic meters.
(3) Reflects the average of residential prices (which are generally lower than prices to other segments) and industrial prices.
(4) Per cubic meter. Does not include sales by Refinor, in which we have a 50% interest and which is proportionally consolidated in our consolidated financial statements.
(5) Per cubic meter. Does not include sales by Refinor, in which we have a 50% interest, and which is proportionally consolidated in our consolidated financial statements. The average price shown for each period is the volume-weighted average price of the various grades of gasoline products sold by us in the domestic market during such period.

The disparity between the prices at which hydrocarbon products have been sold in Argentina and the prevailing international prices for such products has been mainly due to limitations on our ability to pass increases in international prices of crude oil and hydrocarbon fuels and adverse exchange rate movements through to domestic prices or to increase local prices of natural gas (in particular for residential customers), gasoline and diesel.

In addition, Argentina imports natural gas from Bolivia, as more fully described in our 2009 20-F. The price at which Bolivia exported natural gas to Argentina (which is purchased by ENARSA) was approximately U.S.$7.41/mmBtu in September 2010.

Pursuant to Resolution 599/2007 of the Secretariat of Energy dated June 14, 2007, the Argentine government and gas producers, including us, entered into an agreement for the supply of certain volumes of gas to each segment of the domestic market during the period 2007 through 2011. On October 4, 2010, the Official Gazette published ENARGAS Resolution No. 1410/2010 that approves the "Procedimiento para Solicitudes, Confirmaciones y Control de Gas", which sets new rules for natural gas dispatch applicable to all participants in the gas industry (see "Item 1. Company Overview—Recent Regulatory Developments" and "Item 4. Information on the Company—Regulatory Framework and Relationship with the Argentine Government—Market Regulation—Natural gas" in our 2009 20-F).

Principal Income Statement Line Items

The following is a brief description of the principal line items of our income statement.

Net sales

Net sales include primarily our consolidated sales of unrefined and refined fuel and chemical products net of the payment of applicable fuel transfer taxes, turnover taxes and custom duties on exports, as well as incentives related to the participation on the Petroleum and Refining Plus Programs established by Decree No. 2014/2008 and subsidies on diesel provided by the Argentine government to the public transportation industry in accordance with Executive Decree 652/02. Royalties with respect to our production are accounted for as a cost of production and are not deducted in determining net sales.

Cost of sales

The following table presents, for each of the periods indicated, a breakdown of our consolidated cost of sales by category:

	For the Nine-Month Period Ended September 30,	
	2010	2009
	(in millions of pesos)	
Inventories at beginning of year	3,066	3,449

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Purchases for the period	6,665	4,175
Production costs(1)	14,626	12,232
Holding gains on inventories	467	(163)
Inventories at end of period	(3,958)	(2,997)
Cost of sales	20,866	16,696

(1) The table below presents, for each of the periods indicated, a breakdown of our consolidated production costs by category:

	For the Nine-Month Period Ended September 30,	
	2010	2009
	(in millions of pesos)	
Salaries and social security taxes	1,149	905
Fees and compensation for services	138	140
Other personnel expenses	350	256
Taxes, charges and contributions	254	196
Royalties and easements	2,196	1,868
Insurance	111	142
Rental of real estate and equipment	363	337
Depreciation of fixed assets	3,941	3,486
Industrial inputs, consumable material and supplies	574	432
Operation services and other service contracts	1,274	1,311
Preservation, repair and maintenance	2,259	1,401
Contractual commitments	149	34
Transportation, products and charges	760	673
Fuel, gas, energy and miscellaneous	1,108	1,051
Total	14,626	12,232

Other expense, net

Other expense, net principally include reserves for pending lawsuits and other claims, provisions for environmental remediation and provisions for defined benefit pension plans and other post-retirement benefits.

Financial (expense) income, net and holding (losses) gains

Financial (expense) income, net and holding (losses) gains consist of the net of gains and losses on interest paid and interest earned, currency exchange differences and the periodic revaluation of inventories.

Taxes

The statutory corporate income tax rate in Argentina was 35% during each of the periods presented in this report. Our effective tax rates for the periods discussed in this report exceed the Argentine corporate income tax rate mainly due to the non-deductibility of the amortization of the effect of inflation indexation on fixed assets, along with other minor effects. See Note 2(f) to the Unaudited Interim Financial Statements.

Consolidated results of operations for the nine-month periods ended September 30, 2010 and 2009

The following table sets forth certain financial information as a percentage of net sales for the periods indicated.

	For the Nine -Month Period Ended September 30,			
	2010		2009	
	(percentage of net sales)			
Net sales	100.0	%	100.0	%
Cost of sales	(65.5	)	(67.7	)
Gross profit	34.5		32.3	
Administrative expenses	(3.2	)	(3.1	)
Selling expenses	(6.8	)	(7.3	)
Exploration expenses	(0.6	)	(1.7	)
Operating income	23.9		20.2	

The tables below present, for the periods indicated, volume and price data with respect to our consolidated sales of our principal products in the domestic and export markets, respectively. The data presented below does not include sales by Compañía Mega S.A. (“Mega”), Refinor or Profertil, jointly-controlled companies in which we have 38%, 50% and 50% interests, respectively, and which are proportionally consolidated in our consolidated financial statements. Mega, Refinor and

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Profertil contributed, after consolidation adjustments, 0.63%, 1.36% and 1.52%, respectively, of our consolidated net sales for the nine-month period ended September 30, 2010 and 0.64% 1.48% and 2.05% respectively, of our consolidated net sales for the nine-month period ended September 30, 2009.

Domestic Market	For the Nine-Month Period Ended September 30,			
	2010		2009	
Product	Units sold	Average price per unit(1) (in pesos)	Units sold	Average price per unit(1) (in pesos)
Natural gas	9,695 mmcm	270/mcm	11,543 mmcm	230/mcm
Diesel	5,870 mcm	1,994/m3	5,789 mcm	1,494/m3
Gasoline	2,562 mcm	1,886/m3	2,498 mcm	1,496/m3
Fuel oil	480 mtn	1,511/ton	526 mtn	1,246/ton
Petrochemicals	632 mtn	1,850/ton	453 mtn	1,478/ton

(1) Average prices shown are net of applicable domestic fuel transfer taxes payable by consumers.

Export Markets	For the Nine-Month Period Ended September 30,			
	2010		2009	
Product	Units sold	Average price per unit(1) (in pesos)	Units sold	Average price per unit(1) (in pesos)
Natural gas (2)	266 mmcm	1,654/mcm	452 mmcm	1,710/mcm
Gasoline	362 mcm	1,874/m3	625 mcm	1,236/m3
Fuel oil	588 mtn	1,824/ton	566 mtn	1,194/ton
Petrochemicals	513 mtn	2,387/ton	314 mtn	1,700/ton

(1) Average prices shown are gross of applicable export withholding taxes payable by us, and, as a result, may not be indicative of amounts recorded by us as net sales.
(2) Average price is based on natural gas actually delivered and does not include fixed charges collected pursuant to certain delivery contracts.

Net sales

Net sales in the nine-month period ended September 30, 2010 were Ps.31,849 million, representing a 29.2% increase compared to Ps. 24,648 million in the nine-month period ended September 30, 2009. This increase was primarily attributable to higher average prices, particularly for gasoline (a 26.1% increase) and diesel (a 33.4% increase), slight increases in the volumes of gasoline (2.6%) and diesel (1.4%) sold in the domestic market, the income recorded under the Petroleum Plus Program, resulting from the efforts we have made within the scope of the program and which allowed us to maintain our commitment towards the fulfillment of domestic demand, and to higher prices of most exported products due mainly to the positive trends in international hydrocarbon demand and prices starting during the second quarter of 2009. Commodity prices were strongly affected, with the average international market price of WTI

increasing by approximately 36% during the nine-month period ended September 30, 2010 compared to the same period of 2009. The average price of certain products sold in the domestic market, such as fuel oil, jet fuel and petrochemicals, which tend to track international market prices, increased as well. These effects were only partially offset by a decrease in the volume of some of our products sold in the export market, such as regular gasoline and LPG.

For further information on our net sales for the periods discussed above, see "—Results of operations by business segment for the nine-month periods ended September 30, 2010 and 2009."

Cost of sales

Cost of sales in the nine-month period ended September 30, 2010 was Ps.20,866 million compared to Ps. 16,696 million in the nine-month period ended September 30, 2009, representing a 25.0% increase. The increase is partly attributable to the higher price of crude oil purchased from third parties, whereas the volumes bought remained almost unchanged, as well as an increase in the imported volumes of our new low-sulfur diesel (Euro Diesel) and certain other products, such as biofuels (biodiesel and bioethanol) in order to comply with regulations and provide the market with higher quality products. Additionally, cost of sales were affected by general increases in costs, mainly in preservation, repair and maintenance, salaries and social security taxes and operation services and other service contracts, driven mainly by upward price pressure, as well as by higher depreciation charges, and higher royalties driven mainly by higher crude oil prices during the nine-month period ended September 30, 2010 compared to the same period of 2009.

Administrative expenses

Our administrative expenses increased by Ps.239 million (30.8%) in the nine-month period ended September 30, 2010 compared to the nine-month period ended September 30, 2009. The increase affected almost all of the components of administrative expenses (see Note 6(c) to the Unaudited Interim Financial Statements), and particularly in wages and social security costs, driven mainly by a centralization process of tasks in the corporate departments that previously were carried out in the other business units, as well as by the general cost increases in the economy, higher technology information services contracts and licenses expenses and institutional publicity expenses.

Selling expenses

Our selling expenses were Ps.2,182 million in the nine-month period ended September 30, 2010 compared to Ps. 1,790 million in the nine-month period ended September 30, 2009, representing an increase of 21.9%, resulting from increases in almost all of the components of selling expenses (see Note 6(c) to the Unaudited

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Interim Financial Statements), particularly in transportation expenses, due to general cost increases in the economy and to higher sales of gasoline and diesel in the domestic market.

Exploration expenses

Our exploration expenses decreased by Ps.244 million in the nine-month period ended September 30, 2010 compared to the nine-month period ended September 30, 2009. During the nine-month period ended September 30, 2009, we recognized a higher amount of exploration costs related to unproductive wells compared to the same period in 2010, mainly as a result of non-recurring expense in offshore dry wells.

Operating income

As a result of the foregoing, operating income in the nine-month period ended September 30, 2010 was Ps.7,608 million compared to Ps. 4,964 million in the nine-month period ended September 30, 2009, representing an increase of 53.3%.

Our operating margins (operating income divided by net sales) were 23.9% and 20.2% in the nine-month periods ended Septemeber 30, 2010 and 2009, respectively.

Financial (expense) income, net and holding gains (losses)

In the nine-month period ended September 30, 2010, financial expense, net and holding gains, were an expense of Ps.334 million, compared to financial expense of Ps. 1,305 million in the nine-month period ended September 30, 2009. The decrease is mainly attributable to net negative exchange rate differences, according to our net liabilities denominated in U.S. dollars, in the nine-month period ended September 30, 2010 resulting from the lower depreciation of the Argentine peso against the U.S. dollar in that period compared to the same period in 2009, as well as a Ps.630 million increase in holding gains on inventories valued at replacement cost, mainly to reflect the aforementioned general cost increases in the economy during the nine-month period ended September 30, 2010 compared to the same period in 2009.

Taxes

Income tax expense in the nine-month period ended September 30, 2010 increased to Ps.2,738 million from Ps. 1,567 million in the nine-month period ended September 30, 2009, mainly as a result of a higher net income before income tax, as explained in previous paragraphs.

Net income

Net income for the nine-month period ended September 30, 2010 was Ps.4,580 million, compared to Ps. 2,070 million in the same period in 2009, an increase of 121.3%.

Results of operations by business segment for the nine-month periods ended September 30, 2010 and 2009

The following table sets forth net sales and operating income for each of our lines of business for the nine-month periods ended September 30, 2010 and 2009:

	For the Nine-Month Period Ended September 30,	
	2010	2009
	(in millions of pesos)	
Net sales(1)		
Exploration and production(2)		
To unrelated parties	3,502	3,416
To related parties	674	534
Intersegment sales and fees(3)	13,065	10,764
Total exploration and production	17,241	14,714
Refining and marketing(4)		
To unrelated parties	24,807	18,546
To related parties	645	443
Intersegment sales and fees	1,217	818
Total refining and marketing	26,669	19,807
Chemical		
To unrelated parties	1,620	1,354
Intersegment sales and fees	1,369	747
Total Chemical	2,989	2,101
Corporate and other		
To unrelated parties	601	355
Intersegment sales and fees	237	175
Total Corporate and others	838	530

Less inter-segment sales and fees	(15,888)	(12,504)
Total net sales(5)	31,849	24,648
Operating income (Loss)		
Exploration and production	5,147	4,021
Refining and marketing	2,722	1,134
Chemical	585	394
Corporate and other	(735)	(607)
Consolidation adjustments	(111)	22
Total operating income	7,608	4,964

(1) Net sales are net to us after payment of a fuel transfer tax, turnover tax and customs duties on exports. Royalties with respect to our production are accounted for as a cost of production and are not deducted in determining net sales.
(2) Includes exploration and production operations in Argentina and the United States.
(3) Intersegment sales of crude oil to Refining and Marketing are recorded at transfer prices that reflect our estimate of Argentine market prices.
(4) Includes LPG activities.
(5) Total net sales include export sales of Ps.4,282 million and Ps. 3,452 million for the nine-month periods ended September 30, 2010 and 2009, respectively.

Exploration and production

Exploration and Production sales increased to Ps.17,241 million in the nine-month periods ended September 30, 2010 from Ps. 14,714 million in the nine-month period ended September 30, 2009, representing an increase of 17.2% mainly attributable to higher intersegment prices and the increase in income recorded under the Petroleum Plus Program resulting from the efforts we have made within the scope of the program and which allowed us to maintain our commitment towards the fulfillment of domestic demand. Intersegment net sales (substantially all of which relate to intersegment sales of crude oil) increased by Ps.2,301 million in the nine-months period ended September 30, 2010 compared to the same period of the prior year, mainly as a result of an approximately 22% increase in the average intersegment price in pesos of a barrel of oil (16% increase in U.S. dollars), which was partially offset by an approximately 1% decrease in the volumes transferred. The increase in average international crude oil prices (of approximately 36% between periods) did not affect directly our intersegment sales prices because domestic prices were effectively limited by the imposition in November 2007 of higher export tax rates pursuant to Resolution No. 349/07. Accordingly, intersegment sales price were established by taking account of price renegotiations among companies operating in the domestic market. Additionally, the volume of domestic gas sales during the nine-month period ended September 30, 2010 decreased by 16.0% compared to the nine-month period ended September 30, 2009 mainly as a result of lower demand of our customers. However, the effect of the decrease in the volume of natural gas sold was almost totally offset by a 17% increase in average domestic market gas prices that were driven mainly by price increases to the power generation and industry segments of the Argentine market.

Segment operating expenses increased by Ps.1,401 million in the nine-month period ended September 30, 2010 compared to those from the same period of the prior year due mainly to generalized price increases in the broader economy and wage raises resulting from agreements with unions, as well as a Ps.327 million increase in royalties paid due mainly to the higher value, expressed in pesos at the wellhead (used as the basis for calculation of such royalties), of hydrocarbons produced (mainly as a result of higher product prices in the nine-month period ended September

30,2010), partially offset by a decrease in exploration expenses. Exploration expenses, which decreased by Ps.244 million in the nine-month period ended September 30, 2010 compared to the nine-month period ended September 30, 2009, decreased mainly as a result of the non-recurring expenses in offshore dry wells recognized during the nine-month period ended September 30, 2009 (Golfo San Jorge Marina and Austral basins), compared to the exploration activities which are being developed during 2010 (mainly in Neuquen and Noroeste basins).

As a result of the foregoing, Exploration and Production operating income reached Ps.5,147 million in the nine-month period ended September 30, 2010, a 28.0% increase from Ps.4,021 million in the same period of the prior year.

Refining and marketing

Refining and Marketing sales increased approximately 34.6% to Ps.26,669 million in the nine-month period ended September 30, 2010 from Ps.19,807 million in the nine-month period ended September 30, 2009. This increase was mainly a result of the following factors:

- higher average prices of almost all refined products sold in the domestic market in the nine-month period ended September 30, 2010 compared to the same period in the prior year, particularly gasoline (26.1%), diesel (33.4%) and products which tend to follow international market prices, such as fuel oil (21.2%) and jet fuel (37.9%) considering the approximately 36% increase in the average international market price of WTI in the nine-month period ended September 30,2010 compared to the same period of 2009, and

- higher prices of most refined products sold in the export markets, including gasoline (prices increased 69.0%, but the effect was more than offset by a 43.6% decrease in the volume of exports), fuel oil (prices increased 52.8% and volumes of exports increased 3.9%) and jet fuel (prices increased 41.3% and volumes increased 3.9%). The increases in prices were related to the aforementioned increase in international WTI prices.

Segment operating expenses increased 28.2% to Ps.23,947 million in the nine-month period ended September 30, 2010 from Ps.18,673 million in the nine-month period ended September 30, 2009, due mainly to the following factors:

- the higher cost of crude oil purchases, due mainly to the aforementioned increase in intersegment oil sales prices as well as an increase in the imported volumes of our new low-sulfur diesel (Euro Diesel) and certain other products, such as biofuels (biodiesel and bioethanol) in order to comply with regulations and provide the market with higher quality products, and

- an increase in production costs, due mainly to generalized price increases in the broader economy. In particular, energy, and service contracts increased in the nine-month period ended September 30, 2010 compared to the same period in the prior year. Consequently, refining cost per barrel (which we calculate as the segment’s cost of sales for the period less crude oil purchase costs and depreciation of fixed assets, divided by the

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number of barrels produced during the period) increased by 18.8% to Ps.16.78 in the nine-month period ended September 30, 2010 from Ps.14.13 in the nine-month period ended September 30, 2009.

As a result of the foregoing, Refining and Marketing operating income in the nine-month period ended September 30, 2010 reached Ps.2,722 million, an increase of 140.0% from the Ps.1,134 million achieved in the nine-month period ended September 30, 2009.

Refinery output in the nine-month period ended September 30, 2010, including 50% of Refinor's output (we own 50% of Refinor), represented a utilization rate of almost 92.4% of the existing processing capacity, principally affected, among others, by maintenance overhauls performed at our own refineries during the first-nine month period ended September 30, 2010.

Chemical

Operating income in the nine-month period ended September 30, 2010 reached Ps.585 million, an increase of Ps.191 million, or 48.5%, from the Ps.394 million recorded in the nine-month period ended September 30, 2009. This increase was attributable mainly to an increase in domestic and export sales resulting from higher prices, which tend to follow international market prices (including in the domestic market), which increased significantly as described above, and volume in almost all products.

Liquidity and Capital Resources

Financial condition

Total debt outstanding as of September 30, 2010 and December 31, 2009 was Ps.7,400 million and Ps.6,819 million, respectively, consisting of short-term debt (including the current portion of long-term debt) of Ps.6,052 million and long-term debt of Ps.1,348 million as of September 30, 2010, and short-term debt of Ps.4,679 million and long-term debt of Ps.2,140 million as of December 31, 2009. As of September 30, 2010 and December 31, 2009, a major part of our debt was denominated in U.S. dollars.

Since September 2001, we have repurchased certain of our publicly-traded bonds in open market transactions on an arms-length basis. As of September 30, 2010, we had repurchased approximately U.S.$12 million of our outstanding bonds. We may from time to time make additional purchases of, or affect other transactions relating to, our publicly-traded bonds if in our own judgment the market conditions are attractive.

The following tables set forth our consolidated cash flow information for the periods indicated.

	For the Nine-Month Period Ended September 30,	
	2010	2009
	(in millions of pesos)	
Net cash flows provided by operating activities	8,677	5,910
Net cash flows used in investing activities	(5,482)	(3,606)
Net cash flows used in financing activities	(1,811)	(1,695)
Net increasein cash and equivalents	1,384	609
Cash and equivalents at the beginning of period	2,145	1,215

Cash and equivalents at the end of period	3,529	1,824

Net cash flow provided by operating activities was Ps.8,677 million in the nine-month period ended September 30, 2010, compared to Ps. 5,910 million in the nine-month period ended September 30, 2009. The increase was mainly due to the increase in our operating profit as explained above, partially offset by an increase in the amounts of income tax paid in the nine-month period ended September 30, 2010 compared to the same period of the prior year.

The principal uses of cash in investing activities in the nine-month period ended September 30, 2010 included Ps.5,597 million in fixed asset acquisitions relating mainly to drilling activities in our Exploration and Production business unit.

Net cash flow used in financing activities in the nine-month period ended September 30, 2010 includes net proceeds from loans obtained in the amount of Ps.352 million and Ps.2,163 million in dividend payments.

We believe that our level of working capital will not affect our business operations, mainly as a result of the expected net cash flow provided by operating activities. However, we are currently seeking to convert our short-term financial debt into long-term financial debt.

Repsol YPF and Petersen Energía have agreed in the shareholders' agreement entered into by them in connection with the Petersen Transaction (as defined in "Item 7. Major Shareholders and Related Party Transactions—Shareholders' Agreement" in our 2009 20-F) to adopt a dividend policy providing for the distribution 90% of our net income as dividends, starting with our net income for 2007. See "Item 7. Major Shareholders and Related Party Transactions—Shareholders' Agreement" and "Item 8. Financial Information—Dividends Policy" in our 2009 20-F. We paid dividends in the amount of Ps.2,163 and Ps. 2,281 million in April and November 2010, respectively.

The shareholder's meeting held on January 8, 2008 approved a notes program for an amount up to U.S.$1 billion. The proceeds of any offerings under this program must be used exclusively to invest in fixed assets and working capital in Argentina or for capital contributions to subsidiaries and affiliated companies that will invest in fixed assets and working capital in Argentina. On September 28, 2009, we issued negotiable obligations under this program in an amount of Ps.205 million, which accrue interest at a variable rate and mature in March 2011. Additionally, in March 2010 we issued two different series of notes under the same notes program: one denominated in Argentine pesos and maturing in September 2011, for a total of Ps.143 million, and a second one, denominated in U.S. dollars, for a total of U.S.$70 million, which will mature in March 2013.

The following table sets forth our commitments for the periods indicated below with regard to the principal amount of our debt as of September 30, 2010, plus accrued but unpaid interest through September 30, 2010:

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	Expected Maturity Date						
	Total	Less than 1 year	1 – 2 years	2 – 3 years	3 – 4 years	4 – 5 years	More than 5 years
	(in millions of pesos)						
Debt	7,400	6,052	682	325	—	—	341

Covenants in our indebtedness

Our financial debt generally contains customary covenants and acceleration provision for contracts of this nature.

With respect to a significant portion of our financial debt totaling Ps.7,400 million (U.S.$1,869 million), including accrued interest (long- and short-term debt) as of September 30, 2010, we have agreed, among other things and subject to certain exceptions, not to establish liens or charges on our assets. In the event of a payment default, the creditors may declare due and immediately payable the principal and accrued interest on amounts owed to them. Upon an event of default with respect to other matters, in the case of outstanding negotiable obligations amounting to Ps.985 million (U.S.$249 million) (included in the figure above), the trustee may declare due and immediately payable the principal and accrued interest on amounts owed if required by holders representing at least a percentage that varies between 10 and 25% of the total principal of the outstanding obligations of the relevant series.

