

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2012.

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)

27777 Franklin Rd.

Suite 200

Southfield, Michigan

(Address of Principal Executive Offices)

38-2730780

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

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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check 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 September 30, 2012: 29,733,864

PART I – FINANCIAL INFORMATION

Item 1.	Financial Statements (Unaudited):	
	Consolidated Balance Sheets - September 30, 2012 and December 31, 2011	3
	Consolidated Statements of Operations - Periods Ended September 30, 2012 and 2011	4
	Consolidated Statements of Comprehensive Income (Loss) - Periods Ended September 30, 2012 and 2011	5
	Consolidated Statement of Stockholders' Equity (Deficit) - Nine Months Ended September 30, 2012	6
	Consolidated Statements of Cash Flows - Nine Months Ended September 30, 2012 and 2011	7
	Notes to Consolidated Financial Statements	8
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	27
Item 3.	Quantitative and Qualitative Disclosures about Market Risk	43
Item 4.	Controls and Procedures	43

PART II – OTHER INFORMATION

Item 1.	Legal Proceedings	44
Item 1A.	Risk Factors	44
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	44
Item 6.	Exhibits	45
	Signatures	46

PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

SUN COMMUNITIES, INC.
CONSOLIDATED BALANCE SHEETS
AS OF SEPTEMBER 30, 2012 AND DECEMBER 31, 2011
(In thousands, except per share amounts)

	(Unaudited) September 30, 2012	December 31, 2011
ASSETS		
Investment property, net	\$ 1,278,127	\$ 1,196,606
Cash and cash equivalents	38,724	5,857
Inventory of manufactured homes	5,672	5,832
Notes and other receivables	128,178	114,884
Other assets	50,525	44,795
TOTAL ASSETS	\$ 1,501,226	\$ 1,367,974
LIABILITIES		
Debt	\$ 1,268,672	\$ 1,268,191
Lines of credit	2,988	129,034
Other liabilities	76,749	71,404
TOTAL LIABILITIES	\$ 1,348,409	\$ 1,468,629
Commitments and contingencies		
STOCKHOLDERS' EQUITY (DEFICIT)		
Preferred stock, \$0.01 par value, 10,000 shares authorized, none issued	—	—
Common stock, \$0.01 par value, 90,000 shares authorized (September 30, 2012 and December 31, 2011, 31,536 and 23,612 shares issued, respectively)	315	236
Additional paid-in capital	857,809	555,981
Accumulated other comprehensive loss	(696)	(1,273)
Distributions in excess of accumulated earnings	(663,579)	(617,953)
Treasury stock, at cost (September 30, 2012 and December 31, 2011, 1,802 shares)	(63,600)	(63,600)
Total Sun Communities, Inc. stockholders' equity (deficit)	130,249	(126,609)
Noncontrolling interests:		
A-1 preferred OP units	45,548	45,548
Common OP units	(22,980)	(19,594)
TOTAL STOCKHOLDERS' EQUITY (DEFICIT)	152,817	(100,655)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	\$ 1,501,226	\$ 1,367,974

See accompanying Notes to Consolidated Financial Statements.

SUN COMMUNITIES, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE PERIODS ENDED SEPTEMBER 30, 2012 AND 2011
(In thousands, except per share amounts)
(Unaudited)

	<u>Three Months Ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
REVENUES				
Income from real property	\$ 63,015	\$ 58,251	188,818	164,351
Revenue from home sales	10,461	8,115	31,513	24,496
Rental home revenue	6,712	5,650	19,514	16,407
Ancillary revenues, net	(6)	31	349	434
Interest	2,847	2,430	7,907	6,789
Other income, net	95	246	530	222
Total revenues	<u>83,124</u>	<u>74,723</u>	<u>248,631</u>	<u>212,699</u>
COSTS AND EXPENSES				
Property operating and maintenance	18,067	16,354	51,261	43,806
Real estate taxes	4,933	4,504	14,741	12,717
Cost of home sales	7,791	6,357	24,535	19,249
Rental home operating and maintenance	5,118	4,253	13,090	11,680
General and administrative - real property	5,165	5,138	15,405	14,449
General and administrative - home sales and rentals	2,011	2,109	6,458	6,034
Acquisition related costs	847	121	1,434	1,521
Depreciation and amortization	22,092	18,748	63,027	53,548
Interest	17,066	16,626	50,644	47,257
Interest on mandatorily redeemable debt	825	834	2,499	2,489
Total expenses	<u>83,915</u>	<u>75,044</u>	<u>243,094</u>	<u>212,750</u>
Income (loss) before income taxes and distributions from affiliates	(791)	(321)	5,537	(51)
Provision for state income taxes	(84)	(150)	(190)	(22)
Distributions from affiliate	600	450	3,250	1,650
Net income (loss)	<u>(275)</u>	<u>(21)</u>	<u>8,597</u>	<u>1,577</u>
Less: Preferred return to A-1 preferred OP units	586	585	1,744	636
Less: Amounts attributable to noncontrolling interests	(211)	(233)	463	(196)
Net income (loss) attributable to Sun Communities, Inc. common stockholders	<u>\$ (650)</u>	<u>\$ (373)</u>	<u>6,390</u>	<u>1,137</u>
Weighted average common shares outstanding:				
Basic	26,938	21,366	26,427	21,260
Diluted	26,938	21,366	26,444	23,343
Earnings (loss) per share:				
Basic	\$ (0.02)	\$ (0.02)	\$ 0.24	\$ 0.05
Diluted	\$ (0.02)	\$ (0.02)	\$ 0.24	\$ 0.05
Dividends per common share:				
	\$ 0.63	\$ 0.63	\$ 1.89	\$ 1.89

See accompanying Notes to Consolidated Financial Statements.

SUN COMMUNITIES, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
FOR THE PERIODS ENDED SEPTEMBER 30, 2012 AND 2011
(In thousands)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Net income (loss)	\$ (275)	\$ (21)	\$ 8,597	\$ 1,577
Unrealized gain on interest rate swaps	44	222	643	644
Total comprehensive income (loss)	(231)	201	9,240	2,221
Less: Comprehensive income (loss) attributable to the noncontrolling interests	(206)	(212)	529	(137)
Comprehensive income (loss) attributable to Sun Communities, Inc. common stockholders	\$ (25)	\$ 413	\$ 8,711	\$ 2,358

See accompanying Notes to Consolidated Financial Statements.

SUN COMMUNITIES, INC.
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY (DEFICIT)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2012
(In thousands)
(Unaudited)

	<u>Common Stock</u>	<u>Additional Paid-in Capital</u>	<u>Accumulated Other Comprehensive Income (Loss)</u>	<u>Distributions in Excess of Accumulated Earnings</u>	<u>Treasury Stock</u>	<u>Total Sun Communities Stockholders' Equity (Deficit)</u>	<u>Non-controlling Interest</u>	<u>Total Stockholders' Equity (Deficit)</u>
Balance as of December 31, 2011	\$ 236	\$ 555,981	\$ (1,273)	\$ (617,953)	\$ (63,600)	\$ (126,609)	\$ 25,954	\$ (100,655)
Issuance of common stock from exercise of options, net	—	149	—	—	—	149	—	149
Issuance and associated costs of common stock, net	79	300,714	—	—	—	300,793	—	300,793
Share-based compensation - amortization and forfeitures	—	965	—	67	—	1,032	—	1,032
Net income	—	—	—	6,390	—	6,390	463	6,853
Unrealized gain on interest rate swaps	—	—	577	—	—	577	66	643
Cash distributions	—	—	—	(47,269)	—	(47,269)	(3,915)	(51,184)
Distributions declared	—	—	—	(4,814)	—	(4,814)	—	(4,814)
Balance as of September 30, 2012	<u>\$ 315</u>	<u>\$ 857,809</u>	<u>\$ (696)</u>	<u>\$ (663,579)</u>	<u>\$ (63,600)</u>	<u>\$ 130,249</u>	<u>\$ 22,568</u>	<u>\$ 152,817</u>

See accompanying Notes to Consolidated Financial Statements.

SUN COMMUNITIES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2012 AND 2011
(In thousands)
(Unaudited)

	Nine Months Ended September 30,	
	2012	2011
OPERATING ACTIVITIES:		
Net income	\$ 8,597	\$ 1,577
Adjustments to reconcile net income to net cash provided by operating activities:		
Gain from land disposition	(87)	—
Gain on valuation of derivative instruments	(4)	(7)
Stock compensation expense	1,070	1,273
Depreciation and amortization	61,144	52,819
Amortization of deferred financing costs	1,252	1,289
Distributions from affiliate	(3,250)	(1,650)
Change in notes receivable from financed sales of inventory homes, net of repayments	(6,466)	(3,876)
Change in inventory, other assets and other receivables, net	1,892	(6,652)
Change in accounts payable and other liabilities	(6,221)	(313)
NET CASH PROVIDED BY OPERATING ACTIVITIES	57,927	44,460
INVESTING ACTIVITIES:		
Investment in properties	(90,331)	(61,725)
Acquisitions	(59,734)	(51,503)
Proceeds related to affiliate dividend distribution	3,250	1,650
Proceeds related to disposition of land	172	—
Proceeds related to disposition of assets and depreciated homes, net	1,355	2,530
Increase in notes receivable, net	(6,054)	(555)
NET CASH USED IN INVESTING ACTIVITIES	(151,342)	(109,603)
FINANCING ACTIVITIES:		
Issuance and associated costs of common stock, OP units, and preferred OP units, net	300,793	54,733
Net proceeds from stock option exercise	149	716
Distributions to stockholders, OP unit holders, and preferred OP unit holders	(52,928)	(44,470)
Borrowings on lines of credit	149,511	150,018
Payments on lines of credit	(275,557)	(140,212)
Proceeds from issuance of other debt	83,427	177,459
Payments on other debt	(77,804)	(133,484)
Payments for deferred financing costs	(1,309)	(3,296)
NET CASH PROVIDED BY FINANCING ACTIVITIES	126,282	61,464
Net increase (decrease) in cash and cash equivalents	32,867	(3,679)
Cash and cash equivalents, beginning of period	5,857	8,420
Cash and cash equivalents, end of period	<u>\$ 38,724</u>	<u>\$ 4,741</u>
SUPPLEMENTAL INFORMATION:		
Cash paid for interest	\$ 42,834	\$ 41,496
Cash paid for interest on mandatorily redeemable debt	\$ 2,499	\$ 2,491
Cash paid for state income taxes	\$ 320	\$ 539
Noncash investing and financing activities:		
Unrealized gain on interest rate swaps	\$ 643	\$ 644
Reduction in secured borrowing balance	\$ 9,246	\$ 7,853
Change in dividends declared and outstanding	\$ 4,814	\$ —
Noncash investing and financing activities at the date of acquisition:		
Acquisitions - A-1 preferred OP units issued	\$ —	\$ 45,548
Acquisitions - debt assumed	\$ 4,104	\$ 52,398
Acquisitions - other liabilities	\$ —	\$ 1,343

See accompanying Notes 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 wholly-owned or majority-owned and controlled subsidiaries, including Sun Communities Operating Limited Partnership (the "Operating Partnership"), SunChamp LLC ("SunChamp"), and Sun Home Services, Inc. ("SHS"), have been prepared pursuant to the Securities and Exchange Commission ("SEC") rules and regulations and 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, 2011 as filed with the SEC on February 23, 2012, as amended on March 23, 2012 (the "2011 Annual Report").

Reference in this report to Sun Communities, Inc., "we", "our", "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.

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 2011 Annual Report.

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

2. Real Estate Acquisitions

2012 Activity:

In February 2012, we acquired Three Lakes RV Resort, Blueberry Hill RV Resort and Grand Lake Estates (collectively, the "Additional Florida Properties"), one of which is located in Hudson, Florida, one of which is located in Bushnell, Florida and one of which is located in Orange Lake, Florida, comprised of 1,114 RV sites in the aggregate.

In July 2012, we acquired Texas Blazing Star RV, Ltd ("Blazing Star"), a recreational vehicle community with 260 sites located in San Antonio, Texas.

In July 2012, we also acquired Northville Crossing Venture L.L.C. ("Northville Crossing"), a manufacturing housing community with 756 sites located in Northville, Michigan.

Subsequent to quarter end on October 22, 2012 we acquired Rainbow RV Resort, an RV community, with approximately 500 sites located in Frostproof, Florida for a purchase price of \$8.5 million of cash.

Also subsequent to quarter end, on October 3, 2012 we entered into a contribution agreement with Rudgate Silver Springs Company, L.L.C., Rudgate West Company Limited Partnership, Rudgate East Company Limited Partnership, Rudgate East Company II Limited Partnership and Rudgate Hunters Crossing, LLC to purchase four manufactured home communities (the "Rudgate Acquisition Properties") with approximately 1,996 sites located in southeast Michigan for a purchase price of \$70.8 million, subject to certain adjustments, comprised of approximately \$15.5 million in assumed debt and \$55.3 million in cash. We also entered into a commitment letter with Rudgate Village Company Limited Partnership, Rudgate Clinton Company Limited Partnership and Rudgate Clinton Estates L.L.C. to provide a mezzanine loan on two manufactured home communities (the "Rudgate Managed Properties") located in southeast Michigan with approximately 1,598 sites. The mezzanine loan will be for an amount equal to the difference between \$60.7 million and the amount of the net proceeds received by the borrowers upon the closing of the senior loan from a third party, plus certain closing costs. The amount of the mezzanine loan is estimated to be approximately \$14.8 million. The unpaid principal owing under the mezzanine loan will bear interest at a rate of 24% per annum and the minimum cash payment rate on the accrued interest will be 2% per annum. Interest will be payable monthly. Interest that accrues but is not paid currently will be paid-in-kind under a separate note. All principal and interest due under the mezzanine loan will be due on the tenth anniversary of the closing. The mezzanine loan will be non-recourse to the borrowers, subject to certain carveouts, and may not be prepaid for seven years, and then only is prepayable upon the payment of certain fees. The closing of these transactions is subject to the consent of the holder of the debt to be assumed, the closing of the senior loan and the satisfaction of customary closing conditions. If these contingencies are satisfied, we expect these transactions to close no later than November 15, 2012. We anticipate we will consolidate all of these properties as variable interest entities.

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

2. Real Estate Acquisitions, continued

Subsequent to quarter end on October 22, 2012, we entered into a Limited Liability Company Interests Assignment Agreement with PCGRV, LLC and Keith Amigos, Inc. (collectively the "Sellers"). Under this agreement, the Sellers will sell to us 100% of the membership interests of a limited liability company that owns a manufactured housing and recreational vehicle community located in Casa Grande, Arizona. The community contains 283 manufactured home sites, 1,580 recreational vehicle sites and expansion potential of approximately 550 manufactured housing or 990 recreational vehicle sites. The aggregate purchase price for the community is \$85.4 million, including the indirect assumption of approximately \$42.0 million in mortgage debt secured by the community with the remainder to be paid in cash, subject to certain prorations and adjustments. In addition to paying the purchase price, at the closing we will pay the Sellers \$2.6 million to reimburse them for certain construction costs the Sellers incurred in connection with the development of the community. At the closing, we will acquire all of the manufactured homes located in the community that are owned by an affiliate of the Sellers. The purchase price for these homes will be paid in cash and will be equal to \$0.8 million, subject to certain adjustments, plus the amount necessary to pay off the floorplan financing on certain of the homes. The closing of the acquisition is subject to the consent of the holder of the debt to be assumed and the satisfaction of customary closing conditions. If these contingencies are satisfied, we expect the acquisition to close no later than December 31, 2012.

2011 Activity:

In May 2011, we acquired Orange City RV Resort ("Orange City"), a Florida RV community comprising 525 developed sites located in Orange City, Florida.

In June 2011, we closed on the acquisition of Kentland Communities ("Kentland"), comprised of 17 manufactured home communities and one recreational vehicle community. The 18 acquired communities are located in western Michigan and comprised of 5,434 developed sites.

In November 2011, we acquired Cider Mill Crossings ("Cider Mill"), a Michigan manufactured home community with 262 developed sites through an auction. Cider Mill is located in Fenton, Michigan.

In December 2011, we acquired three Florida RV communities, Club Naples RV Resort, Kountree RV Resort, and North Lake RV Resort (collectively the "Florida Properties"), two of which are in Naples, Florida and one of which is in Moore Haven, Florida, comprised of 740 developed sites.

Acquisition related costs of approximately \$1.4 million and \$1.5 million have been incurred for the nine months ended September 30, 2012 and 2011, respectively, and are presented as "Acquisition related costs" in our Consolidated Statements of Operations.

During the third quarter of 2011, we completed the purchase price allocation for Kentland and Orange City. In the first quarter of 2012 some of the amounts previously estimated changed. The changes in estimates included a decrease in other assets of \$0.8 million and a decrease in cash consideration of \$0.8 million for the Florida Properties. The measurement period adjustments represent updates made to the purchase price allocation based on the escrow amount required for the Additional Florida Properties which is reflected in the purchase price allocation for the Additional Florida Properties. There were no significant adjustments to our Consolidated Statements of Operations.

The purchase price allocations for Cider Mill, the Florida Properties, the Additional Florida Properties, Blazing Star, and Northville Crossing is preliminary and may be adjusted as final costs and final valuations are determined.

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

2. Real Estate Acquisitions, continued

The following table summarizes the amounts of the assets acquired and liabilities assumed recognized at the acquisition dates and the consideration paid for the acquisitions above (in thousands):

At Acquisition Date	Kentland	Orange City	Cider Mill	Florida Properties	Addl Florida Properties	Blazing Star	Northville Crossing	Total
Investment in property	\$ 131,228	\$ 6,460	\$ 2,088	\$ 24,027	\$ 25,384	\$ 6,913	\$ 30,814	\$ 226,914
Inventory of manufactured homes	1,150	—	—	36	112	220	187	1,705
Notes	3,542	—	—	—	—	—	1,169	4,711
In-place leases	9,200	10	—	190	180	—	260	9,840
Other assets	1,269	—	—	97	—	193	—	1,559
Other liabilities	(2,067)	—	(1,678)	(1,237)	(1,194)	(179)	(221)	(6,576)
Assumed debt	(52,398)	—	—	—	—	(4,104)	—	(56,502)
Total identifiable assets and liabilities assumed	\$ 91,924	\$ 6,470	\$ 410	\$ 23,113	\$ 24,482	\$ 3,043	\$ 32,209	\$ 181,651

Consideration

Cash ⁽¹⁾	\$ 27,383	\$ 2,533	\$ 410	\$ 6,113	\$ 24,482	\$ 3,043	\$ 32,209	\$ 96,173
A-1 preferred OP units	45,548	—	—	—	—	—	—	45,548
New debt proceeds	18,993	3,937	—	17,000	—	—	—	39,930
Fair value of total consideration transferred	\$ 91,924	\$ 6,470	\$ 410	\$ 23,113	\$ 24,482	\$ 3,043	\$ 32,209	\$ 181,651

⁽¹⁾ Subsequent to the acquisition, on March 30, 2012, the Additional Florida Properties were encumbered with a \$19.0 million loan through Bank of America and The PrivateBank. On September 28, 2012, Northville Crossing was encumbered with a \$21.7 million loan through PNC Bank, National Association. (See Note 8)

As of September 30, 2012, the total residual value of the acquired in-place leases above is \$8.2 million. The amortization period is 7 years.

