Sun Communities, Inc.

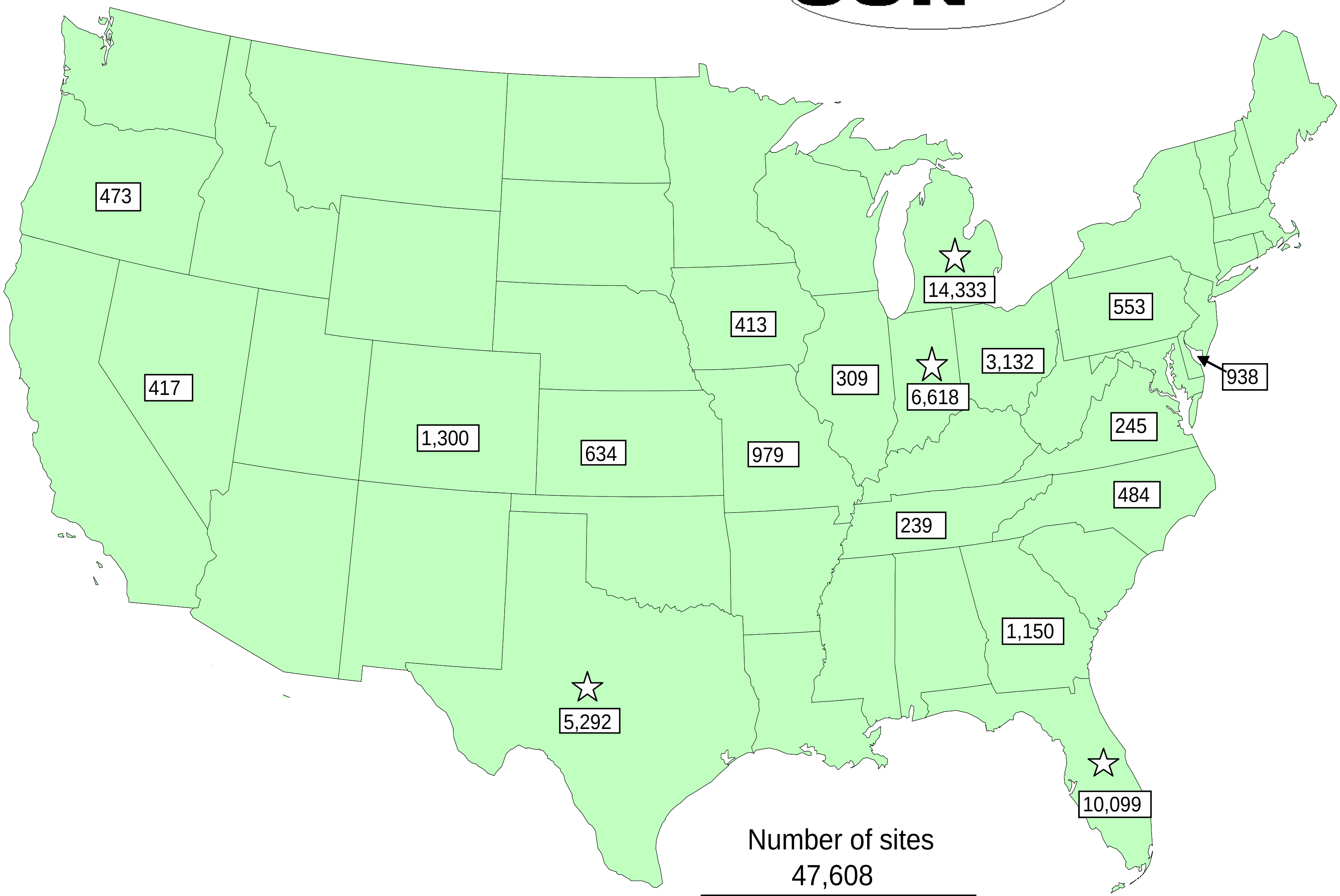
Supplemental Operating and Financial Data

For the Quarter Ended September 30, 2008

SUN

Portfolio Overview

SUN



Number of sites
47,608

Management Offices
☆

SUN COMMUNITIES, INC.
SUPPLEMENTAL INFORMATION
THIRD QUARTER 2008

INDEX

(A) The statements of operations provided in this supplemental information package present funds from operations, net operating income, EBITDA and funds available for distribution which are REIT industry financial measures that are not calculated in accordance with generally accepted accounting principles ("GAAP"). Please see footnote (1) at the back of this report for a definition of these supplemental performance measures.

