

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

☒ Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2006.

OR

☐ Transition pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

COMMISSION FILE NUMBER 1-12616

SUN COMMUNITIES, INC.  
(Exact Name of Registrant as Specified in its Charter)

Maryland 38-2730780  
(State of Incorporation) (I.R.S. Employer Identification No.)

27777 Franklin Rd.  
Suite 200  
Southfield, Michigan 48034  
(Address of Principal Executive Offices) (Zip Code)

Registrant's telephone number, including area code: (248) 208-2500

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. (Check one):

Large accelerated filer ☐ Accelerated filer ☒ Non-accelerated filer ☐

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

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

Number of shares of Common Stock, \$.01 par value per share, outstanding  
as of March 31, 2006: 18,069,335

SUN COMMUNITIES, INC.

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SUN COMMUNITIES, INC.  
CONSOLIDATED BALANCE SHEETS  
MARCH 31, 2006 AND DECEMBER 31, 2005  
(AMOUNTS IN THOUSANDS)

	(UNAUDITED) MARCH 31, 2006 -----	DECEMBER 31, 2005 -----
<b>ASSETS</b>		
Investment in rental property, net	\$1,171,621	\$1,161,820
Cash and cash equivalents	5,608	5,880
Inventory of manufactured homes	16,400	17,105
Investment in affiliate	46,632	46,352
Notes and other receivables	40,993	41,134
Other assets	46,450	48,245
	-----	-----
Total assets	\$1,327,704	\$1,320,536
	=====	=====
<b>LIABILITIES</b>		
Debt	\$1,053,702	\$1,050,168
Line of credit	90,300	73,300
Other liabilities	30,593	32,267
	-----	-----
Total liabilities	1,174,595	1,155,735
	-----	-----
Minority interest	18,805	21,544
	-----	-----
<b>STOCKHOLDERS' EQUITY</b>		
Preferred stock, \$.01 par value, 10,000 shares authorized, none issued	\$       --	\$       --
Common stock, \$.01 par value, 90,000 shares authorized, 19,871 and 19,814 issued in 2006 and 2005, respectively	199	198
Additional paid-in capital	449,628	460,568
Officer's notes	(9,335)	(9,427)
Unearned compensation	--	(13,187)
Accumulated comprehensive earnings	1,376	532
Distributions in excess of accumulated earnings	(243,964)	(231,827)
Treasury stock, at cost, 1,802 shares in 2006 and 2005	(63,600)	(63,600)
	-----	-----
Total stockholders' equity	134,304	143,257
	-----	-----
Total liabilities and stockholders' equity	\$1,327,704	\$1,320,536
	=====	=====

The accompanying notes are an integral part of the consolidated financial  
statements

SUN COMMUNITIES, INC.  
CONSOLIDATED STATEMENTS OF OPERATIONS  
FOR THE THREE MONTHS ENDED MARCH 31, 2006 AND 2005  
(AMOUNTS IN THOUSANDS EXCEPT FOR PER SHARE DATA)  
(UNAUDITED)

	2006	2005
	-----	-----
REVENUES		
Income from rental property	\$48,073	\$45,449
Revenues from home sales	3,256	3,748
Rental home revenue	3,329	1,517
Ancillary revenues, net	269	466
Interest	828	1,598
Other income (loss)	469	(168)
	-----	-----
Total revenues	56,224	52,610
COSTS AND EXPENSES		
Property operating and maintenance	11,385	10,965
Real estate taxes	3,894	3,772
Cost of home sales	2,397	2,405
Rental home operating and maintenance	2,613	1,485
General and administrative - rental property	5,130	3,505
General and administrative - home sales and rentals	1,566	1,540
Depreciation and amortization	14,978	13,025
Interest	14,725	13,635
Interest on mandatorily redeemable debt	1,089	1,067
Florida storm damage recovery	--	(500)
	-----	-----
Total expenses	57,777	50,899
Equity income (loss) from affiliate	281	(117)
	-----	-----
Income (loss) from operations	(1,272)	1,594
Less income (loss) allocated to minority interest:		
Preferred OP Units	--	961
Common OP Units	(115)	77
	-----	-----
Income (loss) from continuing operations	(1,157)	556
Income from discontinued operations	--	131
	-----	-----
Income (loss) before cumulative effect of change in accounting principle	(1,157)	687
Cumulative effect of change in accounting principle	289	--
	-----	-----
Net income (loss)	\$ (868)	\$ 687
	=====	=====
Weighted average common shares outstanding:		
Basic	17,534	17,848
	=====	=====
Diluted	17,534	17,950
	=====	=====
Basic earnings (loss) per share:		
Income (loss) per share from continuing operations	\$ (0.07)	\$ 0.03
Income per share from discontinued operations	0.00	0.01
	-----	-----
Income (loss) per share before cumulative effect of change in accounting principle	(0.07)	0.04
Income per share from cumulative effect of change in accounting principle	0.02	0.00
	-----	-----
Net income (loss) per share - basic	\$ (0.05)	\$ 0.04
	=====	=====
Diluted earnings (loss) per share:		
Income (loss) per share from continuing operations	\$ (0.07)	\$ 0.03
Income per share from discontinued operations	0.00	0.01
	-----	-----
Income (loss) per share before cumulative effect of change in accounting principle	(0.07)	0.04
Income per share from cumulative effect of change in accounting principle	0.02	0.00
	-----	-----
Net income (loss) per share - diluted	\$ (0.05)	\$ 0.04
	=====	=====

The accompanying notes are an integral part of the consolidated financial statements

SUN COMMUNITIES, INC.  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)  
FOR THE THREE MONTHS ENDED MARCH 31, 2006 AND 2005  
(AMOUNTS IN THOUSANDS)  
(UNAUDITED)

	2006	2005
	-----	-----
Net income (loss)	\$(868)	\$ 687
Unrealized income on interest rate swaps	844	1,174
	-----	-----
Comprehensive income (loss)	\$ (24)	\$1,861
	=====	=====

The accompanying notes are an integral part of the  
consolidated financial statements

SUN COMMUNITIES, INC.  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE THREE MONTHS ENDED MARCH 31, 2006 AND 2005  
(AMOUNTS IN THOUSANDS)

	2006	2005
	-----	-----
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	\$ (868)	\$ 687
Adjustments to reconcile net income (loss) to cash provided by operating activities:		
Income (loss) allocated to minority interests	(115)	95
Loss on valuation of derivative instruments	43	359
Stock compensation expense, net of cumulative effect of change in accounting principle in 2006	1,060	476
Depreciation and amortization	15,754	14,290
Amortization of deferred financing costs	454	498
Equity (income) loss from affiliates	(281)	117
Increase in notes receivable from sale of inventory	(274)	--
Decrease in inventory and other assets	1,307	7,897
Decrease in accounts payable and other liabilities	(1,698)	(1,650)
	-----	-----
Net cash provided by operating activities	15,382	22,769
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment in rental properties	(19,426)	(31,757)
Purchase of short-term investments	--	(84,875)
Proceeds from sale of short-term investments	--	124,850
Decrease in notes receivable and officers' notes, net	374	919
	-----	-----
Net cash (used in) provided by investing activities	(19,052)	9,137
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net proceeds from issuance of common stock and OP units	(1,323)	(2,129)
Proceeds from option exercise	1,564	19
Borrowings on line of credit, net	17,000	--
Payments to retire Perpetual Preferred Operating Partnership Units	--	(50,000)
Payments to redeem notes payable and other debt	(1,013)	(4,667)
Payments for deferred financing costs	(105)	(12)
Treasury stock purchases	--	(2,435)
Distributions	(12,725)	(12,485)
	-----	-----
Net cash provided by (used in) financing activities	3,398	(71,709)
	-----	-----
Net decrease in cash and cash equivalents	(272)	(39,803)
Cash and cash equivalents, beginning of period	5,880	52,586
	-----	-----
Cash and cash equivalents, end of period	\$ 5,608	\$ 12,783
	=====	=====
SUPPLEMENTAL INFORMATION:		
Cash paid for interest including capitalized amounts of \$17 and \$19 for the three months ended March 31, 2006 and 2005, respectively	\$ 14,489	\$ 12,781
Cash paid for interest on mandatorily redeemable debt	\$ 1,077	\$ 1,057
Noncash investing and financing activities:		
Debt assumed for rental properties	\$ 4,500	\$ --
Unrealized gain on interest rate swaps	\$ 844	\$ 1,174

The accompanying notes are an integral part of the consolidated financial statements

SUN COMMUNITIES, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)

1. BASIS OF PRESENTATION:

These unaudited condensed consolidated financial statements of Sun Communities, Inc., a Maryland corporation, (the "Company") and all majority-owned and controlled subsidiaries including Sun Communities Operating Limited Partnership (the "Operating Partnership"), SunChamp LLC ("SunChamp"), and Sun Home Services, Inc. ("SHS"), have been prepared pursuant to the Securities and Exchange Commission ("SEC") rules and regulations and should be read in conjunction with the consolidated financial statements and notes thereto of the Company included in the Annual Report on Form 10-K for the year ended December 31, 2005. The following notes to consolidated financial statements present interim disclosures as required by the SEC. The accompanying consolidated financial statements reflect, in the opinion of management, all adjustments necessary for a fair presentation of the interim financial statements. All such adjustments are of a normal and recurring nature. Certain reclassifications have been made to prior periods' financial statements in order to conform to current period presentation.

2. SHARE-BASED COMPENSATION:

In December 2004, the Financial Accounting Standards Board ("FASB") issued Statement No. 123 (revised December 2004), Share-Based Payment ("SFAS 123(R)"). SFAS 123(R) replaces FASB Statement No. 123 ("Statement 123"), Accounting for Stock-Based Compensation, and supersedes APB Opinion No. 25 ("APB 25"), Accounting for Stock Issued to Employees. SFAS 123(R) requires compensation costs related to share-based payment transactions be recognized in the financial statements. With limited exceptions, the amount of compensation cost will be measured based on the grant-date fair value of the equity or the liability instruments issued. In addition, liability awards will be remeasured each reporting period. SFAS 123(R) is effective as of the beginning of the first annual reporting period that begins after June 15, 2005.

The Company adopted SFAS 123(R) effective January 1, 2006 using the "modified prospective" method permitted by SFAS 123(R) in which compensation cost is recognized beginning with the effective date (a) based on the requirements of SFAS 123(R) for all share-based payments granted after the effective date and (b) based on the requirements of Statement 123 for all awards granted to employees prior to the effective date of SFAS 123(R) that remain unvested on the effective date. Prior to the adoption of SFAS 123(R), forfeitures were recognized as they occurred. Upon adopting SFAS 123(R), an estimate of future forfeitures is incorporated into the determination of compensation cost for restricted stock grants and stock options. This effect relates to the reversal of previously recorded compensation expense on restricted stock grants that were not vested at January 1, 2006 and are now expected to be forfeited. The cumulative effect of adopting SFAS 123(R) for the 3 months ending March 31, 2006 was an increase of \$0.3 million in net income, and an increase of \$0.02 in both basic and diluted earnings per share.

Under the provisions of SFAS 123(R), the recognition of aggregate deferred compensation as a component of equity is no longer permitted. Therefore, the amount of deferred compensation that had been in "Unearned compensation" was eliminated against "Additional paid-in capital" in the Company's Consolidated Balance Sheet at March 31, 2006.

SUN COMMUNITIES, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)

2. SHARE-BASED COMPENSATION, CONTINUED;

The modified prospective method of SFAS 123(R) does not require prior periods to be restated to reflect the amount of compensation cost that would have been reflected in the financial statements. The effect on net income and earnings per share if the Company had applied the fair value recognition provisions of Statement 123 to stock-based compensation for the three months ended March 31, 2005 was as follows (amounts in thousands except for per share data):

	2005
	-----
Net income (loss), as reported	\$ 687
Stock-based compensation expense included in net income as reported	476
Stock-based compensation expense under fair value method	(490)
	-----
Pro forma net income (loss)	\$ 673
	=====
Earnings (loss) per share (Basic), as reported	\$ 0.04
	=====
Earnings (loss) per share (Basic), pro forma	\$ 0.04
	=====
Earnings (loss) per share (Diluted), as reported	\$ 0.04
	=====
Earnings (loss) per share (Diluted), pro forma	\$ 0.04
	=====

Total compensation cost recorded for stock-based compensation was \$1.3 million and \$0.5 million for the three months ended March 31, 2006 and 2005, respectively. Included in the compensation cost for the three months ended March 31, 2006 was \$0.02 million related to stock options that were granted prior to the adoption of SFAS 123(R), which are being recognized over the remaining vesting period.

The Company awards share-based compensation under its Second Amended and Restated Stock Option Plan (the "Plan"). The Plan provides for the issuance of options, stock appreciation rights, restricted stock and other stock based awards. No further awards may be granted under the Plan at this time. The Company believes that the awards better align the interests of its employees with those of its shareholders and has provided these incentives to attract and retain executive officers and key employees.

RESTRICTED STOCK

The Company's primary share-based compensation is restricted stock. The following table summarizes the Company's restricted stock activity for the first three months of 2006:

	NUMBER OF SHARES	WEIGHTED AVERAGE GRANT DATE FAIR VALUE
	-----	-----
Nonvested restricted shares at January 1, 2006	417,275	\$34.91
Granted	--	
Vested	(54,597)	\$33.41
Forfeited	--	
	-----	
Nonvested restricted shares at March 31, 2006	362,678	\$35.14
	=====	



SUN COMMUNITIES, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)

2. SHARE-BASED COMPENSATION, CONTINUED;

The remaining compensation expense to be recognized associated with the 362,678 restricted shares outstanding at March 31, 2006 is approximately \$8.0 million. That expense is expected to be recognized \$1.0 million in the remainder of 2006, \$1.8 million in 2007, \$1.3 million in 2008, \$2.4 million in 2009 and \$1.5 million thereafter. For the three months ended March 31, 2006, the Company recognized \$1.1 million of compensation expense related to its outstanding restricted stock. Recipients receive dividend payments on the shares of restricted stock prior to vesting. The total fair value of shares vested during the three months ended March 31, 2006 and 2005 was \$1.8 million and \$1.7 million, respectively.

PERFORMANCE-BASED RESTRICTED STOCK

The Company has 93,750 performance-based restricted shares which will vest on March 1, 2010. The number of shares that will vest will be determined based on the compounded annual growth rate of the Company's per share funds from operations ("FFO") as determined by comparing the per share FFO for the year ended December 31, 2009 with the per share FFO for the year ended December 31, 2005. The Company must achieve compounded annual growth of at least 5% to receive any amount of the award and at least 9% to receive the entire share award. The Company recognizes expense related to performance-based restricted shares based on an estimate of the number of restricted shares that will ultimately vest. For the three months ended March 31, 2006, no compensation expense was recognized for the performance-based restricted shares.

OPTIONS

At March 31, 2006, the Company had 537,358 options outstanding under the Plan. Of these, 9,525 are unvested and will vest in the second quarter of 2006. The remaining unrecognized expense related to these options is \$0.01 million. For the three months ended March 31, 2006, the Company recognized \$0.02 million of compensation expense related to its outstanding options. No awards were granted in 2006 or 2005. The Black-Scholes option pricing model was used to value options until 2004 at which time the Company changed to the use of the Binomial option pricing model. The Company issues new shares at the time of share option exercise (or share unit conversion). The following table summarizes the Company's option activity for the first three months of 2006:

	NUMBER OF SHARES	WEIGHTED AVERAGE EXERCISE PRICE (PER COMMON SHARE)	WEIGHTED AVERAGE CONTRACTUAL TERM (IN YEARS)	AGGREGATE INTRINSIC VALUE (IN '000'S)
Options outstanding at January 1, 2006	614,839	\$29.73		
Granted	--			
Exercised	(75,081)	\$28.24		
Canceled	(2,400)	\$34.25		
	-----			
Options outstanding at March 31, 2006	537,358	\$29.92	2.2	\$1,353
	=====			
Options vested and expected to vest as of March 31, 2006	537,358	\$29.92	2.2	\$1,353
	=====			
Options exercisable at March 31, 2006	527,833	\$29.84	2.0	\$1,330
	=====			

SUN COMMUNITIES, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)

2. SHARE BASED COMPENSATION, CONTINUED;

The aggregate intrinsic value of options exercised during the three months ended March 31, 2006 was \$0.2 million. For options exercised during the first quarter of 2005, the aggregate intrinsic value is immaterial.

PHANTOM AWARDS

At March 31, 2006, the Company had 9,500 unvested phantom liability awards with an aggregate fair value of \$0.3 million. The phantom awards pay cash bonuses per share equal to the amount of dividend paid per share of common stock. The awards vest (cash bonus is paid) in varying amounts until 2014. The remaining unrecognized expense related to these phantom liability awards is \$0.3 million. For the three months ended March 31, 2006, the Company recognized \$0.05 million of compensation expense related to these phantom awards. No awards were granted, vested, exercised or forfeited during the first three month of 2006. The awards are remeasured at each reporting date.

At March 31, 2006, the Company had 18,750 unvested phantom performance-based liability awards with an aggregate fair value of \$0.7 million. See PERFORMANCE-BASED RESTRICTED STOCK for a discussion of the terms of vesting (cash bonus paid) for these phantom performance-based liability awards.

DIRECTOR OPTION AWARDS

The Company also has a 2004 Non-Employee Director Option Plan ("Director Plan") which authorizes the issuance of up to 100,000 options to non-employee directors. At March 31, 2006, the Company had 79,000 options awarded under the Director Plan and a successor plan. Of these, 12,500 are unvested of which 40% will vest in the second quarter of both 2006 and 2007, with the remaining 20% vesting in the second quarter of 2008. The remaining unrecognized expense related to these options is \$0.04 million which will be recognized over the weighted average remaining vesting period of 1 year. For the three months ended March 31, 2006, the Company recognized \$0.01 million of compensation expense related to these director options. The fair value of the options issued is estimated on the date of grant using the Binomial (lattice) option pricing model, with the following assumptions used for the grants for the period indicated:

	THREE MONTHS ENDED MARCH 31,	
	2006	2005
Estimated fair value per share of options granted during year:	\$ 3.59	N/A
Assumptions:		
Annualized dividend yield	7.19%	N/A
Common stock price volatility	17.04%	N/A
Risk-free rate of return	4.68%	N/A
Expected option term (in years)	7.5	N/A

SUN COMMUNITIES, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)

2. SHARE BASED COMPENSATION, CONTINUED;

The following table summarizes the Director option activity for the first three months of 2006:

	NUMBER OF SHARES	WEIGHTED AVERAGE EXERCISE PRICE (PER COMMON SHARE)	WEIGHTED AVERAGE CONTRACTUAL TERM (IN YEARS)	AGGREGATE INTRINSIC VALUE (IN 000'S)
Options outstanding at January 1, 2006	71,500	\$33.63		
Granted	7,500	\$35.05		
Exercised	--			
Canceled	--			
	-----			
Options outstanding at March 31, 2006	79,000	\$33.76	4.0	\$234
	=====			
Options vested and expected to vest as of March 31, 2006	79,000	\$33.76	4.0	\$234
	=====			
Options exercisable at March 31, 2006	66,500	\$33.49	3.1	\$198
	=====			

3. RENTAL PROPERTY:

The following summarizes rental property (amounts in thousands):

	(UNAUDITED) MARCH 31, 2006	DECEMBER 31, 2005
	-----	-----
Land	\$ 117,516	\$ 116,738
Land improvements and buildings	1,166,159	1,156,612
Rental homes and improvements	130,451	117,314
Furniture, fixtures, and equipment	36,187	36,120
Land held for future development	31,082	31,082
Property under development	347	256
	-----	-----
	1,481,742	1,458,122
Less accumulated depreciation	(310,121)	(296,302)
	-----	-----
Rental property, net	\$1,171,621	\$1,161,820
	=====	=====

During the first quarter of 2006, the Company acquired one manufactured home community located in Oakland County, Michigan for a total purchase price of \$7.8 million, with occupancy of approximately 95%. The transaction included the assumption of \$4.5 million of debt.

SUN COMMUNITIES, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)

4. NOTES AND OTHER RECEIVABLES:

The following table sets forth certain information regarding notes and other receivables (amounts in thousands):

	MARCH 31, 2006 -----	DECEMBER 31, 2005 -----
Mortgage note receivable, with interest payable at a weighted average interest rate of 7.09% and 6.63% at March 31, 2006 and December 31, 2005, respectively, maturing in August 2008, collateralized by a manufactured home community.	\$13,532	\$13,532
Installment loans on manufactured homes with interest payable monthly at a weighted average interest rate and maturity of 6.17% and 10 years, respectively.	19,680	19,688
Other receivables, net of allowance for losses of \$0.3 million, at March 31, 2006 and December 31, 2005.	7,781 ----- \$40,993 =====	7,914 ----- \$41,134 =====

Officer's notes, presented as a reduction to stockholders' equity in the balance sheet, are 10 year, LIBOR + 1.75% notes, with a minimum and maximum interest rate of 6% and 9%, respectively, collateralized by 352,206 shares of the Company's common stock and 127,794 OP Units with substantial personal recourse. The notes become due in three equal installments on each of December 2008, 2009 and 2010. Reduction in the principal balance of these notes was \$0.1 million for the three months ended March 31, 2006 and 2005.

5. INVESTMENT IN AFFILIATE:

Origen Financial, Inc. ("Origen") is a real estate investment trust in the business of originating, acquiring and servicing manufactured home loans. In October 2003, the Company purchased 5,000,000 shares of common stock of Origen for \$50 million. The Company owns approximately 20% of Origen at March 31, 2006 and its investment is accounted for using the equity method of accounting. Because both the Company and Origen are public companies, information about Origen's actual quarterly earnings may not be received prior to the Company's quarterly filing. As a result, equity earnings recorded through March 31, 2006 reflect the Company's estimate of its portion of the anticipated earnings of Origen for the periods ending March 31 and the Company's adjustments for estimates made in prior quarters based on the actual reported results of Origen for such prior quarters.