Almost all of our total outstanding financial debt is subject to cross-default provisions. As a result of these cross-default provisions, a default on our part or, in certain cases, on the part of any of our consolidated subsidiaries covered by such provisions, could result in a substantial portion of our debt being declared in default or accelerated. None of our debt or the debt of our consolidated subsidiaries is currently in default.

We do not have any ratings downgrade triggers that would accelerate the maturity dates of our debt or trigger any other contractual obligation on our part. However, a downgrade in our credit rating could have a material adverse effect on the cost of renewing existing credit facilities, or obtaining access to new ones in the future. In the past, our main sources of liquidity have been our cash flows from operations, bank financings, issuances of debt securities and the proceeds from our divestment plan. Any future downgrades will not preclude us from using any of our existing credit lines.

Guarantees provided

As of September 30, 2010, we had signed guarantees in relation to the financing activities of Pluspetrol Energy S.A. and Central Dock Sud S.A., guaranteeing outstanding amounts of approximately U.S.$3 million and U.S.$13 million, respectively. The corresponding loans mature in 2011 and 2013, respectively. In addition, during these nine months, we issued letters of credit in an aggregate total amount of US$39 million to guarantee certain environmental obligations and performance of contracts of certain of our controlled companies.

Capital investments and expenditures

The table below sets forth our capital expenditures and investments by activity for the nine-month periods ended September 30, 2010 and 2009.

	For the Nine-Month Period Ended September 30,			
	2010		2009	
	(in millions of pesos)	(%)	(in millions of pesos)	(%)

Capital Expenditures and Investments						
Exploration and Production	4,362	76.1		2,943	78	
Refining and Marketing	950	16.6		610	16.2	
Chemical	326	5.7		89	2.4	
Corporate and Other	92	1.6		128	3.4	
Total	5,730	100	%	3,770	100	%

Off-Balance Sheet Arrangements

We have entered into certain off-balance sheet arrangements, as described in "—Guarantees provided" above.

Qualitative and Quantitative Disclosure About Market Risk

The following quantitative and qualitative information is provided about financial instruments to which we are a party as of September 30, 2010, and from which we may incur future gains or losses from changes in market, interest rates or foreign exchange rates. We do not enter into derivative or other financial instruments for trading purposes.

This discussion contains forward-looking statements that are subject to risks and uncertainties. Actual results could vary materially as a result of a number of factors including those set forth in "Item 3. Key Information—Risk Factors" in our 2009 20-F.

Foreign currency exposure

We generally follow a policy of not hedging our debt obligations in U.S. dollars. In addition, our costs and receipts denominated in currencies other than the Argentine peso, including the U.S. dollar, often do not match. As a result, we are currently exposed to risks associated with changes in foreign currency exchange rates. See "Item 3. Key Information—Risks Relating to Argentina—We may be exposed to fluctuations in foreign exchange rates" in our 2009 20-F.

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The table below provides information about our assets and liabilities denominated in currency other than pesos (principally U.S. dollars) that may be sensitive to changes in foreign exchange rates, as of September 30, 2010.

	Expected Maturity Date					
	Less than 1 year	1-3 years	3-5 years	More than 5 years and undetermined		Total
	(in millions of U.S. dollars)					
Assets	1,919	98	—	8		2,025
Accounts payable	787	82	88	422		1,379
Debt	1,115	253	—	92		1,460
Other Liabilities	56	5	5	362	(1)	428

(1) Includes U.S.$343 million corresponding to reserves with undetermined maturity.

Interest rate exposure

Our objective in borrowing under fixed rate debt is to satisfy capital requirements that minimize our exposure to interest rate fluctuations. To achieve our objectives, we have mostly borrowed under fixed rate debt instruments, based on the availability of capital and prevailing market conditions.

The table below provides information about our assets and liabilities as of September 30, 2010 that may be sensitive to changes in interest rates.

	Expected Maturity Date							
	Less than 1 year	1 – 2 years	2 – 3 years	3 – 4 years	4 – 5 years	More than 5 years	Total	Fair Value
	(in millions of pesos)							
Assets								
Fixed rate								
Other Receivables	—	206	—	—	—	—	206	197
Interest rate		5.05%						
Variable rate								
Other Receivables	9	72	17	17	17	52	175	175
Interest rate	CER + 8%	CER + 8%	CER + 8%	CER + 8%	CER + 8%	CER + 8%	CER + 8%	CER + 8%
Liabilities								
Fixed rate								
YPF's Negotiable Obligations	—	—	276	—	—	342	618	680
Interest rate			4.00%			10.00%		
Related Parties	138	—	—	—	—	—	138	138
Interest rate	3.00-4.25%							
Other Short-term debt	4,742	672	19	19	19	71	5,542	5,542
Interest rate	0.90-17.05%	3.50-9.38%	9.38%	9.38%	9.38%	9.38%		
Variable rate								

YPF's Negotiable Obligations	348	—	—	—	—	—	348	348
Interest rate	BADLAR(1) + 1.75%-2.00%							
Related parties	792	—	—	—	—	—	792	792
Interest rate	Libor +2%							
Other debt	—	27	49	—	—	—	76	76
Interest rate		Libor + 5.25%	Libor + 5.25%					

(1) Refers to the average interest rate that banks pay for deposits of more than Ps.1 million.

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ITEM 5.UPDATE OF LEGAL PROCEEDINGS

Argentina

The Privatization Law provides that the Argentine State shall be responsible, and shall hold us harmless, for any liabilities, obligations or other commitments existing as of December 31, 1990 that were not acknowledged as such in the financial statements of Yacimientos Petrolíferos Fiscales Sociedad del Estado as of that date arising out of any transactions or events that had occurred as of that date, provided that any such liability, obligation or other commitment is established or verified by a final decision of a competent judicial authority. In certain lawsuits related to events or acts that took place before December 31, 1990, we have been required to advance the payment of amounts established in certain judicial decisions, and have subsequently been reimbursed or are currently in the process of requesting reimbursement from the Argentine government of all material amounts in such cases. We are required to keep the Argentine government apprised of any claim against us arising from the obligations assumed by the Argentine government. We believe we have the right to be reimbursed for all such payments by the Argentine government pursuant to the above-mentioned indemnity, which payments in any event have to date not been material. This indemnity also covers fees and expenses of lawyers and technical consultants subject, in the case of our lawyers and consultants, to the requirement that such fees and expenses not be contingent upon the amounts in dispute.

Reserved, probable contingencies

Reserves totaling Ps. 1,991 million as of September 30, 2010, and Ps.1,769 million, Ps.1,821 million, and Ps.1,898 million as of December 31, 2009, 2008 and 2007, respectively, have been established to provide for contingencies which are probable and can be reasonably estimated. In the opinion of our management, in consultation with our external counsel, the amount reserved reflects the best estimation, based on the information available as of the date of this report, of the probable outcome of the mentioned contingencies. The most significant legal proceedings and claims reserved are described in the following paragraphs.

CNDC anti-competitive activity disputes. On March 22, 1999, we were notified of Resolution No. 189/99 from the former Secretariat of Industry, Commerce and Mining of Argentina, which imposed a fine on us of Ps.109 million, stated Argentine pesos as of that date, based on the interpretation that we had purportedly abused our dominant position in the bulk LPG market due to the existence of different prices between the exports of LPG and the sales to the domestic market from 1993 through 1997. In July 2002, the Argentine Supreme Court confirmed the fine, and we made the claimed payment. Additionally, Resolution No. 189/99 provided for the commencement of an investigation in order to prove whether the penalized behavior continued from October 1997 to March 1999. On December 19, 2003, the CNDC completed its investigation and charged us with abuse of dominant market position during this period. On January 20, 2004, we answered the notification by (i) claiming the application of the statutes of limitations and alleging the existence of defects in the imputation procedure (absence of majority in the resolution that decided the imputation and prejudgment by its signers); (ii) arguing the absence of abuse of dominant position; and (iii) offering the corresponding evidence.

Given that the Argentine Supreme Court has previously established under Law No. 22,262 that the statute of limitations for administrative infractions is two years, we believe that our defense based on the statute of limitations is solid. Since the imputed conduct occurred before September 29, 1999, which is the effective date of the new law, we believe that the law applicable to the proceeding is Law No. 22,262 instead of the new Antitrust Protection Law (No. 25,156). We filed appeals with the National Economic Criminal Court: (i) on July 29, 2003, in view of the rejection by the CNDC of the motion to overturn the resolution that ordered the opening of the preliminary investigations without deciding in advance on the statute of limitations defense claimed by us; and (ii) on February 4, 2004, in view of the rejection by the CNDC of the motion to overturn the resolution that ordered the charge because of a lack of

majority and prejudgment. On April 13, 2004, the National Court of Appeals in Criminal Economic Matters sustained the appeal filed by us on the grounds of lack of majority of the CNDC in passing the objected resolution. On August 31, 2004, we appealed the resolution passed by the CNDC that rejected our statute of limitations defense. The CNDC accepted the appeal and referred the proceedings to Chamber II of the National Court of Appeals in Federal Civil and Commercial Matters, which subsequently referred the proceeding to Chamber B of the National Court of Appeals in Criminal Economic Matters. On March 3, 2006, the CNDC decided on the evidence that we shall produce during this proceeding. During August and September 2007, hearings involving the testimony of witnesses proposed by us took place. On August 12, 2008, Chamber B of the National Court of Appeals in Criminal Economic Matters rejected our statute of limitations argument. We have appealed this decision. Upon Chamber B's confirmation of the CNDC's resolution, YPF filed a cassation and an extraordinary appeal on the basis that the CNDC bases its arguments on Law No. 22,262, while Chamber B relies on the application of Law No. 25,156. Chamber B of the National Court of Appeals in Criminal Economic Matters rejected both appeals. YPF has consequently presented two complaint appeals: one against the rejection of the cassation appeal (rejected on December 18, 2008) and another against the rejection of the extraordinary appeal (rejected on February 17, 2009). Both appeals are under evaluation. Regarding the administrative proceedings before the CNDC, the evidence production period has ended. Additionally, on November 25, 2009, we presented our closing statement. On December 22, 2009, Chamber IV of the Court of Cassation rejected our cassation appeal against Chamber B of the National Court of Appeals in Criminal Economic Matters' decision. The extraordinary appeal is still pending before the Supreme Court. Furthermore, on December 21, 2009, YPF filed another claim concerning the statute of limitations before the CNDC. On April 19, 2010 the CNDC rejected this claim and YPF appealed such decision.

Despite our arguments, the mentioned circumstances make evident that, preliminarily, the CNDC denies the defenses filed by us and that it is reluctant to modify the doctrine provided by the Resolution No. 189/1999.

Alleged defaults under natural gas supply contracts. Since 2004, the Argentine Secretariat of Energy and the Undersecretariat of Fuels, through Rule No. 27/04, Resolutions No. 265/04, 659/04, 752/05, 1329/06 and 599/07, have on various occasions instructed us to supply certain quantities of natural gas to the Argentine domestic market, in each case notwithstanding the lack of a contractual commitment on our part to do so. In addition, the Argentine government has, at various times since 2004, imposed direct volume limitations on natural gas exports in different ways. As a result of these measures, from 2004 to the present, we have been forced in many instances to partially or fully suspend natural gas export deliveries that are contemplated by our contracts with export customers.

We appealed these measures, but, pending favorable final resolution of such appeals, we have been obliged to comply in order to avoid greater losses to us and our export customers that could be occasioned by the revocation of our export permits or other penalties. We informed our natural gas export customers of our position that these governmental measures constitute an event of force majeure that releases us from any contractual or extra-contractual liability deriving from the failure to deliver the agreed upon volumes of gas. Some of our customers have rejected our position and have sought damages and/or penalties for breach of supply commitments under a contractual "deliver or pay" clause, which claims have been rejected by us.

We have been in pre-arbitral settlement discussions with Electroandina S.A. and Empresa Eléctrica del Norte Grande S.A., which have sought damages from us under the "deliver-or-pay" clause. These companies have claimed damages through November 2006 in a total amount of approximately U.S.$41 million and, from December 2006 through September 2007, for an additional total amount of U.S.$52 million. We have opposed such claims. Furthermore, the above-mentioned companies have notified the formal start-up period of negotiations previous to any arbitration proceedings. Recently, YPF and Electroandina S.A. and Empresa Eléctrica del Norte Grande S.A. entered into a settlement agreement by which parties agreed to terminate and resign to all actions, rights or claims that constituted the object of the claims previously mentioned and YPF compensated them for an amount significantly lower than the amount originally claimed.

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Additionally, on June 25, 2008, AES Uruguaiana Emprendimientos S.A. (AESU) claimed damages in a total amount of U.S.$28.1 million for missed deliveries of natural gas volumes during the period September 16, 2007 through June 25, 2008. On July 16, 2008, AESU also claimed damages in a total amount of U.S.$2.7 million for missed deliveries of natural gas volumes during the period January 18, 2006 through December 1, 2006. We have contested both of these claims. Both parties have suspended the fulfillment of their obligations under the contract. On September 15, 2008, AESU notified YPF the interruption of the fulfillment of its commitments alleging delay and breach of YPF's obligations. YPF has rejected this notification. On December 4, 2008, YPF notified that having ceased the force majeure conditions, pursuant to the contract in force, it would suspend its delivery commitments, due to the repeated breaches of AESU's obligations. This notification was also rejected. On December 30, 2008, AESU rejected YPF's right to suspend its natural gas deliveries and on March 20, 2009, AESU notified YPF that it was terminating the contract. See "—Arbitration with AES Uruguaiana Emprendimentos S.A. (AESU), Companhia de Gás do Estado do Río Grande do Sul (Sulgás) and Transportadora de Gas del Mercosur S.A. (TGM)."

In addition, YPF is subject to certain claims related to transportation fees and charges associated with transportation services under contracts associated with natural gas exports. One of the parties to these contracts initiated mediation proceedings with us in order to determine the merits of its claim. The mediation proceedings, did not result in an agreement and, on March 12, 2010, YPF was notified of the lawsuit filed by such company claiming the fulfillment of contractual obligations and the payment of unpaid invoices while reserving the right to claim for damages. YPF has answered the mentioned lawsuit. In the opinion of our management, this matter will not have a material adverse effect on our results of operations.

La Plata refinery environmental disputes. On June 29, 1999, a group of three neighbors of the La Plata refinery filed claims for the remediation of alleged environmental damages in the peripheral water channels of the refinery, investments related to contamination and compensation for alleged health and property damages as a consequence of environmental pollution caused by YPF prior to and after privatization. We notified the executive branch of the Argentine government that there is a chance that the tribunal may find us responsible for the damages. In such event, due to the indemnity provided by Law No. 24,145 and in accordance with that law, we shall be allowed to request reimbursement of the expenses for liabilities existing on or prior to January 1, 1991 (before privatization) from the Argentine government.

On December 27, 2002, a group of 264 claimants who resided near the La Plata refinery requested compensation for alleged quality of life deterioration and environmental damages purportedly caused by the operation of the La Plata refinery. The amount claimed is approximately Ps.77 million. We filed a writ answering the complaint. There are three similar additional claims raised by three groups of 120, 343, and 126 neighbors, respectively. The first group has made a claim for compensation of approximately Ps. 24 million, the second group has made a claim for compensation of approximately Ps. 66 million and the third one has made a claim of approximately Ps. 23 million, in addition to a request for environmental cleanup.

On December 17, 1999, a group of 37 claimants who resided near La Plata refinery, demanded the specific performance by us of different works, installation of equipment, technology and execution of work necessary to stop any environmental damage, as well as compensation for health damages alleged to be the consequence of gaseous emissions produced by the refinery, currently under monitoring.

Quilmes claims. We have been notified of 34 judicial claims filed by neighbors living near the riverside in Quilmes, in the province of Buenos Aires, as a consequence of a leak related to the La Plata – Dock Sud pipeline, which occurred in 1988 as third parties damaged and stole fuel from the pipeline, which was then repaired by Yacimientos Petrolíferos Fiscales. One of the claims has been filed by a group of people that allegedly live in this area and have requested the remediation of environmental damages and the payment of approximately Ps.47 million plus interest as compensation

for alleged personal damages for hydrocarbons exposure. We have answered the complaint requesting its rejection and impleading the Argentine government. We have also notified the Argentine government of the existence of this claim and that we plan to request that it hold us harmless and indemnify us against any liability derived from this lawsuit, as provided by Law No. 24,145. The Argentine government, through an administrative decision, has denied any responsibility to indemnify us for this matter, and we have sued the Argentine government to obtain a declaratory judgment declaring this administrative decision null and void. Such declaratory judgment is still pending. There are 33 other judicial claims that have been brought against us based on similar allegations, amounting to approximately Ps.16.7 million. Additionally, we are aware of the existence of other actions brought against us that have not yet been served and which are based on similar allegations. As of the date of this report, a remediation plan is being performed in the affected area, under the supervision of the environmental authority of the province of Buenos Aires.

Tax claims. We have received several claims from the Federal Administration of Public Revenue (Administración Federal de Ingresos Públicos, or "AFIP") and from the provincial and municipal fiscal authorities, which are not individually significant, and which have been reserved based on the best information available as of the date of this report.

Pluspetrol Energy S.A. contractual obligations. Pluspetrol and Gas Atacama Generación S.A. ("Gas Atacama"), had reached an agreement through which, in case that Pluspetrol could not fulfill its natural gas delivery obligations, it would indemnify Gas Atacama. This agreement would come into effect once ratified by the Secretariat of Energy. However, on March 10, 2008, the Ministry of Economy and Production issued Resolution No. 127/2008, by which the natural gas export tax withholding rate was increased, significantly changing the commercial terms of the aforementioned agreement. Consequently, Pluspetrol informed Gas Atacama and the Secretariat of Energy of its intention to terminate the aforementioned agreement. As a result, the parties initiated discussions concerning the new regulatory framework, and reached a new agreement pursuant to which Pluspetrol shall compensate Gas Atacama for non-delivered volumes. The compensation amounts to U.S.$5.8 million per year (U.S.$2.6 million considering YPF's interest in Pluspetrol), from 2008 until 2014.

Non-reserved, possible contingencies

In addition to the probable contingencies described in the preceding paragraphs, we have received several labor, civil, commercial and environmental claims which had not been reserved since management, based on the evidence available to date and upon the opinion of our external counsel, have considered them to be possible contingencies. The most significant of such contingencies are described below.

Noroeste basin reserves review. The effectiveness after certain specific dates of natural gas export authorizations (related to production in the Noroeste basin) granted to us pursuant to Resolution S.E. Nos. 165/99, 576/99, 629/99 and 168/00, issued by the Argentine Secretariat of Energy, is subject to an analysis by the Argentine Secretariat of Energy to determine whether sufficient additional natural gas reserves have been discovered or developed by us in the Noroeste basin. The result of this ongoing review is uncertain and may have an adverse impact upon the execution of the export gas sales agreements related to such export authorizations, and may imply significant costs and liabilities for us. We have submitted to the Argentine Secretariat of Energy documentation in order to allow for the continuation of the authorized exports in accordance with Resolutions SE No. 629/1999, 565/1999, and 576/1999 (the "Export Permits") from the Noroeste basin. These Export Permits relate to the long-term natural gas export contracts with Gas Atacama Generación S.A., Empresa Eléctrica del Norte Grande S.A. and Electroandina S.A. (collectively, the "Clients"), involving volumes of 900,000 m3/day, 600,000 m3/day and 1,750,000 m3/day, respectively. We have not yet received a response from the Argentine Secretariat of Energy. However, on March 29, 2007, an internal memorandum of the technical sector of the Argentine Secretariat of Energy addressed this file and concluded, without resolving the question that we have not included the necessary reserves to continue with the Export Permits. The file is currently awaiting decision from the Argentine Secretariat of Energy. If the Argentine Secretariat of Energy were to determine that the reserves are not sufficient to continue to comply with our export commitments and other commitments, it could declare the expiration or suspension of one or more of the Export Permits, which would have a direct impact on

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the export contracts, to the injury of the Clients. In the case in which it were determined that we did not act as a prudent and diligent operator and/or did not have sufficient reserves, we could be responsible for the damages that this situation causes to the Clients.

New Jersey claims. On December 13, 2005, the New Jersey Department of Environmental Protection (the "DEP") and the New Jersey Spill Compensation Fund filed a claim with a New Jersey court against Occidental Chemical Corporation, Tierra Solutions Inc. ("Tierra"), Maxus, Repsol YPF, YPF, YPF Holdings and CLH Holdings. The plaintiffs are claiming economic compensation in an undetermined amount and punitive damages as a consequence of environmental damages, as well as the costs and fees associated with this proceeding, based on alleged violations of the Spill Compensation and Control Act, the Water Pollution Control Act and common law claims relating to a facility allegedly operated by the defendants and located in Newark, New Jersey that allegedly impacted the Passaic River and Newark Bay. DEP filed its Second Amended Complaint in April 2008; YPF's motion to dismiss for lack of personal jurisdiction was denied in September 2008. The decision was affirmed by the Court of Appeals following an appeal from YPF. Notwithstanding the above, the Court denied the plaintiffs' motion to bar third party practice and allowed defendants to file third-party claims. Third-party claims against approximately 300 companies and governmental entities (including certain municipalities) which could have responsibility in connection with the claim were filed by Tierra and Maxus in February 2009. DEP filed its Third Amended Complaint in August 2010 in which it incorporated Maxus International Energy Company and YPF International S.A. as defendants. In September 2010, New Jersey governmental parties, along with other summoned entities, filed their motions to dismiss, which have been answered by Maxus and Tierra. The aforementioned motions to dismiss are pending resolution. In addition, a mediator has prepared a plan for an alternative dispute resolution process that was recently presented to the parties and is currently under discussion by them. See "—YPF Holdings."

Patagonian Association of Land-Owners claims. On August 21, 2003, the Patagonian Association of Land-Owners ("ASSUPA") sued the companies operating production concessions and exploration permits in the Neuquina basin, including us, claiming for the remediation of the general environmental damage purportedly caused in the execution of such activities or the establishment of an environmental restoration fund, and the implementation of measures to prevent environmental damages in the future. The total amount claimed against all companies is more than U.S.$547.6 million. The plaintiff requested that the Argentine government (Secretariat of Energy), the Federal Environmental Council (Consejo Federal de Medio Ambiente), the provinces of Buenos Aires, La Pampa, Neuquén, Río Negro and Mendoza and the National Ombudsman be summoned. It requested, as a preliminary injunction, that the defendants refrain from carrying out activities affecting the environment. Both the Ombudsman's summons as well as the requested preliminary injunction were rejected by the Argentine Supreme Court. Once the complaint was notified, we and the other defendants filed a motion to dismiss for failure of the plaintiff to state a claim upon which relief may be granted. The court granted the motion, and the plaintiff had to file a supplementary complaint. We requested that the claim be rejected because the defects of the complaint indicated by the Argentine Supreme Court have not been corrected, but such request was denied. However, we have also requested its rejection for other reasons, and impleaded the Argentine government, due to its obligation to indemnify us against any liability and hold us harmless for events and claims arising prior to January 1, 1991, according to Law No. 24,145 and Decree 546/1993. On February 23, 2009, the Argentine Supreme Court ordered that certain provinces, the Argentine government and the Federal Environmental Council be summoned. Therefore, pending issues were deferred until the impleaded parties appear before the court and procedural issues are resolved.