SUN COMMUNITIES

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INQUIRIES

Sun Communities welcomes questions or comments from stockholders, analysts, investment managers, media or any prospective investor. Please address all inquires to Ms. Carol Petersen of our investor relations department.

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SUN COMMUNITIES

BALANCE SHEETS

(in thousands)

	Quarter Ended				
	September 30, 2008	June 30, 2008	March 31, 2008	December 31, 2007	September 30, 2007
ASSETS:					
Real Estate					
Land	$ 117,116	$ 117,116	$ 117,116	$ 117,310	$ 117,309
Land improvements and buildings	1,191,298	1,188,674	1,186,499	1,184,257	1,181,939
Furniture, fixtures and equipment	36,859	36,577	36,043	36,433	36,234
Rental homes and improvements	179,445	177,576	174,646	170,227	161,873
Land held for future development	27,986	28,036	29,094	30,199	30,199
Gross investment property	1,552,704	1,547,979	1,543,398	1,538,426	1,527,554
Less: Accumulated depreciation	(444,625)	(431,270)	(417,892)	(404,222)	(390,370)
Net investment property	1,108,079	1,116,709	1,125,506	1,134,204	1,137,184
Cash and cash equivalents	6,824	4,313	4,953	5,415	3,809
Notes and other receivables	26,051	46,173	40,572	36,846	39,191
Collateralized receivables[(2)]	25,023	-	-	-	-
Inventory of manufactured homes	10,037	9,252	10,259	12,082	13,230
Investment in affiliate	6,464	7,450	15,170	20,000	29,850
Other assets	39,377	37,116	36,737	37,276	37,840
Total assets	$ 1,221,855	$ 1,221,013	$ 1,233,197	$ 1,245,823	$ 1,261,104
LIABILITIES AND EQUITY:					
Liabilities					
Lines of credit	$ 71,876	$ 75,498	$ 92,567	$ 85,703	$ 76,016
Secured borrowing[(2)]	25,023	-	-	-	-
Mortgage loans payable	1,066,560	1,069,460	1,049,621	1,052,525	1,053,133
Preferred operating units	49,447	49,447	49,447	49,447	49,447
Accounts payable, deposits and accrued liabilities	37,186	37,336	33,031	32,102	33,069
Total liabilities	1,250,092	1,231,741	1,224,666	1,219,777	1,211,665
Minority interest - Common OP units	-	724	3,108	4,999	6,203
	-	724	3,108	4,999	6,203
Stockholders' Equity					
Common stock	202	202	202	202	201
Paid in capital	459,598	459,430	458,809	458,487	458,099
Officer's notes	(8,439)	(8,543)	(8,647)	(8,740)	(8,826)
Unrealized gain (loss) on interest rate swaps	(920)	(924)	(2,272)	(856)	180
Distributions in excess of net income	(415,078)	(398,017)	(379,069)	(364,446)	(342,818)
Treasury stock at cost	(63,600)	(63,600)	(63,600)	(63,600)	(63,600)
Total stockholders' equity (deficit)	(28,237)	(11,452)	5,423	21,047	43,236
Total liabilities and stockholders' equity (deficit)	$ 1,221,855	$ 1,221,013	$ 1,233,197	$ 1,245,823	$ 1,261,104
Common OP units outstanding	2,287	2,301	2,301	2,302	2,302
Number of shares outstanding	18,411	18,404	18,417	18,426	18,343

[(2)] The Company completed a transaction involving its installment note portfolio. The notes were valued at par with certain recourse provisions requiring the Company to purchase the underlying homes securing the installment notes upon the event of default of an installment note and subsequent repossession of the home. The Company has recorded the transaction as a transfer of financial assets. The transferred assets have been classified as collateralized receivables and the cash received from this transaction has been classified as a secured borrowing.