The results of operations of the acquisitions detailed above are included in the Consolidated Statements of Operations beginning on their respective acquisition dates. The following unaudited pro forma financial information presents the results of our operations for the nine months ended September 30, 2012 and 2011 as if the properties were acquired on January 1, 2010 for those communities acquired in 2011 and January 1, 2011 for those that were acquired in 2012. The unaudited pro forma results have been prepared for comparative purposes only and do not purport to be indicative of either the results of operations that would have actually occurred or the future results of operations (in thousands, except per-share data). ⁽¹⁾

	Nine Months Ended September 30,	
	(unaudited)	
	2012	2011
Total revenues	\$ 251,702	\$ 233,617
Net income attributable to Sun Communities, Inc. shareholders	7,675	6,387
Net income per share attributable to Sun Communities, Inc. shareholders - basic	0.29	0.30
Net income per share attributable to Sun Communities, Inc. shareholders - diluted	0.29	0.30

⁽¹⁾ Below are nonrecurring expenses that have been adjusted for the pro forma results above:

- (a) The sellers had management fees of \$0.8 million for the nine months ended September 30, 2011 that have been excluded from above as these fees will not continue going forward.
(b) Transaction costs related to the acquisitions are not expected to have a continuing impact and therefore have been excluded from 2012 and included in 2011 for acquisitions completed in 2012, and excluded from 2011 and included in 2010 for acquisitions completed in 2011.

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

2. Real Estate Acquisitions, continued

The amount of revenue and net income included in the Consolidated Statements of Operations for the nine months ended September 30, 2012 for the acquisitions detailed above is set forth in the following table (in thousands):

	Revenue	Net Income
Nine Months Ended September 30, 2012	\$ 25,624	\$ 2,566

3. Investment Property

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

	September 30, 2012	December 31, 2011
Land	\$ 156,361	\$ 140,230
Land improvements and buildings	1,406,738	1,342,325
Rental homes and improvements	287,985	246,245
Furniture, fixtures, and equipment	43,768	41,172
Land held for future development	24,727	24,633
Investment property	<u>1,919,579</u>	<u>1,794,605</u>
Accumulated depreciation	<u>(641,452)</u>	<u>(597,999)</u>
Investment property, net	<u>\$ 1,278,127</u>	<u>\$ 1,196,606</u>

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

See Note 2 for details on recent acquisitions.

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

4. Transfers of Financial Assets

We completed various transactions with an unrelated entity involving our notes receivable during 2012 under which we received a total of \$18.6 million of cash proceeds in exchange for relinquishing our right, title and interest in certain notes receivable. We have no further obligations or rights with respect to the control, management, administration, servicing, or collection of the installment notes. However, 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 by the unrelated entity. The recourse provisions are considered to be a form of continuing involvement, and therefore these transferred loans did not meet the requirements for sale accounting. We continue to recognize these transferred loans on our balance sheet and refer to them as collateralized receivables as a transfer of financial assets. The proceeds from the transfer have been recognized as a secured borrowing.

In the event of note default, and subsequent repossession of a manufactured home by the unrelated entity, 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. The repurchase price is calculated as a percentage of the outstanding principal balance of the collateralized receivable, 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, the repurchase price is determined as follows:

Number of Payments	Repurchase %
Less than or equal to 15	100%
Greater than 15 but less than 64	90%
Equal to or greater than 64 but less than 120	65%
120 or more	50%

The transferred assets have been classified as collateralized receivables in Notes and Other Receivables (see Note 5) and the cash proceeds received from these transactions have been classified as a secured borrowing in Debt (see Note 8) within the Consolidated Balance Sheets. The balance of the collateralized receivables was \$90.5 million (net of allowance of \$0.5 million) and \$81.2 million (net of allowance of \$0.5 million) as of September 30, 2012 and December 31, 2011, respectively. The outstanding balance on the secured borrowing was \$91.1 million and \$81.7 million as of September 30, 2012 and December 31, 2011, respectively.

The balances of the collateralized receivables and secured borrowings fluctuate. The balances increase as additional notes receivable are transferred and exchanged for cash proceeds. The balances are reduced as the related collateralized receivables are collected from the customers, or as the underlying collateral is repurchased. The change in the aggregate gross principal balance of the collateralized receivables is as follows (in thousands):

	Nine Months Ended	Year Ended
	September 30, 2012	December 31, 2011
Beginning balance	\$ 81,682	\$ 71,278
Financed sales of manufactured homes	18,634	21,509
Principal payments and payoffs from our customers	(4,148)	(4,425)
Principal reduction from repurchased homes	(5,099)	(6,680)
Total activity	9,387	10,404
Ending balance	\$ 91,069	\$ 81,682

The collateralized receivables earn interest income and the secured borrowings accrue interest expense at the same interest rates. The amount of interest income and expense recognized was \$6.8 million and \$6.1 million for the nine months ended September 30, 2012 and 2011, respectively.

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):

	<u>September 30, 2012</u>	<u>December 31, 2011</u>
Installment notes receivable on manufactured homes, net	\$ 17,505	\$ 13,417
Collateralized receivables, net (see Note 4)	90,538	81,176
Other receivables, net	20,135	20,291
Total notes and other receivables	<u>\$ 128,178</u>	<u>\$ 114,884</u>

Installment Notes Receivable on Manufactured Homes

The installment notes of \$17.5 million (net of allowance of \$0.1 million) and \$13.4 million (net of allowance of \$0.1 million) as of September 30, 2012 and December 31, 2011, respectively, are collateralized by manufactured homes. The notes represent financing provided by us to purchasers of manufactured homes primarily located in our communities and require monthly principal and interest payments. This also includes the notes receivable that were purchased in the Kentland and Northville acquisitions. See Note 2 for more information. The notes have a net weighted average interest rate and maturity of 8.5 percent and 11.4 years as of September 30, 2012, and 7.9 percent and 10.3 years as of December 31, 2011.

The change in the aggregate gross principal balance of the installment notes is as follows (in thousands):

	<u>Nine Months Ended</u> <u>September 30, 2012</u>	<u>Year Ended</u> <u>December 31, 2011</u>
Beginning balance	\$ 13,545	\$ 9,466
Financed sales of manufactured homes	4,951	3,362
Acquired notes (see Note 2)	1,169	3,542
Principal payments and payoffs from our customers	(1,601)	(1,728)
Principal reduction from repossessed homes	(474)	(1,097)
Total activity	<u>4,045</u>	<u>4,079</u>
Ending balance	<u>\$ 17,590</u>	<u>\$ 13,545</u>

Collateralized Receivables

Collateralized receivables represent notes receivable that were transferred to a third party, but did not meet the requirements for sale accounting (see Note 4). The receivables have a balance of \$90.5 million (net of allowance of \$0.5 million) and \$81.2 million (net of allowance of \$0.5 million) as of September 30, 2012 and December 31, 2011, respectively. The receivables have a net weighted average interest rate and maturity of 11.1 percent and 13.1 years as of September 30, 2012, and 11.2 percent and 13.2 years as of December 31, 2011.

Allowance for Losses for Collateralized and Installment Notes Receivable

The allowance for losses for collateralized and installment notes receivable was \$0.6 million as of September 30, 2012 and December 31, 2011.

	<u>Nine Months Ended</u> <u>September 30, 2012</u>	<u>Year Ended</u> <u>December 31, 2011</u>
Beginning balance	\$ (635)	\$ (303)
Lower of cost or market write-downs	139	84
Increase to reserve balance	(120)	(416)
Total activity	<u>19</u>	<u>(332)</u>
Ending balance	<u>\$ (616)</u>	<u>\$ (635)</u>

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

5. Notes and Other Receivables, continued

Other Receivables

As of September 30, 2012 other receivables were comprised of amounts due from residents for rent and water and sewer usage of \$3.3 million (net of allowance of \$0.4 million), home sale proceeds of \$4.4 million, insurance receivables of \$1.3 million, insurance settlement of \$3.7 million, rebates and other receivables of \$2.4 million and a note receivable of \$5.0 million. The note, which was loaned to the principals of the Florida Properties, bears interest at LIBOR plus 475 basis points, matures on January 31, 2013 and is secured by all of the equity interests in entities that own four RV communities. As of December 31, 2011 other receivables were comprised of amounts due from residents for rent and water and sewer usage of \$3.0 million (net of allowance of \$0.4 million), home sale proceeds of \$3.3 million, insurance receivables of \$0.8 million, rebates receivable in association of FNMA agreement of \$4.9 million, insurance settlement of \$3.7 million, note receivable related to Kentland acquisition of \$0.9 million (see Note 2), and rebates and other receivables of \$3.7 million.

6. Intangibles

Our intangible assets are in-place leases from acquisitions and capitalized costs in relation to leasing costs. These intangible assets are recorded within Other Assets on the Consolidated Balance Sheets. They are amortized over a seven year amortization period. The gross carrying amount is \$24.3 million and \$25.3 million at September 30, 2012 and December 31, 2011, respectively. The accumulated amortization is \$10.9 million and \$10.8 million at September 30, 2012 and December 31, 2011, respectively. Aggregate net amortization expense related to intangible assets was \$0.7 million and \$1.0 million for the three months ended September 30, 2012 and 2011, respectively. Aggregate net amortization expense related to intangible assets was \$2.4 million and \$1.9 million for the nine months ended September 30, 2012 and 2011, respectively.

7. Investment in Affiliates

Origen Financial Services, LLC ("OFS LLC")

At September 30, 2012 and 2011, we had a 22.9 percent ownership interest in OFS LLC, an entity formed to originate manufactured housing installment contracts. We have suspended equity accounting as the carrying value of our investment is zero.

Origen Financial, Inc. ("Origen")

Through Sun OFI, LLC, a taxable REIT subsidiary, we own 5,000,000 shares of common stock of Origen which approximates an ownership interest of 19 percent. Although it is no longer originating or servicing loans, Origen continues to manage an existing portfolio of manufactured home loans and asset backed securities. We have suspended equity accounting for this investment as the carrying value of our investment is zero. We do, however, receive income from dividend distributions on our investment. Per Origen's earnings release dated June 5, 2012, the dividend payment was funded through normal operations and the proceeds from the termination of their interest rate swap. Our investment in Origen had a market value of approximately \$6.5 million based on a quoted market closing price of \$1.30 per share from the "OTC Pink Marketplace" as of September 28, 2012.

The unaudited revenue and expense amounts in the table below represent actual results through August 2012 and budgeted September 2012 results.

The following table sets forth certain summarized unaudited financial information for Origen (amounts in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	(unaudited)		(unaudited)	
	2012	2011	2012	2011
Revenues	\$ 14,228	\$ 16,649	\$ 50,608	\$ 51,215
Expenses	(16,619)	(19,028)	(52,427)	(59,891)
Net loss	\$ (2,391)	\$ (2,379)	\$ (1,819)	\$ (8,676)

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

8. Debt and Lines of Credit

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

	Principal Outstanding		Weighted Average Years to Maturity		Weighted Average Interest Rates	
	September 30, 2012	December 31, 2011	September 30, 2012	December 31, 2011	September 30, 2012	December 31, 2011
Collateralized term loans - CMBS	\$ 648,761	\$ 629,229	4.5	5.0	5.4%	5.5%
Collateralized term loans - FNMA	371,034	364,581	10.6	11.3	3.8%	3.6%
Aspen and Series B-3 preferred OP Units	47,822	48,822	8.6	9.2	6.9%	6.9%
Secured borrowing (see Note 4)	91,069	81,682	13.0	13.2	11.1%	11.2%
Mortgage notes, other	109,986	143,877	3.7	3.2	4.0%	3.8%
Total debt	<u>\$ 1,268,672</u>	<u>\$ 1,268,191</u>	7.0	7.3	5.3%	5.2%

Collateralized Term Loans

In July 2012, we assumed a collateralized mortgage backed security "CMBS" agreement with a principal balance of \$4.1 million, as a result of the Blazing Star acquisition (See Note 2 for acquisition details), which has a weighted average maturity of 3.2 years and bears an interest rate of 5.64%.

In September 2012, we completed a secured debt agreement with PNC Bank, National Association for \$21.7 million bearing an interest rate of 3.89% and a maturity date of October 1, 2022. This loan is secured by the newly acquired Northville Crossing property (See Note 2 for acquisition details).

In March, 2011, we completed a CMBS financing with JPMorgan Chase Bank, National Association for \$115.0 million bearing an interest rate of 5.837% and a maturity date of March 1, 2021. This loan is secured by 11 properties. The loan refinanced \$104.8 million of CMBS debt which was scheduled to mature in July 2011 and was collateralized using the same property pool.

In May 2011, we completed a refinancing agreement with Bank of America N.A., for \$23.6 million. This debt bears an interest rate of 5.38% and has a maturity of June 1, 2021. This loan is secured by three properties. The loan refinanced \$17.9 million of debt which was scheduled to mature in June 2012 and was collateralized using the same property pool.

In July 2011, we reached an agreement with Fannie Mae ("FNMA") and PNC Bank, National Association, regarding the settlement of the litigation we commenced in November 2009 over certain fees charged when the variable rate loan facility was extended in April 2009. The agreement became effective January 3, 2012 and the litigation was dismissed. In accordance with the terms of the agreement, we have the option to extend the maturity date of our entire \$367.0 million credit facility with PNC Bank and FNMA from 2014 to 2023, subject to compliance with certain underwriting criteria. This agreement also provided a reduction in the facility fee charged on our variable rate facility for 2011. In addition we drew a \$10.0 million variable rate facility, which matures on May 1, 2023 and provides for interest-only payments until May 1, 2014, after which principal and interest payments will be due based on a 30-year amortization. The interest rate for the \$10.0 million variable rate facility is equal to the 90-day LIBOR index, plus an investor spread equal to 95 basis points, plus a variable facility fee equal to 172 basis points through maturity.

The collateralized term loans totaling \$1.0 billion as of September 30, 2012, are secured by 98 properties comprised of 35,928 sites representing approximately \$607.4 million of net book value.

Aspen preferred OP Units and Series B-3 preferred OP units

The Aspen preferred OP units are convertible into 526,212 common shares based on a conversion price of \$68 per share with a redemption date of January 1, 2024. The current preferred rate is 6.5 percent.

We redeemed \$1.0 million of Series B-3 preferred OP units in May 2012.

Secured Borrowing

See Note 4 for additional information regarding our collateralized receivables and secured borrowing transactions.

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

8. Debt and Lines of Credit, continued

Mortgage Notes

In March 2012, we paid off \$2.7 million mortgage agreement secured by a manufactured housing community in Belmont, Michigan which was due to mature on April 1, 2012.

In June 2012, we completed a variable refinancing agreement with Bank of America N.A., for \$14.1 million. This debt bears an interest rate of LIBOR plus a 2.0% margin (effective rate at September 30, 2012 was 2.22%) and has a maturity of September 1, 2016, assuming the election of the two successive one-year extensions. The loan is secured by two properties and refinanced \$14.0 million of debt which matured in June 2012.

In September 2012, we paid off approximately \$25.0 million mortgage agreement secured by four properties which was due to mature on June 20, 2013.

In June 2011, we assumed secured debt with a principal balance of \$52.4 million, as a result of the Kentland acquisition (see Note 2). This secured debt was recorded at fair value on the date of the acquisition which was equal to the assumed principal balance. This debt is secured by 12 properties. The weighted average maturity is 3.7 years and the weighted average annual variable interest rate of 5.61%.

In June 2011, we entered into a \$22.9 million variable financing agreement with Bank of America N.A., to fund the Kentland and Orange City acquisitions (see Note 2). The debt was collateralized by six properties – five Kentland properties and Orange City.

On February 1, 2012, we paid off \$4.5 million of this agreement which was collateralized by Orange City. In September 2012, we paid off the remaining approximately \$18.1 million mortgage agreement which was due to mature on June 1, 2015.

In December 2011, we entered into a \$17.0 million variable financing agreement with Bank of America, N.A. and The Private Bank. In March 2012, we amended and restated the variable financing agreement with Bank of America, N.A. and The PrivateBank which added an additional \$19.0 million, the "36.0 Million Facility." The debt is collateralized by all six of the properties acquired in the Florida Properties and Additional Florida Properties acquisitions (see Note 2). The weighted average maturity is 4.2 years with the weighted average annual variable interest rate of 2.72%. As of June 30, 2012, we were not in compliance with the debt service coverage ratio due to our subsidiaries that own the Florida Properties and the Additional Florida Properties. This non-compliance did not result in an Event of Default under the \$36.0 Million Facility. On October 4, 2012, we entered into a loan modification agreement with the lenders, pursuant to which the lenders waived compliance with the debt service coverage ratio covenant through December 31, 2012 and modified the covenant for the quarter ending March 31, 2013. As a condition to the loan modification, until we are in compliance with the debt service coverage ratio covenant for three consecutive quarters, the Operating Partnership agreed to remove the limitation on their guaranty and to provide full guaranty of repayment of the indebtedness. On October 4, 2012, pursuant to the loan modification agreement, we also paid down \$6.0 million of the outstanding principal of the \$36.0 Million Facility.

The mortgage notes totaling \$110.0 million as of September 30, 2012, are collateralized by 22 properties comprised of 6,112 sites representing approximately \$191.6 million of net book value.

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

8. Debt and Lines of Credit, continued

Lines of Credit

In September 2011, we entered into a senior secured revolving credit facility with Bank of America, N.A., and certain other lenders in the amount of \$130.0 million (the "Facility"), which replaced our \$115.0 million revolving line of credit. The Facility is secured by a first priority lien on all of our equity interests in each entity that owns all or a portion of the properties constituting the borrowing base and collateral assignments of our senior and mezzanine debt positions in certain borrowing base properties. The Facility has a built-in accordion feature allowing up to \$20.0 million in additional borrowings and a one-year extension option, both at our discretion. The Facility matures on October 1, 2015, assuming the election of the extension. The Facility bears interest at a floating rate based on Eurodollar plus a margin that is determined based on our leverage ratio calculated in accordance with the Facility, which can range from 2.25% to 2.95%. Based on our calculation of the leverage ratio as of September 30, 2012, the margin is 2.25%. The outstanding balance on the line of credit was zero and \$107.5 million as of September 30, 2012 and December 31, 2011, respectively. In addition, \$4.0 million of availability was used to back standby letters of credit as of September 30, 2012 and December 31, 2011. As of September 30, 2012 and December 31, 2011, \$126.0 million and \$18.5 million, respectively, were available to be drawn under the facility based on the calculation of the borrowing base at each date.

We have a \$20.0 million secured line of credit agreement collateralized by a portion of our rental home portfolio. The net book value of the rental homes pledged as security for the loan must meet or exceed 200 percent of the outstanding loan balance. The terms of the agreement require interest only payments for the first 5 years, with the remainder of the term being amortized based on a 10 year term. The interest rate is Prime plus 200 basis points with a minimum rate of 5.5 percent. At September 30, 2012, the effective interest rate is 5.5 percent. Prime shall mean the prime rate published in the *Wall Street Journal* adjusted the first day of each calendar month. The outstanding balance was zero as of September 30, 2012. The outstanding balance was \$16.0 million as of December 31, 2011.

We have a \$12.0 million manufactured home floor plan facility renewable indefinitely until our lender provides us 12 month notice of their intent to terminate the agreement. The interest rate is 100 basis points over the greater of Prime or 6.0 percent (effective rate 7.0 percent at September 30, 2012). Prime means the prevailing "prime rate" as quoted in the *Wall Street Journal* on the first business day of each month. The outstanding balance was \$3.0 million and \$5.5 million as of September 30, 2012 and December 31, 2011, respectively.

