

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2009.

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

(State of Incorporation)

38-2730780

(I.R.S. Employer Identification No.)

27777 Franklin Rd.
Suite 200

Southfield, Michigan

(Address of Principal Executive Offices)

48034

(Zip Code)

(248) 208-2500

(Registrant's telephone number, including area code)

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, a non-accelerated filer, or a smaller reporting company. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

Number of shares of Common Stock, \$0.01 par value per share, outstanding
as of June 30, 2009: 18,607,686

PART I – FINANCIAL INFORMATION

Item 1.	Financial Statements (Unaudited):	
	Consolidated Balance Sheets – June 30, 2009 and December 31, 2008	3
	Consolidated Statements of Operations – Periods Ended June 30, 2009 and 2008	4
	Consolidated Statements of Comprehensive Loss – Periods Ended June 30, 2009 and 2008	5
	Consolidated Statement of Stockholders’ Deficit – Six Months Ended June 30, 2009	5
	Consolidated Statements of Cash Flows – Six Months Ended June 30, 2009 and 2008	6
	Notes to Consolidated Financial Statements	7
Item 2.	Management’s Discussion and Analysis of Financial Condition and Results of Operations	27
Item 3.	Quantitative and Qualitative Disclosures about Market Risk	45
Item 4.	Controls and Procedures	46

PART II – OTHER INFORMATION

Item 1.	Legal Proceedings	47
Item 1A.	Risk Factors	47
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	47
Item 4.	Submission of Matters to a Vote of Security Holders	47
Item 6.	Exhibits	47
	Signatures	48

SUN COMMUNITIES, INC.
CONSOLIDATED BALANCE SHEETS
AS OF JUNE 30, 2009 AND DECEMBER 31, 2008
(In thousands, except per share amounts)

	(Unaudited) June 30, 2009	December 31, 2008
ASSETS		
Investment property, net	\$ 1,080,973	\$ 1,099,020
Cash and cash equivalents	4,625	6,162
Inventory of manufactured homes	3,426	3,342
Investment in affiliates	3,282	3,772
Notes and other receivables	64,818	57,481
Other assets	35,106	37,152
Assets of discontinued operations	19	70
TOTAL ASSETS	\$ 1,192,249	\$ 1,206,999
LIABILITIES		
Debt	\$ 1,150,198	\$ 1,139,152
Lines of credit	84,322	90,419
Other liabilities	39,276	37,240
Liabilities of discontinued operations	78	70
TOTAL LIABILITIES	\$ 1,273,874	\$ 1,266,881
Commitments and contingencies		
STOCKHOLDERS' DEFICIT		
Preferred stock, \$.01 par value, 10,000 shares authorized, none issued	\$ —	\$ —
Common stock, \$.01 par value, 90,000 shares authorized (June 30, 2009 and December 31, 2008, 20,409 and 20,313 shares issued respectively)	204	203
Additional paid-in capital	461,441	459,847
Officer's notes	(5,296)	(8,334)
Accumulated other comprehensive loss	(1,666)	(2,851)
Distributions in excess of accumulated earnings	(469,928)	(445,147)
Treasury stock, at cost (June 30, 2009 and December 31, 2008, 1,802 shares)	(63,600)	(63,600)
Total Sun Communities, Inc. stockholders' deficit	(78,845)	(59,882)
Noncontrolling interest	(2,780)	—
TOTAL STOCKHOLDERS' DEFICIT	(81,625)	(59,882)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	\$ 1,192,249	\$ 1,206,999

See accompanying notes to Consolidated Financial Statements.

SUN COMMUNITIES, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE PERIODS ENDED JUNE 30, 2009 AND 2008
(In thousands, except per share amounts)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
REVENUES				
Income from real property	\$ 48,497	\$ 47,655	\$ 99,496	\$ 98,004
Revenue from home sales	8,218	8,768	15,679	16,271
Rental home revenue	5,187	5,136	10,387	10,132
Ancillary revenues, net	62	88	257	314
Interest	1,368	807	2,640	1,612
Other income (loss)	(60)	2,829	97	3,700
Total revenues	<u>63,272</u>	<u>65,283</u>	<u>128,556</u>	<u>130,033</u>
COSTS AND EXPENSES				
Property operating and maintenance	12,787	12,314	25,392	24,388
Real estate taxes	4,118	4,170	8,302	8,339
Cost of home sales	5,844	6,981	11,267	12,820
Rental home operating and maintenance	4,022	3,965	8,559	7,431
General and administrative - real property	4,900	4,697	9,066	8,855
General and administrative - home sales and rentals	1,816	1,715	3,642	3,327
Depreciation and amortization	15,915	16,211	32,119	32,072
Interest	14,739	14,570	28,984	29,950
Interest on mandatorily redeemable debt	835	844	1,670	1,688
Total expenses	<u>64,976</u>	<u>65,467</u>	<u>129,001</u>	<u>128,870</u>
Income (loss) before income taxes and equity loss from affiliates	(1,704)	(184)	(445)	1,163
Benefit (provision) for state income tax	(146)	(128)	(279)	107
Equity loss from affiliates	(517)	(7,720)	(490)	(12,550)
Loss from continuing operations	(2,367)	(8,032)	(1,214)	(11,280)
Loss from discontinued operations	(160)	(270)	(332)	(511)
Net loss	(2,527)	(8,302)	(1,546)	(11,791)
Less: Loss attributable to noncontrolling interest	(268)	(934)	(164)	(1,328)
Net loss attributable to Sun Communities, Inc.	<u>\$ (2,259)</u>	<u>\$ (7,368)</u>	<u>\$ (1,382)</u>	<u>\$ (10,463)</u>
Weighted average common shares outstanding:				
Basic	<u>18,469</u>	<u>18,162</u>	<u>18,399</u>	<u>18,119</u>
Diluted	<u>18,469</u>	<u>18,162</u>	<u>18,399</u>	<u>18,119</u>
Basic and diluted loss per share:				
Continuing operations	\$ (0.11)	\$ (0.39)	\$ (0.05)	\$ (0.55)
Discontinued operations	(0.01)	(0.02)	(0.02)	(0.03)
Basic and diluted loss per share	<u>\$ (0.12)</u>	<u>\$ (0.41)</u>	<u>\$ (0.07)</u>	<u>\$ (0.58)</u>
Cash dividends per common share:	<u>\$ 0.63</u>	<u>\$ 0.63</u>	<u>\$ 1.26</u>	<u>\$ 1.26</u>

See accompanying notes to Consolidated Financial Statements.

SUN COMMUNITIES, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS, CONTINUED
FOR THE PERIODS ENDED JUNE 30, 2009 AND 2008
(In thousands)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Amounts attributable to Sun Communities, Inc. common stockholders:				
Loss from continuing operations, net of state income taxes	\$ (2,116)	\$ (7,129)	\$ (1,085)	\$ (10,010)
Loss from discontinued operations, net of state income taxes	(143)	(239)	(297)	(453)
Loss attributable to Sun Communities, Inc.	<u>\$ (2,259)</u>	<u>\$ (7,368)</u>	<u>\$ (1,382)</u>	<u>\$ (10,463)</u>

SUN COMMUNITIES, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
FOR THE PERIODS ENDED JUNE 30, 2009 AND 2008
(In thousands)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Net loss	\$ (2,527)	\$ (8,302)	\$ (1,546)	\$ (11,791)
Unrealized gain (loss) on interest rate swaps	1,330	1,348	1,326	(68)
Total comprehensive loss	(1,197)	(6,954)	(220)	(11,859)
Less: Comprehensive loss attributable to the noncontrolling interest	(127)	(783)	(23)	(1,337)
Comprehensive loss attributable to Sun Communities, Inc.	<u>\$ (1,070)</u>	<u>\$ (6,171)</u>	<u>\$ (197)</u>	<u>\$ (10,522)</u>

SUN COMMUNITIES, INC.
CONSOLIDATED STATEMENT OF STOCKHOLDERS' DEFICIT
FOR THE SIX MONTHS ENDED JUNE 30, 2009
(In thousands, except per share amounts)
(Unaudited)

	Common stock	Additional paid-in capital	Officer's notes	Accumulated other comprehensive loss	Distributions in excess of accumulated earnings	Treasury stock	Total Sun Communities stockholders' deficit	Non controlling interest	Total stockholders' deficit
Balance as of December 31, 2008	\$ 203	\$ 459,847	\$ (8,334)	\$ (2,851)	\$ (445,147)	\$ (63,600)	\$ (59,882)	\$ —	\$ (59,882)
Issuance of common stock, net	1	(378)	—	—	—	—	(377)	—	(377)
Stock-based compensation - amortization and forfeitures	—	1,972	—	—	(7)	—	1,965	—	1,965
Repayment of officer's notes	—	—	3,038	—	—	—	3,038	—	3,038
Net loss	—	—	—	—	(1,382)	—	(1,382)	(164)	(1,546)
Unrealized gain on interest rate swaps	—	—	—	1,185	—	—	1,185	141	1,326
Cash distributions declared of \$1.26 per share	—	—	—	—	(23,392)	—	(23,392)	(2,757)	(26,149)
Balance as of June 30, 2009	<u>\$ 204</u>	<u>\$ 461,441</u>	<u>\$ (5,296)</u>	<u>\$ (1,666)</u>	<u>\$ (469,928)</u>	<u>\$ (63,600)</u>	<u>\$ (78,845)</u>	<u>\$ (2,780)</u>	<u>\$ (81,625)</u>

See accompanying notes to Consolidated Financial Statements.

SUN COMMUNITIES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2009 AND 2008
(In thousands)
(Unaudited)

	Six Months Ended June 30,	
	2009	2008
OPERATING ACTIVITIES:		
Net loss	\$ (1,546)	\$ (11,791)
Less: Loss from discontinued operations, net of tax	(332)	(511)
Loss from continuing operations	(1,214)	(11,280)
Adjustments to reconcile loss from continuing operations to net cash provided by operating activities:		
Loss (gain) from land disposition	4	(3,303)
Gain on disposal of other assets and depreciated homes, net	(2,695)	(1,966)
Gain on valuation of derivative instruments	(12)	(2)
Stock compensation expense	1,986	1,354
Depreciation and amortization	34,319	34,095
Amortization of deferred financing costs	796	749
Equity loss from affiliates	490	12,550
Change in notes receivables from financed sales of inventory homes, net of repayments	(1,716)	(1,696)
Change in inventory, other assets and other receivables, net	(248)	(2,894)
Change in accounts payable and other liabilities	2,904	4,093
Net cash provided by operating activities of continuing operations	34,614	31,700
Net cash used for operating activities of discontinued operations	(273)	(222)
NET CASH PROVIDED BY OPERATING ACTIVITIES	34,341	31,478
INVESTING ACTIVITIES:		
Investment in properties	(18,132)	(20,031)
Proceeds related to disposition of land	9	6,461
Proceeds (financing) related to disposition of other assets and depreciated homes, net	167	(160)
Payment of notes receivable and officer's notes, net	4,132	1,187
NET CASH USED FOR INVESTING ACTIVITIES	(13,824)	(12,543)
FINANCING ACTIVITIES:		
Redemption of common stock and OP units, net	(377)	(360)
Borrowings on lines of credit	80,456	49,544
Payments on lines of credit	(86,553)	(59,749)
Proceeds from issuance of notes payable and other debt	31,111	27,000
Payments on notes payable and other debt	(20,065)	(10,112)
Payments for deferred financing costs	(477)	(308)
Distributions to stockholders and OP unit holders	(26,149)	(26,052)
NET CASH USED FOR FINANCING ACTIVITIES	(22,054)	(20,037)
Net decrease in cash and cash equivalents	(1,537)	(1,102)
Cash and cash equivalents, beginning of period	6,162	5,415
Cash and cash equivalents, end of period	\$ 4,625	\$ 4,313
SUPPLEMENTAL INFORMATION:		
Cash paid for interest	\$ 25,970	\$ 28,248
Cash paid for interest on mandatorily redeemable debt	\$ 1,670	\$ 1,740
Noncash investing and financing activities:		
Unrealized gain (loss) on interest rate swaps	\$ 1,326	\$ (68)

See accompanying to Consolidated Financial Statements.

SUN COMMUNITIES, INC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Basis of Presentation

These unaudited interim Consolidated Financial Statements of Sun Communities, Inc., a Maryland corporation, and all majority-owned or wholly-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 in accordance with accounting principles generally accepted in the United States of America ("GAAP"). Certain information and footnote disclosures required for annual financial statements have been condensed or excluded pursuant to SEC rules and regulations. Accordingly, the interim financial statements do not include all of the information and footnotes required by GAAP for complete financial statements and should be read in conjunction with the Consolidated Financial Statements and accompanying notes included in our Annual Report on Form 10-K for the year ended December 31, 2008 as filed with the SEC on March 13, 2009, as amended on March 30, 2009 (the "2008 Annual Report").

Reference in this report to Sun Communities, Inc., "we", "our" and "us" and the "Company" refer to Sun Communities, Inc. and its subsidiaries, unless the context indicates otherwise.

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.

Our cable television services are held for sale and presented as discontinued operations in the Consolidated Financial Statements and related notes. See Note 2 for additional information.

The following Notes to Consolidated Financial Statements present interim disclosures as required by the SEC. These statements have been prepared on a basis that is substantially consistent with the accounting principles applied in our 2008 Annual Report, with the exception of the impact of our adoption in the first quarter of 2009 of Statement of Financial Accounting Standards (SFAS) No. 160, "Noncontrolling Interests in Consolidated Financial Statements" ("SFAS 160") and FASB Staff Position Emerging Issues Task Force ("EITF") No. 03-6-1, "Determining Whether Instruments Granted in Share-Based Payment Transactions are Participating Securities" ("FSP EITF 03-6-1"). See Recent Accounting Pronouncements in Note 16 for further information on our adoption of SFAS 160 and FSP EITF 03-6-1.

Certain reclassifications have been made to prior periods' financial statements in order to conform to current period presentation.

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

2. **Discontinued Operations**

We have investments in certain land improvements and equipment that provide cable television services to certain communities within the Real Property Operations segment. In December 2008, we determined that the cable television assets could not provide the necessary return on investment to justify the capital investment required to keep up with the technological advances in the offered product. In the fourth quarter of fiscal 2008, we announced our intention to exit the cable television service business and recorded a \$4.1 million impairment charge on the cable television assets. This impairment charge was recognized in accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS 144").

SFAS 144 also provides criteria to evaluate if a component of an entity is deemed to be held for sale and eligible for presentation as a discontinued operation. We are under contract to sell and exit the cable television services business within the next six months, the cable television services business is reported as a discontinued operation in the Consolidated Financial Statements for all periods presented.

The following tables set forth certain summarized financial information of the discontinued operation (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Total revenues	\$ 172	\$ 191	\$ 355	\$ 395
Total expenses	(332)	(461)	(687)	(906)
Loss from discontinued operations	(160)	(270)	(332)	(511)
Less: Loss attributable to noncontrolling interest	(17)	(31)	(35)	(58)
Loss from discontinued operations attributable to Sun Communities, Inc common stockholders	<u>\$ (143)</u>	<u>\$ (239)</u>	<u>\$ (297)</u>	<u>\$ (453)</u>

	June 30, 2009	December 31, 2008
ASSETS		
Accounts receivable, net	\$ 19	\$ 16
Other assets	—	54
Total assets	<u>\$ 19</u>	<u>\$ 70</u>
LIABILITIES		
Accounts payable	\$ 22	\$ 16
Deferred income	34	38
Other liabilities	22	16
Total liabilities	<u>\$ 78</u>	<u>\$ 70</u>

3. **Investment Property**

The following table sets forth certain information regarding investment property (in thousands):

	June 30, 2009	December 31, 2008
Land	\$ 116,279	\$ 116,292
Land improvements and buildings	1,182,359	1,177,362
Rental homes and improvements	198,233	194,649
Furniture, fixtures, and equipment	34,230	34,050
Land held for future development	26,986	26,986
Investment property	1,558,087	1,549,339
Less: Accumulated depreciation	(477,114)	(450,319)
Investment property, net	<u>\$ 1,080,973</u>	<u>\$ 1,099,020</u>

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

4. Secured Borrowing and Collateralized Receivables

We have completed various transactions involving our installment notes since the third quarter of fiscal 2008. We have received a total of \$40.1 million of cash proceeds in exchange for relinquishing our right, title and interest in the installment notes. We are subject to certain recourse provisions requiring us to purchase the underlying homes collateralizing such notes, in the event of a note default and subsequent repossession of the home.

FASB Statement No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities" ("SFAS 140") sets forth the criteria that must be met for control over transferred assets to be considered to have been surrendered, which includes, amongst other things: (1) the transferred assets have been isolated from the transferor, including put presumptively beyond the reach of the transferor and its creditors, even in bankruptcy or other receivership, (2) the transferee must obtain the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and (3) the transferor cannot maintain effective control over the transferred assets through an agreement to repurchase them before their maturity. When a company transfers financial assets and fails any one of the SFAS 140 criteria, the company is prevented from derecognizing the transferred financial assets and the transaction is accounted for as a secured borrowing. The determination about whether the isolation criteria of SFAS 140 have been met to support a conclusion regarding surrender of control is largely a matter of law. As such, the evidence required for testing whether or not the first criteria of SFAS 140 has been satisfied requires a legal "true sale" opinion analyzing the treatment of the transfer under state laws as if we were a debtor under the bankruptcy code. A "true sale" legal opinion includes several legally relevant factors, including the nature of retained interests in the loans sold. Legal opinions as to a "true sale" are never absolute and unconditional, but contain qualifications based on the inherent equitable powers of a bankruptcy court, as well as the unsettled state of the common law.

It was the intent of both parties for these transactions to qualify for sale accounting under SFAS 140 and the terms of the agreements clearly stipulate that we have no further obligations or rights with respect to the control, management, administration, servicing, or collection of the installment notes. In addition, the transferee has obtained the right to pledge or exchange the installment notes. For federal tax purposes, we treat the transfers of loans which do not qualify as "true sales" under SFAS 140, as sales.

Notwithstanding these facts, we were unable to satisfy the first criteria for sale accounting treatment under SFAS 140 and therefore, we have recorded these transactions as a transfer of financial assets. The transferred assets have been classified as collateralized receivables and the cash proceeds received from these transactions have been classified as a secured borrowing in the Consolidated Balance Sheets.

The collateralized receivables earn interest income and the secured borrowings accrue borrowing costs at the same interest rates. The amount of interest income and expense recognized was \$0.9 million and \$1.6 million for the three and six months ended June 30, 2009, respectively. The collateralized receivables and secured borrowings are reduced as the related installment notes are collected from the customers. The balance of the collateralized receivables was \$36.4 million, net of a loan loss provision of \$0.1 million as of June 30, 2009. The balance of the collateralized receivables was \$26.1 million, net of a loan loss provision of \$0.1 million as of December 31, 2008. The outstanding balance on the secured borrowing was \$36.5 million and \$26.2 million as of June 30, 2009 and December 31, 2008, respectively.

In the event of note default, and subsequent repossession of a manufactured home, the terms of the agreement require us to repurchase the manufactured home. Default is defined as the failure to repay the installment note according to contractual terms. If default on the installment note results in repossession of the home, the home is repurchased. The repurchase price is calculated as a percentage of the outstanding principal balance of the installment note, plus any outstanding late fees, accrued interest, legal fees and escrow advances associated with the installment note. The percentage used to determine the repurchase price of the outstanding principal balance on the installment note is based on the number of payments made on the note. In general, based on the number of payments made since the loan origination date, the repurchase price is determined as follows:

Number of Payments	Recourse %
Less than or equal to 15	100 %
Greater than 15 but less than 64	90 %
64 or more	65 %

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

5. **Notes and Other Receivables**

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

	June 30, 2009	December 31, 2008
Installment notes receivable on manufactured homes, net	\$ 20,146	\$ 21,232
Collateralized receivables, net (see Note 4)	36,412	26,159
Other receivables, net	8,260	10,090
Total notes and other receivables, net	<u>\$ 64,818</u>	<u>\$ 57,481</u>

Installment Notes Receivable on Manufactured Homes

The installment notes of \$20.1 million and \$21.2 million as of June 30, 2009 and December 31, 2008, respectively, are collateralized by manufactured homes. The installment notes are presented net of allowance for losses of \$0.1 million as of June 30, 2009 and December 31, 2008. The installment notes represent financing provided by us to purchasers of manufactured homes located in our communities. The installment notes receivable have interest payable monthly at a net weighted average interest rate and a maturity of 7.8 percent and 13.1 years and 7.6 percent and 13.8 years at June 30, 2009 and December 31, 2008, respectively.

Collateralized Receivables

We have completed various transactions involving our installment notes since the third quarter of fiscal 2008. We have received a total of \$40.1 million of cash proceeds in exchange for relinquishing our right, title and interest in the installment notes. These transactions were recorded as a transfer of financial assets. The transferred assets have been classified as collateralized receivables with a net balance of \$36.4 million and \$26.1 million as of June 30, 2009 and December 31, 2008, respectively. The collateralized receivables are presented net of allowance for losses of \$0.1 million as of June 30, 2009 and December 31, 2008. The collateralized receivables have interest payable monthly at a weighted average interest rate and maturity of 10.7 percent and 13.7 years and 10.1 percent and 14.0 years, as of June 30, 2009 and December 31, 2008, respectively. See Note 4 for additional information.

The net increase of \$10.3 million during 2009 in the aggregate gross principal balance of the collateralized receivables is as follows (in thousands):

Beginning balance as of December 31, 2008	\$ 26,211
Financed sales of manufactured homes	12,570
Principal payments and payoffs from our customers	(1,156)
Repurchases	(1,084)
Total activity	<u>10,330</u>
Ending balance as of June 30, 2009	<u>\$ 36,541</u>

Other Receivables

Other receivables were comprised of amounts due from residents of \$1.3 million (net of allowance of \$0.2 million), home sale proceeds of \$3.7 million, an employee loan of \$0.5 million, insurance proceeds of \$0.1 million, and rebates and other receivables of \$2.7 million as of June 30, 2009. Other receivables were comprised of amounts due from residents of \$1.6 million (net of allowance of \$0.3 million), home sale proceeds of \$3.7 million, an employee loan of \$0.5 million, insurance proceeds of \$0.3 million, and rebates and other receivables of \$4.0 million as of December 31, 2008.

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

5. **Notes and Other Receivables, continued**

Officer's Notes

Officer's notes, presented as a portion of the stockholders' deficit in the balance sheet, are 10 year, LIBOR + 1.75% notes, with a minimum and maximum interest rate of 6% and 9%, respectively. The following table sets forth certain information regarding officer's notes as of June 30, 2009 and December 31, 2008 (in thousands except for shares and units):

Promissory Notes	June 30, 2009			December 31, 2008		
	Outstanding Principal Balance	Secured by		Outstanding Principal Balance	Secured by	
		Common Stock	Common OP Units		Common Stock	Common OP Units
Secured - \$1.3 million	\$ 612	37,661	—	\$ 963	59,263	—
Secured - \$6.6 million	3,110	83,625	60,161	4,894	131,591	94,669
Secured - \$1.0 million	481	44,520	—	757	70,057	—
Subtotal secured notes	4,203	165,806	60,161	6,614	260,911	94,669
Unsecured - \$1.0 million	481	—	—	757	—	—
Unsecured - \$1.3 million	612	—	—	963	—	—
Subtotal unsecured notes	1,093	—	—	1,720	—	—
Total promissory notes	\$ 5,296	165,806	60,161	\$ 8,334	260,911	94,669

The officer's personal liability on the secured promissory notes is limited to all accrued interest on such notes plus fifty percent of the deficiency, if any, after application of the proceeds from the sale of the secured shares and/or the secured units to the then outstanding principal balance of the promissory notes. The value of secured shares and secured OP Units total approximately \$3.1 million based on the closing price of our shares on the New York Stock Exchange of \$13.78 as of June 30, 2009. The unsecured notes are fully recourse to the officer.

Total interest received was \$0.1 million for the three months ended June 30, 2009 and 2008. Total interest received was \$0.2 million and \$0.3 million for the six months ended June 30, 2009 and 2008, respectively.

The reduction in the aggregate principal balance of these notes was \$3.0 million and \$0.2 million for the six months ended June 30, 2009 and 2008, respectively. The notes are due in two remaining installments on December 31, 2009 and 2010.

6. **Investment in Affiliates**

In October 2003, we purchased 5,000,000 shares of common stock of Origen Financial, Inc. ("Origen"). We own approximately 19 percent of Origen as of June 30, 2009, and our investment is accounted for using the equity method of accounting. As of June 30, 2009, our investment in Origen had a market value of approximately \$4.5 million based on a quoted market closing price of \$0.90 per share from the "Pink Sheet Electronic OTC Trading System".

We recorded our equity allocation of the reported losses from Origen of \$0.5 million and \$7.7 million for the three months ended June 30, 2009 and 2008, respectively. We recorded our equity allocation of the reported losses from Origen of \$0.4 million and \$12.6 million for the six months ended June 30, 2009 and 2008, respectively.

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

6. Investment in Affiliates

Summarized consolidated financial information of Origen at June 30, 2009 and 2008 is presented below before elimination of inter-company transactions (amounts in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Revenues	\$ 21,042	\$ 21,211	\$ 42,747	\$ 45,730
Less:				
Expenses	23,499	26,262	44,691	56,237
Loss on sale of loans	—	718	—	22,377
Investment impairment	—	11	—	11
Loss from continuing operations	(2,457)	(5,780)	(1,944)	(32,895)
Income from discontinued operations	—	1,006	—	3,129
Net loss	<u>\$ (2,457)</u>	<u>\$ (4,774)</u>	<u>\$ (1,944)</u>	<u>\$ (29,766)</u>

In August 2008, we entered into an agreement with four unrelated companies ("Members") to form a new limited liability company, Origen Financial Services, LLC (the "LLC"). We contributed cash of \$0.5 million toward the formation of the limited liability company. The LLC purchased the origination platform of Origen. The purpose of the venture is to originate manufactured housing installment contracts for its Members thereby eliminating the need for us to become licensed to originate loans in each of the 18 states in which we do business. We own 25.0 percent of the LLC as of June 30, 2009, and the investment is accounted for using the equity method of accounting. We recorded an insignificant amount of losses associated with our equity allocation of the LLC's financial results for the three months ended June 30, 2009. We recorded losses of \$0.1 million associated with our equity allocation of the LLC's financial results for the six months ended June 30, 2009.

7. Debt and Lines of Credit

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

	June 30, 2009	December 31, 2008
Collateralized term loans - CMBS, due July 1, 2011-2016 interest at 4.9-5.3% as of June 30, 2009 and December 31, 2008.	\$ 475,118	\$ 478,907
Collateralized term loans - FNMA, due May 1, 2014 and January 1, 2015, interest at 3.9 - 5.2% and 4.5 - 5.2% as of June 30, 2009 and December 31, 2008, respectively.	375,590	377,651
Preferred OP Units, redeemable at various dates from December 1, 2009 through January 5, 2014, average interest at 6.8% as of June 30, 2009 and December 31, 2008.	48,947	49,447
Secured borrowing, maturing at various dates from May 30, 2010 through April 25, 2030, average interest at 10.7% and 10.1% as of June 30, 2009 and December 31, 2008, respectively (see Note 4).	36,541	26,211
Mortgage notes, other, maturing at various dates from April 1, 2012 through May 1, 2017, average interest at 5.3% and 5.4% as of June 30, 2009 and December 31, 2008, respectively.	214,002	206,936
Total debt	<u>\$ 1,150,198</u>	<u>\$ 1,139,152</u>

7. Debt and Lines of Credit, continued

Collateralized Term Loans

The collateralized term loans totaling \$850.7 million as of June 30, 2009, are secured by 87 properties comprising of 31,199 sites representing approximately \$547.8 million of net book value.

We recently exercised our option to extend the due date of approximately \$152.4 million of secured, variable rate borrowings to May 1, 2014. In connection with this extension, the lender increased the facility fee resulting in an increase of the effective interest rate on the borrowings, which resulted in higher interest expense. We do not believe that the lender had the right to increase the facility fee and have reserved all of our rights with respect to the increased fee. We are considering all of our available remedies to challenge the validity of the increased fee.

Preferred OP Units

Our Operating Partnership had \$13.7 million of Series B-3 Preferred OP Units that were redeemable at various dates from December 1, 2009 through January 1, 2011. In October 2008, our Operating Partnership completed a three year extension on the redemption dates for \$11.9 million of these units; the remaining \$1.8 million of these units mature in accordance with the original agreement.

In January 2009, we redeemed \$0.5 million of the \$1.8 million of the Series B-3 Preferred OP Units.

Secured Borrowing

Since the third quarter of fiscal 2008, we have completed various transactions involving our installment notes. These transactions were recorded as a transfer of financial assets, and the cash proceeds related to these transactions were recorded as a secured borrowing. See Note 4 for additional information regarding our collateralized receivables and secured borrowing transactions.

Mortgage Notes

The mortgage notes totaling \$214.0 million as of June 30, 2009, are collateralized by 19 communities comprising of 6,390 sites representing approximately \$184.8 million of net book value.

During the quarter, we completed a financing of \$18.5 million with Bank of America. The loan has a three year term. The interest rate is 400 basis points over LIBOR, with a minimum rate of 5.0 percent (5.0 percent at June 30, 2009). Proceeds of \$11.2 million were used to repay mortgage notes that matured during the quarter. The remaining proceeds were used to pay down our unsecured line of credit.

In June 2008, we completed a financing of \$27.0 million with Bank of America (formally LaSalle Bank Midwest). The loan has a three year term, with a two year extension at our option. The terms of the loan require interest only payments for the first year, with the remainder of the term being amortized based on a 30 year table. The interest rate is 205 basis points over LIBOR, or prime plus 25 basis points (2.4 percent at June 30, 2009). The proceeds from the financing were used to repay an existing mortgage note of \$4.3 million with the remainder used to pay down our lines of credit.

Lines of Credit

We have an unsecured revolving line of credit facility with a maximum borrowing capacity of \$115.0 million, subject to certain borrowing base calculations. The outstanding balance on the line of credit as of June 30, 2009 and December 31, 2008 was \$81.2 million and \$85.8 million, respectively. In addition, \$3.3 million of availability was used to back standby letters of credit as of June 30, 2009 and December 31, 2008. Borrowings under the line of credit bear an interest rate of LIBOR plus 165 basis points, or prime plus 40 basis points at our option. Prime means for any month, the prevailing "prime rate" as quoted in the Wall Street Journal on last day of such calendar month. The weighted average interest rate on the outstanding borrowings was 2.0 percent as of June 30, 2009. The borrowings under the line of credit mature October 1, 2011 assuming the election of a one year extension that is available at our discretion. As of June 30, 2009 and December 31, 2008, \$30.5 million and \$25.9 million, respectively, were available to be drawn under the facility based on the calculation of the borrowing base at each date.

In March 2009, we entered into a \$10.0 million manufactured home floor plan facility. The floor plan facility has a committed term of one year; thereafter, advances are discretionary and terms are subject to change. The interest rate is 100 basis points over the greater of prime or 6.0 percent (7.0 percent at June 30, 2009). The outstanding balance as of June 30, 2009 was \$3.1 million.