DEBT ANALYSIS

(in thousands)

	Quarter Ended				
	September 30, 2008	June 30, 2008	March 31, 2008	December 31, 2007	September 30, 2007
DEBT OUTSTANDING					
Lines of credit	$ 71,876	$ 75,498	$ 92,567	$ 85,703	$ 76,016
Mortgage loans payable	1,066,560	1,069,460	1,049,621	1,052,525	1,053,133
Preferred operating units	49,447	49,447	49,447	49,447	49,447
Secured borrowing(3)	25,023	-	-	-	-
Total debt	$ 1,212,906	$ 1,194,405	$ 1,191,635	$ 1,187,675	$ 1,178,596
% FIXED/FLOATING					
Fixed	81.63%	81.04%	81.83%	82.35%	83.23%
Floating	18.37%	18.96%	18.17%	17.65%	16.77%
Total	100.00%	100.00%	100.00%	100.00%	100.00%
WEIGHTED AVERAGE INTEREST RATES					
Lines of credit	5.27%	4.19%	4.37%	6.55%	6.90%
Mortgage loans payable	4.97%	4.93%	5.19%	5.23%	5.28%
Preferred operating units	6.83%	6.83%	6.83%	7.24%	7.23%
Average before secured borrowing	4.99%	4.97%	5.20%	5.41%	5.47%
Secured borrowing(3)	10.03%	-	-	-	-
Total average	5.17%	4.97%	5.20%	5.41%	5.47%
DEBT RATIOS					
Debt/Total Capitalization	74.7%	76.0%	73.7%	73.1%	65.5%
Debt/Gross Assets	72.8%	72.3%	72.2%	72.0%	71.4%
COVERAGE RATIOS					
EBITDA/ Mortgage Interest (4)	2.0	2.2	2.2	2.0	1.8
EBITDA/Mortgage Interest + Pref. Distributions (4)	1.9	2.1	2.1	1.9	1.7

MATURITIES/PRINCIPAL AMORTIZATION NEXT FIVE YEARS

	30-Sep-09	30-Sep-10	30-Sep-11	30-Sep-12	30-Sep-13
Lines of credit	$ 7,576	$ -	$ -	$ 64,300	$ -
Mortgage loans payable: .					
Maturities	11,200	-	103,708	14,273	25,473
Principal amortization	12,283	13,159	13,508	12,460	13,038
Preferred operating units	-	8,940	4,725	-	-
Secured borrowing(3)	1,019	1,125	1,228	1,349	1,433
Total	$ 32,078	$ 23,224	$ 123,169	$ 92,382	$ 39,944

(3) See page 2 footnote 2.

(4) December 2007 EBITDA has been adjusted to exclude $1.9M of loss recorded from the reduction in book value of our Investment in Affiliate (Origen) and $8.0M of equity loss from affiliate related to certain impairment items reported by Origen. March 2008 EBITDA has been adjusted to exclude $4.8M of loss from affiliates. June and September 2008 EBITDA has been adjusted to exclude $0.9M and $0.2M respectively of equity loss from affiliate and $6.8M and $1.3M, respectively of loss recorded from the reduction in book value of or investment in Origen.

STATEMENTS OF OPERATIONS

(in thousands)