As of September 30, 2012, 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	Oct 2012 - Dec 2012	2013	2014	2015	2016	After 5 years
Lines of credit	\$ 2,988	\$ —	\$ 2,988	\$ —	\$ —	\$ —	\$ —
Mortgage loans payable:							
Maturities	980,248	—	9,241	185,754	3,834	312,585	468,834
Principal amortization	149,533	4,376	17,978	17,943	17,579	16,070	75,587
Aspen and Series B-3 preferred OP units	47,822	3,670	4,145	4,225	—	—	35,782
Secured borrowing	91,069	963	4,068	4,466	4,945	5,479	71,148
Total	\$ 1,271,660	\$ 9,009	\$ 38,420	\$ 212,388	\$ 26,358	\$ 334,134	\$ 651,351

The most restrictive of our debt agreements place limitations on secured borrowings and contain minimum fixed charge coverage, leverage, distribution and net worth requirements. As of September 30, 2012, we were in compliance with all covenants.

9. Equity Transactions

In January 2012, we closed an underwritten registered public offering of 4,600,000 shares of common stock at a price of \$35.50 per share. The net proceeds from the offering were \$156.0 million after deducting the expenses related to the offering. The net proceeds of the offering were used to repay \$123.5 million of outstanding debt, to fund \$25.0 million of the purchase price of the Additional Florida Properties (See Note 2 for additional information), which were subsequently encumbered with a loan of \$19.0 million and the remainder of the proceeds were used for general corporate purpose.

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

9. Equity Transactions, continued

On May 10, 2012 pursuant to a shelf registration statement on Form S-3, we registered with the SEC the sale of our common stock, preferred stock, debt securities, warrants and units consisting of two or more of the aforementioned securities. This shelf registration statement was effective upon filing and replaced our previous shelf registration statement which was scheduled to expire in May 2012.

On May 10, 2012 we entered into an "at-the-market" sales agreement with BMO Capital Markets Corp and Liquidnet Inc. to issue and sell shares of common stock from time to time. The current authorization allows for the sale of our common stock up to an aggregate amount of \$100 million. There were 252,833 shares of common stock sold through September 30, 2012. The shares of common stock were sold at the prevailing market price of our common stock at the time of each sale with a weighted average sale price of \$46.07 and we received net proceeds of approximately \$11.5 million. The proceeds were used to pay down our line of credit.

In September 2012, we closed an underwritten registered public offering of 3,000,000 shares of common stock at a price of \$44.06 per share. The net proceeds from the offering were \$132.0 million after deducting the underwriting discounts and expenses related to the offering. We used the net proceeds of the offering to repay \$78.0 million of our senior secured revolving credit facility and we used \$43.1 million to repay single mortgages secured by nine communities. We expect to use any remaining net proceeds of the offering to fund potential future acquisitions of properties and for working capital and general corporate purposes.

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 2012 or 2011. There is no expiration date specified for the buyback program.

Common OP Unit holders can convert their Common OP units into an equivalent number of shares of common stock at any time. During the nine months ended September 30, 2012 and 2011, holders of Common OP Units converted 2,000 and 10,249 units, respectively to common stock.

Under our previous shelf registration statement on Form S-3 we had an "at-the-market" sales agreement to issue and sell shares of common stock. We issued 40,524 shares of common stock from January 1, 2012 through May 9, 2012, when the sales agreement was terminated. The shares of common stock were sold at the prevailing market price of our common stock at the time of each sale with a weighted average sale price of \$37.22 and we received net proceeds of approximately \$1.5 million. The proceeds were used to pay down our line of credit.

On August 6, 2010, we entered into a Common Stock Purchase Agreement (the "Purchase Agreement") with REIT Opportunity, Ltd. ("REIT Ltd."), which provides that, upon the terms and subject to the conditions set forth in the Purchase Agreement, REIT Ltd. is committed to purchase up to the lesser of \$100 million of our common stock, or 3,889,493 shares of our common stock, which is equal to one share less than twenty percent of our issued and outstanding shares of common stock on the effective date of the Purchase Agreement. In January, 2011 we sold 915,827 shares of common stock at a weighted average sale price of \$32.76 and received net proceeds of \$30.0 million. The funds were used to pay down our line of credit. The Purchase Agreement expired September 1, 2012.

In June 2011, we issued \$45.5 million of Series A-1 preferred operating partnership ("A-1 preferred OP") units as a result of the Kentland acquisition (see Note 2). A-1 preferred OP unit holders can convert the A-1 preferred OP units into shares of common stock at any time after December 31, 2013 based on a conversion price of \$41 per share with \$100 par value. These A-1 preferred OP units are convertible, but not redeemable. The A-1 preferred OP unit holders receive a preferred return of 5.1% until June 23, 2013 and 6.0% thereafter.

In August 2011, we discovered that we did not register with the SEC shares of our common stock purchased in the open market by our 401(k) plan for the benefit of participants in the plan. We eliminated the option to purchase our common stock in the plan in September 2011 and the last purchase made through the plan was on September 16, 2011. As disclosed in our prior SEC filings, we considered filing a registration statement on Form S-3 offering to rescind the purchase of shares of our common stock by persons who acquired such shares through our 401(k) plan from September 16, 2010 through September 16, 2011. During that period, the plan purchased a total of 3,301 shares of our common stock for the benefit of a total of 85 participants. We determined that our potential liability, if any, with respect to shares of our common stock purchased during the applicable period was not material to us. Based on this and the expense of conducting a rescission offer, we determined not to conduct a rescission offer.

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

9. Equity Transactions, continued

Cash dividends of \$0.63 per share were declared for the quarter ended September 30, 2012. On October 19, 2012 cash payments of approximately \$20.0 million for aggregate dividends, distributions and dividend equivalents were made to common stockholders, common OP unitholders, and restricted stockholders of record as of October 10, 2012.

10. Share-Based Compensation

In February 2012, we granted 15,000 shares of restricted stock to our executive officers under the 2009 Equity Plan. The awards vest ratably over an eight year period beginning on the fourth anniversary of the grant date, and have a fair value of \$40.80 per share. The fair value was determined by using the closing share price of our common stock on the date the grant was issued.

In July 2012, we granted 9,600 shares of restricted stock to our directors under our First Amended and Restated 2004 Non-Employee Director Option Plan. The awards vest on July 19, 2015, and upon grant had a fair value of \$46.30 per share. The fair value was determined by using the closing share price of our common stock on the date the grant was issued.

During the nine months ended September 30, 2012, 7,678 shares of common stock were issued in connection with the exercise of stock options and the net proceeds received were \$0.1 million.

The vesting requirements for 8,750 restricted shares granted to our employees were satisfied during the nine months ended September 30, 2012.

11. Other Income

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Brokerage commissions	\$ 147	\$ 102	\$ 476	\$ 396
Other income (loss), net	(52)	144	54	(174)
Total other income (loss), net	\$ 95	\$ 246	\$ 530	\$ 222

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

12. Segment Reporting

Our consolidated operations can be segmented into Real Property Operations and Home Sales and Rentals. Transactions between our segments are eliminated in consolidation. Seasonal RV revenue is included in Real Property Operations' revenues and is approximately \$9.8 million annually. This seasonal revenue is recognized 46% in the first quarter, 13% in the second, 13% in the third quarter and 28% in the fourth quarter of each fiscal year.

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

	Three Months Ended September 30, 2012			Three Months Ended September 30, 2011		
	Real Property Operations	Home Sales and Home Rentals	Consolidated	Real Property Operations	Home Sales and Home Rentals	Consolidated
Revenues	\$ 63,015	\$ 17,173	\$ 80,188	\$ 58,251	\$ 13,765	\$ 72,016
Operating expenses/Cost of sales	23,000	12,909	35,909	20,858	10,610	31,468
Net operating income/Gross profit	40,015	4,264	44,279	37,393	3,155	40,548
Adjustments to arrive at net income (loss):						
Other revenues	2,942	(6)	2,936	2,676	31	2,707
General and administrative	(5,165)	(2,011)	(7,176)	(5,138)	(2,109)	(7,247)
Acquisition related costs	(847)	—	(847)	(121)	—	(121)
Depreciation and amortization	(14,760)	(7,332)	(22,092)	(12,869)	(5,879)	(18,748)
Interest expense	(17,885)	(6)	(17,891)	(17,226)	(234)	(17,460)
Distributions from affiliate	600	—	600	450	—	450
Provision for state income tax	(84)	—	(84)	(150)	—	(150)
Net income (loss)	4,816	(5,091)	(275)	5,015	(5,036)	(21)
Less: Preferred return to A-1 preferred OP units	586	—	586	585	—	585
Less: Net income (loss) attributable to noncontrolling interests	328	(539)	(211)	213	(446)	(233)
Net income (loss) attributable to Sun Communities, Inc.	\$ 3,902	\$ (4,552)	\$ (650)	\$ 4,217	\$ (4,590)	\$ (373)

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

12. Segment Reporting, continued

	Nine Months Ended September 30, 2012			Nine Months Ended September 30, 2011		
	Real Property Operations	Home Sales and Home Rentals	Consolidated	Real Property Operations	Home Sales and Home Rentals	Consolidated
Revenues	\$ 188,818	\$ 51,027	\$ 239,845	\$ 164,351	\$ 40,903	\$ 205,254
Operating expenses/Cost of sales	66,002	37,625	103,627	56,523	30,929	87,452
Net operating income/Gross profit	122,816	13,402	136,218	107,828	9,974	117,802
Adjustments to arrive at net income (loss):						
Other revenues	8,437	349	8,786	7,011	434	7,445
General and administrative	(15,405)	(6,458)	(21,863)	(14,449)	(6,034)	(20,483)
Acquisition related costs	(1,434)	—	(1,434)	(1,521)	—	(1,521)
Depreciation and amortization	(41,798)	(21,229)	(63,027)	(36,452)	(17,096)	(53,548)
Interest expense	(53,051)	(92)	(53,143)	(49,029)	(717)	(49,746)
Distributions from affiliate	3,250	—	3,250	1,650	—	1,650
Provision for state income tax	(190)	—	(190)	(22)	—	(22)
Net income (loss)	22,625	(14,028)	8,597	15,016	(13,439)	1,577
Less: Preferred return to A-1 preferred OP units	1,744	—	1,744	636	—	636
Less: Net income (loss) attributable to noncontrolling interests	1,985	(1,522)	463	1,011	(1,207)	(196)
Net income (loss) attributable to Sun Communities, Inc.	\$ 18,896	\$ (12,506)	\$ 6,390	\$ 13,369	\$ (12,232)	\$ 1,137

	September 30, 2012			December 31, 2011		
	Real Property Operations	Home Sales and Home Rentals	Consolidated	Real Property Operations	Home Sales and Home Rentals	Consolidated
Identifiable assets:						
Investment property, net	\$ 1,077,173	\$ 200,954	\$ 1,278,127	\$ 1,028,575	\$ 168,031	\$ 1,196,606
Cash and cash equivalents	39,181	(457)	38,724	5,972	(115)	5,857
Inventory of manufactured homes	—	5,672	5,672	—	5,832	5,832
Notes and other receivables	121,404	6,774	128,178	109,436	5,448	114,884
Other assets	44,991	5,534	50,525	41,843	2,952	44,795
Total assets	\$ 1,282,749	\$ 218,477	\$ 1,501,226	\$ 1,185,826	\$ 182,148	\$ 1,367,974

13. Derivative Instruments and Hedging Activities

Our objective in using interest rate derivatives is to manage exposure to interest rate movements thereby minimizing the effect of interest rate changes and the effect it 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 September 30, 2012, we had three derivative contracts consisting of one interest rate swap agreements with a notional amount of \$20.0 million and two interest rate cap agreements with a total notional amount of \$162.4 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.

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

13. Derivative Instruments and Hedging Activities, continued

The following table provides the terms of our interest rate derivative contracts that were in effect as of September 30, 2012:

Type	Purpose	Effective Date	Maturity Date	Notional (in millions)	Based on	Variable Rate	Fixed Rate	Spread	Effective Fixed Rate
Swap	Floating to Fixed Rate	1/1/2009	1/1/2014	20.0	3 Month LIBOR	0.4606%	2.1450%	1.8700%	4.0200%
Cap	Cap Floating Rate	4/1/2012	4/1/2015	152.4	3 Month LIBOR	0.3600%	11.2650%	—%	N/A
Cap	Cap Floating Rate	10/3/2011	10/3/2016	10.0	3 Month LIBOR	0.3600%	11.0200%	—%	N/A

Generally, 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 income (loss) in our Consolidated Balance Sheets. To the extent that the hedging relationship is not effective or do not qualify as a cash flow hedge, 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 ASC Topic 815, Derivatives and Hedging, we have recorded the fair value of our derivative instruments designated as cash flow hedges on the balance sheet. See Note 16 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 September 30, 2012 and December 31, 2011 (in thousands):

	Asset Derivatives		Liability Derivatives			
	Balance Sheet Location	Fair Value		Balance Sheet Location	Fair Value	
		September 30, 2012	December 31, 2011		September 30, 2012	December 31, 2011
Derivatives designated as hedging instruments						
Interest rate swaps and cap agreement	Other assets	\$ —	\$ —	Other liabilities	459	1,106
Total derivatives designated as hedging instruments		\$ —	\$ —		459	1,106

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, we would need to amortize amounts currently included in other comprehensive income (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.

Our hedges were highly effective and had minimal effect on income. The following table summarizes the impact of derivative instruments for the nine months ended September 30, 2012 and 2011 as recorded in the Consolidated Statements of Operations (in thousands):

Derivatives in cash flow hedging	Amount of Gain or (Loss) Recognized in OCI (Effective Portion)		Location of Gain or (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)	Amount of Gain or (Loss) Reclassified from Accumulated OCI 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)	
	Nine Months Ended September 30,			Nine Months Ended September 30,			Nine Months Ended September 30,	
	2012	2011		2012	2011		2012	2011
Interest rate swaps and cap agreement	\$ 643	\$ 644	Interest expense	\$ —	\$ —	Interest expense	\$ 3	\$ 7
Total	\$ 643	\$ 644	Total	\$ —	\$ —	Total	\$ 3	\$ 7

Certain of our derivative instruments contain provisions that require us to provide ongoing collateralization on derivative instruments in a liability position. As of September 30, 2012 and December 31, 2011, we had collateral deposits recorded in other assets of approximately \$1.2 million and \$3.1 million, respectively.

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

14. 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 ("Code"), 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 September 30, 2012.

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 could 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.

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 September 30, 2012 and December 31, 2011.

We had no unrecognized tax benefits as of September 30, 2012 and 2011. We expect no significant increases or decreases in unrecognized tax benefits due to changes in tax positions within one year of September 30, 2012.

We classify certain state taxes as income taxes for financial reporting purposes. We record Texas Margin Tax as income tax in our financial statements. In 2011 we were also subject to Michigan Business Tax that was replaced in May 2011 by a Corporate Income Tax. We believe that we will not have any corporate income tax liability under the new law. We recorded a provision for state income taxes of approximately \$0.2 million and \$0.1 million for the nine months ended September 30, 2012 and 2011, respectively.

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

15. Earnings (Loss) Per Share

We have outstanding stock options and unvested restricted shares, and our Operating Partnership has Common OP Units, convertible A-1 preferred OP units and Aspen preferred OP Units, which if converted or exercised, may impact dilution. Although our unvested restricted shares qualify as participating securities, we do not include them in the computation of basic earnings (loss) per share under the two-class method in periods we report net losses, as the result would be anti-dilutive.

Computations of basic and diluted earnings per share from continuing operations were as follows (in thousands, except per share data):

Numerator	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Basic earnings: net income (loss) attributable to common stockholders	\$ (650)	\$ (373)	\$ 6,390	\$ 1,137
Add: amounts attributable to common noncontrolling interests	—	—	—	112
Diluted earnings: net income (loss) available to common stockholders and unitholders	\$ (650)	\$ (373)	\$ 6,390	\$ 1,249
Denominator				
Weighted average common shares outstanding	26,938	21,366	26,145	21,039
Weighted average unvested restricted stock outstanding	—	—	282	221
Basic weighted average common shares and unvested restricted stock outstanding	26,938	21,366	26,427	21,260
Add: dilutive securities	—	—	17	2,083
Diluted weighted average common shares and securities	26,938	21,366	26,444	23,343
Earnings (loss) per share available to common stockholders:				
Basic	\$ (0.02)	\$ (0.02)	\$ 0.24	\$ 0.05
Diluted	\$ (0.02)	\$ (0.02)	\$ 0.24	\$ 0.05

We excluded certain securities from the computation of diluted earnings per share 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 earnings per share for the three and nine months ended September 30, 2012 and 2011 (amounts in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Stock options	57	88	—	—
Unvested restricted stock	289	276	—	—
Common OP units	2,070	2,072	2,071	—
A-1 preferred OP units	1,111	1,111	1,111	1,111
Aspen preferred OP units	526	526	526	526
Total securities	4,053	4,073	3,708	1,637

The figures above represent the total number of potentially dilutive securities, and do not necessarily 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 per share available to common stockholders.

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

16. 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.

ASC Topic 820, Fair Value Measurements and Disclosures, establishes guidance 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.

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 estimates the fair value as the interest rates in the portfolio are comparable to current prevailing market rates.

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. The net carrying value of the collateralized receivables estimates the fair value as the interest rates in the portfolio are comparable to current prevailing market rates.

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.

The table below sets forth our financial assets and liabilities that required disclosure of their fair values on a recurring basis as of September 30, 2012. The table presents the carrying values and fair values of our financial instruments as of September 30, 2012 and December 31, 2011 that were measured using the valuation techniques described above. The table excludes other financial instruments such as cash and cash equivalents, accounts receivable, and accounts payable because the carrying values associated with these instruments approximate fair value since their maturities are less than one year.

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

16. Fair Value of Financial Instruments, continued

	September 30, 2012		December 31, 2011	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets				
Installment notes on manufactured homes, net	17,505	17,505	13,417	13,417
Collateralized receivables, net	90,538	90,538	81,176	81,176
Financial liabilities				
Derivative instruments	459	459	1,106	1,106
Long term debt (excluding secured borrowing)	1,177,603	1,191,786	1,186,509	1,175,261
Secured borrowing	91,069	91,069	81,682	81,682
Lines of credit	2,988	2,988	129,034	129,034

17. Recent Accounting Pronouncements

In April 2011, the FASB issued ASU 2011-03, "Reconsideration of Effective Control for Repurchase Agreements" (ASU 2011-03) which amends ASC Topic 860, Transfers and Servicing. The updated guidance in ASC Topic 860 removes from the assessment of effective control (1) the criterion requiring the transferor to have the ability to repurchase or redeem the financial assets on substantially the agreed terms, even in the event of default by the transferee, and (2) the collateral maintenance implementation guidance related to that criterion. The updated guidance in ASC Topic 860 is effective for the first interim or annual period beginning on or after December 15, 2011. Early adoption was not permitted. The adoption of this guidance did not have any impact on our results of operations or financial condition.

In May 2011, the FASB issued ASU 2011-04, "Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs" (ASU 2011-04) which amends ASC Topic 820, Fair Value Measurement. The updated guidance in ASC Topic 820 changes the wording used to describe the requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements. The updated guidance in ASC Topic 820 is effective during interim and annual periods beginning after December 15, 2011. Early adoption was not permitted. The adoption of this guidance did not have any impact on our results of operations or financial condition.