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

7. **Debt and Lines of Credit, continued**

Our \$40.0 million floor plan facility matured on March 1, 2009. As of December 31, 2008, the outstanding balance on the floor plan was \$4.6 million.

As of June 30, 2009, the total of maturities and amortization of debt and lines of credit during the next five years, are as follows (in thousands):

	Maturities and Amortization By Year						
	Total Due	Remainder of 2009	2010	2011	2012	2013	After 5 years
Lines of credit	\$ 84,322	\$ —	\$ 3,140	\$ 81,182	\$ —	\$ —	\$ —
Mortgage loans payable:							
Maturities	988,095	—	—	103,708	31,623	26,788	825,976
Principal amortization	76,615	6,595	14,053	13,859	13,024	13,228	15,856
Preferred OP Units	48,947	470	825	—	4,300	3,345	40,007
Secured borrowing	36,541	710	1,528	1,681	1,849	1,958	28,815
Total	\$ 1,234,520	\$ 7,775	\$ 19,546	\$ 200,430	\$ 50,796	\$ 45,319	\$ 910,654

The most restrictive of our debt agreements place limitations on secured and unsecured borrowings and contain minimum debt service coverage, leverage, distribution and net worth requirements. As of June 30, 2009, we were in compliance with all covenants.

8. **Stockholders' Deficit**

In November 2004, our Board of Directors authorized us to repurchase up to 1,000,000 shares of our common stock. We have 400,000 common shares remaining in the repurchase program. No common shares were repurchased during 2009 or 2008.

In March 2009, our Operating Partnership issued 110,444 Common OP Units to Water Oak, Ltd which were immediately converted to common stock. In May 2009, a holder of Common OP Units converted 1,824 units to common stock.

The vesting requirements for 56,515 restricted shares granted to our employees were satisfied during the six months ended June 30, 2009.

Our shelf registration for up to \$300.0 million of common stock, preferred stock and debt securities expired December 31, 2008. In March 2009, we filed a new shelf registration statement on Form S-3 with the SEC to replace the previous shelf registration for a proposed offering of up to \$300.0 million of our common stock, preferred stock and debt securities. The SEC declared the new shelf registration effective in May 2009.

9. **Other Income**

The components of other income are summarized as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Brokerage commissions	\$ 138	\$ 168	\$ 273	\$ 360
Gain (loss) on sale of land	(4)	2,604	(4)	3,303
Gain (loss) on disposition of assets, net	(128)	74	(111)	87
Other, net	(66)	(17)	(61)	(50)
Total other income (loss)	\$ (60)	\$ 2,829	\$ 97	\$ 3,700

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

10. Segment Reporting

Our consolidated operations can be segmented into Real Property Operations and Home Sales and Rentals. Transactions between our segments are recorded at cost. Seasonal recreational vehicle revenue is included in Real Property Operations' revenues and is approximately \$5.5 million annually. This seasonal revenue is recognized approximately 50% in the first quarter, 6.5% in both the second and third quarters and 37% in the fourth quarter of each fiscal year.

A presentation of segment financial information is summarized as follows (amounts in thousands):

	Three Months Ended June 30, 2009			Six Months Ended June 30, 2009		
	Real Property Operations	Home Sales and Home Rentals	Consolidated	Real Property Operations	Home Sales and Home Rentals	Consolidated
Revenues	\$ 48,497	\$ 13,405	\$ 61,902	\$ 99,496	\$ 26,066	\$ 125,562
Operating expenses/Cost of sales	16,905	9,866	26,771	33,694	19,826	53,520
Net operating income/gross profit	31,592	3,539	35,131	65,802	6,240	72,042
Adjustments to arrive at net income (loss):						
Other revenues	1,309	61	1,370	2,738	256	2,994
General and administrative	(4,900)	(1,816)	(6,716)	(9,066)	(3,642)	(12,708)
Depreciation and amortization	(11,153)	(4,762)	(15,915)	(22,273)	(9,846)	(32,119)
Interest expense	(15,488)	(86)	(15,574)	(30,503)	(151)	(30,654)
Equity loss from affiliates, net	(474)	(43)	(517)	(375)	(115)	(490)
Provision for state income taxes	(146)	—	(146)	(279)	—	(279)
Income (loss) from continuing operations	740	(3,107)	(2,367)	6,044	(7,258)	(1,214)
Loss from discontinued operations	(160)	—	(160)	(332)	—	(332)
Net income (loss)	580	(3,107)	(2,527)	5,712	(7,258)	(1,546)
Less: Net income (loss) attributable to noncontrolling interest	60	(328)	(268)	607	(771)	(164)
Net income (loss) attributable to Sun Communities, Inc.	<u>\$ 520</u>	<u>\$ (2,779)</u>	<u>\$ (2,259)</u>	<u>\$ 5,105</u>	<u>\$ (6,487)</u>	<u>\$ (1,382)</u>

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

10. Segment Reporting, continued

	Three Months Ended June 30, 2008			Six Months Ended June 30, 2008		
	Real Property Operations	Home Sales and Home Rentals	Consolidated	Real Property Operations	Home Sales and Home Rentals	Consolidated
Revenues	\$ 47,655	\$ 13,904	\$ 61,559	\$ 98,004	\$ 26,403	\$ 124,407
Operating expenses/Cost of sales	16,484	10,946	27,430	32,727	20,251	52,978
Net operating income/gross profit	31,171	2,958	34,129	65,277	6,152	71,429
Adjustments to arrive at net income (loss):						
Other revenues	3,640	84	3,724	4,607	1,019	5,626
General and administrative	(4,697)	(1,715)	(6,412)	(8,855)	(3,327)	(12,182)
Depreciation and amortization	(11,553)	(4,658)	(16,211)	(22,859)	(9,213)	(32,072)
Interest expense	(15,330)	(84)	(15,414)	(31,515)	(123)	(31,638)
Equity loss from affiliates, net	(7,720)	—	(7,720)	(12,550)	—	(12,550)
Benefit (provision) for state income taxes	(128)	—	(128)	107	—	107
Income (loss) from continuing operations	(4,617)	(3,415)	(8,032)	(5,788)	(5,492)	(11,280)
Loss from discontinued operations	(270)	—	(270)	(511)	—	(511)
Net income (loss)	(4,887)	(3,415)	(8,302)	(6,299)	(5,492)	(11,791)
Less: Net income (loss) attributable to noncontrolling interest	(1,095)	161	(934)	(709)	(619)	(1,328)
Net income (loss) attributable to Sun Communities, Inc.	\$ (3,792)	\$ (3,576)	\$ (7,368)	\$ (5,590)	\$ (4,873)	\$ (10,463)

	June 30, 2009			December 31, 2008		
	Real Property Operations	Home Sales and Home Rentals	Consolidated	Real Property Operations	Home Sales and Home Rentals	Consolidated
Identifiable assets:						
Investment property, net	\$ 938,811	\$ 142,162	\$ 1,080,973	\$ 954,196	\$ 144,824	\$ 1,099,020
Cash and cash equivalents	4,493	132	4,625	6,138	24	6,162
Inventory of manufactured homes	—	3,426	3,426	—	3,342	3,342
Investment in affiliate	2,925	357	3,282	3,300	472	3,772
Notes and other receivables	60,829	3,989	64,818	52,697	4,784	57,481
Other assets	32,822	2,284	35,106	34,744	2,408	37,152
Assets of discontinued operations	19	—	19	70	—	70
Total assets	\$ 1,039,899	\$ 152,350	\$ 1,192,249	\$ 1,051,145	\$ 155,854	\$ 1,206,999

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

11. Derivative Instruments and Hedging Activities

Our objectives in using interest rate derivatives are to add stability to interest expense, manage exposure to interest rate movements, and minimize the variability that changes in interest rates could have on future cash flows. Interest rate swaps and caps are used to accomplish this objective. We require hedging derivative instruments to be highly effective in reducing the risk exposure that they are designated to hedge. We formally designate any instrument that meets these hedging criteria as a hedge at the inception of the derivative contract.

As of June 30, 2009, we had five derivative contracts consisting of four interest rate swap agreements with a total notional amount of \$95.0 million and an interest rate cap agreement with a notional amount of \$152.4 million. We generally employ derivative instruments that effectively convert a portion of our variable rate debt to fixed rate debt and to cap the maximum interest rate on certain variable rate borrowings. We do not enter into derivative instruments for speculative purposes.

The following table provides the terms of our interest rate derivative contracts that were in effect as of June 30, 2009:

Type	Purpose	Effective Date	Maturity Date	Notional (in millions)	Based on	Variable Rate %	Fixed Rate %	Spread %	Effective Fixed Rate %
Swap	Floating to Fixed Rate	09/04/02	07/03/09	25.0	3 Month LIBOR	1.177%	4.260%	2.000%	6.260%
Swap	Floating to Fixed Rate	09/04/02	07/03/12	25.0	3 Month LIBOR	1.177%	4.700%	2.000%	6.700%
Swap	Floating to Fixed Rate	01/02/09	01/02/14	20.0	3 Month LIBOR	1.192%	2.145%	2.000%	4.145%
Swap	Floating to Fixed Rate	02/13/09	02/13/11	25.0	1 Month LIBOR	0.319%	1.570%	2.050%	3.620%
Cap	Cap Floating Rate	04/28/09	05/01/12	152.4	3 Month LIBOR	1.590%	11.000%	0.000%	N/A

Our financial derivative instruments are designated and qualify as cash flow hedges and the effective portion of the gain or loss on such hedges are reported as a component of accumulated other comprehensive loss ("AOCL") in our Consolidated Balance Sheets. To the extent that the hedging relationship is not effective, the ineffective portion is recorded in interest expense. Hedges that received designated hedge accounting treatment are evaluated for effectiveness at the time that they are designated as well as through the hedging period.

In accordance with SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133"), we have recorded the fair value of our derivative instruments designated as cash flow hedges on the balance sheet. See Note 15 for information on the determination of fair value for the derivative instruments. The following table summarizes the fair value of derivative instruments included in our Consolidated Balance Sheets as of June 30, 2009 and December 31, 2008 (in thousands):

	Asset Derivatives				Liability Derivatives			
	Balance Sheet Location	Fair Value		Balance Sheet Location	Fair Value			
		June 30, 2009	December 31, 2008		June 30, 2009	December 31, 2008		
Derivatives designated as hedging instruments under SFAS 133								
Interest rate swaps and cap agreement	Other assets	\$ 607	\$ —	Other liabilities	\$ 2,135	\$ 2,865		
Total derivatives designated as hedging instruments under SFAS 133		\$ 607	\$ —		\$ 2,135	\$ 2,865		

These valuation adjustments will only be realized under certain situations. For example, if we terminate the swaps prior to maturity or if the derivatives fail to qualify for hedge accounting, then we would need to amortize amounts currently included in other comprehensive loss into interest expense over the terms of the derivative contracts. We do not intend to terminate the swaps prior to maturity and, therefore, the net of valuation adjustments through the various maturity dates will approximate zero, unless the derivatives fail to qualify for hedge accounting.

11. Derivative Instruments and Hedging Activities, continued

Our hedges were highly effective and had minimal effect on income. The following table summarizes the impact of derivative instruments for the three months ended June 30, 2009 and 2008 as recorded in the Consolidated Statements of Operations (in thousands):

Derivatives in SFAS 133 cash flow hedging	Amount of Gain or (Loss) Recognized in AOCL (Effective Portion)		Location of Gain or (Loss) Reclassified from AOCL into Income (Effective Portion)	Amount of Gain or (Loss) Reclassified from AOCL into Income (Effective Portion)		Location of Gain or (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)	Amount of Gain or (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)	
	Three Months Ended June 30,			Three Months Ended June 30,			Three Months Ended June 30,	
	2009	2008		2009	2008		2009	2008
Interest rate swaps and cap agreement	\$ 1,330	\$ 1,348	Interest expense	\$ —	\$ —	Interest expense	\$ 9	\$ 6
Total	\$ 1,330	\$ 1,348	Total	\$ —	\$ —	Total	\$ 9	\$ 6

The following table summarizes the impact of derivative instruments for the six months ended June 30, 2009 and 2008 as recorded in the Consolidated Statements of Operations (in thousands):

Derivatives in SFAS 133 cash flow hedging	Amount of Gain or (Loss) Recognized in AOCL (Effective Portion)		Location of Gain or (Loss) Reclassified from AOCL into Income (Effective Portion)	Amount of Gain or (Loss) Reclassified from AOCL into Income (Effective Portion)		Location of Gain or (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)	Amount of Gain or (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)	
	Six Months Ended June 30,			Six Months Ended June 30,			Six Months Ended June 30,	
	2009	2008		2009	2008		2009	2008
Interest rate swaps and cap agreement	\$ 1,326	\$ (68)	Interest expense	\$ —	\$ —	Interest expense	\$ 12	\$ 2
Total	\$ 1,326	\$ (68)	Total	\$ —	\$ —	Total	\$ 12	\$ 2

Certain of our derivative instruments contain provisions that require us to provide ongoing collateralization on derivative instruments in a liability position. As of June 30, 2009 and December 31, 2008, we had collateral deposits recorded in other assets of \$3.0 million and \$4.4 million, respectively.

12. Income Taxes

We have elected to be taxed as a real estate investment trust ("REIT") as defined under Section 856(c) of the Internal Revenue Code of 1986, as amended. In order for us to qualify as a REIT, at least ninety-five percent (95%) of our gross income in any year must be derived from qualifying sources. In addition, a REIT must distribute at least ninety percent (90%) of its REIT ordinary taxable income to its stockholders.

Qualification as a REIT involves the satisfaction of numerous requirements (some on an annual and quarterly basis) established under highly technical and complex Code provisions for which there are only limited judicial or administrative interpretations, and involves the determination of various factual matters and circumstances not entirely within our control. In addition, frequent changes occur in the area of REIT taxation which requires us to continually monitor our tax status. We analyzed the various REIT tests and confirmed that we continued to qualify as a REIT for the quarter ended June 30, 2009.

As a REIT, we generally will not be subject to U.S. federal income taxes at the corporate level on the ordinary taxable income we distribute to our stockholders as dividends. If we fail to qualify as a REIT in any taxable year, our taxable income will be subject to U.S. federal income tax at regular corporate rates (including any applicable alternative minimum tax). Even if we qualify as a REIT, we may be subject to certain state and local income taxes and to U.S. federal income and excise taxes on our undistributed income.

12. Income Taxes, continued

SHS, our taxable REIT subsidiary, is subject to U.S. federal income taxes. Our deferred tax assets and liabilities reflect the impact of temporary differences between the amounts of assets and liabilities for financial reporting purposes and the bases of such assets and liabilities as measured by tax laws. Deferred tax assets are reduced, if necessary, by a valuation allowance to the amount where realization is more likely than not assured after considering all available evidence. Our temporary differences primarily relate to net operating loss carryforwards and depreciation. A federal deferred tax asset of \$1.0 million is included in other assets in our Consolidated Balance Sheets as of June 30, 2009 and December 31, 2008.

We had no unrecognized tax benefits as defined by FASB Interpretation No. 48 "Accounting for Uncertainty in Income Taxes-An Interpretation of FASB Statement No. 109" as of June 30, 2009 and 2008. We expect no significant increases or decreases in unrecognized tax benefits due to changes in tax positions within one year of June 30, 2009.

We classify certain state taxes as income taxes for financial reporting purposes in accordance with SFAS No. 109, "Accounting for Income Taxes" ("SFAS 109"). We record the Michigan Business Tax and Texas Margin Tax as income taxes in our financial statements. The provision for state income taxes was approximately \$0.2 million and \$0.1 million for the three months ended June 30, 2009 and 2008, respectively. We recorded a provision for state income taxes of approximately \$0.3 million and a benefit of approximately \$0.1 million in the six months ended June 30, 2009 and 2008, respectively.

A deferred tax liability is included in our Consolidated Balance Sheets of \$0.5 million, as of June 30, 2009 and December 31, 2008, in relation to the Michigan Business Tax Act. No deferred tax liability is recorded in relation to the Texas Margin Tax as of June 30, 2009 and December 31, 2008.

We and our subsidiaries are subject to income taxes in the U.S. and various state jurisdictions. Tax regulations within each jurisdiction are subject to the interpretation of the related tax laws and regulations and require significant judgment to apply. With few exceptions, we are no longer subject to U.S. Federal, State and Local, examinations by tax authorities before 2004.

Our policy is to report penalties and tax-related interest expense as a component of income tax expense. No interest or penalty associated with any unrecognized tax benefit was accrued, nor was any interest or penalty recognized during the six months ended June 30, 2009.

13. Noncontrolling Interest in Operating Partnership

The noncontrolling interest in our Operating Partnership consists of approximately 2.2 million Common Operating Partnership Units ("Common OP Units"). Holders of Common OP Units receive dividend distributions on a 1:1 ratio to the dividend distributions provided to common shareholders. During fiscal year 2008, the net equity position of the Common OP Units declined below zero due to accumulated distributions in excess of allocated accumulated earnings (losses). We accounted for our noncontrolling equity interest in accordance with the guidance in EITF No. 95-7, "Implementation Issues Related to the Treatment of Minority Interests in Certain Real Estate Investment Trusts" ("EITF 95-7"). We recognized the net equity position as a zero balance within the Consolidated Balance Sheets since there was no legal obligation for the unit holders to restore deficit capital accounts, and the deficit balance was charged to our Consolidated Statements of Operations.

In December 2007 the FASB issued SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements, an Amendment of ARB 51" ("SFAS 160"), which nullified EITF 95-7. SFAS 160 was effective on a prospective basis for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008, except for the presentation and disclosure requirements, which apply retrospectively. We applied the provisions of SFAS 160 beginning January 1, 2009. SFAS 160 required that losses be allocated to the noncontrolling interest even when such allocation results in a deficit balance, reducing the losses attributed to the controlling interest.

We provided dividend distributions and allocated a proportionate share of our net loss to holders of Common OP Units for the three and six months ended June 30, 2009. The dividend distributions and the proportionate share of our net loss were recorded as a deficit balance to the equity position of the noncontrolling interest in our Consolidated Balance Sheets as of June 30, 2009. Prior to the adoption of SFAS 160, we would have been required to record the deficit balance to the Consolidated Statements of Operations as a charge to noncontrolling interest dividend distributions.

The provisions of SFAS 160 require that if an entity's results are different due to the adoption of the new guidance that the entity must disclose selected pro forma financial information as if the deficit balance continued to be charged our Consolidated Statements of Operations.

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

13. Noncontrolling Interest in Operating Partnership, continued

If we had recorded the deficit balance to our Consolidated Statement of Operations, the result would have been an additional net loss of approximately \$1.4 million and \$2.8 million for the three and six months ended June 30, 2009, respectively. The additional net loss would not impact the calculation of diluted shares outstanding. We would not include the impact of dilutive securities to the calculation of loss per share since the inclusion of dilutive securities in a net loss period would reduce the net loss per share.

Our proforma results for the three and six months ended June 30, 2009 are as follows (in thousands):

	<u>Three Months Ended June 30, 2009</u>	<u>Six Months Ended June 30, 2009</u>
Loss from continuing operations	\$ (2,367)	\$ (1,214)
Loss from discontinued operations	(160)	(332)
Net loss	(2,527)	(1,546)
Noncontrolling interest dividend distributions	(1,378)	(2,756)
Net loss attributable to Sun Communities, Inc.	<u>\$ (3,905)</u>	<u>\$ (4,302)</u>
Basic and diluted weighted average common shares outstanding	<u>18,469</u>	<u>18,399</u>
Basic and diluted loss per share	<u>\$ (0.21)</u>	<u>\$ (0.23)</u>

14. Loss Per Share

We have outstanding stock options and unvested restricted shares, and our Operating Partnership has Common OP Units, and convertible Preferred OP Units, which if converted or exercised, may impact dilution. On January 1, 2009, we adopted FSP EITF 03-6-1, which addressed whether instruments granted in share-based payment transactions were participating securities prior to vesting and, therefore, needed to be included in earnings allocation in computing basic earnings per share under the two-class method. Our unvested restricted shares qualified as participating securities as defined by FSP EITF 03-6-1. We adjusted our calculation of basic and diluted earnings per share ("EPS") to conform to the guidance provided in FSP EITF 03-6-1, which also required retrospective application for all periods presented. FSP 03-6-1 did not affect per share amounts for the three and six months ended June 30, 2009 and 2008, because we reported net losses in these periods.

Computations of basic and diluted EPS from continuing operations calculated in accordance with SFAS No. 128 "Earnings per Share" and FSP 03-6-1 were as follows (in thousands, except per share data):

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Numerator				
Net loss from continuing operations attributable to common stockholders	<u>\$ (2,116)</u>	<u>\$ (7,129)</u>	<u>\$ (1,085)</u>	<u>\$ (10,010)</u>
Denominator				
Basic weighted average common shares outstanding	18,469	18,162	18,399	18,119
Add: dilutive securities	—	—	—	—
Diluted weighted average common shares	<u>18,469</u>	<u>18,162</u>	<u>18,399</u>	<u>18,119</u>
Basic and diluted loss per share from continuing operations available to common stockholders	<u>\$ (0.11)</u>	<u>\$ (0.39)</u>	<u>\$ (0.05)</u>	<u>\$ (0.55)</u>

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

14. Loss Per Share, continued

We excluded securities from the computation of diluted EPS because the inclusion of these securities would have been anti-dilutive for the periods presented. The following table presents the number of outstanding potentially dilutive securities that were excluded from the computation of diluted EPS as of June 30, 2009 and 2008 (amounts in thousands):

	June 30,	
	2009	2008
Stock options	205	214
Unvested restricted stock	120	221
Common OP Units	2,186	2,301
Convertible Preferred OP Units	526	526
Total securities	3,037	3,262

The figures above represent the total number of potentially dilutive securities, and do not reflect the incremental impact to the number of diluted weighted average shares outstanding that would be computed if the impact to us had been dilutive to the calculation of earnings (loss) per share available to common stockholders.

15. Fair Value of Financial Instruments

Our financial instruments consist primarily of cash and cash equivalents, accounts and notes receivable, accounts payable, derivative instruments, and debt. We utilize fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

Derivative Instruments

The derivative instruments held by us are interest rate swaps and cap agreements for which quoted market prices are indirectly available. For those derivatives, we use model-derived valuations in which all observable inputs and significant value drivers are observable in active markets provided by brokers or dealers to determine the fair values of derivative instruments on a recurring basis.

Installment Notes on Manufactured Homes

The net carrying value of the installment notes on manufactured homes reasonably estimates the fair value of the underlying collateral (manufactured home) which would be placed into service for use in our Rental Program.

Long Term Debt and Lines of Credit

The fair value of long term debt (excluding the secured borrowing) is based on the estimates of management and on rates currently quoted and rates currently prevailing for comparable loans and instruments of comparable maturities.

Collateralized Receivables and Secured Borrowing

The fair value of these financial instruments offset each other as our collateralized receivables represent a transfer of financial assets and the cash proceeds received from these transactions have been classified as a secured borrowing in the Consolidated Balance Sheets

Other Financial Instruments

The carrying values of cash and cash equivalents, accounts receivable, and accounts payable approximate their fair market values due to the short-term nature of these instruments.

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

15. Fair Value of Financial Instruments, continued

The table below sets forth our financial assets and liabilities that required disclosure of their fair values on a recurring basis as of June 30, 2009. The table presents the carrying values and fair values of our financial instruments as of June 30, 2009 that were measured using the valuation techniques described above. The table does not include financial instruments with maturities less than one year because the carrying values associated with these instruments approximate fair value.

	June 30, 2009	
	Carrying Value	Fair Value
Financial assets		
Derivative instruments	\$ 607	\$ 607
Installment notes on manufactured homes	20,146	20,146
Collateralized receivables	36,412	—
Financial liabilities		
Derivative instruments	\$ 2,135	\$ 2,135
Long term debt (excluding secured borrowing)	1,113,657	1,054,309
Secured borrowing	36,541	—
Lines of credit	84,323	84,323

SFAS No. 157, "Fair Value Measurements" ("SFAS 157") establishes a fair value hierarchy that requires the use of observable market data, when available, and prioritizes the inputs to valuation techniques used to measure fair value in the following categories:

Level 1—Quoted unadjusted prices for identical instruments in active markets.

Level 2—Quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model-derived valuations in which all observable inputs and significant value drivers are observable in active markets.

Level 3—Model derived valuations in which one or more significant inputs or significant value drivers are unobservable, including assumptions developed by us.

The table below sets forth, by level, our financial assets and liabilities that were required to be carried at fair value in the Consolidated Balance Sheets as of June 30, 2009.

	Total Fair Value	Level 1	Level 2	Level 3
Assets				
Derivative instruments	\$ 607	\$ —	\$ 607	\$ —
Total assets	\$ 607	\$ —	\$ 607	\$ —
Liabilities				
Derivative instruments	2,135	—	2,135	—
Total liabilities	\$ 2,135	\$ —	\$ 2,135	\$ —

16. Recent Accounting Pronouncements

Accounting Standards Adopted in 2009

In February 2008, the FASB issued Staff Position No. FAS 157-2 which provided for a one-year deferral of the effective date of SFAS No. 157, "Fair Value Measurements" ("SFAS 157") for non-financial assets and liabilities that are recognized or disclosed at fair value in the financial statements on a non-recurring basis. The adoption of SFAS 157 as it pertains to non-financial assets and liabilities did not have a material impact on our results of operations or financial position as we have not elected the fair value option for any of our non-financial assets or liabilities.

In December 2007, the FASB issued Statement No. 141R (revised 2007), "Business Combinations" ("SFAS 141R"). SFAS 141R significantly changed the accounting for business combinations. Under SFAS 141R, an acquiring entity is required to recognize all the assets acquired and liabilities assumed in a transaction at the acquisition-date fair value with limited exceptions. SFAS 141R changed the accounting treatment for certain specific acquisition related items and also included a substantial number of new disclosure requirements. SFAS 141R was effective for business combinations for which the acquisition date is on or after the first annual reporting period beginning on or after December 15, 2008. We will apply SFAS 141R prospectively to business combinations for which the acquisition date is on or after January 1, 2009.

In December 2007 the FASB issued SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements, an Amendment of ARB 51" ("SFAS 160"), which amended Accounting Research Bulletin (ARB) No. 51, "Consolidated Financial Statements", to establish new standards that govern the accounting for and reporting of noncontrolling interests in partially owned consolidated subsidiaries and the loss of control of subsidiaries. Also, SFAS 160 required that: (1) noncontrolling interest, previously referred to as minority interest, be reported as part of equity in the Consolidated Financial Statements; (2) losses be allocated to the noncontrolling interest even when such allocation might result in a deficit balance, reducing the losses attributed to the controlling interest; (3) changes in ownership interests be treated as equity transactions if control is maintained; (4) upon a loss of control, any gain or loss on the interest sold be recognized in earnings; and (5) the noncontrolling interest's share be recorded at the fair value of net assets acquired, plus its share of goodwill. SFAS 160 was effective on a prospective basis for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008, except for the presentation and disclosure requirements, which apply retrospectively. The adoption of SFAS 160 resulted in an impact on the presentation of noncontrolling interest in our Consolidated Financial Statements and related notes. See Note 13 for additional information regarding the impact of adopting SFAS 160 on our results of operations and financial position.

In March 2008, the FASB issued SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities" ("SFAS 161"), an amendment of FASB Statement No. 133 "Accounting for Derivative Instruments and Hedging Activities". SFAS 161 provided for enhanced disclosures about how and why an entity uses derivatives and how and where those derivatives and related hedged items are reported in the entity's financial statements. The statement was effective for fiscal years and interim periods beginning after November 15, 2008. Because SFAS 161 impacted the disclosure requirements, and not the accounting treatment for derivative instruments and related hedged items, the adoption of SFAS 161 did not impact our results of operations or financial condition. See Note 11 for disclosures regarding our derivative instruments and hedging activities.

In April 2008, the FASB issued FSP No. FAS 142-3, "Determination of the Useful Life of Intangible Assets" ("FSP FAS 142-3"). FSP FAS 142-3 amended the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under SFAS No. 142, "Goodwill and Other Intangible Assets". FSP FAS 142-3 is intended to improve the consistency between the useful life of an intangible asset determined under SFAS 142 and the period of expected cash flows used to measure the fair value of the asset under SFAS 141R, and other U.S. generally accepted accounting principles. The FSP is effective for financial statements issued for fiscal years and interim periods beginning after December 15, 2008, and is applied prospectively to intangible assets acquired after the effective date. We will apply FSP FAS 142-3 prospectively to material intangible assets for which the acquisition date is on or after January 1, 2009. Disclosure requirements are applied prospectively to all material intangible assets recognized as of, and subsequent to, the effective date.

In May 2008 the FASB ratified FSP No. APB 14-1, "Accounting for Convertible Debt Instruments That May Be Settled in Cash Upon Conversion (Including Partial Cash Settlement)" ("FSP APB 14-1"), which required issuers of convertible debt securities within its scope to separate these securities into a debt component and an equity component, resulting in the debt component being recorded at fair value without consideration given to the conversion feature. Issuance costs were also allocated between the debt and equity components. FSP APB 14-1 required that convertible debt within its scope reflect a company's nonconvertible debt borrowing rate when interest expense is recognized. FSP APB 14-1 was effective fiscal years and interim periods beginning after December 15, 2008, and applies retrospectively to all prior periods. The adoption of FSP No. APB 14-1 did not have an impact on our results of operations or financial condition because the conversion feature associated with our convertible debt instrument does not provide for any cash settlement.

16. Recent Accounting Pronouncements, continued

In June 2008, the FASB issued FSP No. Emerging Issues Task Force ("EITF") 03-6-1, "Determining Whether Instruments Granted in Share-Based Payment Transactions are Participating Securities" ("FSP EITF 03-6-1"). FSP EITF 03-6-1 clarified that invested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are participating securities and are to be included in the computation of earnings per share under the two-class method described in SFAS No. 128, "Earnings Per Share" ("SFAS 128"). FSP EITF 03-6-1 was effective for fiscal years beginning after December 15, 2008 and required that all presented prior-period earnings per share data to be adjusted retrospectively. The adoption of FSP EITF 03-6-1 did not have a significant impact on our results of operations or financial condition, but resulted in a change to the calculation of basic and diluted earnings (loss) per share. See Note 14 for additional information regarding the impact of adopting FSP EITF 03-6-1 on the calculation of earnings (loss) per share.

In November 2008, the Emerging Issues Task Force issued EITF No. 08-6, "Equity Method Investment Accounting Considerations" ("EITF 08-6") which addressed how the initial carrying value of an equity method investment should be determined, how an impairment assessment of an underlying indefinite-lived intangible asset of an equity method investment should be performed, how an equity method investee's issuance of shares should be accounted for, and how to account for a change in an investment from the equity method to the cost method. EITF 08-6 was effective for fiscal years and interim periods beginning after December 15, 2008 and is applied prospectively. Earlier application was prohibited. The adoption of EITF 08-6 did not have any impact on our results of operations or financial condition.