	Quarter Ended				
	September 30, 2008	June 30, 2008	March 31, 2008	December 31, 2007	September 30, 2007
REVENUES:					
Income from real property	$ 47,966	$ 47,846	$ 50,553	$ 48,509	$ 46,818
Gross profit from home sales	1,860	1,787	1,664	1,041	1,084
Rental revenues, net	1,051	1,171	1,530	1,079	1,235
Other income	(1,138)	(3,996)	(2,928)	(8,587)	841
Total revenues	49,739	46,808	50,819	42,042	49,978
EXPENSES:					
Property operating and maintenance	12,766	12,615	12,361	12,195	12,845
Real estate taxes	3,844	4,170	4,169	3,997	4,174
General and administrative	5,380	6,428	5,784	4,407	5,171
Total expenses	21,990	23,213	22,314	20,599	22,190
EBITDA (1)	27,749	23,595	28,505	21,443	27,788
Interest expense and preferred distributions	(16,208)	(15,414)	(16,224)	(16,671)	(16,679)
Depreciation and amortization	(16,167)	(16,355)	(16,005)	(16,034)	(15,512)
Provision (benefit) for state income tax	(141)	(128)	235	(193)	(525)
Minority interest distribution (loss allocation)	(726)	934	394	1,297	560
NET LOSS	(5,493)	(7,368)	(3,095)	(10,158)	(4,368)
Depreciation and amortization	16,667	16,814	16,449	16,555	15,921
Valuation adjustment	-	-	-	2	1
Provision for state income tax	(7)	(9)	(389)	85	500
(Gain) loss on sale of land/properties/assets	(569)	(3,727)	(1,542)	(724)	278
Minority interest distribution (loss allocation)	726	(934)	(394)	(1,297)	(560)
FUNDS FROM OPERATIONS (1) (5)	11,324	4,776	11,029	4,463	11,772
Less: Recurring capital expenditures	(2,791)	(1,705)	(1,257)	(1,727)	(2,538)
FUNDS AVAILABLE FOR DISTRIBUTION ("FAD") (1)	$ 8,533	$ 3,071	$ 9,772	$ 2,736	$ 9,234
FFO PER SHARE/UNIT (1)	$0.55	$0.23	$0.54	$0.22	$0.58
DILUTED FFO PER SHARE/UNIT	$0.55	$0.23	$0.54	$0.22	$0.58
FAD PER SHARE/UNIT (1)	$0.42	$0.15	$0.48	$0.13	$0.46
DISTRIBUTION PER SHARE/UNIT	$0.63	$0.63	$0.63	$0.63	$0.63
PAYOUT RATIO (6)	130.0%	121.0%	89.0%	90.7%	135.2%
WEIGHTED AVERAGE SHARES/UNITS-BASIC	20,504	20,463	20,379	20,328	20,264
WEIGHTED AVERAGE SHARES/UNITS-DILUTED	20,571	20,514	20,436	20,426	20,374

(5) See page 5

(6) December 2007 Payout Ratio has been adjusted to exclude $1.9M of loss recorded from the reduction in book value of our Investment in Affiliate (Origen) and $8.0M of equity loss from affiliate related to certain impairment items reported by Origen. March 2008 Payout Ratio has been adjusted to exclude $4.8M of equity loss from affiliate. June and September 2008 Payout Ratio has been adjusted to exclude $0.9M and $0.2M, respectively of equity loss from affiliate and $6.8M and $1.3M, respectively of loss recorded from the reduction in book value of our investment in Origen.

RECONCILIATION OF NET LOSS TO FUNDS FROM OPERATIONS FOR THE PERIODS ENDED SEPTEMBER 30, 2008 AND 2007 (Amounts in thousands except for per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
Net loss	$ (5,493)	$ (4,368)	$ (15,956)	$ (6,485)
Adjustments:				
Depreciation and amortization	16,667	15,475	49,930	46,850
Valuation adjustment[7]	-	1	-	(250)
Provision (benefit) for state income taxes[8]	(7)	500	(405)	500
(Gain) loss on disposition of assets, net	(536)	724	(2,502)	1,193
Gain on sale of undeveloped land	(33)	-	(3,336)	-
Minority interest distribution (loss allocation)	726	(560)	(602)	(832)
Funds from operations (FFO)[1]	$ 11,324	$ 11,772	$ 27,129	$ 40,976
Weighted average common shares/OP Units outstanding:				
Basic	20,504	20,264	20,448	20,211
Diluted	20,571	20,374	20,499	20,328
FFO[1] per weighted average Common Share/OP Unit - Basic	$ 0.55	$ 0.58	$ 1.33	$ 2.03
FFO[1] per weighted average Common Share/OP Unit - Diluted	$ 0.55	$ 0.58	$ 1.32	$ 2.02

The table below adjusts FFO to exclude equity loss from affiliate (Origen), in thousands.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
Net loss as reported	$ (5,493)	$ (4,368)	$ (15,956)	$ (6,485)
Equity loss from affiliate adjustment	1,500	-	14,050	-
Loss allocated to minority interest	-	-	(1,414)	-
Adjusted net loss	$ (3,993)	$ (4,368)	$ (3,320)	$ (6,485)
Depreciation and amortization	16,667	15,475	49,930	46,850
Valuation adjustment [7]	-	1	-	(250)
Provision (benefit) for state income tax [8]	(7)	500	(405)	500
(Gain) loss on disposition of assets, net	(536)	724	(2,502)	1,193
Gain on sale of undeveloped land	(33)	-	(3,336)	-
Minority interest distribution (loss allocation)	726	(560)	812	(832)
Adjusted Funds from operations (FFO)	$ 12,824	$ 11,772	$ 41,179	$ 40,976
Adjusted FFO per weighted avg. Common Share/OP Unit - Diluted	$ 0.62	$ 0.58	$ 2.01	$ 2.02