Dock Sud claim. We have been sued in the following environmental lawsuits that have been filed by residents living near Dock Sud, province of Buenos Aires: (i) "Mendoza, Beatriz against National State et al.," a lawsuit before the Argentine Supreme Court, in which the Argentine government, the province of Buenos Aires, the City of Buenos Aires, 14 municipalities and 44 companies (including us) were sued. The plaintiffs have requested unspecified compensation for collective environmental damage to the Matanza and Riachuelo river basins and for physical and

property damage, which they claim to have suffered. The Argentine Supreme Court declared itself legally competent to settle only the conflict related to the collective environmental damages, including prevention of future pollution, remediation of environmental damages already caused and monetary compensation for irreparable environmental damages, and has requested that the defendants submit specific reports. In particular, it has requested that the Argentine government, the province of Buenos Aires, the City of Buenos Aires and the Federal Environmental Council submit a plan with environmental objectives. We answered the complaint and requested the impleading of the Argentine government, based on its obligation to indemnify us against any liability and hold us harmless for events and claims previous to January 1, 1991, according to Law No. 24,145 and Decree No. 546/1993. In July 2008, the Argentine Supreme Court decided that the Basin Authority (Law 26,168) will be in charge of performing a remediation plan as well as of taking preventive measures in the area. The National State as well as the Province and City of Buenos Aires will be responsible for the performance of these measures. It also declared the exclusive competence of the First Instance Federal Court in Quilmes to hear any claims or disputes arising out of the remediation plan or the preventive measures and determined that any future action seeking the environmental remediation of the basin will be dismissed (litis pendentia). Additionally, the Argentine Supreme Court declared that it will determine whether and how much liability is to be borne by the parties involved; (ii) “Cicero, María Cristina against Antivari S.A.C.I. et al. for damages” in which the plaintiffs, who are residents of Villa Inflamable, Dock Sud, also demand the environmental remediation of Dock Sud and Ps.33 million in compensation for physical and property damages against many companies that have operations there, including us. We answered the complaint by requesting its rejection and asked the citation of the Argentine government, due to its obligation to indemnify us against any liability and hold us harmless for events and claims previous to January 1, 1991, according to Law No. 24,145 and Decree No. 546/1993.

La Plata refinery environmental claims. On June 6, 2007, we were served with a complaint in which nine residents of the vicinity of the La Plata refinery request (i) the cessation of contamination and other harms they claim are attributable to the refinery and (ii) the cleanup of the adjacent canals, Río Santiago and Río de la Plata (water, soils and aquifers, including within the refinery), or, if cleanup is impossible, compensation for environmental and personal damages. The plaintiffs have also requested physical and property damages of approximately Ps. 52 million, or an amount to be determined from evidence produced in discovery. We believe that most damages that are alleged by the plaintiffs, if proven, may be attributable to events that occurred prior to YPF’s privatization and would therefore be the responsibility of the Argentine government in accordance with the Privatization Law of YPF. Notwithstanding the aforesaid, there is the possibility a judgment could order us to meet the expenses of remedying these liabilities, in which case we could ask the Argentine government to reimburse the remediation expenses for liabilities existing prior to January 1, 1991 pursuant to Law 24,145. In addition, we believe that this claim partially overlaps with the request made by a group of neighbors of the La Plata refinery on June 29, 1999, mentioned in preceding paragraphs. Accordingly, we consider that the cases will need to be partially consolidated to the extent that the claims overlap. We answered the complaint by requesting its rejection and asked for the citation of the Argentine government, due to its obligation to indemnify us against any liability and hold us harmless for events and claims previous to January 1, 1991, according to Law No. 24,145 and Decree No. 546/1993. Additionally, we believe that any contamination that may exist could be attributable to numerous sources, including dumping of refuse over many years by other industrial facilities and by ships.

Additionally, we are aware of an action in which we have not yet been served, in which the plaintiff requests the cessation of contamination and the cleanup of the canals adjacent to the La Plata refinery, in Río Santiago, and other sectors near the coast (removal of mud, drainage of wetlands, restoration of biodiversity, among other things), and, if such sanitation is not practicable, compensation of Ps.500 million or an amount to be determined from evidence produced in discovery. We believe that this claim partially overlaps with the requests made by a group of neighbors of the La Plata refinery on June 29, 1999 and with the complaint served on June 6, 2007, mentioned in preceding paragraphs. Accordingly, we consider that if we are served in this proceeding or any other proceeding related to the same subject matters, the cases will need to be consolidated to the extent that the claims overlap. With respect to claims that would not be included in the previous proceedings, for the time being we are unable to estimate the prospects of such claims. Additionally, we believe that most of the damages that do not overlap with the

aforementioned claims may be attributable to events that occurred prior to YPF's privatization and could therefore be the responsibility of the Argentine government in accordance with the Privatization Law concerning YPF.

Concessions on Hydrocarbon bearing zones – Provincial claims. We have been notified of Resolution 433/08 issued by the Ministry of Production, Hydrocarbon Department of the Río Negro Province concerning compliance with certain obligations by exploitation concessionaires in the hydrocarbon bearing zones of Barranca de los Loros, Bajo del Piche, El Medanito and Los Caldenes, all located in Río Negro Province. This resolution asserts that we, among others, in our capacity as a concessionaire, are liable for failing to meet certain concession and environmental obligations. If found liable, we could be at risk of termination of these concession contracts. In light of the above, and consistent with provisions of the Hydrocarbons Law, we were requested to submit a response.

The Hydrocarbons Law grants the concessionaire and/or licensee the right, prior to termination based upon contractual provisions, to cure a contractual breach within a certain period of time after receiving notice thereof. Accordingly, on May 29, 2008, we filed a request for nullification of Resolution 433/08, since this resolution failed to grant us this right. Additionally, on June 13, 2008, we submitted a response denying the charges against us and on November 12, 2008, the Ministry of Production ordered the initiation of the evidence production period. On November 28, 2008, we filed a writ requesting the production of certain evidence and the appointment of our technical expert. As of the date of this report, we have argued certain aspects related to the production of evidence. On May 12, 2009, we were notified of the issuance of Resolution No. 31/09 dated March 13, 2009 by the Ministry of Production, Hydrocarbon Department of the Río Negro Province, which ordered an extension of the evidence production period in this case. On December 1, 2009, we presented the requested documentary evidence and state that the production of evidence related to certain of our claims are still pending. Finally, on September 16, 2010, YPF submitted a presentation and requested the termination of this claim based on: (a) the amounts invested in the four hydrocarbon bearing zones between 2007 and 2010 and (b) the actions taken as regards to the environmental matters.

Claims related to the gas market and others. In addition to the claims described under "—Alleged defaults under natural gas supply contracts", we are involved in the following proceedings also related to the restrictions imposed by the Argentine government in the natural gas market:

- Arbitration with Transportadora de Gas del Mercosur S.A. (TGM). YPF was notified by the International Chamber of Commerce (ICC) of an arbitration brought by TGM against YPF claiming unpaid and outstanding payments in an approximate amount of U.S.$10 million plus interest, in connection with the transportation fee established in the natural gas transportation contract entered into in September 1998 between YPF and TGM, associated with the natural gas export contract entered into by YPF, AESU and Companhia de Gás do Estado do Río Grande do Sul (Sulgás), referred below. See "—Non-reserved, remote contingencies—Arbitration with AES Uruguaiana Empreendimentos S.A. (AESU), Companhia de Gás do Estado do Río Grande do Sul (Sulgás) and Transportadora de Gas del Mercosur S.A. (TGM)." On April 8, 2009, YPF requested that this claim be rejected and counterclaimed for the termination of the natural gas transportation contract, based on its termination rights upon the termination by AESU and Sulgás of the natural gas export contract discussed below.

− On July 10, 2009, TGM increased the amount of its claim to approximately U.S.$17.3 million and claimed an additional amount of approximately U.S.$366.4 million for lost profits, a claim for which we believe YPF should not be responsible. YPF rejected TGM's arguments. The Arbitration Tribunal has been constituted. On April 20, 2010, the parties agreed on the Terms of Reference in coordination with the Arbitration Tribunal. On June 10, 2010, YPF submitted its arguments on procedural grounds before the Arbitration Tribunal and requested the Arbitration Tribunal to determine that it was not competent to hear the claim. In case such motion is rejected, YPF has requested the Arbitration Tribunal to suspend this arbitration until the ongoing arbitration with TGM, AESU and Sulgás is solved. On the same date, TGM also submitted a similar request. A ruling determining the Arbitration Tribunal's competence is still pending.

On April 6, 2009, YPF registered a request for arbitration at the ICC against TGM, AESU and Sulgás, seeking an award declaring the termination of the gas transportation contract with TGM as a result of the termination of the natural gas export contract with AESU and Sulgás by such parties. On the same date, YPF was notified by the ICC of an arbitration brought against it by AESU and Sulgás. See "—Non-reserved, remote contingencies—Arbitration with AES Uruguaiana Empreendimentos S.A. (AESU), Companhia de Gás do Estado do Río Grande do Sul (Sulgás) and Transportadora de Gas del Mercosur S.A. (TGM)," below. YPF has requested that the three proceedings be combined.

- Litigation with Transportadora de Gas del Norte S.A. (TGN). On April 8, 2009, YPF filed a complaint against TGN with ENARGAS, seeking the termination of the natural gas transportation contract with TGN for the transport of

natural gas in connection with the natural gas export contract entered with AESU and other parties. The complaint is based on the termination of the referenced natural gas export contract and the legal impossibility of assigning the transportation contract to other shippers because of certain changes in law in effect since 2002; as a second order matter, the legal impossibility for TGN to render the transportation service on a firm basis because of certain changes in law in effect since 2004; and as a third order matter, the Teoría de la Imprevisión (hardship provision under Article 1198 of the Argentine Civil Code) available under Argentine law when extraordinary events render a party's obligations excessively burdensome.

- CNDC investigation. On November 17, 2003, the CNDC requested explanations, within the framework of an official investigation pursuant to Art. 29 of the Antitrust Protection Law, from a group of almost 30 natural gas production companies, including us, with respect to the following items: (i) the inclusion of clauses purportedly restraining trade in natural gas purchase/sale contracts and (ii) gas imports from Bolivia, in particular (a) expired contracts signed by YPF, when it was state-owned, and YPFB (the Bolivian state-owned oil company), under which YPF allegedly sold Bolivian gas in Argentina at prices below the purchase price; and (b) the unsuccessful attempts in 2001 by Duke and Distribuidora de Gas del Centro to import gas into Argentina from Bolivia. On January 12, 2004, we submitted explanations in accordance with Art. 29 of the Antitrust Protection Law, contending that no antitrust violations had been committed and that there had been no price discrimination between natural gas sales in the Argentine market and the export market. On January 20, 2006, we received a notification of resolution dated December 2, 2005, whereby the CNDC (i) rejected the "non bis in idem" petition filed by us, on the grounds that ENARGAS was not empowered to resolve the issue when ENARGAS Resolution No. 1,289 was enacted; and (ii) ordered that the preliminary opening of the proceedings be undertaken pursuant to the provisions of Section 30 of Law 25,156. On January 15, 2007, the CNDC charged us and eight other producers with violations of Law 25,156. We have contested the complaint on the basis that no violation of the Law took place and that the charges are barred by the applicable statute of limitations, and have presented evidence in support of our position. On June 22, 2007, without acknowledging any conduct in violation of the Antitrust Protection Law, we filed with the CNDC a commitment according to Article 36 of the Antitrust Protection Law requesting that the CNDC approve the commitment, suspend the investigation and dismiss the proceedings. We are still awaiting a formal response. On December 14, 2007, the CNDC elevated the investigation to the Court of Appeals.

In addition, we are subject to other claims before the CNDC which are related to alleged price discrimination in the sale of fuels. Upon the opinion of management and its legal advisors, such claims are considered possible contingencies.

- Users and Consumers' Association claim. The Users and Consumers' Association (Unión de Usuarios y Consumidores) claimed (originally against Repsol YPF before extending its claim to YPF) the reimbursement of allegedly excessive prices charged to bottled LPG consumers between 1993 and 2001. The claim is for a sum of Ps.91.2 million for the period 1993 to 1997 (this sum, in current pesos, would amount to approximately Ps.315 million), together with an undetermined amount for the period 1997 to 2001. We invoked the statute of limitations, since the applicable two-year statute of limitation had already elapsed. A ruling is pending on the applicability of the statute of limitations. Notwithstanding the above, the evidence production period commenced on August 6, 2009.

- Alleged defaults under natural gas contracts – Mega. Mega has claimed compensation from us for failure to deliver natural gas under the contract between us and Mega. We invoked that natural gas deliveries to Mega pursuant to the contract were affected by the Argentine government's interference. Consequently, we believe that we are not liable for such natural gas delivery deficiencies pursuant to the doctrine of "force majeure".

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Non-reserved, remote contingencies

Our management, in consultation with our external counsel, believes that the following contingencies, while individually significant, are remote:

Congressional request for investigation to CNDC. On November 7, 2003, certain former members of the Argentine Congress, Arturo Lafalla, Ricardo Falu and others, filed with the CNDC a complaint against us for abuse of a dominant position in the bulk LPG market during 2002 and part of 2003. The alleged conduct consisted of selling bulk LPG in the domestic market at prices higher than the export price, thereby restricting the availability of bulk LPG in the domestic market. On December 15, 2003, the CNDC decided to forward the complaint to us, and requested explanations under Art. 29 of the Antitrust Protection Law. On January 21, 2004, we submitted explanations in accordance with Art. 29 of the Antitrust Protection Law, contending that no antitrust violations had been committed. At this point, the CNDC may accept our explanations or begin a criminal investigation. We contend that we did not restrict LPG supply in the domestic market during the relevant period, that during this period all domestic demand for LPG could have been supplied by our competitors and that therefore our market share could not be deemed a dominant position. On September 2, 2008, the CNDC issued Note No. 1131/08 requesting information in relation to the prices in the internal and external markets corresponding to the years 2000-2008. On October 7, 2008, we presented the information. On December 10, 2008, the CNDC requested us to file the LPG export contracts signed during the years 2001-2004 as well as to explain the evolution of the prices in the internal and external markets of propane and butane during the March to December period in the years 2001-2004. On December 16, 2008, we presented the requested information. Having filed the requested information, we have become aware that the CNDC has issued an opinion suggesting that the proceedings be dismissed. However, the matter is still pending before the Secretary of Domestic Commerce.

Pursuant to the provisions of Resolution No. 189/99, referred to above, certain third parties have claimed compensation for alleged damages suffered by them as a consequence of our sanctioned conduct. We have denied these claims and presented our defenses.

Other export tax disputes. Between 2006 and 2009, the Customs General Administrations in Neuquén, Comodoro Rivadavia and Puerto Deseado informed us that certain summary proceedings had been brought against us based on alleged formal misstatements on forward oil deliveries (future commitments of crude oil deliveries) in the loading permits submitted before these agencies. In December 2008, the Customs General Administration of Neuquén rejected our arguments and issued a resolution against us. We will appeal before the National Fiscal Court. Although our management, based on the opinion of legal counsel, believes the claim has no legal basis, the potential fines imposed could be substantial.

Mendoza royalties dispute. Following certain claims from the province of Mendoza that the international market price be used in the calculation of royalties relating to internal market transactions based on its interpretation of Section 6 of Law No. 25,561, we commenced an administrative proceeding. Our request is currently pending. Additionally, YPF filed a declaratory action with the Argentine Supreme Court, with application for an injunction to declare unconstitutional the interpretation that the province of Mendoza applies to Section 6 of Law No. 25,561. On April 7, 2009, we were notified that the Argentine Supreme Court declared itself competent to hear the case brought by YPF, and issued a preliminary injunction to restrain the province of Mendoza from applying the international market price in calculating the royalties payable by YPF. The final resolution of this case is still pending.

Arbitration with AES Uruguaiana Empreendimentos S.A. (AESU), Companhia de Gás do Estado do Río Grande do Sul (Sulgás) and Transportadora de Gas del Mercosur S.A. (TGM). On April 6, 2009, YPF was notified by the ICC of an arbitration brought against it by AESU and Sulgás claiming damages in an amount of approximately U.S.$1,052

million, which includes damages for the matter described above with respect to AESU, in connection with YPF's alleged liability resulting from the termination by AESU and Sulgás of the natural gas export contract entered into in September 1998. See "—Alleged defaults under natural gas supply contracts" above. YPF denies all liability arising from such termination. Moreover, YPF believes that AESU's damages assessment is far beyond any reasonable assessment, since it exceeds six-fold the maximum aggregate deliver-or-pay penalties that would have accrued in the event that YPF would breached its delivery obligations for the maximum daily quantity through the expiration of the term of the natural gas export contract. In addition, more than 90% of AESU's damages assessment relates to alleged loss of profits that may be strongly challenged on the basis that prior to the termination of the natural gas export contract, AESU voluntarily terminated all of its long term power purchase contracts. Furthermore, on April 6, 2009, YPF registered a request for arbitration against AESU, Sulgás and TGM at the ICC seeking a declaration from the arbitral tribunal that, among other things, AESU and Sulgás have repudiated and unilaterally and illegally terminated the natural gas export contract entered into in September 1998 and declaring AESU and Sulgás liable for any damages suffered by the parties because of such termination, including but not limited to the damages resulting from the termination of the natural gas transportation contracts associated with the natural gas export contract. See "—Arbitration with Transportadora de Gas del Mercosur S.A. (TGM)."

The Arbitration Tribunal has been constituted in both arbitration proceedings. In both proceedings, the parties agreed on the Terms of Reference (on October 1, 2010 in the arbitration brought against YPF and on October 10, 2010 in the arbitration brought against AESU, Sulgás and TGM) that determine –among other matters- the controversial issues of both claims. Furthermore, the Arbitration Tribunal ordered to divert proceedings in order to solve jurisdictional oppositions before ruling on the object of the claims.

Proceedings related to foreign currency proceeds. On December 9, 2002, we filed a declaratory judgment action (Acción Declarativa de Certeza) before an Argentine federal court requesting clarification as to the uncertainty generated by opinions and statements of several organizations providing official advice that the right of the hydrocarbon industry to freely dispose of up to 70% of foreign currency proceeds from exports of hydrocarbons products and byproducts, as provided by Executive Decree No. 1,589/89, had been implicitly abolished by the new exchange regime established by Executive Decree No. 1,606/01. On December 9, 2002, a federal judge issued an injunction ordering the Argentine government, the Central Bank and the Ministry of the Economy to refrain from interfering with our access to and use of 70% of the foreign exchange proceeds from our hydrocarbon exports. Following the enactment of Decree No. 2,703/02 in December 2002, we expanded the scope of the declaratory judgment action before the federal court to clear any doubts and uncertainty arising after the enactment of this decree. See "Item 4. Information on the Company —Regulatory Framework and Relationship with the Argentine Government—Repatriation of Foreign Currency" in our 2009 20-F. On December 1, 2003, the National Administrative Court of Appeals decided that the issuance of Decree No. 2,703/02, which allows companies in the oil and gas sector to keep abroad up to 70% of the export proceeds, rendered the injunction unnecessary. Nevertheless, the Court of Appeals' decision was silent with respect to the availability of the exemption to convert proceeds from export operations carried out by oil and gas companies into domestic currency prior to the issuance of Decree No. 2,703/02.

On October 12, 2007, we were notified of the initiation of an administrative summary proceeding for alleged late repatriation of foreign currency proceeds, and the failure to repatriate the remaining 70%, in connection with some hydrocarbon export transactions made in 2002 (during the period between the issuance of Decree No. 1,606/01 and the issuance of Decree No. 2,703/02). Nevertheless, a final and unchallenged judicial judgment issued by a First Instance Court in Criminal Economic Matters in a similar administrative summary proceeding against a different company for alleged violation of the criminal exchange law (lack of repatriation of 70% of foreign currency proceeds) regarding export transactions made in 2002 resolved the matter in favor of that company based on well-founded arguments that were not challenged by the prosecutor. In addition, the Office of the General Prosecutor of Argentina has issued an opinion in a similar administrative summary proceeding involving another oil company stating that no criminal law violations existed in that case due to the lack of willful misconduct and the existence of differing regulations that created uncertainty as to the scope of certain obligations, and stating that the proceeding should be dismissed. On April 30, 2009, in similar administrative proceedings involving another oil company, the National

Administrative Court of Appeals resolved the matter in favor of that company, on the basis that the free disposal regime of up to 70% of export proceeds was in force during 2002, upon the publication of Decree No. 1638/01 on December 12, 2001. Extraordinary appeals

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filed by the Argentine government and the Central Bank have been rejected. Consequently, YPF considers that the administrative summary proceeding against YPF is unlikely to be successful.

Additional information

On August 11, 2006, we received Note SE No. 1009 (the "Note") from the Argentine Secretariat of Energy, which reviewed the progress of reserves in the Ramos Area in the Noroeste basin, in relation to the export authorization granted by Resolution S.E. No. 169/97 (the "Export Authorization"). The Export Authorization concerns the long-term natural gas export contract between us and Gas Atacama, for a maximum daily volume of 530,000 m3/day. The Note stated that as a result of the decrease in natural gas reserves supporting the Export Authorization, the domestic market supply was at risk. The Note preventively provided that the maximum natural gas daily volumes authorized to be exported under the Export Authorization were to be reduced by 20%, affecting the export contract. We filed an answer to the Note on September 15, 2006 stating our allegations and defenses.

YPF Holdings

The following is a brief description of certain environmental and other liabilities related to YPF Holdings Inc., a Delaware corporation.

In connection with the sale of Maxus' former chemical subsidiary, Diamond Shamrock Chemical Company ("Chemicals"), to Occidental Petroleum Corporation ("Occidental") in 1986, Maxus agreed to indemnify Chemicals and Occidental from and against certain liabilities relating to the business or activities of Chemicals prior to the Closing Date, including certain environmental liabilities relating to certain chemical plants and waste disposal sites used by Chemicals prior to the Closing Date. See "Item 4. Information on the Company—Environmental Matters—YPF Holdings—Operations in the United States" in our 2009 20-F.

As of September 30, 2010 and December 31, 2009, YPF Holdings' allowances for environmental and other contingencies totaled approximately Ps.574 million and Ps.531 million, respectively. YPF Holdings management believes it has adequately reserved for all environmental and other contingencies that are probable and can be reasonably estimated based on information available as of such time; however, many such contingencies are subject to significant uncertainties, including the completion of ongoing studies, the discovery of new facts, and the issuance of orders by regulatory authorities, which could result in material additions to such reserves in the future. It is possible that additional claims will be made, and additional information about new or existing claims (such as results of ongoing investigations, the issuance of court decisions or the signing of settlement agreements) is likely to develop over time. YPF Holdings' reserves for the environmental and other contingencies described below are based solely on currently available information and as a result, YPF Holdings, Maxus and Tierra may have to incur costs that may be material, in addition to the reserves already taken.

In the following discussion concerning plant sites and third party sites, references to YPF Holdings include, as appropriate and solely for ease of reference, references to Maxus and Tierra. As indicated above, Tierra is also a subsidiary of YPF Holdings and has assumed certain of Maxus' obligations.

Newark, New Jersey. A consent decree, previously agreed upon by the U.S. Environmental Protection Agency (the "EPA"), the New Jersey Department of Environmental Protection (the "DEP") and Occidental, as successor to Chemicals, was entered in 1990 by the United States District Court of New Jersey for Chemicals' former Newark, New Jersey agricultural chemicals plant. The approved interim remedy has been completed and paid for by Tierra pursuant to the above described indemnification agreement with Occidental. Operations and maintenance of the constructed remedy

are ongoing, and as of September 30, 2010, YPF Holdings has reserved approximately Ps.60 million in connection with such activities.