In December 2008, the FASB issued FSP FAS No. 140-4 and FIN No. 46R-8, "Disclosures about Transfers of Financial Assets and Interests in Variable Interest Entities: An Amendment to FASB Statement No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities" ("FSP FAS 140-4 and FIN 46R-8"). FSP FAS 140-4 and FIN 46R-8 required public entities to provide additional disclosures about transfers of financial assets. It also amended FASB Interpretation No. 46, "Consolidation of Variable Interest Entities", to require public enterprises to provide additional disclosures about their involvement with VIEs. Additionally, this FSP required certain disclosures to be provided by a public enterprise that is a sponsor that has a variable interest in a VIE and an enterprise that holds a significant variable interest in a QSPE but was not the transferor of financial assets to the QSPE. The disclosures were intended to provide greater transparency to financial statement users about a transferor's continuing involvement with transferred financial assets and enterprise's involvement with VIEs. FSP FAS 140-4 and FIN 46R-8 were effective for the first reporting period ending after December 15, 2008. Because FSP FAS 140 140-4 and FIN 46R-8 impacted the disclosure (and not the accounting treatment) for transferred financial assets and consolidation of VIEs, the adoption of this FSP did not have an impact on our results of operations or financial condition. See Note 4 for disclosures regarding our transfer of financial assets and related secured borrowing obligation.

In April 2009, the FASB issued FSP FAS 107-1 and APB 28-1, "Interim Disclosures about Fair Value of Financial Instruments" ("FASP FAS 107-1 and APB 28-1"). FSP SFAS 107-1 and APB 28-1 relate to fair value disclosures for any financial instruments that were not currently reflected on the balance sheet at fair value. Prior to the issuance of FSP SFAS 107-1 and APB 28-1, fair values for these assets and liabilities were only disclosed once a year. FSP SFAS 107-1 and APB 28-1 require these disclosures on a quarterly basis, providing qualitative and quantitative information about fair value estimates for all those financial instruments not measured on the balance sheet at fair value. FASP FAS 107-1 and APB 28-1 were effective for interim periods ending after June 15, 2009 and apply prospectively. Because FSP SFAS 107-1 and APB 28-1 impacted the disclosure requirements, and not the accounting treatment for the fair value of financial instruments, the adoption of FSP SFAS 107-1 and APB 28-1 did not impact our results of operations or financial condition. See Note 15 for disclosures regarding the fair value of financial instruments.

In May 2009, the FASB issued SFAS No. 165, "Subsequent Events" ("SFAS 165"). SFAS 165 established principles and requirements for evaluating and reporting subsequent events and distinguishes which subsequent events should be recognized in the financial statements versus which subsequent events should be disclosed in the financial statements. SFAS 165 also required disclosure of the date through which subsequent events are evaluated by management. SFAS 165 was effective for interim periods ending after June 15, 2009 and applies prospectively. Because SFAS 165 impacted the disclosure requirements, and not the accounting treatment for subsequent events, the adoption of SFAS 165 did not impact our results of operations or financial condition. See Note 18 for disclosures regarding our subsequent events.

16. Recent Accounting Pronouncements, continued

Accounting Standards to be Adopted

In June 2009, the FASB issued SFAS No. 166, "Accounting for Transfers of Financial Assets, an amendment of FASB Statement No. 140" ("SFAS 166"). SFAS 166 removes the concept of a qualifying special-purpose entity and eliminates the exception for qualifying special-purpose entities from consolidation guidance. In addition, SFAS 166 establishes specific conditions for reporting a transfer of a portion of a financial asset as a sale. If the transfer does not meet established sale conditions, sale accounting can be achieved only if the transferor transfers an entire financial asset or a group of entire financial assets and surrenders control over the entire transferred asset(s). SFAS 166 is effective for fiscal years beginning after November 15, 2009. We are currently evaluating the potential impact, if any, of the adoption of SFAS 166 on our results of operations or financial condition.

In June 2009, the FASB issued SFAS No. 167, "Amendments to FASB Interpretation No. 46(R)" ("SFAS 167"). This Statement amends FIN 46(R) to require an enterprise to perform an analysis to determine whether the enterprise's variable interest or interests give it a controlling financial interest in a variable interest entity. This analysis identifies the primary beneficiary of a variable interest entity as the enterprise that has both of the following characteristics, among others: (a) the power to direct the activities of a variable interest entity that most significantly impact the entity's economic performance and (b) the obligation to absorb losses of the entity, or the right to receive benefits from the entity, that could potentially be significant to the variable interest entity. Under SFAS 167, ongoing reassessments of whether an enterprise is the primary beneficiary of a variable interest entity are required. SFAS 167 is effective as of the beginning of an entity's first annual reporting period that begins after November 15, 2009. We are currently evaluating the potential impact, if any, of the adoption of SFAS 167 on our results of operations or financial condition.

In June 2009, the FASB issued SFAS No. 168, "The FASB Accounting Standards CodificationTM and the Hierarchy of Generally Accepted Accounting Principles – a replacement of FASB Statement No. 162" ("SFAS 168"). SFAS 168 modifies the hierarchy to include only two levels of GAAP: authoritative and non-authoritative. All of the content included in the FASB Accounting Standards CodificationTM (the "Codification") will be considered authoritative. SFAS 168 is not intended to amend GAAP but codifies previous accounting literature. SFAS 168 is effective for financial statements issued for interim and annual periods ending after September 15, 2009. SFAS 168 is effective for our third quarter 2009 Consolidated Financial Statements and we will change the referencing of authoritative accounting literature to conform to the Codification.

17. Commitments and 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), filed a complaint against us, SunChamp, certain other of our affiliates, including two of our directors, 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. We believe 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 March 13, 2007, the Michigan Court of Appeals issued an order compelling arbitration of all claims brought in the North Carolina case. TJ Holdings has filed an application for review in the Michigan Supreme Court which has been denied and, accordingly, the North Carolina case is permanently stayed. TJ Holdings has now filed an arbitration demand in Southfield, Michigan based on the same claims. We intend to vigorously defend against the allegations.

18. Subsequent Events

We have evaluated our financial statements through the date the financial statements were issued, August 7, 2009, for subsequent events.

- § On July 8, 2009, we completed a transaction of \$5.1 million involving our installment notes. This transaction was recorded as a transfer of financial assets, and the cash proceeds related to this transaction were recorded as a secured borrowing. See Note 4 for additional information regarding our collateralized receivables and secured borrowing transactions.
- § On July 23, 2009, aggregate dividends, distributions and dividend equivalents of \$13.1 million were made to common stockholders, common OP unitholders, and restricted stock holders of record on July 13, 2009.

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

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, along with our 2008 Annual Report. Capitalized terms are used as defined elsewhere in this Form 10-Q.

OVERVIEW

We are a self-administered and self-managed real estate investment trust, or REIT. We own, operate, and develop manufactured housing communities concentrated in the midwestern, southern, and southeastern United States. We are fully integrated real estate companies which, together with our affiliates and predecessors, have been in the business of acquiring, operating, and expanding manufactured housing communities since 1975. As June 30, 2009, we owned and operated a portfolio of 136 properties located in 18 states (the "Properties" or "Property"), including 124 manufactured housing communities, 4 recreational vehicle communities, and 8 properties containing both manufactured housing and recreational vehicle sites. As of June 30, 2009, the Properties contained an aggregate of 47,594 developed sites comprised of 42,300 developed manufactured home sites and 5,294 recreational vehicle sites and an additional 6,081 manufactured home sites suitable for development. We lease individual parcels of land ("sites") with utility access for placement of manufactured homes ("MHs") and recreational vehicles ("RVs") to our customers. The Properties are designed to offer affordable housing to individuals and families, while also providing certain amenities.

We are engaged through a taxable subsidiary, SHS, in the marketing, selling, and leasing of new and pre-owned homes to current and future residents in our communities. The operations of SHS support and enhance our occupancy levels, property performance, and cash flows.

SIGNIFICANT ACCOUNTING POLICIES

We have identified significant accounting policies that, as a result of the judgments, uncertainties, and complexities of the underlying accounting standards and operations involved, could result in material changes to our financial condition or results of operations under different conditions or using different assumptions. Details regarding significant accounting policies are described fully in our 2008 Annual Report.

Recent Accounting Pronouncements

We adopted several new accounting standards in the year beginning January 1, 2009. The adoption of the accounting standards that had an impact on our results of operations and financial condition is discussed below:

The adoption of SFAS 160 resulted in the presentation of noncontrolling interest, previously referred to as minority interest, be reported as a separate component of equity in our Consolidated Financial Statements, and that losses be allocated to the noncontrolling interest even if the allocation resulted in a deficit balance. See Note 13 in the Notes to Consolidated Financial Information for additional information regarding the impact of adopting SFAS 160 on our results of operations and financial position.

The adoption of FSP EITF 03-6-1 did not have a significant impact on our results of operations or financial condition, but resulted in a change to the calculation of basic and diluted earnings (loss) per share. See Note 14 in the Notes to Consolidated Financial Information for additional information regarding the impact of adopting FSP EITF 03-6-1 on the calculation of loss per share.

SUPPLEMENTAL MEASURES

In addition to the results reported in accordance with accounting principles generally accepted in the United States (GAAP), we have provided information regarding Net Operating Income ("NOI") in the following tables. NOI is derived from revenues (determined in accordance with GAAP) minus property operating expenses and real estate taxes (determined in accordance with GAAP). We use NOI as the primary basis to evaluate the performance of our operations. A reconciliation of NOI to net income (loss) attributable to Sun Communities, Inc. is included in "Results of Operations" below.

We believe that NOI is helpful to investors and analysts 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. We use 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, interest expense, 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 our properties rather than of the company overall. We believe that these costs included in net income (loss) often have no effect on the market value of our 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.

NOI should not be considered a substitute for the reported results prepared in accordance with GAAP. NOI should not be considered as an alternative to net income (loss) as an indicator of our financial performance, or to cash flows as a measure of liquidity; nor is it indicative of funds available for our cash needs, including our ability to make cash distributions. NOI, as determined and presented by us, may not be comparable to related or similarly titled measures reported by other companies.

We also provide information regarding Funds From Operations ("FFO"). A definition of FFO and a reconciliation of net loss attributable to Sun Communities, Inc. to FFO are included in the presentation of FFO in "Results of Operations" following the "Comparison of the Six Months ended June 30, 2009 and 2008".

RESULTS OF OPERATIONS

We report operating results under two segments: Real Property Operations and Home Sales and Rentals. The Real Property Operations segment owns, operates, and develops manufactured housing communities concentrated in the midwestern, southern, and southeastern United States and is in the business of acquiring, operating, and expanding manufactured housing communities. The Home Sales and Rentals segment offers manufactured home sales and leasing services to tenants and prospective tenants of our communities. We evaluate segment operating performance based on NOI.

The accounting policies of the segments are the same as those applied in the Consolidated Financial Statements, except for the use of NOI. We may allocate certain common costs, primarily corporate functions, between the segments differently than we would for stand alone financial information prepared in accordance with GAAP. These allocated costs include expenses for shared services such as information technology, finance, communications, legal, and human resources. We do not allocate interest expense and certain other corporate costs not directly associated with the segments' NOI.

COMPARISON OF THE THREE MONTHS ENDED JUNE 30, 2009 AND 2008

REAL PROPERTY OPERATIONS - TOTAL PORTFOLIO

The following tables reflect certain financial and statistical information for all properties owned and operated as of and during the three months ended June 30, 2009 and 2008:

Financial Information (in thousands)	Three Months Ended June 30,			
	2009	2008	Change	% Change
Income from Real Property	\$ 48,497	\$ 47,655	\$ 842	1.8 %
Property operating expenses:				
Payroll and benefits	3,762	3,720	42	1.1 %
Legal, taxes and insurance	890	812	78	9.6 %
Utilities	5,446	5,109	337	6.6 %
Supplies and repairs	2,057	2,053	4	0.2 %
Other	632	620	12	1.9 %
Real estate taxes	4,118	4,170	(52)	-1.2 %
Property operating expenses	16,905	16,484	421	2.6 %
Real Property NOI	\$ 31,592	\$ 31,171	\$ 421	1.4 %

Statistical Information	As of June 30,		
	2009	2008	Change
Number of properties	136	136	—
Developed sites	47,594	47,606	(12)
Occupied sites ⁽¹⁾	38,000	37,883	117
Occupancy % ⁽²⁾	82.4 %	82.4 %	0.0 %
Average monthly rent per site ⁽²⁾	\$ 399	\$ 388	\$ 11
Sites available for development	6,081	6,186	(105)

⁽¹⁾ Occupied sites include manufactured housing and permanent recreational vehicle sites, and exclude seasonal recreational vehicle sites.

⁽²⁾ Occupancy % and average rent relates only to manufactured housing sites, and excludes permanent and seasonal recreational vehicle sites.

NOI increased by \$0.4 million from \$31.2 million to \$31.6 million, or 1.4 percent due to increased revenue of \$0.8 million, partially offset by increased expenses of \$0.4 million. Income from real property consists of three main revenue streams: manufactured home site rent, recreational vehicle site rent, and miscellaneous other property revenues. Revenue from our manufactured home and recreational vehicle portfolio increased by \$0.8 million due to an average rental rate increase of 3.0 percent, and an increase in the number of occupied home sites. Our miscellaneous other property revenues remained constant. Miscellaneous other property revenues primarily consist of revenues from the re-billing of various utility costs to residents, late fees, and returned check fees.

The increased property operating expenses of \$0.4 million was due to two main factors Utility costs, primarily related to water, electricity charges, and rubbish removal (water charges are partially re-billed to the resident), increased \$0.3 million due to increased rates on these services. Property and casualty insurance increased by \$0.1 million due to an increase in reserves for current claims. Other property operating expenses related to payroll and benefits, supply and repairs, legal fees, real estate taxes, and administrative costs (such as postage and advertising) remained relatively flat.

REAL PROPERTY OPERATIONS - SAME SITE

A key management tool we use when evaluating performance and growth of particular properties is a comparison of Same Site communities. The Same Site data may change from time-to-time depending on acquisitions, dispositions, management discretion, significant transactions, or unique situations. The following tables reflect certain financial and statistical information for particular properties owned and operated for the same period in both years as of and for the three months ended June 30, 2009 and 2008:

Financial Information (in thousands)	Three Months Ended June 30,						
	2009		2008		Change	% Change	
Income from real property, net	\$	45,863	\$	45,173	\$	690	1.5 %
Property operating expenses:							
Payroll and benefits		3,761		3,719		42	1.1 %
Legal, taxes and insurance		890		811		79	9.7 %
Utilities, net		3,001		2,819		182	6.5 %
Supplies and repair		2,058		2,054		4	0.2 %
Other		450		419		31	7.4 %
Real estate taxes		4,119		4,170		(51)	-1.2 %
Property operating expenses		14,279		13,992		287	2.1 %
Real property NOI	\$	31,584	\$	31,181	\$	403	1.3 %

Statistical Information	As of June 30,					
	2009	2008	Change			
Number of properties	136	136	—			
Developed sites	47,594	47,606	(12)			
Occupied sites ⁽¹⁾	38,000	37,883	117			
Occupancy % ⁽²⁾	82.4 %	82.4 %	0.0 %			
Average monthly rent per site ⁽²⁾	\$	399	\$	388	\$	11
Sites available for development	5,583	5,688	(105)			

⁽¹⁾ Occupied sites include manufactured housing and permanent recreational vehicle sites, and exclude seasonal recreational vehicle sites.

⁽²⁾ Occupancy % and average rent relates only to manufactured housing sites, and excludes permanent and seasonal recreational vehicle sites.

As indicated above this is an analytical measure used by management to determine the growth of our communities on a year over year basis that may have items classified differently than our GAAP statements.

The primary differences between our total portfolio and same site portfolio are the reclassification of water and sewer revenues from income from real property to utilities to reflect the expenses, net of recovery; and the exclusion of certain corporate items from the same site portfolio.

HOME SALES AND RENTALS

We acquire repossessed manufactured homes (generally, that are within our communities) from lenders at substantial discounts. We lease or sell these value priced homes to current and prospective residents. We also purchase new homes to lease and sell to current and prospective residents. The programs we have established for our customers to lease or buy new and pre-owned homes have helped to stabilize portfolio occupancy.

The following table reflects certain financial and statistical information for our Rental Program as of and for the three months ended June 30, 2009 and 2008 (in thousands, except for certain statistical marked with *):

Financial Information	Three Months Ended June 30,				
	2009	2008	Change	% Change	
Rental home revenue	\$ 5,187	\$ 5,136	\$ 51	1.0%	
Site rent from Rental Program ⁽¹⁾	6,673	6,147	526	8.6%	
Rental Program revenue	11,860	11,283	577	5.1%	
Expenses					
Payroll and commissions	596	554	42	7.6%	
Repairs and refurbishment	1,977	1,846	131	7.1%	
Taxes and insurance	776	702	74	10.5%	
Marketing and other	673	863	(190)	-22.0%	
Rental Program operating and maintenance	4,022	3,965	57	1.4%	
Rental Program NOI	\$ 7,838	\$ 7,318	\$ 520	7.1%	
Statistical Information					
Number of occupied rentals, end of period*	5,780	5,480	300	5.5%	
Investment in occupied rental homes	\$ 180,967	\$ 167,304	\$ 13,663	8.2%	
Number of sold rental homes*	178	156	22	14.1%	
Weighted average monthly rental rate*	\$ 726	\$ 727	\$ (1)	-0.1%	

(1) The renter's monthly payment includes the site rent and an amount attributable to the leasing of the home. The site rent is reflected in the Real Property Operations segment. For purposes of management analysis, the site rent is included in the Rental Program revenue to evaluate the growth and performance of the Rental Program.

NOI increased \$0.5 million from \$7.3 million to \$7.8 million, or 7.1 percent due to increased revenues of approximately \$0.5 million, while expenses were relatively flat. Revenues increased primarily due to an increase in the number of occupied rental homes in the Rental Program as indicated in the table above. Although expenses were flat, total repair and refurbishment costs increased by \$0.1 million due to an increase in the number of homes and moveouts in the Rental Program. Taxes and insurance expenses increased by \$0.1 million as these costs generally increase as the number of homes in the Rental Program increase. These additional costs were offset by reductions in marketing and other costs of \$0.2 million primarily due to a decrease in bad debt expense.

The following table reflects certain financial and statistical information for our Home Sales Program for the three months ended June 30, 2009 and 2008 (in thousands, except for statistical information):

Financial Information	Three Months Ended June 30,			
	2009	2008	Change	% Change
New home sales	\$ 1,064	\$ 2,796	\$ (1,732)	-61.9%
Pre-owned home sales	7,154	5,972	1,182	19.8%
Revenue from home sales	8,218	8,768	(550)	-6.3%
New home cost of sales	917	2,528	(1,611)	-63.7%
Pre-owned home cost of sales	4,927	4,453	474	10.6%
Cost of home sales	5,844	6,981	(1,137)	-16.3%
NOI / Gross profit	\$ 2,374	\$ 1,787	\$ 587	32.8%
Gross profit – new homes	\$ 147	\$ 268	\$ (121)	
Gross margin % – new homes	13.8%	9.6%		4.2%
Gross profit – pre-owned homes	\$ 2,227	\$ 1,519	\$ 708	
Gross margin % – pre-owned homes	31.1%	25.4%		5.7%
Statistical Information				
Home sales volume:				
New home sales	15	41	(26)	-63.4%
Pre-owned home sales	255	223	32	14.3%
Total homes sold	270	264	6	2.3%

Gross profit from home sales increased by \$0.6 million, or 32.8 percent, primarily due to improved profit margins based on a comparable number of total homes sold. Gross profit from pre-owned home sales increased by \$0.7 million offset by decreased gross profit from new home sales of \$0.1 million.

The gross profit margin on new home sales increased from 9.6 percent to 13.8 percent, or 4.2 percent. Although the gross profit margin has increased, the overall gross profit on new home sales declined by \$0.1 million. The decline in new home sales profit was due to a 63.4 percent decline in sales volume.

The gross profit margin on pre-owned home sales increased from 25.4 percent to 31.1 percent, or 5.7 percent. Pre-owned home sales include the sale of homes that have been utilized in our Rental Program. The cost basis of a rental home is depreciated and therefore, the gross profit margin on the sale of these homes increases the longer the home has been in the Rental Program. An increase in the volume of rental home sales is the primary reason for the overall increase in pre-owned home sales and therefore the principal contributor to the increase in gross profit on pre-owned home sales.

OTHER INCOME STATEMENT ITEMS

Other revenues include other income (loss), interest income, and ancillary revenues, net. Other revenues decreased by \$2.3 million, from \$3.7 million to \$1.4 million, or 62.2 percent. This decrease was due to reduced income realized from a gain on sale of land and other assets of \$2.8 million that occurred in the prior year, along with reduced commission and ancillary revenue of \$0.1 million, offset by increased interest income of \$0.6 million. The increase in interest income was primarily due to the additional installment notes recognized in association with the transfer of financial assets that are recorded as collateralized receivables in the Consolidated Balance Sheets. The interest income on these collateralized receivables is offset by the same amount of interest expense recognized on the secured debt recorded in association with this transaction. See Note 4 – Secured Borrowing and Collateralized Receivables for additional information.

General and administrative costs increased by \$0.3 million, from \$6.4 million to \$6.7 million, or 4.7 percent due to increased salary and other compensation costs of \$0.4 million, partially offset by a decrease in other expenses of \$0.1 million. The compensation cost increase is primarily due to an increase in amortization of deferred compensation related to the vesting of restricted stock in May 2009.

Depreciation and amortization costs decreased by \$0.3 million, from \$16.2 million to \$15.9 million, or 1.9 percent primarily due to the reduction of amortization expenses associated with promotional costs.

Interest expense on debt, including interest on mandatorily redeemable debt, increased by \$0.2 million, from \$15.4 million to \$15.6 million, or 1.3 percent due to an increase in expense of \$0.9 million associated with our secured borrowing arrangements, partially offset by a reduction in expense of \$0.7 million mostly related to lower interest rates charged on variable rate debt. The interest expense on our secured borrowing is offset completely by the interest income recognized on our collateralized receivables. See Note 4 – Secured Borrowing and Collateralized Receivables in our Notes to Consolidated Financial Statements included herein for additional information.

Equity loss from affiliates decreased by \$7.2 million, from a loss of \$7.7 million to a loss of \$0.5 million. Our affiliate, Origen, reported losses in the second quarter of 2008 which included charges for impairment, loan loss reserves, and loss on sale of loan portfolio.

Benefit (provision) for state income taxes remained flat with a provision of \$0.1 million based on the effective tax rate in effect used to calculate the deferred tax liability related to the Michigan Business Tax for the three months ended June 30, 2009 and 2008.

The following is a summary of our consolidated financial results which were discussed in more detail in the preceding paragraphs (in thousands):

	Three Months Ended June 30,	
	2009	2008
Revenues	\$ 61,902	\$ 61,559
Operating expenses/Cost of sales	26,771	27,430
NOI/gross profit	35,131	34,129
Adjustments to arrive at net loss:		
Other revenues	1,370	3,724
General and administrative	(6,716)	(6,412)
Depreciation and amortization	(15,915)	(16,211)
Interest expense	(15,574)	(15,414)
Equity loss from affiliates	(517)	(7,720)
Provision for state income taxes	(146)	(128)
Loss from continuing operations	(2,367)	(8,032)
Loss from discontinued operations	(160)	(270)
Net loss	(2,527)	(8,302)
Less: Net loss attributable to noncontrolling interest	(268)	(934)
Net loss attributable to Sun Communities, Inc.	\$ (2,259)	\$ (7,368)

COMPARISON OF THE SIX MONTHS ENDED JUNE 30, 2009 AND 2008

REAL PROPERTY OPERATIONS - TOTAL PORTFOLIO

The following tables reflect certain financial and statistical information for all properties owned and operated as of and during the six months ended June 30, 2009 and 2008:

Financial Information (in thousands)	Six Months Ended June 30,			
	2009	2008	Change	% Change
Income from Real Property	\$ 99,496	\$ 98,004	\$ 1,492	1.5 %
Property operating expenses:				
Payroll and benefits	7,455	7,441	14	0.2 %
Legal, taxes, & insurance	1,664	1,461	203	13.9 %
Utilities	11,496	10,927	569	5.2 %
Supplies and repair	3,251	3,198	53	1.7 %
Other	1,526	1,361	165	12.1 %
Real estate taxes	8,302	8,339	(37)	-0.4 %
Property operating expenses	33,694	32,727	967	3.0 %
Real Property NOI	\$ 65,802	\$ 65,277	\$ 525	0.8 %

Statistical Information	As of June 30,		
	2009	2008	Change
Number of properties	136	136	—
Developed sites	47,594	47,606	(12)
Occupied sites ⁽¹⁾	38,000	37,883	117
Occupancy % ⁽²⁾	82.4 %	82.4 %	0.0 %
Average monthly rent per site ⁽²⁾	\$ 399	\$ 388	\$ 11
Sites available for development	6,081	6,186	(105)

⁽¹⁾ Occupied sites include manufactured housing and permanent recreational vehicle sites, and exclude seasonal recreational vehicle sites.

⁽²⁾ Occupancy % and average rent relates only to manufactured housing sites, and excludes permanent and seasonal recreational vehicle sites.

NOI increased by \$0.5 million from \$65.3 million to \$65.8 million, or 0.8 percent due to increased revenue of \$1.5 million, partially offset by increased expenses of \$1.0 million. Income from real property consists of three main revenue streams: manufactured home site rent, recreational vehicle site rent, and miscellaneous other property revenues. Revenue from our manufactured home and recreational vehicle portfolio increased by \$1.5 million due to an average rental rate increase of 3.0 percent, and an increase in the number of occupied home sites. Our miscellaneous other property revenues remained constant. Miscellaneous other property revenues primarily consist of revenues from the re-billing of various utility costs to residents, late fees, and returned check fees.

The growth in real property operating expenses of \$1.0 million was due to several factors. Property and casualty insurance increased by \$0.2 million due to an increase in reserves for current claims. Utility costs, primarily related to water, electricity charges, and rubbish removal (water charges are partially re-billed to the resident), increased \$0.6 million due to increased rates on these services. Other expenses related to administrative costs such, such advertising and office expenses, increased by \$0.2 million.

REAL PROPERTY OPERATIONS - SAME SITE

A key management tool we use when evaluating performance and growth of particular properties is a comparison of Same Site communities. The Same Site data may change from time-to-time depending on acquisitions, dispositions, management discretion, significant transactions, or unique situations. The following tables reflect certain financial and statistical information for particular properties owned and operated for the same period in both years as of and for the six months ended June 30, 2009 and 2008:

Financial Information (in thousands)	Six Months Ended June 30,			
	2009	2008	Change	% Change
Income from real property, net	\$ 94,012	\$ 92,829	\$ 1,183	1.3 %
Property operating expenses:				
Payroll and benefits	7,455	7,440	15	0.2 %
Legal, taxes, & insurance	1,664	1,460	204	14.0 %
Utilities, net	6,509	6,207	302	4.9 %
Supplies and repair	3,252	3,199	53	1.7 %
Other	1,026	888	138	15.5 %
Real estate taxes	8,303	8,339	(36)	-0.4 %
Property operating expenses	28,209	27,533	676	2.5 %
Real property NOI	\$ 65,803	\$ 65,296	\$ 507	0.8 %

Statistical Information	As of June 30,		
	2009	2008	Change
Number of properties	136	136	—
Developed sites	47,594	47,606	(12)
Occupied sites ⁽¹⁾	38,000	37,883	117
Occupancy % ⁽²⁾	82.4 %	82.4 %	0.0 %
Average monthly rent per site ⁽²⁾	\$ 399	\$ 388	\$ 11
Sites available for development	5,583	5,688	(105)

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

(2) Occupancy % and average rent relates only to manufactured housing sites, and excludes permanent and seasonal recreational vehicle sites.

As indicated above this is an analytical measure used by management to determine the growth of our communities on a year over year basis that may have items classified differently than our GAAP statements.

The primary differences between our total portfolio and same site portfolio are the reclassification of water and sewer revenues from income from real property to utilities to reflect the expenses, net of recovery; and the exclusion of certain corporate items from the same site portfolio.

HOME SALES AND RENTALS

We acquire repossessed manufactured homes (generally, that are within our communities) from lenders at substantial discounts. We lease or sell these value priced homes to current and prospective residents. We also purchase new homes to lease and sell to current and prospective residents. The programs we have established for our customers to lease or buy new and pre-owned homes have helped to stabilize portfolio occupancy.

The following table reflects certain financial and statistical information for our Rental Program as of and for the six months ended June 30, 2009 and 2008 (in thousands, except for certain statistical marked with *):

Financial Information	Six Months Ended June 30,				
	2009	2008	Change	% Change	
Rental home revenue	\$ 10,387	\$ 10,132	\$ 255	2.5 %	
Site rent from Rental Program ⁽¹⁾	13,123	12,128	995	8.2 %	
Rental Program revenue	23,510	22,260	1,250	5.6 %	
Expenses					
Payroll and commissions	1,379	1,077	302	28.0 %	
Repairs and refurbishment	3,968	3,369	599	17.8 %	
Taxes and insurance	1,546	1,393	153	11.0 %	
Marketing and other	1,666	1,592	74	4.6 %	
Rental Program operating and maintenance	8,559	7,431	1,128	15.2 %	
Rental Program NOI	\$ 14,951	\$ 14,829	\$ 122	0.8 %	
Statistical Information					
Number of occupied rentals, end of period*	5,780	5,480	300	5.5 %	
Investment in occupied rental homes	\$ 180,967	\$ 167,304	\$ 13,663	8.2 %	
Number of sold rental homes*	346	292	54	18.5 %	
Weighted average monthly rental rate*	\$ 726	\$ 727	\$ (1)	-0.1 %	

⁽¹⁾ The renter's monthly payment includes the site rent and an amount attributable to the leasing of the home. The site rent is reflected in the Real Property Operations segment. For purposes of management analysis, the site rent is included in the Rental Program revenue to evaluate the growth and performance of the Rental Program.

Net operating income from the Rental Program increased \$0.1 million from \$14.8 million to \$14.9 million, or 0.8 percent due to increased revenues of \$1.2 million, offset increased expenses of \$1.1 million. Revenues increased \$1.2 million due to the increased number of residents participating in the Rental Program as indicated in the table above.

The growth in operating and maintenance expenses of \$1.1 million was due to several factors. Commissions increased by \$0.3 million due to an increase in the number of new and renewed leases on which commissions were paid. Total repair and refurbishment costs increased by \$0.6 million due to an increase in the number of homes and moveouts in the Rental Program. Taxes and insurance expenses increased by \$0.1 million as these costs generally increase as the number of homes in the Rental Program increase. Marketing and other costs increased by \$0.1 million primarily due to additional utility costs associated with unoccupied rental homes.