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(7) The Company had an interest rate swap, which matured in July 2007, which was not eligible for hedge accounting. Accordingly, the valuation adjustment (the theoretical non-cash profit or loss if the swap contract were to be terminated at the balance sheet date) was recorded in interest expense. If held to maturity the net cumulative valuation adjustment would approximate zero. The Company had no intention of terminating the swap prior to maturity and therefore excluded the valuation adjustment from FFO so as not to distort this comparative measure.

(8) The tax provision for the three and nine months ended September 30, 2007 represents potential taxes payable on the sale of company assets related to the enactment of the Michigan Business Tax. These taxes do not impact Funds from Operations and would be payable from prospective proceeds of such sales. The tax benefit for the three and nine months ended September 30, 2008 represents the reversal of this tax provision.

STATEMENT OF OPERATIONS
SAME PROPERTY

	Quarter Ended		Nine Months Ended	
	September 30, 2008	September 30, 2007	September 30, 2008	September 30, 2007
	(in thousands)		(in thousands)	
REVENUES:				
Income from real property	$ 45,553	$ 44,440	$ 139,539	$ 136,539
PROPERTY OPERATING EXPENSES:				
Real estate taxes	3,823	4,152	12,121	12,300
Payroll and benefits	3,822	3,563	11,259	10,595
Repairs and maintenance	2,111	2,199	5,303	5,193
Utilities, net	2,468	2,521	8,667	8,350
Other	1,190	1,397	3,531	4,027
Property operating expenses	13,414	13,832	40,881	40,465
NET OPERATING INCOME ("NOI") [1]	$ 32,139	$ 30,608	$ 98,658	$ 96,074
Number of properties [9]	135	135		
Developed sites [9]	47,466	47,466		
Occupied sites [9]	37,821	37,800		
Occupancy % [10]	82.4%	82.5%		
Weighted average monthly rent per site [10]	$ 391	$ 379		
Sites available for development	5,727	6,092		

[9] Includes MH and RV Communities/Sites
[10] Includes MH sites only

SUN COMMUNITIES

STATEMENT OF OPERATIONS
SAME PROPERTY PERCENTAGE GROWTH

	Quarter Ended September 30, 2008	Nine Months Ended September 30, 2008
NUMBER OF COMMUNITIES	135	135
REVENUES:		
Income from real property	2.5%	2.2%
PROPERTY OPERATING EXPENSES:		
Real estate taxes	-7.9%	-1.5%
Payroll and benefits	7.2%	6.3%
Repairs and maintenance	-4.0%	2.1%
Utilities, net	-2.1%	3.8%
Other	-14.8%	-12.3%
Property operating expenses	-3.0%	1.0%
NET OPERATING INCOME ("NOI") (1)	5.0%	2.7%

RENTAL PROGRAM SUMMARY
(in thousands)

	Quarter Ended		Nine Months Ended	
	September 30, 2008	September 30, 2007	September 30, 2008	September 30, 2007
REVENUES:				
Rental home revenue	$ 5,186	$ 4,798	$ 15,318	$ 13,933
Site rent included in Income from real property	6,150	5,541	18,278	15,991
Rental program revenue	$ 11,336	$ 10,339	$ 33,596	$ 29,924
EXPENSES:				
Payroll and commissions	524	508	1,601	1,588
Repairs and refurbishment	2,011	1,752	5,380	4,820
Taxes and insurance	701	596	2,094	1,766
Other	899	707	2,491	1,828
Rental program operating and maintenance	4,135	3,563	11,566	10,002
NET OPERATING INCOME ("NOI") (1)	$ 7,201	$ 6,776	$ 22,030	$ 19,922

Occupied rental home information at September 30, 2008 and 2007:

	2008	2007
Number of occupied rentals, end of period	5,449	5,139
Cost of occupied rental homes (in thousands)	$ 166,735	$ 153,083
Weighted average monthly rental rate	$ 733	$ 716