Passaic River/Newark Bay, New Jersey. Maxus, acting on behalf of Occidental, negotiated an agreement with the EPA under which Tierra has conducted further testing and studies to characterize contaminated sediment and biota in a six-mile portion of the Passaic River near the Newark, New Jersey plant site described above. While some work remains, these studies were substantially completed in 2005. In addition, the EPA and other agencies are addressing the lower 17-mile portion of the Passaic River (including the six-mile portion already studied) in a joint federal, state, local and private sector cooperative effort designated as the Lower Passaic River Restoration Project ("PRRP"). Tierra, along with certain other entities, has agreed to participate in and fund a remedial investigation and feasibility study ("RIFS") in connection with the PRRP. The parties are discussing the possibility of further work with the EPA. The entities that have agreed to fund the RIFS have negotiated allocations of RIFS costs among themselves based on a number of considerations. The EPA has issued a letter to other companies related to the pollution of Newark Bay. In addition, in August 2010, Tierra proposed to the other parties that, for the third stage of the RIFS undertaken in Newark Bay, the cost shall be allocated on a per capita basis. As of September 30, 2010 the parties are analyzing that proposal.

Tierra, acting on behalf of Occidental, is also performing and funding a separate RIFS to characterize sediment contamination and evaluate remedial alternatives in Newark Bay and portions of the Hackensack River, the Arthur Kill, and the Kill van Kull pursuant to a 2004 administrative order on consent with EPA. The EPA has issued General Notice Letters to a series of additional parties concerning the contamination of Newark Bay.

In December 2005, the DEP issued a directive to Tierra, Maxus and Occidental directing said parties to pay the State of New Jersey's costs of developing a Source Control Dredge Plan focused on allegedly dioxin-contaminated sediment in the lower six-mile portion of the Passaic River described above. The development of this Plan was estimated by the DEP to cost approximately U.S.$2.3 million (Ps. 9.1 million). The DEP has advised the recipients that they are not required to respond to the directive until otherwise notified. Also in December 2005, the DEP and the New Jersey Spill Compensation Fund sued YPF Holdings, Tierra, Maxus and other affiliates, as well as Occidental, alleging that dioxin, DDT and other "hazardous substances" discharged from Chemicals' former Newark plant contaminated the lower 17-mile portion of the Passaic River, Newark Bay, other nearby waterways and surrounding areas. The plaintiffs seek damages for the past cost of investigation and cleanup of these waterways, property damage and other economic impacts (such as decreases in tax revenues and value of real estate and increases in public medical costs, etc.), and punitive damages. The defendants have made responsive pleadings and/or filings. In March 2008, the court denied motions to dismiss for failure to state a claim by Occidental, and by Tierra and Maxus. DEP filed its Second Amended Complaint in April 2008; YPF's motion to dismiss for lack of personal jurisdiction was denied in September 2008. The decision was affirmed by the Court of Appeals following an appeal by YPF. The Court denied the plaintiffs' motion to bar third party practice and allowed defendants to file third-party claims. Third-party claims against approximately 300 companies and governmental entities (including certain municipalities) which could have responsibility in connection with the claim were filed by Tierra and Maxus in February 2009. DEP filed its Third Amended Complaint in August 2010, adding Maxus International Energy Company and YPF International S.A. as additional named defendants. In September 2010, governmental entities of the State of New Jersey and a number of third-party defendants filed motions to dismiss and Maxus and Tierra filed their responses. Rulings on these motions are still pending. DEP has not placed dollar amounts on all its claims, but it has (a) contended that a US$50 million cap on damages under one of the New Jersey statutes should not be applicable, (b) alleged that it has incurred approximately US$113 million in past "cleanup and removal costs," and is seeking an additional award of between US$10 and US$20 million to fund a study to assess natural resource damages, and (c) notified Maxus and Tierra's legal defense team that DEP is preparing financial models of the cost of other economic impacts. See "—Argentina—New Jersey Claims." Simultaneously, a mediator prepared a work plan for an alternative dispute resolution process that was recently presented to the parties and is currently under discussion by them.

In June 2007, EPA released a draft Focused Feasibility Study (“FFS”) that outlines several alternatives for remedial action in the lower eight miles of the Passaic River. These range from no action (which would result in comparatively little cost) to extensive dredging and capping (which according to the draft FFS, EPA estimated could cost from U.S.$0.9 billion to U.S.$2.3 billion), and are all described by EPA as involving proven technologies that could be carried out in the near term, without

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extensive research. Tierra, in conjunction with the other parties of the PRRP group, submitted comments on the draft FFS to EPA, as did a number of other interested parties. A revised remedy proposal is expected to be issued during the third quarter of 2011. Tierra plans to respond to any further EPA proposal as may be appropriate at that time.

In August 2007, the National Oceanic Atmospheric Administration ("NOAA"), as one of the Federal Natural Resources Trustees ("Trustees"), sent a letter to the parties of the PRRP group, including Tierra and Occidental, requesting that the group enter into an agreement to conduct a cooperative assessment of natural resources damages in the Passaic River and Newark Bay. The PRRP group has declined the NOAA's request, citing concerns with matters such as the FFS. In January 2008, the NOAA sent a letter to us, YPF Holdings, CLH Holdings Inc. and other entities designating each as a potentially responsible party ("PRP"), all of which have denied being a PRP. In November 2008, Occidental and Tierra entered into an agreement with the Trustees to fund a portion of the Trustees' past costs and conduct certain assessment activities during 2009. A group of approximately 20 other parties has also entered into a similar agreement with the Trustees. In November 2009, Tierra declined to extend this agreement for one additional year, citing concerns arising from the Passaic River litigation.

In June 2008, the EPA, Occidental, and Tierra entered into an Administrative Order on Consent ("AOC"), pursuant to which Tierra (on behalf of Occidental) will undertake the removal of sediment from a portion of the Passaic River in the vicinity of Chemicals' former Newark, New Jersey facility described above. This action will result in the removal of approximately 200,000 cubic yards of sediment, which will be carried out in two phases. The field work on the first phase, which will encompass the removal of 40,000 cubic yards, is scheduled to begin in 2011 and is expected to be completed approximately nine months later. The first phase of clean up is estimated to cost approximately U.S.$45 million. The second phase, which will encompass the removal of approximately 160,000 cubic yards of sediment, will be completed on a different schedule. Pursuant to the AOC, the EPA has required the provision of financial assurance in the amount of U.S.$80 million for the performance of the removal work through a trust fund. As of the date of this report, U.S.$22 million has been contributed to the fund; an additional U.S.$10 million must be contributed every six months until a total of U.S.$80 million has been deposited into the fund. The total amount of required financial assurance may be decreased or increased over time if the anticipated cost of completing the removal work contemplated by the AOC changes. Notwithstanding, during the first quarter of 2010, a letter of credit to provide financial assurance has been issued, in order to avoid the restriction of additional funds pursuant to the AOC. During the removal work, certain contaminants not produced by the former Chemicals plant, such as PCBs and mercury, will be removed along with dioxin. YPF Holdings may seek cost recovery from the parties responsible for such contamination; however, at this time it is not possible to make any predictions regarding the likelihood of success or the funds potentially recoverable in a cost-recovery action. The removal work required pursuant to the AOC will be conducted concurrently with and in addition to the other investigations and remedial actions described above, including those undertaken in connection with the FFS concerning the lower eight miles of the Passaic River, the RIFS addressing the lower 17-mile portion of the Passaic River, and the RIFS relating to contamination in Newark Bay, portions of the Hackensack River, the Arthur Kill and the Kill van Kull.

As of September 30, 2010, YPF Holdings has reserved approximately Ps.260 million in connection with the foregoing matters related to the Passaic River, the Newark Bay and the surrounding area comprising the estimated costs for studies, estimated costs in connection with the AOC, and certain other matters related to the Passaic River and Newark Bay. However, it is possible that other works, including interim remedial measures, may be ordered. How these matters are resolved, including the development of new information, the imposition of natural resource damages or the selection of remedial actions differing from the scenarios we have proposed could result in Maxus and Tierra incurring material costs in addition to the amount currently reserved.

Hudson and Essex Counties, New Jersey. Until the 1970s, Chemicals operated a chromite ore processing plant at Kearny, New Jersey (the "Kearny Plant"). Tierra, on behalf of Occidental, is providing financial assurance in the amount

of U.S.$20 million for performance of the work associated with the issues described below.

In May 2005, the DEP took two actions in connection with the chrome sites in Hudson and Essex Counties. First, the DEP issued a directive to Maxus, Occidental and two other chromium manufacturers (the "Respondents") directing them to arrange for the cleanup of chromite ore residue at three sites in Jersey City and for the conduct of a study by paying the DEP a total of U.S.$19.5 million. Second, the DEP filed a lawsuit against Occidental and two other entities in state court in Hudson County seeking, among other things, cleanup of various sites where chromite ore residue is allegedly located, recovery of past costs incurred by the state at such sites (including in excess of U.S.$2.3 million dollars allegedly spent for investigations and studies) and, with respect to certain costs at 18 sites, treble damages. The DEP claims that the defendants are jointly and severally liable, without regard to fault, for much of the damages alleged. The parties have come to an agreement regarding this matter, pursuant to which Tierra will pay U.S.$5 million, and will remediate 3 sites, at an estimated cost of U.S.$2.1 million. In addition, in 2008 the DEP approved the construction of certain interim remedial measures relating to the Kearny Plant; work on those remedial measures has begun.

Pursuant to a request of the DEP, in the second half of 2006, Tierra and certain other parties tested the sediments in a portion of the Hackensack River near the former Kearny Plant. A report of those test results has been submitted to the DEP. The DEP has requested additional sampling, and a work plan to conduct such sampling has been prepared and submitted to the DEP for its approval.

In November 2005, several environmental groups sent a notice of intent to sue the owner of the property adjacent to the former Kearny Plant and five other parties, including Tierra, under the Resource Conservation and Recovery Act. The parties have entered into an agreement that addresses the concerns of the environmental groups and these groups have agreed, at least for now, not to file suit. In March 2008, the DEP approved an Interim Response Action work plan for work to be performed at the Kearny Plant site by Tierra and at the adjacent property by Tierra in conjunction with other parties. This adjacent property was listed by EPA on the National Priority List in 2007. In July 2010, EPA notified Tierra, along with three other parties, which are considered potentially responsible for this adjacent property and requested to conduct a RIFS for the site. The parties have responded and are awaiting discussion with the EPA as to the scope of activities.

As of September 30, 2010, YPF Holdings has reserved a total of approximately Ps.100 million in connection with the foregoing chrome-related matters. Soil action levels for chromium in New Jersey have not been finalized, and the DEP continues to review the proposed action levels. The cost of addressing these chrome-related matters could increase significantly depending upon the final soil action levels, the DEP's response to Tierra's studies and reports and other developments.

Painesville, Ohio. From about 1912 through 1976, Chemicals operated manufacturing facilities in Painesville, Ohio (the "Painesville Works"). The operations there over the years involved several discrete but contiguous plant sites over an area of about 1,300 acres. The primary area of concern historically has been Chemicals' former chromite ore processing plant (the "Chrome Plant"). The Ohio Environmental Protection Agency ("OEPA") has approved certain work, including the remediation of specific sites within the former Painesville Works area and work associated with development plans (the "Remediation Work"). The Remediation Work has begun. As the OEPA approves additional projects for the site of the former Painesville Works, additional amounts may need to be reserved. YPF Holdings has reserved a total of approximately Ps.53 million as of September 30, 2010 for its estimated share of the cost to perform the remedial investigation and feasibility study, the Remediation Work and other operation and maintenance activities at this site.

Third Party Sites. Pursuant to settlement agreements with the Port of Houston Authority (the "Port") and other parties, Tierra and Maxus are participating (on behalf of Occidental) in the remediation of property adjoining Chemicals' former Greens Bayou facility where dichloro-diphenyl-trichloroethane ("DDT") and certain other chemicals were manufactured. Additionally, in 2007 the parties entered into a settlement with federal and state natural resources

trustees in connection with claims for natural resources damages. As of September 30, 2010, YPF Holdings has reserved approximately Ps.18 million for its estimated share of the remediation and

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the natural resources damages settlement associated with the Greens Bayou facility. The remediation activities were largely finished in 2009, but some minor closure activities, as well as ongoing operations and maintenance, are still in progress.

In June 2005, the EPA designated Maxus as a PRP at the Milwaukee Solvay Coke & Gas Site in Milwaukee, Wisconsin. The basis for this designation is Maxus' alleged status as the successor to Pickands Mather & Co. and Milwaukee Solvay Coke Co., companies that the EPA has asserted are former owners or operators of such site. In 2006, Maxus and four other PRPs entered into a Joint Participation and Defense Agreement, and in January 2007 those PRPs and EPA entered into an AOC to perform a RIFS. The PRP Agreement includes an interim allocation, under which Maxus's share is 50%. Preliminary work in connection with the RIFS in respect of this site commenced in the second half of 2006. YPF Holdings has reserved approximately Ps.5 million as of September 30, 2010 for its estimated share of the costs of the RIFS. Maxus lacks sufficient information to determine additional exposure or costs, if any, it might have in respect of this site.

Maxus is responsible for certain liabilities attributable to Occidental, as successor to Chemicals, in respect of the Malone Service Company Superfund Site in Galveston County, Texas. This site is a former waste disposal site where Chemicals is alleged to have sent waste products prior to September 1986.

Chemicals has also been designated as a PRP by the EPA under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended ("CERCLA") with respect to a number of third party sites where hazardous substances from Chemicals' plant operations allegedly were disposed or have come to be located. Numerous PRPs have been named at substantially all of these sites. At several of these, Chemicals has no known exposure. At September 30, 2010, YPF Holdings had reserved approximately Ps.2 million in connection with its estimated share of costs related to the Milwaukee Solvay Coke & Gas Site, the Malone Service Company Superfund Site, and the other sites mentioned in this paragraph.

"Agent Orange" and VCM Litigation. In 2002, Occidental sued Maxus and Tierra in state court in Dallas, Texas seeking a declaration that Maxus and Tierra have the obligation under the agreement pursuant to which Maxus sold Chemicals to Occidental to defend and indemnify Occidental from and against certain historical obligations of Chemicals, including claims related to "Agent Orange" and vinyl chloride monomer (VCM), notwithstanding the fact that said agreement contains a 12-year cut-off for defense and indemnity obligations with respect to most litigation. Tierra was dismissed as a party, and the matter was tried in May 2006. The trial court decided that the 12-year cut-off period did not apply and entered judgment against Maxus. This decision was affirmed by the Court of Appeals in February 2008. Maxus' petition to the Texas Supreme Court for review was denied. This decision will require Maxus to accept responsibility for various matters for which it has refused to indemnify Occidental since 1998, which could result in the incurrence of costs in addition to YPF Holdings' current reserves for this matter. This decision will also require Maxus to reimburse Occidental for past costs. In 2009, Maxus received a statement from Occidental of the costs Occidental believed to be due under the judgment, in the amount of U.S.$16.7 million. In March 2009, Maxus paid U.S.$14.9 million in respect of court costs, interests through the end of 2007 and estimates of future costs for which Maxus could become liable under the declaratory judgment. In September 2009, Maxus paid to Occidental $1.9 million. As of September 30, 2010, only approximately U.S.$0.2 million of disputed claims (relating to Occidental's internal costs) remains pending. Maxus has fully reserved for this claimed amount.

Turtle Bayou Litigation. In March 2005, Maxus agreed to defend Occidental, as successor to Chemicals, in respect of an action seeking the contribution of costs for the remediation of the Turtle Bayou waste disposal site in Liberty County, Texas. Judgment was entered in this action, and Maxus filed a motion for reconsideration which was partially successful. As a result, the court's decision requires Maxus to pay, on behalf of Occidental, approximately 16% of those costs incurred by one of the plaintiffs. Maxus appealed this judgment and posted a supersedeas bond in the

amount of $3.1 million. In June 2010, the Court of Appeals ruled that the District Court had committed errors in the admission of certain documents and remanded the case to the District Court for further proceedings. As of September 30, 2010, YPF Holdings has reserved approximately Ps.15 million in respect of this matter.

YPF Holdings, including its subsidiaries, is a party to various other lawsuits, the outcomes of which are not expected to have a material adverse affect on the company's financial condition. YPF Holdings has established reserves for legal contingencies and environmental issues in those situations where a loss is probable and can be reasonably estimated.

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ITEM 6. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2010 AND 2009

YPF SOCIEDAD ANONIMA AND CONTROLLED AND JOINTLY CONTROLLED COMPANIES

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The accompanying notes are an integral part of these condensed financial statements.

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YPF SOCIEDAD ANONIMA AND CONTROLLED AND JOINTLY CONTROLLED COMPANIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2010 AND 2009
(Amounts expressed in million of Argentine pesos, except for per share amounts in Argentine pesos – Note 1)
(The condensed consolidated statements of income for the nine-month periods ended September 30, 2010 and September 30, 2009, are unaudited)

	2010	2009
Net sales (Note 3.h)	31,849	24,648
Cost of sales (Note 6.b)	(20,866)	(16,696)
Gross profit	10,983	7,952
Selling expenses (Note 6.c)	(2,182)	(1,790)
Administrative expenses (Note 6.c)	(1,015)	(776)
Exploration expenses (Note 6.c)	(178)	(422)
Operating income	7,608	4,964
Income (loss) on long-term investments	67	(5)
Other expense, net (Note 3.i)	(23)	(17)
Financial income (expense), net and holding gains (losses):		
Gains (losses) on assets		
Interests	87	69
Exchange differences	176	288
Holding gains (losses) on inventories	467	(163)
Losses on liabilities		
Interests	(664)	(714)
Exchange differences	(400)	(785)
Net income before income tax	7,318	3,637
Income tax	(2,738)	(1,567)
Net income	4,580	2,070
Earnings per share (Note 1)	11.64	5.26

The accompanying notes are an integral part of these condensed financial statements.

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YPF SOCIEDAD ANONIMA AND CONTROLLED AND JOINTLY CONTROLLED COMPANIES
CONDENSED CONSOLIDATED BALANCE SHEETS
AS OF SEPTEMBER 30, 2010 AND DECEMBER 31, 2009
(Amounts expressed in million of Argentine pesos – Note 1)
(The condensed consolidated balance sheet as of September 30, 2010, is unaudited)

	2010	2009
Current Assets		
Cash	392	669
Investments (Note 3.a)	3,137	1,476
Trade receivables (Note 3.b)	3,234	2,831
Other receivables (Note 3.c)	3,644	2,490
Inventories (Note 3.d)	3,958	3,066
Total current assets	14,365	10,532
Noncurrent Assets		
Trade receivables (Note 3.b)	40	22
Other receivables (Note 3.c)	1,224	975
Investments (Note 3.a)	686	749
Fixed assets (Note 3.e)	29,020	27,993
Intangible assets	11	12
Total noncurrent assets	30,981	29,751
Total assets	45,346	40,283
Current Liabilities		
Accounts payable (Note 3.f)	6,213	5,857
Loans (Note 3.g)	6,052	4,679
Salaries and social security	316	298
Taxes payable	2,574	1,437
Contingencies (Note 5.a)	289	341
Total current liabilities	15,444	12,612
Noncurrent Liabilities		
Accounts payable (Note 3.f)	4,696	4,391
Loans (Note 3.g)	1,348	2,140
Salaries and social security	127	110
Taxes payable	162	190
Contingencies (Note 5.a)	2,276	1,959
Total noncurrent liabilities	8,609	8,790
Total liabilities	24,053	21,402
Shareholders’ Equity (per corresponding statements)	21,293	18,881
Total liabilities and shareholders’ equity	45,346	40,283

The accompanying notes are an integral part of these condensed financial statements.

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YPF SOCIEDAD ANONIMA AND CONTROLLED AND JOINTLY CONTROLLED COMPANIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2010 AND 2009
(Amounts expressed in million of Argentine pesos – Note 1)
(The condensed consolidated statements of cash flows for the nine-month periods ended September 30, 2010 and September 30, 2009, are unaudited)

	2010		2009	
Cash Flows from Operating Activities				
Net income	4,580		2,070	
Adjustments to reconcile net income to net cash flows provided by operating activities:				
(Income) loss on long-term investments	(67	)	5	
Depreciation of fixed assets	4,114		3,648	
Consumption of materials and fixed assets retired	380		443	
Income tax	2,738		1,567	
Increase in accruals	706		846	
Changes in assets and liabilities:				
Trade receivables	(342	)	(81	)
Other receivables	(1,346	)	(340	)
Inventories	(892	)	452	
Accounts payable	382		(1,219	)
Salaries and social security	35		21	
Taxes payable	67		(586	)
Decrease in accruals	(441	)	(930	)
Interests, exchange differences and others	431		721	
Dividends from long-term investments	8		27	
Income tax payments	(1,676	)	(734	)
Net cash flows provided by operating activities	8,677	(1)	5,910	(1)
Cash Flows used in Investing Activities				
Acquisitions of fixed assets	(5,597	)(2)	(3,640	)(2)
Investments (non cash and equivalents)	115		34	
Net cash flows used in investing activities	(5,482	)	(3,606	)
Cash Flows used in Financing Activities				
Payment of loans	(9,462	)	(10,682	)
Proceeds from loans	9,814		11,465	
Dividends paid	(2,163	)	(2,478	)
Net cash flows used in financing activities	(1,811	)	(1,695	)
Increase in Cash and Equivalents	1,384		609	
Cash and equivalents at the beginning of year	2,145		1,215	
Cash and equivalents at the end of period	3,529		1,824	
Increase in Cash and Equivalents	1,384		609	

For supplemental information on cash and equivalents, see Note 3.a.

(1) Includes (234) and (269) corresponding to interest payments for the nine-month periods ended September 30, 2010 and 2009 respectively.

(2) Includes 115 and 297 corresponding to payments related with the extension of certain exploitation concessions in the Province of Neuquén (Note 5.c) for the nine-month periods ended September 30, 2010 and 2009, respectively.

The accompanying notes are an integral part of these condensed financial statements.

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YPF SOCIEDAD ANONIMA AND CONTROLLED AND JOINTLY CONTROLLED COMPANIES
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2010 AND 2009
(Amounts expressed in million of Argentine pesos – Note 1, except for per share amount in pesos)
(The condensed consolidated statements of changes in shareholders' equity for the nine-month periods ended September 30, 2010 and September 30, 2009, are unaudited)

	2010			
	Shareholders' Contributions			
	Subscribed capital	Adjustment to contributions	Issuance premiums	Total
Balances at the beginning of year	3,933	7,281	640	11,854
As decided by the Board of Directors' meeting of May 5, 2009:				
- Cash Dividends (6.30 per share)	-	-	-	-
As decided by the Ordinary and Extraordinary Shareholders' meeting of April 14, 2010:				
- Reversal of Reserve for Future Dividends	-	-	-	-
- Appropriation to Reserve for Future Dividends	-	-	-	-
As decided by the Board of Directors' meeting of April 14, 2010:				
- Cash Dividends (5.50 per share)	-	-	-	-
Net decrease in deferred earnings (Note 2.i)	-	-	-	-
Net income	-	-	-	-
Balances at the end of period	3,933	7,281	640	11,854

	2010					2009
	Legal reserve	Deferred earnings	Reserve for future dividends	Unappropriated retained earnings	Total shareholders' equity	Total shareholders' equity
Balances at the beginning of year	2,243	(256)	1,004	4,036	18,881	20,356
As decided by the Board of Directors' meeting of May 5, 2009:						
- Cash Dividends (6.30 per share)	-	-	-	-	-	(2,478)
As decided by the Ordinary and Extraordinary Shareholders' meeting of April 14, 2010:						
- Reversal of Reserve for Future Dividends	-	-	(1,004)	1,004	-	-
- Appropriation to Reserve for Future Dividends	-	-	5,040	(5,040)	-	-
As decided by the Board of Directors' meeting of April 14, 2010:						
- Cash Dividends (5.50 per share)	-	-	(2,163)	-	(2,163)	-

Net decrease in deferred earnings (Note 2.i)	-	(5)	-	-	(5)	(66)
Net income	-	-	-	4,580	4,580	2,070
Balances at the end of period	2,243	(261)	2,877	4,580	21,293	19,882

The accompanying notes are an integral part of these condensed financial statements.