SUN COMMUNITIES, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)

6. DEBT:

The following table sets forth certain information regarding debt (amounts in thousands):

	MARCH 31, 2006	DECEMBER 31, 2005
	-----	-----
Collateralized term loan, 7.01%, due September 9, 2007	\$ 39,882	\$ 40,079
Collateralized term loans - CMBS, 4.93-5.32%, due July 1, 2011-2016	494,511	494,511
Collateralized term loans - FNMA, of which \$77.4M is variable, due May 1, 2014 and January 1, 2015 at the Company's option, interest at 4.51 - 5.2% at March 31, 2006 and December 31, 2005.	387,214	387,624
Preferred OP units, redeemable at various dates through January 2, 2014, average interest at 7.1 % and 6.9% at March 31, 2006 and December 31, 2005, respectively	62,123	62,123
Mortgage notes, other	69,972	65,831
	-----	-----
	\$1,053,702	\$1,050,168
	=====	=====

The collateralized term loans totaling \$921.6 million at March 31, 2006 are secured by 94 properties comprising approximately 34,132 sites representing approximately \$664.4 million of net book value. The mortgage notes are collateralized by 15 communities comprising approximately 4,821 sites representing approximately \$159.1 million of net book value.

The Company has an unsecured revolving line of credit with a maximum borrowing capacity of \$115 million bearing interest at LIBOR + 1.75%. The outstanding balance on the line of credit at March 31, 2006 was \$90.3 million. In addition, \$3.4 million of availability was used to back standby letters of credit, and a maximum of \$21.3 million remains available to be drawn under the facility.

In March of 2006, the Company closed on a \$40.0 million floor plan facility that allows for draws on new and pre-owned home purchases and on the Company's portfolio of rental homes. At March 31, 2006 the facility remained undrawn.

At March 31, 2006, the total of maturities and amortization of debt during the next five years are approximately as follows: 2007 - \$40.8 million; 2008 - \$71.1 million; 2009 - \$19.1 million, 2010 - \$28.9 million; 2011 - \$17.8 million and \$876.0 million thereafter.

The most restrictive of these debt agreements place limitations on secured and unsecured borrowings and contain minimum debt service coverage, leverage, distribution and net worth requirements. At March 31, 2006 and 2005, all covenants were met.

SUN COMMUNITIES, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)

7. OTHER INCOME (LOSS):

The components of other income (loss) are as follows for the periods ended March 31, 2006 and 2005 (in thousands):

	THREE MONTHS ENDED MARCH 31,	
	2006	2005
Brokerage commissions	\$333	\$ 234
Disposal of assets	32	(47)
Unsuccessful acquisition expenditures	(17)	(346)
Other	121	(9)
	----	-----
	\$469	\$(168)
	=====	=====

SUN COMMUNITIES, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)

8. SEGMENT REPORTING (AMOUNTS IN THOUSANDS):

The consolidated operations of the Company can be segmented into manufactured home sales and property operations segments. Following is a presentation of selected financial information:

	THREE MONTHS ENDED MARCH 31, 2006		
	PROPERTY OPERATIONS	MANUFACTURED HOME SALES AND RENTALS	CONSOLIDATED
Revenues	\$ 48,073(2)	\$ 6,585	\$ 54,658
Operating expenses/Cost of sales	15,279	5,010	20,289
Net operating income (1)/Gross profit	32,794	1,575	34,369
Adjustments to arrive at net income (loss):			
Other revenues	1,293	273	1,566
General and administrative	(5,130)	(1,566)	(6,696)
Depreciation and amortization	(11,503)	(3,475)	(14,978)
Interest expense	(15,804)	(10)	(15,814)
Equity income from affiliate	281	--	281
Loss allocated to minority interest	115	--	115
Income (loss) before cumulative change in accounting principle	\$ 2,046	\$(3,203)	\$ (1,157)
Income from cumulative change in accounting principle	289	--	289
Net income (loss)	\$ 2,335	\$(3,203)	\$ (868)
	=====	=====	=====

	THREE MONTHS ENDED MARCH 31, 2005		
	PROPERTY OPERATIONS	MANUFACTURED HOME SALES AND RENTALS	CONSOLIDATED
Revenues	\$ 45,449(2)	\$ 5,265	\$ 50,714
Operating expenses/Cost of sales	14,737	3,890	18,627
Net operating income (1)/Gross profit	30,712	1,375	32,087
Adjustments to arrive at net income (loss):			
Other revenues	1,160	736	1,896
General and administrative	(3,505)	(1,540)	(5,045)
Depreciation and amortization	(11,266)	(1,759)	(13,025)
Interest expense	(14,622)	(80)	(14,702)
Florida storm damage recovery	500	--	500
Equity loss from affiliate	(117)	--	(117)
Income allocated to minority interest	(1,038)	--	(1,038)
Income (loss) from continuing operations	\$ 1,824	\$(1,268)	\$ 556
Income from discontinued operations	131	0	131
Net income (loss)	\$ 1,955	\$(1,268)	\$ 687
	=====	=====	=====

- (1) Investors in and analysts following the real estate industry utilize net operating income ("NOI") as a supplemental performance measure. 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. Net income includes interest and depreciation and amortization which often have no effect on the market value of a property and therefore limit its use as a performance measure. In addition, such expenses are often incurred at a parent company level and therefore are not necessarily linked to the performance of a real estate asset. 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.

- (2) Seasonal recreational vehicle revenue is included in Property Operations revenues and is approximately \$4.8 million annually. This seasonal revenue is recognized approximately 60% in the first quarter, 5% in both the second and third quarters and 30% in the fourth quarter of each fiscal year.



SUN COMMUNITIES, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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8. SEGMENT REPORTING (AMOUNTS IN THOUSANDS), CONTINUED:

SELECTED BALANCE SHEET DATA

	MARCH 31, 2006			DECEMBER 31, 2005		
	PROPERTY OPERATIONS	MANUFACTURED HOME SALES AND RENTALS	CONSOLIDATED	PROPERTY OPERATIONS	MANUFACTURED HOME SALES AND RENTALS	CONSOLIDATED
Identifiable assets:						
Investment in rental property, net	\$1,052,516	\$119,105	\$1,171,621	\$1,052,603	\$109,217	\$1,161,820
Cash and cash equivalents	5,818	(210)	5,608	6,125	(245)	5,880
Inventory of manufactured homes	--	16,400	16,400	--	17,105	17,105
Investments in and advances to affiliate	46,632	--	46,632	46,352	--	46,352
Notes and other receivables	34,523	6,470	40,993	34,356	6,778	41,134
Other assets	45,278	1,172	46,450	47,129	1,116	48,245
	-----	-----	-----	-----	-----	-----
Total assets	\$1,184,767	\$142,937	\$1,327,704	\$1,186,565	\$133,971	\$1,320,536
	=====	=====	=====	=====	=====	=====

9. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES (IN THOUSANDS):

The Company has entered into four derivative contracts consisting of three interest rate swap agreements and an interest rate cap agreement. 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 and to cap the maximum interest rate on its variable rate borrowings. The Company does not enter into derivative instruments for speculative purposes.

The swap agreements have the effect of fixing interest rates relative to a portion of a collateralized term loan due to FNMA. One swap matures in July 2009, with an effective fixed rate of 4.84 percent. A second swap matures in July 2012, with an effective fixed rate of 5.28 percent. The third swap matures in July 2007, with an effective fixed rate of 3.88 percent. The third swap is effective as long as 90-day LIBOR is 7 percent or lower. The three swaps have an aggregate notional amount of \$75.0 million. The interest rate cap agreement has a cap rate of 9.49 percent, a notional amount of \$152.4 million and a termination date of April 03, 2006. Each of the Company's derivative contracts is based upon 90-day LIBOR.

The Company has designated the first two swaps and the interest rate cap as cash flow hedges for accounting purposes. The changes in the value of these hedges are reflected in other comprehensive income/loss on the balance sheet. These three hedges were highly effective and had minimal effect on income. The third swap does not qualify as a hedge for accounting purposes and, accordingly, the entire change in valuation, whether positive or negative, is reflected as a component of interest expense. The valuation adjustment totals approximately \$0.04 million and \$0.4 million for the three months ended March 31, 2006 and 2005, respectively.

SFAS No. 133, the "Accounting for Derivative Instruments and Hedging Activities," requires all derivative instruments to be carried at fair value on the balance sheet. The fair value of the instruments approximates an asset of \$0.8 million and less than \$0.1 million as of March 31, 2006 and December 31, 2005, respectively.

These valuation adjustments will only be realized if the Company terminates the swaps prior to maturity. This is not the intent of the Company and, therefore, the net of valuation adjustments through the various maturity dates will approximate zero.

SUN COMMUNITIES, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)

10. DISPOSITION OF PROPERTIES:

During the second quarter of 2005, the Company sold two properties located in Florida comprised of 96 manufactured housing sites and 165 recreational vehicle sites for a combined sales price of \$5.7 million. These transactions resulted in a \$0.8 million gain.

In accordance with SFAS 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" effective for financial statements issued for all fiscal years beginning after December 15, 2001, results of operations and gain/(loss) on sales of real estate for properties with identifiable cash flows sold subsequent to December 31, 2001 are reflected in the Consolidated Statements of Operations as income from discontinued operations for all periods presented. Below is a summary of the results of operations of sold properties through their respective disposition dates (in thousands):

	SUMMARY STATEMENT OF OPERATIONS	
	2006	2005
	----	-----
Income from rental property	\$--	\$ 332
Revenue from home sales	--	2
Rental home revenue	--	4
Ancillary revenues, net	--	1
Other loss	--	(1)
Property operating and maintenance	--	(102)
Real estate taxes	--	(16)
Cost of home sales	--	(2)
Depreciation and amortization	--	(43)
Interest and general and administrative	--	(26)
	---	-----
Income from operations	--	149
Income allocated to common OP units	--	(18)
	---	-----
Income from discontinued operations	\$--	\$ 131
	===	=====

SUN COMMUNITIES, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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11. EARNINGS (LOSS) PER SHARE (IN THOUSANDS):

For the periods ended March 31, 2006 and 2005:

	2006 -----	2005 -----
Earnings (loss) used for basic and diluted earnings (loss) per share computation:		
Continuing operations	\$ (868)	\$ 556
	=====	=====
Discontinued operations	\$ --	\$ 131
	=====	=====
Total shares used for basic earnings (loss) per share	17,534	17,848
Dilutive securities:		
Stock options and other	--	102
	-----	-----
Total weighted average shares used for diluted earnings (loss) per share computation	17,534	17,950
	=====	=====

Diluted earnings per share reflect the potential dilution that would occur if dilutive securities were exercised or converted into common stock. The calculation of both basic and diluted earnings per share for the three month period ending March 31, 2006 is based upon weighted average shares prior to dilution, as the effect of including potentially dilutive securities in the calculation during these periods would be anti-dilutive.

The Company also has the following potentially convertible securities which, if converted, may impact dilution:

CONVERTIBLE SECURITIES -----	NUMBER OF UNITS ISSUED -----	CONVERSION FEATURES -----
Series A Preferred OP Units	1,325,275	Convertible to common stock at \$68 per share/unit. Mandatorily redeemable on January 2, 2014
Series B Preferred OP Units	35,637	On each of May 1, 2004, 2005, and 2006, holder may exchange Units for shares of common stock at exchange rate of 2.272727 (\$44 per share) shares of common stock for each Series B Preferred Unit.
Series B-2 Preferred OP Units	100,000	Convertible into Common OP Units after January 31, 2005 at \$45 per share/unit.

SUN COMMUNITIES, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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12. CONTINGENCIES:

On April 9, 2003, T.J. Holdings, LLC ("TJ Holdings"), a member of Sun/Forest, LLC ("Sun/Forest") (which, in turn, owns an equity interest in SunChamp LLC), ("SunChamp"), filed a complaint against the Company, SunChamp, certain other affiliates of the Company and two directors of Sun Communities, Inc. in the Superior Court of Guilford County, North Carolina. The complaint alleges that the defendants wrongfully deprived the plaintiff of economic opportunities that they took for themselves in contravention of duties allegedly owed to the plaintiff and purports to claim damages of \$13.0 million plus an unspecified amount for punitive damages. The Company believes the complaint and the claims threatened therein have no merit and will defend it vigorously. These proceedings were stayed by the Superior Court of Guilford County, North Carolina in 2004 pending final determination by the Circuit Court of Oakland County, Michigan as to whether the dispute should be submitted to arbitration and the conclusion of all appeals therefrom. On April 4, 2005, the Oakland County Circuit Court issued a final order compelling arbitration for certain claims brought in the North Carolina case but denying arbitration for certain other claims in the North Carolina case. Shortly thereafter, the Company appealed this decision with respect to the claims for which the court denied arbitration and such appeal is currently pending in the Michigan Court of Appeals.

As previously disclosed, the Company, the Chief Executive Officer, the Chief Financial Officer and a former controller received "Wells Notices" from the staff of the U.S. Securities and Exchange Commission (SEC) in connection with a non-public inquiry regarding the Company. The inquiry by the SEC was commenced in January 2004 with a request for information and legal, accounting and other documentation generally regarding the Company's investment in SunChamp, the operation of SunChamp, the Company's accounting for SunChamp and other transactions related to SunChamp. The SEC Staff informed the Company that the major focus of the Staff's inquiry relates to the Company's accounting for the SunChamp investment during 2000, 2001 and 2002.

As announced on February 27, 2006 the SEC accepted the Company's offer to resolve the SEC's inquiry regarding the Company's financial statements for 2000, 2001 and 2002, and entered the agreed-upon administrative Order. As disclosed in the Company's press release dated February 13, 2006, the Order requires that the Company cease and desist from violations of certain non intent-based provisions of the federal securities laws, without admitting or denying any such violations. The Order further requires that the Company employ an independent consultant to evaluate internal controls and financial reporting procedures as they relate to the Company's accounting for its ownership interest in SunChamp. The Order does not impose any monetary penalties, nor do the terms of the Order require the Company to restate any of its prior financial statements.

The Order relates only to the Company and does not address any actions relating to the three Company employees that received Wells Notices, as disclosed in the Company's press releases dated July 19, 2005, and September 14, 2005. On February 27, 2006, the SEC filed a civil action against the three employees in the United States District Court for the Eastern District of Michigan alleging various claims generally consistent with the SEC's findings set forth in the Order.

The Company is involved in various other legal proceedings arising in the ordinary course of business. All such proceedings, taken together, are not expected to have a material adverse impact on our results of operations or financial condition.

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

OVERVIEW

The following discussion and analysis of the consolidated financial condition and results of operations should be read in conjunction with the consolidated financial statements and the notes thereto. Capitalized terms are used as defined elsewhere in this Form 10-Q.

SIGNIFICANT ACCOUNTING POLICIES

The Company has identified significant accounting policies that, as a result of the judgments, uncertainties, uniqueness and complexities of the underlying accounting standards and operations involved could result in material changes to its financial condition or results of operations under different conditions or using different assumptions. Details regarding the Company's significant accounting policies are described fully in the Company's 2005 Annual Report filed with the Securities and Exchange Commission on Form 10-K. During the three months ended March 31, 2006, there have been no material changes to the Company's significant accounting policies that impacted the Company's financial condition or results of operations except for the adoption of Financial Accounting Standards Board ("FASB") Statement No. 123 (revised December 2004), Share-Based Payment ("SFAS 123(R)").

In December 2004, FASB issued SFAS 123(R). SFAS 123(R) replaces FASB Statement No. 123 ("Statement 123"), Accounting for Stock-Based Compensation, and supersedes APB Opinion No. 25 ("APB 25"), Accounting for Stock Issued to Employees. SFAS 123(R) requires compensation costs related to share-based payment transactions be recognized in the financial statements. The Company adopted SFAS 123(R) effective January 1, 2006 using the "modified prospective" method. Therefore, prior period statements have not been restated. Under this method, in addition to reflecting compensation expense for new-share based awards, expense is also recognized to reflect the remaining service period of awards that had been included in pro-forma disclosures in prior periods.

With the adoption of SFAS 123(R), the Company is required to record the fair value of stock-based compensation awards as an expense. In order to determine the fair value of stock options on the grant date, the Company applies the Binomial (lattice) option-pricing model. Inherent in this model are assumptions related to expected stock-price volatility, option life, risk-free interest rate and dividend yield. While the risk-free rate and dividend yield are less subjective assumptions, typically based on factual data derived from public sources, the expected stock-price volatility and option life assumptions require a greater level of judgment which make them critical accounting estimates.

The Company uses an expected stock-price volatility assumption that is based on historical implied volatilities of the underlying stock which is obtained from public data sources. With regard to the weighted-average option life assumption, the Company considers the exercise behavior of past grants and models the pattern of aggregate exercises. Patterns are determined on specific criteria of the aggregate pool of optionees. The Company uses the resources of an outside consultant for valuing its options. An award of 7,500 options was made to the Company's non-employee directors during the first quarter of 2006.

Performance-based awards vest based upon the achievement of certain performance conditions and the Company makes its best estimate as to the ultimate achievement of such performance conditions.

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

RESULTS OF OPERATIONS

Comparison of the three months ended March 31, 2006 and 2005

For the three months ended March 31, 2006, income from operations before minority interest decreased by \$2.9 million from \$1.6 million to a loss of \$(1.3) million, when compared to the three months ended March 31, 2005. The decrease was due to increased expenses of \$6.9 million, offset by increased revenues of \$3.6 million and increased equity income from affiliate of \$0.4 million as described in more detail below.

Income from rental property increased by \$2.7 million from \$45.4 million to \$48.1 million, or 5.9 percent, due to acquisitions (\$0.8 million) and rent increases and other community revenues (\$1.9 million).

Revenues from home sales decreased by \$0.4 million from \$3.7 million to \$3.3 million, or 10.8 percent primarily due to the change in the number of new versus pre-owned homes sold and the overall decrease in the number of homes sold during the first quarter of 2006 (71 sales) as compared to the first quarter of 2005 (111 sales).

Rental home revenue increased by \$1.8 million from \$1.5 million to \$3.3 million due to increases in the average rental rate per home and the number of tenants in the Company's rental program.

Interest income decreased by \$0.8 million from \$1.6 million to \$0.8 million, or 50.0 percent, due primarily to a reduction in the amount of short-term investments and the payoff of interest earning notes and receivables by the borrowers.

Other income increased by \$0.7 million from a loss of \$(0.2) million to income of \$0.5 million due primarily to an increase in brokerage commissions of \$0.1 million, a \$0.2 million non-refundable option payment received and a \$0.5 million decrease in unsuccessful acquisition expenditures.

Property operating and maintenance expenses increased by \$0.4 million from \$11.0 million to \$11.4 million, or 3.6 percent. The increase was due to property acquisitions (\$0.3 million) and other expenses (\$0.1 million).

Rental home operating and maintenance expense increased by \$1.1 million from \$1.5 million to \$2.6 million, or 73.3 percent due primarily to an increase in the number of tenants in the Company's rental program.

General and administrative expenses for rental property increased by \$1.6 million from \$3.5 million to \$5.1 million, or 45.7 percent, due to expenditures related to a review of the Company's strategic alternatives, the accrual of annual performance based incentives, an increase in the amount of share-based compensation expense related to a significant vesting of shares and increased Michigan taxes.

Depreciation and amortization increased by \$2.0 million from \$13.0 million to \$15.0 million, or 15.4 percent, due primarily to an increase in the total rental home portfolio.

Interest expense increased by \$1.1 million from \$13.6 million to \$14.7 million, or 8.1 percent, primarily due to increased debt levels and increased interest rates on variable rate debt.

The cumulative effect of change in accounting principle is a result of the recognition of expected forfeitures on restricted stock grants that are not vested at January 1, 2006.

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

## RESULTS OF OPERATIONS, CONTINUED:

## SAME PROPERTY INFORMATION

The following table reflects property-level financial information as of and for the three months ended March 31, 2006 and 2005. The "Same Property" data represents information regarding the operation of communities owned as of January 1, 2005 and March 31, 2006. Site, occupancy, and rent data for those communities is presented as of the last day of each period presented. The "Total Portfolio" column differs from the "Same Property" column by including financial and statistical information for new development and acquisition communities.

	SAME PROPERTY		TOTAL PORTFOLIO	
	2006	2005	2006	2005
	(in thousands)		(in thousands)	
Income from rental property	\$45,069	\$43,358	\$48,073	\$45,449
Property operating expenses:				
Property operating and maintenance	8,557	8,600	11,385	10,965
Real estate taxes	3,798	3,728	3,894	3,772
Property operating expenses	12,355	12,328	15,279	14,737
Property net operating income(1)	\$32,714	\$31,030	\$32,794	\$30,712
Number of properties	133	133	136	137
Developed sites	46,516	46,488	47,584	47,617
Occupied sites	38,132(2)	38,177(2)	38,539(2)	38,479(2)
Occupancy %	84.3%(3)	84.6%(3)	84.2%(3)	84.4%(3)
Weighted Average monthly rent per site	\$ 360(3)	\$ 347(3)	\$ 360(3)	\$ 347(3)
Sites available for development	6,359	6,501	6,857	7,237
Sites planned for development in next year	41	208	41	208

(1) Investors in and analysts following the real estate industry utilize net operating income ("NOI") as a supplemental performance measure. 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. Net income includes interest and depreciation and amortization which often have no effect on the market value of a property and therefore limit its use as a performance measure. In addition, such expenses are often incurred at a parent company level and therefore are not necessarily linked to the performance of a real estate asset. 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.

(2) Occupied sites include manufactured housing and permanent recreational vehicle sites, and exclude seasonal recreational vehicle sites.

(3) Occupancy % and weighted average rent relates to manufactured housing sites, excluding recreational vehicle sites.

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

## RESULTS OF OPERATIONS, CONTINUED:

On a same property basis, property net operating income increased by \$1.7 million from \$31.0 million to \$32.7 million, or 5.4 percent. Income from rental property increased by \$1.7 million from \$43.4 million to \$45.1 million, or 3.9 percent, due primarily to increases in rents including water and property tax pass through. Property operating expenses increased by \$0.02 million from \$12.33 million to \$12.35 million, or 0.2 percent, due primarily to increases in real estate taxes.