18. Commitments and Contingencies

On June 4, 2010 we settled all of the claims arising out of the litigation filed in 2004 by TJ Holdings, LLC in the Superior Court of Guilford County, North Carolina and the associated arbitration proceeding commenced by TJ Holdings in Southfield, Michigan. Under the terms of the settlement agreement, in which neither party admitted any liability whatsoever, we paid TJ Holdings \$360,000. In addition, pursuant to this settlement, TJ Holdings' percentage ownership interest in Sun/Forest, LLC will be increased on a one time basis, in the event of a sale or refinance of all of the SunChamp Properties, to between 9.03% and 28.99% depending on our average closing stock price as reported by the NYSE during the 30 days preceding the sale or refinance of all the SunChamp Properties. Once this percentage ownership interest has been adjusted, there will be no further adjustments from subsequent sales or refinances of the SunChamp Properties. The likelihood of a sale or refinancing of all of the SunChamp properties is not probable as these properties continue to see growth potential nor do we have a need to refinance all of the properties, so we do not expect it to have a material adverse impact on our results of operations or financial condition.

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

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

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 2011 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 of September 30, 2012, we owned and operated a portfolio of 164 properties located in 18 states (the "Properties" or "Property"), including 142 manufactured housing communities, 12 recreational vehicle communities, and 10 properties containing both manufactured housing and recreational vehicle sites. As of September 30, 2012, the Properties contained an aggregate of 57,191 developed sites comprised of 48,947 developed manufactured home sites and 8,244 recreational vehicle ("RV") sites and approximately 6,200 manufactured home sites suitable for development. We lease individual parcels of land ("sites") with utility access for placement of manufactured homes and recreational vehicles 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 2011 Annual Report.

SUPPLEMENTAL MEASURES

In addition to the results reported in accordance with GAAP, we have provided information regarding Net Operating Income ("NOI") in the following tables. NOI is derived from revenues minus property operating expenses and real estate taxes. We use NOI as the primary basis to evaluate the performance of our operations. A reconciliation of NOI to net income 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, which 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 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 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 FFO to net income are included in the presentation of FFO in "Results of Operations" following the "Comparison of the Nine Months Ended September 30, 2012 and 2011".

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 and RV communities concentrated in the midwestern, southern, and southeastern United States and is in the business of acquiring, operating, and expanding manufactured housing and RV 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 and Gross Profit.

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 and Gross Profit.

COMPARISON OF THE THREE MONTHS ENDED SEPTEMBER 30, 2012 AND 2011**REAL PROPERTY OPERATIONS – TOTAL PORTFOLIO**

The following tables reflect certain financial and other information for our Total Portfolio as of and for the three months ended September 30, 2012 and 2011:

Financial Information (in thousands)	Three Months Ended September 30,			
	2012	2011	Change	% Change
Income from Real Property	\$ 63,015	\$ 58,251	\$ 4,764	8.2%
Property operating expenses:				
Payroll and benefits	5,008	4,621	387	8.4%
Legal, taxes, & insurance	886	780	106	13.6%
Utilities	7,453	6,475	978	15.1%
Supplies and repair	2,928	2,865	63	2.2%
Other	1,792	1,613	179	11.1%
Real estate taxes	4,933	4,504	429	9.5%
Property operating expenses	23,000	20,858	2,142	10.3%
Real Property NOI	\$ 40,015	\$ 37,393	\$ 2,622	7.0%

Other Information	As of September 30,		
	2012	2011	Change
Number of properties	164	155	9
Developed sites	57,191	53,713	3,478
Occupied sites ^{(1) (2)}	45,958	43,638	2,320
Occupancy % ⁽¹⁾	86.8%	85.4%	1.4%
Weighted average monthly site rent - MH ⁽³⁾	\$ 431	\$ 419	\$ 12
Weighted average monthly site rent - Permanent RV ⁽³⁾	\$ 410	\$ 414	\$ (4)
Sites available for development	6,217	6,237	(20)

⁽¹⁾ Occupied sites and occupancy % include manufactured housing and permanent RV sites and exclude seasonal RV sites.

⁽²⁾ Occupied sites include 4,474 sites acquired during 2011 and 779 sites acquired in 2012.

⁽³⁾ Weighted average rent pertains to manufactured housing and permanent recreational vehicle sites and excludes seasonal recreational vehicle sites.

Real Property NOI increased \$2.6 million, from \$37.4 million to \$40.0 million or 7.0 percent. The growth in NOI is primarily due to \$1.1 million from newly acquired properties and \$1.5 million from same site properties as detailed below.

REAL PROPERTY OPERATIONS – SAME SITE

A key management tool used when evaluating performance and growth of our properties is a comparison of Same Site communities. Same Site communities consist of properties owned and operated for the same period in both years for the three months ended September 30, 2012 and 2011. The Same Site data may change from time-to-time depending on acquisitions, dispositions, management discretion, significant transactions, or unique situations.

In order to evaluate the growth of the Same Site communities, management has classified certain items differently than our GAAP statements. The reclassification difference between our GAAP statements and our Same Site portfolio is the reclassification of water and sewer revenues from income from real property to utilities. A significant portion of our utility charges are re-billed to our residents. We reclassify these amounts to reflect the utility expenses associated with our Same Site portfolio net of recovery.

The following tables reflect certain financial and other information for our Same Site communities as of and for the three months ended September 30, 2012 and 2011:

Financial Information (in thousands)	Three Months Ended September 30,			
	2012	2011	Change	% Change
Income from Real Property	\$ 51,060	\$ 49,094	\$ 1,966	4.0 %
Property operating expenses:				
Payroll and benefits	4,082	4,074	8	0.2 %
Legal, taxes, & insurance	750	685	65	9.5 %
Utilities	2,775	2,488	287	11.5 %
Supplies and repair	2,471	2,532	(61)	(2.4)%
Other	1,553	1,461	92	6.3 %
Real estate taxes	3,999	3,902	97	2.5 %
Property operating expenses	15,630	15,142	488	3.2 %
Real Property NOI	\$ 35,430	\$ 33,952	\$ 1,478	4.4 %

Other Information	As of September 30,		
	2012	2011	Change
Number of properties	136	136	—
Developed sites	48,096	47,751	345
Occupied sites ⁽¹⁾	39,835	39,127	708
Occupancy % ^{(1) (2)}	86.8%	85.7%	1.1%
Weighted average monthly rent per site - MH ⁽³⁾	\$ 435	\$ 423	\$ 12
Weighted average monthly rent per site - Permanent RV ⁽³⁾	\$ 438	\$ 426	12
Sites available for development	5,021	5,439	(418)

⁽¹⁾ Occupied sites and occupancy % include manufactured housing and permanent RV sites, and exclude seasonal RV sites.

⁽²⁾ Occupancy % excludes recently completed but vacant expansion sites.

⁽³⁾ Weighted average rent pertains to manufactured housing and permanent recreational vehicle sites and excludes seasonal recreational vehicle sites.

Real Property NOI increased \$1.5 million, from \$33.9 million to \$35.4 million, or 4.4 percent. The growth in NOI is primarily due to increased revenues of \$2.0 million slightly offset by a \$0.5 million increase in expenses.

Income from real property revenue consists of manufactured home and recreational vehicle site rent, and miscellaneous other property revenues. Income from real property revenues increased \$2.0 million, from \$49.1 million to \$51.1 million, or 4.0 percent. The growth in income from real property was due to a combination of factors. Revenue from our manufactured home and recreational vehicle portfolio increased \$2.1 million due to average rental rate increases of 3.0 percent and the increased number of occupied home sites and was partially offset by rent concessions offered to new residents and current residents who convert from home renters to home owners.

Property operating expenses increased \$0.5 million, from \$15.1 million to \$15.6 million, or 3.2 percent. Utilities increased \$0.3 million due to increased water, sewer and electric expenses. Real estate taxes increased \$0.1 million. Other expenses increased \$0.1 million primarily due to increased resident relations expenses and general office expenses partially offset by decreased bad debt expense and decreased advertising expense.

HOME SALES AND RENTALS

We acquire pre-owned and repossessed manufactured homes generally located within our communities from lenders and dealers 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 following table reflects certain financial and other information for our Rental Program as of and for the three months ended September 30, 2012 and 2011 (in thousands, except for certain items marked with *):

Financial Information	Three Months Ended September 30,			
	2012	2011	Change	% Change
Rental home revenue	\$ 6,712	\$ 5,650	\$ 1,062	18.8%
Site rent from Rental Program ⁽¹⁾	9,837	8,090	1,747	21.6%
Rental Program revenue	16,549	13,740	2,809	20.4%
Expenses				
Commissions	569	485	84	17.3%
Repairs and refurbishment	2,689	2,154	535	24.8%
Taxes and insurance	876	755	121	16.0%
Marketing and other	984	859	125	14.6%
Rental Program operating and maintenance	5,118	4,253	865	20.3%
Rental Program NOI	\$ 11,431	\$ 9,487	\$ 1,944	20.5%
Other Information				
Number of occupied rentals, end of period*	7,930	6,737	1,193	17.7%
Investment in occupied rental homes	\$ 276,300	\$ 224,794	\$ 51,506	22.9%
Number of sold rental homes*	209	180	29	16.1%
Weighted average monthly rental rate*	\$ 773	\$ 752	\$ 21	2.8%

⁽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 incremental revenue gains associated with implementation of the Rental Program, and assess the overall growth and performance of Rental Program and financial impact to our operations.

Rental Program NOI increased \$1.9 million from \$9.5 million to \$11.4 million, or 20.5 percent, due to increased revenues of \$2.8 million, offset by increased expenses of \$0.9 million. Revenues increased \$2.8 million due to the increased number of residents participating in the Rental Program and from increased monthly rental rates as indicated in the table above.

Operating and maintenance expenses increased by \$0.9 million from \$4.2 million to \$5.1 million or 20.3 percent. Commissions increased \$0.1 million, repairs costs on occupied home rentals increased \$0.1 million, refurbishment costs for occupant turnover increased \$0.4 million, bad debt expense increased by \$0.1 million, and taxes and insurance increased \$0.1 million. These costs increased primarily due to an increase in the number of homes in the program. Gross margin has remained consistent.

SUN COMMUNITIES, INC.

The following table reflects certain financial and statistical information for our Home Sales Program for the three months ended September 30, 2012 and 2011 (in thousands, except for statistical information):

Financial Information	Three Months Ended September 30,			
	2012	2011	Change	% Change
New home sales	\$ 1,244	\$ 729	\$ 515	70.6%
Pre-owned home sales	9,217	7,386	1,831	24.8%
Revenue from homes sales	10,461	8,115	2,346	28.9%
New home cost of sales	1,041	610	431	70.7%
Pre-owned home cost of sales	6,750	5,747	1,003	17.5%
Cost of home sales	7,791	6,357	1,434	22.6%
NOI / Gross profit	\$ 2,670	\$ 1,758	\$ 912	51.9%
<hr/>				
Gross profit – new homes	203	119	84	70.6%
Gross margin % – new homes	16.3%	16.3%	—%	—%
Gross profit – pre-owned homes	2,467	1,639	828	50.5%
Gross margin % – pre-owned homes	26.8%	22.2%	4.6%	20.7%
<hr/>				
Statistical Information				
Home sales volume:				
New home sales	16	9	7	77.8%
Pre-owned home sales	379	358	21	5.9%
Total homes sold	395	367	28	7.6%

Home Sales NOI increased \$0.9 million, from \$1.8 million to \$2.7 million, or 51.9 percent. The gross profit on new home sales increased from \$0.1 million to \$0.2 million due to the increase in sales volume as shown above. The gross profit on pre-owned home sales increased from \$1.6 million to \$2.5 million due to increased margins and sales volumes.

OTHER INCOME STATEMENT ITEMS

Other revenues include other income, interest income, and ancillary revenues, net. Other revenues increased \$0.2 million, from \$2.7 million to \$2.9 million, or 7.4 percent. This was primarily due to an increase in interest income of \$0.2 million from collateralized receivables, a \$0.1 million increase in interest from installment note receivables, and a \$0.1 million decrease in miscellaneous other income.

Real Property general and administrative costs remained fairly consistent.

Home Sales and Rentals general and administrative costs decreased \$0.1 million, from \$2.1 million to \$2.0 million, or 4.8 percent, due to utility and advertising expenses.

Acquisition related costs increased \$0.7 million. These costs have been incurred for both completed and potential acquisitions.

Depreciation and amortization costs increased \$3.3 million, from \$18.7 million to \$22.0 million, or 17.6 percent, due to increased depreciation on investment property for use in our Rental Program of \$1.3 million and increased other depreciation and amortization of \$2.0 million primarily due to the newly acquired properties (See Note 2).

Interest expense on debt, including interest on mandatorily redeemable debt, increased \$0.4 million, from \$17.5 million to \$17.9 million, or 2.3 percent, due to an increase in expense associated with our secured borrowing arrangements of \$0.2 million, an increase of \$0.3 million in our mortgage interest due to debt associated with the acquired properties (see Note 2) and a higher rate on our FNMA debt, and an increase of \$0.1 million in other interest, offset by a decrease in interest on our lines of credit of \$0.2 million.

Distributions from affiliate increased \$0.2 million, from \$0.4 million to \$0.6 million. We suspended equity accounting in 2010 on our affiliate, Origen, as our investment balance is zero. The income recorded in 2012 and 2011 is dividend income.

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

	Three Months Ended September 30,	
	2012	2011
Real Property NOI	\$ 40,015	\$ 37,393
Rental Program NOI	11,431	9,487
Home Sales NOI/Gross Profit	2,670	1,758
Site rent from Rental Program (included in Real Property NOI)	(9,837)	(8,090)
NOI/Gross profit	44,279	40,548
Adjustments to arrive at net income (loss):		
Other revenues	2,936	2,707
General and administrative	(7,176)	(7,247)
Acquisition related costs	(847)	(121)
Depreciation and amortization	(22,092)	(18,748)
Interest expense	(17,891)	(17,460)
Provision for state income taxes	(84)	(150)
Distributions from affiliate	600	450
Net income (loss)	(275)	(21)
Less: preferred return to A-1 preferred OP units	586	585
Less: amounts attributable to noncontrolling interests	(211)	(233)
Net income (loss) attributable to Sun Communities, Inc. common stockholders	\$ (650)	\$ (373)

COMPARISON OF THE NINE MONTHS ENDED SEPTEMBER 30, 2012 AND 2011

REAL PROPERTY OPERATIONS – TOTAL PORTFOLIO

The following tables reflect certain financial and other information for our Total Portfolio as of and for the nine months ended September 30, 2012 and 2011:

Financial Information (in thousands)	Nine Months Ended September 30,			
	2012	2011	Change	% Change
Income from Real Property	\$ 188,818	\$ 164,351	\$ 24,467	14.9 %
Property operating expenses:				
Payroll and benefits	14,322	12,341	1,981	16.1 %
Legal, taxes, & insurance	2,318	2,331	(13)	(0.6)%
Utilities	21,966	18,566	3,400	18.3 %
Supplies and repair	7,816	6,601	1,215	18.4 %
Other	4,839	3,967	872	22.0 %
Real estate taxes	14,741	12,717	2,024	15.9 %
Property operating expenses	66,002	56,523	9,479	16.8 %
Real Property NOI	\$ 122,816	\$ 107,828	\$ 14,988	13.9 %

Other Information	As of September 30,		
	2012	2011	Change
Number of properties	164	155	9
Developed sites	57,191	53,713	3,478
Occupied sites ^{(1) (2)}	45,958	43,638	2,320
Occupancy % ⁽¹⁾	86.8%	85.4%	1.4%
Weighted average monthly site rent - MH ⁽³⁾	\$ 431	\$ 419	\$ 12
Weighted average monthly site rent - Permanent RV ⁽³⁾	\$ 410	\$ 414	(4)
Sites available for development	6,217	6,237	(20)

⁽¹⁾ Occupied sites and occupancy % include manufactured housing and permanent RV sites, and exclude seasonal RV sites.

⁽²⁾ Occupied sites include 4,474 sites acquired during 2011 and 779 sites acquired in 2012.

⁽³⁾ Weighted average rent pertains to manufactured housing and permanent recreational vehicle sites and excludes seasonal recreational vehicle sites.

Real Property NOI increased \$15.0 million, from \$107.8 million to \$122.8 million or 13.9 percent. The growth in NOI is primarily due to \$8.9 million from newly acquired properties and \$6.1 million from same site properties as detailed below.

REAL PROPERTY OPERATIONS – SAME SITE

A key management tool used when evaluating performance and growth of our properties is a comparison of Same Site communities. Same Site communities consist of properties owned and operated for the same period in both years for the nine months ended September 30, 2012 and 2011. The Same Site data may change from time-to-time depending on acquisitions, dispositions, management discretion, significant transactions, or unique situations.

In order to evaluate the growth of the Same Site communities, management has classified certain items differently than our GAAP statements. The reclassification difference between our GAAP statements and our Same Site portfolio is the reclassification of water and sewer revenues from income from real property to utilities. A significant portion of our utility charges are re-billed to our residents. We reclassify these amounts to reflect the utility expenses associated with our Same Site portfolio net of recovery.

The following tables reflect certain financial and other information for our Same Site communities as of and for the nine months ended September 30, 2012 and 2011:

Financial Information (in thousands)	Nine Months Ended September 30,			
	2012	2011	Change	% Change
Income from Real Property	\$ 155,475	\$ 148,557	\$ 6,918	4.7 %
Property operating expenses:				
Payroll and benefits	11,831	11,767	64	0.5 %
Legal, taxes, & insurance	1,935	2,227	(292)	(13.1)%
Utilities	8,545	8,403	142	1.7 %
Supplies and repair	6,642	6,258	384	6.1 %
Other	4,253	3,802	451	11.9 %
Real estate taxes	12,123	12,056	67	0.6 %
Property operating expenses	45,329	44,513	816	1.8 %
Real Property NOI	\$ 110,146	\$ 104,044	\$ 6,102	5.9 %

Other Information	As of September 30,		
	2012	2011	Change
Number of properties	136	136	—
Developed sites	48,096	47,751	345
Occupied sites ⁽¹⁾	39,835	39,127	708
Occupancy % ^{(1) (2)}	86.8%	85.7%	1.1%
Weighted average monthly rent per site - MH ⁽³⁾	\$ 435	\$ 423	\$ 12
Weighted average monthly rent per site - Permanent RV ⁽³⁾	\$ 438	\$ 426	12
Sites available for development	5,021	5,439	(418)

⁽¹⁾ Occupied sites and occupancy % include manufactured housing and permanent RV sites, and exclude seasonal RV sites.

⁽²⁾ Occupancy % excludes recently completed but vacant expansion sites.

⁽³⁾ Weighted average rent pertains to manufactured housing and permanent recreational vehicle sites and excludes seasonal recreational vehicle sites.

Real Property NOI increased \$6.1 million, from \$104.0 million to \$110.1 million, or 5.9 percent. The growth in NOI is primarily due to increased revenues of \$6.9 million partially offset by an \$0.8 million increase in expenses.

Income from real property revenue consists of manufactured home and recreational vehicle site rent, and miscellaneous other property revenues. Income from real property revenues increased \$6.9 million, from \$148.6 million to \$155.5 million, or 4.7 percent. The growth in income from real property was due to a combination of factors. Revenue from our manufactured home and recreational vehicle portfolio increased \$7.4 million due to average rental rate increases of 3.0 percent and the increased number of occupied home sites and was partially offset by rent concessions offered to new residents and current residents who convert from home renters to home owners. Additionally, other revenues decreased \$0.5 million due to a decrease in cable television royalties and utility income offset by an increase in other charges and fees.