YPF SOCIEDAD ANONIMA AND CONTROLLED AND JOINTLY CONTROLLED COMPANIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2010 AND COMPARATIVE INFORMATION
(Amounts expressed in million of Argentine pesos, except where otherwise indicated – Note 1)
(The condensed consolidated financial statements as of September 30, 2010 and September 30, 2009, are unaudited)

1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of YPF Sociedad Anónima ("YPF") and its controlled and jointly controlled companies (the "Company") have been prepared in accordance with generally accepted accounting principles applicable to consolidated financial statements in Argentina ("Argentine GAAP"), and taking into consideration the regulations of the National Securities Commission ("CNV").

In accordance with generally accepted accounting principles and current Argentine legislation, the presentation of individual financial statements is mandatory. Consolidated financial statements are to be included as supplementary information to the individual financial statements. For the purpose of these condensed consolidated financial statements, individual financial statements have been omitted since they are not required for the United States Securities and Exchange Commission ("SEC") reporting purposes.

Furthermore, certain disclosures required by Argentine GAAP have been omitted for purposes of these condensed consolidated financial statements, since they are not required for SEC interim-period reporting purposes.

On March 20, 2009, the Argentine Federation of Professional Councils in Economic Sciences ("FACPCE") approved the Technical Resolution No. 26 "Adoption of the International Financial Reporting Standards ("IFRS") of the International Accounting Standards Board ("IASB")". Such resolution was approved by the CNV through General Resolution No. 562/09 dated December 29, 2009 (modified by General Resolution No. 576/10 dated July 1, 2010), for certain publicly-traded entities under Law No. 17,811. The application of such rules will be mandatory for YPF for the fiscal year beginning on January 1, 2012.

The accompanying condensed consolidated financial statements are unaudited, but reflect all the adjustments which, in the opinion of Management, are necessary to present the condensed consolidated financial statements on a consistent basis with the audited annual financial statements. Certain notes and other information have been condensed or omitted in these condensed consolidated financial statements; therefore, they should be read in conjunction with the Company's 2009 Annual Report on Form 20-F filed with the SEC.

Presentation of financial statements in constant Argentine pesos

The condensed consolidated financial statements reflect the effect of changes in the purchasing power of money by the application of the method for restatement in constant Argentine pesos set forth in Technical Resolution No. 6 of the FACPCE and taking into consideration General Resolution No. 441 of the CNV, which established the discontinuation of the restatement of financial statements in constant Argentine pesos as from March 1, 2003.

Basis of consolidation

Following the methodology established by Technical Resolution No. 21 of the FACPCE, YPF has consolidated its balance sheets and the related statements of income and cash flows as follows:

•

Investments and income (loss) related to controlled companies in which YPF has the number of votes necessary to control corporate decisions are substituted for such companies' assets, liabilities, net revenues, cost and expenses, which are aggregated to YPF's balances after the elimination of intercompany profits, transactions, balances and other consolidation adjustments and minority interest if applicable.

- Investments and income (loss) related to companies in which YPF holds joint control are consolidated line by line on the basis of YPF's proportionate share in their assets, liabilities, net revenues, costs and expenses, considering the elimination of intercompany profits, transactions, balances and other consolidations adjustments.

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Foreign subsidiaries are defined as integrated companies when they carry out their operations as an extension of the parent company's operations or as non-integrated companies when they collect cash and other monetary items, incur expenses, generate income and are financed principally through their own resources. Assets and liabilities of non-integrated foreign subsidiaries are translated into Argentine pesos at the exchange rate prevailing as of the end of each period or year. Income statements are translated using the relevant exchange rate at the date of each transaction. Exchange differences arising from the translation process are included as a component of shareholder's equity in the account "Deferred Earnings", which are maintained until the sale or complete or partial reimbursement of capital of the related investment occurs. Assets, liabilities and income statements of integrated foreign subsidiaries are translated at the relevant exchange rate at the date of each transaction. Exchange differences arising from the translation process are credited (charged) to the income statement in the account "Gains (losses) on assets - Exchange differences".

The condensed consolidated financial statements are based upon the latest available financial statements of those companies in which YPF holds control or joint control, taking into consideration, if applicable, significant subsequent events and transactions, available management information and transactions between YPF and the related company, which could have produced changes on the latter's shareholders' equity.

The valuation methods employed by the controlled and jointly controlled companies are consistent with those followed by YPF. If necessary, adjustments to the accounting information have been made to conform the accounting principles used by these companies to those of YPF. Main adjustments are related to the application of the general accepted accounting principles in Argentina to foreign subsidiaries' financial statements.

Cash and equivalents

In the statements of cash flows, the Company considers cash and all highly liquid investments with an original maturity of less than three months to be cash and equivalents.

Revenue recognition criteria

Revenue is recognized on sales of crude oil, refined products and natural gas, in each case, when title and risks are transferred to the customer.

Subsidies and incentives are recognized as sales in the income statement in the period in which the conditions for obtaining them are accomplished.

Joint ventures and other agreements

The Company's interests in oil and gas related joint ventures and other agreements involved in oil and gas exploration and production have been consolidated line by line on the basis of the Company's proportional share in their assets, liabilities, revenues, costs and expenses.

Production concession and exploration permits

According to Argentine Law No. 24,145 issued in November 1992, YPF's areas were converted into production concession and exploration permits under Law No. 17,319, which has been amended by Law No. 26,197. Pursuant to these laws, the hydrocarbon reservoirs located in Argentine onshore territories and offshore continental shelf, belong to the Provinces or the Nation, depending on the location. Exploration permits may have a term of up to 14 years (17 years for off shore exploration) and production concessions have a term of 25 years, which may be extended for an additional ten–year term (Note 5.c).

Fair value of financial instruments and concentration of credit risk

The carrying value of cash, current investments, trade receivables and current liabilities approximates its fair value due to the short maturity of these instruments. Furthermore, the fair value of loans receivable, which has been estimated based on current interest rates offered to the Company at the end of each period or year, for investments with the same remaining maturity, approximates its carrying value. As of September 30, 2010 and December 31, 2009 the fair value of loans payable estimated based on market prices or current interest rates at the end of each period or year amounted to 7,445 and 6,827, respectively.

Financial instruments that potentially expose the Company to concentration of credit risk consist primarily of cash, current investments, trade receivables and other receivables. The Company invests cash excess primarily in high liquid investments in financial institutions both in Argentina and abroad with strong credit rating. In the normal course of business, the Company provides credit based on ongoing credit evaluations to its customers and certain related parties.

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Additionally, the Company accounts for credit losses based on specific information of its clients. Appart from the receivables with the Argentine Government related to the subsidies on gas oil sales provided by the Argentine Government to the public transportation according to Executive Decree No. 652/02 and its amendments, and the participations on the Petroleum and Refining Plus Program established by Decree No. 2014/2008 and its regulations, among others, recorded in Note 3.c "Tax credits, export rebates and production incentives", the Company´s customer base is dispersed.

As of September 30, 2010, YPF does not hold derivative financial instruments.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires Management to make estimates and assumptions that affect reported assets, liabilities, revenues and expenses and disclosure of contingencies. Future results could differ from the estimates made by Management.

Earnings per share

Earnings per share have been calculated based on the 393,312,793 shares outstanding during the nine-month periods ended as of September 30, 2010 and 2009.

2. VALUATION CRITERIA

The principal valuation criteria used in the preparation of the condensed consolidated financial statements are as follows:

a) Cash, current investments, trade and other receivables and payables:

- Amounts in Argentine pesos have been stated at face value, which includes accrued interest through the end of each period or year, if applicable. Investments with price quotation have been valued at fair value as of the end of each period or year.

- Amounts in foreign currencies have been valued at the relevant exchange rates as of the end of each period or year, including accrued interest, if applicable. Investments with price quotation have been valued at fair value at the relevant exchange rate in effect as of the end of each period or year. Exchange differences have been credited (charged) to current income.

When generally accepted accounting principles require the valuation of receivables or payables at their discounted value, that value does not differ significantly from their face value.

If applicable, allowances have been made to reduce receivables to their estimated realizable value.

b) Inventories:

- Refined products, products in process, crude oil and natural gas have been valued at current production cost or replacement cost, as applicable, as of the end of each period or year.

- Raw materials and packaging materials have been valued at cost, which does not differ significantly from its replacement cost as of the end of each period or year.

Valuation of inventories does not exceed their estimated realizable value.

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c) Noncurrent investments:

These include the Company's investments in companies under significant influence and holdings in other companies. These investments have been valued using the equity method, except for holdings in other companies, which have been valued at acquisition cost remeasured as detailed in Note 1.

Investments in Gasoducto del Pacífico (Argentina) S.A., Gasoducto del Pacífico (Cayman) Ltd. and Oleoducto Trasandino (Chile) S.A., where less than 20% direct or indirect interest is held, are accounted by the equity method since the Company exercises significant influence over these companies in making operation and financial decisions based on its representation on the Boards of Directors.

If applicable, allowances have been made to reduce investments, where direct or indirect interest is held, to their estimated recoverable value. The main factors for the recognized impairment were the devaluation of the Argentine peso, lower activity expectations, events of default on certain debts and the de-dollarization and freezing of certain utility rates.

Holdings in preferred shares have been valued at equity method considering the provisions defined in the respective bylaws.

If necessary, adjustments to the accounting information have been made to conform the accounting principles used by companies under significant influence to those of the Company.

The investments in companies under significant influence, have been valued based upon the latest available financial statements of these companies as of the end of each period or year, taking into consideration, if applicable, significant subsequent events and transactions, available management information and transactions between the Company and the related companies which have produced changes on the latter shareholders' equity.

As from the effective date of Law No. 25,063, dividends, either in cash or in kind, that the Company receives from investments in other companies and which are in excess of the accumulated taxable income that these companies carry upon distribution shall be subject to a 35% income tax withholding as a sole and final payment. The Company has not recorded any charge for this tax since it has estimated that dividends from earnings recorded by the equity method would not be subject to such tax.

d) Fixed assets:

Fixed assets have been valued at acquisition cost remeasured as detailed in Note 1, less related accumulated depreciation. Depreciation rates, representative of the useful life assigned, applicable to each class of asset, are disclosed in Note 6.a. For those assets whose construction requires an extended period of time, financial costs corresponding to third parties' financing have been capitalized during the assets' construction period.

Oil and gas producing activities

- The Company follows the "successful effort" method of accounting for its oil and gas exploration and production operations. Accordingly, exploratory costs, excluding the costs of exploratory wells, have been charged to expense as incurred. Costs of drilling exploratory wells, including stratigraphic test wells, have been capitalized pending determination as to whether the wells have found proved reserves that justify commercial development. If such reserves were not found, the mentioned costs are charged to expense. Occasionally, an exploratory well may be determined to have found oil and gas reserves, but classification of those reserves as proved cannot be made when

drilling is completed. In those cases, the cost of drilling the exploratory well shall continue to be capitalized if the well has found a sufficient quantity of reserves to justify its completion as a producing well and the enterprise is making sufficient progress assessing the reserves and the economic and operating viability of the project. If any of the mentioned conditions are not met, cost of drilling exploratory wells is charged to expense. As of the issuance date of these condensed consolidated financial statements, there are no exploratory wells capitalized for more than one year after the completion of the drilling.

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- Intangible drilling costs applicable to productive wells and to development dry holes, as well as tangible equipment costs related to the development of oil and gas reserves, have been capitalized.

- The capitalized costs related to producing activities have been depreciated by field on the unit-of-production basis by applying the ratio of produced oil and gas to estimate recoverable proved and developed oil and gas reserves.

- The capitalized costs related to acquisitions of properties and extension of concessions with proved reserves have been depreciated by field on the unit-of-production basis by applying the ratio of produced oil and gas to proved oil and gas reserves.

- The capitalized costs related to areas with unproved reserves are periodically reviewed by Management to ensure that the carrying value does not exceed their estimated recoverable value.

- Revisions of crude oil and natural gas proved reserves are considered prospectively in the calculation of depreciation. Revisions in estimates of reserves are performed at least once a year. Additionally, estimates of reserves are audited by independent petroleum engineers on a three-year rotation plan.

- Costs related to hydrocarbon wells abandonment obligations are capitalized at their discounted value along with the related assets, and are depreciated using the unit-of-production method. As compensation, a liability is recognized for this concept at the estimated value of the discounted payable amounts. Revisions of the payable amounts are performed upon consideration of the current costs incurred in abandonment obligations on a field-by-field basis or other external available information if abandonment obligations were not performed. Due to the number of wells in operation and/or not abandoned and likewise the complexity with respect to different geographic areas where the wells are located, the current costs incurred in plugging are used for estimating the plugging costs of the wells pending abandonment. Current costs incurred are the best source of information in order to make the best estimate of asset retirement obligations.

Other fixed assets

- The Company's other fixed assets are depreciated using the straight-line method, with depreciation rates based on the estimated useful life of each class of property.

Fixed assets' maintenance and repairs have been charged to expense as incurred.

Major inspections of refineries, necessary to continue to operate the related assets, are capitalized and depreciated using the straight-line method over the period of operation to the next major inspection.

Renewals and betterments that extend the useful life and/or increase the productive capacity of properties are capitalized. As fixed assets are retired, the related cost and accumulated depreciation are eliminated from the balance sheet.

The Company capitalizes the costs incurred in limiting, neutralizing or preventing environmental pollution only in those cases in which at least one of the following conditions is met: (a) the expenditure improves the safety or efficiency of an operating plant (or other productive asset); (b) the expenditure prevents or limits environmental pollution at operating facilities; or (c) the expenditures are incurred to prepare assets for sale and do not raise the assets' carrying value above their estimated recoverable value.

The carrying value of the fixed asset of each business segment, as defined in Note 4, does not exceed their estimated recoverable value.

e) Salaries and Social Security – Benefit plans:

YPF Holdings Inc., which has operation in the United States of America, has certain defined-benefit plans and postretirement and postemployment benefits.

The funding policy related to the defined-benefit plans as of September 30, 2010, is to contribute amounts to the plan sufficient to meet the minimum funding requirements under governmental regulations, plus such additional amounts as Management may determine to be appropriate.

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In addition, YPF Holdings Inc. provides certain health care and life insurance benefits for eligible retired employees, and also certain insurance, and other postemployment benefits for eligible individuals in case employment is terminated by YPF Holdings Inc. before their normal retirement. Employees become eligible for these benefits if they meet minimum age and years of service requirements. YPF Holdings Inc. accounts for benefits provided when the minimum service period is met, payment of the benefit is probable and the amount of the benefit can be reasonably estimated. No assets were specifically reserved for the postretirement and postemployment benefits, and consequently, payments related to them are funded as claims are notified.

The plans above mentioned are valued at net present value, are accrued on the years of active service of employees and are disclosed as non-current liabilities in the "Salaries and social security" account. The actuarial losses and gains related to the changes in actuarial assumptions for each year are recognized in "Other expense, net" account in the statement of income. YPF Holdings Inc. updates the actuarial assumptions at the end of each year.

f) Taxes, withholdings and royalties:

Income tax and tax on minimum presumed income

The Company recognizes the income tax applying the liability method, which considers the effect of the temporary differences between the financial and tax basis of assets and liabilities and the tax loss carryforwards and other tax credits, which may be used to offset future taxable income, at the current statutory rate of 35%.

In deferred income tax computations, the difference between the book value of fixed assets remeasured into constant Argentine pesos and their corresponding historical cost used for tax purposes is a temporary difference to be considered in deferred income tax computations. However, generally accepted accounting principles in Argentina provide the option to disclose the mentioned effect in a note to the financial statements instead. The Company adopted this latter criterion.

Additionally, the Company calculates tax on minimum presumed income applying the current 1% tax rate to taxable assets as of the end of each year. This tax complements income tax. The Company's tax liability will coincide with the higher between the determination of tax on minimum presumed income and the Company's tax liability related to income tax, calculated applying the current 35% income tax rate to taxable income for the year. However, if the tax on minimum presumed income exceeds income tax during one tax year, such excess may be computed as prepayment of any income tax excess over the tax on minimum presumed income that may be generated in the next ten years.

The Company expects that the amount to be determined as income tax for the current year will be higher than tax on minimum presumed income; consequently, the Company has not recorded any charge for this latter tax.

Royalties and withholding systems for hydrocarbon exports

A 12% royalty is payable on the estimated value at the wellhead of crude oil production and the commercialized natural gas volumes (see additionally Note 5.c). The estimated value is calculated based upon the approximate sale price of the crude oil and gas produced, less the costs of transportation and storage. To calculate the royalties, the Company has considered price agreements according to crude oil buying and selling operations obtained in the market for certain qualities of such product, and has applied these prices, net of the discounts mentioned above, according to regulations of Law No. 17,319 and its amendments.

Royalty expense is accounted for as a production cost.

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Law No. 25,561 on Public Emergency and Exchange System Reform, issued in January 2002, established duties for hydrocarbon exports for a five-year period. In January 2007, Law No. 26,217 extended this export withholding system for an additional five-year period and also established specifically that this regime is also applicable to exports from "Tierra del Fuego" province, which were previously exempted. On November 16, 2007, the MEP published Resolution No. 394/2007, modifying the withholding regime on exports of crude oil and other refined products. The new regime provides reference prices and floor prices which in conjunction with the international price determine the export rate for each product. For crude oil, when the international price exceeds the reference price of US$ 60.9 per barrel, the producer is allowed to collect a floor price of US$ 42 per barrel, depending on the quality of the crude oil sold, with the remainder being withheld by the Argentine Government. When the international price is under the reference price but over US$ 45 per barrel, a 45% withholding rate should be applied. If such price is under US$ 45 per barrel, the Government will have to determine the export rate within a term of 90 business days. Furthermore, in March 2008, Resolution No. 127/2008 of the MEP increased the natural gas export withholding rate to 100% of the highest price from any natural gas import contract. This resolution has also established a variable withholding system applicable to liquefied petroleum gas, similar to the one established by the Resolution No. 394/2007. As of September 30, 2010, the crude oil withholding rate determined according to Resolutions No. 394/2007 and No. 127/2008 of MEP, also currently applies to diesel, gasoline products and other refined products. In addition, the procedure above mentioned also applies to fuel oil, petrochemical gasoline, lubricants and liquefied petroleum gas (including propane, butane and blends) and other refined products, considering different reference and floor prices disclosed in the mentioned resolutions.

Natural gas export clients are currently absorbing the payment of export duties established by the Resolution

No. 127/08. Some of them have paid reserving their rights to future claims.

Hydrocarbon export withholdings are charged to the "Net sales" account of the statement of income.

g) Allowances and accruals:

- Allowances: amounts have been provided in order to reduce the valuation of trade receivables, other receivables, noncurrent investments and fixed assets based on the analysis of doubtful accounts and on the estimated recoverable value of these assets.

- Accruals for losses: amounts have been provided for various contingencies which are probable and can be reasonably estimated, based on Management's expectations and in consultation with legal counsels. Accruals for losses are required to be accounted at the discounted value as of the end of each period or year, however, as their face value does not differ significantly from discounted values, they are recorded at face value.

h) Environmental liabilities:

Environmental liabilities are recorded when environmental assessments and/or remediation are probable and can be reasonably estimated. Such estimates are based on either detailed feasibility studies of remediation approach and cost for individual sites or on the Company's estimate of costs to be incurred based on historical experience and available information based on the stage of assessment and/or remediation of each site. As additional information becomes available regarding each site or as environmental standards change, the Company revises its estimate of costs to be incurred in environmental assessment and/or remediation matters.

i) Shareholders' equity accounts:

These accounts have been remeasured in Argentine pesos as detailed in Note 1, except for "Subscribed Capital" account, which is stated at its historical value. The adjustment required to state this account in constant Argentine pesos is disclosed in the "Adjustment to Contributions" account.

The account "Deferred Earnings" includes the exchange differences generated by the translation into pesos of the investments in non-integrated foreign companies.

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j) Statement of income accounts:

The amounts included in the income statement accounts have been recorded by applying the following criteria:

- Accounts which accumulate monetary transactions at their face value.
- Cost of sales has been calculated by computing units sold in each month at the replacement cost of that month.
- Depreciation of nonmonetary assets, valued at acquisition cost, has been recorded based on the remeasured cost of such assets as detailed in Note 1.
- Holding gains (losses) on inventories valued at replacement cost have been included in the “Holding gains (losses) on inventories” account.
- Income (loss) on long-term investments in which control, joint control or significant influence is held, has been calculated on the basis of the income (loss) of those companies and was included in the “Income (loss) on long-term investments” account, except for the exchange differences arising from the translation process of the foreign subsidiaries defined as integrated companies which are included in the account “Gains (losses) on assets - Exchange differences”.

3. ANALYSIS OF THE MAIN ACCOUNTS OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Details regarding the significant accounts included in the accompanying condensed consolidated financial statements are as follows:

Balance Sheets as of September 30, 2010 and December 31, 2009

a) Investments:	2010				2009			
	Current		Noncurrent		Current		Noncurrent	
Short-term investments	3,137	(1)	35	(3)	1,476	(1)	150	(3)
Long-term investments	-		733	(2)	-		724	(2)
Allowance for reduction in value of holdings in long-term investments	-		(82)	(2)	-		(125)	(2)
	3,137		686		1,476		749	

(1) Corresponds to investments with an original maturity of less than three months.
(2) Includes the interest in Gas Argentino S.A. (“GASA”). On May 19, 2009, GASA filed a voluntary reorganization petition (“concurso preventivo”), which was opened on June 8, 2009. As of September 30, 2010, YPF has an allowance for the total book value of the investment previously mentioned.
(3) Corresponds to restricted cash as of September 30, 2010, and December 31, 2009, which represents bank deposits used as guarantees given to government agencies.

b) Trade receivables:	2010		2009	
	Current	Noncurrent	Current	Noncurrent
Accounts receivable	3,353	40	2,963	22
Related parties	314	-	281	-

	3,667	40	3,244	22
Allowance for doubtful trade receivables	(433)	-	(413)	-
	3,234	40	2,831	22

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c) Other receivables:	2010		2009	
	Current	Noncurrent	Current	Noncurrent
Deferred income tax	-	428	-	448
Tax credits, export rebates and production incentives	2,432	32	1,403	16
Trade	150	-	105	-
Prepaid expenses	274	81	208	82
Concessions charges	17	30	17	38
Related parties	38	252	192	74
Loans to clients	26	67	30	69
Trust contributions - Obra Sur	9	120	-	119
Advances to suppliers	198	-	125	-
Collateral deposits	184	2	177	4
Advances and loans to employees	45	-	42	-
From joint ventures and other agreements	116	-	100	-
Miscellaneous	249	229	185	142
	3,738	1,241	2,584	992
Allowance for other doubtful accounts	(94)	-	(94)	-
Allowance for valuation of other receivables to their estimated realizable value	-	(17)	-	(17)
	3,644	1,224	2,490	975

d) Inventories:	2010	2009
Finished products	2,432	1,715
Crude oil and natural gas	1,081	989
Products in process	58	59
Raw materials, packaging materials and others	387	303
	3,958	3,066

e) Fixed assets:	2010	2009
Net book value of fixed assets (Note 6.a)	29,060	28,033
Allowance for unproductive exploratory drilling	(3)	(3)
Allowance for obsolescence of material and equipment	(37)	(37)
	29,020	27,993

f) Accounts payable:	2010		2009	
	Current	Noncurrent	Current	Noncurrent
Trade	4,872	35	4,576	40
Hydrocarbon wells abandonment obligations	244	4,300	238	4,016
Related parties	261	-	249	-
Extension of the Concessions - Province of Neuquén (Note 5.c)	31	-	142	-
From joint ventures and other agreements	356	-	358	-
Environmental liabilities	267	216	179	285
Miscellaneous	182	145	115	50
	6,213	4,696	5,857	4,391

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g) Loans:

	Interest rates (1)	Principal maturity	2010 Current		2010 Noncurrent		2009 Current	2009 Noncurrent
Negotiable Obligations(2)	4.00 – 12.25 %	2011 - 2028	367		618		6	547
Related parties	2.48 – 4.25 %	2010 - 2011	935		-		912	380
Other financial debts	0.90 – 17.05 %	2010 - 2012	4,750	(3)	730	(3)	3,761	1,213
			6,052	(4)	1,348	(4)	4,679	2,140

(1) Annual interest rate as of September 30, 2010.