CAPITAL IMPROVEMENTS, DEVELOPMENT AND ACQUISITIONS
(in thousands)

	Recurring Capital Expenditures Average/Site	Recurring Capital Expenditures [11]	Lot Modifications [12]	Acquisitions [13]	Expansion & Development [14]	Revenue Producing [15]
2006	$146	$6,931	$3,510	$8,012	$3,052	$967
2007	$153	$7,269	$3,156	$789	$857	$515
Thru 09/2008	$121	$5,753	$2,310	$0	$1,023	$729

(11) Includes capital expenditures necessary to maintain asset quality, including purchasing and replacing assets used to operate the community. These capital expenditures include major road, driveway, and pool repairs, clubhouse renovations, and adding or replacing street lights, playground equipment, signage, maintenance facilities, manager housing and property vehicles. Minimum capitalizable amount or project is five hundred dollars. In addition, $3.6 million and $4.3 million for refurbishment costs related to leased homes has been expensed for the nine months ended September 30, 2008 and twelve months ended December 31, 2007, respectively.

(12) Includes capital expenditures which improve the asset quality of the community. These costs are incurred when an existing older home (usually a smaller single-sectional home) moves out, and the site is prepared for a larger new home, more often than not, a multi-sectional home. These activities which are mandated by strict manufacturer's installation requirements and State building code include new foundations, driveways, and utility upgrades. The new home will be in the community for 30 to 40 years and these costs are depreciated over a 30 year life.

(13) Acquisitions represent the purchase price of existing operating communities and land parcels to develop expansions or new communities. Acquisitions also include deferred maintenance identified during due diligence and those capital improvements necessary to bring the community up to Sun's standards. These include upgrading clubhouses, landscaping, new street light systems, new mail delivery systems, pool renovation including larger decks, heaters, and furniture, new maintenance facilities, and new signage including main signs and internal road signs. These are considered acquisition costs and although identified during due diligence, they sometimes require six to twelve months after closing to complete.

(14) The Company has invested approximately $1.0 million in its development communities consisting primarily of costs necessary to complete home site improvements such as driveways, sidewalks, piers, pads and runners.

(15) These are capital costs related to revenue generating activities, consisting primarily of cable TV, garages, sheds, and sub-metering of water and sewer. Occasionally, a special capital project requested by residents and accompanied by an extra rental increase will be classified as revenue producing.

PROPERTY SUMMARY

	Quarter Ended				
	September 30, 2008	June 30, 2008	March 31, 2008	December 31, 2007	September 30, 2007
COMMUNITIES					
MICHIGAN					
Communities	47	47	47	47	47
Sites for Development	1,217	1,217	1,217	1,217	1,217
Developed Sites	14,333	14,333	14,333	14,333	14,333
Occupied	11,371	11,443	11,420	11,492	11,567
Occupancy %	79.3%	79.8%	79.7%	80.2%	80.7%
FLORIDA					
Communities	15	15	15	15	15
Sites for Development	344	305	306	313	315
Developed Sites	5,770	5,756	5,753	5,745	5,745
Occupied	5,727	5,718	5,711	5,704	5,699
Occupancy %	99.3%	99.3%	99.3%	99.3%	99.2%
INDIANA					
Communities	18	18	18	18	18
Sites for Development	518	518	518	518	518
Developed Sites	6,618	6,618	6,618	6,618	6,618
Occupied	4,490	4,551	4,559	4,562	4,610
Occupancy %	67.8%	68.8%	68.9%	68.9%	69.7%
OHIO					
Communities	11	11	11	11	11
Sites for Development	133	133	133	133	133
Developed Sites	3,132	3,132	3,132	3,132	3,132
Occupied	2,694	2,686	2,697	2,698	2,730
Occupancy %	86.0%	85.8%	86.1%	86.1%	87.2%
TEXAS					
Communities	17	17	17	17	17
Sites for Development	3,063	3,063	3,457	3,457	3,457
Developed Sites	4,459	4,464	4,463	4,460	4,459
Occupied	3,703	3,668	3,573	3,537	3,448
Occupancy %	83.0%	82.2%	80.1%	79.3%	77.3%
COLORADO					
Communities	4	4	4	4	4
Sites for Development	587	587	587	587	587
Developed Sites	1,300	1,300	1,300	1,300	1,300
Occupied	1,030	1,023	1,017	999	1,004
Occupancy %	79.2%	78.7%	78.2%	76.8%	77.2%