The following table reflects certain financial and statistical information for our Home Sales Program for the six months ended June 30, 2009 and 2008 (in thousands, except for statistical information):

Financial Information	Six Months Ended June 30,			
	2009	2008	Change	% Change
New home sales	\$ 2,352	\$ 5,200	\$ (2,848)	-54.8%
Pre-owned home sales	13,327	11,071	2,256	20.4%
Revenue from home sales	15,679	16,271	(592)	-3.6%
New home cost of sales	2,033	4,562	(2,529)	-55.4%
Pre-owned home cost of sales	9,234	8,258	976	11.8%
Cost of home sales	11,267	12,820	(1,553)	-12.1%
NOI / Gross profit	\$ 4,412	\$ 3,451	\$ 961	27.8%
Gross profit – new homes	\$ 319	\$ 638	\$ (319)	
Gross margin % – new homes	13.6%	12.3%		1.3%
Gross profit – pre-owned homes	\$ 4,093	\$ 2,813	\$ 1,280	
Gross margin % – pre-owned homes	30.7%	25.4%		5.3%
Statistical Information				
Home sales volume:				
New home sales	34	71	(37)	-52.1%
Pre-owned home sales	484	420	64	15.2%
Total homes sold	518	491	27	5.5%

Gross profit from home sales increased by \$1.0 million, or 27.8 percent, primarily due to improved profit margins on an increased number of total homes sold. Gross profit from pre-owned home sales increased by \$1.3 million offset by decreased gross profit from new home sales of \$0.3 million.

The gross profit margin on new home sales increased from 12.3 percent to 13.6 percent, or 1.3 percent. Although the gross profit margin has increased, the overall gross profit on new home sales declined by \$0.3 million. The decline in new home sales profit was due to a 52.1 percent decline in sales volume.

The gross profit margin on pre-owned home sales increased from 25.4 percent to 30.7 percent, or 5.3 percent. Pre-owned home sales include the sale of homes that have been utilized in our Rental Program. The cost basis of a rental home is depreciated and therefore, the gross profit margin on the sale of these homes increases the longer the home has been in the Rental Program. An increase in the volume of rental home sales is the primary reason for the overall increase in pre-owned home sales and therefore the principal contributor to the increase in gross profit on pre-owned home sales.

OTHER INCOME STATEMENT ITEMS

Other revenues include other income (loss), interest income, and ancillary revenues, net. Other revenues decreased by \$2.6 million, from \$5.6 million to \$3.0 million, or 46.4 percent. This decrease was due to reduced income realized from a gain on sale of land and other assets of \$3.5 million that occurred in the prior year, along with reduced commission and ancillary revenue of \$0.1 million, offset by increased interest income of \$1.0 million. The increase in interest income was primarily due to the additional installment notes receivable recognized in association with the transfer of financial assets that are recorded as collateralized receivables in the Consolidated Balance Sheets. The interest income on these collateralized receivables is offset by the same amount of interest expense recognized on the secured debt recorded in association with this transaction. See Note 4 – Secured Borrowing and Collateralized Receivables for additional information.

General and administrative costs increased by \$0.5 million, from \$12.2 million to \$12.7 million, or 4.1 percent due to increased salary and other compensation costs of \$0.7 million, partially offset by a decrease in legal expenses of \$0.2 million. The compensation cost increase is primarily due to an increase in amortization of deferred compensation related to the vesting of restricted stock in May 2009.

Depreciation and amortization costs remained flat due to decreased amortization of promotions and other depreciation of \$0.5 million offset by an increase in depreciation on investment property for use in our Rental Program of \$0.5 million.

Interest expense on debt, including interest on mandatorily redeemable debt, decreased by \$0.9 million, from \$31.6 million to \$30.7 million, or 2.8 percent due to a reduction in expense of \$2.6 million mostly related to lower interest rates charged on variable rate debt, partially offset by increased expense of \$1.7 million associated with our secured borrowing arrangements. The interest expense on our secured borrowing is offset completely by the interest income recognized on our collateralized receivables. See Note 4 – Secured Borrowing and Collateralized Receivables in our Notes to Consolidated Financial Statements included herein.

Equity loss from affiliates decreased by \$12.1 million, from a loss of \$12.6 million to loss of \$0.5 million. Our affiliate, Origen, reported losses in the first six months of 2008 which included charges for impairment, loan loss reserves, and loss on sale of loan portfolio.

Benefit (provision) for state income taxes changed by \$0.4 million, from a benefit of \$0.1 million to an expense of \$0.3 million, due to a change in the effective tax rate used to calculate the deferred tax liability related to the Michigan Business Tax which reduced tax expense in 2008.

The following is a summary of our consolidated financial results which were discussed in more detail in the preceding paragraphs (in thousands):

	Six Months Ended June 30,	
	2009	2008
Revenues	\$ 125,562	\$ 124,407
Operating expenses/Cost of sales	53,520	52,978
NOI/gross profit	72,042	71,429
Adjustments to arrive at net loss:		
Other revenues	2,994	5,626
General and administrative	(12,708)	(12,182)
Depreciation and amortization	(32,119)	(32,072)
Interest expense	(30,654)	(31,638)
Equity loss from affiliates	(490)	(12,550)
Benefit (provision) for state income taxes	(279)	107
Loss from continuing operations	(1,214)	(11,280)
Loss from discontinued operations	(332)	(511)
Net loss	(1,546)	(11,791)
Less: Net loss attributable to noncontrolling interest	(164)	(1,328)
Net loss attributable to Sun Communities, Inc.	\$ (1,382)	\$ (10,463)

We provide information regarding FFO as a supplemental measure of operating performance. FFO is defined by the National Association of Real Estate Investment Trusts ("NAREIT") as net income (computed in accordance GAAP), 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. Due to the variety among owners of identical assets in similar condition (based on historical cost accounting and useful life estimates), we believe excluding gains and losses related to sales of previously depreciated operating real estate assets, and excluding real estate asset depreciation and amortization, provides a better indicator of our operating performance. FFO is a useful supplemental measure of our operating performance because it reflects the impact to operations from trends in occupancy rates, rental rates, and operating costs, providing perspective not readily apparent from net income. Management, the investment community, and banking institutions routinely use FFO, together with other measures, to measure operating performance in our industry. Further, management uses FFO for planning and forecasting future periods.

Because FFO excludes significant economic components of net income including depreciation and amortization, FFO should be used as an adjunct to net income (loss) 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, our FFO may not be comparable to other REITS.

The following table reconciles net loss to FFO and calculates FFO data for both basic and diluted purposes for the periods ended June 30, 2009 and 2008:

**RECONCILIATION OF NET LOSS TO FUNDS FROM OPERATIONS
FOR THE PERIODS MONTHS ENDED JUNE 30, 2009 AND 2008**
(Amounts in thousands, except per share/OP unit amounts)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Net loss	\$ (2,527)	\$ (8,302)	\$ (1,546)	\$ (11,791)
Adjustments:				
Depreciation and amortization	16,414	16,814	33,035	33,263
Benefit for state income taxes ⁽¹⁾	—	(9)	(13)	(398)
Gain on disposition of assets, net	(1,368)	(3,727)	(2,696)	(5,269)
Funds from operations (FFO)	<u>\$ 12,519</u>	<u>\$ 4,776</u>	<u>\$ 28,780</u>	<u>\$ 15,805</u>
Weighted average Common Shares/OP Units outstanding:				
Basic	<u>20,806</u>	<u>20,463</u>	<u>20,752</u>	<u>20,421</u>
Diluted	<u>20,806</u>	<u>20,514</u>	<u>20,752</u>	<u>20,473</u>
FFO per weighted average Common Share/OP Unit - Basic	<u>\$ 0.60</u>	<u>\$ 0.23</u>	<u>\$ 1.39</u>	<u>\$ 0.77</u>
FFO per weighted average Common Share/OP Unit - Diluted	<u>\$ 0.60</u>	<u>\$ 0.23</u>	<u>\$ 1.39</u>	<u>\$ 0.77</u>

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Net loss	\$ (2,527)	\$ (8,302)	\$ (1,546)	\$ (11,791)
Equity affiliate adjustment	474	7,720	375	12,550
Severance charges	—	888	—	888
Adjusted net income (loss)	(2,053)	306	(1,171)	1,647
Depreciation and amortization	16,414	16,814	33,035	33,263
Benefit for state income taxes ⁽¹⁾	—	(9)	(13)	(398)
Gain on disposition of assets, net	(1,368)	(3,727)	(2,696)	(5,269)
Adjusted funds from operations (FFO)	<u>\$ 12,993</u>	<u>\$ 13,384</u>	<u>\$ 29,155</u>	<u>\$ 29,243</u>
Adjusted FFO per weighted average Common Share/OP Unit - Diluted	<u>\$ 0.62</u>	<u>\$ 0.65</u>	<u>\$ 1.40</u>	<u>\$ 1.43</u>

⁽¹⁾ The tax benefit for the periods ended June 30, 2009 and 2008 represents the reversal of a tax provision for potential taxes payable on the sale of company assets related to the enactment of the Michigan Business Tax. These taxes do not impact Funds from Operations and would be payable from prospective proceeds of such sales.

LIQUIDITY AND CAPITAL RESOURCES

Our principal liquidity demands have historically been, and are expected to continue to be, distributions to our 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.

We expect to meet our short-term liquidity requirements through working capital provided by operating activities and through borrowings on our lines of credit. We consider 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, payment of dividends to our stockholders to maintain qualification as a REIT in accordance with the Internal Revenue Code, and payment of distributions to our Operating Partnership's unitholders. Due to the limited amount of taxable income that we have reported for the past few years, dividend payments to shareholders and unitholders of our Operating Partnership have been largely discretionary rather than required to maintain qualification as a REIT.

From time to time, we evaluate acquisition opportunities that meet our criteria for acquisition. Should such investment opportunities arise in 2009, we will finance the acquisitions through secured financing, the assumption of existing debt on the properties or the issuance of certain equity securities. The difficulty in obtaining financing in the current credit markets may make the acquisition of properties unlikely.

We have invested approximately \$10.6 million related to the acquisition of homes intended for our rental program during the six months ended June 30, 2009. Expenditures for 2009 will be dependent upon the condition of the markets for repossessions and new home sales, as well as rental homes. We have a \$10.0 million floor plan facility. Our ability to purchase homes for sale or rent may be limited by cash received from third party financing of our home sales, available floor plan financing and working capital available on our unsecured line of credit.

Cash and cash equivalents decreased by \$1.6 million from \$6.2 million at December 31, 2008, to \$4.6 million at June 30, 2009. Net cash provided by operating activities from continuing operations increased by \$2.8 million from \$31.5 million for the six months ended June 30, 2008 to \$34.3 million for the six months ended June 30, 2009.

Our net cash flows provided by operating activities from continuing operations may be adversely impacted by, among other things: (a) the market and economic conditions in our current markets generally, and specifically in metropolitan areas of our current markets; (b) lower occupancy and rental rates of our properties (the "Properties"); (c) increased operating costs, such as wage and benefit costs, insurance premiums, real estate taxes and utilities, that cannot be passed on to our tenants; (d) decreased sales of manufactured homes and (e) current volatility in economic conditions and the financial markets. See "Risk Factors" in Item 1A of our 2008 Annual Report.

We have an unsecured revolving line of credit facility with a maximum borrowing capacity of \$115.0 million, subject to certain borrowing base calculations. The outstanding balance on the line of credit at June 30, 2009 and December 31, 2008 was \$81.2 million and \$85.8 million, respectively. In addition, \$3.3 million of availability was used to back standby letters of credit as of June 30, 2009 and December 31, 2008. Borrowings under the line of credit bear an interest rate of LIBOR plus 165 basis points, or prime plus 40 basis points. We have the option to borrow at either rate. The weighted average interest rate on the outstanding borrowings was 2.0 percent as of June 30, 2009. The borrowings under the line of credit mature October 1, 2011, assuming an election of a one-year extension that is available at our discretion. As of June 30, 2009, \$30.5 million was available to be drawn under the facility based on the calculation of the borrowing base. During 2009, the highest balance on the line of credit was \$105.0 million. Although the unsecured revolving line of credit is a committed facility, the financial failure of one or more of the participating financial institutions may reduce the amount of available credit for use by us.

The line of credit facility contains various leverage, debt service coverage, net worth maintenance and other customary covenants all of which were complied with as of June 30, 2009. The most limiting covenants contained in the line of credit are the distribution coverage and debt service coverage ratios. The distribution coverage covenant requires that distributions be no more than 90 percent of FFO. The debt service coverage covenant requires a minimum ratio of 1.45:1. As of June 30, 2009, the distribution coverage was 85.5 percent and the debt service coverage was 1.69:1.

ITEM 2.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS, CONTINUED

The sub-prime credit crisis and ensuing decline in credit availability have caused turmoil in US and foreign markets. Many industries with no direct involvement with sub-prime lending, securitizations, home building, or mortgages have suffered share price declines as economic uncertainty has derailed investor confidence. While many of our fundamentals, and those of the manufactured housing industry, have been improving over recent years, our share price has suffered. For us, the most relevant consequence of this financial turmoil is the uncertainty of the availability of new secured credit, floor plan financing, credit for refinancing properties, and the limited credit availability on our current unsecured line of credit. We believe this risk is somewhat mitigated because we have adequate working capital provided by operating activities as noted above and we have only limited debt maturities until July 2011. Specifically, our debt maturities (excluding normal amortization payments and assuming the election of certain extension provisions which are at our discretion) for 2009 through 2013 are as follows:

Remaining 2009	\$0.5 million
2010	\$0.8 million and any balance outstanding on the floor plan facility
2011	\$103.7 million and any balance outstanding on the unsecured line of credit
2012	\$35.9 million
2013	\$30.1 million

We anticipate meeting our long-term liquidity requirements, such as scheduled debt maturities, large property acquisitions, and Operating Partnership unit redemptions through the collateralization of our properties. We currently have 30 unencumbered properties with an estimated market value of \$198.3 million, 28 of which support the borrowing base for our \$115.0 million unsecured line of credit. As of June 30, 2009, the borrowing base was in excess of \$115.0 million by \$4.1 million, which would allow us to remove properties from the borrowing base at our discretion for collateralization. From time to time, we may also issue shares of our capital stock or preferred stock, issue equity units in our Operating Partnership or sell selected assets. Our ability to finance our long-term liquidity requirements in such a 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, our financial condition, the operating history of the properties, the state of the debt and equity markets, and the general national, regional, and local economic conditions. If it were to become necessary for us to approach the credit markets, the current volatility in the credit markets could make borrowing more difficult to secure and more expensive. See "Risk Factors" in Item 1A of our 2008 Annual Report. If we are unable to obtain additional debt or equity financing on acceptable terms, our business, results of operations and financial condition would be adversely impacted.

As of June 30, 2009, our debt to total market capitalization approximated 81.2 percent (assuming conversion of all Common Operating Partnership Units to shares of common stock). The debt has a weighted average maturity of approximately 5.4 years and a weighted average interest rate of 5.0 percent.

Capital expenditures for the six months ended June 30, 2009 and 2008 included recurring capital expenditures of \$3.4 million and \$2.9 million, respectively. We are committed to the continued upkeep of our Properties and therefore do not expect a significant decline in our recurring capital expenditures during 2009.

Net cash used for investing activities was \$13.8 million for the six months ended June 30, 2009, compared to \$12.5 million for the six months ended June 30, 2008. The difference is due to a \$6.5 million decrease in cash received from the disposition on land and other assets, offset by decreased investment in property of \$1.9 million and an increase from the principal repayment of an officer's note and other notes receivable of \$3.3 million.

Net cash used for financing activities was \$22.0 million for the six months ended June 30, 2009, compared to \$20.0 million for the six months ended June 30, 2008. The difference is due to a \$5.8 million increase in repayments on notes payable and other debt, increased costs associated with transactions related to our debt of \$0.2 million, and increased distributions to our stockholders and OP unit holders of \$0.1 million, partially offset by a \$4.1 million net increase in borrowings on the lines of credit.

FORWARD-LOOKING STATEMENTS

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 we intend 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 our 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 our actual results 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 our 2008 Annual Report, and our filings with the SEC. The forward-looking statements contained in this Quarterly Report on Form 10-Q speak only as of the date hereof and we expressly disclaim any obligation to provide public updates, revisions or amendments to any forward-looking statements made herein to reflect changes in our expectations of future events.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our principal market risk exposure is interest rate risk. We mitigate 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. Our primary strategy in entering into derivative contracts is to minimize the variability that changes in interest rates could have on our future cash flows. We generally employ derivative instruments that effectively convert a portion of our variable rate debt to fixed rate debt. We do not enter into derivative instruments for speculative purposes.

We had five derivative contracts consisting of four interest rate swap agreements with a total notional amount of \$95.0 million, and an interest rate cap agreement with a notional amount of \$152.4 million as of June 30, 2009. The first swap agreement fixes \$25.0 million of variable rate borrowings at 6.26 percent through July 2009; the second swap agreement fixes \$25.0 million of variable rate borrowings at 6.70 percent through July 2012. The third swap agreement, entered into in January 2009, fixes \$20.0 million of variable rate borrowings at 4.15 percent through January 2014. The fourth swap agreement, entered into in February 2009, fixes \$25.0 million of variable rate borrowing at 3.62 percent through February 2011 and is based upon 30-day LIBOR. In April 2009, we entered into a new interest cap agreement with a cap rate of 11.0 percent, a notional amount of \$152.4 million, and a termination date of May 1, 2012. Each of these derivative contracts is based upon 90-day LIBOR unless noted otherwise.

Our remaining variable rate debt totals \$208.8 million and \$226.4 million as of June 30, 2009 and 2008, respectively, which bear interest at prime, various LIBOR or Fannie Mae Discounted Mortgage Backed Securities ("DMBS") rates. If prime, LIBOR, or DMBS increased or decreased by 1.0 percent during the six months ended June 30, 2009 and 2008, we believe our interest expense would have increased or decreased by approximately \$1.0 million and \$1.1 million, respectively, based on the \$205.1 million and \$218.9 million average balances outstanding under our variable rate debt facilities for the six months ended June 30, 2009 and 2008, respectively. A portion of our variable debt is floating on DMBS rates. If the credit markets tighten, and there are fewer or no buyers of this security, the interest rate may be negatively impacted resulting in higher interest expense.

- (a) Under the supervision and with the participation of our management, including the Chief Executive Officer, Gary A. Shiffman, and Chief Financial Officer, Karen J. Dearing, we evaluated the effectiveness of the design and operation of our 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, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures as of the end of the period covered by this report were effective to ensure that information we are required to disclose in our filings with the SEC under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms, and to ensure that information we are required to disclose in the reports that we file under the Exchange Act is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.
- (b) There have been no changes in our internal control over financial reporting during the quarterly period ended June 30, 2009 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 1. Legal Proceedings

See Note 17 of the Consolidated Financial Statements contained herein.

ITEM 1A. Risk Factors

You should review our Annual Report on Form 10-K for the year ended December 31, 2008, which contains a detailed description of risk factors that may materially affect our business, financial condition, or results of operations. There are no material changes to the disclosure on these matters set forth in such Form 10-K.

ITEM 2. Unregistered Sale of Equity Securities and Use of Proceeds**Issuer Purchases of Equity Securities**

In November 2004, the Board of Directors authorized us to repurchase up to 1,000,000 shares of our common stock. We have 400,000 common shares remaining in the repurchase program. No common shares were repurchased during 2009.

Recent Sales of Unregistered Securities

In March 2009, our Operating Partnership issued 110,444 Common OP Units to Water Oak, Ltd. which were immediately converted to common stock. In May 2009, a holder of Common OP Units converted 1,824 units to common stock.

All of the above partnership units and shares of common stock were issued in private placements in reliance on Section 4(2) of the Securities Act of 1933, as amended, including Regulation D promulgated there under. No underwriters were used in connection with any of such issuances.

ITEM 4. Submission of Matters to a Vote of Security Holders

There were no matters submitted to a vote of security holders during the second quarter ended June 30, 2009.

ITEM 6. Exhibits

Exhibit No.	Description
10.1	Promissory Note dated June 29, 2009, by and among Knollwood Estates Operating Company, LLC, Sun River Ridge Limited Partnership, Sun Countryside Gwinnett, LLC, and Bank of America, N.A.
10.2	Guaranty Agreement dated June 29, 2009, by and among Sun Communities Operating Limited Partnership on behalf of Knollwood Estates Operating Company, LLC, Sun River Ridge Limited Partnership, Sun Countryside Gwinnett, LLC, in favor of Bank of America, N.A.
10.3	Term Loan Agreement dated June 29, 2009, by and among Knollwood Estates Operating Company, LLC, Sun River Ridge Limited Partnership, Sun Countryside Gwinnett, LLC, and Bank of America, N.A.
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

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.

SUN COMMUNITIES, INC.

Dated: August 7, 2009

By: /s/ Karen J. Dearing
Karen J. Dearing, Chief Financial
Officer and Secretary
(Duly authorized officer and principal
financial officer)

FOR VALUE RECEIVED, Knollwood Estates Operating Company, LLC, a Michigan limited liability company, Sun River Ridge Limited Partnership, a Michigan limited partnership, and Sun Countryside Gwinnett LLC, a Michigan limited liability company (collectively, the "Borrower"), hereby promise to pay to the order of Bank of America, N.A., a national banking association (together with any and all of its successors and assigns and/or any other holder of this Note, "Lender"), without offset, in immediately available funds in lawful money of the United States of America, at 2600 West Big Beaver Road, Troy, Michigan 48084, the principal sum of Eighteen Million Five Hundred Forty One Thousand Two Hundred Fifty and No/100 Dollars (\$18,541,250.00) (or the unpaid balance of all principal advanced against this Note, if that amount is less), together with interest on the unpaid principal balance of this Note from day to day outstanding as hereinafter provided.

Section 1. Payment Schedule and Maturity Date. The principal of this Note shall be due and payable in monthly installments of \$30,000.00 each, which shall be due and payable on August 10, 2009 and on the same day of each succeeding month thereafter until this Note shall have been fully paid and satisfied; and accrued unpaid interest on this Note shall be due and payable on August 10, 2009 and on the same day of each succeeding month thereafter until all principal and accrued interest owing on this Note shall have been fully paid and satisfied; provided, that on June 27, 2012 (the "Maturity Date"), the final maturity of this Note, the entire principal balance of this Note then unpaid and all accrued interest then unpaid shall be finally due and payable.

Section 2. Security; Loan Documents. The security for this Note includes a Mortgage, a Deed to Secure Debt, Assignment and Security Agreement and a Deed of Trust, Assignment, Security Agreement and Fixture Filing (as the same may from time to time be amended, restated, modified or supplemented, collectively the "Mortgage") of even date herewith from Borrower to Lender, conveying and encumbering certain real and personal property more particularly described therein (the "Property"). This Note, the Mortgage, the Term Loan Agreement between Borrower and Lender of even date herewith (as the same may from time to time be amended, restated, modified or supplemented, the "Loan Agreement") and all other documents now or hereafter securing, guaranteeing or executed in connection with the loan evidenced by this Note (the "Loan"), as the same may from time to time be amended, restated, modified or supplemented, are herein sometimes called individually a "Loan Document" and together the "Loan Documents."

Section 3. Interest Rate.

(a) BBA LIBOR Daily Floating Rate. The unpaid principal balance of this Note from day to day outstanding which is not past due, shall bear interest at a fluctuating rate of interest per annum equal to the BBA LIBOR Daily Floating Rate for that day plus four hundred (400) basis points per annum; provided, however, that in no event shall the interest rate for any day be less than five percent (5.0%) per annum. The "BBA LIBOR Daily Floating Rate" shall mean a fluctuating rate of interest per annum equal to the British Bankers Association LIBOR Rate ("BBA LIBOR"), as published by Reuters (or other commercially available source providing quotations of BBA LIBOR as reasonably selected by Lender from time to time) as determined for each Business Day at approximately 11:00 a.m. London time two (2) London Banking Days prior to the date in question, for U.S. Dollar deposits (for delivery on the first day of such interest period) with a one month term, as adjusted from time to time in Lender's sole discretion for reserve requirements, deposit insurance assessment rates and other regulatory costs. A "London Banking Day" is a day on which banks in London are open for business and dealing in offshore dollars. Interest shall be computed for the actual number of days which have elapsed, on the basis of a 360-day year.

(b) Alternative Rates. Lender may notify Borrower if the BBA LIBOR Daily Floating Rate is not available for any reason, or if Lender reasonably determines that no adequate basis exists for determining the BBA LIBOR Daily Floating Rate, or that the BBA LIBOR Daily Floating Rate will not adequately and fairly reflect the cost to Lender of funding the Loan, or that any applicable Law or regulation or compliance therewith by Lender prohibits or restricts or makes impossible the charging of interest based on the BBA LIBOR Daily Floating Rate. If Lender so notifies Borrower, then interest shall accrue and be payable on the unpaid principal balance of this Note at a fluctuating rate of interest equal to the Prime Rate of Lender plus one hundred fifty (150) basis points per annum, from the date of such notification by Lender until Lender notifies Borrower that the circumstances giving rise to such suspension no longer exist, or until the Maturity Date of this Note (whether by acceleration, declaration, extension or otherwise), whichever is earlier to occur. The term "Prime Rate" means, on any day, the rate of interest per annum then most recently established by Lender as its "prime rate." Any such rate is a general reference rate of interest, may not be related to any other rate, and may not be the lowest or best rate actually charged by Lender to any customer or a favored rate and may not correspond with future increases or decreases in interest rates charged by other lenders or market rates in general, and Lender may make various business or other loans at rates of interest having no relationship to such rate. Any change in the Prime Rate shall take effect at the opening of business on the day specified in the public announcement of a change in Lender's Prime Rate. If Lender (including any subsequent holder of this Note) ceases to exist or to establish or publish a prime rate from which the Prime Rate is then determined, the applicable variable rate from which the Prime Rate is determined thereafter shall be instead the prime rate reported in The Wall Street Journal (or the average prime rate if a high and a low prime rate are therein reported), and the Prime Rate shall change without notice with each change in such prime rate as of the date such change is reported.

(c) Past Due Rate. If any amount payable by Borrower under any Loan Document is not paid when due (without regard to any applicable grace periods), such amount shall thereafter bear interest at the Past Due Rate (as defined below) to the fullest extent permitted by applicable Law. Accrued and unpaid interest on past due amounts (including interest on past due interest) shall be due and payable on demand, at a fluctuating rate per annum (the "Past Due Rate") equal to the BBA LIBOR Daily Floating Rate plus six hundred (600) basis points.

Section 4 Prepayment. Borrower may prepay the principal balance of this Note, in full at any time or in part from time to time, without fee, premium or penalty, provided that: (a) Lender shall have actually received from Borrower prior written notice of (i) Borrower's intent to prepay, (ii) the amount of principal which will be prepaid (the "Prepaid Principal"), and (iii) the date on which the prepayment will be made; (b) each prepayment shall be in the amount of \$1,000 or a larger integral multiple of \$1,000 (unless the prepayment retires the outstanding balance of this Note in full); and (c) each prepayment shall be in the amount of 100% of the Prepaid Principal, plus accrued unpaid interest thereon to the date of prepayment, plus any other sums which have become due to Lender under the Loan Documents on or before the date of prepayment but have not been paid.

Section 5. Late Charges. If Borrower shall fail to make any payment under the terms of this Note (other than the payment due at maturity) within fifteen (15) days after the date such payment is due, Borrower shall pay to Lender on demand a late charge equal to four percent (4%) of the amount of such payment. Such fifteen (15) day period shall not be construed as in any way extending the due date of any payment. The late charge is imposed for the purpose of defraying the expenses of Lender incident to handling such delinquent payment. This charge shall be in addition to, and not in lieu of, any other amount that Lender may be entitled to receive or action that Lender may be authorized to take as a result of such late payment.

Section 6. Certain Provisions Regarding Payments. All payments made under this Note shall be applied, to the extent thereof, to late charges, to accrued but unpaid interest, to unpaid principal, and to any other sums due and unpaid to Lender under the Loan Documents. Upon the occurrence of an Event of Default, all payments made under this Note shall be applied, to the extent thereof, in such manner and order as Lender may elect in its sole discretion, any instructions from Borrower or anyone else to the contrary notwithstanding. Remittances shall be made without offset, demand, counterclaim, deduction, or recoupment (each of which is hereby waived) and shall be accepted subject to the condition that any check or draft may be handled for collection in accordance with the practice of the collecting bank or banks. Acceptance by Lender of any payment in an amount less than the amount then due on any indebtedness shall be deemed an acceptance on account only, notwithstanding any notation on or accompanying such partial payment to the contrary, and shall not in any way (a) waive or excuse the existence of an Event of Default (as hereinafter defined), (b) waive, impair or extinguish any right or remedy available to Lender hereunder or under the other Loan Documents, or (c) waive the requirement of punctual payment and performance or constitute a novation in any respect. Payments received after 2:00 p.m. shall be deemed to be received on, and shall be posted as of, the following Business Day. Whenever any payment under this Note or any other Loan Document falls due on a day which is not a Business Day, such payment may be made on the next succeeding Business Day.

Section 7. Events of Default. The occurrence of any one or more of the following shall constitute an “Event of Default” under this Note:

- (a) Borrower fails to pay any amounts payable by Borrower to Lender under the terms of this Note within seven (7) days after Lender gives written notice to the Borrower that such amounts are past due.
- (b) Any covenant, agreement or condition in this Note is not fully and timely performed, observed or kept. If the breach is capable of being remedied, the breach will not be considered an Event of Default under this Note for a period of thirty (30) days after the date on which Lender gives written notice of the breach to Borrower, or, if the breach cannot be remedied within a period of thirty (30) days, such longer period of time as may be necessary to remedy the breach provided Borrower is diligently pursuing a remedy of the breach and completes it within a reasonable time.
- (c) An Event of Default (as therein defined) occurs under any of the Loan Documents other than this Note (subject to any applicable grace or cure period).

Section 8. Remedies. Upon the occurrence of an Event of Default, Lender may at any time thereafter exercise any one or more of the following rights, powers and remedies:

- (a) Lender may accelerate the Maturity Date and declare the unpaid principal balance and accrued but unpaid interest on this Note, and all other amounts payable hereunder and under the other Loan Documents, at once due and payable, and upon such declaration the same shall at once be due and payable.
- (b) Lender may exercise any of its other rights, powers and remedies under the Loan Documents or at law or in equity.

Section 9. Remedies Cumulative. All of the rights and remedies of Lender under this Note and the other Loan Documents are cumulative of each other and of any and all other rights at law or in equity, and the exercise by Lender of any one or more of such rights and remedies shall not preclude the simultaneous or later exercise by Lender of any or all such other rights and remedies. No single or partial exercise of any right or remedy shall exhaust it or preclude any other or further exercise thereof, and every right and remedy may be exercised at any time and from time to time. No failure by Lender to exercise, nor delay in exercising, any right or remedy shall operate as a waiver of such right or remedy or as a waiver of any Event of Default.

Section 10. Costs and Expenses of Enforcement. Borrower agrees to pay to Lender on demand all costs and expenses incurred by Lender in seeking to collect this Note or to enforce any of Lender's rights and remedies under the Loan Documents, including court costs and reasonable attorneys' fees and expenses, whether or not suit is filed hereon, or whether in connection with bankruptcy, insolvency or appeal.

Section 11. Service of Process. Borrower hereby consents to process being served in any suit, action, or proceeding instituted in connection with this Note by the mailing of a copy thereof by certified mail, postage prepaid, return receipt requested, to Borrower. Borrower irrevocably agrees that such service shall be deemed to be service of process upon Borrower in any such suit, action, or proceeding. Nothing in this Note shall affect the right of Lender to serve process in any manner otherwise permitted by law and nothing in this Note will limit the right of Lender otherwise to bring proceedings against Borrower in the courts of any jurisdiction or jurisdictions, subject to any provision or agreement for arbitration or dispute resolution set forth in the Loan Agreement.