(2) Net of 57 and 38, corresponding to YPF outstanding Negotiable Obligations repurchased through open market transactions as of September 30, 2010 and December 31, 2009, respectively.

(3) Includes approximately 4,275 corresponding to loans agreed in U.S. dollars, 4,199 accrue fixed interest at rates between 0.90% and 4.69%, and 76 accrue variable interest of LIBO plus 5.25%.

(4) As of September 30, 2010, 6,177 accrue fixed interest, 205 accrue variable interest of BADLAR plus 1.75%, 145 accrue variable interest of BADLAR plus 2%, 797 accrue variable interest of LIBO plus 2% and 76 accrue variable interest of LIBO plus 5.25%.

Details regarding the Negotiable Obligations of YPF are as follows:

M.T.N. Program (in million) Year	Amount	Issuance Year	Principal Value	Interest Rate(1)		Principal Maturity	2010 Current	2010 Noncurrent	2009 Current	2009 Noncurrent
1997	US$ 1,000	1998	US$ 100	10.00	%	2028	16	342	6	342
2008	US$ 1,000	2009	US$ 205	12.00	%(2)	2011	205	-	-	205
2008	US$ 1,000	2010	US$ 143	12.25	%(3)	2011	145	-	-	-
2008	US$ 1,000	2010	US$ 70	4.00	%	2013	1	276	-	-
							367	618	6	547

(1) Interest rate as of September 30, 2010.

(2) Accrues interest at a variable interest rate of BADLAR plus 1.75%.

(3) Accrues interest at a variable interest rate of BADLAR plus 2%.

In connection with the issued Negotiable Obligations, YPF has agreed for itself and its controlled companies to certain covenants, including among others, to pay all liabilities at their maturity and not to create other encumbrances that exceed 15% of total consolidated assets. If the Company does not comply with any covenant, the trustee or the holders representing a percentage that varies between 10% and 25% of the total principal amount of the outstanding Negotiable Obligation may declare the principal and accrued interest immediately due and payable.

Financial debt contains customary covenants for contracts of this nature, including negative pledge, material adverse change and cross–default clauses. Almost all of YPF's outstanding debt is subject to this kind of clauses.

The Shareholders' meeting held on January 8, 2008, approved a Notes Program for an amount up to US$ 1,000 million. Proceeds from this offering shall be used exclusively to invest in fixed assets and working capital in Argentina. On September 24, 2009, YPF issued under the mentioned program the Negotiable Obligations "Class I" at variable interest, with final maturity in 2011, for an amount of 205 million of Argentine pesos. Additionally, on March 4, 2010, the Company issued under the mentioned program the Negotiable Obligations "Class II" at variable interest, with final maturity in 2011, for an amount of 143 million of Argentine pesos and the Negotiable Obligations "Class III" at fixed interest, with final maturity in 2013, for an amount of US$ 70 million. All the mentioned securities are authorized to be traded on the Buenos Aires Stock Exchange (Bolsa de Comercio de Buenos Aires) and the Electronic Open Market (Mercado Abierto Electrónico) in Argentina.

Statements of Income as of September 30, 2010 and 2009

	Income (Expense)	
h) Net sales:	2010	2009
Sales	34,220	26,470
Turnover tax	(873)	(695)
Hydrocarbon export withholdings	(1,498)	(1,127)
	31,849	24,648

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	(Expense) income 2010	2009
i) Other expense, net:		
Accrual for pending lawsuits and other claims	(67)	(23)
Environmental remediation - YPF Holdings Inc.	(109)	(74)
Miscellaneous	153	80
	(23)	(17)

4. CONSOLIDATED BUSINESS SEGMENT INFORMATION

The Company organizes its business into four segments which comprise: the exploration and production, including contractual purchases of natural gas and crude oil purchases arising from service contracts and concession obligations, as well as crude oil intersegment sales, natural gas and its derivatives sales and electric power generation (“Exploration and Production”); the refining, transport, purchase and marketing of crude oil and refined products (“Refining and Marketing”); the petrochemical operations (“Chemical”); and other activities, not falling into these categories, are classified under “Corporate and Other”, which principally includes corporate administrative costs and assets, and construction activities.

Operating income (loss) and assets for each segment have been determined after intersegment adjustments.

	Exploration and Production	Refining and Marketing	Chemical	Corporate and Other	Consolidation Adjustments	Total
Nine-month period ended September 30, 2010						
Net sales to unrelated parties	3,502	24,807	1,620	601	-	30,530
Net sales to related parties	674	645	-	-	-	1,319
Net intersegment sales	13,065	1,217	1,369	237	(15,888)	-
Net sales	17,241	26,669	2,989	838	(15,888)	31,849
Operating income (loss)	5,147	2,722	585	(735)	(111)	7,608
Income on long-term investments	61	6	-	-	-	67
Depreciation	3,542	403	79	90	-	4,114
Acquisitions of fixed assets	4,140	950	326	92	-	5,508
Assets	25,251	13,511	2,427	5,313	(1,156)	45,346
Nine-month period ended September 30, 2009						
Net sales to unrelated parties	3,416	18,546	1,354	355	-	23,671
Net sales to related parties	534	443	-	-	-	977
Net intersegment sales	10,764	818	747	175	(12,504)	-
Net sales	14,714	19,807	2,101	530	(12,504)	24,648
Operating income (loss)	4,021	1,134	394	(607)	22	4,964
(Loss) income on long-term investments	(26)	21	-	-	-	(5)
Depreciation	3,087	390	90	81	-	3,648
Acquisitions of fixed assets	2,516	610	89	128	-	3,343
Year ended December 31, 2009						

Assets	24,133	11,393	2,066	3,439	(748)	40,283

Export sales, net of withholdings taxes for the nine-month periods ended September 30, 2010 and 2009 were 4,282 and 3,452, respectively. Export sales were mainly to the United States of America and Brazil.

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5. COMMITMENTS AND CONTINGENCIES

a) Pending lawsuits and contingencies:

As of September 30, 2010, the Company has accrued 2,565 in connection with the pending lawsuits, claims and contingencies which are probable and can be reasonably estimated. The most significant pending lawsuits and contingencies accrued are described in the following paragraphs.

- Pending lawsuits: In the normal course of its business, the Company has been sued in numerous labor, civil and commercial actions and lawsuits. Management, in consultation with the external counsels, has accrued an allowance considering its best estimation, based on the information available as of the date of the issuance of these financial statements, including counsel fees and judicial expenses.

- Liquefied petroleum gas market: On March 22, 1999, YPF was notified of Resolution No. 189/1999 from the former Secretariat of Industry, Commerce and Mining of Argentina, which imposed a fine on the Company of 109 based on the interpretation that YPF had purportedly abused of its dominant position in the bulk liquefied petroleum gas ("LPG") market due to the existence of different prices between the exports of LPG and the sales to the domestic market from 1993 through 1997. In July 2002, the Argentine Supreme Court confirmed the fine and YPF carried out the claimed payment.

Additionally, Resolution No. 189/1999 provided the beginning of an investigation in order to prove whether the penalized behavior continued from October 1997 to March 1999. On December 19, 2003, the National Antitrust Protection Board (the "Antitrust Board") imputed the behavior of abuse of dominant position during the previously mentioned period to the Company. On January 20, 2004, the Company answered the notification: (i) opposing the preliminary defense claiming the application of the statutes of limitation and alleging the existence of defects in the imputation procedure (absence of majority in the resolution that decided the imputation and pre-judgment by its signers); (ii) arguing the absence of abuse of dominant position; and (iii) offering the corresponding evidence.

The request of invalidity by defects in the imputation procedure mentioned above was rejected by the Antitrust Board. This resolution of the Antitrust Board was confirmed by the Economic Penal Appellate Court, and it was confirmed, on September 27, 2005, pursuant to the Argentine Supreme Court's ("CSJN") rejection of the complaint made by YPF due to the extraordinary appeal denial.

Additionally, on August 31, 2004, YPF filed an appeal with the Antitrust Board in relation to the resolution that denied the claim of statutes of limitation. The Antitrust Board conceded the appeal and remitted proceedings for its resolution by the Appeal Court. However, in March 2006, YPF was notified that the proceedings were opened for the production of evidence. During August and September 2007, testimonial hearings were held for YPF's witnesses. On August 12, 2008, the Appeal Court in Criminal Economic Matters rejected the statute of limitation argument opposed by YPF. Such decision was appealed by the Company. Upon the confirmation of the Antitrust Board's decision given by the Chamber B, YPF has appealed that judgment by cassation and extraordinary appeals, because the Antitrust Board applied Law No. 22,262 and Chamber B applied Law No. 25,156. The latter mentioned rejected both appeals (cassation and extraordinary), consequently YPF presented complaint appeals against the cassation appeal, denied on December 18, 2008, and against the Extraordinary Appeal, denied on February 17, 2009. Regarding the administrative proceedings before the Antitrust Board, the evidence production period has ended, and on November 25, 2009, YPF presented its closing statement. On December 22, 2009, Chamber IV of the Court of Cassation rejected the appeal against the rejection of YPF's statute of limitations argument by Chamber B of the National Court of Appeals in Criminal Economic Matters. The extraordinary appeal presented against this decision was denied on July 14, 2010. The extraordinary appeal, filed with the cassation appeal, is still pending before the CSJN. Furthermore, on December

21, 2009, YPF filed another claim concerning the statutes of limitations before the Antitrust Board. The Antitrust Board rejected the presentation and YPF appealed the decision.

Despite the solid arguments expressed by YPF, the mentioned circumstances make evident that, preliminarily, the Antitrust Board denies the defenses filed by the Company and that it is reluctant to modify the doctrine provided by the Resolution No. 189/1999 and, furthermore, the Appeal Court in Criminal Economic Matters decisions tend to confirm the decisions made by the Antitrust Board.

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- Liabilities and contingencies assumed by the Argentine Government: The YPF Privatization Law provided for the assumption by the Argentine Government of certain liabilities of the predecessor as of December 31, 1990. In certain lawsuits related to events or acts that took place before December 31, 1990, YPF has been required to advance the payment established in certain judicial decisions. YPF has the right to be reimbursed for these payments by the Argentine Government pursuant to the above-mentioned indemnity.

- Natural gas market:

Pursuant to Resolution No. 265/2004 of the Secretariat of Energy, the Argentine Government created a program of “useful” curtailment of natural gas exports and their associated transportation service. Such program was initially implemented by means of Regulation No. 27/2004 of the Under-Secretariat of Fuels, which was subsequently substituted by the Program of Rationalization of Gas Exports and Use of Transportation Capacity (the “Program”) approved by Resolution No. 659/2004 of the Secretariat of Energy. Additionally, Resolution No. 752/2005 of the Secretariat of Energy provided that industrial users and thermal generators (which according to this resolution will have to request volumes of gas directly from the producers) could also acquire the natural gas from the cutbacks on natural gas exports through the Permanent Additional Injections mechanism created by this Resolution. By means of the Program and/or the Permanent Additional Injection, the Argentine Government requires natural gas exporting producers to deliver additional volumes to the domestic market in order to satisfy natural gas demand of certain consumers of the Argentine market (“Additional Injection Requirements”). Such additional volumes are not contractually committed by YPF, who is thus forced to affect natural gas exports, which execution has been conditioned. The mechanisms established by the Resolutions No. 659/2004 and 752/2005 have been adapted by the Secretariat of Energy Resolution No. 599/2007, modifying the conditions for the imposition of the requirements, depending on whether the producers have signed or not the proposed agreement, ratified by such resolution, between the Secretariat of Energy and the Producers. Also, through Resolution No. 1410/2010 of the National Gas Regulatory Authority (“ENARGAS”) approved the “Procedimiento para Solicitudes, Confirmaciones y Control de Gas” which sets new rules for natural gas dispatch applicable to all participants in the natural gas industry, imposing new and more severe restrictions to the producers’ availability of natural gas. Additionally, the Argentine Government, through instructions made using different procedures, has ordered limitations over natural gas exports (in conjunction with the Program and the Permanent Additional Injection, named the “Restrictions”).

As a result of the Restrictions, in several occasions since 2004, YPF has been forced to suspend, either totally or partially, its natural gas deliveries to some of its export clients, with whom YPF has undertaken firm commitments to deliver natural gas.

The Company has challenged the Program, the Permanent Additional Injection and the Additional Injection Requirements as arbitrary and illegitimate, and has invoked vis-à-vis the relevant clients that such measures of the Argentine Government constitute a fortuitous case or force majeure event (act of authority) that releases the Company from any liability and/or penalty for the failure to deliver the contractual volumes. These clients have rejected the force majeure argument invoked by the Company, demanding the payment of indemnifications and/or penalties for the failure to comply with firm supply commitments, and/or reserving their rights to future claims in such respect (the “Claims”). Electroandina S.A. and Empresa Eléctrica del Norte Grande S.A. (“Edelnor”) have rejected the force majeure argument invoked by the Company and have invoiced the penalty stipulated under the “deliver or pay” clause of the contract for cutbacks accumulated as of September, 2007, for a total amount of US$ 93 million. These invoices have been rejected by the Company, assuming no responsibility. Furthermore, the above-mentioned companies had notified the formal start-up period of negotiations previous to any arbitration complaint. Although such period is overdue, the Company has not been notified of the initiation of the arbitration proceedings. Recently, YPF and Electroandina S.A. and Empresa Eléctrica del Norte Grande S.A. entered into a settlement agreement by which parties agreed to terminate and resign to all actions, rights or claims that constituted the object of the claims previously mentioned and YPF

compensated them for an amount significantly lower than the amount originally claimed.

Additionally, on June 25, 2008, AES Uruguaiana Emprendimientos S.A. ("AESU") claimed damages in a total amount of US$ 28.1 million for natural gas "deliver or pay" penalties for cutbacks accumulated from September 16, 2007 through June 25, 2008, and also claimed an additional amount of US$ 2.7 million for natural gas "deliver or pay" penalties for cutbacks accumulated from January 18, 2006 until December 1, 2006. YPF has rejected both claims. On September 15, 2008, AESU notified YPF the interruption of the fulfillment of its commitments alleging delay and breach of YPF obligations. The Company has rejected this notification. On December 4, 2008, YPF notified that having ceased the force majeure conditions, pursuant to the contract in force, it would suspend its delivery commitments, due to the repeated breaches of AESU obligations. AESU has rejected this notification. On December 30, 2008, AESU rejected YPF's right to suspend its natural gas deliveries and on March 20, 2009, notified YPF the termination of the contract. Subsequently, AESU initiated an arbitration process in which it claims, among other matters that the Company considers inappropriate, the payment of the "deliver or pay" penalties mentioned above. YPF has also started an arbitration process against AESU claiming, among other matters, the declaration that the termination of the contract by AESU was unilateral and illegal under its responsibility. Both arbitral complaints had been answered by the parties by requesting their rejection.

Furthermore, there are certain claims in relation with payments of natural gas transportation contracts associated with exports of such hydrocarbon. Consequently, one of the parties commenced mediation proceedings in order to determine the merits of such claims. The mediation proceedings did not result in an agreement and YPF was notified of the lawsuit filed against it in which the plaintiff is claiming the fulfillment of contractual obligations and the payment of unpaid invoices while reserving the right to claim for damages. YPF has answered the mentioned claims. In the opinion of YPF's Management the claims received up to date will not have a material adverse effect on future results of operations.

In addition, there are other claims in connection with the natural gas market in which YPF is party, which are not individually significant.

As of September 30, 2010, the Company has accrued costs for penalties associated with the failure to deliver the contractual volumes of natural gas in the export and domestic markets which are probable and can be reasonably estimated.

– La Plata and Quilmes environmental claims:

La Plata: In relation with the operation of the refinery that the Company has in La Plata, there are certain claims for compensation of individual damages purportedly caused by the operation of the La Plata Refinery and the environmental remediation of the channels adjacent to the mentioned refinery. During 2006, the Company submitted a presentation before the Environmental Secretariat of the Province of Buenos Aires which put forward for consideration the performance of a study for the characterization of environmental associated risks. As previously mentioned, YPF has the right of indemnity for events and claims prior to January 1, 1991, according to Law No. 24,145 and Decree No. 546/1993. Besides, there are certain claims that could result in the requirement to make additional investments connected with the operations of La Plata Refinery.

Quilmes: Citizens which allege to be residents of Quilmes, Province of Buenos Aires, have filed a lawsuit in which they have requested remediation of environmental damages and also the payment of 47 plus interests as a compensation for supposedly personal damages. They base their claim mainly on a fuel leak in the poliduct running from La Plata to Dock Sud, currently operated by YPF, which occurred in 1988 as a result of an illicit detected at that time, being at that moment YPF a state-owned company. Fuel would have emerged and became perceptible on November 2002, which resulted in remediation works that are being performed by the Company in the affected area, supervised by the environmental authority of the Province of Buenos Aires. YPF has also notified the Argentine

Government that it will receive a citation, due to its obligation to indemnify the Company against any liability according to Law No. 24,145, prior to requesting its citation before the Court upon YPF's response to the complaint. The Argentine Government has denied any responsibility to indemnify YPF for this matter, and the Company has sued the Argentine Government to obtain a declaration of invalidity of such decision. The award is still pending. On November 25, 2009, the proceedings were transferred to the Federal Court on Civil and Commercial Matters No. 3, Secretariat No. 6 in Buenos Aires City and on March 4, 2010, YPF answered the complaint. In addition, other 33 judicial claims related to similar matters have been brought against YPF amounting to approximately 17. Additionally, the Company is aware of the existence of other out of court claims which are based on similar allegations.

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– Environmental contingencies and other claims of YPF Holdings Inc.- a wholly owned subsidiary of YPF.

Laws and regulations relating to health and environmental quality in the United States of America affect nearly all the operations of YPF Holdings Inc. These laws and regulations set various standards regulating certain aspects of health and environmental quality, provide for penalties and other liabilities for the violation of such standards and establish in certain circumstances remedial obligations.

YPF Holdings Inc. believes that its policies and procedures in the area of pollution control, product safety and occupational health are adequate to prevent unreasonable risk of environmental and other damage, and of resulting financial liability, in connection with its business. Some risk of environmental and other damage is, however, inherent in particular operations of YPF Holdings Inc. and, as discussed below, Maxus Energy Corporation ("Maxus") and Tierra Solutions Inc. ("Tierra"), both controlled by YPF Holdings Inc., could have certain potential liabilities associated with operations of Maxus' former chemical subsidiary.

YPF Holdings Inc. cannot predict what environmental legislation or regulations will be enacted in the future or how existing or future laws or regulations will be administered or enforced. Compliance with more stringent law regulations, as well as more vigorous enforcement policies of the regulatory agencies, could in the future require material expenditures by YPF Holdings Inc. for the installation and operation of systems and equipment for remedial measures, possible dredging requirements, among other things. Also, certain laws allow for recovery of natural resource damages from responsible parties and ordering the implementation of interim remedies to abate an imminent and substantial endangerment to the environment. Potential expenditures for any such actions cannot be reasonably estimated.

In the following discussion, references to YPF Holdings Inc. include, as appropriate and solely for the purpose of this information, references to Maxus and Tierra.

In connection with the sale of Maxus' former chemical subsidiary, Diamond Shamrock Chemicals Company ("Chemicals") to Occidental Petroleum Corporation ("Occidental") in 1986, Maxus agreed to indemnify Chemicals and Occidental from and against certain liabilities relating to the business or activities of Chemicals prior to the selling date, September 4, 1986 (the "selling date"), including environmental liabilities relating to chemical plants and waste disposal sites used by Chemicals prior to the selling date.

As of September 30, 2010, accruals for the environmental contingencies and other claims totaled approximately 574 YPF Holdings Inc.'s Management believes it has adequately accrued for all environmental contingencies, which are probable and can be reasonably estimated; however, changes in circumstances, including new information or new requirements of governmental entities, could result in changes, including additions, to such accruals in the future. The most significant contingencies are described in the following paragraphs:

Newark, New Jersey. A consent decree, previously agreed upon by the U.S. Environmental Protection Agency ("EPA"), the New Jersey Department of Environmental Protection and Energy ("DEP") and Occidental, as successor to Chemicals, was entered in 1990 by the United States District Court of New Jersey and requires implementation of a remedial action plan at Chemical's former Newark, New Jersey agricultural chemicals plant. The approved remedy has been completed and paid for by Tierra. This project is in the operation and maintenance phase. YPF Holdings Inc. has accrued approximately 60 as of September 30, 2010, in connection with such activities.

Passaic River, New Jersey. Studies have indicated that sediments of the Newark Bay watershed, including the Passaic River adjacent to the former Newark plant, are contaminated with hazardous chemicals from many sources. These studies suggest that older and more contaminated sediments located adjacent to the former Newark plant generally are

buried under more recent sediments deposits. Maxus, forced to act on behalf of Occidental, negotiated an agreement with the EPA under which Tierra has conducted further testing and studies near the plant site. While some work remains in a pending state, these studies were substantially completed in 2005.

In addition:

- YPF Holdings Inc. has been conducting similar studies under their own auspices for several years.

- The EPA and other agencies are addressing the lower Passaic River in a joint federal, state, local and private sector cooperative effort designated as the Lower Passaic River Restoration Project (“PRRP”). Tierra, along

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with other entities, participated in an initial remedial investigation and feasibility study ("RIFS") in connection with the PRRP. The parties are discussing the possibility of further work with the EPA. The entities have agreed the allocations of costs associated with the RIFS, based on a number of considerations.

- In 2003, the DEP issued Directive No. 1 to Occidental and Maxus and certain of their respective related entities as well as other third parties. Directive No. 1 seeks to address natural resource damages allegedly resulting from almost 200 years of historic industrial and commercial development along a portion of the Passaic River and a part of its watershed. Directive No. 1 asserts that the named entities are jointly and severally liable for the alleged natural resource damages without regard to fault. The DEP has asserted jurisdiction in this matter even though all or part of the lower Passaic River is subject to the PRRP. Directive No. 1 calls for the following actions: interim compensatory restoration, injury identification, injury quantification and value determination. Maxus and Tierra responded to Directive No. 1 setting forth good faith defenses. Settlement discussions between the DEP and the named entities have been hold, however, no agreement has been reached or is assured.