PROPERTY SUMMARY (continued)

	Quarter Ended September 30, 2008	June 30, 2008	March 31, 2008	December 31, 2007	September 30, 2007
OTHER STATES					
Communities	20	20	20	20	20
Sites for Development	363	363	363	363	363
Developed Sites	6,677	6,677	6,678	6,678	6,678
Occupied	5,760	5,734	5,754	5,733	5,734
Occupancy %	86.3%	85.9%	86.2%	85.8%	85.9%
TOTAL--MH PORTFOLIO					
Communities	132	132	132	132	132
Sites for development	6,225	6,186	6,581	6,588	6,590
Developed sites	42,289	42,280	42,277	42,266	42,265
Occupied	34,775	34,823	34,731	34,725	34,792
Occupancy %	82.2%	82.4%	82.2%	82.2%	82.3%
RV PORTFOLIO SUMMARY					
Communities	12	12	12	12	12
Sites	5,319	5,326	5,334	5,341	5,343
Permanent	3,093	3,081	3,065	3,056	3,064
Seasonal	2,226	2,245	2,269	2,285	2,279
States					
Florida	4,329	4,337	4,345	4,352	4,353
Texas	833	832	832	832	833
Delaware	157	157	157	157	157

Note:
Communities as listed above, include only those communities which are open for occupancy while Sites for development include additional communities for development which do not currently have available sites.

Communities total to more than 136 because certain communities have manufactured home and recreational vehicle components and are counted in each category.

SUN COMMUNITIES

OPERATING STATISTICS
YEAR TO DATE

MARKETS	***RESIDENT MOVE OUTS***	***NET LEASED SITES***	***NEW HOME SALES***	***PRE-OWNED HOME SALES***	***BROKERED RESALES***
Michigan	375	(121)	18	163	34
Florida	3	23	33	10	156
Indiana	158	(72)	2	112	8
Ohio	71	(4)	13	51	5
Texas	56	166	9	144	2
Other States	125	58	19	160	43
RV Communities	n/m	n/m	7	1	24
Through September 30, 2008	788	50	101	641	272
For the Year					
2007	1,115	(132)	76	636	394
2006	1,173	(508)	121	371	539
2005	1,171	99	179	246	593
2004	1,118	(709)	180	357	683
2003	1,328	(849)	257	283	626
2002	1,256	(172)	286	174	592
2001	1,108	214	438	327	584
2000	720	366	416	182	863
1999	974	756	648	152	766
1998	883	998	682	188	642

	MOVE OUTS	**RESALES**
Through 9/30/2008	2.9%	5.9%
2007	3.2%	6.5%
2006	3.3%	7.7%
2005	3.3%	8.4%
2004	3.3%	8.0%
2003	3.9%	7.4%
2002	3.8%	7.1%
2001	3.2%	7.4%
2000	2.4%	8.6%
1999	3.1%	8.5%
1998	3.0%	8.6%

Note: 2004-2008 move outs exclude move outs by finance companies.

SUN COMMUNITIES, INC.
FOOTNOTES TO SUPPLEMENTAL DATA

(1) Investors in and analysts following the real estate industry utilize funds from operations ("FFO"), net operating income ("NOI"), EBITDA and funds available for distribution ("FAD") as supplemental performance measures. While the Company believes net income (as defined by GAAP) is the most appropriate measure, it considers FFO, NOI, EBITDA and FAD, given their wide use by and relevance to investors and analysts, appropriate supplemental measures. FFO, reflecting the assumption that real estate values rise or fall with market conditions, principally adjusts for the effects of GAAP depreciation/amortization of real estate assets. NOI provides a measure of rental operations and does not factor in depreciation/amortization and non-property specific expenses such as general and administrative expenses. EBITDA provides a further tool to evaluate ability to incur and service debt and to fund dividends and other cash needs. FAD provides a further tool to evaluate ability to fund dividends. In addition, FFO, NOI, EBITDA and FAD are commonly used in various ratios, pricing multiples/yields and returns and valuation calculations used to measure financial position, performance and value.