Section 12. Heirs, Successors and Assigns. The terms of this Note and of the other Loan Documents shall bind and inure to the benefit of the heirs, devisees, representatives, successors and assigns of the parties. The foregoing sentence shall not be construed to permit Borrower to assign the Loan except as otherwise permitted under the Loan Documents.

Section 13. General Provisions. Time is of the essence with respect to Borrower's obligations under this Note. If more than one person or entity executes this Note as Borrower, all of said parties shall be jointly and severally liable for payment of the indebtedness evidenced hereby. Borrower and each party executing this Note as Borrower hereby severally (a) waive demand, presentment for payment, notice of dishonor and of nonpayment, protest, notice of protest, notice of intent to accelerate, notice of acceleration and all other notices (except any notices which are specifically required by this Note or any other Loan Document), filing of suit and diligence in collecting this Note or enforcing any of the security herefor; (b) agree to any substitution, subordination, exchange or release of any such security or the release of any party primarily or secondarily liable hereon; (c) agree that Lender shall not be required first to institute suit or exhaust its remedies hereon against Borrower or others liable or to become liable hereon or to perfect or enforce its rights against them or any security herefor; (d) consent to any extensions or postponements of time of payment of this Note for any period or periods of time and to any partial payments, before or after maturity, and to any other indulgences with respect hereto, without notice thereof to any of them; and (e) submit (and waive all rights to object) to non-exclusive personal jurisdiction of any state or federal court sitting in the state and county in which any of the Property is located is to be made for the enforcement of any and all obligations under this Note and the other Loan Documents; (f) waive the benefit of all homestead and similar exemptions as to this Note; (g) agree that their liability under this Note shall not be affected or impaired by any determination that any title, security interest or lien taken by Lender to secure this Note is invalid or unperfected; and (h) hereby subordinate to the Loan and the Loan Documents any and all rights against Borrower and any security for the payment of this Note, whether by subrogation, agreement or otherwise, until this Note is paid in full. A determination that any provision of this Note is unenforceable or invalid shall not affect the enforceability or validity of any other provision and the determination that the application of any provision of this Note to any person or circumstance is illegal or unenforceable shall not affect the enforceability or validity of such provision as it may apply to other persons or circumstances. This Note may not be amended except in a writing specifically intended for such purpose and executed by the party against whom enforcement of the amendment is sought. Captions and headings in this Note are for convenience only and shall be disregarded in construing it. THIS NOTE, AND ITS VALIDITY, ENFORCEMENT AND INTERPRETATION, SHALL BE GOVERNED BY MICHIGAN LAW (WITHOUT REGARD TO ANY CONFLICT OF LAWS PRINCIPLES) AND APPLICABLE UNITED STATES FEDERAL LAW. Whenever a time of day is referred to herein, unless otherwise specified such time shall be the local time of the place where payment of this Note is to be made. The term "Business Day" shall mean a day on which Lender is open for the conduct of substantially all of its banking business at its office in the city in which this Note is payable (excluding Saturdays and Sundays). Capitalized terms used herein without definition shall have the meanings ascribed to such terms in the Loan Agreement. The words "include" and "including" shall be interpreted as if followed by the words "without limitation."

Section 14. Notices. Any notice, request, or demand to or upon Borrower or Lender shall be deemed to have been properly given or made when delivered in accordance with the terms of the Loan Agreement regarding notices.

Section 15. No Usury. It is expressly stipulated and agreed to be the intent of Borrower and Lender at all times to comply with applicable state law or applicable United States federal law (to the extent that it permits Lender to contract for, charge, take, reserve, or receive a greater amount of interest than under state law) and that this Section shall control every other covenant and agreement in this Note and the other Loan Documents. If applicable state or federal law should at any time be judicially interpreted so as to render usurious any amount called for under this Note or under any of the other Loan Documents, or contracted for, charged, taken, reserved, or received with respect to the Loan, or if Lender's exercise of the option to accelerate the Maturity Date, or if any prepayment by Borrower results in Borrower having paid any interest in excess of that permitted by applicable law, then it is Lender's express intent that all excess amounts theretofore collected by Lender shall be credited on the principal balance of this Note and all other indebtedness secured by the Mortgage, and the provisions of this Note and the other Loan Documents shall immediately be deemed reformed and the amounts thereafter collectible hereunder and thereunder reduced, without the necessity of the execution of any new documents, so as to comply with the applicable law, but so as to permit the recovery of the fullest amount otherwise called for hereunder or thereunder. All sums paid or agreed to be paid to Lender for the use or forbearance of the Loan shall, to the extent permitted by applicable law, be amortized, prorated, allocated, and spread throughout the full stated term of the Loan.

Section 16. Disputes. Disputes under this Note are subject to the dispute resolution provisions as set forth in the Loan Agreement and as to any dispute that for any reason is not within arbitration, the parties waive all rights to trial by jury, as further set forth in the Loan Agreement.

Section 17. Joint and Several Liability.

(a) Each Borrower agrees that it is jointly and severally liable to Lender for the payment of all obligations arising under this Note and the other Loan Documents, and that such liability is independent of the obligations of any other Borrower. Lender may bring an action against any Borrower, whether an action is brought against any other Borrower.

(b) Each Borrower agrees that any release which may be given by Lender to another Borrower or any Guarantor will not release such Borrower from its obligations under this Note or any of the other Loan Documents.

(c) Until the Loan is paid in full, each Borrower waives any right to assert against Lender any defense, setoff, counterclaim or claim that such Borrower may have against any other Borrower or any other party liable to Lender for the obligations of the Borrower under this Note or any of the other Loan Documents.

(d) Each Borrower agrees that it is solely responsible for keeping itself informed as to the financial condition of each other Borrower and of all circumstances which bear upon the risk of nonpayment. Each Borrower waives any right it may have to require Lender to disclose to such Borrower any information that Lender may now or hereafter acquire concerning the financial condition of any other Borrower.

(e) Borrower represents and warrants to Lender that each Borrower will derive benefit, directly and indirectly, from the collective administration and availability of the Loan under this Note and the other Loan Documents. Borrower agrees that Lender will not be required to inquire as to the disposition by any Borrower of funds disbursed in accordance with the terms of this Note or any of the other Loan Documents.

(f) Until all obligations of Borrower to Lender under this Note and the other Loan Documents have been paid in full, each Borrower waives any right of subrogation, reimbursement, indemnification and contribution (contractual, statutory or otherwise), including any claim or right of subrogation under the Bankruptcy Code (Title 11, United States Code) or any successor statute, that such Borrower may now or hereafter have against any other Borrower with respect to the indebtedness incurred under this Note or any of the other Loan Documents. Each Borrower waives any right to enforce any remedy which Lender now has or may hereafter have against any other Borrower, and waives any benefit of, and any right to participate in, any security now or hereafter held by Lender.

(g) Each Borrower hereby waives any election of remedies by Lender that impairs any subrogation or other right of such Borrower to proceed against any other Borrower or other person, including any loss of rights resulting from any applicable anti-deficiency laws relating to nonjudicial foreclosures of real property or other laws limiting, qualifying or discharging obligations or remedies.

[SIGNATURE PAGE FOLLOWS]

BORROWER:

Knollwood Estates Operating Company LLC

By: Sun Communities Operating Limited Partnership, a Michigan limited partnership

Title: Sole Member

By: Sun Communities, Inc., a Maryland corporation

Title: General Partner

By: /s/ Jonathon M. Colman
Name: Jonathan M. Colman
Title: Executive Vice President

Sun River Ridge Limited Partnership

By: River Ridge Investments LLC, a Michigan limited liability company

Title: General Partner

By: Sun Communities Operating Limited Partnership, a Michigan limited partnership

Title: Sole member

By: Sun Communities, Inc., a Maryland corporation

Title: General Partner

By: /s/ Jonathon M. Colman
Name: Jonathan M. Colman
Title: Executive Vice President

Sun Countryside Gwinnett LLC

By: Sun QRS Countryside, Inc., a Michigan corporation

Title: Manager

By: /s/ Jonathon M. Colman
Name: Jonathan M. Colman
Title: Executive Vice President

GUARANTY AGREEMENT

This Guaranty Agreement (this "Guaranty") is made as of the 29th day of June, 2009, by Sun Communities Operating Limited Partnership, a Michigan limited partnership ("Guarantor"), in favor of Bank of America, N.A., a national banking association (together with its successors and assigns, "Lender").

Recitals

Knollwood Estates Operating Company LLC, a Michigan limited liability company, Sun River Ridge Limited Partnership, a Michigan limited partnership, and Sun Countryside Gwinnett LLC, a Michigan limited liability company (collectively, the "Borrower") have requested that Lender make a loan (the "Loan") to Borrower evidenced by a Promissory Note of even date herewith in the original principal amount of Eighteen Million Five Hundred Forty One Thousand Two Hundred Fifty and No/100 Dollars (\$18,541,250.00) made by Borrower to the order of Lender (as the same may from time to time be amended, supplemented, restated or otherwise modified, the "Note"). Certain terms and conditions of the Loan are set forth in the Term Loan Agreement of even date herewith between Borrower and Lender (as the same may from time to time be amended, supplemented, restated or otherwise modified, the "Loan Agreement"). As a condition precedent to making the Loan, Lender has required that Guarantor execute and deliver this Guaranty to Lender. Any capitalized term used and not defined in this Guaranty shall have the meaning given to such term in the Loan Agreement.

Agreements

For good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, and in order to induce Lender to make the Loan to Borrower, Guarantor hereby guarantees to Lender the prompt and full payment and performance of the indebtedness and obligations described below in this Guaranty (collectively called the "Guaranteed Obligations"), this Guaranty being upon the following terms and conditions:

Section 1

Guaranty of Payment.

Guarantor hereby unconditionally and irrevocably guarantees to Lender the punctual payment when due, whether by lapse of time, by acceleration of maturity, or otherwise, of all principal, interest (including interest accruing after maturity and after the commencement of any bankruptcy or insolvency proceeding by or against Borrower, whether or not allowed in such proceeding), prepayment premiums, fees, late charges, costs, expenses, indemnification indebtedness, and other sums of money now or hereafter due and owing, or which Borrower is obligated to pay, pursuant to the terms of the Note, the Loan Agreement, the Mortgage, the Environmental Agreement, any of the other Loan Documents, or any Swap Contract, as the same may from time to time be amended, supplemented, restated or otherwise modified (collectively, the "Indebtedness"). The Indebtedness includes all costs and expenses incurred by Lender in seeking to enforce Lender's rights and remedies with respect to the Indebtedness, including court costs, costs of alternative dispute resolution and reasonable attorneys' fees, whether or not suit is filed or other proceedings are initiated thereon. This Guaranty covers the Indebtedness presently outstanding and the Indebtedness arising subsequent to the date hereof, including all amounts advanced by Lender in stages or installments. The guaranty of Guarantor as set forth in this Section is a continuing guaranty of payment and not a guaranty of collection.

Section 2

Primary Liability of Guarantor: Environmental Obligations.

(a) This Guaranty is an absolute, irrevocable and unconditional guaranty of payment and performance, and Guarantor shall be liable for the payment and performance of the Guaranteed Obligations as a primary obligor. This Guaranty shall be effective as a waiver of, and Guarantor hereby expressly waives, any right to which Guarantor may otherwise have been entitled, whether existing under statute, at Law or in equity, to require Lender to take prior recourse or proceedings against any collateral, security or Person. It shall not be necessary for Lender, in order to enforce such payment or performance by Guarantor, first to institute suit or pursue or exhaust any rights or remedies against Borrower or other Person liable on such indebtedness or for such performance, or to enforce any rights against any security given to secure such indebtedness or performance, or to join Borrower or any other Person liable for the payment or performance of the Guaranteed Obligations or any part thereof in any action to enforce this Guaranty, or to resort to any other means of obtaining payment or performance of the Guaranteed Obligations; provided, however, that nothing herein contained shall prevent Lender from suing on the Note or foreclosing the Mortgageor exercising any other right under the Loan Documents.

(b) Suit may be brought or demand may be made against Borrower or against any or all parties who have signed this Guaranty or any other guaranty covering all or any part of the Guaranteed Obligations, or against any one or more of them, separately or together, without impairing the rights of Lender against any party hereto.

(c) The liability of Guarantor or any other Person hereunder for Guaranteed Obligations arising out of or related to the Environmental Agreement shall not be limited or affected in any way by any provision in this Guaranty, the other Loan Documents or applicable Law limiting the liability of Borrower, Guarantor or such other Person, or Lender's recourse or rights to a deficiency judgment.

Section 3

Certain Agreements and Waivers by Guarantor.

(a) Guarantor agrees that neither Lender's rights or remedies nor Guarantor's obligations under the terms of this Guaranty shall be released, diminished, impaired, reduced or affected by any one or more of the following events, actions, facts, or circumstances, and the liability of Guarantor under this Guaranty shall be absolute, unconditional and irrevocable irrespective of:

(i) any limitation on the liability of, or recourse against, any other Person in any Loan Document or arising under any Law;

(ii) any claim or defense that this Guaranty was made without consideration or is not supported by adequate consideration or that the obligations of Guarantor hereunder exceed or are more burdensome than those of Borrower under the other Loan Documents;

(iii) the taking or accepting of any other security or guaranty for, or right of recourse with respect to, any or all of the Guaranteed Obligations;

(iv) the operation of any statutes of limitation or other Laws regarding the limitation of actions, all of which are hereby waived as a defense to any action or proceeding brought by Lender against Guarantor, to the fullest extent permitted by Law;

(v) any homestead exemption or any other exemption under applicable Law;

(vi) any release, surrender, abandonment, exchange, alteration, sale or other disposition, subordination, deterioration, waste, failure to protect or preserve, impairment, or loss of, or any failure to create or perfect any lien or security interest with respect to, or any other dealings with, any collateral or security at any time existing or purported, believed or expected to exist in connection with any or all of the Guaranteed Obligations, or any impairment of Guarantor's recourse against any Person or collateral;

(vii) whether express or by operation of Law, any partial release of the liability of Guarantor hereunder (except to the extent expressly so released) or any complete or partial release of Borrower or any other Person liable, directly or indirectly, for the payment or performance of any or all of the Guaranteed Obligations;

(viii) the death, insolvency, bankruptcy, disability, dissolution, liquidation, termination, receivership, reorganization, merger, consolidation, change of form, structure or ownership, sale of all assets, or lack of corporate, partnership or other power of Borrower or any other Person at any time liable for the payment or performance of any or all of the Guaranteed Obligations;

(ix) either with or without notice to or consent of Guarantor, any renewal, extension, modification, supplement, subordination or rearrangement of the terms of any or all of the Guaranteed Obligations and/or any of the Loan Documents, including material alterations of the terms of payment (including changes in maturity date(s) and interest rate(s)) or performance (including changes with respect to the construction of the Improvements) or any other terms thereof, or any waiver, termination, or release of, or consent to departure from, any of the Loan Documents or any other guaranty of any or all of the Guaranteed Obligations, or any adjustment, indulgence, forbearance, or compromise that may be granted from time to time by Lender to Borrower or any other Person at any time liable for the payment or performance of any or all of the Guaranteed Obligations;

(x) any neglect, lack of diligence, delay, omission, failure, or refusal of Lender to take or prosecute (or in taking or prosecuting) any action for the collection or enforcement of any of the Guaranteed Obligations, or to foreclose or take or prosecute any action to foreclose (or in foreclosing or taking or prosecuting any action to foreclose) upon any security therefor, or to exercise (or in exercising) any other right or power with respect to or in connection with the Guaranteed Obligations, any and all rights to notice Guarantor may have otherwise had being hereby waived by Guarantor, and Guarantor shall be responsible for obtaining for itself in a commercially reasonable manner any collateral securing any or all of the Guaranteed Obligations;

(xi) any failure of Lender to notify Guarantor of any creation, renewal, extension, rearrangement, modification, supplement, subordination, or assignment of the Guaranteed Obligations or any part thereof, or of any Loan Document, or of any release of or change in any security, or of the occurrence or existence of any Default or Event of Default, or of any other action taken or refrained from being taken by Lender against Borrower or any security or other recourse, or of any new agreement between Lender and Borrower, it being understood that Lender shall not be required to give Guarantor any notice of any kind under any circumstances with respect to or in connection with the Guaranteed Obligations, any and all rights to notice Guarantor may have otherwise had being hereby waived by Guarantor, and Guarantor shall be responsible for obtaining for itself information regarding Borrower, including any changes in the business or financial condition of Borrower, and Guarantor acknowledges and agrees that Lender shall have no duty to notify Guarantor of any information which Lender may have concerning Borrower;

(xii) the existence of any claim, counterclaim, set-off or other right that Guarantor may at any time have against Borrower, Lender, or any other Person, whether or not arising in connection with this Guaranty, the Note, the Loan Agreement, the Environmental Agreement or any other Loan Document;

(xiii) the unenforceability of all or any part of the Guaranteed Obligations against Borrower, whether because the Guaranteed Obligations exceed the amount permitted by Law or violate any usury law, or because the Persons creating the Guaranteed Obligations acted in excess of their authority, or because of a lack of validity or enforceability of or defect or deficiency in any of the Loan Documents, or because Borrower has any valid defense, claim or offset with respect thereto, or because Borrower's obligation ceases to exist by operation of Law, or because of any other reason or circumstance, it being agreed that Guarantor shall remain liable hereon regardless of whether Borrower or any other Person be found not liable on the Guaranteed Obligations, or any part thereof, for any reason (and regardless of any joinder of Borrower or any other party in any action to obtain payment or performance of any or all of the Guaranteed Obligations);

(xiv) any order, ruling or plan of reorganization emanating from proceedings under Title 11 of the United States Code with respect to Borrower or any other Person, including any extension, reduction, composition, or other alteration of the Guaranteed Obligations, whether or not consented to by Lender, or any action taken or omitted by Lender in any such proceedings, including any election to have Lender's claim allowed as being secured, partially secured or unsecured, any extension of credit by Lender in any such proceedings or the taking and holding by Lender of any security for any such extension of credit;

(xv) any other condition, event, omission, action that would in the absence of this paragraph result in the release or discharge of the Guarantor from the performance or observance of any obligation, covenant or agreement contained in this Guaranty or any other agreement;

(xvi) any early termination of any of the Guaranteed Obligations;

(xvii) Lender's enforcement or forbearance from enforcement of the Guaranteed Obligations on a net or gross basis; or

(xviii) any liability, irregularity or unenforceability in whole or in part (including with respect to any netting provision) of any Swap Contract or any confirmation, instrument or agreement required thereunder or related thereto, or any transaction entered into thereunder, or any limitation on the liability of Borrower thereunder or any limitation on the method or terms of payment thereunder which may now or hereafter be caused or imposed in any manner whatsoever.

(b) In the event any payment by Borrower or any other Person to Lender is held to constitute a preference, fraudulent transfer or other voidable payment under any bankruptcy, insolvency or similar Law, or if for any other reason Lender is required to refund such payment or pay the amount thereof to any other party, such payment by Borrower or any other party to Lender shall not constitute a release of Guarantor from any liability hereunder, and this Guaranty shall continue to be effective or shall be reinstated (notwithstanding any prior release, surrender or discharge by Lender of this Guaranty or of Guarantor), as the case may be, with respect to, and this Guaranty shall apply to, any and all amounts so refunded by Lender or paid by Lender to another Person (which amounts shall constitute part of the Guaranteed Obligations), and any interest paid by Lender and any attorneys' fees, costs and expenses paid or incurred by Lender in connection with any such event.

(c) It is the intent of Guarantor and Lender that the obligations and liabilities of Guarantor hereunder are absolute, irrevocable and unconditional under any and all circumstances and that until the Guaranteed Obligations are fully and finally paid and performed, and not subject to refund or disgorgement, the obligations and liabilities of Guarantor hereunder shall not be discharged or released, in whole or in part, by any act or occurrence that might, but for the provisions of this Guaranty, be deemed a legal or equitable discharge or release of a guarantor.

(d) Guarantor's obligations shall not be affected, impaired, lessened or released by loans, credits or other financial accommodations now existing or hereafter advanced by Lender to Borrower in excess of the Guaranteed Obligations. All payments, repayments and prepayments of the Loan, whether voluntary or involuntary, received by Lender from Borrower, any other Person or any other source (other than from Guarantor pursuant to a demand by Lender hereunder), and any amounts realized from any collateral for the Loan, shall be deemed to be applied first to any portion of the Loan which is not covered by this Guaranty, and last to the Guaranteed Obligations, and this Guaranty shall bind Guarantor to the extent of any Guaranteed Obligations that may remain owing to Lender. Lender shall have the right to apply any sums paid by Guarantor to any portion of the Loan in Lender's sole and absolute discretion.

(e) If acceleration of the time for payment of any amount payable by Borrower under the Note, the Loan Agreement, any other Loan Document, or any Swap Contract is stayed or delayed by any Law or tribunal, all such amounts shall nonetheless be payable by Guarantor on demand by Lender.

Section 4 Subordination.

If, for any reason whatsoever, Borrower is now or hereafter becomes indebted to Guarantor, until the Guaranteed Obligations are paid in full

(a) such indebtedness and all interest thereon and all liens, security interests and rights now or hereafter existing with respect to property of Borrower securing such indebtedness shall, at all times, be subordinate in all respects to the Guaranteed Obligations and to all liens, security interests and rights now or hereafter existing to secure the Guaranteed Obligations;

(b) Guarantor hereby assigns and grants to Lender a security interest in all such indebtedness and security therefor, if any, of Borrower to Guarantor now existing or hereafter arising, including any dividends and payments pursuant to debtor relief or insolvency proceedings referred to below. In the event of receivership, bankruptcy, reorganization, arrangement or other debtor relief or insolvency proceedings involving Borrower as debtor, Lender shall have the right to prove its claim in any such proceeding so as to establish its rights hereunder and shall have the right to receive directly from the receiver, trustee or other custodian (whether or not an Event of Default shall have occurred or be continuing under any of the Loan Documents), dividends and payments that are payable upon any obligation of Borrower to Guarantor now existing or hereafter arising, and to have all benefits of any security therefor, until the Guaranteed Obligations have been fully and finally paid and performed. If, notwithstanding the foregoing provisions, Guarantor should receive any payment, claim or distribution that is prohibited as provided above in this Section, Guarantor shall pay the same to Lender immediately, Guarantor hereby agreeing that it shall receive the payment, claim or distribution in trust for Lender and shall have absolutely no dominion over the same except to pay it immediately to Lender; and

(c) Guarantor shall promptly upon request of Lender from time to time execute such documents and perform such acts as Lender may reasonably require to evidence and perfect its interest and to permit or facilitate exercise of its rights under this Section, including execution and delivery of proofs of claim, provided none of the Guarantor's obligations are increased nor any of the Guarantor's benefits reduced thereby.

Section 5

Other Liability of Guarantor or Borrower.

If Guarantor is or becomes liable, by endorsement or otherwise, for any indebtedness owing by Borrower to Lender other than under this Guaranty, such liability shall not be in any manner impaired or affected hereby, and the rights of Lender hereunder shall be cumulative of any and all other rights that Lender may have against Guarantor. If Borrower is or becomes indebted to Lender for any indebtedness other than or in excess of the Guaranteed Obligations, any payment received or recovery realized upon such other indebtedness of Borrower to Lender may be applied to such other indebtedness. This Guaranty is independent of (and shall not be limited by) any other guaranty now existing or hereafter given.

Section 6

Lender Assigns; Disclosure of Information.

This Guaranty is for the benefit of Lender and Lender's successors and assigns, and in the event of an assignment of the Guaranteed Obligations, or any part thereof, the rights and benefits hereunder, to the extent applicable to the Guaranteed Obligations so assigned, may be transferred with such Guaranteed Obligations. Guarantor waives notice of any transfer or assignment of the Guaranteed Obligations or any part thereof. Lender may sell or offer to sell the Loan or interests therein to one or more assignees or participants. Guarantor shall execute, acknowledge and deliver any and all instruments reasonably requested by Lender in connection therewith, and to the extent, if any, specified in any such assignment or participation, such assignee(s) or participant(s) shall have the same rights and benefits with respect to the Loan Documents as such Person(s) would have if such Person(s) were Lender hereunder. Lender may disclose to any such assignee or participant or prospective assignee or participant, to Lender's affiliates, including Banc of America Securities LLC, to any regulatory body having jurisdiction over Lender and to any other parties as necessary or appropriate in Lender's reasonable judgment, any information Lender now has or hereafter obtains pertaining to the Guaranteed Obligations, this Guaranty, or Guarantor, including information regarding any security for the Guaranteed Obligations or for this Guaranty, and/or credit or other information on Guarantor and/or any other Person liable, directly or indirectly, for any part of the Guaranteed Obligations (provided that such actual or prospective assignee or participant shall agree to treat all financial information exchanged as confidential).

Section 7

Binding Effect; Joint and Several Liability.

This Guaranty is binding not only on Guarantor, but also on Guarantor's heirs, personal representatives, successors and assigns. Upon the death of Guarantor, if Guarantor is a natural person, this Guaranty shall continue against Guarantor's estate as to all of the Guaranteed Obligations, including that portion incurred or arising after the death of Guarantor and shall be provable in full against Guarantor's estate, whether or not the Guaranteed Obligations are then due and payable. If this Guaranty is signed by more than one Person, then all of the obligations of Guarantor arising hereunder shall be jointly and severally binding on each of the undersigned, and their respective heirs, personal representatives, successors and assigns, and the term "Guarantor" shall mean all of such Persons and each of them individually.

Section 8

Governing Law.

The validity, enforcement, and interpretation of this Guaranty, shall for all purposes be governed by and construed in accordance with the laws of the State of Michigan and applicable United States federal law, and is intended to be performed in accordance with, and only to the extent permitted by, such laws. All obligations of Guarantor hereunder are payable and performable at the place or places where the Guaranteed Obligations are payable and performable.

Section 9

Invalidity of Certain Provisions.

If any provision of this Guaranty or the application thereof to any Person or circumstance shall, for any reason and to any extent, be declared to be invalid or unenforceable, neither the remaining provisions of this Guaranty nor the application of such provision to any other Person or circumstance shall be affected thereby, and the remaining provisions of this Guaranty, or the applicability of such provision to other Persons or circumstances, as applicable, shall remain in effect and be enforceable to the maximum extent permitted by applicable Law.

Section 10

Costs and Expenses of Enforcement.

Guarantor agrees to pay to Lender upon ten (10) days' prior written notice all costs and expenses incurred by Lender in seeking to enforce Lender's rights and remedies under this Guaranty, including court costs, costs of alternative dispute resolution and reasonable attorneys' fees, whether or not suit is filed or other proceedings are initiated hereon. All such costs and expenses incurred by Lender shall constitute a portion of the Guaranteed Obligations hereunder, shall be subject to the provisions hereof with respect to the Guaranteed Obligations and shall be payable by Guarantor on demand by Lender.

Section 11

No Usury.

It is not the intention of Lender or Guarantor to obligate Guarantor to pay interest in excess of that lawfully permitted to be paid by Guarantor under applicable Law. Should it be determined that any portion of the Guaranteed Obligations or any other amount payable by Guarantor under this Guaranty constitutes interest in excess of the maximum amount of interest that Guarantor, in Guarantor's capacity as guarantor, may lawfully be required to pay under applicable Law, the obligation of Guarantor to pay such interest shall automatically be limited to the payment thereof in the maximum amount so permitted under applicable Law. The provisions of this Section shall override and control all other provisions of this Guaranty and of any other agreement between Guarantor and Lender.

Section 12

Representations, Warranties, and Covenants of Guarantor.

Until the Guaranteed Obligations are paid and performed in full and each and every term, covenant and condition of this Guaranty is fully performed, Guarantor hereby represents, warrants, and covenants that:

(a) Guarantor or permitted successors or assigns has a financial interest in Borrower and will derive a material and substantial benefit, directly or indirectly, from the making of the Loan to Borrower and from the making of this Guaranty by Guarantor; (b) this Guaranty is duly authorized and valid, and is binding upon and enforceable against Guarantor; (c) as of the date hereof, Guarantor is not, and the execution, delivery and performance by Guarantor of this Guaranty will not cause Guarantor to be, in violation of or in default with respect to any law or in default (or at risk of acceleration of indebtedness) under any agreement or restriction by which Guarantor is bound or affected; (d) unless Guarantor is a natural person, Guarantor is duly organized, validly existing, and in good standing under the laws of the state of its organization and has full power and authority to enter into and perform this Guaranty; (e) as of the date hereof, there is no litigation pending or, to the knowledge of Guarantor, threatened by or before any tribunal against or affecting Guarantor; (f) all financial statements and information heretofore furnished to Lender by Guarantor do, and all financial statements and information hereafter furnished to Lender by Guarantor will, fully and accurately present the condition (financial or otherwise) of Guarantor as of their dates and the results of Guarantor's operations for the periods therein specified, and, since the date of the most recent financial statements of Guarantor furnished to Lender prior to the date hereof, no material adverse change has occurred in the financial condition of Guarantor, nor, except as heretofore disclosed in writing to Lender, as of the date hereof, has Guarantor incurred any material liability, direct or indirect, fixed or contingent; (g) as of the date hereof, after giving effect to this Guaranty, Guarantor is solvent, is not engaged or about to engage in business or a transaction for which the property of Guarantor is an unreasonably small capital, and does not intend to incur or believe that it will incur debts that will be beyond its ability to pay as such debts mature; (h) Guarantor has read and fully understands the provisions contained in the Note, the Loan Agreement, the Mortgage, the Environmental Agreement and the other Loan Documents. Guarantor further represents, warrants and covenants that if any Swap Contract shall at any time be in effect, (x) Guarantor shall receive and examine copies of each such Swap Contract, the observance and performance of which by Borrower is hereby guaranteed; (y) Guarantor will benefit from Lender's entering into each such Swap Contract and any transaction thereunder with Borrower, and Guarantor has determined that the execution and delivery by Guarantor of this Guaranty are necessary and convenient to the conduct, promotion and attainment of the business of Guarantor; and (z) Lender has no duty to determine whether any Swap Contract, or any other transaction relating to or arising under any Swap Contract, will be or has been entered into by Borrower for purposes of hedging interest rate, currency exchange rate, or other risks arising in its businesses or affairs and not for purposes of speculation, or is otherwise inappropriate for Borrower. Guarantor's representations, warranties and covenants are a material inducement to Lender to enter into the other Loan Documents and any Swap Contract shall survive the execution hereof and any bankruptcy, foreclosure, transfer of security or other event affecting Borrower or Guarantor, or any security for all or any part of the Guaranteed Obligations.

Section 13

Notices.

All notices, requests, consents, demands and other communications required or which any party desires to give hereunder or under any other Loan Document shall be in writing and, unless otherwise specifically provided in such other Loan Document, shall be deemed sufficiently given or furnished if delivered by personal delivery, by nationally recognized overnight courier service, or by certified United States mail, postage prepaid, addressed to the party to whom directed at the addresses specified in this Guaranty (unless changed by similar notice in writing given by the particular party whose address is to be changed) or by facsimile. Any such notice or communication shall be deemed to have been given either at the time of personal delivery or, in the case of courier or mail, as of the date of first attempted delivery at the address and in the manner provided herein, or, in the case of facsimile, upon receipt; provided that service of a notice required by any applicable statute shall be considered complete when the requirements of that statute are met. Notwithstanding the foregoing, no notice of change of address shall be effective except upon actual receipt. This Section shall not be construed in any way to affect or impair any waiver of notice or demand provided in this Guaranty or in any other Loan Document or to require giving of notice or demand to or upon any Person in any situation or for any reason.