Property operating expenses increased \$0.8 million, from \$44.5 million to \$45.3 million, or 1.8 percent. Supplies and repairs increased \$0.4 million primarily due to increased lawn services and community maintenance expenses. Real estate taxes increased \$0.1 million. Utilities expenses increased \$0.1 million primarily due to increased cable expenses. Other expenses increased \$0.5 million primarily due to increased operational meeting expenses, general office expenses, security service expenses and resident relations expenses. These increases were offset by a \$0.3 million decrease in property insurance expenses.

HOME SALES AND RENTALS

We acquire pre-owned and repossessed manufactured homes generally located within our communities from lenders and dealers 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 following table reflects certain financial and other information for our Rental Program as of and for the nine months ended September 30, 2012 and 2011 (in thousands, except for certain items marked with *):

Financial Information	Nine Months Ended September 30,			
	2012	2011	Change	% Change
Rental home revenue	\$ 19,514	\$ 16,407	\$ 3,107	18.9%
Site rent from Rental Program ⁽¹⁾	28,364	23,407	4,957	21.2%
Rental Program revenue	47,878	39,814	8,064	20.3%
Expenses				
Commissions	1,647	1,429	218	15.3%
Repairs and refurbishment	6,568	5,745	823	14.3%
Taxes and insurance	2,509	2,306	203	8.8%
Marketing and other	2,366	2,200	166	7.5%
Rental Program operating and maintenance	13,090	11,680	1,410	12.1%
Rental Program NOI	\$ 34,788	\$ 28,134	\$ 6,654	23.7%
Other Information				
Number of occupied rentals, end of period*	7,930	6,737	1,193	17.7%
Investment in occupied rental homes	\$ 276,300	\$ 224,794	\$ 51,506	22.9%
Number of sold rental homes*	678	596	82	13.8%
Weighted average monthly rental rate*	\$ 773	\$ 752	\$ 21	2.8%

⁽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 incremental revenue gains associated with implementation of the Rental Program, and assess the overall growth and performance of Rental Program and financial impact to our operations.

Rental Program NOI increased \$6.7 million from \$28.1 million to \$34.8 million, or 23.7 percent, due to increased revenues of \$8.1 million, offset by increased expenses of \$1.4 million. Revenues increased \$8.1 million primarily due to the increased number of residents participating in the Rental Program and from increased monthly rental rates as indicated in the table above.

The increase in operating and maintenance expenses of \$1.4 million was due to several factors. Commissions increased \$0.2 million due to the increased number of new leases. Refurbishment costs for occupant turnover increased \$0.3 million, repairs costs on occupied home rentals increased \$0.5 million, personal property and use taxes increased \$0.2 million due to the additional homes and occupants in the program, and bad debt expenses increased \$0.2 million.

SUN COMMUNITIES, INC.

The following table reflects certain financial and statistical information for our Home Sales Program for the nine months ended September 30, 2012 and 2011 (in thousands, except for statistical information):

Financial Information	Nine Months Ended September 30,			
	2012	2011	Change	% Change
New home sales	\$ 3,878	\$ 1,460	\$ 2,418	> 100%
Pre-owned home sales	27,635	23,036	4,599	20.0 %
Revenue from homes sales	31,513	24,496	7,017	28.6 %
New home cost of sales	3,312	1,215	2,097	> 100%
Pre-owned home cost of sales	21,223	18,034	3,189	17.7 %
Cost of home sales	24,535	19,249	5,286	27.5 %
NOI / Gross profit	\$ 6,978	\$ 5,247	\$ 1,731	33.0 %
<hr/>				
Gross profit – new homes	566	245	321	> 100%
Gross margin % – new homes	14.6%	16.8%	(2.2)%	(19.8)%
Gross profit – pre-owned homes	6,412	5,002	1,410	28.2 %
Gross margin % – pre-owned homes	23.2%	21.7%	1.5 %	(0.5)%
<hr/>				
Statistical Information				
Home sales volume:				
New home sales	54	19	35	> 100%
Pre-owned home sales	1,199	1,067	132	12.4 %
Total homes sold	1,253	1,086	167	15.4 %

Home Sales NOI increased \$1.7 million, from \$5.3 million to \$7.0 million, or 33.0 percent. Due to increased sales volume the gross profit on new home sales increased from \$0.2 million to \$0.6 million and the gross profit on pre-owned home sales increased from \$5.0 million to \$6.4 million.

OTHER INCOME STATEMENT ITEMS

Other revenues include other income, interest income, and ancillary revenues, net. Other revenues increased \$1.3 million, from \$7.5 million to \$8.8 million, or 17.3 percent. This was primarily due to an increase in interest income of \$0.7 million from collateralized receivables, a \$0.3 million increase in interest income from installment note receivables, a \$0.1 million increase from gain on sale of land, a \$0.2 million decrease in the adjustment to our loan loss reserve, and a \$0.1 million increase in management fees and other miscellaneous income.

Real Property general and administrative costs increased \$1.0 million, from \$14.4 million to \$15.4 million, or 6.9 percent, due to an increase in training and recruiting expenses of \$0.3 million, an increase of \$0.1 million in each of the following categories; travel, software support and maintenance costs, licenses and dues, rent and various miscellaneous expenses and an increase of \$0.3 million in payroll due to severance payments, additional staff and increased wages. These increases were partially offset by a decrease in corporate insurance of \$0.1 million.

Home Sales and Rentals general and administrative costs increased \$0.5 million, from \$6.0 million to \$6.5 million, or 8.3 percent, due to increased salary, commission and bonus costs.

Acquisition related costs decreased \$0.1 million. These costs have been incurred for both completed and potential acquisitions.

Depreciation and amortization costs increased \$9.5 million, from \$53.5 million to \$63.0 million, or 17.8 percent, due to increased depreciation on investment property for use in our Rental Program of \$3.8 million and increased other depreciation and amortization of \$5.7 million primarily due to the newly acquired properties (See Note 2).

Interest expense on debt, including interest on mandatorily redeemable debt, increased \$3.4 million, from \$49.7 million to \$53.1 million, or 6.8 percent due to an increase in expense associated with our secured borrowing arrangements of \$0.7 million, an increase of \$3.5 million in our mortgage interest due to debt associated with the acquired properties (see Note 2) and a higher rate on our FNMA debt and an increase of \$0.1 million in amortized financing costs, offset by a decrease in interest on our lines of credit of \$0.9 million.

Distributions from affiliate increased \$1.6 million, from \$1.7 million to \$3.3 million. We suspended equity accounting in 2010 on our affiliate, Origen, as our investment balance is zero. The income recorded in 2012 and 2011 is dividend income.

SUN COMMUNITIES, INC.

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

	Nine Months Ended September 30,	
	2012	2011
Real Property NOI	\$ 122,816	\$ 107,828
Rental Program NOI	34,788	28,134
Home Sales NOI/Gross Profit	6,978	5,247
Site rent from Rental Program (included in Real Property NOI)	(28,364)	(23,407)
NOI/Gross profit	136,218	117,802
Adjustments to arrive at net income:		
Other revenues	8,786	7,445
General and administrative	(21,863)	(20,483)
Acquisition related costs	(1,434)	(1,521)
Depreciation and amortization	(63,027)	(53,548)
Interest expense	(53,143)	(49,746)
Provision for state income taxes	(190)	(22)
Distributions from affiliate	3,250	1,650
Net income	8,597	1,577
Less: preferred return to A-1 preferred OP units	1,744	636
Less: amounts attributable to noncontrolling interests	463	(196)
Net income attributable to Sun Communities, Inc. common stockholders	\$ 6,390	\$ 1,137

FUNDS FROM OPERATIONS

We provide information regarding FFO as a supplemental measure of operating performance. FFO is defined by the NAREIT as net income (loss) (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, impairment 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 (loss). Management believes that the use of FFO has been beneficial in improving the understanding of operating results of REITs among the investing public and making comparisons of REIT operating results more meaningful. 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 (loss) including depreciation and amortization, FFO should be used as an adjunct to net income (loss) and not as an alternative to net income (loss). 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 (loss) 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. FFO is compiled in accordance with its interpretation of standards established by NAREIT, which may not be comparable to FFO reported by other REITs that do not define the term in accordance with the current NAREIT definition or that interpret the current NAREIT definition differently.

The following table reconciles net income (loss) to FFO data for diluted purposes for the periods ended September 30, 2012, and 2011 (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Net income (loss) attributable to Sun Communities, Inc. common stockholders	\$ (650)	\$ (373)	\$ 6,390	\$ 1,137
Adjustments:				
Preferred return to A-1 preferred OP units	586	585	1,744	636
Amounts attributable to noncontrolling interests	(211)	(233)	463	(196)
Depreciation and amortization	22,365	19,109	63,798	54,576
Benefit for state income taxes ⁽¹⁾	—	—	—	(407)
Gain on disposition of assets, net	(1,427)	(629)	(3,324)	(2,147)
Funds from operations ("FFO")	\$ 20,663	\$ 18,459	\$ 69,071	\$ 53,599
Adjustments:				
Acquisition related costs	847	121	1,434	1,521
Funds from operations excluding acquisition costs	\$ 21,510	\$ 18,580	\$ 70,505	\$ 55,120
Weighted average common shares outstanding:	26,938	21,366	26,145	21,039
Add:				
OP Units	2,070	2,072	2,071	2,076
Restricted stock	289	278	282	221
Common stock issuable upon conversion of A-1 preferred OP units	1,111	1,111	1,111	403
Common stock issuable upon conversion of stock options	18	14	17	7
Weighted average common shares outstanding - fully diluted	30,426	24,841	29,626	23,746
Funds from operations per share - fully diluted	\$ 0.68	\$ 0.74	\$ 2.34	\$ 2.27
Funds from operations per share excluding acquisition costs - fully diluted	\$ 0.71	\$ 0.75	\$ 2.39	\$ 2.32

⁽¹⁾ The state income tax benefit for the period ended September 30, 2011 represents the reversal of the Michigan Business Tax expense previously excluded from FFO in a prior period.

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 our 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 Code, and payment of distributions to our Operating Partnership's unitholders.

We completed four acquisitions in 2011 in which we acquired 23 properties in total, 18 manufactured housing communities and 5 recreational vehicle communities. We have completed four acquisitions in 2012 in which we acquired four recreational vehicle communities and one manufactured housing community. See Note 2 for details on the acquisitions and Note 8 for related debt transactions. We will continue to evaluate acquisition opportunities that meet our criteria for acquisition. Should additional investment opportunities arise in 2012, we intend to finance the acquisitions through secured financing, debt and/or equity financings, the assumption of existing debt on the properties or the issuance of certain equity securities.

During the nine months ended September 30, 2012, we have invested \$39.4 million in the acquisition of homes intended for the Rental Program net of proceeds from third party financing from homes sales. Expenditures for 2012 will be dependent upon the condition of the markets for repossessions and new home sales, as well as rental homes. We finance new home purchases with a \$12.0 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 secured lines of credit.

Cash and cash equivalents increased by \$32.9 million from \$5.9 million as of December 31, 2011, to \$38.7 million as of September 30, 2012. Net cash provided by operating activities from continuing operations increased by \$13.4 million from \$44.5 million for the nine months ended September 30, 2011 to \$57.9 million for the nine months ended September 30, 2012.

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; (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 our 2011 Annual Report.

We have a secured revolving line of credit facility with a maximum borrowing capacity of \$130.0 million, subject to certain borrowing base calculations. As of September 30, 2012, we did not have an outstanding balance on the line of credit. The outstanding balance on the line of credit as of December 31, 2011 was \$107.5 million. We used \$4.0 million of availability to back standby letters of credit as of September 30, 2012 and December 31, 2011. Borrowings under the line of credit bear a floating interest rate based on Eurodollar plus a margin that is determined based on our leverage ratio calculated in accordance with the line of credit agreement, which can range from 2.25% to 2.95%. As of September 30, 2012, \$126.0 million was available to be drawn under the facility based on the calculation of the borrowing base. During 2012, the highest balance on the line of credit was \$107.5 million. The borrowings under the line of credit mature October 1, 2015, assuming the election of a one year extension that is available at our discretion, subject to certain conditions. Although the secured 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, fixed charge coverage, net worth maintenance and other customary covenants all of which we were in compliance with as of September 30, 2012. The most limiting covenants contained in the line of credit are the maximum leverage ratio and minimum fixed charge coverage ratios. The maximum leverage ratio covenant requires that total indebtedness be no more than 70 percent of total asset value as defined in the terms of the line of credit agreement. The minimum fixed charge coverage ratio covenant requires a minimum ratio of 1.45:1. As of September 30, 2012, the leverage ratio was 53.6% and the fixed charge coverage ratio was 2.02:1.

Although the U.S. economy has started to recover from the global financial crisis and recession, the rate of recovery has been much slower than anticipated. Forecasts for economic growth over the next year have been downsized, due in large part to the recent turbulence in the US and global markets. While bank earnings and liquidity are on the rebound, the potential of significant future credit losses clouds the lending outlook. Credit availability has improved, but the turbulence in the markets cause capital markets and credit availability to wax and wane unpredictably making certainty of access to specific forms of capital products tenuous. For us, this is the most relevant consequence of financial market volatility. We believe this risk is somewhat mitigated because we are able to utilize various forms of capital to fund our operations making availability to one specific form of capital less vital and have adequate working capital provided by operating activities as noted above. We anticipate meeting our long-term liquidity requirements, such as scheduled debt maturities, large property acquisitions, and Operating Partnership unit redemptions through the issuance of certain debt or equity securities and/or the collateralization of our properties. We currently have 43 unencumbered properties with an estimated market value of \$338.4 million, 29 of these properties support the borrowing base for our \$130.0 million secured line of credit. From time to time, we may also issue shares of our capital stock or preferred stock, issue equity units in our Operating Partnership, obtain debt financing, 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. When it becomes necessary for us to approach the credit markets, the volatility in those markets could make borrowing more difficult to secure, more expensive, or effectively unavailable. See "Risk Factors" in Item 1A of our 2011 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 September 30, 2012, our debt to total market capitalization approximated 47.5 percent (assuming conversion of all Common Operating Partnership Units to shares of common stock). Our debt has a weighted average maturity of approximately 6.9 years and a weighted average interest rate of 5.3 percent.

Capital expenditures for the nine months ended September 30, 2012 and 2011 included recurring capital expenditures of \$6.3 million and \$5.4 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 2012.

Net cash used in investing activities was \$151.3 million for the nine months ended September 30, 2012, compared to \$109.6 million for the nine months ended September 30, 2011. The difference is primarily due to increased acquisitions of \$8.2 million (see Note 2), a decrease in proceeds from the disposition of homes, assets and land of \$1.0 million, an increase in notes receivable of \$5.5 million, and increased investment in property of \$28.6 million, largely due to homes purchased for the Rental Program primarily in the acquired communities and expansion projects, offset by an increase in proceeds from affiliate dividend distribution of \$1.6 million.

Net cash provided by financing activities was \$126.3 million for the nine months ended September 30, 2012, compared to of \$61.5 million for the nine months ended September 30, 2011. The difference is due to increased net proceeds received from the issuance of additional shares of \$246.1 million and decreased payments of deferred financing costs of \$2.0 million, partially offset by decreased net borrowings on the line of credit of \$135.8 million, decreased proceeds from issuance of other debt net of repayments on other debt of \$38.4 million, increased distributions to our stockholders and OP unitholders of \$8.5 million and decreased net proceeds for stock option exercise of \$0.6 million.

FORWARD-LOOKING STATEMENTS

This Form 10-Q contains various “forward-looking statements” within the meaning of the Securities Act of 1933, as amended, and the United States Securities Exchange Act of 1934, as amended and we intend that such forward-looking statements will be subject to the safe harbors created thereby. Forward-looking statements can be identified by words such as “believes,” “forecasts,” “anticipates,” “intends,” “plans,” “expects,” “may”, “will,” “guidance,” “could,” “should,” “estimates,” “approximate,” and similar expressions in this Form 10-Q that predict or indicate future events and trends and that do not report historical matters. These forward-looking statements reflect our current views with respect to future events and financial performance, but involve known and unknown risks and uncertainties, and other factors, some of which are beyond our control. These risks, uncertainties, and other factors 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 2011 Annual Report, and our other periodic 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 assumptions, expectations of future events, or trends.

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 interest rate changes 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 have three derivative contracts consisting of one interest rate swap agreement with a notional amount of \$20.0 million, and two interest rate cap agreements with a total notional amount of \$162.4 million as of September 30, 2012. The swap agreement fixes \$20.0 million of variable rate borrowings at 4.02 percent through January 2014. The first interest cap agreement has a cap rate of 11.27 percent, a notional amount of \$152.4 million, and a termination date of April 2015. The second interest cap agreement has a cap rate of 11.02 percent, a notional amount of \$10.0 million through October 2016.

Our remaining variable rate debt totals \$202.0 million and \$281.3 million as of September 30, 2012 and 2011, respectively, which bear interest at Prime or various LIBOR rates. If Prime or LIBOR increased or decreased by 1.0 percent during the nine months ended September 30, 2012 and 2011, we believe our interest expense would have increased or decreased by approximately \$1.9 million based on the \$250.3 million and \$245.3 million average balances outstanding under our variable rate debt facilities for the nine months ended September 30, 2012 and 2011.

ITEM 4. CONTROLS AND PROCEDURES

- (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 September 30, 2012 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

See Note 18 of the Consolidated Financial Statements contained herein.

ITEM 1A. RISK FACTORS

You should review our 2011 Annual Report, 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 the 2011 Annual Report.

ITEM 2. UNREGISTERED SALES 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 under this buyback program during the nine months ended September 30, 2012. There is no expiration date specified for the buyback program.

Recent Sales of Unregistered Securities

Holders of our Common OP Units have converted 2,000 units to common stock during the nine months ended September 30, 2012.

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 5. OTHER INFORMATION

Acquisition Agreement

On October 22, 2012, we entered into a Limited Liability Company Interests Assignment Agreement (the "Agreement") with PCGRV, LLC and Keith Amigos, Inc. (collectively the "Sellers"). Under the Agreement, the Sellers will sell to us 100% of the membership interests of a limited liability company that owns a manufactured housing and recreational vehicle community located in Casa Grande, Arizona (the "Arizona Property"). The community contains 283 manufactured home sites, 1,580 recreational vehicle sites and expansion potential of approximately 550 manufactured housing or 990 recreational vehicle sites. The aggregate purchase price for the communities is \$85.4 million, including the indirect assumption of approximately \$42.0 million in mortgage debt secured by the community with the remainder paid in cash, subject to certain pro rations and adjustments. In addition to paying the purchase price, at the closing we will pay the Sellers \$2.6 million to reimburse them for certain construction costs the Sellers incurred in connection with the development of the community.

At the closing, we will acquire all of the manufactured homes located in the community that are owned by an affiliate of the Sellers. The purchase price for these homes will be paid in cash and will be equal to \$750,000, subject to certain adjustments, plus the amount necessary to pay off the floorplan financing on certain of the homes.

The closing of the acquisition is subject to the consent of the holder of the debt to be assumed and the satisfaction of customary closing conditions. If these contingencies are satisfied, we expect the acquisition to close no later than December 31, 2012.

The foregoing description is qualified in its entirety by reference to the Agreement, which is attached hereto as Exhibit 2.3 and which is incorporated by reference herein. The schedules and exhibits to the Agreement have not been filed with Exhibit 2.3 because such schedules and exhibits do not contain information which is material to an investment decision or which is not otherwise disclosed in the Agreement. The Agreement contains a list briefly identifying the contents of all omitted schedules and exhibits. We hereby agree to furnish supplementally a copy of any such omitted schedule or exhibit to the Securities and Exchange Commission upon request.