- In 2004, the EPA and Occidental entered into an administrative order on consent (the "AOC") pursuant to which Tierra (on behalf of Occidental) has agreed to conduct testing and studies to characterize contaminated sediment and biota in the Newark bay. The initial field work on this study, which includes testing in the Newark Bay, has been substantially completed. Discussions with the EPA regarding additional work that might be required are underway. EPA has notified other companies in relation to the contamination of the Newark Bay. In August 2010, Tierra proposed to the other parties that for phase III of the Newark Bay RIFS the cost sharing be on a per capita basis. As of September 30, 2010, the parties are considering the proposal. Additionally, Tierra, acting on behalf of Occidental, is performing a separate RIFS to characterize sediment contamination and evaluate remediation, if necessary, in certain portions of the Hackensack River, the Arthur Kill River and the Kill van Kull River.

- In December 2005, the DEP issued a directive to Tierra, Maxus and Occidental directing said parties to pay the State of New Jersey's cost of developing a Source Control Dredge Plan focused on allegedly dioxin – contaminated sediment in the lower six–mile portion of the Passaic River. The development of this plan is estimated by the DEP to cost approximately US$ 2 million. This directive was issued even though this portion of the lower Passaic River is a subject of the PRRP. The DEP has advised the recipients that (a) it is engaged in discussions with the EPA regarding the subject matter of the directive, and (b) they are not required to respond to the directive until otherwise notified. Additionally, in December 2005, the DEP sued YPF Holdings Inc., Tierra, Maxus and other several companies, besides to Occidental, alleging a contamination supposedly related to dioxin, DDT and other "hazardous substances" discharged from Chemicals' former Newark plant and the contamination of the lower portion of the Passaic River, Newark Bay, other nearby waterways and surrounding areas. The DEP seeks remediation of natural resources damaged and punitive damages and other matters. The defendants have made responsive pleadings and filings. The Court denied motions to dismiss by Occidental Chemical Corporation, Tierra and Maxus. The DEP filed its Second Amended Complaint in April 2008. YPF filed a motion to dismiss for lack of personal jurisdiction. The motion mentioned previously was denied in September, 2008, and the denial was confirmed by the Court of Appeal. Notwithstanding, the Court denied to plaintiffs' motion to bar third party practice and allowed defendants to file third-party complaints. Third-party claims against approximately 300 companies and governmental entities (including certain municipalities) which could have responsibility in connection with the claim were filed in February, 2009. DEP filed its Third Amended Complaint in August 2010, adding Maxus International Energy Company and YPF International S.A. as additional named defendants. In September 2010, Governmental entities of the State of New Jersey and a number of third-party defendants filed their dismissal motions and Maxus and Tierra filed their responses. Resolution on these motions is still pending. DEP has not placed dollar amounts on all its claims, but it has (a) contended that a US$ 50 million cap on damages under one of the New Jersey statutes should not be applicable, (b) alleged that it has incurred approximately US$ 113 million in past "cleanup and removal costs," and is seeking an additional award between US$ 10 and US$ 20

million to fund a study to assess natural resource damages and, (c) notified Maxus and Tierra's legal defense team that DEP is preparing financial models of costs and of other economic impacts. Simultaneously, a mediator began to prepare a work plan for an alternative dispute resolution process to be presented to the parties in November 2010.

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- In June 2007, EPA released a draft Focused Feasibility Study (the “FFS”) that outlines several alternatives for remedial action in the lower eight miles of the Passaic River. These alternatives range from no action, which would result in comparatively little cost, to extensive dredging and capping, which according to the draft FFS, EPA estimated could cost from US$ 0.9 billion to US$ 2.3 billion and are all described by EPA as involving proven technologies that could be carried out in the near term, without extensive research. Tierra, in conjunction with the other parties of the PRRP group, submitted comments on the legal and technical defects of the draft FFS to EPA, as did other interested parties. In light of these comments, EPA decided to initiate his review and informed that a revised remedy proposal will be forthcoming during the third quarter of 2011. Tierra will respond to any further EPA proposal as may be appropriate at that time.

- In August 2007, the National Oceanic Atmospheric Administration (“NOAA”) sent a letter to the parties of the PRRP group, including Tierra and Occidental, requesting that the group enters into an agreement to conduct a cooperative assessment of natural resources damages in the Passaic River and Newark Bay. The PRRP group has declined to do so at this time, citing concerns with matters such as the FFS being revised by EPA as described above. In January 2008, the NOAA sent a letter to YPF S.A., YPF Holdings Inc., CLH Holdings Inc. and other entities, designating them as potentially responsible parties (“PRP”). Such letters have been responded, rejecting the designation as PRP. In November 2008, Tierra and Occidental entered into an agreement with the NOAA to fund a portion of the costs it has incurred and to conduct certain assessment activities during 2009. Approximately 20 other PRRP members have also entered into similar agreements. In November 2009, Tierra declined to extend this agreement for one additional year, citing concerns arising from the Passaic River litigation.

- In June 2008, the EPA, Occidental, and Tierra entered into an AOC, pursuant to which Tierra (on behalf of Occidental) will undertake a removal action of sediment from the Passaic River in the vicinity of the former Diamond Alkali facility. This action will result in the removal of approximately 200,000 cubic yards of sediment, which will be carried out in two different phases. The first phase, which is scheduled to begin in 2011, encompasses the removal of 40,000 cubic yards of sediments and is expected to be completed at the beginning of 2012. The first phase estimated cost is approximately US$ 45 million. The second phase involves the removal of approximately 160,000 cubic yards of sediment. This second phase will start once the first phase is completed and after according with EPA certain development’s aspects related to it. Pursuant to the AOC, the EPA has required the constitution of a trust fund of US$ 80 million for the performance of the removal work. YPF Holdings Inc. originally accrued US$ 80 million with respect to this matter. As of September 30, 2010, US$ 22 million has been funded (thereby reducing the accrual in a similar amount). An additional US$ 10 million must be contributed every six months, until the completion of the US$ 80 million. Notwithstanding, during 2010, letters of credit to provide financial assurance have been issued, in order to avoid the restriction of additional funds pursuant to the AOC. During the removal action, contaminants not produced by the former Diamond Alkali plant, such as PCBs and mercury, will necessarily be removed along with dioxin. Although having recognized the estimated costs related to all works mentioned above, YPF Holdings Inc. and its subsidiaries may seek cost recovery from the parties responsible for such contamination, provided contaminants’ origins were not from the Diamond Alkali plant. However, as of September 30, 2010, it is not possible to make any predictions regarding the likelihood of success or the funds potentially recoverable in a cost-recovery action.

As of September 30, 2010, there are approximately 260 accrued, comprising the estimated costs for studies, the YPF Holdings Inc.’s best estimate of the cash flows it could incur in connection with remediation activities considering the studies performed by Tierra, the estimated costs related to the agreement, and in addition certain other matters related to Passaic River and the Newark Bay. However, it is possible that other works, including interim remedial measures, may be ordered. In addition, the development of new information on the imposition of natural resource damages, or remedial actions differing from the scenarios that YPF Holdings Inc. has evaluated could result in additional costs to the amount currently accrued.

Hudson County, New Jersey. Until 1972, Chemicals operated a chromite ore processing plant at Kearny, New Jersey ("Kearny Plant"). According to the DEP, wastes from these ore processing operations were used as fill material at a number of sites in and near Hudson County. The DEP and Occidental, as successor to Chemicals,

signed an administrative consent order with the DEP in 1990 for investigation and remediation work at certain chromite ore residue sites in Kearny and Secaucus, New Jersey.

Tierra, on behalf of Occidental, is presently performing the work and funding Occidental's share of the cost of investigation and remediation of these sites. In addition, financial assurance has been provided in the amount of US$ 20 million for performance of the work. The ultimate cost of remediation is uncertain. Tierra submitted its remedial investigation reports to the DEP in 2001, and the DEP continues to review the report.

Additionally, in May 2005, the DEP took two actions in connection with the chrome sites in Hudson and Essex Counties. First, the DEP issued a directive to Maxus, Occidental and two other chromium manufacturers directing them to arrange for the cleanup of chromite ore residue at three sites in New Jersey City and the conduct of a study by paying the DEP a total of US$ 20 million. While YPF Holdings Inc. believes that Maxus is improperly named and there is little or no evidence that Chemicals' chromite ore residue was sent to any of these sites, the DEP claims these companies are jointly and severally liable without regard to fault. Second, the State of New Jersey filed a lawsuit against Occidental and two other entities seeking, among other things, cleanup of various sites where chromite ore residue is allegedly located, recovery of past costs incurred by the state at such sites (including in excess of US$ 2 million allegedly spent for investigations and studies) and, with respect to certain costs at 18 sites, treble damages. The DEP claims that the defendants are jointly and severally liable, without regard to fault, for much of the damages alleged. In February 2008, the parties reached an agreement for which Tierra will pay US$ 5 million and will perform remediation works in three sites, with a total cost of approximately US$ 2 million.

In November 2005, several environmental groups sent a notice of intent to sue the owners of the properties adjacent to the former Kearny Plant (the "Adjacent Property"), including among others Tierra, under the Resource Conservation and Recovery Act. The stated purpose of the lawsuit, if filed, would be to require the noticed parties to carry out measures to abate alleged endangerments to health and the environment emanating from the Adjacent Property. The parties have entered into an agreement that addresses the concerns of the environmental groups, and these groups have agreed, at least for now, not to file suit.

Pursuant to a request of the DEP, in the second half of 2006, Tierra and other parties tested the sediments in a portion of the Hackensack River near the former Kearny Plant. Tierra has submitted work plans for additional sampling requested by the DEP and is presently awaiting DEP comments.

In March 2008, the DEP approved an interim response action work plan for work to be performed at the Kearny Plant by Tierra and the Adjacent Property by Tierra in conjunction with other parties. This Adjacent Property was listed by EPA on the National Priority List in 2007. In July 2010, EPA notified Tierra, along with three other parties, which are considered potentially responsible for this adjacent property and requested to conduct a RIFS for the site. The parties have responded and are awaiting discussion with the EPA as to the scope of activities. At this time, it is unknown if work beyond what was agreed to with the DEP will be required.

As of September 30, 2010, there are approximately 100 accrued in connection with the foregoing chrome-related matters. The study of the levels of chromium has not been finalized, and the DEP is still reviewing the proposed actions. The cost of addressing these chrome-related matters could increase depending upon the final soil actions, the DEP's response to Tierra's reports and other developments.

Painesville, Ohio. In connection with the operation until 1976 of one chromite ore processing plant ("Chrome Plant"), from Chemicals, the Ohio Environmental Protection Agency ("OEPA") ordered to conduct a RIFS at the former Painesville's Plant area. Tierra has agreed to participate in the RIFS as required by the OEPA. Tierra submitted the remedial investigation report to the OEPA, which report was finalized in 2003. Tierra will submit required feasibility

reports separately. In addition, the OEPA has approved certain work, including the remediation of specific sites within the former Painesville Works area and work associated with the development plans discussed below (the “Remediation Work”). The Remediation Work has begun. As the OEPA approves additional projects for the site of the former Painesville Works, additional amounts will need to be accrued.

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Over ten years ago, the former Painesville Works site was proposed for listing on the national Priority List under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended ("CERCLA"); however, the EPA has stated that the site will not be listed so long as it is satisfactorily addressed pursuant to the Director's Order and OEPA's programs. As of the date of issuance of these financial statements, the site has not been listed. YPF Holdings Inc. has accrued a total of 53 as of September 30, 2010 for its estimated share of the cost to perform the RIFS, the remediation work and other operation and maintenance activities at this site. The scope and nature of any further investigation or remediation that may be required cannot be determined at this time; however, as the RIFS progresses, YPF Holdings Inc. will continuously assess the condition of the Painesville's plants works site and make any required changes, including additions, to its accrual as may be necessary.

Third Party Sites. Pursuant to settlement agreements with the Port of Houston Authority and other parties, Tierra and Maxus are participating (on behalf of Chemicals) in the remediation of property required Chemicals' former Greens Bayou facility where DDT and certain other chemicals were manufactured. Additionally, the parties have reached an agreement with the Federal and State Natural Resources Trustees concerning natural resources damages, which could require future additional contributions. As of September 30, 2010, YPF Holdings Inc. has accrued 18 for its estimated share of future remediation activities associated with the Greens Bayou facility. Although the primary work was completed in 2009, some follow-up activities and operation and maintenance remain pending.

In June 2005, the EPA designated Maxus as a PRP at the Milwaukee Solvay Coke & Gas site in Milwaukee, Wisconsin. The basis for this designation is Maxus alleged status as the successor to Pickands Mather & Co. and Milwaukee Solvay Coke Co., companies that the EPA has asserted are former owners or operators of such site. Preliminary works in connection with the RIFS of this site commenced in the second half of 2006. YPF Holdings Inc. has accrued 5 as of September 30, 2010 for its estimated share of the costs of the RIFS. YPF Holdings Inc. lacks sufficient information to determine additional costs, if any; it might have in respect of this site.

Maxus has agreed to defend Occidental, as successor to Chemicals, in respect of the Malone Services Company Superfund site in Galveston County, Texas. This site is a former waste disposal site where Chemicals is alleged to have sent waste products prior to September 1986. It is subject of enforcement activities by the EPA. Although Occidental is one of many PRPs that have been identified and have agreed to an AOC, Tierra (which is handling this matter on behalf of Maxus) presently believes the degree of Occidental's alleged involvement as successor to Chemicals is relatively small. Chemicals has also been designated as a PRP with respect to a number of third party sites where hazardous substances from Chemicals' plant operations allegedly were disposed or have come to be located. At several of these, Chemicals has no known relationship. Although PRPs are typically jointly and severally liable for the cost of investigations, cleanups and other response costs, each has the right of contribution from other PRPs and, as a practical matter, cost sharing by PRPs is usually effected by agreement among them. As of September 30, 2010, YPF Holdings Inc. has accrued approximately 2 in connection with its estimated share of costs related to certain sites and the ultimate cost of other sites cannot be estimated at the present time.

Black Lung Benefits Act Liabilities. The Black Lung Benefits Act provides monetary and medical benefits to miners disabled with a lung disease, and also provides benefits to the dependents of deceased miners if black lung disease caused or contributed to the miner's death. As a result of the operations of its coal-mining subsidiaries, YPF Holdings Inc. is required to provide insurance of this benefit to former employees and their dependents. As of September 30, 2010, YPF Holdings Inc. has accrued 12 in connection with its estimate of these obligations.

Legal Proceedings. In 2001, the Texas State Controller assessed Maxus approximately US$ 1 million in Texas state sales taxes for the period of September 1, 1995 through December 31, 1998, plus penalty and interest. In August 2004, the administrative law judge issued a decision affirming approximately US$ 1 million of such assessment, plus penalty and interest. YPF Holdings Inc. believes the decision is erroneous, but has paid the revised tax assessment,

penalty and interest (a total of approximately US$ 2 million) under protest. Maxus filed a suit in Texas state court in December 2004 challenging the administrative decision. The matter will be reviewed by a trial de novo in the court action.

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In 2002, Occidental sued Maxus and Tierra in state court in Dallas, Texas seeking a declaration that Maxus and Tierra have the obligation under the agreement pursuant to which Maxus sold Chemicals to Occidental to defend and indemnify Occidental from and against certain historical obligations of Chemicals, including claims related to "Agent Orange" and Vinyl Chloride Monomer ("VCM"), notwithstanding the fact that said agreement contains a 12-year cut-off for defense and indemnity obligations with respect to most litigation. Tierra was dismissed as a party, and the matter was tried in May 2006. The trial court decided that the 12-year cut-off period did not apply and entered judgment against Maxus. This decision was affirmed by the Court of Appeals in February 2008. Maxus has petitioned the Supreme Court of Texas for review. This lawsuit was denied. This decision will require Maxus to accept responsibility of various matters which it has refused indemnification since 1998 which could result in the incurrence of costs in addition to YPF Holdings Inc.'s current accruals for this matter. Maxus has paid approximately US$ 17 million to Occidental, and remains in discussions with Occidental regarding additional costs for US$ 0.2 million. All pending Agent Orange litigation was dismissed in December 2009, and although it is possible that further claims may be filed by unknown parties in the future, no further significant liability is anticipated. As of September 30, 2010 YPF Holdings Inc. has accrued approximately 1 in respect to this matter.

In March 2005, Maxus agreed to defend Occidental, as successor to Chemicals, in respect of an action seeking the contribution of costs incurred in connection with the remediation of the Turtle Bayou waste disposal site in Liberty County, Texas. The plaintiffs alleged that certain wastes attributable to Chemicals found their way to the Turtle Bayou site. Trial for this matter was bifurcated, and in the liability phase Occidental and other parties were found severally, and not jointly, liable for waste products disposed of at this site. Trial in the allocation phase of this matter was completed in the second quarter of 2007, and pursuant to the court decision, Maxus must pay on behalf of Occidental 15.96% of those costs incurred by one of the plaintiffs. That decision was appealed. In June 2010, the Court of Appeals ruled that the District Court had committed errors in the admission of certain documents, and remanded the case to the District Court for further proceedings. As of September 30, 2010, YPF Holdings Inc. has accrued 15 in respect of this matter.

YPF Holdings Inc., including its subsidiaries, is a party to various other lawsuits and environmental situations, the outcomes of which are not expected to have a material adverse effect on YPF's financial condition or its future results of operations. YPF Holdings Inc. accruals legal contingencies and environmental situations that are probable and can be reasonably estimated.

– Tax claims:

The Company has received several claims from the Administración Federal de Ingresos Públicos ("AFIP") and from provincial and municipal fiscal authorities, which are not individually significant, and which have been accrued based on the best information available as of the date of the issuance of these financial statements.

Additionally, YPF's Management, in consultation with its external counsels, believes that the following contingencies and claims, individually significant, have possible outcome:

– Asociación Superficiarios de la Patagonia ("ASSUPA"): In August 2003, ASSUPA sued 18 companies operating exploitation concessions and exploration permits in the Neuquén Basin, YPF being one of them, claiming the remediation of the general environmental damage purportedly caused in the execution of such activities, and subsidiary constitution of an environmental restoration fund and the implementation of measures to prevent environmental damages in the future. The plaintiff requested that the Argentine Government, the Federal Environmental Council ("Consejo Federal de Medio Ambiente"), the provinces of Buenos Aires, La Pampa, Neuquén, Río Negro and Mendoza and the Ombudsman of the Nation be summoned. It requested, as a preliminary injunction, that the defendants refrain from carrying out activities affecting the environment. Both the

Ombudsman's summon as well as the requested preliminary injunction were rejected by the CSJN. YPF has answered the demand requesting its rejection, opposing failure of the plaintiff and requiring the summon of the Argentine Government, due to its obligation to indemnify YPF for events and claims previous to January 1, 1991, according to Law No. 24,145 and Decree No. 546/1993. The CSJN gave the plaintiffs a term to correct the defects of the complaint. On August 26, 2008, the CSJN decided that such defects had already been corrected and on February 23, 2009, ordered that certain provinces, the Argentine Government and the Federal Environmental Council be summoned. Therefore, pending issues were deferred until all third parties become involved and procedural grounds are resolved.

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– Dock Sud environmental claims: A group of neighbors of Dock Sud, Province of Buenos Aires, have sued 44 companies, among which YPF is included, the Argentine Government, the Province of Buenos Aires, the City of Buenos Aires and 14 municipalities, before the CSJN, seeking the remediation and the indemnification of the environmental collective damage produced in the basin of the Matanza and Riachuelo rivers. Additionally, another group of neighbors of the Dock Sud area, have filed two other environmental lawsuits, one of them desisted in relation to YPF, claiming several companies located in that area, among which YPF is included, the Province of Buenos Aires and several municipalities, for the remediation and the indemnification of the environmental collective damage of the Dock Sud area and for the individual damage they claim to have suffered. At the moment, it is not possible to reasonably estimate the outcome of these claims, as long as, if applicable, the corresponding legal fees and expenses that might result. YPF has the right of indemnity by the Argentine Government for events and claims previous to January 1, 1991, according to Law No. 24,145 and Decree No. 546/1993.

By means of sentence dated July 8, 2008, the CSJN:

(i) Determined that the Basin Authority (Law No. 26,168) should be in charge of the execution of the program of environmental remediation of the basin, being the Argentine Government, the Province of Buenos Aires and the City of Buenos Aires responsible of its development; delegated in the Federal Court of First Instance of Quilmes the knowledge of all the matters concerning the execution of the remediation and reparation; declared that all the litigations related to the execution of the remediation plan will accumulate and will proceed before this court and established that this process produces that other collective actions that have for object the environmental remediation of the basin be dismissed(“littispendentia”);

(ii) Decided that the proceedings related to the determination of the responsibilities derived from past behaviors for the reparation of the environmental damage will continue before the CSJN.

– Other environmental claims in La Plata: On June 6, 2007, YPF was served with a new complaint in which 9 residents of the vicinity of La Plata Refinery request: i) the cease of contamination and other harms they claim are attributable to the refinery; and ii) the clean-up of the adjacent channels, Río Santiago and Río de la Plata (soil, water and acquiferous, including those of the refinery) or, if clean-up is impossible, indemnification for environmental and personal damages. The plaintiff has quantified damages in 52 or an amount to be determined from evidence produced during the proceeding. YPF believes that most damages that are alleged by the plaintiff, might be attributable to events that occurred prior to YPF's privatization and would, therefore, be covered to that extent by the indemnity granted by the Argentine Government in accordance with the Privatization Law of YPF. The Court has accepted the summon of the Argentine Government in this matter. Notwithstanding the foresaid, the possibility of YPF being asked to afford these liabilities is not discarded, in which case the Argentine Government must be asked to reimburse the remediation expenses for liabilities existing prior to January 1, 1991. In addition, the claim partially overlaps with the request made by a group of neighbors of La Plata Refinery on June 29, 1999, described in the first paragraph of “La Plata and Quilmes environmental claims”. Accordingly, YPF considers that the cases should be partially consolidated to the extent that the claims overlap. Regarding claims not consolidated, information and documents in order to answer the claim are being collected, and for the time being, it is not possible to reasonably estimate the outcome, as long as, if applicable, estimate the corresponding legal fees and expenses that might result. The contamination that may exist could derive from countless sources, including from disposal of waste over many years by other industrial facilities and ships.

Additionally, YPF is aware of an action that has not been served yet, in which the plaintiff requests the clean-up of the channel adjacent to the La Plata Refinery, the Río Santiago, and other sectors near the coast line, and, if such remediation is not possible, an indemnification of 500 or an amount to be determined from evidence produced in

discovery. The claim partially overlaps with the requests made by a group of neighbors of La Plata Refinery on June 29, 1999, described in the first paragraph of “La Plata and Quilmes environmental claims”, and with the complaint served on June 6, 2007, mentioned in the previous paragraph. Accordingly, YPF considers that if it is served in this proceeding or any other proceeding related to the same subject matters, the cases should be consolidated to the extent that the claims overlap. With respect to claims not consolidated, for the time being, it is not possible to reasonably estimate the monetary outcome, as long as, if applicable, estimate the corresponding legal fees and expenses that might result. Additionally, YPF believes that most damages alleged by the plaintiff, if proved, might be attributable to events that occurred prior to YPF's privatization and would therefore be the responsibility of the Argentine Government in accordance with the Privatization Law concerning YPF.