## RENTAL PROGRAM

The following table reflects additional information regarding the Company's rental program for the three months ended March 31, 2006 and 2005:

	THREE MONTHS ENDED MARCH 31,	
	2006	2005
	(in thousands except for *)	
Rental home revenue	\$ 3,329	\$ 1,517
Site rent included in Income from rental property	4,186	2,207
	-----	-----
Rental program revenue	7,515	3,724
Expenses		
Payroll and commissions	475	427
Repairs and refurbishment	957	541
Taxes and insurance	594	281
Other	587	236
	-----	-----
Rental program operating and maintenance	2,613	1,485
	-----	-----
Net operating income(1)	\$ 4,902	\$ 2,239
	=====	=====
Number of occupied rentals, end of period*	4,215	2,536
Cost of occupied rental homes	\$124,007	\$70,033
Weighted average monthly rental rate*	\$ 653	\$ 594

(1) See Note (1) following Same Property Information.

Net operating income from the rental program increased \$2.7 million from \$2.2 million to \$4.9 million in the first quarter of 2006 as a result of a \$3.8 million increase in revenue offset by a \$1.1 million increase in expenses. Revenues increased due to an increase in the weighted average monthly rental rate and an increase in the number of leased rental homes. Expenses were also impacted by the increase in the number of leased rental homes.



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

LIQUIDITY AND CAPITAL RESOURCES

The Company's principal liquidity demands have historically been, and are expected to continue to be, distributions to the Company's stockholders and the unitholders of the Operating Partnership, capital improvements of properties, the purchase of new and pre-owned homes, property acquisitions, development and expansion of properties, and debt repayment.

The Company expects to meet its short-term liquidity requirements through its working capital provided by operating activities, its \$115.0 million line of credit and its \$40.0 million floor plan. The Company considers these resources to be adequate to meet all operating requirements, including recurring capital improvements, routinely amortizing debt and other normally recurring expenditures of a capital nature, pay dividends to its stockholders to maintain qualification as a REIT in accordance with the Internal Revenue Code and make distributions to the Operating Partnership's unitholders.

The Company has invested approximately \$0.7 million in its development communities consisting primarily of costs necessary to complete home site improvements such as driveways, sidewalks, piers, pads and runners and anticipates investing an additional \$1.0 - \$1.5 million for such costs during the remainder of 2006. The Company expects to finance these investments by using net cash flows provided by operating activities and by drawing upon its line of credit.

The Company has invested \$7.8 million in the acquisition of properties during 2006. Although substantial acquisitions are not anticipated prior to year end, the Company continuously seeks acquisition opportunities that meet the Company's criteria for acquisition. Should such investment opportunities arise the Company will finance the acquisitions through the temporary use of its line of credit until permanent secured financing can be arranged, through the assumption of existing debt on the properties or the issuance of certain equity securities.

The Company has also invested approximately \$13.2 million during the first quarter of 2006 in homes primarily intended for its rental program. Expenditures for the remainder of 2006 will be dependent upon the condition of the markets for repossessions and new home sales as well as rental homes.

Cash and cash equivalents decreased by \$0.3 million from \$5.9 million at December 31, 2005 to \$5.6 million at March 31, 2006. Net cash provided by operating activities decreased by \$7.1 million to \$15.7 million for the three months ended March 31, 2006 compared to \$22.8 million for the three months ended March 31, 2005.

The Company's net cash flows provided by operating activities may be adversely impacted by, among other things: (a) the market and economic conditions in the Company's current markets generally, and specifically in metropolitan areas of the Company's current markets; (b) lower occupancy and rental rates of the Company's properties (the "Properties"); (c) increased operating costs, including insurance premiums, real estate taxes and utilities, that cannot be passed on to the Company's tenants; and (d) decreased sales of manufactured homes. See "Risk Factors " in the Company's Annual Report on Form 10-K for the year ended December 31, 2005.

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

LIQUIDITY AND CAPITAL RESOURCES CONTINUED:

The Company anticipates meeting its long-term liquidity requirements, such as scheduled debt maturities, large property acquisitions, and Operating Partnership unit redemptions through the collateralization of its properties. From time to time, the Company may also issue shares of its capital stock, issue equity units in the Operating Partnership or sell selected assets. The ability of the Company to finance its long-term liquidity requirements in such manner will be affected by numerous economic factors affecting the manufactured housing community industry at the time, including the availability and cost of mortgage debt, the financial condition of the Company, the operating history of the Properties, the state of the debt and equity markets, and the general national, regional and local economic conditions. See "Risk Factors" in the Company's Annual Report on Form 10-K for the year ended December 31, 2005. If the Company is unable obtain additional debt or equity financing on acceptable terms, the Company's business, results of operations and financial condition will be adversely impacted.

At March 31, 2006, the Company's debt to total market capitalization approximated 61.4 percent (assuming conversion of all Common OP Units to shares of common stock). The debt has a weighted average maturity of approximately 7.0 years and a weighted average interest rate of 5.4 percent.

Capital expenditures for the three months ended March 31, 2006 and 2005 included recurring capital expenditures of \$1.4 million and \$1.4 million, respectively.

Net cash used in investing activities increased by \$28.4 million to \$19.3 million used in investing activities for the three months ended March 31, 2006 compared to \$9.1 million provided by investing activities for the three months ended March 31, 2005. This increase was due to a \$39.9 million decrease in net proceeds from sale of short-term investments and a \$0.8 million decrease in notes receivable and officers' notes, net, offset by decreased investment in rental property of \$12.3 million.

Net cash provided by financing activities increased by \$75.1 million to \$3.4 million provided by financing activities for the three months ended March 31, 2006 compared to \$71.7 million used in financing activities for the three months ended March 31, 2005. This increase was primarily due to a \$50.0 million decrease in payments to retire Perpetual Preferred Operating Partnership Units, a \$2.4 million reduction in funds used to purchase Company stock, a \$3.6 million reduction in payments made to redeem notes payable, an increase of proceeds from issuance of stock and OP units net and option exercises of \$2.4 million, and an increase of \$17.0 million in borrowings on a line of credit, offset by an increase in distributions of \$0.2 million and an increase in payments for deferred financing costs of \$0.1 million.

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

SUPPLEMENTAL MEASURE:

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. Other REITS may use different methods for calculating FFO and, accordingly, the Company's FFO may not be comparable to other REITs.

The following table reconciles net income to FFO and calculates both basic and diluted FFO per share for the periods ended March 31, 2006 and 2005 (in thousands):

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

## SUPPLEMENTAL MEASURE, CONTINUED:

RECONCILIATION OF NET INCOME (LOSS) TO FUNDS FROM OPERATIONS  
 FOR THE THREE MONTHS ENDED MARCH 31, 2006 AND 2005  
 (AMOUNTS IN THOUSANDS, EXCEPT PER SHARE/OP UNIT AMOUNTS) (UNAUDITED)

	2006	2005
	-----	-----
Net income (loss)	\$ (868)	\$ 687
Adjustments:		
Depreciation and amortization	15,588	13,664
Valuation adjustment(1)	43	359
(Gain) loss on disposition of assets, net	(32)	47
Income (loss) allocated to minority interest	(115)	95
	-----	-----
Funds from operations (FFO)	\$14,616	\$14,852
	=====	=====
FFO - Continuing Operations	\$14,616	\$14,660
	=====	=====
FFO - Discontinued Operations	\$ --	\$ 192
	=====	=====
Weighted average common shares/OP Units outstanding:		
Basic	19,857	20,319
	=====	=====
Diluted	20,007	20,421
	=====	=====
Continuing Operations:		
FFO per weighted average Common Share/OP Unit - Basic	\$ 0.74	\$ 0.72
	=====	=====
FFO per weighted average Common Share/OP Unit - Diluted	\$ 0.73	\$ 0.72
	=====	=====
Discontinued Operations:		
FFO per weighted average Common Share/OP Unit - Basic	\$ --	\$ 0.01
	=====	=====
FFO per weighted average Common Share/OP Unit - Diluted	\$ --	\$ 0.01
	=====	=====
Total Operations:		
FFO per weighted average Common Share/OP Unit - Basic	\$ 0.74	\$ 0.73
	=====	=====
FFO per weighted average Common Share/OP Unit - Diluted	\$ 0.73	\$ 0.73
	=====	=====

- (1) The Company entered into three interest rate swaps and an interest rate cap agreement. The valuation adjustment reflects the theoretical noncash profit and loss were those hedging transactions terminated at the balance sheet date. As the Company has no expectation of terminating the transactions prior to maturity, the net of these noncash valuation adjustments will be zero at the various maturities. As any imperfection related to hedging correlation in these swaps is reflected currently in cash as interest, the valuation adjustments reflect volatility that would distort the comparative measurement of FFO and on a net basis approximate zero. Accordingly, the valuation adjustments are excluded from FFO. The valuation adjustment is included in interest expense.

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

SAFE HARBOR STATEMENT

This Form 10-Q contains various "forward-looking statements" within the meaning of the Securities Act of 1933 and the Securities Exchange Act of 1934, and the Company intends that such forward-looking statements will be subject to the safe harbors created thereby. For this purpose, any statements contained in this filing that relate to prospective events or developments are deemed to be forward-looking statements. Words such as "believes," "forecasts," "anticipates," "intends," "plans," "expects," "may," "will" and similar expressions are intended to identify forward-looking statements. These forward-looking statements reflect the Company's current views with respect to future events and financial performance, but involve known and unknown risks and uncertainties, both general and specific to the matters discussed in this filing. These risks and uncertainties may cause the actual results of the Company to be materially different from any future results expressed or implied by such forward looking statements. Such risks and uncertainties include the national, regional and local economic climates, the ability to maintain rental rates and occupancy levels, competitive market forces, changes in market rates of interest, the ability of manufactured home buyers to obtain financing, the level of repossessions by manufactured home lenders and those risks and uncertainties referenced under the headings entitled "Risk Factors" contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2005 and the Company's filings with the Securities and Exchange Commission. The forward-looking statements contained in this Form 10-Q speak only as of the date hereof and the Company expressly disclaims any obligation to provide public updates, revisions or amendments to any forward-looking statements made herein to reflect changes in the Company's expectations of future events.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE 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 Company's variable rate debt totals \$188.2 million and \$104.7 million as of March 31, 2006 and 2005, respectively, which bears interest at various Prime and LIBOR/DMBS rates. If Prime or LIBOR/DMBS increased or decreased by 1.00 percent during the three months ended March 31, 2006 and 2005, the Company believes its interest expense would have increased or decreased by approximately \$1.8 million and \$1.1 million based on the \$182.1 million and \$107.2 million average balance outstanding under the Company's variable rate debt facilities for the three months ended March 31, 2006 and 2005, respectively.

Additionally, the Company had \$13.5 million and \$14.7 million LIBOR based variable rate mortgage and other notes receivables as of March 31, 2006 and 2005, respectively. If LIBOR increased or decreased by 1.0 percent during the three months ended March 31, 2006 and 2005, the Company believes interest income would have increased or decreased by approximately \$0.1 million and \$0.1 million based on the \$13.5 million and \$14.7 million average balance outstanding on all variable rate notes receivable for the three months ended March 31, 2006 and 2005, respectively.

The Company has entered into three separate interest rate swap agreements and an interest rate cap agreement. One of the swap agreements fixes \$25 million of variable rate borrowings at 4.84 percent through July 2009, another of the swap agreements fixes \$25 million of variable rate borrowings at 5.28 percent through July 2012 and the third swap agreement, which is only effective for so long as 90-day LIBOR is 7 percent or less, fixes \$25 million of variable rate borrowings at 3.88 percent through July 2007. The interest rate cap agreement has a cap rate of 9.49 percent, a notional amount of \$152.4 million and a termination date of April 3, 2006. Each of the Company's derivative contracts is based upon 90-day LIBOR.

ITEM 4. CONTROLS AND PROCEDURES

- (a) Under the supervision and with the participation of the Company's management, including the Chief Executive Officer, Gary A. Shiffman, and Chief Financial Officer, Jeffrey P. Jorissen, the Company evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures as of the end of the period covered by this quarterly report, pursuant to Rule 13a-15 of the Securities Exchange Act of 1934 (the "Exchange Act"). Based upon that evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective to ensure that information the Company is required to disclose in its filings with the Securities and Exchange Commission under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Commission's rules and forms, and to ensure that information required to be disclosed by the Company in the reports that it files under the Exchange Act is accumulated and communicated to the Company's management, including its principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.
- (b) There have been no changes in the Company's internal control over financial reporting during the quarterly period ended March 31, 2006, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II

ITEM 2. (A) - UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

During the quarter ended March 31, 2006, the Company issued an aggregate of 7,133 shares of its common stock upon exchange of an aggregate of 7,133 OP Units of the Operating Partnership. These shares of common stock were issued in a private placement in reliance on Section 4(2) of the Securities Act of 1933, as amended, including Regulation D promulgated thereunder. No underwriters were used in connection with such issuance.

ITEM 6. - EXHIBITS REQUIRED BY ITEM 601 OF REGULATION S-K

See the attached Exhibit Index.



SIGNATURES

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.

Dated: May 10, 2006

SUN COMMUNITIES, INC.

BY: /s/ Jeffrey P. Jorissen

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Jeffrey P. Jorissen, Chief Financial  
Officer and Secretary  
(Duly authorized officer and  
principal financial officer)

SUN COMMUNITIES, INC.  
EXHIBIT INDEX

EXHIBIT NO.	DESCRIPTION
- - - - -	- - - - -
10.1	Agreement for Wholesale Financing, dated March 1, 2006, between Sun Home Services, Inc. and Textron Financial Corporation
31.1	Certification of Chief Executive Officer pursuant to Securities Exchange Act Rules 13a-14(a)/15(d)-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Securities Exchange Act Rules 13a-14(a)/15(d)-14(a), 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.

AGREEMENT FOR WHOLESALE FINANCING  
(MANUFACTURED HOME PURCHASE MONEY, USED AND RENTAL CREDIT FACILITY)

THIS AGREEMENT FOR WHOLESALE FINANCING (MANUFACTURED HOME PURCHASE MONEY, USED AND RENTAL CREDIT FACILITY) (as amended from time to time, this "AGREEMENT") is made as of March 1, 2006, by and between SUN HOME SERVICES, INC., a Michigan corporation ("SHS" OR "BORROWER"), and TEXTRON FINANCIAL CORPORATION, a Delaware corporation, as a the lender ("TFC"); the principal place of business of SHS and its notification address is set forth in Part 1 on the Schedule of Terms and Disclosures attached hereto.

RECITALS:

A. WHEREAS, SHS is an authorized dealer of manufactured homes of the types set forth on Part 2 to the Schedule of Terms and Disclosures attached hereto (each a "MANUFACTURED HOME") manufactured by the manufacturers set forth on said Part 2 (individually, a "MANUFACTURER" and, collectively, the "MANUFACTURERS");

B. WHEREAS, in its capacity as a dealer to such Manufacturers, SHS buys, from time to time, new Manufactured Homes from such Manufacturers (each a "NEW MANUFACTURED HOME") to be held by SHS as inventory for sale in the ordinary course of SHS's business (each a "NEW MANUFACTURED HOME HELD FOR SALE"); SHS may after such purchase (and prior to the first sale of such New Manufactured Home) rent such New Manufactured Home in a Sun MH Community (as such term is defined below) in the ordinary course of its business (any such New Manufactured Home actually so rented is referred to herein as a "NEW RENTED MANUFACTURED HOME");

C. WHEREAS, SHS also acquires from time to time in the ordinary course of its business, used Manufactured Homes (by way of trade-ins; repossessions, foreclosures or other similar enforcement actions; or purchases of pre-owned Manufactured Homes located in, and from residents of, any of the Sun MH Communities) (each a "USED MANUFACTURED HOME") to be held as inventory for sale in the ordinary course of SHS's business (each a "USED MANUFACTURED HOME HELD FOR SALE"); SHS may after such acquisition rent such Used Manufactured Home in a Sun MH Community in the ordinary course of its business (any such Used Manufactured Home actually so rented is referred to herein as a "USED RENTED MANUFACTURED HOME");

D. WHEREAS, SHS has entered into (or intends to enter into) manufactured home lease agreements with individual consumers (each manufactured home lease agreement is referred to herein as a "MH CONSUMER LEASE AGREEMENT") and each individual lessee thereunder is referred to herein as a "MH CONSUMER LESSEE") in respect of New Manufactured Homes or Used Manufactured Homes, as the case may be; in certain cases, such MH Consumer Lease Agreements may permit the MH Consumer Lessees thereunder to purchase from SHS the New Rented Manufactured Homes or Used Rented Manufactured Homes, as the case may be, being leased thereunder for a stipulated purchase price (each such purchase option under any such MH Consumer Lease Agreement is referred to herein as a "MH CONSUMER LESSEE PURCHASE OPTION");

E. WHEREAS, New Rented Manufactured Homes and Used Rented Manufactured Homes are referred to herein, collectively, as "RENTED MANUFACTURED HOMES;"

F. WHEREAS, all SHS's now owned Manufactured Homes are, and all of SHS's hereafter acquired Manufactured Homes that constitute Collateral (as such term is defined below) will be, (I) unencumbered and free and clear of any lien or security interest, except as otherwise provided for or permitted in this Agreement, and (II) owned solely by SHS free and clear of any interest of any other person (except as provided for in Recital D above);

G. WHEREAS, SHS requests that TFC extend advances under this Agreement from time to time to provide (i) purchase money financing, as provided for in Section 1 of this Agreement, in order for SHS to acquire

Final  
Agreement for Wholesale Financing  
(Manufactured Home Purchase Money, Used and Rental Credit Facility)

New Manufactured Homes for Sale from Manufacturers (each funding by TFC, as provided for in Section 1 below, of a request by SHS for an extension of credit in respect of such a New Manufactured Homes for Sale to be acquired from a Manufacturer is referred to herein, individually, as a "NEW MANUFACTURED HOME SALE ADVANCE" and, collectively, as the "NEW MANUFACTURED HOME SALE ADVANCES") and (ii) to provide financing, as provided for in Section 1 of this Agreement, for New Manufactured Homes for Sale previously acquired and fully paid for by SHS (referred to herein individually, as a "NEW MANUFACTURED HOME BULK SALE ADVANCE" and, collectively, as the "NEW MANUFACTURED HOME BULK SALE ADVANCES"; New Manufactured Home Sale Advances and New Manufactured Home Bulk Sale Advances are referred to herein collectively as "NEW MANUFACTURED HOME ACQUISITION ADVANCES");

H. WHEREAS, SHS requests that TFC extend advances under this Agreement from time to time to provide financing, as provided for in Section 2 of this Agreement, in order for SHS to refinance, if necessary, and convert New Manufactured Homes Held for Sale into New Rented Manufactured Homes (each funding by TFC, as provided for in Section 2 below, of a request by SHS for an extension of credit in respect of such a New Rented Manufactured Home is referred to herein, individually, as a "NEW RENTED MANUFACTURED HOME ADVANCE" and, collectively, as the "NEW RENTED MANUFACTURED HOME ADVANCES");

I. WHEREAS, SHS requests that TFC extend advances under this Agreement from time to time to provide (i) acquisition financing, as provided for in Section 3 of this Agreement, in respect of Used Manufactured Homes Held for Sale (each funding by TFC, as provided for in Section 3 below, of a request by SHS for an extension of credit in respect of a Used Manufactured Homes Held for Sale is referred to herein, individually, as a "USED MANUFACTURED HOME SALE ADVANCE" and, collectively, as the "USED MANUFACTURED HOME SALE ADVANCES") and (ii) to provide financing, as provided for in Section 3 of this Agreement, for Used Manufactured Homes for Sale previously acquired and fully paid for by SHS (referred to herein, individually, as a "USED MANUFACTURED HOME BULK SALE ADVANCE" and, collectively, as the "USED MANUFACTURED HOME BULK SALE ADVANCES"; Used Manufactured Home Sale Advances and the Used Manufactured Home Bulk Sale Advances are referred to herein collectively as "USED MANUFACTURED HOME ACQUISITION ADVANCES");

J. WHEREAS, SHS requests that TFC extend advances under this Agreement from time to time to provide financing, as provided for in Section 4 of this Agreement, in order for SHS to refinance and convert Used Manufactured Homes Held for Sale into Used Rented Manufactured Homes or to otherwise acquire financing for other Used Rented Manufactured Homes (each funding by TFC, as provided for in Section 4 below, of a request by SHS for an extension of credit in respect of such a Used Rented Manufactured Home is referred to herein, individually, as a "USED RENTED MANUFACTURED HOME ADVANCE" and, collectively, as the "USED RENTED MANUFACTURED HOME ADVANCES");

K. WHEREAS, New Manufactured Home Acquisition Advances and New Rented Manufactured Home Advances are referred to herein, collectively, as "NEW MANUFACTURED HOME ADVANCES;" Used Manufactured Home Acquisition Advances and Used Rented Manufactured Home Advances are referred to herein, collectively, as "USED MANUFACTURED HOME ADVANCES;" New Rented Manufactured Home Advances and Used Rented Manufactured Home Advances are referred to herein, collectively, as "RENTED MANUFACTURED HOME ADVANCES;" and New Manufactured Home Advances, Used Manufactured Home Advances and Rented Manufactured Home Advances are referred to herein, collectively and without duplication, as the "ADVANCES;"

L. WHEREAS, one or more Affiliates (as such term is defined below) of SHS own individual manufactured home homesites in the manufactured home communities identified in Part 3 on the Schedule of Terms and Disclosures attached hereto (each a "MH HOMESITE") and have entered into certain homesite leases with SHS pursuant to which SHS leases such homesites for purposes of further subleasing the same to MH Consumer Lessees under MH Consumer Lease Agreements who have rented Manufactured Homes from SHS (with respect to each Manufactured Home, each such MH Homesite is referred to herein as a "MH RENTAL HOMESITE;" and each lease to SHS with respect to any such MH Rental Homesite or any other MH Homesite is referred to herein as a

"MH SHS HOMESITE LEASE;" each Affiliate of SHS that is the lessor with respect to any such MH SHS Homesite Lease is referred to herein as a "MH COMMUNITY HOMESITE LESSOR;" and each manufactured home community, as listed on said Part 3 (as said Part may be amended and supplemented pursuant to Section 19 below) is referred to herein as a "SUN MH COMMUNITY";

M. WHEREAS, SHS has established an administrative services arrangement and agreement with each of the MH Community Homesite Lessors (individually a, "MH SERVICING AGREEMENT" and, collectively, the "MH SERVICING AGREEMENTS"), pursuant to which each such MH Community Homesite Lessor services on behalf of SHS the MH Consumer Lease Agreements in respect of the Manufactured Homes located in the Sun MH Community of such MH Community Homesite Lessor and collects the rental payments made by the MH Consumer Lessees under such MH Consumer Lease Agreements (the portion of such rental payments that pertains to the renting of such Manufactured Homes as opposed to the renting of the MH Rental Homesites on which such Manufactured Homes are located is referred to herein, collectively, as the "MH CONSUMER LEASE AGREEMENT PAYMENTS");

N. WHEREAS, SHS is, among other things, granting to TFC, as collateral hereunder, a security interest in and lien on all of its right, title and interest in all Manufactured Homes of SHS in respect of which one or more Advances have been made and/or which form a part of the New Borrowing Base, the Used Borrowing Base or the Rental Borrowing Base (as such terms are defined below), wherever located (including, without limitation, those located in the Sun MH Communities), all currently existing and hereafter created MH Consumer Lease Agreements with respect to the renting of Manufactured Homes in respect of which an Advance has been made, and all currently existing and future MH Consumer Lease Agreement Payments under such MH Consumer Lease Agreements;

O. WHEREAS, (I) if an Event of Default (as hereinafter defined) shall exist, the MH Consumer Lease Agreement Payments received by SHS or by any MH Community Homesite Lessor on behalf of SHS in respect of Rented Manufactured Homes constituting Collateral in any month shall be paid by SHS or such MH Community Homesite Lessor to TFC on the next Billing Statement Payment Date (as such term is defined below) or on such other date elected by TFC for application to the obligations of SHS hereunder, as provided for in Section 10 below, and (II) if no Event of Default shall exist, such MH Consumer Lease Agreement Payments shall be retained by SHS free and clear of any lien or security interest of TFC therein to be used for working capital or any other purpose of SHS;

P. WHEREAS, the aggregate outstanding principal amount of all New Manufactured Home Acquisition Advances will not exceed at any time the New Borrowing Base (as such term is defined below);

Q. WHEREAS, the aggregate outstanding principal amount of all Rented Manufactured Home Advances will not exceed at any time the Rental Borrowing Base (as such term is defined below);

R. WHEREAS, the aggregate outstanding principal amount of all Used Manufactured Home Acquisition Advances will not exceed at any time the Used Borrowing Base (as such term is defined below);

S. WHEREAS, SHS has not caused and will not in the future cause any Manufactured Home owned by it and constituting Collateral to become a fixture to any MH Homesite or otherwise to be treated as real property or a part of real property under applicable state law; and

T. WHEREAS, capitalized terms used in this Agreement shall have the meanings assigned to them in Appendix I attached hereto.