Section 14

Cumulative Rights.

All of the rights and remedies of Lender under this Guaranty and the other Loan Documents are cumulative of each other and of any and all other rights at law or in equity, and the exercise by Lender of any one or more of such rights and remedies shall not preclude the simultaneous or later exercise by Lender of any or all such other rights and remedies. No single or partial exercise of any right or remedy shall exhaust it or preclude any other or further exercise thereof, and every right and remedy may be exercised at any time and from time to time. No failure by Lender to exercise, nor delay in exercising, any right or remedy shall operate as a waiver of such right or remedy or as a waiver of any Event of Default. No notice to or demand on Guarantor in any case shall of itself entitle Guarantor to any other or further notice or demand in similar or other circumstances. No provision of this Guaranty or any right or remedy of Lender with respect hereto, or any default or breach, can be waived, nor can this Guaranty or Guarantor be released or discharged in any way or to any extent, except specifically in each case by a writing intended for that purpose (and which refers specifically to this Guaranty) executed and delivered by Lender to Guarantor.

Section 15

Term of Guaranty.

This Guaranty shall continue in effect until all the Guaranteed Obligations and all of the obligations of Guarantor to Lender under this Guaranty are fully and finally paid, performed and discharged and are not subject to any bankruptcy preference period or any other disgorgement.

Section 16

Financial Statements.

Guarantor agrees to provide to Lender, as and when required, the financial statements and other financial information required to be delivered to Lender with respect to Guarantor pursuant to the terms of the Loan Agreement and the other Loan Documents, in the form and detail required by the Loan Documents.

Section 17

Subrogation.

Guarantor shall not have any right of subrogation under any of the Loan Documents or any right to participate in any security for the Guaranteed Obligations or any right to reimbursement, exoneration, contribution, indemnification or any similar rights, until the Guaranteed Obligations have been fully and finally paid, performed and discharged in accordance with Section 18 above, and Guarantor hereby waives all of such rights.

Section 18

Time of Essence.

Time shall be of the essence in this Guaranty with respect to all of Guarantor's obligations hereunder.

This Guaranty embodies the entire agreement between Lender and Guarantor with respect to the guaranty by Guarantor of the Guaranteed Obligations. This Guaranty supersedes all prior agreements and understandings, if any, with respect to the guaranty by Guarantor of the Guaranteed Obligations. This Guaranty shall be effective upon execution by Guarantor and delivery to Lender. This Guaranty may not be modified, amended or superseded except in a writing signed by Lender and Guarantor referencing this Guaranty by its date and specifically identifying the portions hereof that are to be modified, amended or superseded. This Guaranty has been executed in a number of identical counterparts, each of which shall be deemed an original for all purposes and all of which constitute, collectively, one agreement. As used herein, the words "include" and "including" shall be interpreted as if followed by the words "without limitation."

Section 20

Dispute Resolution.

(a) Arbitration. Except to the extent expressly provided below, any controversy, claim or dispute between or among the parties hereto, including any such controversy, claim or dispute arising out of or relating to (i) this Guaranty, (ii) any other Loan Document, (iii) any related agreements or instruments, or (iv) the transaction contemplated herein or therein (including any claim based on or arising from an alleged personal injury or business tort) (collectively, a "Dispute"), shall, upon the request of either party, be determined by binding arbitration in accordance with the Federal Arbitration Act, Title 9, United States Code (or if not applicable, the applicable state law), the then-current rules for arbitration of financial services disputes of the American Arbitration Association, or any successor thereof ("AAA"), and the "Special Rules" set forth below. In the event of any inconsistency, the Special Rules shall control. The filing of a court action is not intended to constitute a waiver of the right of Guarantor or Lender, including the suing party, thereafter to require submittal of the Dispute to arbitration. Any party to this Guaranty may bring an action, including a summary or expedited proceeding, to compel arbitration of any Dispute in any court having jurisdiction over such action. For the purposes of this Dispute Resolution Section only, the terms "party" and "parties" shall include any parent corporation, subsidiary or affiliate of Lender involved in the servicing, management or administration of any obligation described in or evidenced by this Guaranty, together with the officers, employees, successors and assigns of each of the foregoing.

(b) Special Rules.

(i) The arbitration shall be conducted in any U.S. state where real or tangible personal property collateral is located, or if there is no such collateral in the City and County where Lender is located pursuant to its address for notice purposes in this Guaranty.

(ii) The arbitration shall be administered by AAA, who will appoint an arbitrator. If AAA is unwilling or unable to administer or legally precluded from administering the arbitration, or if AAA is unwilling or unable to enforce or legally precluded from enforcing any and all provisions of this Dispute Resolution Section, then any party to this Guaranty may substitute another arbitration organization that has similar procedures to AAA and that will observe and enforce any and all provisions of this Dispute Resolution Section. All Disputes shall be determined by one arbitrator; however, if the amount in controversy in a Dispute exceeds Five Million Dollars (\$5,000,000), upon the request of any party, the Dispute shall be decided by three arbitrators (for purposes of this Guaranty, referred to collectively as the "arbitrator").

(iii) All arbitration hearings will be commenced within ninety (90) days of the demand for arbitration and completed within ninety (90) days from the date of commencement; provided, however, that upon a showing of good cause, the arbitrator shall be permitted to extend the commencement of such hearing for up to an additional sixty (60) days.

(iv) The judgment and the award, if any, of the arbitrator shall be issued within thirty (30) days of the close of the hearing. The arbitrator shall provide a concise written statement setting forth the reasons for the judgment and for the award, if any. The arbitration award, if any, may be submitted to any court having jurisdiction to be confirmed and enforced, and such confirmation and enforcement shall not be subject to arbitration.

(v) The arbitrator will give effect to statutes of limitations and any waivers thereof in determining the disposition of any Dispute and may dismiss one or more claims in the arbitration on the basis that such claim or claims is or are barred. For purposes of the application of the statute of limitations, the service on AAA under applicable AAA rules of a notice of Dispute is the equivalent of the filing of a lawsuit.

(vi) Any dispute concerning this arbitration provision, including any such dispute as to the validity or enforceability of this provision, or whether a Dispute is arbitrable, shall be determined by the arbitrator; provided, however, that the arbitrator shall not be permitted to vary the express provisions of these Special Rules or the Reservations of Rights in subsection (c) below.

(vii) The arbitrator shall have the power to award legal fees and costs pursuant to the terms of this Guaranty.

(viii) The arbitration will take place on an individual basis without reference to, resort to, or consideration of any form of class or class action.

(c) Reservations of Rights. Nothing in this Guaranty shall be deemed to (i) limit the applicability of any otherwise applicable statutes of limitation and any waivers contained in this Guaranty, or (ii) apply to or limit the right of Lender (A) to exercise self help remedies such as (but not limited to) setoff, or (B) to foreclose judicially or nonjudicially against any real or personal property collateral, or to exercise judicial or nonjudicial power of sale rights, or (C) to obtain from a court provisional or ancillary remedies such as (but not limited to) injunctive relief, writ of possession, prejudgment attachment, or the appointment of a receiver, or (iii) apply to or limit the right of either party to pursue rights against a party to this Guaranty in a third-party proceeding in any action in a state, federal or international court, tribunal or hearing body (including actions in specialty courts, such as bankruptcy and patent courts). Lender may exercise the rights set forth in clauses (ii) (A) through (C), inclusive, and either party may exercise the rights set forth in clause (iii), before, during or after the pendency of any arbitration proceeding brought pursuant to this Guaranty. Neither the exercise of self help remedies nor the institution or maintenance of an action for foreclosure or provisional or ancillary remedies shall constitute a waiver of the right of any party, including the claimant in any such action, to arbitrate the merits of the Dispute occasioning resort to such remedies. No provision in the Loan Documents regarding submission to jurisdiction and/or venue in any court is intended or shall be construed to be in derogation of the provisions in any Loan Document for arbitration of any Dispute.

(d) Conflicting Provisions for Dispute Resolution. If there is any conflict between the terms, conditions and provisions of this Section and those of any other provision or agreement for arbitration or dispute resolution, the terms, conditions and provisions of this Section shall prevail as to any Dispute arising out of or relating to (i) this Guaranty, (ii) any other Loan Document, (iii) any related agreements or instruments, or (iv) the transaction contemplated herein or therein (including any claim based on or arising from an alleged personal injury or business tort). In any other situation, if the resolution of a given Dispute is specifically governed by another provision or agreement for arbitration or dispute resolution, the other provision or agreement shall prevail with respect to said Dispute.

(e) Jury Trial Waiver in Arbitration. By agreeing to this Section, the parties irrevocably and voluntarily waive any right they may have to a trial by jury in respect of any Dispute.

Section 21

Forum.

Guarantor hereby irrevocably submits generally and unconditionally for itself and in respect of its property to the jurisdiction of any state court or any United States federal court sitting in the State specified in the governing law section of this Guaranty over any Dispute. Guarantor hereby irrevocably waives, to the fullest extent permitted by Law, any objection that Guarantor may now or hereafter have to the laying of venue in any such court and any claim that any such court is an inconvenient forum. Guarantor hereby agrees and consents that, in addition to any methods of service of process provided for under applicable law, all service of process in any such suit, action or proceeding in any state court or any United States federal court sitting in the state specified in the governing law section of this Guaranty may be made by certified or registered mail, return receipt requested, directed to Guarantor at its address for notice set forth in this Guaranty, or at a subsequent address of which Lender received actual notice from Guarantor in accordance with the notice section of this Guaranty, and service so made shall be complete ten (10) days after the same shall have been so mailed. Nothing herein shall affect the right of Lender to serve process in any manner permitted by Law or limit the right of Lender to bring proceedings against Guarantor in any other court or jurisdiction.

Section 22

WAIVER OF JURY TRIAL.

WITHOUT INTENDING IN ANY WAY TO LIMIT THE PARTIES' AGREEMENT TO ARBITRATE ANY "DISPUTE" (FOR PURPOSES OF THIS SECTION, AS DEFINED ABOVE) AS SET FORTH IN THIS GUARANTY, TO THE EXTENT ANY "DISPUTE" IS NOT SUBMITTED TO ARBITRATION OR IS DEEMED BY THE ARBITRATOR OR BY ANY COURT WITH JURISDICTION TO BE NOT ARBITRABLE OR NOT REQUIRED TO BE ARBITRATED, GUARANTOR AND LENDER WAIVE TRIAL BY JURY IN RESPECT OF ANY SUCH "DISPUTE" AND ANY ACTION ON SUCH "DISPUTE." THIS WAIVER IS KNOWINGLY, WILLINGLY AND VOLUNTARILY MADE BY GUARANTOR AND LENDER, AND GUARANTOR AND LENDER HEREBY REPRESENT THAT NO REPRESENTATIONS OF FACT OR OPINION HAVE BEEN MADE BY ANY PERSON OR ENTITY TO INDUCE THIS WAIVER OF TRIAL BY JURY OR TO IN ANY WAY MODIFY OR NULLIFY ITS EFFECT. THIS PROVISION IS A MATERIAL INDUCEMENT FOR THE PARTIES ENTERING INTO THE LOAN DOCUMENTS. GUARANTOR AND LENDER ARE EACH HEREBY AUTHORIZED TO FILE A COPY OF THIS SECTION IN ANY PROCEEDING AS CONCLUSIVE EVIDENCE OF THIS WAIVER OF JURY TRIAL. GUARANTOR FURTHER REPRESENTS AND WARRANTS THAT IT HAS BEEN REPRESENTED IN THE SIGNING OF THIS GUARANTY AND IN THE MAKING OF THIS WAIVER BY INDEPENDENT LEGAL COUNSEL, OR HAS HAD THE OPPORTUNITY TO BE REPRESENTED BY INDEPENDENT LEGAL COUNSEL SELECTED OF ITS OWN FREE WILL, AND THAT IT HAS HAD THE OPPORTUNITY TO DISCUSS THIS WAIVER WITH COUNSEL.

Section 23

Credit Verification.

Each legal entity and individual obligated on this Guaranty, whether as a Guarantor, a general partner of a Guarantor or in any other capacity, hereby authorizes Lender to check any credit references, verify his/her employment and obtain credit reports from credit reporting agencies of Lender's choice in connection with any monitoring, collection or future transaction concerning the Loan, including any modification, extension or renewal of the Loan. Also in connection with any such monitoring, collection or future transaction, Lender is hereby authorized to check credit references, verify employment and obtain a third party credit report for the spouse of any married person obligated on this Guaranty, if such person lives in a community property state.

Address of Guarantor:

c/o Sun Communities, Inc.
27777 Franklin Rd., Suite 200
Southfield, MI 48034
Fax No.: (248) 208-2646

Guarantor:

Sun Communities Operating Limited Partnership, a Michigan limited partnership

By: Sun Communities, Inc., a Maryland corporation
Its: General Partner

By: /s/ Jonathon M. Colman
Name: Jonathan M. Colman
Title: Executive Vice President

Address of Lender:

Bank of America, N.A.
Mail Code: MI8-900-04-20
2600 West Big Beaver Road
Troy, Michigan 48084
Fax No.: (248) 822-5749



TERM LOAN AGREEMENT

by and between

Knollwood Estates Operating Company, LLC,
a Michigan limited liability company

Sun River Ridge Limited Partnership,
a Michigan limited partnership

Sun Countryside Gwinnett, LLC,
a Michigan limited liability company

as Borrowers

and

Bank of America, N.A.,
a national banking association,

as Lender,

with respect to

Knollwood Estates, Allendale, Michigan
River Ridge, Austin, Texas
Countryside Village of Gwinnett, Buford, Georgia

Article I	General Information.	1
Section 1.1	Conditions to Closing.	1
Section 1.2	Schedules.	1
Section 1.3	Defined Terms.	1
Article II	Terms of the Loan.	1
Section 2.1	The Loan.	1
Section 2.2	Advance.	1
Section 2.3	Liability of Lender.	2
Article III	Representations and Warranties.	2
Section 3.1	Organization, Power and Authority of Borrower; Loan Documents.	2
Section 3.2	Other Documents; Laws.	2
Section 3.3	Taxes.	2
Section 3.4	Legal Actions.	2
Section 3.5	Nature of Loan.	2
Section 3.6	Trade Names.	3
Section 3.7	Financial Statements.	3
Section 3.8	No Material Adverse Change.	3
Section 3.9	ERISA and Prohibited Transactions.	3
Section 3.10	Compliance with Laws and Zoning and Other Requirements; Encroachments.	3
Section 3.11	Utilities; Roads; Access.	3
Section 3.12	Other Liens.	3
Section 3.13	No Defaults.	4
Article IV	Affirmative Covenants and Agreements.	4
Section 4.1	Compliance with Laws; Use of Proceeds.	4
Section 4.2	Inspections; Cooperation.	4
Section 4.3	Payment and Performance of Contractual Obligations.	4
Section 4.4	Insurance.	5
Section 4.5	Adjustment of Condemnation and Insurance Claims.	6
Section 4.6	Utilization of Net Proceeds.	6
Section 4.7	Management.	7
Section 4.8	Books and Records; Financial Statements; Tax Returns.	7
Section 4.9	Estoppel Certificates.	7
Section 4.10	Taxes; Tax Receipts.	7
Section 4.11	Lender's Rights to Pay and Perform.	8
Section 4.12	Reimbursement; Interest.	8
Section 4.13	Notification by Borrower.	8
Section 4.14	Indemnification by Borrower.	8
Section 4.15	Fees and Expenses.	8
Section 4.16	Appraisals.	9

Section 4.17	Leasing and Tenant Matters.	9
Section 4.18	Preservation of Rights.	9
Section 4.19	Income from Property.	9
Section 4.20	Representations and Warranties.	9
Section 4.21	Debt Service Coverage Ratio.	9
Section 4.22	Adjusted EBITDA to Fixed Charges Ratio.	9
Section 4.23	Total Leverage Ratio.	9
Section 4.24	Swap Contracts.	9
Article V	Negative Covenants.	9
Section 5.1	Conditional Sales.	10
Section 5.2	Insurance Policies and Bonds.	10
Section 5.3	Additional Debt.	10
Article VI	Events of Default.	10
Section 6.1	Payment Default.	10
Section 6.2	Default Under Other Loan Documents.	10
Section 6.3	Accuracy of Information; Representations and Warranties.	10
Section 6.4	Deposits.	10
Section 6.5	Insurance Obligations.	11
Section 6.6	Other Obligations.	11
Section 6.7	Construction Lien.	11
Section 6.8	Bankruptcy.	11
Section 6.9	Appointment of Receiver, Trustee, Liquidator.	11
Section 6.10	Inability to Pay Debts.	11
Section 6.11	Judgment.	11
Section 6.12	Dissolution; Change in Business Status.	11
Section 6.13	Default Under Other Indebtedness.	12
Section 6.14	Change in Controlling Interest.	12
Article VII	Remedies on Default.	12
Section 7.1	Remedies on Default.	12
Section 7.2	No Release or Waiver; Remedies Cumulative and Concurrent.	12
Article VIII	Miscellaneous.	13
Section 8.1	Further Assurances; Authorization to File Documents.	13
Section 8.2	No Warranty by Lender.	13
Section 8.3	Standard of Conduct of Lender.	13
Section 8.4	No Partnership.	13
Section 8.5	Severability.	13
Section 8.6	Notices.	14
Section 8.7	Permitted Successors and Assigns; Disclosure of Information.	16
Section 8.8	Modification; Waiver.	16
Section 8.9	Third Parties; Benefit.	16
Section 8.10	Rules of Construction.	17
Section 8.11	Counterparts.	17

Section 8.12	Governing Law.	17
Section 8.13	Time of Essence.	17
Section 8.14	Electronic Transmission of Data.	17
Section 8.15	Dispute Resolution.	17
Section 8.16	Forum.	19
Section 8.17	WAIVER OF JURY TRIAL.	19
Section 8.18	USA Patriot Act Notice.	19
Section 8.19	Entire Agreement.	20

Schedules to Term Loan Agreement

Schedule 1	Definitions
Schedule 2	Leasing and Tenant Matters
Schedule 3	Swap Contracts

Term Loan Agreement

This Term Loan Agreement (this "Agreement") is made as of the 29th day of June, 2009, by and between Knollwood Estates Operating Company LLC, a Michigan limited liability company; Sun River Ridge Limited Partnership, a Michigan limited partnership; and Sun Countryside Gwinnett LLC, a Michigan limited liability company (collectively, the "Borrower"), and Bank of America, N.A., a national banking association ("Lender").

Recitals

Borrower has applied to Lender for a loan for the purpose of refinancing existing indebtedness with respect to the real property that will serve as security for the loan. Lender has agreed to make the loan on the terms and conditions set forth in this Agreement and in the other documents evidencing and securing the loan.

Now, therefore, in consideration of the premises, and in further consideration of the mutual covenants and agreements herein set forth, the parties covenant and agree as follows:

Agreements

Article I
General Information.

Section 1.1 Conditions to Closing.

The conditions precedent to closing the Loan and recording the Collateral Instruments are set forth in the Closing Checklist and have been satisfied.

Section 1.2 Schedules.

The Schedules attached to this Agreement are incorporated herein and made a part hereof.

Section 1.3 Defined Terms.

Capitalized terms in this Agreement shall have the meanings ascribed to such terms in the Preamble hereto and in Schedule 1.

Article II
Terms of the Loan.

Section 2.1 The Loan.

Borrower agrees to borrow the Loan from Lender, and Lender agrees to lend the Loan to Borrower, subject to the terms and conditions herein set forth, in an amount not to exceed the Loan Amount. Interest shall accrue and be payable in arrears only on sums advanced hereunder for the period of time outstanding. The Loan is not a revolving loan; amounts repaid may not be re-borrowed.

Section 2.2 Advance.

At closing, Lender shall advance Loan proceeds in the amounts, and to the parties, specified in the closing statement agreed upon between Borrower and Lender.

Lender shall in no event be responsible or liable to any Person other than Borrower for the disbursement of or failure to disburse the Loan proceeds or any part thereof and no Person other than Borrower shall have any right or claim against Lender under this Agreement or the other Loan Documents.

Article III

Representations and Warranties.

Each Borrower, for itself only, makes the following representations and warranties to Lender as of the date hereof:

Section 3.1 Organization, Power and Authority of Borrower; Loan Documents.

Each Borrower (a) is either a limited partnership or limited liability company duly organized, existing and in good standing under the laws of the state in which it is organized and is duly qualified to do business and is in good standing in the state in which the Land is located (if different from the state of its formation) and in any other state where the nature of Borrower's business or property requires it to be qualified to do business, and (b) has the power, authority and legal right to own its property and carry on the business now being conducted by it and to engage in the transactions contemplated by the Loan Documents. The Loan Documents to which Borrower is a party have been duly executed and delivered by Borrower, and the execution and delivery of, and the carrying out of the transactions contemplated by, such Loan Documents, and the performance and observance of the terms and conditions thereof, have been duly authorized by all necessary organizational action by and on behalf of Borrower. The Loan Documents to which Borrower is a party constitute the valid and legally binding obligations of Borrower and are fully enforceable against Borrower in accordance with their respective terms, except to the extent that such enforceability may be limited by laws generally affecting the enforcement of creditors' rights.

Section 3.2 Other Documents; Laws.

The execution and performance of the Loan Documents to which Borrower is a party and the consummation of the transactions contemplated thereby, to the Borrower's knowledge, will not conflict with, result in any breach of, or constitute a default under, the organizational documents of Borrower, or, to the Borrower's knowledge, any contract, agreement, document or other instrument to which Borrower is a party or by which Borrower or any of its properties may be bound or affected, and such actions do not and will not violate or contravene any Law to which Borrower is subject.

Section 3.3 Taxes.

Borrower has filed all federal, state, county and municipal Tax returns required to have been filed by Borrower and has paid all Taxes which have become due pursuant to such returns or pursuant to any Tax assessments received by Borrower.

Section 3.4 Legal Actions.

There are no Claims or investigations by or before any court or Governmental Authority, pending, or to the best of Borrower's knowledge, threatened in writing against or affecting Borrower, Borrower's business or the Property which would result in a material adverse effect to the Borrower. Borrower is not in default with respect to any order, writ, injunction, decree or demand of any court or any Governmental Authority affecting Borrower or the Property.

Section 3.5 Nature of Loan.

Borrower is a business or commercial organization. The Loan is being obtained solely for business or investment purposes, and will not be used for personal, family, household or agricultural purposes.

Section 3.6 Trade Names.

Borrower conducts its business solely under the name set forth in the Preamble to this Agreement and makes use of no trade names in connection therewith, unless such trade names have been previously disclosed to Lender in writing, including the names Knollwood, River Ridge and Countryside Gwinnett.

Section 3.7 Financial Statements.

The financial statements heretofore delivered by Borrower and each Guarantor to Lender are true and correct in all material respects, have been prepared in accordance with sound accounting principles consistently applied, and fairly present the respective financial conditions of the subjects thereof as of the respective dates thereof.

Section 3.8 No Material Adverse Change.

No material adverse change has occurred in the financial conditions reflected in the financial statements of Borrower or the Guarantor since the respective dates of such statements previously provided, and no material additional liabilities have been incurred by Borrower since the dates of such statements other than the borrowings contemplated herein or as approved in writing by Lender.

Section 3.9 ERISA and Prohibited Transactions.

As of the date hereof and throughout the term of the Loan: (a) Borrower is not and will not be (i) an "employee benefit plan," as defined in Section 3(3) of ERISA, (ii) a "governmental plan" within the meaning of Section 3(32) of ERISA, or (iii) a "plan" within the meaning of Section 4975(e) of the Code; (b) the assets of Borrower do not and will not constitute "plan assets" within the meaning of the United States Department of Labor Regulations set forth in Section 2510.3-101 of Title 29 of the Code of Federal Regulations; (c) transactions by or with Borrower are not and will not be subject to state statutes applicable to Borrower regulating investments of fiduciaries with respect to governmental plans; and (d) Borrower will not engage in any transaction that would cause any Obligation or any action taken or to be taken hereunder (or the exercise by Lender of any of its rights under the Collateral Instruments or any of the other Loan Documents) to be a non-exempt (under a statutory or administrative class exemption) prohibited transaction under ERISA or Section 4975 of the Code. Borrower agrees to deliver to Lender such certifications or other evidence of compliance with the provisions of this Section as Lender may from time to time request.

Section 3.10 Compliance with Laws and Zoning and Other Requirements; Encroachments.

To Borrower's knowledge, Borrower is in compliance with the requirements of all applicable Laws. To Borrower's knowledge, the use of the Property complies with applicable zoning ordinances, regulations and restrictive covenants affecting the Land. All use and other requirements of any Governmental Authority having jurisdiction over the Property have been satisfied. Borrower has not received written notice that any violation of any Law exists with respect to the Property. To Borrower's knowledge, the Property is in compliance with all applicable use or other restrictions and the provisions of all applicable agreements, declarations and covenants and all applicable zoning and subdivision ordinances and regulations.

Section 3.11 Utilities; Roads; Access.

All utility services necessary for the operation of the Property for its intended purposes have been fully installed, including telephone service, cable television, water supply, storm and sanitary sewer facilities, natural gas and electric facilities. All roads and other accesses necessary to serve the Land have been completed, are serviceable in all weather, and where required by the appropriate Governmental Authority, have been dedicated to and formally accepted by such Governmental Authority.

Section 3.12 Other Liens.

Except for contracts for labor, materials and services furnished or to be furnished in connection with any construction at the Property or in the ordinary course of Borrower's business, Borrower has made no contract or arrangement of any kind the performance of which by the other party thereto would give rise to a lien on the Property.

There is no Default or Event of Default under any of the Loan Documents, and there is no default or event of default by Borrower under any material contract, agreement or other document related to the operation of the Property.

Article IV

Affirmative Covenants and Agreements.

Borrower covenants as of the date hereof and until such time as all Obligations shall be paid and performed in full, that:

Section 4.1 Compliance with Laws; Use of Proceeds.

Borrower shall comply with all Laws and all orders, writs, injunctions, decrees and demands of any court or any Governmental Authority affecting Borrower or the Property. Borrower shall use all proceeds of the Loan for business purposes which are not in contravention of any Law or any Loan Document.

Section 4.2 Inspections; Cooperation.

Borrower shall permit representatives of Lender to enter upon the Land, upon reasonable advance notice as provided below in this Section 4.2, to inspect the Property as well as all records and books of account maintained by or on behalf of Borrower relating thereto and to discuss the affairs, finances and accounts pertaining to the Loan and the Property with representatives of Borrower. Borrower shall at all times reasonably cooperate and cause each and every one of its contractors, subcontractors and material suppliers to cooperate with the representatives of Lender in connection with or in aid of the performance of Lender's functions under this Agreement. Except in the event of an emergency, Lender shall give Borrower at least forty-eight hours' notice by telephone in each instance before entering upon the Land and/or exercising any other rights granted in this Section.

Section 4.3 Payment and Performance of Contractual Obligations.

Borrower shall perform in a timely manner all of its obligations under any and all contracts and agreements related to any construction activities at the Property or the maintenance or operation of the Property, and Borrower will pay when due all bills for services or labor performed and materials supplied in connection with such construction, maintenance and/or operation. Within thirty (30) days after the filing of any construction or mechanic's lien or other lien or encumbrance against the Property, Borrower will promptly discharge the same by payment or filing a bond or otherwise as permitted by Law. So long as Lender's security has been protected by the filing of a bond or otherwise in a manner satisfactory to Lender in its reasonable discretion, Borrower shall have the right to contest in good faith any claim, lien or encumbrance, provided that Borrower does so diligently and without prejudice to Lender.

Borrower shall maintain the following insurance at its sole cost and expense:

- (a) Insurance against Casualty to the Property under a policy or policies covering such risks as are presently included in "special form" (also known as "all risk") coverage, including such risks as are ordinarily insured against by similar businesses, but in any event including fire, lightning, windstorm, hail, explosion, riot, riot attending a strike, civil commotion, damage from aircraft, smoke, vandalism, malicious mischief and acts of terrorism. Such insurance shall name Lender as mortgagee and loss payee. Unless otherwise agreed in writing by Lender, such insurance shall be for the full insurable value of the Property on a replacement cost basis, with a deductible amount, if any, satisfactory to Lender. No policy of insurance shall be written such that the proceeds thereof will produce less than the minimum coverage required by this Section by reason of co-insurance provisions or otherwise. The term "full insurable value" means one hundred percent (100%) of the actual replacement cost of the Property (excluding foundation and excavation costs and costs of underground flues, pipes, drains and other uninsurable items).
- (b) Commercial (also known as comprehensive) general liability insurance on an "occurrence" basis against claims for "personal injury" liability and liability for death, bodily injury and damage to property, products and completed operations, in limits satisfactory to Lender with respect to any one occurrence and the aggregate of all occurrences during any given annual policy period. Such insurance shall name Lender as an additional insured.
- (c) Workers' compensation insurance for all employees of Borrower in such amount as is required by Law and including employer's liability insurance, if required by Lender.
- (d) If at any time any portion of any structure on the Property securing the Loan is insurable against Casualty by flood and is located in a Special Flood Hazard Area under the Flood Disaster Protection Act of 1973, as amended, a flood insurance policy in form and amount acceptable to Lender but in no amount less than the amount sufficient to meet the requirements of applicable Law as such requirements may from time to time be in effect.
- (e) Such other and further insurance as may be required from time to time by Lender in order to comply with regular requirements and practices of Lender in similar transactions including, if required by Lender, boiler and machinery insurance, pollution liability insurance, wind insurance and earthquake insurance, so long as any such insurance is generally available at commercially reasonable premiums as determined by Lender from time to time.

Each policy of insurance (i) shall be issued by one or more insurance companies each of which must have an A.M. Best Company financial and performance rating of B++IX or better and are qualified or authorized by the Laws of the state where the Property is located to assume the risks covered by such policy, (ii) with respect to the insurance described under the preceding Subsections (a) and (d), shall have attached thereto standard non-contributing, non-reporting mortgagee clauses in favor of and entitling Lender without contribution to collect any and all proceeds payable under such insurance, either as sole payee or as joint payee with Borrower, (iii) shall provide that such policy shall not be canceled or modified for nonpayment of premiums without at least ten (10) days prior written notice to Lender, or for any other reason without at least thirty (30) days prior written notice to Lender, and (iv) shall provide that any loss otherwise payable thereunder shall be payable notwithstanding any act or negligence of Borrower which might, absent such agreement, result in a forfeiture of all or a part of such insurance payment. Borrower shall promptly pay all premiums when due on such insurance and, not less than ten (10) days prior to the expiration dates of each such policy, Borrower will deliver to Lender acceptable evidence of insurance, such as a renewal policy or policies marked "premium paid" or other evidence reasonably satisfactory to Lender reflecting that all required insurance is current and in force. Borrower will immediately give Notice to Lender of any cancellation of, or change in, any insurance policy. Lender shall not, because of accepting, rejecting, approving or obtaining insurance, incur any liability for (A) the existence, nonexistence, form or legal sufficiency thereof, (B) the solvency of any insurer, or (C) the payment of losses. Borrower may satisfy any insurance requirement hereunder by providing one or more "blanket" insurance policies, subject to Lender's approval in each instance as to limits, coverages, forms, deductibles, inception and expiration dates, and cancellation provisions.