ITEM 6. EXHIBITS

Exhibit No.	Description	Method of Filing
2.1	Agreement of Sale dated July 27, 2012 between Northville Crossing Venture L.L.C. and Sun Northville Crossing LLC	(1)
2.2	Contribution Agreement dated October 3, 2012, among Sun Communities Operating Limited Partnership, Rudgate Silver Springs Company, L.L.C., Rudgate West Company Limited Partnership, Rudgate East Company Limited Partnership, Rudgate East Company II Limited Partnership and Rudgate Hunters Crossing, LLC	(2)
2.3	Limited Liability Company Interests Assignment Agreement dated October 22, 2012, among Sun Communities Operating Limited Partnership, PCGRV, LLC and Keith Amigos, Inc.	(4)
10.1	First Amended and Restated 2004 Non-Employee Director Option Plan#	(3)
10.2	Loan commitment letter dated October 3, 2012, among Sun Rudgate Lender LLC, Rudgate Village Company Limited Partnership, Rudgate Clinton Company Limited Partnership and Rudgate Clinton Estates L.L.C and certain guarantors named therein	(2)
10.3	Second Loan Modification Agreement dated October 4, 2012, among Sun Blueberry Hill LLC, Sun Grand Lake LLC, Sun Three Lakes LLC, Sun Club Naples LLC, Sun Naples Gardens LLC, Sun North Lake Estates LLC, Bank of America, N.A. and The PrivateBank and Trust Company	(4)
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.	(4)
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.	(4)
32.1	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	(4)
101(5)	The following Sun Communities, Inc. financial information for the quarter ended September 30, 2012, formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Balance Sheets (unaudited), (ii) Consolidated Statements of Operations (unaudited), (iii) Consolidated Statements of Comprehensive Income (Loss) (unaudited), (iv) Consolidated Statements of Stockholders' Equity (Deficit) (unaudited), (v) Consolidated Statements of Cash Flows (unaudited) and (vi) Notes to Consolidated Financial Statements (unaudited).	(4)

(1) Incorporated by reference to Sun Communities, Inc.'s Current Report on Form 8-K dated July 27, 2012.

(2) Incorporated by reference to Sun Communities, Inc.'s Current Report on Form 8-K dated October 3, 2012.

(3) Incorporated by reference to Sun Communities, Inc.'s Current Report on Form 8-K dated July 19, 2012.

(4) Filed herewith.

(5) Users of this data are advised that pursuant to Rule 406T of Regulation S-T, the Interactive Data Files on Exhibit 101 hereto are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for purposes of Section 18 of the Securities and Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections.

ons.

Management contract or compensatory plan or arrangement

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Dated: October 25, 2012

By: /s/ Karen J. Dearing

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

EXHIBIT INDEX

Exhibit No.	Description	Method of Filing
2.1	Agreement of Sale dated July 27, 2012 between Northville Crossing Venture L.L.C. and Sun Northville Crossing LLC	(1)
2.2	Contribution Agreement dated October 3, 2012, among Sun Communities Operating Limited Partnership, Rudgate Silver Springs Company, L.L.C., Rudgate West Company Limited Partnership, Rudgate East Company Limited Partnership, Rudgate East Company II Limited Partnership and Rudgate Hunters Crossing, LLC	(2)
2.3	Limited Liability Company Interests Assignment Agreement dated October 22, 2012, among Sun Communities Operating Limited Partnership, PCGRV, LLC and Keith Amigos, Inc.	(4)
10.1	First Amended and Restated 2004 Non-Employee Director Option Plan#	(3)
10.2	Loan commitment letter dated October 3, 2012, among Sun Rudgate Lender LLC, Rudgate Village Company Limited Partnership, Rudgate Clinton Company Limited Partnership and Rudgate Clinton Estates L.L.C and certain guarantors named therein	(2)
10.3	Second Loan Modification Agreement dated October 4, 2012, among Sun Blueberry Hill LLC, Sun Grand Lake LLC, Sun Three Lakes LLC, Sun Club Naples LLC, Sun Naples Gardens LLC, Sun North Lake Estates LLC, Bank of America, N.A. and The PrivateBank and Trust Company	(4)
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.	(4)
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.	(4)
32.1	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	(4)
101(5)	The following Sun Communities, Inc. financial information for the quarter ended September 30, 2012, formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Balance Sheets (unaudited), (ii) Consolidated Statements of Operations (unaudited), (iii) Consolidated Statements of Comprehensive Income (Loss) (unaudited), (iv) Consolidated Statements of Stockholders' Equity (Deficit) (unaudited), (v) Consolidated Statements of Cash Flows (unaudited) and (vi) Notes to Consolidated Financial Statements (unaudited).	(4)

(1) Incorporated by reference to Sun Communities, Inc.'s Current Report on Form 8-K dated July 27, 2012.

(2) Incorporated by reference to Sun Communities, Inc.'s Current Report on Form 8-K dated October 3, 2012.

(3) Incorporated by reference to Sun Communities, Inc.'s Current Report on Form 8-K dated July 19, 2012.

(4) Filed herewith.

(5) Users of this data are advised that pursuant to Rule 406T of Regulation S-T, the Interactive Data Files on Exhibit 101 hereto are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for purposes of Section 18 of the Securities and Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections.

ons.

Management contract or compensatory plan or arrangement

LIMITED LIABILITY COMPANY INTERESTS ASSIGNMENT AGREEMENT

THIS LIMITED LIABILITY COMPANY INTERESTS ASSIGNMENT AGREEMENT is made and entered into this 22nd day of October, 2012 (the "Effective Date"), by and between **PCGRV, LLC**, an Arizona limited liability company ("**PCGRV**"), formerly known as **PALM CREEK GOLF & RV RESORT, LLC**, and **KEITH AMIGOS, INC.**, an Arizona corporation ("Keith"; and together with PCGRV, "**Assignor**"), and **SUN COMMUNITIES OPERATING LIMITED PARTNERSHIP**, a Michigan limited partnership ("**SCOLP**").

RECITALS:

A. **Palm Creek Holdings, LLC**, an Arizona limited liability company ("**Palm Creek**") is the owner of a certain parcel of real property described on Exhibit A, which is operated and used as a fully-licensed manufactured housing and recreational vehicle community containing 283 developed manufactured home site and 1580 recreational vehicle ("RV") home sites, a golf course and other amenities commonly known as "PALM CREEK GOLF & RV RESORT" located at 1110 North Hennes Road, Casa Grande, AZ, the legal description of which is more fully described on Exhibit A attached hereto (the "**Land**"), together with the buildings, structures, improvements and manufactured home sites on, above or below the Land, and all fixtures attached to, a part of or used in connection with the improvements, structures, buildings and manufactured home sites, and the parking, facilities, walkways, ramps and other appurtenances relating to the Land (collectively the "**Improvements**").

B. Palm Creek is the owner of all machinery, equipment, goods, vehicles, manufactured homes, RVs and other personal property (collectively the "**Personal Property**") listed in Exhibit B attached hereto and made a part hereof, which is located at or useable in connection with the ownership

or operation of the Land and Improvements. For purposes of this Agreement, the Personal Property does not include the manufactured homes or RVs owned by tenants of the Project (as defined below) or the manufactured homes owned by Palm Creek Resort Sales, L.L.C., an Arizona limited liability company ("Resort Sales"), an affiliate of the Palm Creek, listed on Exhibit C (collectively the "Owned Homes").

C. The Land, the Improvements and the Personal Property owned by Palm Creek (or its affiliates), together with all right, title and interest of Palm Creek (or its affiliates) in and to all licenses, permits and franchises issued with respect to the use, occupancy, maintenance or operation of such Land and Improvements, all right title and interest Palm Creek (or its affiliates) in and to all promissory notes, installment loan agreements and installment loan contracts and related documentation that relate to manufactured homes sold to residents of the Project and now located on the Land, all right, title and interest of Palm Creek (or its affiliates) in and to any land lying in the bed of any street, road or avenue, open or proposed, in front of or adjoining such Land to the center line thereof, and in and to any and all easements appurtenant to such Land, including, but not limited to, privileges or rights of way over adjoining premises inuring to the benefit of such Land, or the fee owner thereof, and together with all right, title and interest of Palm Creek (or its affiliates) of use, air, mineral and subsurface rights, servitudes, licenses, tenements, hereditaments and appurtenances now or hereafter belonging to the foregoing is referred to as a "Project."

D. Assignor is the only member of Palm Creek and holds one hundred percent (100%) of the membership interests in Palm Creek (the membership interests of all of Palm Creek being, collectively, the "Membership Interests").

E. Assignor desires to sell and convey all of the Membership Interests in Palm Creek to SCOLP, and SCOLP desires to purchase all of the Membership Interests from the Assignor, upon the terms and subject to the conditions hereinafter set forth.

F. Concurrently with the sale and purchase of the Membership Interests, and as a condition thereto, Resort Sales will sell and convey, and Sun Home Services, Inc. ("SHS"), an affiliate of SCOLP, will purchase, all of the Owned Homes pursuant to a separate Asset Purchase Agreement in the form of the attached Exhibit D (the "Asset Purchase Agreement").

NOW, THEREFORE, for and in consideration of the promises hereinafter set forth, and other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties agree as follows:

1. AGREEMENTS TO CONTRIBUTE THE MEMBERSHIP INTERESTS.

1.1 Assignor agrees to sell its Membership Interests to SCOLP, and SCOLP agrees to purchase such Membership Interests, in accordance with the terms and subject to the conditions hereof, such purchase and sale to be effective as of the Closing Date.

2. PURCHASE PRICE.

2.1 The parties agree that the aggregate purchase price for the Membership Interests shall be \$85,400,000, adjusted for pro-rated items as provided in this Agreement (the "Purchase Price"). \$15,000,000.00 of the Purchase Price shall be allocated to that portion of the Land and Improvements under development originally approved for 936 sites as described on Schedule 10.1(h). \$70,400,000.00, the remainder of the Purchase Price, shall be allocated to that portion of the Land being held for future development, the developed portion of the Land, the Improvements, Personal Property goodwill value

of the Project including, without limitation, the goodwill value, the going concern value, all telephone numbers, fax numbers, internet domain names, webpages, brochure designs and marketing materials, workforce in place, all rights to use any business names through which Palm Creek has operated the Projects, all books and records regarding all past, present and future and/or potential tenants and record of all names of individuals on the waiting list for any of the Project, all as set forth on Schedule 2.1.

The Purchase Price shall be paid as follows:

(a) By purchasing the Membership Interests and owning Palm Creek, SCOLP shall effectively assume (the "Loan Assumption") the aggregate outstanding principal balance (which as of the date of this Agreement is approximately \$42,000,000) of the mortgage debt on the Project as of the Closing Date (the "Assumed Debt"), which Assumed Debt shall be credited against the Purchase Price, provided that any Assumption Costs (as defined in Section 2.3) associated with the Loan Assumption shall be the responsibility of Assignor in accordance with Section 19.1 below;

(b) The Deposit (as defined in Section 2.2 below) shall be delivered to the Assignor pursuant to the terms of the Deposit Escrow Agreement (as defined in Section 2.2 below); and

(c) That portion of the Purchase Price equal to (i) the Purchase Price, minus (ii) the amount of the Deposit delivered to Assignor pursuant to Section 2.1(b) above, minus (iii) the Indemnity Escrow Amount (as defined in Section 18.2(i) below), minus (iv) the amount of the Assumed Debt as of the Closing Date and subject to the prorations and adjustments otherwise set forth in this Agreement (the "Cash Payment") shall be payable by SCOLP to Assignor on the Closing Date by certified or cashier's check or wire transfer of immediately available funds to the Assignor.

2.2 Within two (2) days after the complete execution of this Agreement, SCOLP shall deliver the sum of \$2,000,000.00 (the "Deposit") to the Title Source, Inc., 662 Woodward Ave., 9th Floor, Detroit, MI 48226, janetvoisine@titlesource.com, Attn: Janet Voisine (313-877-1720) (the "Title Company"), as escrow agent, to be held and disbursed pursuant to the terms of a Deposit Escrow Agreement in the form of the attached Exhibit E (the "Deposit Escrow Agreement"), which shall be executed and delivered by Assignor, SCOLP and the Title Company, as escrow agent. Within two (2) days after expiration date of Inspection Period, SCOLP shall deposit an additional \$2,000,000.00 so that the aggregate Deposit shall be increased to \$4,000,000.00. All interest earned on the Deposit shall belong to SCOLP. As more fully described in, and subject to the terms and conditions of, this Agreement and the Deposit Escrow Agreement, the Deposit shall be forfeited to Assignor, refunded to SCOLP or applied to the payment of the Purchase Price.

2.3 Promptly following the execution of this Agreement, Assignor and SCOLP shall notify the holder of the Assumed Debt (each a "Lender") of the pending sale of the Membership Interests and request the application required to be submitted to the Lender in order for SCOLP to indirectly assume the Assumed Debt. SCOLP shall promptly submit written application for the Loan Assumption to the Lender. SCOLP agrees to prosecute the loan application with due diligence in order to obtain the Lender's approval of the sale of the Membership Interests to SCOLP in accordance with the terms hereof and the Loan Assumption (collectively, the "Loan Assumption Approval"). Assignor agrees to cooperate with SCOLP and Lender in obtaining the Loan Assumption Approval. Assignor shall pay all costs, expenses and fees payable to the Lender with respect to the Loan Assumption and to satisfy any requirements of the Lender (the "Assumption Costs"), including, without limitation, any non-refundable application fee, attorney fees, transfer and assumption fees, administration fees, and charges and premiums for all endorsements to the Lenders' policies of title insurance. SCOLP and Assignor agree to execute such

documents as may be reasonably required by Lender to complete the Loan Assumption application and to confirm the Loan Assumption. Further, the Lender's Loan Assumption Approval must provide for (a) the release of the Assignor and all guarantors from all personal liability for the "recourse carve outs" under the Mortgage Documents with respect to all events, occurrences and activities arising from and after the Closing Date, and for SCOLP to assume such personal liability under the recourse carve outs with respect to all events, occurrences and activities arising after the Closing Date in substantially the same form as signed by the Assignor and such guarantor when they closed the Assumed Debt, and (b) such modifications to the Loan Documents as are reasonably necessary to reflect and account for the fact that the general partner of SCOLP is a publically traded real estate investment trust and SCOLP, either directly or through its subsidiaries, owns, operates and manages multiple manufactured homes under the Sun Communities name. If the Loan Assumption Approval is not obtained prior to **December 1, 2012** (the "Loan Assumption Approval Period"), SCOLP may, by delivery of written notice to Assignor at least five (5) days prior to the expiration of the Loan Assumption Approval Period, elect to extend the Loan Assumption Approval Period one time until **December 31, 2012**. If the Loan Assumption Approval has not been issued prior to the expiration of the Loan Assumption Approval Period, as it may be extended as provided above, this Agreement shall terminate (absent the agreement of both SCOLP and Assignor to further extend the Loan Assumption Approval Period), in which event the Deposit and all interest earned thereon shall be returned to SCOLP, and neither party shall have any further liability to the other except for those obligations hereunder which survive such termination. Upon receipt of the Loan Assumption Approval from the Lender in accordance with this Section 2.3, the parties shall proceed to close the transactions contemplated herein in accordance with Section 18 hereof.

3. CONDITION OF TITLE TO THE PROJECT.

3.1 Assignor hereby represents and warrants to SCOLP that now and as of the Closing Date, Palm Creek is and shall be the lawful owner of the Project, and that Palm Creek holds, and as of the

Closing Date, Palm Creek shall hold, insurable and marketable title to the Project, free and clear of all liens, claims and encumbrances other than the following matters (hereinafter referred to as the "Permitted Exceptions"):

(a) Those liens, encumbrances, easements and other matters set forth on Schedule B-2 of the Commitment applicable to the Project to be delivered pursuant to Section 4.1 hereof which SCOLP does not designate as "Title Defects" pursuant to Section 5.1 hereof;

(b) The rights of parties in occupancy of all or any portion of the Land and Improvements that are part of such Project under leases, subleases, rental agreements, occupancy agreements and commitments to lease (most or all of which are not in writing, a list of which shall be delivered to SCOLP during the Investigation Period), whether for manufactured home RV or other sites or property, (the "Tenant Leases"), to the extent set forth and described in the Rent Roll (the "Rent Roll") attached hereto as Schedule 3.1(b), as the same shall be updated to the Closing Date;

(c) All presently existing and future liens for unpaid real estate taxes, assessments for public improvements installed after the Closing Date, and water and sewer charges and rents, subject to adjustment thereof as hereinafter provided, which are not due and payable;

(d) The mortgage securing the Assumed Debt;

(e) The equipment leases and other obligations of Palm Creek or its affiliates described in Schedule 3.1(e); and

(f) Any Title Defect, as defined below, waived or deemed waived by SCOLP.

From the date hereof through the Closing Date, neither the Assignor nor Palm Creek will cause any Project to be further encumbered by any lien, easement, restriction or any other matter.

4. EVIDENCE OF TITLE; SURVEY; UCC SEARCHES.

4.1 Within seven (7) days after the date first set forth above, Assignor shall furnish SCOLP with a commitment (the "Commitment") for ALTA Form Owner's Policies of Title Insurance for the Project, issued by the Title Company, along with copies of all instruments described in Schedule B of each Commitment (collectively, the "Exception Documents"), in the aggregate amount of the Purchase Price. At Closing, the Assignor shall cause to be provided to SCOLP, at the Assignor's sole cost and expense, an owner's policy of title insurance issued pursuant to the Commitment, insuring the interest in the Project without the "standard exceptions" (provided SCOLP obtains a survey sufficient to remove the so-called survey exceptions), but subject to the Permitted Exceptions. SCOLP, at its cost and expense, may request such endorsements to the policies which it desires, the issuance of which shall be subject to the discretion of the Title Company. The cost of the standard coverage of the title insurance policy shall be borne by Assignor. The premium, if any, for extended coverage and endorsements approved by the Title Company shall be borne by SCOLP. Assignor shall reasonably cooperate with SCOLP and the Title Company in order to obtain extended coverage and any endorsements desired by SCOLP, but SCOLP shall be obligated for the satisfaction of any conditions precedent thereto required by the Title Company.

4.2 Prior to the expiration of the Investigation Period, SCOLP shall obtain current ALTA "as built" surveys (the "Surveys") of the Project prepared by a licensed surveyor or engineer approved by

SCOLP, certified to Assignor, Palm Creek, SCOLP, the Title Company, and any other parties designated by SCOLP. The legal description certified to on the Survey and used when issuing SCOLP's title policy pursuant to the Commitments shall be identical. The Survey shall be sufficient for removal of the standard survey exception from the policy of title insurance to be issued pursuant to the Commitment and shall reveal any of the following: (i) encroachments on the Project or any portion thereof from any adjacent property, (ii) the encroachment of such Project, or any portion thereof, on any adjacent property, and (iii) any violation by any portion of such Project of any recorded building liens, restrictive covenants or easements affecting such Project. The cost of the Survey shall be borne by SCOLP.

4.3 Prior to the expiration of the Investigation Period, SCOLP may obtain Uniform Commercial Code financing statement searches and tax lien searches both from the State of Arizona and the county where the Project is located with respect to each Assignor and Palm Creek, which must show all security interests, pledges, liens, claims and encumbrances in or affecting the Project, including the Personal Property and the Membership Interests. The cost of the UCC searches shall be borne by SCOLP.