NOW, THEREFORE, in consideration of the premises and the agreements, provisions and covenants herein contained, SHS and TFC agree as follows:

1. NEW MANUFACTURED HOME ACQUISITION ADVANCES. With respect to any New Manufactured Home to be acquired from a Manufacturer and otherwise to constitute a New Manufactured Home Held for Sale, as identified in a writing to TFC, SHS may request TFC to, and TFC will (subject to the satisfaction of the terms and conditions set forth herein and subject to Section 24 hereof), make a New Manufactured Home Sale Advance hereunder to or for the benefit of SHS, the amount of which shall not exceed 100% of the Manufacturer's original invoice price of such New Manufactured Home (net of all rebates, discounts, credits and volume incentive payments with respect thereto, but excluding from any such rebates, discounts, credits and volume incentive payments any advertising allowances not in excess of 5% of the relevant invoiced amount) (the original invoice price of such New Manufactured Home net of such rebates, discounts, credits and volume incentive payments, as provided above, is referred to herein as such New Manufactured Home's "NET INVOICE PRICE"). Each such New Manufactured Home shall be new, completed and otherwise be ready to be held for sale by SHS at one of the Sun MH Communities. SHS understands and agrees that all New Manufactured Homes to be acquired from a Manufacturer shall be deemed to be New Manufactured Homes Held for Sale. SHS understands and agrees that no New Manufactured Home Sale Advance will be made to SHS in respect of any New Manufactured Home Held for Sale if any of the conditions for the making of such New Manufactured Home Sale Advance set forth in Sections 5, 7 or 9 hereof shall have not been satisfied or any Default or Event of Default shall exist immediately prior to or would exist immediately after the making of such Advance. No New Manufactured Home Sale Advances shall in any case be made after March 1, 2009 and only one New Manufactured Home Acquisition Advance shall be made with respect to any New Manufactured Home Held for Sale.

With respect to one or more New Manufactured Homes constituting New Manufactured Homes Held for Sale, as identified in a writing to TFC, owned by SHS and all of whose purchase prices have been previously paid in full by SHS, SHS may request TFC to, and TFC will (subject to the satisfaction of the terms and conditions set forth herein), make a New Manufactured Home Bulk Sale Advance hereunder in respect thereof to or for the benefit of SHS, the amount of which shall not exceed the lesser of (A) the aggregate of the Net Invoice Prices of all such New Manufactured Homes Held for Sale or (B) the remainder of \$40,000,000 minus the aggregate outstanding principal of all other Advances. Each of such New Manufactured Homes shall be new, completed and otherwise already being held for sale by SHS at one of the Sun MH Communities. SHS understands and agrees that no New Manufactured Home Bulk Sale Advance will be made if any of the conditions for the making of such Advance set forth in Sections 5, 7 or 9 hereof shall have not been satisfied or if Default or Event of Default shall exist immediately before or would exist immediately after the making of such Advance. No New Manufactured Home Bulk Sale Advances shall in any case be made after March 1, 2009 and only one New Manufactured Home Acquisition Advance shall be made with respect to any New Manufactured Home Held for Sale.

If, at any time, the aggregate outstanding principal balance of all New Manufactured Home Acquisition Advances exceeds the lesser of (A) the aggregate of the Net Invoice Prices of all New Manufactured Home Held for Sale then owned and in the possession of SHS and in respect of which a New Manufactured Home Acquisition Advance has been made or (B) the remainder of \$40,000,000 minus the aggregate outstanding principal of all Rented Manufactured Home Advances and Used Manufactured Home Acquisition Advances, then SHS shall pay such excess to TFC promptly upon written demand therefor (the lesser of subclause (a) and (b) above is referred to herein as the "NEW BORROWING BASE") and such payment shall be applied to the outstanding principal balance of the New Manufactured Home Acquisition Advances. SHS may not elect to treat for purposes of this Agreement any New Manufactured Home Held for Sale as a Used Manufactured Home Held for Sale or a Used Rented Manufactured Home but may convert any New Manufactured Home Held for Sale to a New Rented Manufactured Home (and consequently may use the same for the purposes of obtaining a New Rented Manufactured Home Advance under Section 2 below) by prior written notice to TFC and the payment in full of the outstanding principal balance of any New Manufactured Home Acquisition Advance (together with accrued and unpaid interest thereon) attributable in respect thereof.

2. NEW RENTED MANUFACTURED HOME ADVANCES. With respect to any New Manufactured Home converted from a New Manufactured Home Held for Sale to (and otherwise constituting) a New Rented Manufactured Home, as identified in a writing to TFC, SHS may request TFC to, and TFC will (subject to the satisfaction of the terms and conditions set forth herein and Section 24 hereof), make a New Rented Manufactured Home Advance to or for the benefit of SHS, the amount of which will be limited to the sum of (I) 35% of the lesser of (Y) the book value of such New Rented Manufactured Home (book value being determined for such New Rented Manufactured Home as SHS's out-of-pocket acquisition cost therefor) or (Z) the NADA Base Structure Value of such New Rented Manufactured Home (determined as of the date of the making of such New Rented Manufactured Home Advance) plus (II) actual out-of-pocket set-up costs incurred by SHS with respect thereto. Each such New Rented Manufactured Home shall be new (and, for the avoidance of doubt, less than ten years old measured from the date of the original invoice from the Manufacturer in respect thereof), completed and be rented by SHS at one of the Sun MH Communities under a MH Consumer Lease Agreement that is not in default. SHS agrees to pay any portion of the original acquisition price of such New Rented Manufactured Home that is outstanding and to pay the outstanding principal balance of any New Manufactured Home Acquisition Advance (together with accrued and unpaid interest) made in respect of such New Rented Manufactured Home on or prior to the date on which such New Rented Manufactured Home Advance is made hereunder. SHS shall provide to TFC such evidence of the foregoing payments as TFC may reasonably request and TFC may require such evidence as a condition to advancing the proceeds of any such New Rented Manufactured Home Advance. SHS understands and agrees that each New Rented Manufactured Home Advance made to SHS in respect of any New Rented Manufactured Home will be subject to the satisfaction of the conditions in respect thereof set forth in Sections 5, 7 and 9 hereof and further subject to no Default or Event of Default existing immediately prior to or after the extension of such Advance. No New Rented Manufactured Home Advance shall be made after March 1, 2009 and only one New Rented Manufactured Home Advance shall be made with respect to any New Rented Manufactured Home.

If, at any time, the aggregate outstanding principal balance of all Rented Manufactured Home Advances exceeds the Rental Borrowing Base (as defined below) determined at such time, SHS shall pay such excess to TFC promptly upon written demand therefor. SHS may not elect to treat any New Rented Manufactured Home as a New Manufactured Home Held for Sale, a Used Rented Manufactured Home or a Used Rented Manufactured Home.

3. USED MANUFACTURED HOME ACQUISITION ADVANCES. With respect to any Used Manufactured Home to be acquired by SHS and to constitute a Used Manufactured Home Held for Sale, as identified in a writing to TFC, SHS may request TFC to, and TFC will (subject to the satisfaction of the terms and conditions set forth herein and Section 24 hereof), make a Used Manufactured Home Sale Advance hereunder to SHS, in an amount that will be limited to the lesser of (A) the out-of-pocket acquisition cost for such Used Manufactured Home Held for Sale paid by SHS and (B) the NADA Base Structure Value for such Used Manufactured Home Held for Sale determined at the time of the making of such Used Manufactured Home Sale Advance (such lesser amount for any Used Manufactured Home Held for Sale is referred to herein as such Used Manufactured Home's "MARKET PRICE"). SHS understands and agrees that each Used Manufactured Home Sale Advance shall be subject to the satisfaction of the conditions with respect thereto set forth in Sections 6, 8 and 9 hereof and to no Default or Event of Default existing hereunder immediately before or after the making of such Advance. No Used Manufactured Home Sale Advances shall be made after March 1, 2009 and only one Used Manufactured Home Acquisition Advance shall be made with respect to any Used Manufactured Home Held for Sale.

With respect to one or more Used Manufactured Homes constituting Used Manufactured Homes Held for Sale, as identified in a writing to TFC, owned by SHS and all of whose acquisition prices have been previously paid in full by SHS, SHS may request TFC to, and TFC will (subject to the terms and conditions hereof), make a Used Manufactured Home Bulk Sale Advance hereunder to or for the benefit of SHS, the

amount of which shall not exceed the least of (I) the aggregate of the Market Prices of all such Used Manufactured Homes Held for Sale, (II) the remainder of \$8,000,000 minus the aggregate outstanding principal of all Used Manufactured Home Acquisition Advances and (III) the remainder of \$40,000,000 minus the aggregate outstanding principal of all Advances. No Used Manufactured Home Bulk Sale Advances shall be made after March 1, 2009 and only one Used Manufactured Home Acquisition Advance shall be made with respect to any Used Manufactured Home Held for Sale.

If, at any time, the aggregate outstanding principal balance of all Used Manufactured Home Acquisition Advances exceeds the least of (I) the aggregate of the Market Prices of all Used Manufactured Home Held for Sale then owned and in the possession of SHS and in respect of which an outstanding Used Manufactured Home Acquisition Advance shall have been made, (II) \$8,000,000 and (III) the remainder of \$40,000,000 minus the aggregate outstanding principal of all New Manufactured Home Acquisition Advances and Rented Manufactured Home Advance, then SHS shall pay such excess to TFC promptly upon written demand therefor (the least of subclauses (i), (ii) and (iii) above is referred to herein as the "USED SALES BORROWING BASE") and such payment shall be applied to the outstanding principal balance of the Used Manufactured Home Acquisition Advances. SHS may not elect to treat any Used Manufactured Home Held for Sale as a New Manufactured Home Held for Sale or a New Rented Manufactured Home but SHS may elect to convert any Used Manufactured Home Held for Sale to a Used Rented Manufactured Home (and consequently may use the same for the purposes of obtaining a Used Rented Manufactured Home Advance under Section 4 below) by prior written notice to TFC and the payment of the outstanding principal balance of any Used Manufactured Home Acquisition Advance attributable in respect thereof together with any excess amount otherwise required to be paid by the immediately preceding sentence as a result of such conversion.

4. USED RENTED MANUFACTURED HOME ADVANCE. With respect to any Used Manufactured Home converted from a Used Manufactured Home Held for Sale to (and otherwise constituting) a Used Rented Manufactured Home or with respect to any other Used Manufactured Home constituting a Used Rented Manufactured Home whose purchase price has been paid in full by SHS, in each case as identified in a writing to TFC, SHS may request TFC to, and TFC will (subject to the terms and conditions hereof and Section 24 hereof), make a Used Rented Manufactured Home Advance to SHS, in an amount that will be limited to 35% of the sum of (A) the lesser of (Y) the book value of such Used Rented Manufactured Home (book value being determined for such Used Rented Manufactured Home as SHS's out-of-pocket acquisition cost therefore and shall not include any refurbishment costs with respect thereto) or (Z) the NADA Base Structure Value of such Used Rented Manufactured Home (determined as of the date of the making of such Used Rented Manufactured Home Advance) plus (B) actual out-of-pocket set-up costs incurred by SHS with respect thereto. Each such Used Rented Manufactured Home shall be less than ten years old (based on the date of the original invoice from the Manufacturer of such Used Rented Manufactured Home), be completed and be rented at one of the Sun MH Communities under a MH Consumer Lease Agreement that is not in default. SHS agrees to pay any portion of the original acquisition price of such Used Rented Manufactured Home that is outstanding and to pay the outstanding principal balance of any Used Manufactured Home Acquisition Advance (together with accrued and unpaid interest thereon) made in respect of such Used Rented Manufactured Home on or prior to the date on which such Used Rented Manufactured Home Advance is made hereunder. SHS shall provide to TFC such evidence of the foregoing payments as TFC may reasonably request and TFC may require such evidence as a condition to advancing the proceeds of any such Used Rented Manufactured Home Advance. SHS understands and agrees that each Used Rented Manufactured Home Advance shall be subject to the satisfaction of the conditions with respect thereto set forth in Sections 6, 8 and 9 hereof and subject to no Default or Event of Default existing immediately before or after the making of such Used Rented Manufactured Home Advance. No Used Rented Manufactured Home Advance shall be made after March 1, 2009 and only one Used Rented Manufactured Home Advance shall be made with respect to any Used Rented Manufactured Home.



If, at any time, the aggregate outstanding principal balance of all Rented Manufactured Home Advances exceeds the least of

(A) for all Rented Manufactured Homes in respect of which an outstanding Rented Manufactured Home Advance shall have been made and being at such time less than ten years old (measured from the date of the original invoice from the Manufacturer in respect thereof) and subject to MH Consumer Lease Agreements which are not in default the result of (AA) 35% of the lesser of the (Y) aggregate book value of such Rented Manufactured Homes (book value being determined for each such Rented Manufactured Home as SHS's out-of-pocket acquisition cost therefor and shall not include any refurbishment costs with respect thereto but shall include deductions for all depreciation with respect thereto calculated on a straight-line basis assuming a 10 year remaining life measured from the date of the original invoice from the Manufacturer in respect of such Rented Manufactured Home to the date of any determination hereof) and (Z) the aggregate NADA Base Structure Value of such Rented Manufactured Homes (NADA Base Structure Value being determined for each such Rented Manufactured Home at any time this determination is made) plus (BB) actual out-of-pocket set-up costs incurred by SHS with respect thereto (if a significant portion of the Rented Manufactured Homes, in the aggregate and as determined by TFC in its reasonable determination, shall have suffered significant casualties or otherwise been significantly damaged prior to their respective acquisition and refurbishment by SHS and such casualties and/or damage (notwithstanding such refurbishment) lead TFC to conclude, in its reasonable determination, that such Rented Manufactured Homes collectively have a reduced market value lower than what would be customarily attributed to normal or ordinary wear and tear, TFC may further reduce the book value amount in clause (A)(aa)(y) above by a reserve which shall be established by TFC in its reasonable determination and upon prior written notice to SHS),

(B) \$20,000,000 and

(C) the remainder of \$40,000,000 minus the aggregate outstanding principal of all New Manufactured Home Acquisition Advances and Used Manufactured Home Acquisition Advances,

SHS shall pay such excess to TFC promptly upon written demand therefor (the least of subclauses (A), (B) and (C) above is referred to herein as the "RENTAL BORROWING BASE") and such payment shall be applied to the outstanding principal balance of the Rented Manufactured Home Advances. SHS may not elect to treat any Used Rented Manufactured Home as a New Manufactured Home Held for Sale, a New Rented Manufactured Home or a Used Manufactured Home Held for Sale.

5. CONDITIONS AND MECHANICS OF REQUESTING NEW MANUFACTURED HOME ADVANCES. SHS shall make a request for a New Manufactured Home Sale Advance by submitting, or causing to be submitted, to TFC an invoice from a Manufacturer for each New Manufactured Home in respect of which such an Advance is to be made and the submission of such invoice shall constitute SHS's representation and warranty to TFC that such invoice is true and correct, all of SHS's representations and warranties hereunder are true and correct as of the date of the submission of such invoice, no Default or Event of Default exists as of the date of the submission of such invoice or will exist as of the date of the funding of the New Manufactured Home Sale Advance being requested and that SHS has satisfied, or caused to be satisfied, all requirements under this Agreement in respect of the New Manufactured Home Sale Advance being requested (including, without limitation, the requirement that, after giving effect thereto, the aggregate outstanding principal amount of all New Manufactured Home Acquisition Advances shall not exceed the New Borrowing Base). SHS shall submit or cause to be submitted invoices to TFC by facsimile or other electronic transmission or other appropriate means of delivery.

SHS shall make a request for a New Manufactured Home Bulk Sale Advance by submitting to TFC invoices from Manufacturers for each New Manufactured Home to be financed hereunder in respect thereof

and the submission of such invoices shall constitute SHS's representation and warranty to TFC that such invoices are true and correct, all of SHS's representations and warranties hereunder are true and correct as of the date of the submission of such invoices, no Default or Event of Default exists as of the date of the submission of such invoices or will exist as of the date of the funding of the New Manufactured Home Bulk Sale Advance being requested and that SHS has satisfied, or caused to be satisfied, all requirements under this Agreement in respect of the New Manufactured Home Bulk Sale Advance being requested (including, without limitation, the requirement that, after giving effect thereto, the aggregate outstanding principal amount of all New Manufactured Home Acquisition Advances shall not exceed the New Borrowing Base). SHS shall submit invoices to TFC by facsimile or other electronic transmission or other appropriate means of delivery.

SHS shall make a request for a New Rented Manufactured Home Advance by submitting to TFC an invoice from a Manufacturer for each New Rented Manufactured Home to be financed hereunder in respect thereof (together with other information pertaining to the NADA Base Structure Value for each New Rented Manufactured Home to be financed hereunder) and the submission of such invoice shall constitute SHS's representation and warranty to TFC that such invoice is true and correct, all of SHS's representations and warranties hereunder are true and correct as of the date of the submission of such invoice, no Default or Event of Default exists as of the date of the submission of such invoice or will exist as of the date of the funding of the New Rented Manufactured Home Advance being requested and that SHS has satisfied, or caused to be satisfied, all requirements under this Agreement in respect of the New Rented Manufactured Home Advance being requested (including, without limitation, the requirement that, after giving effect thereto, the aggregate outstanding principal amount of all Rented Manufactured Home Advances shall not exceed the Rental Borrowing Base). SHS shall submit invoices to TFC by facsimile or other electronic transmission or other appropriate means of delivery.

6. CONDITIONS AND MECHANICS OF REQUESTING USED MANUFACTURED HOME ADVANCES. SHS shall make a request for a Used Manufactured Home Sale Advance by submitting, or causing to be submitted, to TFC an invoice, bill of sale or similar acquisition document together with such other information pertaining to SHS's acquisition cost, the NADA Base Structure Value, and the then net book value of or for each Used Manufactured Home to be financed hereunder in respect thereof and the submission of such documentation and information shall constitute SHS's representation and warranty to TFC that such documentation and information are true and correct, all of SHS's representations and warranties hereunder are true and correct as of the date of the submission of such documentation and information, no Default or Event of Default exists as of the date of the submission of such documentation and information or will exist as of the date of the funding of the Used Manufactured Home Advance being requested and that SHS has satisfied, or caused to be satisfied, all requirements under this Agreement in respect of the Used Manufactured Home Sale Advance being requested (including, without limitation, that, after giving effect thereto, the aggregate outstanding principal amount of all Used Manufactured Home Acquisition Advances shall not exceed the Used Borrowing Base). SHS shall submit the aforesaid documentation and information to TFC by facsimile or other electronic transmission or other appropriate means of delivery.

SHS shall make a request for a Used Manufactured Home Bulk Sale Advance by submitting to TFC invoices, bills of sale or similar acquisition documents together with such other information pertaining to SHS's acquisition cost, the NADA Base Structure Value, and the then net book value of or for each Used Manufactured Home to be financed hereunder in respect thereof and the submission of such documentation and information shall constitute SHS's representation and warranty to TFC that such documentation and information are true and correct, all of SHS's representations and warranties hereunder are true and correct as of the date of the submission of such documentation and information, no Default or Event of Default exists as of the date of the submission of such documentation and information or will exist as of the date of the funding of the Used Manufactured Home Bulk Sale Advance being requested and that SHS has satisfied, or caused to be satisfied, all requirements under this Agreement in respect of the Used Manufactured Home Bulk Sale Advance being requested (including, without limitation, the requirement that, after giving effect

thereto, the aggregate outstanding principal amount of all Used Manufactured Home Acquisition Advances shall not exceed the Used Borrowing Base). SHS shall submit the foregoing documentation and information to TFC by facsimile or other electronic transmission or other appropriate means of delivery.