Borrower shall give prompt Notice to Lender of any Casualty or any Condemnation or threatened Condemnation. Lender is authorized, at its sole and absolute option, in connection with any Claim in excess of \$300,000, to commence, appear in and prosecute, in its own or Borrower's name, any action or proceeding relating to any Condemnation or Casualty, and to make proof of loss for and to settle or compromise any Claim in connection therewith. In such case, Lender shall have the right to receive all Condemnation Awards and Insurance Proceeds, and may deduct therefrom all of its Expenses. However, so long as no Event of Default has occurred and Borrower is diligently pursuing its rights and remedies with respect to a Claim, Lender will obtain Borrower's written consent (which consent shall not be unreasonably withheld or delayed) before making proof of loss for or settling or compromising such Claim in excess of \$300,000. Borrower agrees to diligently assert its rights and remedies with respect to each Claim and to promptly pursue the settlement and compromise of each Claim, subject to Lender's approval in connection with any Claim in excess of \$300,000, which approval shall not be unreasonably withheld or delayed. Borrower is authorized to settle or compromise any Claim of \$300,000 or less. If, prior to the receipt by Lender of any Condemnation Award or Insurance Proceeds, the Property shall have been sold pursuant to the provisions of the Collateral Instruments, Lender shall have the right to receive such funds (a) to the extent of any deficiency found to be due upon such sale with interest thereon (whether or not a deficiency judgment on the Collateral Instruments shall have been sought or recovered or denied), and (b) to the extent necessary to reimburse Lender for its Expenses. If any Condemnation Awards or Insurance Proceeds are paid to Borrower, Borrower shall receive the same in trust for Lender. Within ten (10) days after Borrower's receipt of any Condemnation Awards or Insurance Proceeds, Borrower shall deliver such awards or proceeds to Lender in the form in which they were received, together with any endorsements or documents that may be necessary to effectively negotiate or transfer the same to Lender. Borrower agrees to execute and deliver from time to time, upon the reasonable request of Lender, such further instruments or documents as may be requested by Lender to confirm the grant and assignment to Lender of any Condemnation Awards or Insurance Proceeds.

Section 4.6

Utilization of Net Proceeds.

(a) Net Proceeds must be utilized either for payment of the Obligations or for the restoration of the Property. Net Proceeds may be utilized for the restoration of the Property only if no Default shall exist and only if in the reasonable judgment of Lender (i) there has been no material adverse change in the financial viability of the Property which would impair the ability of the Borrower to repay the Loan, (ii) the Net Proceeds, together with other funds deposited with Lender for that purpose, are sufficient to pay the cost of the restoration pursuant to a budget and plans and specifications approved by Lender (which approval shall not be unreasonably withheld or delayed), and (iii) the restoration can be completed prior to the final maturity of the Loan and prior to the date required by any permanent loan commitment or any purchase and sale agreement or by any Lease. Otherwise, Net Proceeds shall be utilized for payment of the Obligations.

(b) If Net Proceeds are to be utilized for the restoration of the Property, the Net Proceeds, together with any other funds deposited with Lender for that purpose, must be deposited in a Borrower's Deposit Account, which shall be an interest-bearing account, with all accrued interest to become part of Borrower's deposit. Borrower agrees that it shall include all interest and earnings on any such deposit as its income (and, if Borrower is a partnership or other pass-through entity, the income of its partners, members or beneficiaries, as the case may be), and shall be the owner of all funds on deposit in the Borrower's Deposit Account for federal and applicable state and local tax purposes. Lender shall have the exclusive right to manage and control all funds in the Borrower's Deposit Account, but Lender shall have no fiduciary duty with respect to such funds and shall have no liability to the Borrower or any other party with respect thereto unless arising from the gross negligence or willful misconduct of Lender. Lender will advance the deposited funds from time to time to Borrower or a contractor designated by Borrower for the payment of costs of restoration of the Property upon presentation of customary evidence reasonably acceptable to Lender that the portion of the restoration for which payment is to be made has been completed satisfactorily and lien-free. Any account fees and charges may be deducted from the balance, if any, in the Borrower's Deposit Account. Borrower grants to Lender a security interest in the Borrower's Deposit Account and all funds hereafter deposited to such deposit account, and any proceeds thereof, as security for the Obligations. Such security interest shall be governed by the Uniform Commercial Code of the State, and Lender shall have available to it all of the rights and remedies available to a secured party thereunder. The Borrower's Deposit Account may be established and held in such name or names as Lender shall deem appropriate, including in the name of Lender. Borrower hereby constitutes and appoints Lender and any officer or agent of Lender its true and lawful attorneys-in-fact with full power of

substitution, which respect to any Claim which the Lender is authorized to make proof of loss for and to settle or comprise under Section 4.5, to open the Borrower's Deposit Account and to do any and every act that Borrower might do on its own behalf to fulfill the terms of this Section 4.6. To the extent permitted by Law, Borrower hereby ratifies all that said attorneys shall lawfully do or cause to be done by virtue hereof. It is understood and agreed that this power of attorney, which shall be deemed to be a power coupled with an interest, cannot be revoked.

Section 4.7 Management.

Borrower at all times shall provide for the competent and responsible management and operation of the Property. At all times, Borrower shall cause the Property to be managed by an Approved Manager. All management contracts affecting the Property shall be terminable upon thirty (30) days' written notice without penalty or charge (except for unpaid accrued management fees). All management contracts must be approved in writing by Lender prior to the execution of the same (which approval shall not be unreasonably withheld or delayed).

Section 4.8 Books and Records; Financial Statements; Tax Returns.

Borrower will keep and maintain full and accurate books and records administered in accordance with sound accounting principles, consistently applied, showing in detail the earnings and expenses of the Property and the operation thereof. Borrower will keep and maintain its books and records, including recorded data of any kind and regardless of the medium of recording, at the address of Borrower set forth in Section 8.6. Upon reasonable advance notice, Borrower shall permit Lender, or any Person authorized by Lender, to inspect and examine such books and records (regardless of where maintained) and all supporting vouchers and data and to make copies and extracts therefrom at all reasonable times and as often as may be requested by Lender. Borrower will furnish or cause to be furnished to Lender annual financial statements, including balance sheets and income statements, for Borrower, each Guarantor and the Property, within ninety (90) days after each fiscal year end for the respective reporting party. Borrower will also furnish or cause to be furnished to Lender quarterly consolidated, unaudited, financial statements, including consolidated balance sheets and income statements, for Borrower, each Guarantor and the Property, within fifty (50) days after each fiscal quarter end (except the last) for the respective reporting party. In addition, Borrower will furnish or cause to be furnished to Lender, with reasonable promptness, such other interim financial statements of Borrower, each Guarantor and the Property, together with such additional information, reports or statements in connection therewith, as Lender may from time to time reasonably request. All financial statements must be in form and detail acceptable to Lender and must be certified as to accuracy by Borrower or the respective Guarantor, as the case may be. Borrower shall provide, upon Lender's request, convenient facilities for the audit and verification of any such statement. All certifications and signatures on behalf of corporations, partnerships, limited liability companies and other entities shall be by an authorized representative of the reporting party.

Section 4.9 Estoppel Certificates.

Within fourteen (14) days after any request by Lender or a proposed assignee or purchaser of the Loan or any interest therein, Borrower shall certify in writing to Lender, or to such proposed assignee or purchaser, the then unpaid balance of the Loan and whether, to Borrower's knowledge, Borrower claims any right of defense or setoff to the payment or performance of any of the Obligations, and if Borrower claims any such right of defense or setoff, Borrower shall give a detailed written description of such claimed right.

Section 4.10 Taxes; Tax Receipts.

Borrower shall pay and discharge all Taxes prior to the date on which penalties are attached thereto unless and to the extent only that such Taxes are contested in accordance with the terms of the Collateral Instruments. If Borrower fails, following demand, to provide Lender the tax receipts required under the Collateral Instruments, without limiting any other remedies available to Lender, Lender may, at Borrower's sole expense, obtain and enter into a tax services contract with respect to the Property with a tax reporting agency satisfactory to Lender.

If, after any required notice, Borrower fails to promptly pay or perform any of the Obligations within any applicable grace or cure periods, Lender, without further Notice to or demand upon Borrower, and without waiving or releasing any Obligation or Default, may (but shall be under no obligation to) at any time thereafter make such payment or perform such act for the account and at the expense of Borrower. Lender may enter upon the Property for that purpose and take all action thereon as Lender considers reasonably necessary or appropriate.

Section 4.12

Reimbursement; Interest.

Subject to applicable notice and cure periods, if Lender shall incur any Expenses or pay any Claims by reason of the Loan or the rights and remedies provided under the Loan Documents (regardless of whether or not any of the Loan Documents expressly provide for an indemnification by Borrower against such Claims), Lender's payment of such Expenses and Claims shall constitute advances to Borrower which shall be paid by Borrower to Lender on demand, together with interest thereon from the date incurred until paid in full at the rate of interest then applicable to the Loan under the terms of the Note. Each advance shall be secured by the Collateral Instruments and the other Loan Documents as fully as if made to Borrower, regardless of the disposition thereof by the party or parties to whom such advance is made. Notwithstanding the foregoing, however, in any action or proceeding to foreclose the Collateral Instruments or to recover or collect the Obligations, the provisions of Law governing the recovery of costs, disbursements and allowances shall prevail unaffected by this Section.

Section 4.13

Notification by Borrower.

Borrower will promptly give Notice to Lender of the occurrence of any Default or Event of Default hereunder or under any of the other Loan Documents.

Section 4.14

Indemnification by Borrower.

Borrower agrees to indemnify Lender and to hold Lender harmless from and against, and to defend Lender by counsel approved by Lender against, any and all Claims directly or indirectly arising out of or resulting from any transaction, act, omission, event or circumstance in any way connected with the Property or the Loan, including any Claim arising out of or resulting from (a) any construction activity at the Property, including any defective workmanship or materials; (b) any failure by Borrower to comply with the requirements of any Laws or to comply with any agreement that applies or pertains to the Property, including any agreement with a broker or "finder" in connection with the Loan or other financing of the Property; (c) any failure by Borrower to observe and perform any of the obligations imposed upon the landlord under the Leases; (d) any other Default or Event of Default hereunder or under any of the other Loan Documents; or (e) any assertion or allegation that Lender is liable for any act or omission of Borrower or any other Person in connection with the ownership, financing, leasing, operation or sale of the Property; provided, however, that Borrower shall not be obligated to indemnify Lender with respect to any Claim arising from the gross negligence or willful misconduct of Lender. The agreements and indemnifications contained in this Section shall apply to Claims arising both before and after the repayment of the Loan, as a result of any act, omission, event or condition existing or occurring on or before the Transition Date, and shall survive the repayment of the Loan, any foreclosure or deed, assignment or conveyance in lieu thereof and any other action by Lender to enforce the rights and remedies of Lender hereunder or under the other Loan Documents.

Section 4.15

Fees and Expenses.

Borrower shall pay all reasonable fees, charges, costs and expenses required to satisfy the conditions of the Loan Documents. Without limitation of the foregoing, subject to applicable notice and cure periods, Borrower will pay, when due, and if paid by Lender will reimburse Lender on demand for, all reasonable fees and expenses of any construction consultant (if any), the title insurer, environmental engineers, appraisers, surveyors and Lender's counsel in connection with the closing, administration, modification or any "workout" of the Loan, or the enforcement of Lender's rights and remedies under any of the Loan Documents.

Lender may obtain from time to time an appraisal of all or any part of the Property, prepared in accordance with written instructions from Lender, from a third-party appraiser satisfactory to, and engaged directly by, Lender. The cost of one such appraisal obtained by Lender in each calendar year and the cost of each such appraisal obtained by Lender following the occurrence of an Event of Default shall be borne by Borrower and shall be paid by Borrower on demand.

Leasing and Tenant Matters.

Borrower shall comply with the terms and conditions of Schedule 2 in connection with the leasing of space within the Property.

Preservation of Rights.

Borrower shall obtain, preserve and maintain in good standing, as applicable, all rights, privileges and franchises necessary or desirable for the operation of the Property and the conduct of Borrower's business thereon or therefrom.

Income from Property.

Borrower shall first apply all income derived from the Property, including all income from Leases, to pay costs and expenses associated with the ownership, maintenance, operation and leasing of the Property, including all amounts then required to be paid under the Loan Documents, before using or applying such income for any other purpose. No such income shall be distributed or paid to any member, partner, shareholder or, if Borrower is a trust, to any beneficiary or trustee, unless and until all such costs and expenses which are then due shall have been paid in full.

Representations and Warranties.

Borrower shall take all reasonable actions and shall do all things reasonably necessary or desirable to cause all of Borrower's representations and warranties in this Agreement to be true and correct at all times in all material respects.

Debt Service Coverage Ratio.

Borrower shall maintain a Debt Service Coverage Ratio of at least 1.40 to 1.00.

Adjusted EBITDA to Fixed Charges Ratio.

The Borrower shall cause the Guarantor to maintain a ratio of Adjusted EBITDA to Fixed Charges for any Computation Period of not less than 1.45 to 1.00.

Total Leverage Ratio.

The Borrower shall cause the Guarantor to maintain a Total Leverage Ratio as of the last day of any Computation Period of not greater than 0.70 to 1.00.

Swap Contracts.

In the event that Borrower shall elect to enter into a Swap Contract with Swap Counterparty, Borrower shall comply with all of the terms and conditions of Schedule 3 with respect to all Swap Contracts.

Article V

Negative Covenants.

Borrower covenants as of the date hereof and until such time as all Obligations shall be paid and performed in full, that:

Section 5.1 Conditional Sales.

Borrower shall not incorporate in the Property any property acquired under a conditional sales contract or lease or as to which the vendor retains title or a security interest, without the prior written consent of Lender, except Borrower or Guarantor, or their respective Affiliates, may enter into contracts to sell or lease homes within the Property.

Section 5.2 Insurance Policies and Bonds.

Borrower shall not do or permit to be done anything that would affect the coverage or indemnities provided for pursuant to the provisions of any insurance policy, performance bond, labor and material payment bond or any other bond given in connection with any construction at the Property.

Section 5.3 Additional Debt.

Borrower shall not incur any debt, secured or unsecured, direct or contingent (including guaranteeing any obligation), other than (a) the Loan, and (b) advances or trade debt or accrued expenses incurred in the ordinary course of business of operating the Property. No other debt may be secured by the Property, whether senior, subordinate or pari passu.

Article VI
Events of Default.

The occurrence or happening, from time to time, of any one or more of the following shall constitute an Event of Default under this Agreement:

Section 6.1 Payment Default.

Borrower fails to pay any Obligation under this Agreement within seven (7) days after Notice from the Lender that such Obligation is past due.

Section 6.2 Default Under Other Loan Documents.

An Event of Default (as defined therein) occurs under the Note or the Collateral Instruments or any other Loan Document, or Borrower or Guarantor fails to promptly pay, perform, observe or comply with any term, obligation or agreement contained in any of the Loan Documents (within any applicable grace or cure period).

Section 6.3 Accuracy of Information, Representations and Warranties.

Any information contained in any financial statement, schedule, report or any other document delivered by Borrower or Guarantor to Lender in connection with the Loan proves not to be in all material respects true and accurate at the time when made, or Borrower or Guarantor shall have failed to state any material fact or any fact necessary to make such information not misleading, or any representation or warranty contained in this Agreement or in any other Loan Document or other document, certificate or opinion delivered to Lender in connection with the Loan, proves to be incorrect or misleading in any material respect either on the date when made or on the date when reaffirmed pursuant to the terms of this Agreement.

Section 6.4 Deposits.

Borrower fails to deposit funds with Lender, in the amount requested by Lender, pursuant to the provisions of Section 4.6, within ten (10) days from the effective date of a Notice from Lender requesting such deposit, or Borrower fails to deliver to Lender any Condemnation Awards or Insurance Proceeds within ten (10) days after Borrower's receipt thereof.

Section 6.5 Insurance Obligations.

Borrower fails to promptly perform or comply with any of the covenants contained in the Loan Documents with respect to maintaining insurance, including the covenants contained in Section 4.4.

Section 6.6 Other Obligations.

Borrower fails to promptly perform or comply with any of the Obligations set forth in this Agreement (other than those expressly described in other Sections of this Article VI), and such failure continues uncured for a period of thirty (30) days after Notice from Lender to Borrower, unless (a) such failure, by its nature, is not reasonably capable of being cured within such period, and (b) within such period, Borrower commences to cure such failure and thereafter diligently prosecutes the cure thereof, and (c) Borrower causes such failure to be cured no later than ninety (90) days after the date of such Notice from Lender.

Section 6.7 Construction Lien.

A lien for the performance of work or the supply of materials filed against the Property remains unsatisfied or unbonded for a period of thirty (30) days after the date of filing or service.

Section 6.8 Bankruptcy.

Borrower, any general partner of a Borrower or the Guarantor files a bankruptcy petition or makes a general assignment for the benefit of creditors, or a bankruptcy petition is filed against Borrower, any general partner of a Borrower or the Guarantor and such involuntary bankruptcy petition continues undismissed for a period of ninety (90) days after the filing thereof.

Section 6.9 Appointment of Receiver, Trustee, Liquidator.

Borrower, any general partner of a Borrower or the Guarantor applies for or consents in writing to the appointment of a receiver, trustee or liquidator of Borrower, any general partner of a Borrower, the Guarantor, the Property, or all or substantially all of the other assets of Borrower, any general partner of a Borrower or the Guarantor, or an order, judgment or decree is entered by any court of competent jurisdiction on the application of a creditor appointing a receiver, trustee or liquidator of Borrower, the Guarantor, the Property, or all or substantially all of the other assets of Borrower or the Guarantor.

Section 6.10 Inability to Pay Debts.

Borrower or the Guarantor becomes unable or admits in writing its inability or fails generally to pay its debts as they become due.

Section 6.11 Judgment.

A final nonappealable judgment for the payment of money involving more than \$1,000,000 is entered against Borrower or the Guarantor, and Borrower or the Guarantor fails to discharge the same, or fails to cause it to be discharged or bonded off to Lender's reasonable satisfaction, within sixty (60) days from the date of the entry of such judgment.

Section 6.12 Dissolution; Change in Business Status.

Unless the written consent of Lender is previously obtained, all or substantially all of the business assets of Borrower, any general partner of a Borrower or the Guarantor are sold, Borrower or the Guarantor is dissolved, or there occurs any merger or consolidation involving Borrower or the Guarantor, unless the successor resulting from such merger or consolidation is controlled by Sun Communities, Inc.

Borrower or the Guarantor fails to pay any indebtedness (other than the Loan) owed by Borrower or such Guarantor to Lender when and as due and payable (whether by acceleration or otherwise) within any applicable grace or cure period.

Without the prior written consent of Lender (which consent may be conditioned, among other matters, on the issuance of a satisfactory endorsement to the title insurance policy insuring Lender's interest under the Collateral Instruments), the controlling interest in Borrower ceases to be owned by Sun Communities Operating Limited Partnership, or any successor by merger or otherwise which is controlled by Sun Communities, Inc..

Article VII

Remedies on Default.

Upon the happening of any Event of Default, Lender shall have the right, in addition to any other rights or remedies available to Lender under the Collateral Instruments or any of the other Loan Documents or under applicable Law, to exercise any one or more of the following rights and remedies:

- (a) Lender may accelerate all of Borrower's Obligations under the Loan Documents whereupon such Obligations shall become immediately due and payable, without notice of default, acceleration or intention to accelerate, presentment or demand for payment, protest or notice of nonpayment or dishonor, or notices or demands of any kind or character (all of which are hereby waived by Borrower).
- (b) Lender may apply to any court of competent jurisdiction for, and obtain appointment of, a receiver for the Property.
- (c) Lender may set off the amounts due Lender under the Loan Documents against any and all accounts, credits, money, securities or other property of Borrower now or hereafter on deposit with, held by or in the possession of Lender to the credit or for the account of Borrower, without notice to or the consent of Borrower.

Borrower shall not be relieved of any Obligation by reason of the failure of Lender to comply with any request of Borrower or of any other Person to take action to foreclose on the Property under the Collateral Instruments or otherwise to enforce any provision of the Loan Documents, or by reason of the release, regardless of consideration, of all or any part of the Property. No delay or omission of Lender to exercise any right, power or remedy accruing upon the happening of an Event of Default shall impair any such right, power or remedy or shall be construed to be a waiver of any such Event of Default or any acquiescence therein. No delay or omission on the part of Lender to exercise any option for acceleration of the maturity of the Obligations, or for foreclosure of the Collateral Instruments following any Event of Default as aforesaid, or any other option granted to Lender hereunder in any one or more instances, or the acceptance by Lender of any partial payment on account of the Obligations shall constitute a waiver of any such Event of Default and each such option shall remain continuously in full force and effect. No remedy herein conferred upon or reserved to Lender is intended to be exclusive of any other remedies provided for in the Loan Documents, and each and every such remedy shall be cumulative, and shall be in addition to every other remedy given hereunder, or under the Loan Documents, or now or hereafter existing at Law or in equity or by statute. Every right, power and remedy given by the Loan Documents to Lender shall be concurrent and may be pursued separately, successively or together against Borrower or the Property or any part thereof, and every right, power and remedy given by the Loan Documents may be exercised from time to time as often as may be deemed expedient by Lender.

Section 8.1 Further Assurances; Authorization to File Documents.

At any time, and from time to time, upon the reasonable request by Lender, Borrower will, at Borrower's expense, (a) correct any defect, error or omission which may be discovered in the form or content of any of the Loan Documents, and (b) make, execute, deliver and record, or cause to be made, executed, delivered and recorded, any and all further instruments, certificates and other documents as may, in the reasonable opinion of Lender, be necessary or desirable in order to complete, perfect or continue and preserve the lien of the Collateral Instruments; provided, however, that such correction or further instruments, certificates or other documents shall not increase the Obligations or reduce the benefits to Borrower under the Loan or the Loan Documents. Upon any failure by Borrower to do so, after any applicable notice and cure periods, Lender may make, execute and record any and all such instruments, certificates and other documents for and in the name of Borrower, all at the sole expense of Borrower, and Borrower hereby appoints Lender the agent and attorney-in-fact of Borrower to do so, this appointment being coupled with an interest and being irrevocable. Without limitation of the foregoing, Borrower irrevocably authorizes Lender at any time and from time to time to file any initial financing statements, amendments thereto and continuation statements deemed reasonably necessary by Lender to establish or maintain the validity, perfection and priority of the security interests granted in the Collateral Instruments, and Borrower ratifies any such filings made by Lender prior to the date hereof. In addition, at any time, and from time to time, upon request by Lender, Borrower will, at Borrower's expense, provide any and all further instruments, certificates and other documents as may, in the opinion of Lender, be necessary or desirable in order to verify the Borrower's identity and background in a manner reasonably satisfactory to Lender.

Section 8.2 No Warranty by Lender.

By accepting or approving anything required to be observed, performed or fulfilled by Borrower or to be given to Lender pursuant to this Agreement, including any certificate, survey, receipt, appraisal or insurance policy, Lender shall not be deemed to have warranted or represented the sufficiency, legality, effectiveness or legal effect of the same, or of any term, provision or condition thereof and any such acceptance or approval thereof shall not be or constitute any warranty or representation with respect thereto by Lender, other than Borrower having complied with its Obligations with respect to such item or matter.

Section 8.3 Standard of Conduct of Lender.

Nothing contained in this Agreement or any other Loan Document shall limit the right of Lender to exercise its business judgment or to act, in the context of the granting or withholding of any advance or consent under this Agreement or any other Loan Document, in a subjective manner, whether or not objectively reasonable under the circumstances, so long as Lender's exercise of its business judgment or action is made or undertaken in good faith. Borrower and Lender intend by the foregoing to set forth and affirm their entire understanding with respect to the standard pursuant to which Lender's duties and obligations are to be judged and the parameters within which Lender's discretion may be exercised hereunder and under the other Loan Documents. As used herein, "good faith" means honesty in fact in the conduct and transaction concerned.

Section 8.4 No Partnership.

Nothing contained in this Agreement shall be construed in a manner to create any relationship between Borrower and Lender other than the relationship of borrower and lender and Borrower and Lender shall not be considered partners or co-venturers for any purpose on account of this Agreement.

Section 8.5 Severability.

In the event any one or more of the provisions of this Agreement or any of the other Loan Documents shall for any reason be held to be invalid, illegal or unenforceable, in whole or in part or in any other respect, or in the event any one or more of the provisions of any of the Loan Documents operates or would prospectively operate to invalidate this Agreement or any of the other Loan Documents, then and in either of those events, at the option of Lender, such provision or provisions only shall be deemed

null and void and shall not affect the validity of the remaining Obligations, and the remaining provisions of the Loan Documents shall remain operative and in full force and effect and shall in no way be affected, prejudiced or disturbed thereby.

Section 8.6

Notices.

All Notices required or which any party desires to give hereunder or under any other Loan Document shall be in writing and, unless otherwise specifically provided in such other Loan Document, shall be deemed sufficiently given or furnished if delivered by personal delivery, by nationally recognized overnight courier service or by certified United States mail, postage prepaid, addressed to the party to whom directed at the applicable address set forth below (unless changed by similar notice in writing given by the particular party whose address is to be changed) or by facsimile. Any Notice shall be deemed to have been given either at the time of personal delivery or, in the case of courier or mail, as of the date of first attempted delivery at the address and in the manner provided herein, or, in the case of facsimile, upon receipt; provided that service of a Notice required by any applicable statute shall be considered complete when the requirements of that statute are met. Notwithstanding the foregoing, no notice of change of address shall be effective except upon actual receipt. This Section shall not be construed in any way to affect or impair any waiver of notice or demand provided in this Agreement or in any other Loan Document or to require giving of notice or demand to or upon any Person in any situation or for any reason.

The addresses and fax numbers of Borrower are:

Knollwood Estates Operating Company LLC
c/o Sun Communities, Inc.
27777 Franklin Rd., Suite 200
Southfield, MI 48034
Fax Number: 248-208-2646

Sun River Ridge Limited Partnership
c/o Sun Communities, Inc.
27777 Franklin Rd., Suite 200
Southfield, MI 48034
Fax Number: 248-208-2646

Sun Countryside Gwinnett LLC
c/o Sun Communities, Inc.
27777 Franklin Rd., Suite 200
Southfield, MI 48034
Fax Number: 248-208-2646

With a copy to:

Richard A. Zussman, Esq.
Jaffe Raitt Heuer & Weiss PC
27777 Franklin Rd., Suite 2500
Southfield, MI 48034

The address and fax number of Lender are:

Bank of America, N.A.
Mail Code: MIB-900-04-20
2600 West Big Beaver Road
Troy, Michigan 48084
Attn: Scott McLean
Fax Number: (248) 822-5749

With a copy to:

Daniel C. Watson, Esq.
Dykema Gossett PLLC
400 Renaissance Center
Detroit, Michigan 48243

(a) Each and every one of the covenants, terms, provisions and conditions of this Agreement and the Loan Documents shall apply to, bind and inure to the benefit of Borrower, its successors and those assigns of Borrower consented to in writing by Lender, and shall apply to, bind and inure to the benefit of Lender and the endorsees, transferees, successors and assigns of Lender, and all Persons claiming under or through any of them.

(b) Borrower agrees not to transfer, assign, pledge or hypothecate any right or interest in any payment or advance due pursuant to this Agreement, or any of the other benefits of this Agreement, without the prior written consent of Lender, which consent may be withheld by Lender in its sole and absolute discretion. Any such transfer, assignment, pledge or hypothecation made or attempted by Borrower without the prior written consent of Lender shall be void and of no effect. No consent by Lender to an assignment shall be deemed to be a waiver of the requirement of prior written consent by Lender with respect to each and every further assignment and as a condition precedent to the effectiveness of such assignment.

(c) Lender may sell or offer to sell the Loan or interests therein to one or more assignees or participants. Borrower shall execute, acknowledge and deliver any and all instruments reasonably requested by Lender in connection therewith, and to the extent, if any, specified in any such assignment or participation, such assignee(s) or participant(s) shall have the same rights and benefits with respect to the Loan Documents as such Person(s) would have if such Person(s) were Lender hereunder. No such assignment or participation shall increase the Borrower's Obligations nor decrease the Borrower's rights or benefits under the Loan Documents. Borrower shall not be obligated to reimburse the Lender or any assignee(s) or participant(s) for any of their costs or expenses in connection with any such assignment or participation. Lender may disseminate any information it now has or hereafter obtains pertaining to the Loan, including any security for the Loan, any credit or other information on the Property (including environmental reports and assessments), Borrower or the Guarantor, to any actual or prospective assignee or participant (provided that such actual or prospective assignee or participant shall agree to treat all financial information exchanged as confidential) to Lender's Affiliates, including Banc of America Securities LLC; to any regulatory body having jurisdiction over Lender; or to any actual or prospective counterparty (or its advisors) to any swap or derivative transaction relating to Borrower and the Loan.

None of the terms or provisions of this Agreement may be changed, waived, modified, discharged or terminated except by instrument in writing executed by the party or parties against whom enforcement of the change, waiver, modification, discharge or termination is asserted. None of the terms or provisions of this Agreement shall be deemed to have been abrogated or waived by reason of any failure or failures to enforce the same.

All conditions to the obligation of Lender to make advances hereunder are imposed solely and exclusively for the benefit of Lender and its assigns and no other Persons shall have standing to require satisfaction of such conditions in accordance with their terms or be entitled to assume that Lender will refuse to make advances in the absence of strict compliance with any or all thereof and no other Person shall, under any circumstances, be deemed to be the beneficiary of such conditions, any or all of which may be freely waived in whole or in part by Lender at any time in the sole and absolute exercise of its discretion. The terms and provisions of this Agreement are for the benefit of the parties hereto and, except as herein specifically provided, no other Person shall have any right or cause of action on account thereof.

Section 8.10 Rules of Construction.

The words "hereof," "herein," "hereunder," "hereto," and other words of similar import refer to this Agreement in its entirety. The terms "agree" and "agreements" mean and include "covenant" and "covenants." The words "include" and "including" shall be interpreted as if followed by the words "without limitation." The captions and headings contained in this Agreement are included herein for convenience of reference only and shall not be considered a part hereof and are not in any way intended to define, limit or enlarge the terms hereof. All references (a) made in the neuter, masculine or feminine gender shall be deemed to have been made in all such genders, (b) made in the singular or plural number shall be deemed to have been made, respectively, in the plural or singular number as well, (c) to the Loan Documents are to the same as extended, amended, restated, supplemented or otherwise modified from time to time unless expressly indicated otherwise, (d) to the Land or the Property shall mean all or any portion of each of the foregoing, respectively, and (e) to Articles, Sections and Schedules are to the respective Articles, Sections and Schedules contained in this Agreement unless expressly indicated otherwise.

Section 8.11 Counterparts.

This Agreement may be executed in any number of counterparts, each of which shall be considered an original for all purposes; provided, however, that all such counterparts shall together constitute one and the same instrument.