Funds from operations ("FFO") is defined by the National Association of Real Estate Investment Trusts ("NAREIT") as net income (computed in accordance with generally accepted accounting principles), excluding gains (or losses) from sales of depreciable operating property, plus real estate-related depreciation and amortization, and after adjustments for unconsolidated partnerships and joint ventures. FFO is a non-GAAP financial measure that management believes is a useful supplemental measure of the Company's operating performance. Management generally considers FFO to be a useful measure for reviewing comparative operating and financial performance because, by excluding gains and losses related to sales of previously depreciated operating real estate assets and excluding real estate asset depreciation and amortization (which can vary among owners of identical assets in similar condition based on historical cost accounting and useful life estimates), FFO provides a performance measure that, when compared year over year, reflects the impact to operations from trends in occupancy rates, rental rates and operating costs, providing perspective not readily apparent from net income. Management believes that the use of FFO has been beneficial in improving the understanding of operating results of REITs among the investing public and making comparisons of REIT operating results more meaningful.

Because FFO excludes significant economic components of net income including depreciation and amortization, FFO should be used as an adjunct to net income and not as an alternative to net income. The principal limitation of FFO is that it does not represent cash flow from operations as defined by GAAP and is a supplemental measure of performance that does not replace net income as a measure of performance or net cash provided by operating activities as a measure of liquidity. In addition, FFO is not intended as a measure of a REIT's ability to meet debt principal repayments and other cash requirements, nor as a measure of working capital. FFO only provides investors with an additional performance measure that, when combined with measures computed in accordance with GAAP such as net income, cash flow from operating activities, investing activities and financing activities, provide investors with an indication of the Company's ability to service debt and to fund acquisitions and other expenditures. Other REITS may use different methods for calculating FFO and, accordingly, the Company's FFO may not be comparable to other REITs.

NOI is derived from revenues (determined in accordance with GAAP) minus property operating expenses and real estate taxes (determined in accordance with GAAP). NOI does not represent cash generated from operating activities in accordance with GAAP and should not be considered to be an alternative to net income (determined in accordance with GAAP) as an indication of the Company's financial performance or to be an alternative to cash flow from operating activities (determined in accordance with GAAP) as a measure of the Company's liquidity; nor is it indicative of funds available for the Company's cash needs, including its ability to make cash distributions. The Company believes that net income is the most directly comparable GAAP measurement to net operating income. Because of the inclusion of items such as interest, depreciation and amortization, the use of net income as a performance measure is limited as these items may not accurately reflect the actual change in market value of a property, in the case of depreciation and in the case of interest, may not necessarily be linked to the operating performance of a real estate asset, as it is often incurred at a parent company level and not at a property level. The Company believes that net operating income is helpful to investors as a measure of operating performance because it is an indicator of the return on property investment, and provides a method of comparing property performance over time. The Company uses NOI as a key management tool when evaluating performance and growth of particular properties and/or groups of properties. The principal limitation of NOI is that it excludes depreciation, amortization and non-property specific expenses such as general and administrative expenses, all of which are significant costs, and therefore, NOI is a measure of the operating performance of the properties of the Company rather than of the Company overall.

EBITDA is defined as NOI plus other income, plus (minus) equity earnings (loss) from affiliates, minus general and administrative expenses. EBITDA includes EBITDA from discontinued operations.

FAD is defined as FFO minus recurring capital expenditures. Recurring capital expenditures are those expenditures necessary to maintain asset quality, including major road, driveway and pool repairs, and clubhouse renovations and adding or replacing street lights, playground equipment, signage and maintenance facilities.

FFO, NOI, EBITDA and FAD do not represent cash generated from operating activities in accordance with GAAP and are not necessarily indicative of cash available to fund cash needs, including the repayment of principal on debt and payment of dividends and distributions. FFO, NOI, EBITDA and FAD should not be considered as substitutes for net income (calculated in accordance with GAAP) as a measure of results of operations or cash flows (calculated in accordance with GAAP) as a measure of liquidity. FFO, NOI, EBITDA and FAD as calculated by the Company may not be comparable to similarly titled, but differently calculated, measures of other REITs or to the definition of FFO published by NAREIT.