SHS shall make a request for a Used Rented Manufactured Home Advance by submitting, or causing to be submitted, to TFC an invoice, bill of sale or similar acquisition document together with such other information pertaining to SHS's acquisition cost, the NADA Base Structure Value, and/or depreciation of or for each Used Rented Manufactured Home to be financed hereunder in respect thereof and the submission of such documentation and information shall constitute SHS's representation and warranty to TFC that such documentation and information are true and correct, all of SHS's representations and warranties hereunder are true and correct as of the date of the submission of such documentation and information, no Default or Event of Default exists as of the date of the submission of such documentation and information or will exist as of the date of the funding of the Used Manufactured Home Advance being requested and that SHS has satisfied, or caused to be satisfied, all requirements under this Agreement in respect of the Used Rented Manufactured Home Advance being requested (including, without limitation, that, after giving effect thereto, the aggregate outstanding principal amount of all Rented Manufactured Home Advances shall not exceed the Rental Borrowing Base). SHS shall submit the aforesaid documentation and information to TFC by facsimile or other electronic transmission or other appropriate means of delivery.

7. CONDITIONS AND MECHANICS OF MAKING AND FUNDING NEW MANUFACTURED HOME ADVANCES. To be eligible for a New Manufactured Home Advance, a Manufactured Home unit shall: (A) be a New Manufactured Home, (B) be adequately described on the invoice therefor and such invoice shall have been issued in the name of SHS and delivered to and received by TFC, (C) be approved by TFC, which approval shall not be unreasonably withheld or delayed (any such approval with respect to a New Manufactured Home and the New Manufactured Home Sale Advance to be made with respect thereto shall constitute a "booking" approval hereunder to be issued to the applicable Manufacturer; each such "booking" approval shall be in such form or pursuant to such procedures as TFC may establish from time to time and TFC may, in its sole discretion, batch requests by SHS and issue "booking" approvals in respect of such batched requests; the date of the issuance of a "booking approval" is sometimes referred to herein as a "BOOKING DATE"), (D) be Collateral hereunder and be encumbered by a first priority security interest in favor of TFC (and SHS hereby agrees to hold the original manufacturer statement of origin or certificate of title in respect of such Manufactured Home in trust solely for the benefit of TFC and to subsequently deliver the same to TFC upon receipt of a written request from TFC therefor) and such security interest shall, with respect to a New Manufactured Home Sale Advance constitute a purchase money security interest in favor of TFC in and to such Manufactured Home, (E) with respect to any New Manufactured Home Sale Advance in respect thereof, not have been delivered into the possession of SHS prior to the issuance of the "booking" approval in respect thereof and (F) if located on a MH Homesite, shall be covered by a satisfactory landlord waiver letter from the applicable MH Community Homesite Lessor. Subject to the foregoing and the satisfaction of the other conditions set forth herein (including, without limitation, those set forth in Section 1 above with respect to New Manufactured Home Acquisition Advances and Section 2 above with respect to New Rented Manufactured Home Advances), TFC agrees to fund a requested New Manufactured Home Sale Advance (after determining that all conditions to its extension have been satisfied) in respect of a New Manufactured Home being acquired directly from the Manufacturer at the time or times after the Booking Date in respect thereof with respect to which it has reached agreement with the applicable Manufacturer (the "MANUFACTURER FUNDING DATE") and to fund any other requested New Manufactured Home Advance (after determining that all conditions to its extension have been satisfied) to SHS within 2 business days after the date on which all of such conditions precedent have been satisfied, as set forth in Part 4 on the Schedule of Terms and Disclosures attached hereto (any funding of a New Rented Manufactured Home Advance to be net of any New Manufactured Home Acquisition Advance and other related obligations required to be paid in connection therewith). SHS hereby instructs TFC to pay the proceeds of any New Manufactured Home Sale Advance financing the direct acquisition of a Manufactured Home from the Manufacturer in respect

thereof on the Manufacturer Funding Date in respect thereof to the applicable Manufacturer pursuant to payment arrangements agreed upon between such Manufacturer and TFC. SHS agrees that TFC may issue "booking" approvals for invoices that are directly communicated from the applicable Manufacturer to TFC and extend New Manufactured Home Sale Advances in respect thereof without the need of SHS's prior approval. SHS and TFC agree that New Manufactured Home Sales Advances shall constitute purchase money financing for the New Manufactured Homes Held for Sale related thereto.

8. CONDITIONS AND MECHANICS OF MAKING AND FUNDING USED MANUFACTURED HOME ADVANCES. To be eligible for a Used Manufactured Home Advance, a Used Manufactured Home unit must: (A) not be older than ten years, (B) be adequately described on the information and documentation delivered in respect thereof pursuant to Section 3 above and SHS must hold good and marketable title thereto, (C) be approved by TFC, which approval shall not be unreasonably withheld or delayed, (D) be Collateral hereunder and be encumbered by a first priority security interest in favor of TFC (and SHS hereby agrees to hold the original manufacturer statement of origin or certificate of title in respect of such Used Manufactured Home in trust solely for the benefit of TFC and to subsequently deliver the same to TFC upon receipt of a written request from TFC therefor) and (E) if located on a MH Homesite, shall be covered by a satisfactory landlord waiver letter from the applicable MH Community Homesite Lessor. Subject to the foregoing and the satisfaction of the other conditions set forth herein (including, without limitation, those set forth in Section 3 above with respect to Used Manufactured Home Acquisition Advances and Section 4 above with respect to Used Rented Manufactured Home Advances), TFC agrees to fund a requested Used Manufactured Home Advance within 2 business days after the date on which all of the foregoing conditions precedent have been satisfied (any funding of a Used Rental Manufactured Home Advance to be net of any Used Manufactured Home Acquisition Advance and other related obligations required to be paid in connection therewith). SHS hereby instructs TFC to pay the net proceeds of any Used Manufactured Home Advance to SHS as set forth in Part 4 on the Schedule of Terms and Disclosures attached hereto. Proceeds of a Used Manufactured Home Advance shall be used by SHS either to finance, in whole or part, the acquisition of a Used Manufactured Home (which financing SHS and TFC agree shall constitute purchase money financing) or for working capital purposes, as the case may be.

9. FUNDINGS AND BORROWING BASES. No New Manufactured Home Acquisition Advance shall be funded hereunder and no "booking" approval in respect of a New Manufactured Home Sale Advance will be issued by TFC if, after giving effect to the extension of such New Manufactured Home Acquisition Advance or the issuance of such "booking approval," the aggregate principal amount of all New Manufactured Home Acquisition Advances outstanding and all then such pending "booking" approvals hereunder would exceed the New Borrowing Base. No Used Manufactured Home Acquisition Advance shall be funded hereunder by TFC if, after giving effect to the extension of such Used Manufactured Home Acquisition Advance, the aggregate principal amount of all Used Manufactured Home Acquisition Advances outstanding hereunder would exceed the Used Borrowing Base. No Rented Manufactured Home Advance shall be funded hereunder if, after giving effect to the extension of such Rented Manufactured Home Advance, the aggregate principal amount of all Rented Manufactured Home Advances outstanding would exceed the Rental Borrowing Base. For the avoidance of doubt, only a single Advance outstanding from time to time hereunder shall be made in respect of any one Manufactured Home constituting Collateral hereunder.

10. RENTING OF MANUFACTURED HOMES. SHS represents and warrants that it is engaged in the business of renting Rented Manufactured Homes (and subleasing MH Rental Homesites) located in Sun MH Communities. TFC agrees that SHS may enter into a lease of any Manufactured Home constituting Collateral to a MH Consumer Lessee pursuant to a MH Consumer Lease Agreement in the ordinary course of SHS's business so long as no Default or Event of Default shall exist hereunder at the time SHS shall have entered into such lease and the following representations and warranties are true and correct with respect thereto. SHS represents and warrants (such representations and warranties being current and continuing representations and warranties with respect to MH Consumer Lease Agreements in existence on the date hereof with respect to Rented Manufactured Homes constituting Collateral and being applicable to

prospective MH Consumer Lease Agreements in respect of Manufactured Homes constituting Collateral upon SHS's entering into the same and thereafter on a continuing basis) that (A) such leasing is on an arm's-length basis to MH Consumer Lessees pursuant to MH Consumer Lease Agreements (the forms of which have been delivered to TFC; SHS agrees that such forms and such MH Consumer Lease Agreements will not be materially changed, altered or modified by SHS without TFC's prior written consent), (B) such MH Consumer Lease Agreements (I) embody the entire agreement of the parties thereto relative to the subject matter thereof, (II) comply with all applicable governmental laws and regulations and all necessary consumer law disclosures have been made with respect thereto, (III) are enforceable against the applicable MH Consumer Lessees in accordance with their respective terms, and (IV) do not contain any purchase or renewal options or grant any rights to the MH Consumer Lessee thereunder (other than the right to lease the Rented Manufactured Home thereunder on the terms thereof and other than pursuant to any MH Consumer Lessee Purchase Option contained therein), except as otherwise approved in writing by TFC; (C) the MH Rental Homesites on which such Rented Manufactured Homes are located are subleased by such MH Consumer Lessees from SHS pursuant to MH Consumer Lease Agreements, and (D) neither the MH Community Homesite Lessors nor any mortgagee nor secured party thereof have any claim on, lien or security interest in, or right to obtain the Rented Manufactured Homes constituting Collateral or any MH Consumer Lease Agreement Payments with respect thereto (provided, however, that, pursuant to the MH Servicing Agreements, the application of rental payments from MH Consumer Lessees of Rented Manufactured Homes constituting Collateral to the payment of MH Consumer Lease Agreement Payments under their respective MH Consumer Lease Agreements shall be junior and subordinate to the application of such rental payments to the payment of homesite rent in respect of such Rented Manufactured Homes to the applicable MH Community Homesite Lessors under their respective MH SHS Homesite Leases and the payment to or reimbursement of the MH Community Homesite Lessors for their respective costs and expenses in providing servicing to SHS under their respective MH Servicing Agreements for such Rented Manufactured Homes).

Upon receipt of a written request of TFC, SHS will execute and deliver to TFC an assignment, in form and content acceptable to TFC as well as proper for recordation in the real estate records of each applicable county or municipality in which a Sun MH Community is located, of all of the MH Consumer Lease Agreements with respect to Rented Manufactured Homes constituting Collateral and all MH Consumer Lease Agreement Payments in respect thereof (subject to the priority of application of rental payments as provided for in the applicable MH Servicing Agreements) as additional security for the obligations hereunder. SHS will comply with all of its warranties and other obligations under each MH Consumer Lease Agreement in respect of a Rented Manufactured Home constituting Collateral and will report in writing to TFC at such time or times as TFC may request, the location of such Rented Manufactured Homes, the name and address of each MH Consumer Lessee under each such MH Consumer Lease Agreement, the MH Consumer Lease Agreement Payments due thereunder on a monthly basis, the MH Community Homesite Lessor responsible for collecting such Payments and such other information as TFC may reasonably request; and upon the request of TFC, deliver all originals of each such MH Consumer Lease Agreement in the possession of SHS to TFC. Neither the leasing of any Manufactured Home constituting Collateral nor any MH Consumer Lease Agreement with respect thereto shall relieve SHS of any of its obligations to TFC under this Agreement, and the assignment of and security interest granted herein shall not be construed as authorizing SHS to do anything with any Manufactured Homes constituting Collateral other than to lease or sell the same in accordance with the provisions hereof. SHS will comply with all of its warranties and other obligations under each MH SHS Homesite Lease pertaining to a MH Rental Homesite on which a Rented Manufactured Home constituting Collateral is located. To the extent that SHS is required to remove a Rented Manufactured Home constituting Collateral from a MH Rental Homesite under the terms and conditions of the applicable MH SHS Homesite Lease or the applicable MH Servicing Agreement, SHS shall inform TFC of the relocation of such Rented Manufactured Home promptly after effecting the same; nothing in this sentence shall relieve SHS of its obligations under Section 23 hereof. SHS agrees to make available to TFC, upon its request, all rent roll and other related data affecting any Rented Manufactured Homes constituting Collateral and made available by SHS to the MH Community

Homesite Lessors under their respective MH Servicing Agreements. SHS will deliver to TFC upon request therefor certified copies of all such MH Servicing Agreements and all amendments or modifications thereto.

SHS agrees that TFC is not by this Agreement or otherwise assuming any of the obligations of SHS under any MH Consumer Lease Agreement or any MH SHS Homesite Lease. Subject to applicable law, SHS hereby grants to TFC the right (in SHS's name or otherwise, and, in any case, without affecting SHS's obligations to TFC hereunder) to take such actions or institute such proceedings as TFC may deem necessary or desirable to protect TFC's interests in Rented Manufactured Homes constituting Collateral and the MH Consumer Lease Agreements in respect thereof and, during the existence of any Default or Event of Default of which SHS shall have been given written notice by TFC, to notify each applicable MH Community Homesite Lessor to collect MH Consumer Lease Agreement Payments in respect thereof for the benefit of, and to remit the same to, TFC (subject to the priority of application of rental payments from such MH Consumer Lease Agreements to rent for the MH Rental Homesites on which such Rented Manufactured Homes are located and for costs and expenses of the applicable MH Community Homesite Lessor in respect of such Rented Manufactured Homes, all as provided for in the applicable MH Servicing Agreement). Except during the existence of a Default or Event of Default of which SHS shall have been given written notice by TFC, the MH Community Homesite Lessors under their respective MH Servicing Agreements shall have the right to accept collections on the aforesaid MH Consumer Lease Agreements on behalf and for the benefit of SHS; repossess, substitute or consent to the surrender of the aforesaid Rented Manufactured Homes; and/or modify the terms of the aforesaid MH Consumer Lease Agreements. For the avoidance of doubt, except during the existence of a Default or Event of Default of which SHS shall have been given written notice by TFC, SHS shall have the right to retain all MH Consumer Lease Agreement Payments in respect of Rented Manufactured Homes constituting Collateral hereunder collected by any MH Community Homesite Lessor on its behalf and paid to SHS or paid to a Guarantor for the benefit of SHS. After TFC shall have informed SHS and/or any MH Consumer Homesite Lessor of the existence of a Default or Event of Default and for so long thereafter as the same shall exist, SHS shall undertake (A) that no MH Community Homesite Lessor will, without the prior written consent of TFC, pay MH Consumer Lease Agreement Payments in respect of Rented Manufactured Homes constituting Collateral to SHS or any Guarantor or other affiliate of SHS but shall instead hold the same in trust for TFC and pay the same to TFC (or pursuant to its instructions) on the next Billing Statement Payment Date or on such other date as TFC may elect in its sole discretion (and, if SHS shall have obtained such payments or credits for the same from any Guarantor, SHS shall pay over the same to TFC promptly upon demand therefor); (B) that neither it nor any MH Community Homesite Lessor will, without the prior written consent of TFC, repossess, substitute or consent to the surrender of any Rented Manufactured Homes constituting Collateral; and/or (C) that neither it nor any MH Community Homesite Lessor will, without the prior written consent of TFC, modify the terms of any MH Consumer Lease Agreements in respect of Rented Manufactured Homes constituting Collateral hereunder. SHS agrees to obtain a written acknowledgement from each MH Community Homesite Lessor under its respective MH Servicing Agreements that it is to pay to TFC (at its direction) all MH Consumer Lease Agreement Payments in respect of MH Consumer Leases of Rented Manufactured Homes constituting Collateral collected by it under its respective MH Servicing Agreement after TFC shall have informed SHS and such MH Community Homesite Lessor of the existence of a Default or Event of Default and for so long thereafter as the same shall exist (the duration of any such Default or Event of Default to be confirmed by TFC and each such MH Community Homesite Lessor is hereby authorized to rely on any such confirmations issued by TFC with respect thereto and SHS hereby irrevocably instructs each such MH Community Homesite Lessor to pay all of such MH Consumer Lease Agreement Payments directly to TFC in accordance with such written instructions as TFC may communicate to such MH Community Homesite Lessor). TFC shall apply all such MH Consumer Lease Agreement Payments received by it from or on behalf of SHS hereunder as follows: (A) first, to pay interest, fees and other finance charges of SHS then due and payable hereunder, (B) second, to pay the outstanding principal amount of Advances of SHS (in the inverse order of their respective maturities), (C) third, to pay any other obligations or indebtedness of SHS hereunder and (D) fourth, distribute the balance to SHS. SHS agrees, upon written request of TFC after the occurrence and during the continuance of an Event of Default, to notify, or cause each applicable MH Community Homesite

Lessor under its respective MH Servicing Agreement to notify, the MH Consumer Lessees and all other obligors under the aforesaid MH Consumer Lease Agreements of the interest of TFC therein. SHS agrees to cause each MH Community Homesite Lessor to perform its undertakings under its respective MH Servicing Agreement or to perform the same itself and to otherwise perform its undertakings and obligations thereunder.

11. SALE OF MANUFACTURED HOMES. SHS shall also have the right to sell any New Manufactured Home constituting Collateral that is a New Manufactured Home Held for Sale or a Used Manufactured Home Held for Sale to any third-party in the ordinary course of its business, provided that in any such case: (A) no Default or Event of Default exists hereunder and, after giving effect to such sale, no Default or Event of Default would exist hereunder, (B) any such sale is on an arm's-length basis, and (C) SHS shall hold all of the proceeds of any such sale in trust for, and shall promptly remit such proceeds and such other of its monies as may be necessary to pay the unpaid principal amount of the New Manufactured Home Acquisition Advance or Used Manufactured Home Acquisition Advance, as the case may be, attributable to such New Manufactured Home Held for Sale or Used Manufactured Home Held for Sale together with any payments then required under Section 1 above with respect to the New Borrowing Base or Section 3 above with respect to the Used Borrowing Base to TFC as provided for in Part 5 of the Schedule of Terms and Disclosures attached hereto on the Disposition Payment Date in respect of such sale, and the security interest provided for herein in such proceeds shall continue in full force and effect in favor of TFC until all such payments are made; any such proceeds in excess of the unpaid principal balance of such New Manufactured Home Acquisition Advance or Used Manufactured Home Acquisition Advance, as the case may be, and any borrowing base payment required in connection therewith shall be retained by SHS free and clear of any lien or security interest of TFC hereunder after SHS makes the payments required by clause (c) above and assuming that no Default or Event of Default then exists. Any New Manufactured Home Held for Sale constituting Collateral or Used Manufactured Home Held for Sale constituting Collateral sold by SHS in compliance with this paragraph shall be deemed released from the security interest of TFC therein.

SHS shall also have the right to sell any Rented Manufactured Home constituting Collateral to any MH Consumer Lessee under a MH Consumer Lease Agreement pursuant to a MH Consumer Lessee Purchase Option contained in such MH Consumer Lease Agreement, provided that in any such case: (I) any such sale is on an arm's-length basis in accordance with the terms of such MH Consumer Lessee Purchase Option, and (II) SHS shall hold all of the proceeds of any such sale in trust for, and shall use such proceeds and such other of its monies as may be necessary to promptly remit the unpaid principal amount of the Rented Manufactured Home Advance attributable to such Rented Manufactured Home together with any payments then required under Sections 2 or 4 above with respect to the Rental Borrowing Base to TFC as provided for in Part 5 of the Schedule of Terms and Disclosures attached hereto on the Disposition Payment Date in respect of such sale and the security interest provided for herein in such proceeds shall continue in full force and effect in favor of TFC until all such payments are made; any such proceeds in excess of the unpaid principal balance of such Rented Manufactured Home Advance and any required Rental Borrowing Base payment with respect thereto shall be retained by SHS free and clear of any lien or security interest of TFC hereunder after SHS makes the payments required by clause (ii) above unless a Default or Event of Default shall then exist, in which case such excess proceeds shall be paid to TFC for application to the obligations hereunder as provided for in Section 26 hereof. Any Rented Manufactured Home constituting Collateral sold by SHS in compliance with this paragraph shall be deemed released from the security interest of TFC therein. Except as provided above in this paragraph or except if such Rented Manufactured Home shall be reclassified as a New Manufactured Home Held for Sale or a Used Manufactured Home Held for Sale, as the case may be, SHS shall not sell any Rented Manufactured Home constituting Collateral without the prior written consent of TFC.

12. PAYMENTS GENERALLY; CURTAILMENTS; APPLICATION OF PAYMENTS; DISPOSITION PAYMENT DATES. SHS promises to pay to TFC the outstanding principal amount of each New Manufactured Home Acquisition Advance made hereunder, together with interest and fees and finance charges in respect thereof, in each case

pursuant to the terms and conditions set forth herein. SHS promises to pay to TFC the outstanding principal amount of each Used Manufactured Home Acquisition Advance made hereunder, together with interest and fees and finance charges in respect thereof, in each case pursuant to the terms and conditions set forth herein. SHS promises to pay to TFC the outstanding principal amount of each Rented Manufactured Home Advance made hereunder, together with interest and fees and finance charges in respect thereof, in each case pursuant to the terms and conditions set forth herein. The obligations of SHS owing hereunder to TFC in respect of New Manufactured Home Acquisition Advances, Used Manufactured Home Acquisition Advances and Rented Manufactured Home Advances shall be evidenced by the separate manual or data processing records maintained by TFC and, absent manifest error, shall be binding on SHS.