Section 8.12 Governing Law.

This Agreement shall be governed by and construed, interpreted and enforced in accordance with the laws of the State.

Section 8.13 Time of Essence.

Time shall be of the essence for each and every provision of this Agreement of which time is an element.

Section 8.14 Electronic Transmission of Data.

Lender and Borrower agree that certain data related to the Loan (including confidential information, documents, applications and reports) may be transmitted electronically, including transmission over the Internet. This data may be transmitted to, received from or circulated among agents and representatives of Borrower and/or Lender and their Affiliates and other Persons involved with the subject matter of this Agreement. Borrower acknowledges and agrees that (a) there are risks associated with the use of electronic transmission and that Lender does not control the method of transmittal or service providers, (b) Lender has no obligation or responsibility whatsoever and assumes no duty or obligation for the security, receipt or third party interception of any such transmission, and (c) Borrower will release, hold harmless and indemnify Lender from any claim, damage or loss, including that arising in whole or part from Lender's strict liability or sole, comparative or contributory negligence, which is related to the electronic transmission of data.

Section 8.15 Dispute Resolution.

(a) Arbitration. Except to the extent expressly provided below, any Dispute shall, upon the request of either party, be determined by binding arbitration in accordance with the Federal Arbitration Act, Title 9, United States Code (or if not applicable, the applicable state law), the then-current rules for arbitration of financial services disputes of AAA and the "Special Rules" set forth below. In the event of any inconsistency, the Special Rules shall control. The filing of a court action is not intended to constitute a waiver of the right of Borrower or Lender, including the suing party, thereafter to require submittal of the Dispute to arbitration. Any party to this Agreement may bring an action, including a summary or expedited proceeding, to compel arbitration of any Dispute in any court having jurisdiction over such action. For the purposes of this Dispute Resolution Section only, the terms "party" and "parties" shall include any parent corporation, subsidiary or Affiliate of Lender involved in the servicing, management or administration of any obligation described in or evidenced by this Agreement, together with the officers, employees, successors and assigns of each of the foregoing.

(i) The arbitration shall be conducted in any U.S. state where real or tangible personal property collateral is located, or if there is no such collateral, in the City and County where Lender is located pursuant to its address for notice purposes in this Agreement.

(ii) The arbitration shall be administered by AAA, who will appoint an arbitrator. If AAA is unwilling or unable to administer the arbitration, or if AAA is unwilling or unable to enforce or legally precluded from enforcing any and all provisions of this Dispute Resolution Section, then any party to this Agreement may substitute another arbitration organization that has similar procedures to AAA and that will observe and enforce any and all provisions of this Dispute Resolution Section. All Disputes shall be determined by one arbitrator; however, if the amount in controversy in a Dispute exceeds Five Million Dollars (\$5,000,000), upon the request of any party, the Dispute shall be decided by three arbitrators (for purposes of this Agreement, referred to collectively as the "arbitrator").

(iii) All arbitration hearings will be commenced within ninety (90) days of the demand for arbitration and completed within ninety (90) days from the date of commencement; provided, however, that upon a showing of good cause, the arbitrator shall be permitted to extend the commencement of such hearing for up to an additional sixty (60) days.

(iv) The judgment and the award, if any, of the arbitrator shall be issued within thirty (30) days of the close of the hearing. The arbitrator shall provide a concise written statement setting forth the reasons for the judgment and for the award, if any. The arbitration award, if any, may be submitted to any court having jurisdiction to be confirmed and enforced, and such confirmation and enforcement shall not be subject to arbitration.

(v) The arbitrator will give effect to statutes of limitations and any waivers thereof in determining the disposition of any Dispute and may dismiss one or more claims in the arbitration on the basis that such claim or claims is or are barred. For purposes of the application of the statute of limitations, the service on AAA under applicable AAA rules of a notice of Dispute is the equivalent of the filing of a lawsuit.

(vi) Any dispute concerning this arbitration provision, including any such dispute as to the validity or enforceability of this provision, or whether a Dispute is arbitrable, shall be determined by the arbitrator; provided, however, that the arbitrator shall not be permitted to vary the express provisions of these Special Rules or the Reservations of Rights in subsection (c) below.

(vii) The arbitrator shall have the power to award legal fees and costs pursuant to the terms of this Agreement.

(viii) The arbitration will take place on an individual basis without reference to, resort to, or consideration of any form of class or class action.

(c) Reservations of Rights. Nothing in this Agreement shall be deemed to (i) limit the applicability of any otherwise applicable statutes of limitation and any waivers contained in this Agreement, or (ii) apply to or limit the right of Lender (A) to exercise self help remedies such as (but not limited to) setoff, or (B) to foreclose judicially or nonjudicially against any real or personal property collateral, or to exercise judicial or nonjudicial power of sale rights, or (C) to obtain from a court provisional or ancillary remedies such as (but not limited to) injunctive relief, writ of possession, prejudgment attachment, or the appointment of a receiver, or (iii) apply to or limit the right of either party to pursue rights against a party to this Agreement in a third-party proceeding in any action brought in a state, federal or international court, tribunal or hearing body (including actions in specialty courts, such as bankruptcy and patent courts). Lender may exercise the rights set forth in clauses (ii) (A) through (C), inclusive, and either party may exercise the rights set forth in clause (iii), before, during or after the pendency of any arbitration proceeding brought pursuant to this Agreement. Neither the exercise of self help remedies nor the institution or maintenance of an action for foreclosure or provisional or ancillary remedies shall constitute a waiver of the right of any party, including the claimant in any such action, to arbitrate the merits of the Dispute occasioning resort to such remedies. No provision in the Loan Documents regarding submission to jurisdiction and/or venue in any court is intended or shall be construed to be in derogation of the provisions in any Loan Document for arbitration of any Dispute.

(d) Conflicting Provisions for Dispute Resolution. If there is any conflict between the terms, conditions and provisions of this Section and those of any other provision or agreement for arbitration or dispute resolution, the terms, conditions and provisions of this Section shall prevail as to any Dispute arising out of or relating to (i) this Agreement, (ii) any other Loan Document, (iii) any related agreements or instruments, or (iv) the transaction contemplated herein or therein (including any claim based on or arising from an alleged personal injury or business tort). In any other situation, if the resolution of a given Dispute is specifically governed by another provision or agreement for arbitration or dispute resolution, the other provision or agreement shall prevail with respect to said Dispute.

(e) Jury Trial Waiver in Arbitration. By agreeing to this Section, the parties irrevocably and voluntarily waive any right they may have to a trial by jury in respect of any Dispute.

Section 8.16 Forum.

Borrower hereby irrevocably submits generally and unconditionally for itself and in respect of its property to the jurisdiction of any state court or any United States federal court sitting in the State specified in the governing law section of this Agreement over any Dispute and to the jurisdiction of any state court or any United States federal court sitting in the state in which any of the Property is located in connection with the enforcement of the Collateral Instruments. Borrower hereby irrevocably waives, to the fullest extent permitted by Law, any objection that Borrower may now or hereafter have to the laying of venue in any such court and any claim that any such court is an inconvenient forum. Borrower hereby agrees and consents that, in addition to any methods of service of process provided for under applicable law, all service of process in any such suit, action or proceeding in any state court or any United States federal court sitting in the state specified in the governing law section of this Agreement may be made by certified or registered mail, return receipt requested, directed to Borrower at its address for notice set forth in this Agreement, or at a subsequent address of which Lender received actual notice from Borrower in accordance with the notice section of this Agreement, and service so made shall be complete five (5) days after the same shall have been so mailed. Nothing herein shall affect the right of Lender to serve process in any manner permitted by Law or limit the right of Lender to bring proceedings against Borrower in any other court or jurisdiction.

Section 8.17 WAIVER OF JURY TRIAL.

WITHOUT INTENDING IN ANY WAY TO LIMIT THE PARTIES' AGREEMENT TO ARBITRATE ANY "DISPUTE" (FOR PURPOSES OF THIS SECTION, AS DEFINED IN SCHEDULE 1) AS SET FORTH IN THIS AGREEMENT, TO THE EXTENT ANY "DISPUTE" IS NOT SUBMITTED TO ARBITRATION OR IS DEEMED BY THE ARBITRATOR OR BY ANY COURT WITH JURISDICTION TO BE NOT ARBITRABLE OR NOT REQUIRED TO BE ARBITRATED, BORROWER AND LENDER WAIVE TRIAL BY JURY IN RESPECT OF ANY SUCH "DISPUTE" AND ANY ACTION ON SUCH "DISPUTE." THIS WAIVER IS KNOWINGLY, WILLINGLY AND VOLUNTARILY MADE BY BORROWER AND LENDER, AND BORROWER AND LENDER HEREBY REPRESENT THAT NO REPRESENTATIONS OF FACT OR OPINION HAVE BEEN MADE BY ANY PERSON OR ENTITY TO INDUCE THIS WAIVER OF TRIAL BY JURY OR TO IN ANY WAY MODIFY OR NULLIFY ITS EFFECT. THIS PROVISION IS A MATERIAL INDUCEMENT FOR THE PARTIES ENTERING INTO THE LOAN DOCUMENTS. BORROWER AND LENDER ARE EACH HEREBY AUTHORIZED TO FILE A COPY OF THIS SECTION IN ANY PROCEEDING AS CONCLUSIVE EVIDENCE OF THIS WAIVER OF JURY TRIAL. BORROWER FURTHER REPRESENTS AND WARRANTS THAT IT HAS BEEN REPRESENTED IN THE SIGNING OF THIS AGREEMENT AND IN THE MAKING OF THIS WAIVER BY INDEPENDENT LEGAL COUNSEL, OR HAS HAD THE OPPORTUNITY TO BE REPRESENTED BY INDEPENDENT LEGAL COUNSEL SELECTED OF ITS OWN FREE WILL, AND THAT IT HAS HAD THE OPPORTUNITY TO DISCUSS THIS WAIVER WITH COUNSEL.

Section 8.18 USA Patriot Act Notice.

Lender hereby notifies Borrower that pursuant to the requirements of the USA Patriot Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)) (the "Act"), Lender is required to obtain, verify and record information that identifies

Borrower, which information includes the name and address of Borrower and other information that will allow Lender to identify Borrower in accordance with the Act.

Section 8.19

Entire Agreement.

The Loan Documents constitute the entire understanding and agreement between Borrower and Lender with respect to the transactions arising in connection with the Loan, and supersede all prior written or oral understandings and agreements between Borrower and Lender with respect to the matters addressed in the Loan Documents. In particular, and without limitation, the terms of any commitment by Lender to make the Loan are merged into the Loan Documents. Except as incorporated in writing into the Loan Documents, there are no representations, understandings, stipulations, agreements or promises, oral or written, with respect to the matters addressed in the Loan Documents. If there is any conflict between the terms, conditions and provisions of this Agreement and those of any other instrument or agreement, including any other Loan Document, the terms, conditions and provisions of this Agreement shall prevail.

[SIGNATURE PAGES FOLLOW]

PAGE 20

BORROWER:

Knollwood Estates Operating Company LLC

By: Sun Communities Operating Limited Partnership, a Michigan limited partnership

Title: Sole Member

By: Sun Communities, Inc., a Maryland corporation

Title: General Partner

By: /s/ Jonathon M. Colman

Name: Jonathan M. Colman

Title: Executive Vice President

Sun River Ridge Limited Partnership

By: River Ridge Investments LLC, a Michigan limited liability company

Title: General Partner

By: Sun Communities Operating Limited Partnership, a Michigan limited partnership

Title: Sole member

By: Sun Communities, Inc., a Maryland corporation

Title: General Partner

By: /s/ Jonathon M. Colman

Name: Jonathan M. Colman

Title: Executive Vice President

Sun Countryside Gwinnett LLC

By: Sun QRS Countryside, Inc., a Michigan corporation

Title: Manager

By: /s/ Jonathon M. Colman

Name: Jonathan M. Colman

Title: Executive Vice President

LENDER:

Bank of America, N.A.

By: /s/ Scott McLean

Name: Scott McLean

Title: Vice President

Definitions

Unless the context otherwise specifies or requires, the following terms shall have the meanings herein specified, such definitions to be applicable equally to the singular and the plural forms of such terms and to all genders:

“AAA” means the American Arbitration Association, or any successor thereof.

“Act” means the USA Patriot Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)).

“Actual Operating Revenue” means, with respect to any period of time, all income, computed on an annualized basis in accordance with generally accepted accounting principles, collected from the ownership and operation of the Property from whatever source (other than any source affiliated with Borrower or the Guarantor), including Rents, utility charges, escalations, forfeited security deposits, interest on credit accounts, service fees or charges, license fees, parking fees, and other required pass-throughs, but excluding sales, use and occupancy or other taxes on receipts required to be accounted for by Borrower to any Governmental Authority, refunds from tenants, uncollectible accounts, sales of furniture, fixtures and equipment, interest income, Condemnation Awards, Insurance Proceeds (other than business interruption or other loss of income insurance), unforfeited security deposits, utility and other similar deposits, income from tenants not paying rent, income from tenants in bankruptcy, and non-recurring or extraordinary income, including lease termination payments. Actual Operating Revenue shall be net of rent concessions and credits.

“Adjusted EBITDA” means such term as defined in the Credit Agreement, as it may be amended or modified.

“Affiliate” means, with respect to any Person, another Person that directly, or indirectly through one or more intermediaries, Controls or is Controlled by or is under common Control with the Person specified.

“Approved Manager” means Borrower or any Affiliate of Borrower or Guarantor or any other reputable and creditworthy property manager, subject to the prior approval of Lender, not to be unreasonably withheld, with a portfolio of properties comparable to the Property under active management.

“Authorized Signer” means any signer of this Agreement, acting alone, or any other representative of Borrower duly designated and authorized by Borrower to sign draw requests in a writing addressed to Lender.

“Banking Day” means any day that is not a Saturday, Sunday or banking holiday in the State.

“Borrower's Deposit Account” means an account established with Lender pursuant to the terms of Section 4.6.

“Calculation Period” means the twelve (12) month period ending on any Determination Date.

“Casualty” means any act or occurrence of any kind or nature that results in material damage, loss or destruction to the Property.

“Claim” means any liability, suit, action, claim, demand, loss, expense, penalty, fine, judgment or other cost of any kind or nature whatsoever, including reasonable fees, costs and expenses of attorneys, consultants, contractors and experts.

“Closing Checklist” means that certain Closing Requirements and Checklist setting forth the conditions for closing the Loan and recording the Collateral Instruments.

“Code” means the Internal Revenue Code of 1986, as amended.

“Collateral Instruments” means, collectively: (i) the Mortgage of even date herewith given by Knollwood Estates Operating Company LLC to Lender to secure the Obligations, (ii) the Deed to Secure Debt of even date herewith given by Sun Countryside Gwinnett LLC to Lender to secure the Obligations, and (iii) the Deed of Trust of even date herewith given by Sun River Ridge Limited Partnership to Lender to secure the Obligations, as the same may from time to time be extended, amended, restated, supplemented or otherwise modified.

“Computation Period” means such term as defined in the Credit Agreement, as it may be amended or modified.

“Condemnation” means any taking of title to, use of, or any other interest in the Property under the exercise of the power of condemnation or eminent domain, whether temporarily or permanently, by any Governmental Authority or by any other Person acting under or for the benefit of a Governmental Authority.

“Condemnation Awards” means any and all judgments, awards of damages (including severance and consequential damages), payments, proceeds, settlements, amounts paid for a taking in lieu of Condemnation, or other compensation heretofore or hereafter made, including interest thereon, and the right to receive the same, as a result of, or in connection with, any Condemnation or threatened Condemnation.

“Credit Agreement” means the Credit Agreement, dated as of September 30, 2004, as amended, among the Guarantor, Sun Communities, Inc., the various financial institutions party thereto, as Lenders, and the Lender, as Administrative Agent, as it may be amended or modified.

“Control” means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise, “Controlling” or “Controlled” have meanings correlative thereto.

“Debt Service” means the sum of twelve monthly principal and interest payments each in the amount that would be necessary to amortize the principal balance outstanding on the Loan as of the applicable Determination Date over a 30-year amortization period with interest at the greater of: (1) the interest rate actually in effect under the Note as of the Determination Date, or (2) Eight percent (8.00%) per annum.

“Debt Service Coverage Ratio” means, as of any Determination Date, for the applicable Calculation Period the ratio, as determined by Lender, of Net Operating Income to Debt Service.

“Default” means an event or circumstance that, with the giving of Notice or lapse of time, or both, would constitute an Event of Default under the provisions of this Agreement.

“Determination Date” means the last day of any fiscal quarter as of which Lender makes a determination regarding Borrower’s satisfaction or failure to satisfy the Debt Service Coverage Ratio as described herein.

“Dispute” means any controversy, claim or dispute between or among the parties to this Agreement, including any such controversy, claim or dispute arising out of or relating to (a) this Agreement, (b) any other Loan Document, (c) any related agreements or instruments, or (d) the transaction contemplated herein or therein (including any claim based on or arising from an alleged personal injury or business tort).

“Environmental Agreement” means, collectively, the Environmental Indemnification and Release Agreements of even date herewith by and between Borrower and Lender pertaining to the Property, as the same may from time to time be extended, amended, restated or otherwise modified.

“ERISA” means the Employee Retirement Income Security Act of 1974, as amended.

“Event of Default” means any event or circumstance specified in Article VI and the continuance of such event or circumstance beyond the applicable grace and/or cure periods therefor, if any, set forth in Article VI.

"Expenses" means all fees, charges, costs and expenses of any nature whatsoever incurred at any time and from time to time (whether before or after an Event of Default) by Lender in making, funding, administering or modifying the Loan, in negotiating or entering into any "workout" of the Loan, or in exercising or enforcing any rights, powers and remedies provided in the Collateral Instruments or any of the other Loan Documents, including reasonable attorneys' fees, court costs, receiver's fees, management fees and costs incurred in the repair, maintenance and operation of, or taking possession of, or selling, the Property.

"Fixed Charges" means such term as defined in the Credit Agreement, as it may be amended or modified.

"Governmental Authority" means any governmental or quasi-governmental entity, including any court, department, commission, board, bureau, agency, administration, service, district or other instrumentality of any governmental entity.

"Guarantor" means Sun Communities Operating Limited Partnership and its successors and assigns.

"Guaranty" means the Guaranty Agreement of even date herewith executed by Guarantor for the benefit of Lender, as the same may from time to time be extended, amended, restated, supplemented or otherwise modified.

"Insurance Proceeds" means the insurance claims under and the proceeds of any and all policies of insurance covering the Property or any part thereof, including all returned and unearned premiums with respect to any insurance relating to such Property, in each case whether now or hereafter existing or arising.

"Land" means the land described in and encumbered by the Collateral Instruments.

"Laws" means all federal, state and local laws, statutes, rules, ordinances, regulations, codes, licenses, authorizations, decisions, injunctions, interpretations, orders or decrees of any court or other Governmental Authority having jurisdiction as may be in effect from time to time.

"Leases" means all leases, license agreements and other occupancy or use agreements (whether oral or written), now or hereafter existing, which cover or relate to the Property or any part thereof, together with all options therefor, amendments thereto and renewals, modifications and guaranties thereof, including any cash or security deposited under the Leases to secure performance by the tenants of their obligations under the Leases, whether such cash or security is to be held until the expiration of the terms of the Leases or applied to one or more of the installments of rent coming due thereunder.

"Loan" means the loan from Lender to Borrower, the repayment obligations in connection with which are evidenced by the Note.

"Loan Amount" means Eighteen Million Five Hundred Forty One Thousand Two Hundred Fifty and No/100 Dollars (\$18,541,250.00).

"Loan Documents" means this Agreement, the Note, the Collateral Instruments, the Environmental Agreement, the Guaranty, any Swap Contract, and any and all other documents which Borrower or Guarantor have executed and delivered, or may hereafter execute and deliver, to evidence, secure or guarantee the Obligations, or any part thereof, as the same may from time to time be extended, amended, restated, supplemented or otherwise modified.

"Net Operating Income" means, with respect to any period of time, the amount obtained by subtracting Operating Expenses from Actual Operating Revenue, as such amount may be adjusted by Lender in its reasonable discretion based on Lender's customary underwriting standards, including adjustments for vacancy allowance and other concessions, less a capital expenditure reserve equal to \$50 for each pad in the Property. As used herein, "vacancy allowance" means an allowance for reductions in potential income attributable to vacancies, tenant turnover, and nonpayment of rent.

"Net Proceeds," when used with respect to any Condemnation Awards or Insurance Proceeds, means the gross proceeds from any Condemnation or Casualty remaining after payment of all expenses, including attorneys' fees, incurred in the collection of such gross proceeds.

"Note" means the Promissory Note of even date herewith, in an amount equal to the Loan Amount, made by Borrower to the order of Lender, as the same may from time to time be extended, amended, restated, supplemented or otherwise modified.

"Notice" means a notice, request, consent, demand or other communication given in accordance with the provisions of Section 8.6 of this Agreement.

"Obligations" means all present and future debts, obligations and liabilities of Borrower to Lender arising pursuant to, or on account of, the provisions of this Agreement, the Note or any of the other Loan Documents, including the obligations: (a) to pay all principal, interest, late charges, prepayment premiums (if any) and other amounts due at any time under the Note; (b) to pay all Expenses, indemnification payments, fees and other amounts due at any time under the Collateral Instruments or any of the other Loan Documents, together with interest thereon as provided in the Collateral Instruments or such Loan Document; (c) to pay and perform all obligations of Borrower under any Swap Contract; and (d) to perform, observe and comply with all of the terms, covenants and conditions, expressed or implied, which Borrower is required to perform, observe or comply with pursuant to the terms of this Agreement, the Collateral Instruments or any of the other Loan Documents.

"Operating Expenses" means, with respect to any period of time, the total of all expenses actually paid or payable, computed on an annualized basis in accordance with generally accepted accounting principles, of whatever kind relating to the ownership, operation, maintenance or management of the Property, including utilities, ordinary repairs and maintenance, insurance premiums, ground rents, if any, license fees, Taxes, advertising expenses, payroll and related taxes, management fees equal to the greater of 3% of Actual Operating Revenue or the management fees actually paid under any management agreement and operational equipment or other lease payments, but specifically excluding depreciation and amortization, income taxes, debt service on the Loan, and any item of expense that would otherwise be covered by the provisions hereof but which is paid by any tenant under such tenant's Lease or other agreement.

"Person" means an individual, a corporation, a partnership, a joint venture, a limited liability company, a trust, an unincorporated association, any Governmental Authority or any other entity.

"Property" means, collectively, the real and personal property conveyed and encumbered by the Collateral Instruments.

"Rents" means all of the rents, royalties, issues, profits, revenues, earnings, income and other benefits of the Property or any part thereof, or arising from the use or enjoyment of the Property or any part thereof, including all such amounts paid under or arising from any of the Leases and all fees, charges, accounts or other payments for the use or occupancy of rooms or other public facilities within the Property or any part thereof.

"State" means the State of Michigan.

"Swap Contract" means any agreement, whether or not in writing, relating to any Swap Transaction, including, unless the context otherwise clearly requires, any form of master agreement (the "Master Agreement") published by the International Swaps and Derivatives Association, Inc., or any other master agreement, entered into prior to the date hereof or any time after the date hereof, between Swap Counterparty and Borrower, together with any related schedule and confirmation, as amended, supplemented, superseded or replaced from time to time.

"Swap Counterparty" means Lender or an Affiliate of Lender, in its capacity as counterparty under any Swap Contract.

"Swap Transaction" means any transaction that is a rate swap, basis swap, forward rate transaction, commodity swap, commodity option, equity or equity index swap or option, bond option, note or bill option, interest rate option, forward foreign exchange transaction, cap transaction, collar transaction, floor transaction, currency swap transaction, cross-currency rate swap transaction, swap option, currency option, credit swap or default transaction, T-lock, or any other similar transaction (including any option to enter into the foregoing) or any combination of the foregoing, entered into prior to the date hereof or anytime after the date hereof between Swap Counterparty and Borrower so long as a writing, such as a Swap Contract, evidences the parties' intent that such obligations shall be secured by the Collateral Instruments in connection with the Loan.

"Taxes" means all taxes and assessments whether general or special, ordinary or extraordinary, or foreseen or unforeseen, which at any time may be assessed, levied, confirmed or imposed by any Governmental Authority or any communities facilities or other private district on Borrower or on any of its properties or assets or any part thereof or in respect of any of its franchises, businesses, income or profits, but excluding Lender's income taxes.

"Total Leverage Ratio" means such term as defined in the Credit Agreement, as it may be amended or modified.

"Transition Date" means the earlier of the following two dates: (a) the date on which the indebtedness and obligations under the Loan have been paid, performed and finally discharged in full (without possibility for disgorgement), and the Collateral Instruments have been released; or (b) the date on which the lien of the Collateral Instruments is fully and finally foreclosed or a conveyance by deed in lieu of such foreclosure is fully and finally effective and possession of the Property has been given to and accepted by Lender or any other purchaser or grantee free of occupancy and claims to occupancy by Borrower and its heirs, devisees, representatives, successors and assigns or Lender otherwise has the control of the Property; provided that, if such payment, performance, release, foreclosure or conveyance is challenged, other than by the Lender, its agents, affiliates or employees, in bankruptcy proceedings or otherwise, the Transition Date shall be deemed not to have occurred until such challenge is validly released, dismissed with prejudice or otherwise barred by law from further assertion.

Leasing and Tenant Matters

1. Representations and Warranties of Borrower Regarding Leases.

Borrower represents and warrants that Borrower has delivered to Lender Borrower's standard form of tenant lease, together with an accurate and complete rent roll for the Property, and no Lease reflected on the rent roll contains any option or right of first refusal to purchase all or any substantial portion of the Property or any present or future interest therein.

2. Covenants of Borrower Regarding Leases and Rents.

Borrower covenants that, except in the ordinary course of business, Borrower (a) will observe and perform all of the obligations imposed upon the landlord in the Leases and will not do or permit to be done anything to impair the security thereof; (b) will use its best efforts to enforce or secure, or cause to be enforced or secured, the performance of each and every obligation and undertaking of the respective tenants under the Leases and will appear in and defend, at Borrower's sole cost and expense, any action or proceeding arising under, or in any manner connected with, the Leases; (c) will not collect any of the Rents in advance of the time when the same become due under the terms of the Leases; (d) will not discount any future accruing Rents; (e) without the prior written consent of Lender, will not execute any assignment of the Leases or the Rents; and (f) will execute and deliver, at the request of Lender, all such assignments of the Leases and Rents in favor of Lender as Lender may from time to time reasonably require so long as they do not increase the obligations of the Borrower or reduce the benefits to the Borrower under the Loan Documents.

3. Leasing Guidelines.

Borrower shall not enter into any Lease of space in the Property unless approved or deemed approved by Lender prior to execution. Borrower's standard form of tenant lease has been approved by Lender. Lender shall be "deemed" to have approved any Lease that: (a) is on the standard form lease approved by Lender; (b) is entered into in the ordinary course of business with a bona fide unrelated third party tenant, and Borrower, acting in good faith and exercising due diligence; (c) reflects an arm's length transaction; and (d) contains no option or right of first refusal to purchase all or any substantial portion of the Property or any present or future interest therein.

4. Delivery of Leasing Information and Documents.

From time to time upon Lender's request, Borrower shall promptly deliver to Lender a complete rent roll of the Property in such detail as Lender may reasonably require, together with such operating statements and leasing schedules and reports as Lender may reasonably require.

Swap Contracts

1. Swap Documentation. Within the timeframes required by Lender and Swap Counterparty, Borrower shall deliver to Swap Counterparty the following documents and other items, executed and acknowledged as appropriate, all in form and substance reasonably satisfactory to Lender and Swap Counterparty: (a) Master Agreement in the form published by the International Swaps and Derivatives Association, Inc. and related schedule in the form agreed upon between Borrower and Swap Counterparty; (b) a confirmation under the foregoing, if applicable; (c) the Guaranty; (d) if Borrower is anything other than a natural person, evidence of due authorization to enter into transactions under the foregoing Swap Contract with Swap Counterparty, together with evidence of due authorization and execution of any Swap Contract; and such other title endorsements, documents, instruments and agreements as Lender and Swap Counterparty may reasonably require to evidence satisfaction of the conditions set forth in this Section 1 of Schedule 3.
2. Conveyance and Security Interest. To secure Borrower's Obligations, Borrower hereby transfers, assigns and transfers to Lender, and grants to Lender a security interest in, all of Borrower's right, title and interest, but not its obligations, duties or liabilities for any breach, in, under and to the Swap Contract, any and all amounts received by Borrower in connection therewith or to which Borrower is entitled thereunder, and all proceeds of the foregoing.
3. Cross-Default. It shall be an Event of Default under this Agreement if any Event of Default occurs as defined under any Swap Contract as to which Borrower is the Defaulting Party, or if any Termination Event occurs under any Swap Contract as to which Borrower is an Affected Party. As used in this Section, the terms "Defaulting Party," "Termination Event" and "Affected Party," have the meanings ascribed to them in the Swap Contract.
4. Remedies; Cure Rights. In addition to any and all other remedies to which Lender and Swap Counterparty are entitled at law or in equity, Swap Counterparty shall have the right, to the extent so provided in any Swap Contract or any Master Agreement relating thereto, (a) to declare an event of default, termination event or other similar event thereunder and to designate an Early Termination Date as defined under the Master Agreement, and (b) to determine net termination amounts in accordance with the Swap Contract and to setoff amounts between Swap Contracts. Lender shall have the right at any time (but shall have no obligation) to take in its name or in the name of Borrower such action as Lender may at any time determine to be necessary or advisable to cure any default under any Swap Contract or to protect the rights of Borrower or Swap Counterparty thereunder; provided, however, that before the occurrence of an Event of Default under this Agreement, Lender shall give prior written notice to Borrower before taking any such action. For this purpose, Borrower hereby constitutes Lender its true and lawful attorney-in-fact with full power of substitution, which power of attorney is coupled with an interest and irrevocable, to exercise, at the election of Lender, any and all rights and remedies of Borrower under the Swap Contract, including making any payments thereunder and consummating any transactions contemplated thereby, and to take any action that Lender may deem proper in order to collect, assert or enforce any claim, right or title, in and to the Swap Contract hereby assigned and conveyed, and generally to take any and all such action in relation thereto as Lender shall deem advisable. Lender shall not incur any liability if any action so taken by Lender or on its behalf shall prove to be inadequate or invalid. Borrower expressly understands and agrees that Lender is not hereby assuming any duties or obligations of Borrower to make payments to Swap Counterparty under any Swap Contract or under any other Loan Document. Such payment duties and obligations remain the responsibility of Borrower notwithstanding any language in 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: August 7, 2009

/s/ Gary A. Shiffman

Gary A. Shiffman, Chief Executive Officer

CERTIFICATIONS

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

I, Karen J. Dearing, 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: August 7, 2009

/s/ Karen J. Dearing

Karen J. Dearing, 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 Karen J. Dearing, 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 June 30, 2009, 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.

Signature

Date

/s/ Gary A. Shiffman

Gary A. Shiffman, Chief Executive Officer

August 7, 2009

/s/ Karen J. Dearing

Karen J. Dearing, Chief Financial Officer

August 7, 2009

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.