5. TITLE OBJECTIONS.

5.1 If a Commitment or Survey discloses exceptions which are not acceptable to SCOLP, in its sole discretion, SCOLP shall notify Assignor in writing of its objections to such exceptions (the "Title Defects") within ten (10) days after receipt of the Commitment, the Exception Documents and the Survey, but no later than forty-five (45) days after the date first set forth above. If SCOLP timely objects to any exception disclosed on the Commitment or Survey within such ten (10) day period, such exception shall not be treated as a Permitted Exception hereunder except as otherwise provided in this Section 5.1. If Assignor fails within five (5) days to have the Title Defects deleted from the related Commitment or

Survey, as the case may be, or fails to agree to have such Title Defects discharged at or before the Closing, SCOLP may prior to the expiration of the Investigation Period either: (a) terminate this Agreement by delivery of written notice to the Assignor, whereupon neither Assignor nor SCOLP shall have any further duties or obligations under this Agreement except that SCOLP's indemnity obligations under Section 9.3 shall survive, and the Deposit shall be returned to SCOLP; or (b) elect to take title subject to such uncured Title Defects with such uncured Title Defects becoming Permitted Exceptions under this Agreement. Assignor agrees to cause to be discharged on or prior to Closing all Title Defects pertaining to encumbrances shown on the Commitment relating to the Project of a definite or ascertainable amount caused or created by Assignor, other than those for the Assumed Debt and those shown on Schedule 3.1(e).

6. ADJUSTMENTS AND PRORATIONS.

6.1 The following adjustments and prorations shall be made at the Closing between SCOLP and Assignor, and shall be computed to, but not including, the Closing Date.

(a) Real estate taxes and personal property taxes which are a lien upon or levied against any portion of the Project for any period prior to tax year 2012, and all special assessments levied on any portion of the Project prior to the Closing Date, shall be paid by Assignor prior to the Closing Date. In addition, Assignor shall pay or provide a credit to SCOLP prior to Closing for Assignor's share of any real estate taxes and personal property taxes levied against any portion of the Project for tax year 2012 prorated between the parties to the Closing Date. Any sales taxes, manufactured home or vehicle transfer, sales and use taxes and other taxes or charges levied on the transfer and conveyance of the Project whether levied on the Land, Improvements, Personal Property or otherwise, or on the Membership Interests, shall be paid by Assignor.

(b) All water, sewer, electric, gas and other utility bills for the Project which are not directly billed to the tenants of the Project, and all other operating and other expenses incurred with respect to the Project (collectively, "Operating Expenses") shall be prorated between Assignor and SCOLP to the Closing Date, with Assignor being responsible for all Operating Expenses on the Closing Date. On or before Closing, the parties shall agree on a reasonable proration of all unbilled Operating Expenses based upon the most recent billing statement. At Closing, (i) Assignor shall pay all unpaid Operating Expenses that are billed at or prior to the Closing Date; (ii) SCOLP shall assume all unbilled Operating Expenses; and (iii) Assignor shall pay or provide a credit to SCOLP for Assignor's pro rata share of all unbilled Operating Expenses. All refundable utility deposits shall be the property of SCOLP, and the total verifiable amount of such refundable security deposits shall be credited to Assignor at the Closing.

(c) Charges under Assumed Project Contracts (as defined in Section 17) attributable to the period prior to the Closing Date shall be paid by Assignor prior to the Closing Date, or, if not paid, the amount due shall be credited to SCOLP as of the Closing Date. All charges under the Non-Assumed Project Contracts (as defined in Section 17 below), if any, shall be paid by Assignor, whether such charges are attributable to the period prior to the Closing Date or the period after the Closing Date.

(d) All rental and other revenues (including telephone, amenities, golf and other revenue), collected by Assignor or Palm Creek up to the Closing Date which are allocable to the period from and after the Closing Date shall be paid by Assignor to SCOLP. To the extent SCOLP collects, within ninety (90) days after the Closing, any rental or revenues allocable to the period prior to the Closing Date, SCOLP shall pay the same to Assignor;

provided, however, SCOLP shall have no obligation whatsoever for the collection of such rentals or revenues and all rentals and revenues collected subsequent to the Closing Date shall always, in the first instance, be applied first to the most current rentals and revenues, if any, then due under the Tenant Leases or otherwise. SCOLP shall have no obligation to remit to Assignor any such delinquent rents collected later than ninety (90) days after the Closing.

(e) An amount equal to all refundable reservation, security and other deposits described in the Rent Roll, together with any interest accrued thereon (to the extent applicable law requires interest to be paid by the holder of such deposits) shall be credited to SCOLP at the Closing if previously distributed or paid to Assignor.

(f) SCOLP shall pay Assignor \$2,600,000.00 to reimburse Assignor for the construction of Phase III and the related sports amenities. An amount equal to all expenses of the Project which were paid prior to the Closing Date and for which are allocable to periods after the Closing Date which will benefit SCOLP shall be disbursed or credited to Assignor at the Closing. An amount equal to all expenses of the Project which are due after the Closing Date for all capital equipment or other leases shall be credited to SCOLP.

(g) All compensation, fringe benefits and other amounts due the employees of Assignor, Palm Creek or the manager of the Project for the period prior to the Closing Date, whether as hourly pay, salaries, overtime, bonus, vacation or sick pay, severance pay, pensions or otherwise, and all amounts due for the payment of employment taxes with respect thereto, shall be paid by Assignor on or prior to the Closing Date, or, if not paid, an amount equal to such entire unpaid liability shall be credited to SCOLP at the Closing.

(h) All costs and expenses incurred by Assignor or Palm Creek prior to the Closing Date in connection with the transactions contemplated herein and the performance of its obligations under this Agreement, including, without limitation, attorney and other professional

fees and the costs and expenses payable by Assignor or Palm Creek hereunder, shall be paid by Assignor and shall not be charged to, or the responsibility of Palm Creek or SCOLP.

(i) All interest accrued for the Assumed Debt through the Closing Date, and all other fees and charges due or accrued under the Mortgage Documents or otherwise with respect to the Assumed Debt as of the Closing Date (including all assumption fees, which shall be borne by Assignor), shall be paid by Assignor on or before the Closing Date, or, if not paid, an amount equal to the entire amount of such accrued interest, fees and charges shall be credited to SCOLP as of the Closing Date.

(j) All escrows and reserves under the Assumed Debt and the Mortgage Documents that were funded by the Assignor under the Assumed Debt which will remain in place after the Closing for the benefit of SCOLP and Palm Creek shall be credited to the Assignor.

(k) If any Tenant Lease or other document, agreement or program for the rent payable by any tenant after the Closing Date is less than the full pro forma or budgeted rent as set forth on the Rent Roll, whether as a result of free rent, reduced rent or any other form of rent concessions (in each case, a "Rent Concession"), at Closing SCOLP shall be entitled to a credit from the Assignor in an amount equal to sum of all such rent concessions attributable to the period after the Closing Date.

6.2 On or prior to the Closing Date, Assignor shall be entitled to a distribution from Palm Creek in an amount equal to all of the cash and cash equivalent assets held by Palm Creek as of the Closing Date, after deduction for any and all costs and expenses payable by Assignor hereunder.

6.4 If within ninety (90) days after the Closing either SCOLP or Assignor discovers any inaccuracies or errors in the prorations or adjustments done at Closing pursuant to Sections 6.1 and/or 6.2, such party shall notify the other party of such inaccuracy or error by written notice including

reasonable detail of the appropriate calculation. In such event, the parties shall attempt, in good faith, to resolve any issues with respect to the prorations and adjustments done at Closing pursuant to Section 6.1. After the parties resolve any such issues or, in the event the parties are unable to resolve issues, a final judgment has been rendered with respect to such matter without timely appeal or after all appeals timely made are fully resolved, SCOLP and Assignor shall promptly take all action and pay all sums necessary so that such prorations and adjustments shall be in accordance with the terms of this Agreement, and the obligations of either party to pay any such amount shall survive the Closing Date.

7. REPRESENTATIONS AND WARRANTIES OF ASSIGNOR.

7.1 Assignor hereby represents and warrants to SCOLP as of the date hereof, and as of the Closing Date, the following with the understanding that each of the representations and warranties are material and have been relied on by SCOLP in connection herewith:

(a) True, correct and complete electronic files of all Tenant Leases and paper copies of all Tenant Leases (to the extent any written Tenant Leases exist), including all amendments and documents relating thereto, that are currently in effect and that cover any portion of the Project have been or will be delivered to SCOLP in accordance with Section 9.1. The Rent Rolls attached hereto as Schedule 3.1(b), as updated to the Closing Date, is and will be an accurate and complete rent roll describing each of the Tenant Leases in effect for the Project, including the name of each tenant, the home site occupied by each tenant, the lease term, monthly rent, delinquencies in rent and deposits and prepaid rent or credits, discounts and concessions for any of any tenant, and for each RV site, the RV site occupied by each tenant, arrival and departure dates, nights booked, nights used, gross site charges, taxes, resort fees (as a separate item). Except as disclosed in the Rent Roll, (i) each Tenant Lease is in full force and effect, (ii) to Assignor's

knowledge no Tenant Leases are in default, (iii) to Assignor's knowledge, no events have occurred which, with notice or the passage of time, or both, would constitute such a default, (iv) the lessor has performed all of its obligations under each Tenant Lease; and (v) the Tenant Leases have not been modified nor have any concessions been made with respect thereto unless expressly described in the Rent Roll. For all RV sites, Assignor sent out rental rate increase notices to all seasonal tenants for the 2013 calendar year, which set forth a rental rate increase as shown on Schedule 7.1(a)(1). Actual collected ancillary and concession revenue for the Project, on a cash basis, for the 2010 calendar year, for the 2011 calendar year, and to date for the 2012 calendar are as shown on Schedule 7.1(a)(2).

(b) Except as otherwise disclosed on Schedule 7.1(b) attached hereto, neither Assignor nor Palm Creek have received any notices of, and Assignor has no knowledge of any existing facts or conditions which could reasonably be expected to result in the issuance of, any violations of any building, zoning, safety, fire, environmental, health or other codes, laws, ordinances or regulations with respect to any Project or the appurtenances thereto, which will not be cured by the Closing, at Assignor's sole cost and expense.

(c) Except as disclosed on Schedule 7.1(c) attached hereto, there are no actions, suits, proceedings, claims, investigations or inquiries pending or, to the knowledge of Assignor, threatened against Assignor, Palm Creek, any of their respective affiliates or the Project in any court, before any governmental or administrative agency, or before any other tribunal having jurisdiction over any such party or the Project.

(d) Except as otherwise disclosed on Schedule 7.1(d) attached hereto, Assignor has no knowledge of any assessments, charges, paybacks, or obligations requiring payment of any

nature or description against any Project which remain unpaid, including, but not limited to, those for sewer, water or other utility lines or mains, sidewalks, streets or curbs.

(e) All service, utility, supply, maintenance, management and employment contracts and agreements and all other continuing contractual obligations affecting Assignor, Palm Creek or the ownership, operation or development of the Project, and all amendments thereto (collectively, the "Project Contracts") are listed on the attached Schedule 7.1(e). True, correct and complete copies of all Project Contracts have been delivered to SCOLP. Each Project Contract is in full force and effect, each Assignor and Palm Creek has complied in all material respects with the provisions of each Assumed Project Contract to which it is a party and is not in default under any such Project Contract and, to the knowledge of Assignor, no other party to any Project Contract has failed to comply in any material respect with, or is in default under, the provisions of any Assumed Project Contract. Except as disclosed on the attached Schedule 7.1(e), all Project Contracts may be cancelled by the Assignor or Palm Creek that is a party thereto upon not more than thirty (30) days' notice without premium or penalty.

(f) As of the date hereof, and as of the Closing Date, Palm Creek will be the lawful owner of the Project and hold, and as of the Closing Date will hold, as applicable, insurable and marketable title to the Project, free and clear of all liens, claims and encumbrances other than the Permitted Exceptions. Assignor has and will have on the Closing Date the power and authority to transfer the Membership Interests to SCOLP and perform their respective obligations in accordance with the terms and conditions of this Agreement, and each person who executes this Agreement and all other instruments and documents in connection herewith for or on behalf of the Assignor has and will have due power and authority to so act. On or before the Closing Date, Assignor will have complied with all applicable statutes, laws, ordinances and regulations of

every kind or nature, in order to effectively convey and transfer all of its right, title and interest in and to its Membership Interests to SCOLP in the condition herein required. This Agreement has, and each instrument to be executed by any Assignor pursuant to this Agreement or in connection herewith will be, when executed and delivered, duly authorized, executed and delivered by each Assignor and constitutes, or upon execution and delivery will constitute, the legal, valid and binding obligation of each Assignor, except as enforcement thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or other laws relating to or affecting enforcement of creditors' rights generally or by general equity principles.

(g) Assignor and Palm Creek are duly formed and are validly existing as a limited liability company or corporation, as applicable, in good standing under the laws of the State of Arizona and have the power and authority to own, lease and operate their properties and to conduct their business and to enter into and perform their obligations under this Agreement. Subject to the approval of Lender, neither this Agreement nor the performance by Assignor or Palm Creek of its obligations hereunder, including, without limitation, the conveyance of the Membership Interests by the Assignor to SCOLP, violates or will violate (i) any constituent documents of any Assignor or Palm Creek, (ii) any contract, agreement or instrument to which any Assignor or Palm Creek is a party or bound or which affects the Project or the Membership Interests, or (iii) any law, regulation, ordinance, order or decree applicable to Assignor, Palm Creek or the Project, and except as provided in the Mortgage Documents and as set forth on the attached Schedule 7.1(g), no consent, approval or authorization of, or designation, declaration or filing with, or notice to, any governmental authority, or any lenders, lessors, creditors, shareholders or other party, is required on the part of any Assignor or Palm Creek in connection with this Agreement or the performance by any Assignor or Palm Creek of its obligations hereunder. Prior to the Closing, Assignor shall properly obtain, perform or give all of the consents,

approvals, authorizations, designations, declarations, filings and notices set forth on the attached Schedule 7.1(g); provided, however, that SCOLP (with the assistance of Assignor) shall be responsible for obtaining the Loan Assumption Approval as provided above subject to Assignor's obligations relating thereto.

(h) Except as disclosed on Schedule 7.1(h) attached hereto, no Assignor or Palm Creek has contracted for the furnishing of labor or materials to the Project which will not be paid for in full prior to the Closing Date. If any claim is made by any party for the payment of any amount due for the furnishing of labor and/or materials to any Assignor or Palm Creek or to the Project prior to the Closing Date, Assignor will immediately pay such claim and discharge the lien, or if a lien has been filed and Assignor intends, in good faith, to contest such claim, Assignor may cause the lien to be discharged by posting a bond pursuant to applicable law.

(i) Attached hereto as Schedule 7.1(i) is a true and accurate list of all persons employed by Palm Creek and the manager of the Project in connection with the operation and maintenance of the Project, including name, job description, term of employment, average hours worked per week, current pay rate, description of all benefits provided such employees and the annual cost thereof. None of the employees of Assignor, Palm Creek or manager of the Project are covered by an employment agreement, collective bargaining agreement or any other agreement, and all employees of are terminable "at will", subject to applicable laws prohibiting discrimination by employers. Assignor has complied, and is in compliance, in all material respects, with all applicable laws relating to labor or labor relations and employment standards, including without limitation, all laws relating to labor relations, equal employment, fair employment practices, wages, hours, immigration control, employee safety, termination pay, vacation pay, fringe benefits, pension plans, collective bargaining and the payment and/or accrual

of the same and all, insurance and all other costs and expenses applicable thereto, eligibility for and payment of overtime compensation, worker classification (including the proper classification of independent contractors and consultants), tax withholding, entitlements, prohibited discrimination, and the Worker Adjustment and Retraining Notification Act, 29 U.S.C. Section 2101 et seq. (“WARN”) and comparable state and local laws or regulations relating to or arising out of the layoff or termination of employment by Assignor.

(j) Schedule 7.1(j) attached hereto contains a complete and accurate list of, and copies of, all licenses, certificates, permits and authorizations from any governmental authority of any kind which are required to operate, use and maintain the Project as a manufactured home/RV/golf community; and to Assignor’s knowledge all such licenses, certificates, permits and authorizations have been issued and are in full force and effect and shall remain in full force and effect after the Closing, notwithstanding the sale of the Membership Interests from the Assignor to SCOLP.

(k) Schedule 7.1(k) attached hereto contains a true and complete list of all Personal Property used in the operation of the Project. All the Personal Property is in good working condition and adequate for the operation of the Project at full occupancy in all material respects; and neither Assignor, Palm Creek nor any of their respective affiliates will remove any item of Personal Property from the Project on or prior to the Closing Date, unless such item is replaced with a similar item of no lesser quality or value. All Personal Property is owned free and clear of all liens, claims and encumbrances, other than the liens under the Mortgage Documents and the Assumed Project Contracts.

(l) The Project consists of that number of developed manufactured home sites, RV sites, manufactured home and RV sites under development and un-built but approved properly zoned future manufactured home and RV sites set forth on Schedule 7.1(l), and the number of acres of Land, and the improvements, amenities and recreational facilities set forth on the attached Schedule 7.1(l). As of the date hereof, that number of manufactured home sites within the Project set forth on the attached Schedule 7.1(l) are vacant, and for the calendar year 2011 and through August 31, 2012, the average occupancy rates at the Project were as set forth on the attached Schedule 7.1(l). Except as otherwise disclosed on Schedule 7.1(m), all developed but unoccupied manufactured home and RV sites which exist at the Project at the date of Closing will be in leasable condition without it being necessary to make any further improvements to permit a tenant to take possession of, and install a manufactured home or RV on, such site in accordance with the Palm Creek's standard form lease and the rules and regulations applicable to the Project.

(m) Assignor has delivered to SCOLP all environmental reports and audits in their possession or control, including, without limitation, phase I and II environmental site assessments and environmental compliance audits (the "Environmental Reports") relating to the Project. Except as disclosed in any Environmental Report delivered by Assignor to SCOLP as identified in Schedule 7.1(m), to the knowledge of Assignor, the Project is free of and does not contain any "toxic or hazardous substance", asbestos, lead based paint, urea formaldehyde insulation, PCBs, radioactive material, mold or other biological contaminants, flammable explosives, underground storage tanks, or any other hazardous or contaminated substance (collectively, the "Hazardous Materials") prohibited, limited or regulated under the Comprehensive Environmental Response, Compensation and Liability Act, the Resource Conservation and Recovery Act, the Hazardous Materials Transportation Act, the Toxic Substance Control Act, the Federal Insecticide, Fungicide and Rodenticide Act, the Michigan Natural Resources and Environmental Protection Act, or

under any other applicable federal, state or local statutes, regulations, rules, court orders or rulings, or ordinances (collectively the "Environmental Laws") and to the knowledge of Assignor and except as provided in any Environmental Report, there are no substances or conditions in, on or under the Land or the Project which may support a claim or cause of action under any of the Environmental Laws. No claim, demand, suit, action or other legal proceeding arising out of, or related to, any Environmental Laws with respect to the Project is pending or, to the knowledge of Assignor threatened, before any court, agency or government authority, and Assignor has no knowledge, and has no received any notice, that the Project is in violation of, or has a past unresolved violation of, the Environmental Laws, except as provided in any Environmental Report.