With respect to each New Manufactured Home Acquisition Advance, SHS agrees that it shall pay to TFC principal curtailments on such date or dates such that, if each New Manufactured Home Held for Sale related to such New Manufactured Home Acquisition Advance were repurchased by the Manufacturer thereof on such date or dates under and in accordance with the terms of the repurchase agreement between TFC and such Manufacturer, TFC would recover between the repurchase price paid by such Manufacturer and the curtailments paid by SHS under this paragraph in respect of such New Manufactured Home Acquisition Advance the full amount of such New Manufactured Home Acquisition Advance (for example, if such repurchase agreement provided that 100% of a New Manufactured Home Sale Advance would be recoverable for the first six months after sale and then 50% would be recoverable for the next six months, a curtailment of 50% of such New Manufactured Home Sale Advance would be due and payable 180 days after the Booking Date of such New Manufactured Home Sale Advance; for example, if a repurchase agreement applicable to New Manufactured Home Held for Sale that supports a New Manufactured Home Bulk Sale Advance provides that 100% of the portion of such New Manufactured Home Bulk Sale Advance allocable to such New Manufactured Home Held for Sale (based on the Net Invoice Price of the affected New Manufactured Home Held for Sale in relationship to the total Net Invoice Prices of all Manufactured Homes Held for Sale supporting such New Manufactured Home Bulk Sale Advance) would be recoverable for the first six months after sale and then 60% would be recoverable for the next six months, a curtailment of 40% of such allocable share of such New Manufactured Home Bulk Sale Advance would be due and payable 180 days after the date of the extension of such New Manufactured Home Bulk Sale Advance). TFC shall inform SHS in each billing statement issued under Section 14 hereof of the amount of any such curtailments then due and payable on the next Billing Statement Payment Date. For the avoidance of doubt and unless the outstanding principal balance of a New Manufactured Home Sale Advance shall have been paid earlier in connection with the sale of the New Manufactured Home Held for Sale related to such New Manufactured Home Sale Advance, as provided for in Section 11 hereof, or in connection with the destruction or damage to such New Manufactured Home Held for Sale, as provided in below in this Section 12, or in connection with a New Borrowing Base payment as provided in Section 1 hereof, the outstanding principal balance of such New Manufactured Home Sale Advance shall mature and be due and payable in full (together with all accrued and unpaid interest, fees and charges with respect thereto) on the earlier of the Maturity Date or the date on which the Manufacturer in respect of the New Manufactured Home Held for Sale related to such New Manufactured Home Sale Advance under the repurchase agreement between it and TFC is no longer obligated to repurchase such New Manufactured Home Held for Sale under any circumstances (for example, under the aforesaid example with respect to a New Manufactured Home Sale Advance, if the repurchase agreement in respect of the New Manufactured Home Held for Sale related to such New Manufactured Home Sale Advance provided that no further repurchases are permitted after twelve months from the purchase date of such New Manufactured Home Held for Sale, such New Manufactured Home Sale Advance would be due and payable one year after its Booking Date or, if earlier, the Maturity Date). If no repurchase agreement shall exist with respect to any New Manufactured Home Sale Advance or the terms thereof do not permit SHS and TFC to determine the amounts of any curtailments or the maturity date of such New Manufactured Home Sale Advance, then such New Manufactured Home Sale Advance shall have no curtailments and shall mature and be due and payable in full (together with all accrued and unpaid interest, fees and charges with respect thereto) on the earlier of the Maturity Date and the first anniversary of the Booking Date in respect thereof. For the avoidance of doubt and unless the outstanding



principal balance of a New Manufactured Home Bulk Sale Advance shall have been paid earlier in connection with the sale of the New Manufactured Homes Held for Sale related to such New Manufactured Home Bulk Sale Advance, as provided for in Section 11 hereof, or in connection with the destruction or damage to such New Manufactured Homes Held for Sale, as provided in below in this Section 12, or in connection with a New Borrowing Base payment as provided in Section 1 hereof, the outstanding principal balance of such New Manufactured Home Bulk Sale Advance shall mature and be due and payable in full (together with all accrued and unpaid interest, fees and charges with respect thereto) on the earlier of the Maturity Date or the date on which any Manufacturer in respect of the New Manufactured Homes Held for Sale related to such New Manufactured Home Bulk Sale Advance under the repurchase agreement between it and TFC is no longer obligated to repurchase any one or more of such New Manufactured Homes Held for Sale under any circumstances (for example, under the aforesaid example with respect to a New Manufactured Home Bulk Sale Advance, if any repurchase agreement in respect of a New Manufactured Home Held for Sale supporting such New Manufactured Home Bulk Sale Advance provided that no further repurchase is permitted after twelve months from the purchase date of such New Manufactured Home Held for Sale, an allocable amount of such New Manufactured Home Bulk Sale Advance (based on the Net Invoice Price of the affected New Manufactured Home Held for Sale in relationship to the total Net Invoice Prices of all Manufactured Homes Held for Sale supporting such New Manufactured Home Bulk Sale Advance) would be due and payable on such 12th month date or, if earlier, the Maturity Date). If no repurchase agreement shall exist with respect to any New Manufactured Home Bulk Sale Advance or the terms of any repurchase agreement with respect thereto do not permit SHS and TFC to determine the amounts of any curtailments or the maturity date of such New Manufactured Home Bulk Sale Advance, then such New Manufactured Home Acquisition Advance shall have no curtailments and shall mature and be due and payable in full (together with all accrued and unpaid interest, fees and charges with respect thereto) on the earlier of the Maturity Date and the first anniversary of the date of the extension thereof to SHS.

With respect to each Used Manufactured Home Acquisition Advance obtained by SHS hereunder, no principal curtailments shall be due and payable. Unless paid earlier in connection with the sale of the Used Manufactured Home Held for Sale related to a Used Manufactured Home Acquisition Advance, as provided for in Section 11 hereof, or in connection with the destruction or damage to such Used Manufactured Home Held for Sale, as provided below in this Section 12, or in connection with a Used Borrowing Base payment as provided in Section 3 hereof, the outstanding principal balance of such Used Manufactured Home Acquisition Advance shall mature and be due and payable in full (together with all accrued and unpaid interest, fees and charges with respect thereto) on the earlier of the Maturity Date and the first anniversary date of the extension of such Used Manufactured Home Acquisition Advance to SHS.

With respect to each Rented Manufactured Home Advance obtained by SHS hereunder, principal curtailments shall be due and payable as follows: on each anniversary date of the extension of such Rented Manufactured Home Advance an amount equal to the result of "A" divided by "B," where "A" equals the original principal amount of such Rented Manufactured Home Advance and "B" equals the number of years (rounded up to the nearest whole number if the fractional portion of such result equals or exceeds 0.50 and otherwise rounded down to the nearest whole number) between the date on which such Rented Manufactured Home Advance was made and the date which is the tenth anniversary of the original invoice from the Manufacturer in respect of the Rented Manufactured Home related to such Rented Manufactured Home Advance. Unless paid earlier in connection with the sale of the Rented Manufactured Home related to a Rented Manufactured Home Advance, as provided for in Section 11 hereof, or in connection with the destruction or damage to such Rented Manufactured Home, as provided below in this Section 12, or in connection with a Rental Borrowing Base payment as provided in Sections 2 or 4 hereof, the outstanding principal balance of such Rented Manufactured Home Advance shall mature and be due and payable in full (together with all accrued and unpaid interest, fees and charges with respect thereto) on the earlier of (A) the date which is the tenth anniversary of the original invoice from the Manufacturer in respect of such Rented Manufactured Home and (B) the Maturity Date.

With respect to any sale of a Manufactured Home constituting Collateral, SHS will pay TFC the payments required by Section 11 hereof on the Disposition Payment Date with respect thereto. With respect to any lost, stolen, destroyed or damaged Manufactured Home constituting Collateral, SHS will pay TFC the payments required by Section 21 or Section 23 hereof on the date or dates provided for therein.

SHS will: (AA) pay TFC as provided for herein even if any Manufactured Home financed hereunder or otherwise part of the Collateral hereof is defective or fails to conform to any warranties extended by any third party; (BB) not assert against TFC any claim or defense SHS has against any third party; and (CC) indemnify and hold TFC harmless against all claims and defenses asserted by any MH Consumer Lessee under any MH Consumer Lease Agreement or any buyer of any Manufactured Home financed hereunder or otherwise constituting a part of the Collateral but excluding, in any case, any such claim or defense that (YY) was directly caused by action taken by TFC or (ZZ) arose after TFC took possession of the applicable Manufactured Home except if such claim or defense had its origins prior to TFC's taking possession and/or did not arise from any action actually taken by TFC.

Except as provided on the Maturity Date or as otherwise expressly provided for herein, all curtailments of Advances to be made in the ordinary course as provided above shall be due and payable on a Billing Statement Payment Date as provided for in Section 14 hereof. SHS will send all payments due hereunder to TFC as provided for in Part 5 on the Schedule of Terms and Disclosures.

The proceeds of any sale permitted hereunder of any Manufactured Home constituting Collateral, any insurance proceeds in respect of any Manufactured Home constituting Collateral that is lost, stolen, destroyed or damaged beyond repair, and all MH Consumer Lease Agreement Payments in respect of Rented Manufactured Homes constituting Collateral hereunder received by SHS or any MH Community Homesite Lessor, as agent of SHS under any MH Servicing Agreement, will be held by SHS or such MH Community Homesite Lessor, as the case may be, in trust for the benefit of TFC, for application as provided in this Agreement, to the extent that such proceeds, insurance proceeds or MH Consumer Lease Agreement Payments are required to be paid to TFC pursuant to the terms hereof.

13. CALCULATION OF CHARGES AND FEES. SHS will pay finance charges to TFC on the principal amount of the New Manufactured Home Acquisition Advances outstanding from time to time hereunder which have been made by TFC to or for the benefit of SHS at the following rates: (A) with respect to each New Manufactured Home Sale Advance that has been outstanding 720 days or less from the Booking Date in respect thereof, the per annum rate of interest equal to the Prime Rate from time to time in effect, (B) with respect to each New Manufactured Home Sale Advance that has been outstanding for more than 720 days from the Booking Date in respect thereof, the per annum rate of interest equal to the sum of the Prime Rate from time to time in effect plus 3.50%, (C) with respect to each New Manufactured Home Bulk Sale Advance that has been outstanding 720 days or less from the funding date in respect thereof, the per annum rate of interest equal to the Prime Rate from time to time in effect, and (D) with respect to each New Manufactured Home Bulk Sale Advance that has been outstanding for more than 720 days from the funding date in respect thereof, the per annum rate of interest equal to the sum of the Prime Rate from time to time in effect plus 3.50%. Interest on New Manufactured Homes Held for Sale shall commence to accrue on the applicable Booking Dates in respect thereof.

SHS will pay finance charges to TFC on the principal amount of the Used Manufactured Home Acquisition Advances outstanding from time to time hereunder which have been made by TFC to or for the benefit of SHS at the following rates: (I) with respect to each Used Manufactured Home Acquisition Advance that has been outstanding 360 days or less from the funding date in respect thereof, the per annum rate of interest equal to the Prime Rate from time to time in effect plus 0.50%, and (II) with respect to each Used Manufactured Home Acquisition Advance that has been outstanding for more than 360 days from the funding date in respect thereof, the per annum rate of interest equal to the sum of the Prime Rate from time to time in effect plus 3.50%.

SHS will pay finance charges to TFC on the principal amount of the Rented Manufactured Home Advances outstanding from time to time hereunder which have been made by TFC to or for the benefit of SHS at the following rates: (A) with respect to each Rented Manufactured Home Advance that has been outstanding 360 days or less from the funding date in respect thereof, the per annum rate of interest equal to the Prime Rate from time to time in effect plus 0.50%, and (B) with respect to each Rented Manufactured Home Advance that has been outstanding for more than 360 days from the funding date in respect thereof, the per annum rate of interest equal to the sum of the Prime Rate from time to time in effect plus 3.50%.

Interest shall accrue on any past due principal, interest or other payment required to be paid hereunder (including, without limitation, amounts whose payment has been accelerated pursuant to Section 25 hereof) on and after the due date thereof at a per annum rate of interest equal to the sum of the Prime Rate from time to time in effect plus 3.50%. The finance charges based on the rates set forth above attributable to any Advance will be computed based on the actual number of days such Advance is outstanding and a year of 360 days. SHS will also pay to TFC (AA) 10% of the amount of each check (not to exceed \$500 per check) returned unpaid for insufficient funds (an "NSF CHECK") (such payment covers TFC's estimated administrative costs in respect of such NSF check; it does not waive the Default or Event of Default caused by the NSF check), (BB) a \$25 fee for each Used Manufactured Home Held For Sale supporting a Used Manufactured Home Acquisition Advance or otherwise included in the Used Sales Borrowing Base (such fee to be paid only once when such Used Manufactured Home held for Sale first became part of the Collateral) and (CC) a \$25 fee for each Rented Manufactured Home supporting a Rented Manufactured Home Advance or otherwise included in the Rental Borrowing Base (such fee to be paid only once when such Rented Manufactured Home first became part of the Collateral). The foregoing fees in clauses (aa), (bb) and (cc) shall be due and payable on the first Billing Statement Payment Date occurring after the event triggering the same shall have occurred.

SHS agrees to pay to TFC an unused credit line fee of 0.25% per annum on the average unused amount of the \$40,000,000 credit line hereunder determined for each month (or portion thereof) falling during the period commencing on the Closing Date and ending on and including the Maturity Date. The "average unused amount of the \$40,000,000 credit line provided for hereunder" shall be determined for any month (or portion thereof) by aggregating the unused amount of such facility for each day during such month (or portion thereof) and dividing such aggregated amount by the number of days in such month (or portion thereof). Such unused credit facility fee shall be calculated by using the number of days in such month (or portion thereof) and a year of 360 days and shall be payable in arrears on each Billing Statement Payment Date falling immediately after the month in respect of which such fee was calculated.

It is the intention of the parties hereto that no Advances shall be made hereunder after the Maturity Date and that all Advances, financing charges, fees and other obligations outstanding hereunder shall be paid in full on the Maturity Date. Except as provided in the immediately preceding sentence or as otherwise expressly provided for herein, all financing charges and fees provided for in this Section 13 shall be due and payable monthly in arrears on a Billing Statement Payment Date as provided for in Section 14 hereof.

SHS acknowledges that TFC intends to strictly conform to the applicable usury laws governing this Agreement. Regardless of any provision contained herein or in any other document executed or delivered in connection herewith, TFC shall not be deemed to have contracted for, charged or be entitled to receive, collect or apply as interest on this Agreement (whether termed interest, finance charges or maturity fees herein or deemed to be interest by judicial determination or operation of law), any amount in excess of the maximum amount allowed by applicable law, and, if TFC receives, collects or applies as interest any such excess, such amount which would be excessive interest will be applied first to the reduction of the unpaid principal balances of Advances under this Agreement, and, second, any remaining excess will be paid to SHS. In determining whether or not the interest paid or payable under any specific contingency exceeds the highest lawful rate, SHS and TFC shall, to the maximum extent permitted under applicable law: (AA)

characterize any non-principal payment (other than payments which are expressly designated as interest payments, finance charges or maturity fees hereunder) as an expense or fee rather than as interest; and (BB) spread the total amount of finance charges and maturity fees throughout the entire term of this Agreement and the Advances so that the interest rate is uniform throughout such term.

14. BILLING STATEMENT. TFC will send SHS a monthly billing statement identifying all amounts and charges due from SHS hereunder. The charges specified on each billing statement will be: (A) due and payable in full immediately on the 15th day of the month in which such billing statement is received (the "BILLING STATEMENT PAYMENT DATE"); and (B) an account stated, unless TFC receives SHS's written objection thereto within 10 days after such statement is received by SHS. If TFC does not receive, by the 25th day of any given month, payment of all amounts, charges and other fees shown on such month's billing statement, SHS will (to the extent not prohibited by law) pay to TFC a late fee ("LATE FEE") equal to 5% of the amount of such payments, charges or other amounts (payment of the Late Fee does not waive the Default or Event of Default caused by the late payment thereof and covers TFC's estimated administrative costs in respect thereof). TFC may adjust the billing statement at any time to conform to applicable law and this Agreement. All payments hereunder or pursuant to any monthly billing statement shall be made payable to TFC and delivered to TFC as set forth in Part 5 of the Schedules of Terms and Disclosures attached hereto (or as TFC may otherwise instruct SHS in writing reasonably in advance of any such payment). Application of payments received by TFC in respect of SHS's account may occur up to two business days after deposit into TFC's account to allow for clearance of funds, provided that application of payments via Federal Reserve wire transfer in immediately available funds shall be applied on the business day immediately following the date of receipt of such wire transfer.

15. GRANT OF PURCHASE MONEY SECURITY INTEREST. In order to secure repayment of any Advance made by TFC to or for the benefit of SHS the proceeds of which enabled SHS to acquire rights in or the use of a Manufactured Home or to refinance any Advance that was used for such purpose and to also secure the payment of all finance charges and interest accrued thereon and all fees, charges and expenses hereunder in respect thereof as well as all other obligations of SHS hereunder or in any other agreement entered into in connection herewith, SHS hereby grants to TFC a security interest in each of such Manufactured Homes (which the parties hereto intend to be a purchase money security interest) and all proceeds thereof (including, without limitation, any MH Consumer Lease Agreement with respect thereto and all MH Consumer Lease Agreement Payments thereunder and all other proceeds in the form of goods, accounts, chattel paper, documents, instruments and/or general intangibles) to secure repayment of such Advance and all interest and finance charges accrued thereon and fees, charges and expenses in respect thereof and other obligations of SHS hereunder or in any other agreement entered into in connection herewith (collectively, the "PM COLLATERAL"). SHS acknowledges that TFC shall be entitled to a purchase money security interest in each of the aforesaid Manufactured Homes and the proceeds thereof and such items are and shall be purchase-money collateral.

16. GRANT OF SECURITY INTEREST. In order to secure the payment and performance by SHS of all present and future indebtedness and obligations of SHS hereunder or in any other agreement entered into in connection herewith, whether direct or indirect, primary or secondary, absolute or contingent, or otherwise, including but not limited to the Advances, the payment of all interest and finance charges accrued thereon and all fees, charges and expenses hereunder in respect thereof, SHS hereby grants to TFC a security interest in all of its right, title and interest in and to each Manufactured Home with respect to which an Advance shall have been made hereunder or which shall be included in the determination of the New Borrowing Base, the Used Borrowing Base or the Rental Borrowing Base, wherever located, in which SHS now or hereafter has rights, including, but not limited to, installed or related appliances or products therein; all present and future attachments, accessories and accessions thereto; all spare parts, replacements, substitutions and exchanges therefor; all trade-ins relating to such inventory; all fixtures in respect thereof; all rights of SHS under any MH Servicing Agreement with respect thereto; all rights of SHS under any MH SHS Homesite Lease with respect thereto; all MH Consumer Lease Agreements with respect thereto (together with any security

deposits with respect thereto relating to such Manufactured Homes); all rights of SHS with respect to MH Consumer Lease Agreement Payments with respect thereto (provided, however, that, pursuant to the MH Servicing Agreements, the application of rental payments from MH Consumer Lessees of Rented Manufactured Homes constituting Collateral to the payment of MH Consumer Lease Agreement Payments under their respective MH Consumer Lease Agreements shall be junior and subordinate to the application of such rental payments to the payment of homesite rent in respect of such Rented Manufactured Homes to the applicable MH Community Homesite Lessors under their respective MH SHS Homesite Leases and the payment to or reimbursement of the MH Community Homesite Lessors for their respective costs and expenses in providing servicing to SHS under their respective MH Servicing Agreements for such Rented Manufactured Homes); all recourse to and rights of indemnification of SHS from MH Community Homesite Lessors in respect of any such Manufactured Home, any MH SHS Homesite Lease with respect thereto and/or any MH Servicing Agreement with respect thereto; all rights of SHS under each Marketing and Sales Agreement between a MH Community Homesite Lessor and SHS (as amended from time to time, individually a "MSA" and, collectively, the "MSAS") with respect thereto; and all proceeds of any of the foregoing (including proceeds in the form of goods, accounts, chattel paper, documents, instruments, deposit accounts and/or general intangibles) (collectively, the "GENERAL COLLATERAL").

The PM Collateral and the General Collateral are referred to herein, collectively, as the "COLLATERAL." For the avoidance of doubt, the General Collateral shall include the PM Collateral. All of terms used in this Section 16 for which meanings are provided in the Uniform Commercial Code of the State of Rhode Island are used herein with such meanings.

17. COLLATERAL ASSURANCES. SHS will execute and deliver all documents necessary to assist in perfecting the security interests granted herein and will bear all costs of recording and perfection, including, without limitation, the following: (A) if SHS shall at any time hold or acquire any promissory notes or tangible chattel paper as proceeds of Collateral, SHS shall, if requested by TFC, forthwith endorse, assign and deliver the same to TFC, accompanied by such instruments of transfer or assignment duly executed in blank as TFC may from time to time specify, (B) if any Collateral is at any time in the possession of a bailee (including, without limitation, any MH Community Homesite Lessor under any MH Servicing Agreement), SHS shall promptly notify TFC thereof and, at the request of TFC, shall promptly obtain an acknowledgement from the bailee, in form and substance satisfactory to TFC, that the bailee holds such Collateral for the benefit of TFC, and that such bailee agrees to comply, without further consent of SHS, with instructions from TFC as to such Collateral, (C) if SHS at any time holds or acquires an interest in any chattel paper (including, without limitation, the MH Consumer Lease Agreements) as proceeds of Collateral, SHS shall mark its records to reflect the security interests of TFC in such chattel paper and shall, at the request of TFC, take such other action as TFC may reasonably request (including placing legends on each of such MH Consumer Lease Agreements reflecting the security interest of TFC therein), (D) the preparation and recordation of any fixture filings with respect to any of the Collateral that TFC requests to be prepared and recorded (together with any costs or expenses in respect of UCC and lien searches in respect thereof), (E) the preparation and recordation of any Texas Inventory Finance Security Forms with the Texas Department of Housing and Community Affairs that TFC requests to be prepared and recorded (together with all "TIFF" searches in respect thereof) and (F) SHS further agrees, at the request of TFC to, where appropriate, (I) comply with any provision of any statute or regulation of the United States of America or any State thereof as to any Collateral if compliance with such provision is a condition to attachment, perfection or priority of, or ability of TFC to enforce, TFC's security interest in such Collateral, (II) use reasonable efforts to obtain governmental and other third party waivers, consents and approvals in form and substance satisfactory to TFC, and (III) obtain landlord waivers and affirmations from the MH Community Homesite Lessors in respect of the MH SHS Homesite Leases (for MH Rental Homesites on which Rented Manufactured Homes constituting Collateral are located and their respective MH Servicing Agreements and in respect of any other Manufactured Homes constituting Collateral that are or may be located in any MH Homesite) that grant to TFC, among other things, the right to enter upon any MH Homesite or MH Rental Homesite in order to remove a Manufactured Home constituting Collateral, confirm to TFC that they claim no landlord's lien in

and to any such Manufactured Home, permit TFC to leave any such Manufactured Home on its MH Homesite or MH Rental Homesite so long as TFC causes the rental payments due under the applicable MH SHS Homesite Lease or otherwise to be made in respect thereof and allow TFC to cure defaults by SHS under any such MH SHS Homesite Lease or other leasing arrangement and under any MH Servicing Agreement.