– Hydrocarbon's concessions - Provincial claims: YPF has been notified of the Resolution No. 433/2008 issued by the Direction of Hydrocarbons, Ministry of Production of the Province of Río Negro, concerning compliance with certain obligations assumed as production concessionaire of the areas Barranca de los Loros, Bajo del Piche, El Medanito and Los Caldenes, all of them located in the Province of Río Negro. The resolution provides that YPF, among others, has not complied with certain obligations as production concessionaire and claims for damages to the environment.

Considering the previous paragraph and the dispositions of the Law No. 17,319 (Law of Hydrocarbons), YPF was requested to submit its discharge at risk of termination of the mentioned concessions. However, the mentioned Law grants the concessionaire and/or licensee the right, prior to termination of the concession, to cure a contractual reach within a certain period of time after receiving notice thereof. In this order, on May 29, 2008, YPF filed a request for nullification of the Resolution No. 433/2008, since this resolution fail to grant YPF the mentioned right. Additionally, on June 13, 2008, YPF submitted a response, denying the mentioned charges. On November 12, 2008, the Ministry of Production ordered the initiation of the evidence production period. On November 28, 2008, YPF requested the production of certain evidence and the appointment of a technical expert. As of the issuance date of these financial statements, YPF has argued certain aspects related with the production of evidence. On May 12, 2009, the Company was notified of the issuance of Resolution No. 31/09, ordering a time extension in the evidence production period. On December 1, 2009, YPF filed with the requested documentary evidence and stated that certain aspects related to the evidence production period are still pending. On September 16, 2010, YPF submitted a presentation and requested the termination of this claim based on: (a) the amounts invested in the four areas between 2007 and 2010 and (b) the actions taken as regards the environmental matters.

– Claims related to the gas market and others:

In addition to the information described under the title "Natural gas market" in this note, and in relation to the existence of clients with whom YPF has commitments to deliver natural gas which, as a result of the Restrictions, the Company has been forced to suspend totally or partially the corresponding deliveries, invoking the existence of force majeure or fortuitous event, and which constitute in some cases contingencies with possible outcome; the Company is also involved in the following litigations related to the natural gas market:

– Arbitration process initiated by Transportadora de Gas del Mercosur S.A. ("TGM"): YPF was notified of an arbitration process brought by TGM against YPF before the ICC, claiming unpaid and outstanding invoices in an approximate amount of US$ 10 million plus interest, in connection with the payments of the invoices established in the natural gas transportation contract entered into in September 1998 between YPF and TGM, associated with the natural gas export contract entered into by YPF and AESU previously mentioned. On April 8, 2009, YPF requested the rejection of this claim and counterclaimed asking for the termination of the natural gas transportation contract, based on the termination promoted by AESU and Companhía de Gás do Estado do Río Grande do Sul ("Sulgás") of the natural gas export contract. Additionally, YPF registered a request for arbitration at the ICC against TGM, amongst others. TGM answered the arbitral complaint by requesting the rejection of all YPF claims and filed a counterclaim against YPF asking the arbitral tribunal: that YPF indemnifies TGM for all of the present and future damages derived from the termination of the natural gas transportation contract and the agreement entered into between the parties on October 2, 1998, by which YPF had agreed to pay TGM non-capitalizable irrevocable contributions as a compensation for the extension of the natural gas pipeline Proyecto Uruguayana; and that AESU/Sulgás be severally obliged to indemnify TGM for all the damages caused to TGM derived from the termination of the natural gas supply contract, in case AESU or Sulgas are declared responsible for that termination. Additionally, on July 10, 2009, TGM increased the amounts of its claim to US$ 17 million and claimed an additional amount of US$ 366 million as lost profit, a claim for which YPF believes it would not be responsible. YPF rejected TGM's arguments. The Arbitration Tribunal has been constituted and the parties agreed

on the Terms of Reference in coordination with the Arbitration Tribunal. On June 10, 2010, YPF submitted its arguments on procedural grounds before the Arbitration Tribunal and requested the Arbitration Tribunal to determine that it was not competent to hear the claim. In case such motion is rejected, YPF has requested the Arbitration Tribunal to suspend this arbitration until the ongoing arbitration with TGM, among others, is solved. On the same date, TGM submitted a similar request. A ruling determining The Abitration Tribunal's competence is still pending.

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– Administrative presentation against Transportadora de Gas del Norte S.A. ("TGN"): On April 8, 2009, YPF filed a complaint against TGN before the ENARGAS, seeking the termination of the natural gas transportation contract with that company to transport natural gas associated with the natural gas export contract entered with AESU and other parties. The termination of the contract with TGN is based on: (a) the impossibility of YPF to use and of TGN to render the natural gas transportation service due to the conjunction of (i) the termination of the natural gas contract with Sulgás/AESU and (ii) the legal impossibility of assigning the transportation contract to other parties under current regulatory framework, (b) the legal impossibility of TGN to render the transportation service on a firm basis according to the terms of the contract as a consequence of certain changes in the regulatory framework since 2004, and (c) the Hardship Provision (teoría de la imprevisión) as defined under Argentine law, upon the existence of extraordinary events which caused an excessive burden.

– National Antitrust Protection Board: On November 17, 2003, Antitrust Board requested explanations, within the framework of an official investigation pursuant to Art. 29 of the Antitrust Law, from a group of almost thirty natural gas production companies, among them YPF, with respect to the following items: (i) the inclusion of clauses purportedly restraining trade in natural gas purchase/sale contracts; and (ii) observations on gas imports from Bolivia, in particular (a) old expired contract signed by YPF, when it was state-owned, and YPFB (the Bolivian state-owned oil company), under which YPF allegedly sold Bolivian gas in Argentina at prices below the purchase price; and (b) the unsuccessful attempts in 2001 by Duke and Distribuidora de Gas del Centro to import gas into Argentina from Bolivia. On January 12, 2004, YPF submitted explanations in accordance with Art. 29 of the Antitrust Law, contending that no antitrust violations had been committed and that there had been no price discrimination between natural gas sales in the Argentine market and the export market. On January 20, 2006, YPF received a notification of resolution dated December 2, 2005, whereby the Antitrust Board (i) rejected the "non bis in idem" petition filed by YPF, on the grounds that ENARGAS was not empowered to resolve the issue when ENARGAS Resolution No. 1,289 was enacted; and (ii) ordered that the opening of the proceedings be undertaken pursuant to the provisions of Section 30 of the Antitrust Law. On January 15, 2007, Antitrust Board charged YPF and eight other producers with violations of the Antitrust Law. YPF has contested the complaint on the basis that no violation of the law took place and that the charges are barred by the applicable statute of limitations, and has presented evidence in support of its position. On June 22, 2007, YPF presented to the Antitrust Board, without acknowledging any conduct in violation of the Antitrust Law, a commitment consistent with Art. 36 of the Antitrust Law, requiring to the Antitrust Board to approve the commitment, to suspend the investigation and to file the proceedings. On December 14, 2007, the Antitrust Board decided to transfer the motion to the Court of Appeals as a consequence of the appeal presented by YPF against the rejection of the application of the statute of limitations.

In addition, YPF is subject to other claims before the Antitrust Board which are related to alleged price discrimination in sale of fuels. Upon the opinion of Management and its legal advisors, such claims have been considered as possible contingencies.

– Users and Consumers´ association claim: the "Users and Consumers Association" (Unión de Usuarios y Consumidores) claimed originally against Repsol YPF (then extending its claim to YPF) the reimbursement of the overprice allegedly charged to bottled LPG consumers between 1993 and 2001. The claim is for an unspecified sum, amounting to 91 in the period 1993 to 1997 (this sum, brought up-to-date would be approximately 315), together with an undetermined amount for the period 1997 to 2001. The Company claimed the application of the statute of limitations (as well as other defenses) since, at the date of the extension of the claim, the two-year limit had already elapsed. Notwithstanding, on August 6, 2009, the evidence production period commenced and the evidence is now being produced.

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Compañía Mega claim: Compañía Mega has claimed YPF for cutbacks in natural gas supply pursuant to their respective sales contract. YPF affirmed that the deliveries of natural gas to Mega were affected by the interference of the Argentine Government. Besides, YPF would not have any responsibility based on the event of force majeure. Despite the fact that the Company has material arguments of defense, taking into account the characteristics of the claims, they have been considered as possible contingencies.

Additionally, the Company has received other labor, civil and commercial claims and several claims from the AFIP and from provincial and municipal fiscal authorities, not individually significant, which have not been accrued since Management, based on the evidence available as of the date of issuance of these financial statements, has considered them to be possible contingencies.

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b) Environmental liabilities:

YPF is subject to various provincial and national laws and regulations relating to the protection of the environment. These laws and regulations may, among other things, impose liability on companies for the cost of pollution clean-up and environmental damages resulting from operations. Management believes that the Company's operations are in substantial compliance with Argentine laws and regulations currently in force relating to the protection of the environment, as such laws have historically been interpreted and enforced.

However, the Company is periodically conducting new studies to increase its knowledge concerning the environmental situation in certain geographic areas where the Company operates in order to establish their status, causes and necessary remediation and, based on the aging of the environmental issue, to analyze the possible responsibility of Argentine Government, in accordance with the contingencies assumed by the Argentine Government for liabilities existing prior to December 31, 1990. Until these studies are completed and evaluated, the Company cannot estimate what additional costs, if any, will be required. However, it is possible that other works, including provisional remedial measures, may be required.

In addition to the hydrocarbon wells abandonment legal obligations for 4,544 as of September 30, 2010, the Company has accrued 483 corresponding to environmental remediation, which evaluations and/or remediation works are probable and can also be reasonably estimated, based on the Company's existing remediation program. Legislative changes, on individual costs and/or technologies may cause a re-evaluation of the estimates. The Company cannot predict what environmental legislation or regulation will be enacted in the future or how future laws or regulations will be administered. In the long-term, this potential changes and ongoing studies could materially affect future results of operations.

c) Contractual commitments and regulatory requirements:

- Contractual commitments: The Company has signed contracts by means of which it has committed to buy certain products and services, and to sell natural gas, liquefied petroleum gas and other products. Some of the mentioned contracts include penalty clauses that stipulate compensations for a breach of the obligation to receive, deliver or transport the product object of the contract. In particular, the Company has renegotiated certain natural gas export contracts, and has agreed certain limited compensations in case of any delivery interruption and/or suspension, for any reason, except for physical force majeure event. The estimated losses for contracts in progress, if any, considering the compensations mentioned above, are charged to the income of the period or year in which are identified.

- Natural gas regulatory requirements: In addition to the regulations that affect the natural gas market mentioned in "Natural gas market" (Note 5.a), on June 14, 2007, Resolution No. 599/2007 of the Secretariat of Energy was published in the Official Gazette (the "Resolution"). This Resolution approved an agreement with natural gas producers regarding the natural gas supply to the domestic market during the period 2007 through 2011 (the "Agreement 2007-2011"). The purpose of this Agreement 2007-2011 is to guarantee the normal supply of the natural gas domestic market during the period 2007 through 2011, considering the domestic market demand registered during 2006 plus the growth of residential and small commercial customer's consumption (the "Priority Demand"). According to the Resolution, the producers that have signed the Agreement 2007-2011 commit to supply a part of the Priority Demand according to certain percentage determined for each producer based upon its share of production for the 36 months period prior to April 2004. In case of shortage to supply Priority Demand, natural gas exports of producers that did not sign the Agreement 2007-2011 will be the first to be called upon in order to satisfy such mentioned shortage. The Agreement 2007-2011 also establishes terms of effectiveness and pricing provisions for the Priority Demand consumption. Considering that the Resolution anticipates the continuity of the

regulatory mechanisms that affect the exports, YPF has appealed the Resolution and has expressly stated that the execution of the Agreement 2007-2011 does not mean any recognition by YPF of the validity of that Resolution. On June 22, 2007, the National Direction of Hydrocarbons notified that the Agreement 2007-2011 reached the sufficient level of subscription.

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Additionally, on October 4, 2010, the Official Gazette published ENARGAS Resolution No. 1410/2010 that approves the "Procedimiento para Solicitudes, Confirmaciones y Control de Gas" which sets new rules for natural gas dispatch applicable to all participants in the natural gas industry, imposing new and more severe restrictions to the producers' availability of natural gas, as follows. By virtue of these procedures, distributors remain able to request all the natural gas necessary to cover the Priority Demand even in the case of natural gas volumes that exceed those that the Secretariat of Energy would have allocated by virtue of the Agreement ratified by the Resolution No. 599/07. Producers are obligated to confirm all the natural gas requested by distributors to supply the Priority Demand. The producers' shares in such volumes follow the allocation criterion established by the Agreement 2007-2011. It is not possible to predict the estimated demand of the Argentine market that must be satisfied by the producers, whether or not the producer signed the Agreement 2007-2011. Once the Priority Demand has been supplied, the volumes requested by the rest of the segments must be confirmed, leaving the exports last in order of priority. In case the programmings do not yield sustainable results, with respect to the objective of maintaining the equilibrium and preserving the operation of the transportation and distribution systems, the necessary reprogrammings and redirections will take place. In case the producer's confirmations are of a lower volume than requested, the transporters will be in charge of making confirmations adequate by redirecting natural gas until the volume required by distributors according to Priority Demand is completed. This greater volume will have to be withdrawn from the confirmations made by that producer to other clients. If the producer would not have confirmed natural gas to other clients from the same basin, the lacking volume will be requested to the rest of the natural gas producers. Therefore, this procedure imposes a supply obligation that is jointly liable for all producers in case any producer supplies natural gas in a deficient way.

- Liquid hydrocarbons regulatory requirements: Resolution No. 1,679/04 of the Secretariat of Energy reinstalled the registry of diesel and crude oil export transactions created by Executive Decree No. 645/02, and mandated that producers, sellers, refining companies and any other market agent that wishes to export diesel or crude oil to register such transaction and to demonstrate that domestic demand has been satisfied and that they have offered the product to be exported to the domestic market. In addition, Resolution No. 1,338/06 of the Secretariat of Energy added other petroleum products to the registration regime created by Executive Decree No. 645/02, including gasoline, fuel oil and its derivatives, diesel, aviation fuel, asphalts, certain petrochemicals and certain lubricants. Resolution No. 715/07 of the Secretariat of Energy empowered the National Refining and Marketing Director to determine the amounts of diesel to be imported by each company, in specific periods of the year, to compensate exports of products included under the regime of Resolution No. 1,679/04; the fulfillment of this obligation to import diesel is necessary to obtain authorization to export the products included under Decree No. 645/02. In addition, certain regulations established that exports are subordinated to the supply of the domestic market. In this way, Resolution No. 25/06 of the Secretariat of Domestic Commerce, issued on October 11, 2006, imposes on each Argentine refining and/or retail company the obligation to supply all reasonable diesel fuel demand, by supplying certain minimum volumes (which at least should be volumes supplied the year before plus the positive correlation between diesel demand and GDP accumulated from the month reference). The mentioned commercialization should be done without altering or affecting the normal operation of the diesel market.

Additionally, Rule 168/04 requires companies intending to export LPG to first obtain an authorization from the Secretariat of Energy, by demonstrating that local demand was satisfied or that an offer to sell LPG to local demand has been made and rejected.

In January 2008, the Secretariat of Domestic Commerce issued Resolution No.14/2008, whereby the refining companies were instructed to optimize their production in order to obtain maximum volumes according to their capacity.

- Other regulatory requirements: In connection with certain natural gas export contracts from the Noroeste basin in Argentina, YPF presented to the Secretariat of Energy the accreditation of the existence of natural gas reserves of

that basin in adherence to export permits. In case the Secretariat of Energy considers that the natural gas reserves are insufficient, it could resolve the expiration or partial or total suspension of one or several export permits. The Secretariat of Energy limited preventively the exportable volumes of natural gas in a 20% by Note No. 1,009/2006. All of this is connected with the export authorization given by Resolution No. 167/1997 of the Secretariat of Energy (80% of the maximum exportable quantities still remain).

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During 2005, the Secretariat of Energy by means of Resolution No. 785/2005 modified by Resolution No. 266/2008 of the Ministry of Federal Planning, Public Investment and Services, created the National Program of Hydrocarbons and its derivatives Warehousing Aerial Tank Loss Control, measure aimed at reducing and correcting environmental pollution caused by hydrocarbons and its derivatives warehousing-aerial tanks. The Company has begun to develop and implement a technical and environmental audit plan as required by the resolution.

- Agreements for the extension of concessions: On December 28, 2000, through Decree No. 1,252/2000, the Argentine Federal Executive Branch (the "Federal Executive") extended for an additional term of 10 years until November 2027 the concession for the exploitation of Loma La Lata - Sierra Barrosa area granted to YPF. The extension was granted under the terms and conditions of the Extension Agreement executed between the Argentine Government, the Province of Neuquén and YPF on December 5, 2000. Under this agreement, YPF paid US$ 300 million to the Argentine Government for the extension of the concession mentioned above, which were recorded in "Fixed Assets" on the balance sheet and committed, among other things, to define a disbursement and investment program of US$ 8,000 million in the Province of Neuquén from 2000 to 2017 and to pay to the Province of Neuquén 5% of the net cash flows arising out of the concession during each year of the extension term. The previously mentioned commitments have been affected by the changes in economic rules established by Public Emergency and Exchange System Reform Law No. 25,561.

Additionally, in 2008 and 2009, the Company entered into a series of agreements with the Province of Neuquén, to extend for ten additional years the term of the production concessions on several areas located in that province, which, as result of the above mentioned agreement, will expire between 2026 and 2027. As a condition for the extension of these concessions the Company undertook the following commitments upon the execution of the agreements: i) to make to the Province total initial payments of US$ 204 million; ii) to pay in cash to the Province an "Extraordinary Production Royalty" of 3% of the production of the areas involved. In addition, the parties agreed to make adjustments of up to an additional 3% in the event of an extraordinary income according to the mechanisms and reference values established in each signed agreement; iii) to carry out exploration activities in the remaining exploration areas and make certain investments and expenditures in the production concessions that are the purpose of the agreements in a total amount of US$ 3,512 million until the expiring date of the concessions; and iv) to make Corporate Social Responsibility contributions to the Province of Neuquén in a total amount of US$ 23 million.

6. OTHER CONSOLIDATED FINANCIAL STATEMENT INFORMATION

The following tables present additional consolidated financial statement disclosures required under Argentine GAAP.

a) Fixed assets evolution.

b) Cost of sales.

c) Expenses incurred.

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a) Fixed assets evolution

	2010 Cost				
Main account	Amounts at beginning of year	Net translation effect (4)	Increases	Net decreases, reclassifications and transfers	Amounts at end of period
Land and buildings	3,206	-	15	122	3,343
Mineral property, wells and related equipment	61,501	13	36	2,364	63,914
Refinery equipment and petrochemical plants	10,847	-	9	256	11,112
Transportation equipment	1,973	-	7	-	1,980
Materials and equipment in warehouse	814	-	1,005	(751)	1,068
Drilling and work in progress	3,640	-	4,271	(2,661)	5,250
Exploratory drilling in progress	119	-	135	(57)	197
Furniture, fixtures and installations	884	-	4	46	934
Selling equipment	1,485	-	-	35	1,520
Other property	652	-	26	235	913
Total 2010	85,121	13	5,508 (1)	(411)	90,231
Total 2009	80,364	55	3,343 (5)	(460)	83,302

	2010 Depreciation						2009	
Main account	Accumulated at beginning of year	Net decreases, reclassifications and transfers	Depreciation rate	Increases	Accumulated at end of period	Net book value as of 09-30-10	Net book value as of 09-30-09	Net book value as of 12-31-09
Land and buildings	1,219	(11)	2 %	58	1,266	2,077	1,933	1,987
Mineral property, wells and related equipment	45,162	(3)	(3)	3,501	48,660	15,254 (2)	16,127 (2)	16,339 (2)
Refinery equipment and petrochemical plants	7,102	(1)	4 - 10 %	379	7,480	3,632	3,695	3,745
Transportation equipment	1,433	(8)	4 - 5 %	49	1,474	506	536	540
Materials and equipment in warehouse	-	-	-	-	-	1,068	902	814
Drilling and work in progress	-	-	-	-	-	5,250	3,245	3,640
Exploratory drilling in progress	-	-	-	-	-	197	85	119

Furniture, fixtures and installations	674	-	10%	66	740	194	228	210
Selling equipment	1,176	-	10%	44	1,220	300	318	309
Other property	322	(8)	10%	17	331	582	311	330
Total 2010	57,088	(31)		4,114	61,171	29,060		
Total 2009	52,291	(17)		3,648	55,922		27,380	28,033

(1) Includes 26 corresponding to hydrocarbon wells abandonment costs for the nine-month period ended September 30, 2010.

(2) Includes 1,075, 1,218 and 1,196 of mineral property as of September 30, 2010 and 2009 and December 31, 2009, respectively.

(3) Depreciation has been calculated according to the unit of production method.

(4) Includes the net effect of the exchange differences arising from the translation of foreign companies' fixed assets net book values at beginning of the year.

(5) Includes 102 for the extension of certain exploitation concessions in the Province of Neuquén, for the nine-month period ended September 30, 2009, (Note 5.c).

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b) Cost of sales

	For the nine-month periods ended September 30,	
	2010	2009
Inventories at beginning of year	3,066	3,449
Purchases for the period	6,665	4,175
Production costs (Note 6.c)	14,626	12,232
Holding gains (losses) on inventories	467	(163)
Inventories at end of period	(3,958)	(2,997)
Cost of sales	20,866	16,696

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c) Expenses incurred

	For the nine-month periods ended September 30,					
	2010					2009
	Production costs	Administrative expenses	Selling expenses	Exploration expenses	Total	Total
Salaries and social security taxes	1,149	320	209	48	1,726	1,320
Fees and compensation for services	138	299	37	4	478	421
Other personnel expenses	350	59	18	9	436	350
Taxes, charges and contributions	254	32	403	-	689	536
Royalties and easements	2,196	-	7	6	2,209	1,891
Insurance	111	6	18	-	135	158
Rental of real estate and equipment	363	3	57	-	423	399
Survey expenses	-	-	-	30	30	21
Depreciation of fixed assets	3,941	80	93	-	4,114	3,648
Industrial inputs, consumable materials and supplies	574	5	35	1	615	471
Operation services and other service contracts	1,274	50	113	-	1,437	1,427
Preservation, repair and maintenance	2,259	29	57	13	2,358	1,486
Contractual commitments	149	-	-	-	149	34
Unproductive exploratory drillings	-	-	-	45	45	292
Transportation, products and charges	760	-	969	-	1,729	1,481
Allowance for doubtful trade receivables	-	-	36	-	36	12
Publicity and advertising expenses	-	69	59	-	128	109
Fuel, gas, energy and miscellaneous	1,108	63	71	22	1,264	1,164
Total 2010	14,626	1,015	2,182	178	18,001	
Total 2009	12,232	776	1,790	422		15,220

7. RECENT EVENTS

In November 2010, the Company paid dividends of approximately 2,281. As of the date of the issuance of these condensed consolidated financial statements, there are no other significant subsequent events that require adjustments or disclosure, if applicable, which were not already considered in this note or elsewhere in the financial statement.

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SIGNATURE

Pursuant to the requirements 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.

	YPF Sociedad Anónima	
Date: November 26, 2010	By:	/s/ Guillermo Reda
	Name:	Guillermo Reda
	Title:	Chief Financial Officer