SHS hereby irrevocably authorizes TFC at any time and from time to time to file in any filing office in any Uniform Commercial Code jurisdiction any initial financing statements and amendments thereto (including, without limitation, any fixture filings and any Texas Inventory Finance Security Forms to be filed with the Texas Department of Housing and Community Affairs) that cover the Collateral. SHS also ratifies its authorization for TFC to have filed in any Uniform Commercial Code jurisdiction any like initial financing statements or amendments thereto if filed prior to the date hereof. TFC agrees that upon the termination of this Agreement, the cessation of any right of SHS to obtain Advances hereunder and the full and final payment by SHS of all of its obligations hereunder or otherwise secured hereby, TFC shall, upon request of SHS, reasonably promptly take all actions necessary to release or terminate any filing made hereunder.

18. INVENTORY COLLATERAL TO REMAIN PERSONAL PROPERTY. SHS agrees that the Manufactured Homes constituting the Collateral shall at all times remain personal property and shall not become affixed to or form a part of any real estate and no filing or election has been made or will be made under applicable state law to cause such units to become part of any real estate or otherwise treated or recognized as real estate under applicable state law.

19. AFFIRMATIVE UNDERTAKINGS, WARRANTIES AND REPRESENTATIONS. SHS warrants and represents to, and covenants and agrees with, TFC that: (A) SHS has good title to all of the Collateral; (B) except as provided for in Part 6 on the Schedule of Terms and Disclosures attached hereto, the security interest in the Collateral is not now and will not become subordinate to the security interest, lien, encumbrance or claim of any other person; (C) SHS will at all times be duly organized, existing, and in good standing under the laws of the State of Michigan and will at all times be in good standing, qualified and licensed to do business in each state in which the nature of its business or property so requires (including, without limitation, being licensed to rent and sell manufactured homes); (D) SHS has the right and is duly authorized to enter into this Agreement; (E) SHS's execution of this Agreement does not constitute a breach of any agreement to which it is now or may hereafter become bound; (F) there are no actions or proceedings pending or, to the best of the knowledge of SHS, threatened against it which might result in any material adverse change in its financial or business condition or which could have a material adverse affect on the MH Consumer Lease Agreements constituting Collateral or the MH Consumer Lease Agreement Payments in respect thereof; (G) SHS will maintain the Collateral in good condition and repair; (H) SHS has duly filed and will duly file all tax returns required by law; (I) SHS has paid and will pay prior to delinquency all taxes, levies, assessments and governmental charges of any nature unless SHS is contesting the payment thereof in good faith and has established reserves (in accordance with GAAP) to cover such taxes, levies, assessments or governmental charges; (J) SHS will keep and maintain all of its books and records pertaining to the Collateral at its principal place of business designated in the first paragraph of this Agreement; (K) SHS will promptly supply TFC with such information concerning it as TFC hereafter may reasonably request; (L) all MH Consumer Lease Agreements constituting Collateral will be kept at SHS's principal place of business designated in the first paragraph of this Agreement or at the Sun MH Community where the Manufactured Home covered by such MH Consumer Lease Agreement is located; (M) SHS will give TFC ninety (90) days prior written notice of any change in its identity, name, form of business organization, ownership, management, principal place of business, state of organization, and before moving any books and records or the aforesaid MH Consumer Lease Agreements to any other location; (N) SHS will observe and perform all matters required by any lease, license, concession or franchise forming part of the Collateral (including, without limitation, under the MH Servicing Agreements and/or MH SHS Homesite Leases) in order to maintain all the rights of TFC thereunder; (O) SHS will advise TFC of the commencement of material legal proceedings against it with

respect to which monetary damages, individually, in excess of \$1,000,000 could likely be recovered; (P) SHS will not locate any Manufactured Homes constituting Collateral anywhere other than in Sun MH Communities and will seek the written consent of TFC to amend Part 3 to the Schedule of Terms and Disclosures in order to add additional manufactured home communities to said Part (such consent not to be unreasonably withheld or delayed by TFC); (Q) SHS will comply with all applicable laws, unless noncompliance would not have a material adverse effect on the financial condition of SHS, the Collateral or SHS's ability to perform and carry out its obligations and undertakings hereunder, and will conduct its business in a manner which preserves and protects the Collateral and the earnings and incomes thereof, (S) each invoice, bill of sale or similar document submitted to TFC by SHS as a request for the financing of a Manufactured Home is true and correct in all material respects, (R) SHS has, to the extent required by its activities and businesses, fully complied with and will continue to fully comply with (I) all of the applicable provisions of (A) the Consumer Credit Protection Act, as amended, (B) all rules and regulations promulgated under the Consumer Credit Protection Act (including, without limitation, Regulations M and Z thereunder), and (C) all other applicable federal statutes and the rules and regulations promulgated thereunder pertaining to the renting, selling and financing of manufactured homes and (II) all of the applicable provisions of any law of any state or municipality (and the rules and regulations promulgated thereunder) relating to the renting, selling and financing of manufactured homes, including, without limitation, the laws, rules and regulations of the States of Florida, Michigan, Indiana, Texas, and Ohio, except where the failure to so comply would not have a material or adverse effect on the business, properties or financial condition of SHS or the ability of SHS to perform its undertakings hereunder and (S) neither the MH Community Homesite Lessors nor any mortgagee nor secured party thereof have any claim on, lien or security interest in, or right to obtain any New Manufactured Home Held for Sale or Used Manufactured Home Held for Sale constituting Collateral.

SHS hereby indemnifies and holds TFC harmless against all claims and defenses asserted by any MH Consumer Lessee under any MH Consumer Lease Agreement constituting (or having constituted) Collateral or any buyer of any Manufactured Home financed hereunder or otherwise constituting (or having constituted) a part of the Collateral that arises, directly or indirectly, out of the failure of SHS to comply with any applicable laws, including, without limitation, the failure of SHS to fully comply with any of the applicable provisions of (1) the Consumer Credit Protection Act, as amended, (2) all rules and regulations promulgated under the Consumer Credit Protection Act (including, without limitation, Regulations M and Z thereunder), (3) all other applicable federal statutes and the rules and regulations promulgated thereunder pertaining to the renting, selling and financing of manufactured homes and (4) any applicable laws of any state or municipality (and the rules and regulations promulgated thereunder) relating to the renting, selling and financing of manufactured homes, including, without limitation, the laws, rules and regulations of the States of Florida, Michigan, Indiana, Texas, and Ohio.

20. **NEGATIVE COVENANTS.** SHS will not at any time: (A) other than as provided in Sections 10 and 11 hereof, sell, lease or otherwise dispose of any Manufactured Homes constituting Collateral or sell, lease or otherwise dispose of any of the other Collateral; (B) pledge or encumber or otherwise grant a lien or security interest in and to (or allow any such lien or security interest to arise in respect of) any of the Collateral (except as provided for hereunder); or (C) merge or consolidate with another entity or otherwise change its legal structure or amalgamate unless TFC shall have given its prior written approval of the same (which approval will not be unreasonably withheld or delayed).

21. **INSURANCE.** At all times during the term of this Agreement, SHS shall bear the entire risk of loss or destruction of, or damage to, its respective Collateral. SHS shall list the Collateral on its insurance schedule for its full replacement cost or actual cash value at its discretion, pursuant to an "all risk" property insurance policy with a company reasonably acceptable to TFC that names TFC as a "lender loss-payee" with respect to its Collateral and provides that TFC shall be provided with 30 days notice of cancellation. SHS will provide TFC with written evidence of such property insurance coverage and lender's loss-payee

endorsement. SHS shall indemnify, defend and hold harmless TFC in respect of all claims, demands, suits and expenses on account of bodily injury, sickness or disease, including death, sustained by any person or persons, injury to or the destruction of property, and any and all other losses, accidents, claims, suits and expenses whatsoever and howsoever arising or incurred in the course of the business activities carried on by SHS and SHS shall maintain "Commercial General Liability Insurance" in a limit of not less than \$10,000,000, with such deductibles as it sees fit (and, if practicable, shall have TFC named as an additional insured on such policy). If SHS is required to indemnify TFC, TFC agrees that SHS and its third-party administrator shall control the defense and TFC shall reasonably cooperate with the defense (all at the cost and expense of SHS).

In the event of SHS's failure to secure and maintain insurance as herein required, TFC may, to protect and insure the Collateral and at its sole option, secure such insurance on behalf of SHS, and SHS hereby promises to pay to TFC on demand any amounts expended by TFC in securing such insurance as part of the obligations, the payment of which is secured by the Collateral pursuant to this Agreement. Insurance purchased by TFC may not include coverage beyond that required by this Section. The cost of such insurance may include premium expense. TFC's affiliates may act as insurance carrier, premium finance company and/or insurance administrator, and may be compensated through premium charges, commissions, premium rebates and fees. SHS acknowledges that any insurance obtained by TFC is solely for the benefit of TFC and may be more expensive than insurance obtained or obtainable by SHS. SHS hereby agrees that TFC may act as SHS's representative in making, adjusting, and settling claims under or canceling any insurance policies it places pursuant to this provision covering the Collateral, and endorsing SHS's name on any drafts, checks or other instruments drawn by an insurer of the Collateral. TFC will promptly discontinue any insurance purchased by it upon SHS's presentation of proper evidence of valid insurance meeting the requirements of this Section.

With respect to any Manufactured Home constituting Collateral that is lost, stolen, destroyed or damaged beyond repair, SHS will (AA) pay to TFC the outstanding principal indebtedness owed in respect of any Advance made to it hereunder to finance the acquisition of such Manufactured Home so lost, stolen, destroyed or damaged on the first Billing Statement Payment Date occurring after the month in which such loss, theft, destruction or damage occurred and (BB) pay on such Billing Statement Payment Date all of the following excess amounts determined in respect of the last day of the month in which such loss, theft, destruction or damage occurred: (AAA) the amount by which the aggregate outstanding principal balance of the New Manufactured Home Acquisition Advances exceeds the New Borrowing Base, (BBB) the amount by which the aggregate outstanding principal balance of the Used Manufactured Home Acquisition Advances exceeds the Used Sales Borrowing Base and (CCC) the amount by which the aggregate outstanding principal balance of the Rented Manufactured Home Advances exceeds the Rental Borrowing Base, provided that if a Default or Event of Default shall then exist, SHS shall immediately pay, or cause to be paid, to TFC, without duplication, all insurance proceeds (net of any reasonable expenses in respect thereof) obtained with respect to such Manufactured Home together with all of the other foregoing amounts for application to the obligations hereunder as provided for in Section 26 hereof. TFC shall apply the amounts paid in respect of the excess amount payments to the Advances in respect thereof in such order of payment as TFC may determine in its sole discretion.

To the extent that any Manufactured Home that constitutes Collateral hereunder is damaged in an amount in excess of \$10,000 and, in SHS's estimation can be repaired or refurbished, SHS shall inform TFC in writing of such damage and of its undertaking to repair and refurbish such Manufactured Home, shall promptly commence the repair or refurbishment of such Manufactured Home, and shall notify TFC when such repairs and refurbishment are completed. If the foregoing repairs and refurbishments have not been completed within the 90-day period, SHS shall (A) pay off the outstanding principal amount of any Advance (together with all accrued and unpaid finance charges and other fees in respect thereof) related to such Manufactured Home on the Billing Statement Payment Date first occurring after the end of such period and (B) pay on such Billing Statement Payment Date all of the following excess amounts determined in respect



of the last day of the month immediately preceding such Billing Statement Payment Date: (AA) the amount by which the aggregate outstanding balance of the New Manufactured Home Acquisition Advances exceeds the New Borrowing Base, (BB) the amount by which the aggregate outstanding balance of the Used Manufactured Home Acquisition Advances exceeds the Used Sales Borrowing Base and (CC) the amount by which the aggregate outstanding balance of the Rented Manufactured Home Advances exceeds the Rental Borrowing Base, provided that if a Default or Event of Default shall then exist, SHS shall immediately pay to TFC all such amounts. TFC shall apply the amounts paid in respect of the excess amounts payments to the Advances in respect thereof in such order of payment as TFC may determine in its sole discretion. TFC shall have the right to require such documentation as is reasonably available to verify the damages and SHS's actions to repair the same.

Upon the full and final payment of all indebtedness and obligations of SHS hereunder and the termination of all commitments and lending facilities hereunder, TFC will deliver to SHS any and all insurance proceeds received by it under any casualty insurance policy referred to above (net of any costs and expenses paid by TFC with respect thereto).

22. FINANCIAL STATEMENTS. SHS shall deliver to TFC, within 90 days after the close of each fiscal year of SHS, SHS's balance sheet, statement of income, changes in cash flows and other related financial statements ("FINANCIAL STATEMENTS"), prepared in accordance with generally accepted accounting principles and certified by the chief financial officer of SHS as presenting fairly the financial condition of SHS as of the date thereof and for the period then ended. SHS will deliver to TFC, within 90 days after the close of each fiscal quarter of SHS, copies of SHS's quarterly Financial Statements certified by the chief financial officer of SHS as presenting fairly the financial condition of SHS as of the date thereof and for the period then ended. SHS will deliver to TFC, weekly in arrears in a electronic format which is compatible with and exportable to TFC's commercial loan tracking systems, a status report for all of the Manufactured Homes constituting the Collateral, which report shall provide such detail and determinations as shall be mutually agreed between SHS and TFC prior to the Closing Date and as set forth in Part 8 to the Schedule of Terms and Disclosures attached hereto (the "WEEKLY ELECTRONIC MH INVENTORY REPORT").

23. AUDITS. In connection with any Audits to be performed under this Section 23, SHS grants TFC an irrevocable license to enter SHS's business locations (including, without limitation, any MH Homesites or MH Rental Homesites leased by SHS under any MH SHS Homesite Lease) during normal business hours without notice (except as expressly provided below) to SHS to: (A) account for and inspect all Collateral of SHS (including, without limitation, all Manufactured Homes and all manufacturer statements of origin or certificates of title); for so long as no Default or Event of Default shall exist, TFC agrees to give SHS 48 hours prior notice of any such inspection with respect to manufacturer statements of origin or certificates of title; (B) verify SHS's compliance with this Agreement; and (C) examine and copy SHS's books and records related to the Collateral of SHS; for so long as no Default or Event of Default shall exist, TFC agrees to give SHS 48 hours prior notice of any such inspection with respect to manufacturer statements of origin or certificates of title. In connection with any Audits to be performed under this Section 23, SHS agrees to provide TFC with such information as TFC reasonably requests to substantiate SHS's invoice price, Net Invoice Prices, Market Prices and net book value determinations and to allow TFC reasonable access to SHS's books, records and personnel from time to time during normal business hours to verify such information. In order to assess SHS's compliance with the provisions of this Agreement, TFC shall be entitled to audit and floorcheck or cause to be audited or floorchecked the Manufactured Home inventory of SHS, SHS's books and records and the other Collateral as frequently as TFC considers it prudent to do so (in each case, an "AUDIT"). During each calendar month for so long as this Agreement is in effect and no Default or Event of Default shall be in existence, TFC shall conduct Audits such that TFC shall have floorchecked, audited and/or reviewed all Manufactured Homes constituting Collateral hereunder (and any MH Consumer Lease Agreements, manufacturer statements of origin, and certificates of title in respect thereof), SHS's books and records and the other Collateral every twelve (12) months, provided that, if, in the reasonable determination of TFC, material discrepancies exist between the results of such Audits and the

Weekly Electronic MH Inventory Reports (which material discrepancies SHS shall have not been able to explain to the reasonable satisfaction of TFC), TFC may increase the frequency of its Audits such that all Manufactured Homes constituting Collateral hereunder (and any MH Consumer Lease Agreements, manufacturer statements of origin, and certificates of title in respect thereof), SHS's books and records and the other Collateral shall be floorchecked, audited and/or reviewed every six (6) months or such shorter period of time as TFC shall determine in its reasonable discretion. If a Default or Event of Default shall exist, TFC may, in its sole discretion, conduct Audits as frequently as it deems necessary in respect of the Collateral (including, without, limitation, the Manufactured Homes constituting Collateral hereunder; any MH Consumer Lease Agreements, any manufacturer statements of origin, and/or any certificates of title in respect thereof; and the books and records of SHS). SHS shall cooperate fully with TFC in connection with each Audit. If no Default or Event of Default shall exist during any Audit, SHS shall remit to TFC an audit fee (the "AUDIT FEE") for each such Audit conducted in respect of a Sun MH Community or other situs of Collateral or books and records of SHS equal to \$500 per such Audit. If any Default or Event of Default shall exist during any Audit, SHS shall remit to TFC the Audit Fee for each Audit conducted in respect of a Sun MH Community or other situs of Collateral or books and records equal to \$500 plus TFC's actual out-of-pocket expenses incurred in respect of each such Audit. If, as a result of any Audit, it shall be determined by TFC that a Manufactured Home constituting Collateral is not in the possession of SHS in a Sun MH Community or in the possession of a MH Consumer Lessee under a MH Consumer Lease Agreement and located on a MH Rental Homesite in a Sun MH Community, then SHS shall immediately, upon receipt of a written demand therefor from TFC, pay to TFC (I) the outstanding principal indebtedness owed for any Advance made to it hereunder related to such Manufactured Home on the first Billing Statement Payment Date occurring after the month in which such determination was made or, if a Default or Event of Default shall then exist, upon written demand from TFC, whichever is earlier, and (II) pay on such Billing Statement Payment Date all of the following excess amounts determined in respect of the last day of the month in which such determination was made: (A) the amount by which the aggregate outstanding principal balance of the New Manufactured Home Acquisition Advances exceeds the New Borrowing Base, (B) the amount by which the aggregate outstanding principal balance of the Used Manufactured Home Acquisition Advances exceeds the Used Sales Borrowing Base and (C) the amount by which the aggregate outstanding principal balance of the Rented Manufactured Home Advances exceeds the Rental Borrowing Base. TFC shall apply the amounts paid in respect of the aforesaid excess amounts to the Advances in respect thereof in such order of payment as TFC may determine in its sole discretion.

24. COVENANTS. SHS agrees that the failure of the Guarantors and their consolidated subsidiaries (including, without limitation, SHS) to maintain the financial covenants set forth in that certain Credit Agreement, dated as of September 30, 2004, among the Guarantors, the various financial institutions party thereto and Standard Federal Bank National Association, as administrative agent, as in effect from time to time ("CREDIT AGREEMENT"), as of the last day of each fiscal quarter of the Guarantors, based on the publicly released consolidated financial statements of the Guarantors, shall be treated as an Event of Default as provided in Section 25(b) hereof, provided, if any such financial covenant shall be modified or waived by the parties to such Credit Agreement and TFC shall have not consented to the same in writing at the time of any such amendment and waiver, then, unless TFC shall have subsequently so consented, the making or extension of any Advances hereunder shall immediately and without notice to SHS become discretionary in the sole and absolute determination of TFC. For the avoidance of doubt, TFC agrees that any waiver or modification of the aforesaid financial covenants in the Credit Agreement by the parties thereto shall be effective hereunder except that TFC has the right, in its sole discretion, as a result thereof to convert this Agreement to a fully discretionary lending facility on the part of TFC. If the Credit Agreement shall be terminated by the parties thereto, the financial covenants provided for therein at the time of such termination shall nonetheless continue to be effective under this Section 24.

Not later than 50 calendar days after the last day of each fiscal quarter of the Guarantors, or 90 calendar days after the last day of each fiscal year of the Guarantors, SHS shall submit to TFC a certificate stating that the Guarantors are in compliance with the aforesaid financial covenants (or, if applicable, disclosing any non-

compliance therewith) and shall show such supporting information as TFC may reasonably request. Each certificate will also certify that no Event of Default under Section 25(o) then exists. Each certificate shall be in form and substance reasonably satisfactory to TFC and signed by the chief financial officer or chief accounting officer of the Guarantors (or such other officer as is acceptable to TFC in its sole discretion).

25. DEFAULT. SHS will be in immediate default under this Agreement (and an Event of Default shall exist hereunder at such time) if: (A) any payment obligation of SHS to TFC and/or any affiliate of TFC under this Agreement or any agreement related hereto is not paid within 3 business days of the due date thereof, including, without limitation, any payment required under Sections 1, 2, 3, 4, 11, 12, 13, 21 and/or 23 hereof; (B) SHS breaches any covenant under (I) Section 19(c) or Section 21 and the same is not cured within the earlier of 30 days from the date of any such breach or 10 days of TFC's delivery of written notice thereof to SHS or (II) Section 24 hereof; (C) any sale of or disposition of the Collateral is made by SHS other than in compliance with Sections 10 or 11 hereof, or SHS breaches any covenant under Section 20 hereof and, in any such case, such noncompliance or breach is not cured within 10 days of the earlier to occur of (I) written notice from TFC to SHS of such noncompliance or breach or (II) knowledge of such noncompliance or breach by a responsible officer of SHS; (D) SHS defaults in the performance of or compliance with any agreement or undertaking contained herein or in any other instrument or agreement delivered by SHS to TFC or any affiliate of TFC in connection with this Agreement (other than those referred to in clauses (a), (b) and (c) of this Section 25) and such default is not cured within 30 days of the earlier to occur of (I) written notice from TFC to SHS of such default or (II) knowledge of such default or breach by a responsible officer of SHS; (E) any representation or warranty made or deemed to be made by SHS herein or in any statement, document or report made or delivered to TFC in connection herewith shall prove to have been untrue, incorrect or misleading in any material respect; (F) SHS or any Guarantor ceases to do business as a going concern; (G) either or both of the Guarantors cease to own, directly or indirectly, all of the preferred stock of SHS; (H) Sun Communities Operating Limited Partnership, a Michigan limited partnership ceases to own, directly or indirectly, all of voting and other capital stock of SHS; (I) SHS or any Guarantor becomes insolvent or bankrupt, makes an assignment for the benefit of creditors or consents to the appointment of a trustee or receiver; a trustee or a receiver is appointed for SHS or any Guarantor for a substantial part of its property without its consent and such trustee or receiver is not removed within a period of sixty (60) days; bankruptcy, reorganization or insolvency proceedings are instituted by or against SHS or any Guarantor and are not dismissed within a period of sixty (60) days; (J) all or any material part of the Collateral is attached, levied or seized upon in any proceeding; (K) there occurs a default by SHS, any Guarantor or any other affiliate of SHS under any other agreement with TFC and/or any affiliate of TFC, and any applicable grace period with respect thereto has expired; (L) SHS fails to pay any indebtedness in excess of \$1,000,000 owing to any person other than TFC or any affiliate of TFC when due or otherwise defaults under any agreement in respect of such indebtedness which would permit such person (with the lapse of time or the giving of notice or both) to accelerate the payment of such indebtedness or otherwise require such indebtedness, in whole or part, to be paid prior to its stated maturity; (M) any Guarantor fails to make any payment in respect of any indebtedness owing to any person other than TFC or any affiliate of TFC when due or otherwise defaults under any agreement in respect of such indebtedness which would permit such person (with the lapse of time or the giving of notice or both) to accelerate the payment of such indebtedness or otherwise require such indebtedness, in whole or part, to be paid prior to its stated maturity, provided that such indebtedness either individually or cumulatively with all other such indebtedness has an aggregate outstanding principal amount of at least \$2,000,000; (N) (I) any MH Servicing Agreement covering a material number of Rented Manufactured Homes constituting Collateral shall be terminated, rescinded or revoked or materially amended or modified without the prior written consent of TFC and/or any MSA covering a material number of Manufactured Homes constituting Collateral shall be terminated, rescinded or revoked or materially amended or modified without the prior written consent of TFC; (O) (I) any MH Servicing Agreement that covers a material number of Rented Manufactured Homes constituting Collateral is materially breached by the MH Community Homesite Lessor thereunder or by SHS and/or (II) any MSA that covers a material number of Manufactured Homes

constituting Collateral is materially breached by the MH Community Homesite Lessor thereunder or by SHS; (P) a final judgment for the payment of money in excess of \$1,000,000 is rendered against SHS or or in excess of \$2,000,000 is rendered against any Guarantor and is not, bonded, discharged or stayed within thirty (30) days after the entry thereof or is not discharged within thirty (30) days after the expiration of any such stay; (Q) the total fines, penalties and damages paid by the Guarantors or any subsidiary thereof (including, without limitation, SHS) to the United States government or any agency thereof, to any State government or any agency thereof, and/or to any third-party, in each case, in connection with any investigation, determination, settlement or litigation arising out of or in connection with the Federal governmental investigation described in Part 9 of the Schedule of Terms and Disclosures attached hereto or the matters referred or related to therein exceeds \$5,000,000; or (R) any Guarantor revokes, terminates or attempts to revoke or terminate the Guaranty.

During the existence of any Event of Default, TFC may, at any time and without notice or demand to SHS, take any one or more of the following actions: (1) declare all or any part of the indebtedness and obligations of SHS hereunder immediately due and payable, together with all costs and expenses of TFC's collection activity, including, without limitation, all attorneys' fees; (2) exercise any or all rights under applicable law (including, without limitation, the right to possess, transfer and dispose of the Collateral and to enforce the payment of any and all obligations (including, without limitation, any deficiency obligations) of SHS hereunder; and/or (3) terminate any additional financing hereunder.

26. RIGHTS OF TFC UPON DEFAULT. Upon the occurrence of an Event of Default hereunder, and at any time thereafter, TFC shall have all of the rights and remedies of a secured party under the Uniform Commercial Code of the State of Rhode Island and any other applicable laws, including the right to collect from SHS any deficiency remaining after disposition of the Collateral and to collect all MH Consumer Lease Agreement Payments under the MH Consumer Lease Agreements (in respect of Rented Manufactured Homes constituting Collateral) from the applicable MH Community Homesite Lessor or directly from the MH Consumer Lessees (upon notification or otherwise). SHS agrees that TFC may, by itself or through an agent, without notice to any person and without judicial process of any kind, enter into any premises or upon any land owned, leased or otherwise under the apparent control of SHS where TFC believes the Collateral may be (including, without limitation, any MH Homesite or MH Rental Homesite), and disassemble, render unusable and/or repossess all or any items of the Collateral (to the extent not rented under a MH Consumer Lease Agreement). SHS expressly waives all rights to possession of the Collateral after default. SHS shall, upon demand by TFC, assemble the Collateral (to the extent not rented under a MH Consumer Lease Agreement) and return it to TFC at a place designated by TFC. TFC will give SHS reasonable notice of the time and place of any public sale of the Collateral or of the time after which any private sale of the Collateral or any other intended disposition thereof is to be made. The requirement of reasonable notice shall be met if such notice is mailed to the notice address of SHS shown herein at least ten (10) days before the time of the sale or other disposition of the Collateral. SHS agrees that TFC may apply by appropriate judicial proceedings for appointment of a receiver for the Collateral, or any part thereof, and SHS hereby consents to any such appointment. SHS agrees that the repurchase of any Manufactured Home included in the Collateral by a Manufacturer shall constitute a commercially reasonable private sale of such Collateral by TFC. Expenses of retaking, holding, preparing for sale, selling and the like shall include attorney's fees and other legal expenses. SHS understands that TFC's rights are cumulative and not alternative.

In connection with TFC's exercise of its rights under this Section 26, SHS (I) irrevocably waives, to the extent it may lawfully do so, any right it may have to a judicial hearing in advance of the enforcement of any of TFC's rights and remedies hereunder, including, without limitation, its right to take immediate possession of the Collateral and to exercise its rights and remedies with respect thereto following an Event of Default, and (II) irrevocably waives, to the extent it may lawfully do so, any right it may have under any applicable valuation and exemption laws. TFC shall not be deemed to have waived any of its rights or remedies in respect of the obligations of SHS hereunder or the Collateral unless such waiver shall be in writing and signed by TFC. No delay or omission on the part of TFC in exercising any right or remedy shall

operate as a waiver of such right or remedy or any other right or remedy. TFC shall not be required to marshal any Collateral for, or other assurances of payment of, the obligations of SHS or to resort to such Collateral or other assurances of payment in any particular order. SHS hereby agrees, to the extent that it may lawfully do so, that it will not invoke any law relating to the marshalling of collateral which might cause delay in or impede the enforcement of TFC's rights and remedies under this Agreement or under any other instrument related thereto and, to the extent that it lawfully may, SHS hereby irrevocably waives the benefits of all such laws. SHS shall pay to TFC on demand any and all expenses, including attorneys' fees and disbursements, incurred or paid by TFC in protecting, preserving or enforcing TFC's rights and remedies under or in respect of any of the Collateral. After deducting all of said expenses, the residue of any proceeds of collection or sale or other disposition of the Collateral shall, to the extent actually received in cash, be applied to the payment of the obligations of SHS hereunder in such order or preference as TFC may determine, proper allowance and provision being made for any such obligations not then due. Upon the final payment and satisfaction in full of all of the obligations of SHS hereunder and after making any payments required by Sections 9-608(a)(1)(C) or 9-615(a)(3) of the Uniform Commercial Code of the State of Rhode Island, if any, any excess shall be returned to SHS. In the absence of final payment and satisfaction in full of all of such obligations, SHS shall remain liable for any deficiency.

SHS grants TFC an irrevocable power of attorney, which shall become effective upon the occurrence of an Event of Default, to: instruct each MH Community Homesite Lessor under its respective MH Servicing Agreement to pay to TFC any or all of the MH Consumer Lease Agreement Payments under the MH Consumer Lease Agreements constituting Collateral and to otherwise preserve and protect the other Collateral; execute or endorse on SHS's behalf any checks, financing statements, instruments, certificates of title and manufacturer statements of origin pertaining to the Collateral; supply any omitted information and correct errors in any documents between or among TFC and SHS; initiate and settle any insurance claim pertaining to the Collateral of SHS to the extent not done by SHS as contemplated in Section 21 above; and do anything to preserve and protect the Collateral of SHS and TFC's rights and interest therein.

27. WAIVER. TFC may, in its sole discretion, waive a default or cure a default at SHS's expense. Any such waiver in any particular instance or any waiver of a particular default shall not be a waiver of any other defaults at the same time or at any other time. No modification or change in this Agreement, or supplement hereto, shall bind TFC unless in writing and signed by an authorized officer of TFC.

28. TERM; MATURITY DATE. This Agreement shall have a term (the "TERM") commencing on the date hereof and ending on March 1, 2009 (the "MATURITY DATE"). All obligations hereunder outstanding on the Maturity Date shall mature and automatically become due and payable, including, without limitation, all outstanding Advances, all accrued and unpaid interest and/or finance charges and all fees, costs and expenses. SHS agrees to pay all such obligations so maturing on the Maturity Date. Notwithstanding the Term of this Agreement, no booking approvals shall be issued less than 30 days prior to the Maturity Date.

SHS may terminate this Agreement in whole, but not in part, at any time by written notice received by TFC. If SHS terminates this Agreement, SHS agrees to give TFC 60 days prior written notice of such termination (and during such notice period, SHS will continue to pay all sums due under the Agreement, including, but not limited to the payment of the fees set forth in Section 13 hereof and Advances may be requested hereunder in accordance with the terms and conditions hereof except that the issuance of booking approvals may be ceased by TFC within a reasonable period of time prior to the effective termination date of this Agreement). SHS will not be relieved from any obligation to TFC arising out of Advances or booking approvals made before the effective termination date of this Agreement. The total outstanding balance due under this Agreement as of the effective date of termination will be due and payable upon the effective termination date of this Agreement (which shall include, without limitation, all unpaid principal in respect of any outstanding Advances, all accrued and unpaid interest, finance charges and fees in respect thereof and all costs and expenses to be paid by SHS hereunder) together with the following termination fees: (I) if the effective date of termination shall occur on or prior to the first anniversary of the date of this Agreement, a

fee of \$800,000 and (II) if the effective date of termination shall occur after the first anniversary of the date of this Agreement and on or prior to the second anniversary of the date of this Agreement, a fee of \$400,000. TFC will retain all of its respective rights, interests and remedies hereunder until SHS has fully and finally paid all of its obligations owing hereunder. All waivers of SHS set forth within this Agreement will survive any termination of this Agreement.

29. **BINDING EFFECT.** SHS shall not assign its interest in this Agreement without the prior written consent of TFC. This Agreement will protect and bind the respective heirs, representatives, successors and assigns of SHS and TFC.

30. **NOTICES.** Except as otherwise stated herein, all notices, requests and documents will be sufficiently given or served if mailed or delivered: (A) to SHS at the place of business specified in Part 1 on the Schedule of Terms and Disclosures attached hereto or such other address as SHS may hereafter specify in writing to TFC and (B) to TFC as specified in Part 10 on the Schedule of Terms and Disclosures attached hereto or such other address as TFC may hereafter specify in writing to the other parties hereto.

31. **NO ORAL AGREEMENTS.** ORAL AGREEMENTS OR COMMITMENTS TO LOAN MONEY, EXTEND CREDIT OR TO FORBEAR FROM ENFORCING REPAYMENT OF A DEBT INCLUDING PROMISES TO EXTEND OR RENEW SUCH DEBTS ARE NOT ENFORCEABLE. TO PROTECT SHS AND TFC FROM MISUNDERSTANDING OR DISAPPOINTMENT, ALL AGREEMENTS COVERING SUCH MATTERS ARE CONTAINED IN THIS WRITING, WHICH IS THE COMPLETE AND EXCLUSIVE STATEMENT OF THE AGREEMENT BETWEEN THE PARTIES, EXCEPT AS SPECIFICALLY PROVIDED HEREIN OR AS THE PARTIES MAY LATER AGREE IN WRITING TO MODIFY IT. THERE ARE NO UNWRITTEN AGREEMENTS BETWEEN THE PARTIES.

31. **OTHER WAIVERS.** SHS irrevocably waives notice of TFC's acceptance of this Agreement, presentment, demand, protest, nonpayment, nonperformance, and dishonor.

32. **SEVERABILITY.** If any provision of this Agreement or its application is invalid or unenforceable, the remainder of this Agreement will not be impaired or affected and will remain binding and enforceable.

33. **RECEIPT OF AGREEMENT.** SHS acknowledges that it has received a true and complete copy of this Agreement. SHS acknowledges that it has read and understood this Agreement. Notwithstanding anything herein to the contrary: (A) TFC may rely on any facsimile copy, electronic data transmission or electronic data storage of this Agreement, billing statement, invoice, financial statements or other reports, and (B) such facsimile copy, electronic data transmission or electronic data storage will be deemed an original, and the best evidence thereof for all purposes, including, without limitation, under this Agreement or any other agreement among TFC and SHS, and for all evidentiary purposes before any court.

34. **MISCELLANEOUS.** Time is of the essence regarding SHS's performance of its obligations to TFC hereunder notwithstanding any course of dealing or custom on TFC's part to grant extensions of time. SHS's liability under this Agreement is direct and unconditional and will not be affected by the release or nonperfection of any security interest granted hereunder. TFC will have the right to refrain from or postpone enforcement of this Agreement or any other agreements between TFC and SHS without prejudice and the failure to strictly enforce these agreements will not be construed as having created a course of dealing between or among TFC and SHS contrary to the specific terms of the agreements or as having modified, released or waived the same. The express terms of this Agreement will not be modified by any course of dealing, usage of trade, or custom of trade which may deviate from the terms hereof. This Agreement may be amended or modified or provisions waived only in a writing signed by TFC and SHS. The Section titles

used in this Agreement are for convenience only and do not define or limit the contents of any Section. The recitals in this Agreement are hereby incorporated herein and made a part hereof.

35. GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF RHODE ISLAND, WITHOUT REFERENCE TO APPLICABLE CONFLICT OF LAW PRINCIPLES. EACH OF THE PARTIES HERETO CONSENTS TO THE NON-EXCLUSIVE JURISDICTION OF RHODE ISLAND COURTS IN CONNECTION WITH THE RESOLUTION OF ANY DISPUTES CONCERNING THE MATTERS CONTEMPLATED HEREIN.

IN WITNESS WHEREOF, TFC and SHS have executed this Agreement as of the date first set forth hereinabove.

TEXTRON FINANCIAL CORPORATION

By: /s/ Brian Courtney

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Print Name: Brian Courtney

Title: SVP, Credit and Operations

SUN HOME SERVICES, INC.

By: /s/ Brian Fannon

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Print Name: Brian Fannon

Title: Executive Vice President

[Signature Page to Agreement for Wholesale Financing (Manufactured  
Home Purchase Money, Used and Rental Credit Facility)]



APPENDIX I: DEFINITIONS

ADVANCES - Recital K of this Agreement.

AFFILIATE -- means any person controlling, controlled by or under common control with another person. For purposes of this definition, "control" means the possession, directly or indirectly, of the power to direct or cause direction of the management and policies of any person, whether through ownership of common or preferred stock or other equity interests, by contract or otherwise.

AGREEMENT - first paragraph of this Agreement.

AUDIT - Section 23 of this Agreement.

AUDIT FEE - Section 23 of this Agreement.

BILLING STATEMENT PAYMENT DATE - Section 14 of this Agreement.

BOOKING DATE - Section 7 of this Agreement.

BORROWER - first paragraph of this Agreement.

CLOSING DATE - means March 21, 2006.

COLLATERAL - Section 16 of this Agreement.

CREDIT AGREEMENT - Section 24 of this Agreement.

DEFAULT -- means an event or condition the occurrence of which would, with the lapse of time or the giving of notice or both, become an Event of Default.

DISPOSITION PAYMENT DATE means, with respect to any sale of a Manufactured Home constituting Collateral referred to in Section 11 hereof for which a payment is required to be made by SHS to TFC thereunder, the earlier of (I) the date which is 7 calendar days after the date of any such sale and (II) the date on which the sum of (A) all outstanding payments required to be made under Section 11 in respect of such sales, (B) all outstanding payments required to be made under Section 12 in respect of any lost, stolen, destroyed or damaged beyond repaid Manufactured Homes constituting Collateral, (C) all curtailments or payments at maturity required to be paid under Section 12 and (D) all borrowing base payments required under Sections 1 through 4 then due and payable first, in the aggregate, exceeds after such sale 5% of the aggregate principal amount of the Advances then outstanding, provided that, if a Default or Event of Default shall exist, Disposition Payment Date shall mean the date on which any of the proceeds of such sale is received.

EVENT OF DEFAULT - means an event or condition set forth in Section 25 of this Agreement, after giving effect to any lapse of time, cure or grace period or the giving of any notice required, in each case by said Section, to expire or be given.

FINANCIAL STATEMENTS - Section 22 of this Agreement.

GENERAL COLLATERAL - Section 16 of this Agreement.

GUARANTORS - means each of Sun Communities, Inc., a Maryland corporation, and Sun Communities Operating Limited Partnership, a Michigan limited partnership. The Guarantors are jointly and severally liable under the Guaranty.

GUARANTY - means that certain joint and several Guaranty of even date herewith executed and delivered to TFC by the Guarantors, as amended from time to time.

HEIRS - the heirs, legatees, descendants and blood relatives of M. Shiffman, as identified in Part \_\_\_\_ of the Schedule of Terms and Disclosures attached hereto.

LATE FEE - Section 14 of this Agreement.

LCCP - Section 33 of this Agreement.

MANUFACTURED HOME - Recital A of this Agreement.

MANUFACTURER/MANUFACTURERS - Recital A of this Agreement.

MANUFACTURER FUNDING DATE - Section 7 of this Agreement

MARKET PRICE - Section 3 of this Agreement.

MATURITY DATE - Section 28 of this Agreement.

MH COMMUNITY HOMESITE LESSOR - Recital L of this Agreement.

MH CONSUMER LEASE AGREEMENT - Recital D of this Agreement.

MH CONSUMER LEASE AGREEMENT PAYMENTS - Recital M of this Agreement.

MH CONSUMER LESSEE - Recital D of this Agreement.

MH CONSUMER LESSEE PURCHASE OPTION - Recital D of this Agreement.

MH HOMESITE - Recital L of this Agreement.

MH RENTAL HOMESITE - Recital L of this Agreement.

MH SERVICING AGREEMENT - Recital M of this Agreement.

MH SHS HOMESITE LEASE - Recital L of this Agreement.

MSA - Section 16 of this Agreement.

NADA BASE STRUCTURE VALUE -- means, at any time with respect to any Manufactured Home, the Base Structure Value of a Home in Average Condition of similar year, make, model and equipment as listed in an N.A.D.A. Guide published by the NADA Appraisal Guides Company for used manufactured homes, provided that, for purposes of determining such valuation, any optional equipment shall be excluded and there shall be no deduction from or reduction in such valuation for any damage or casualty that has been repaired.

NEW BORROWING BASE - Section 1 of this Agreement.

NET INVOICE PRICE - Section 1 of this Agreement.

NEW MANUFACTURED HOME - Recital B of this Agreement.

NEW MANUFACTURED HOME ACQUISITION ADVANCE - Recital G of this Agreement.

NEW MANUFACTURED HOME ADVANCES - Recital K of this Agreement.

NEW MANUFACTURED HOME BULK SALE ADVANCE - Recital G of this Agreement.

NEW MANUFACTURED HOME SALE ADVANCE - Recital G of this Agreement.

NEW RENTED MANUFACTURED HOME - Recital B of this Agreement.

NEW RENTED MANUFACTURED HOME ADVANCE - Recital H of this Agreement.

NEW MANUFACTURED HOME HELD FOR SALE - Recital B of this Agreement.

NSF CHECK - Section 13 of this Agreement.

PM COLLATERAL - Section 15 of this Agreement.

PRIME RATE -- means, for any month, the prevailing "prime rate" as quoted in the Wall Street Journal on the last day of such calendar month.

RENTAL BORROWING BASE - Section 2 of this Agreement.

RENTED MANUFACTURED HOMES - Recital E of this Agreement.

RENTED MANUFACTURED HOME ADVANCE - Recital K of this Agreement.

SHS - first paragraph of this Agreement.

SUN MH COMMUNITY - Recital L of this Agreement.

TANGIBLE NET WORTH - Section 24 of this Agreement.

TERM - Section 28 of this Agreement.

TFC - first paragraph of this Agreement.

USED BORROWING BASE - Section 3 of this Agreement.

USED MANUFACTURED HOME - Recital C of this Agreement.

USED MANUFACTURED HOME ACQUISITION ADVANCE - Recital I of this Agreement.

USED MANUFACTURED HOME ADVANCES - Recital K of this Agreement.

USED MANUFACTURED HOME BULK SALE ADVANCE - Recital I of this Agreement.

USED MANUFACTURED HOME HELD FOR SALE - Recital C of this Agreement.

USED MANUFACTURED HOME SALE ADVANCE - Recital I of this Agreement.

USED RENTED MANUFACTURED HOME - Recital C of this Agreement.

USED RENTED MANUFACTURED HOME ADVANCE - Recital J of this Agreement.

WEEKLY ELECTRONIC MH INVENTORY REPORT - Section 22 of this Agreement.

## CERTIFICATIONS

(As Adopted Under Section 302 of the Sarbanes-Oxley Act of 2002)

I, Gary A. Shiffman, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Sun Communities, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: May 10, 2006

/s/ Gary A. Shiffman

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Gary A. Shiffman, Chief Executive Officer

## CERTIFICATIONS

(As Adopted Under Section 302 of the Sarbanes-Oxley Act of 2002)

I, Jeffrey P. Jorissen, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Sun Communities, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: May 10, 2006

/s/ Jeffrey P. Jorissen

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Jeffrey P. Jorissen, Chief Financial Officer

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350  
(Adopted Under Section 906 of the Sarbanes-Oxley Act of 2002)

The undersigned officers, Gary A. Shiffman and Jeffrey P. Jorissen, hereby certify that to the best of their knowledge: (a) this Quarterly Report on Form 10-Q of Sun Communities, Inc., for the quarter ended March 31, 2006, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and (b) the information contained in this Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the issuer.

/s/ Gary A. Shiffman

Dated: May 10, 2006

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Gary A. Shiffman, Chief Executive Officer

/s/ Jeffrey P. Jorissen

Dated: May 10, 2006

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Jeffrey P. Jorissen, Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to Sun Communities, Inc. and will be retained by Sun Communities, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.