(n) Prior to Closing, Assignor will furnish to SCOLP true, correct and complete copies of the operating agreement of Palm Creek and any additional documents, instruments or certificates relating to the existence of Palm Creek and Assignor's rights and obligations with respect to the Membership Interests, and all amendments to any of the foregoing (collectively, the "Governing Documents"), and such Governing Documents shall not be modified or amended without the consent of SCOLP. All minute books, recorded minutes of meetings and consent resolutions of Palm Creek shall be delivered to SCOLP at Closing.

(o) At Closing Assignor shall own one hundred percent (100%) of the Membership Interest in Palm Creek identified as being owned by such Assignor on the attached Schedule 7.1(o). Assignor shall be the legal and beneficial owner of such Membership Interests, free and clear of all liens, claims and encumbrances. All Membership Interests will have been issued in compliance with all state or federal securities laws and there are no outstanding agreements,

commitments, rights, options, warrants or plans of any nature whatsoever for the issuance, sale or purchase of any other interests in Palm Creek.

(p) Upon consummation of the transfer of the Membership Interests to SCOLP pursuant to the terms hereof, SCOLP will acquire valid and marketable title to all of the Membership Interests, free and clear of all liens, claims and encumbrances whatsoever and will own, in the aggregate, one hundred percent (100%) of the interests in Palm Creek.

(q) All promissory notes, mortgages, assignments of leases and rentals, security agreements, indemnity agreements and other instruments and documents relating to the Assumed Debt (collectively, the "Mortgage Documents") are listed on the attached Schedule 7.1(q), and Assignor has previously delivered to SCOLP true, complete and accurate copies of all the Mortgage Documents. Assignor and Palm Creek have complied in all material respects with the provisions of each Mortgage Document and are not in default under any such Mortgage Document and, to the knowledge of Assignor, no other party to any Mortgage Document has failed to comply in any material respect with, or is in default under, the provisions of any Mortgage Document. The outstanding principal balance as of the date hereof of the Assumed Debt and the interest rate currently charged is set forth on the attached Schedule 7.1(q).

(r) All federal, state and local income, excise, sales, property and other tax returns required to be filed by Assignor and Palm Creek have been timely filed and are correct and complete in all material respects. All taxes, assessments, penalties and interest due in respect of any such tax returns or the Project and any assessments thereon have been paid in full, and there are no pending or threatened claims, assessments, deficiencies, audits or notices with respect to any such taxes.

(s) Neither Assignor nor Palm Creek maintains, sponsors, participates in or contributes to, and neither Assignor nor Palm Creek in the past has maintained, sponsored, participated in or contributed to, any employee health or benefit plan (as defined in Section 3(1) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA")), any employee pension benefit plan (as defined in Section 3(2)(A) of ERISA), or any bonus, severance, deferred compensation, retirement option or any other plans or amendments providing for any benefits to employees, and neither Assignor nor Palm Creek is or has been, a member of any controlled group of entities, a group of trades or businesses under common control, or an affiliated service group, as defined in ERISA and the Internal Revenue Code of 1986, as amended.

(t) Set forth on the attached Schedule 7.1(t) are the following financial statements (the "Historical Financial Statements"): (a) audited balance sheet and related statement of income for Palm Creek, as of and for the fiscal years ended December 31, 2011, 2010 and 2009 and (b) the unaudited balance sheet and related statement of income for Palm Creek as of and for the nine months ended September 31, 2012, As soon as practical after issuance (and in any event no later than ten (10) days after the end of any month), Assignor shall deliver to SCOLP the unaudited balance sheet and related statement of income of each Assignor as of the last day of each of the months from and including August 31, 2012 through the month immediately preceding the Closing Date (collectively, the "Monthly Financial Statements"). The Historical Financial Statements are, and upon their issuance the Monthly Financial Statements will be, true, correct and complete in all respects, present fairly and accurately the financial position of the Assignor and the operation of the Project as at such dates and the results of the operations and earnings of Assignor for the periods indicated thereon, and have been and will be prepared in accordance with generally accepted accounting principles consistently applied throughout the periods

indicated (“GAAP”). Except as shown on Schedule 7.1(t), no Assignor has any liabilities or obligations of any kind or nature except for (i) liabilities set forth on the face of the Historical Financial Statements and Monthly Financial Statements, and (ii) liabilities which have arisen after the date thereof in the ordinary course of business, and at Closing Palm Creek shall not have any liabilities or obligations except those expressly provided to be assumed by SCOLP pursuant to the terms hereof.

(u) Neither Assignor nor Palm Creek is a party or otherwise subject, and the Project is not subject, to any judgment, order, writ, injunction or decree of any court, governmental or administrative agency or the tribunal having jurisdiction over such party or Project, except as disclosed in the Commitment. No Assignor or Palm Creek has received notice of or is aware that the use of the name of the Project infringes on or violates the rights of any third party.

(v) Assignor have provided SCOLP with full and complete access to the software system, including all resident historical data, as well as the call center, golf for the Project (collectively, the “Software Systems”) and at Closing all licenses and any other information necessary for Palm Creek to fully operate the Software Systems as of the Closing Date shall be in the possession thereof.

(w) Assignor has delivered to SCOLP true, correct and complete copies of the information and material referenced in this Agreement or otherwise requested by SCOLP in connection with its due diligence investigation of the Assignor, Palm Creek and the Project. Nothing contained in this Agreement, the Exhibits or Schedules attached hereto or the information and material delivered or to be delivered to SCOLP pursuant to the terms hereof, include any untrue statement of a material fact or omit to state a material fact necessary in order to make the

statements contained herein or therein not misleading. No Assignor has received any notice of any fact which would materially adversely affect Palm Creek, the Membership Interests, the Project or the operation thereof which is not set forth in this Agreement, the Exhibits or Schedules hereto, or has not otherwise been disclosed to SCOLP in writing.

(x) Assignor, Palm Creek and each of their respective members, managers, partners, shareholders, officers and directors are in compliance with all Office of Foreign Assets Control Legal Requirements and similar requirements, including sanctions and regulations promulgated under authority granted by the Trading with the Enemy Act, 50 U.S.C. App. 1 44, as amended from time to time; the International Emergency Economic Powers Act, 50 U.S.C. §§ 1701 06, as amended from time to time; the Iraqi Sanctions Act, Publ. L. No. 101 513, as amended from time to time; the United Nations Participation Act, 22 U.S.C. § 2c as amended from time to time; the International Security and Development Cooperation Act, 22 U.S.C. § 2349 aa 9, as amended from time to time; The Cuban Democracy Act, 22 U.S.C. §§ 6001 10, as amended from time to time; The Cuban Liberty and Democratic Solidarity Act, 18 U.S.C. §§ 2332d and 2339b, as amended from time to time; and The Foreign Narcotics Kingpin Designation Act, Publ. L. No. 106 120, as amended from time to time; and is in compliance with any other prohibitions on dealings with persons, groups, countries, or entities proscribed by the United States government, and Assignor has no reason to believe that any of the foregoing is untrue or inaccurate. Neither Assignor nor Palm Creek nor any of their respective members, managers, partners, shareholders, officers and directors is a person or entity that: (1) is listed in the Annex to, or otherwise subject to the provisions of Executive Order No. 13224 dated September 24, 2001 and relating to Blocking Property and Prohibiting Transactions With Persons Who Commit, Threaten to Commit, or Support Terrorism (the “Executive Order”); (2) is named as a “Specially Designated National and Blocked Person” on the most current list published by the U.S. Treasury Department Office

of Foreign Assets Control at its official website, <http://www.treas.gov/ofac/tllsdn.pdf>; (3) is owned or controlled by, or acting for or on behalf of, any person listed in the Annex to, or otherwise subject to the provisions of, the Executive Order; or (4) is (i) making or receiving any contribution of funds, goods or services to or for the benefit of any person listed in the Annex to, or otherwise subject to the provisions of, the Executive Order, (ii) dealing in, or otherwise engaging in any transaction relating to, any property or interests in property blocked pursuant to the Executive Order, or (iii) engaging in or conspiring to engage in any transaction that evades or avoids, or has the purpose of evading or avoiding, or attempts to violate, any of the prohibitions set forth in the Executive Order.

(y) Except as otherwise disclosed on Schedule 7.1(y), Assignor has no knowledge of any assessments, charges, paybacks, or obligations requiring payment of any nature or description against the Project which remain unpaid, including, but not limited to, those for sewer, water or other utility lines or mains, sidewalks, streets or curbs. Except as otherwise disclosed on Schedule 7.1(y), Assignor has no knowledge of any public improvements having been ordered, threatened, announced or contemplated with respect to the Project which have not heretofore been completed, assessed and paid for. Further, all impact fees, tap fees, connection fees and all other governmental fees and charges which may be levied or assessed against the Assignor, Palm Creek or the Project by any governmental authority with respect to the development, leasing, operation or ownership of the Project or the connection to or use of utilities which service the Project have been paid in full.

(z) The undeveloped land in the Project is zoned to permit the development, operation and lease of not less than 550 manufactured homes sites; attached hereto as Schedule 7.1(z) is an accurate and complete list of, and copies of, all licenses, permits and other governmental

approvals issued for or in connection with the development or operation of the undeveloped land (collectively, the “Governmental Approvals), and all comment letters, correspondence and other written communication with governmental authorities concerning the Governmental Approvals or the development or operation of the Property; the Governmental Approvals issued to the Assignor constitute all of the governmental approvals, authorizations and permits that are necessary to fully develop, operate and lease a undeveloped land, other than certificates of occupancy customarily issued upon completion of the development thereof; Assignor is not in default under any of the Governmental Approvals; and all Governmental Approvals have been issued and are in full force and effect, and on the Closing Date shall be transferred or assigned to Palm Creek. Assignor shall take all steps and execute all applications and instruments reasonably necessary to achieve such transfer or assignment.

7.2 Except as otherwise expressly provided herein, the Membership Interests and the Project is being sold on an “as-is, where-is” basis, and Assignor makes no express or implied warranties whatsoever.

7.3 The provisions of Section 7.1 and all representations and warranties contained therein shall be true as of the Closing Date and shall survive the closing of the transactions contemplated herein, and the conveyance of the Membership Interests for a period of eighteen (18) months only. All of such representations and warranties shall be deemed to be reaffirmed as of the Closing Date unless prior to the Closing the Assignor delivers written notice to the contrary to SCOLP. The investigation by SCOLP and their employees, agents and representatives, of the financial, physical and other aspects of the Project shall not negate or diminish the representations and warranties of Assignor contained herein.

8. REPRESENTATIONS AND WARRANTIES OF SCOLP.

8.1 SCOLP hereby represents and warrants to Assignor as of the date hereof, and as of the Closing Date, the following with the understanding that each of the representations and warranties are material and have been relied on by Assignor in connection herewith:

(a) SCOLP has been duly formed and is validly existing as a limited partnership in good standing under the laws of the State of Michigan and has the power and authority to own, lease and operate its properties and to conduct its business and to enter into and perform its obligations under this Agreement.

(b) Neither this Agreement nor the performance of SCOLP's obligations hereunder violates or will violate (i) any constituent documents of SCOLP, (ii) any contract, agreement or instrument to which SCOLP is a party or bound, or (iii) any applicable law, regulation, ordinance, order or decree.

(c) This Agreement has been duly authorized, executed and delivered by SCOLP and constitutes the legal, valid and binding obligation of SCOLP, except as enforcement thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or other laws relating to or affecting enforcement of creditors' rights generally or by general equity principles.

(d) SCOLP, its General Partner, and its officers are in compliance with all Office of Foreign Assets Control Legal Requirements and similar requirements, including sanctions and regulations promulgated under authority granted by the Trading with the Enemy Act, 50 U.S.C. App. 1 44, as amended from time to time; the International Emergency Economic Powers Act, 50 U.S.C. §§ 1701 06, as amended from time to time; the Iraqi Sanctions Act, Publ. L. No. 101 513, as amended from time to time; the United Nations Participation Act, 22 U.S.C. § 287c as amended from time to time; the International Security and Development Cooperation Act, 22 U.S.C. § 2349 aa 9, as amended from time to time; The Cuban Democracy Act, 22 U.S.C. §§ 6001 10, as amended from time to time; The Cuban Liberty and

Democratic Solidarity Act, 18 U.S.C. §§ 2332d and 2339b, as amended from time to time; and The Foreign Narcotics Kingpin Designation Act, Publ. L. No. 106 120, as amended from time to time; and is in compliance with any other prohibitions on dealings with persons, groups, countries, or entities proscribed by the United States government, and SCOLP has no reason to believe that any of the foregoing is untrue or inaccurate. None of SCOLP, its General Partner, or its officers is a person or entity that: (1) is listed in the Annex to, or otherwise subject to the provisions of the Executive Order; (2) is named as a “Specially Designated National and Blocked Person” on the most current list published by the U.S. Treasury Department Office of Foreign Assets Control at its official website, <http://www.treas.gov/ofac/tltdn.pdf>; (3) is owned or controlled by, or acting for or on behalf of, any person listed in the Annex to, or otherwise subject to the provisions of, the Executive Order; or (4) is (i) making or receiving any contribution of funds, goods or services to or for the benefit of any person listed in the Annex to, or otherwise subject to the provisions of, the Executive Order, (ii) dealing in, or otherwise engaging in any transaction relating to, any property or interests in property blocked pursuant to the Executive Order, or (iii) engaging in or conspiring to engage in any transaction that evades or avoids, or has the purpose of evading or avoiding, or attempts to violate, any of the prohibitions set forth in the Executive Order.

8.2 The provisions of Section 8.1 and all representations and warranties contained therein shall survive the closing of the transaction contemplated herein and the conveyance of the Membership Interests. All of such representation and warranties shall be deemed to be reaffirmed as of the Closing Date unless prior to the Closing SCOLP delivers written notice to the contrary to Assignor.

9. ACCESS TO THE PROJECT.

9.1 Within five (5) days after the date first set forth above, Assignor shall deliver to SCOLP, or make available at the office of the Project, and thereafter Purchaser shall have access to, the following:

(a) Electronic files and paper copies of all rental agreements, leases, subleases, occupancy and tenancy agreements, and written commitments to lease currently in effect and covering any portion of the Project (the "Tenant Leases"), including all amendments and documents relating thereto, that are currently in effect and that cover any portion of the Project; all collection and credit reports pertaining to the Tenant Leases or the tenants of the Project; the monthly management and operating reports customarily prepared by or on behalf of Seller for the last twelve (12) calendar months; and the Project's operating budget for the current year;

(b) Copies of all Project Contracts;

(c) Annual statements of the results of the operation of the Project for each of the last three (3) full calendar years, and copies of the portions of the federal tax returns for Assignor relating to the Project covering the last three (3) fiscal years;

(d) Architectural drawings, plans and specifications and site plans for the Project (the "Plans"), to the extent available;

(e) Copies of all written notices of any zoning, safety, building, fire, environmental, health code or other violation relating to the Project and not cured prior to the date hereof; and

(f) All other financial data, operating data, contracts, leases, instruments, invoices and other writings relating to the Project which SCOLP may reasonably request, including, without limitation, tax bills and correspondence with the tax assessor, rent rolls for the past two years, information concerning capital improvements installed on the Project, information concerning historical rent increases for the Project, a list of recurring services not furnished to the Project through the Project Contracts, information concerning any pending or threatened litigation, information relating to utility bills for the past two (2) years, insurance policies and information regarding insurance claims, certificates of occupancy, existing environmental

reports, appraisals and market studies, and the organizational documents of the homeowners association, if organized, and any agreements between the Assignor and such homeowners association.

9.2 During the Investigation Period, SCOLP shall have the right to obtain, at the sole cost and expense of the SCOLP, a Phase 1 environmental audit (the "Environmental Audit") of the Project, including the Land and Improvements, addressed to SCOLP, Palm Creek and others designated by SCOLP, conducted by an independent environmental investigation and testing firm selected by SCOLP and reasonably approved by Assignor, and otherwise in form and content acceptable to SCOLP, in its sole discretion. If the Environmental Audit discloses any condition which requires further review or investigation, SCOLP may obtain during the Investigation Period, at SCOLP's expense, a Phase 2 environmental audit of the Project in form and content acceptable to SCOLP, in its sole discretion.

9.3 At all reasonable times from and after the date hereof, Assignor shall afford SCOLP and its representatives full and free access to the Project, including, but not limited to, the right to conduct environmental, soil, engineering and other tests and to inspect the mechanical, plumbing and utility systems located at the Project, together with all other aspects of the Project. Upon the completion of such activities, SCOLP, at its sole expense, shall promptly restore the Project to its former condition in all substantial respects. SCOLP shall defend, indemnify and hold Assignor harmless from and against any and all claims, demands, losses, costs and/or liabilities associated with damage or injury to any person, property or any Project caused by or attributable to the actions or negligence of SCOLP and/or its contractors, representatives or other agents while they are on the Project pursuant to this Section or otherwise. SCOLP shall take the necessary steps to ensure that its contractors and agents have and maintain appropriate insurance policies related to (1) commercial general liability, including contractual liability, and (2) professional errors and omissions liability, including contractors' pollution liability.

The obligations of SCOLP set forth in this Section 9.3 shall survive the termination of this Agreement or the Closing Date.

9.4 SCOLP shall have the right, at its expense, to cause its accountant to prepare audited financial statements of Assignor and its operations at the Project for the calendar years ended December 31, 2010 and December 31, 2011, and for the period from January 1, 2012 through the calendar month preceding the Closing Date, and the Assignor shall cooperate and assist in all respects with the preparation of the audited financial statements. Assignor shall furnish to SCOLP and its accountants all financial and other information in its possession or control to enable such accountants to prepare audited financial statements in conformity with Regulation S-X promulgated by the Securities and Exchange Commission ("SEC") and any registration statement, report or disclosure statement filed with, and any rule issued by, the SEC. Assignor also shall provide a signed representation letter as prescribed by generally accepted auditing standards as promulgated by the Auditing Standards Divisions of the American Institute of Public Accountants which representation letter is required to enable an independent public accountant to render an opinion on such financial statements.

10. CONDITIONS.

10.1 The obligation of SCOLP to consummate the acquisition of the Membership Interests is expressly conditioned upon the following, each of which constitutes a condition precedent to the obligations of SCOLP hereunder which, if not performed or determined to be acceptable to SCOLP on or before the Closing Date (unless a different time for performance is expressly provided herein), shall permit SCOLP, at its sole option, to declare this Agreement null and void and of no further force and effect by written notice to Assignor, whereupon (x) the Deposit shall be returned to SCOLP, and (y) neither Assignor nor SCOLP shall have any further duties or obligations under this Agreement except

that (i) if any such condition was not satisfied as a result of any default or breach of this Agreement by Assignor, SCOLP may pursue such legal and equitable rights and remedies that may be available to it pursuant to the terms of this Agreement, and (ii) SCOLP's indemnity obligations under Section 9.3 shall survive (provided that SCOLP shall have the right to waive any one or all of such conditions):

(a) On the Closing Date, (i) title to the Project shall be held by Palm Creek in the condition required by this Agreement, (ii) the Title Company shall have unconditionally and irrevocably agreed to issue the title policies pursuant to the Commitment, and (iii) Assignor shall own one hundred percent (100%) of the Membership Interest in Palm Creek, free and clear of all liens, claims and encumbrances.

(b) The Assignor shall have complied with and performed all covenants, agreements and conditions on their part to be performed under this Agreement within the time herein provided for such performance.

(c) The representations, warranties and agreements of Assignor and Palm Creek contained herein and in all documents and agreements executed pursuant hereto are and shall be true and correct as of the date hereof and as of the Closing Date in all material respects.

(d) From and after the date hereof to the Closing Date, there shall have been no material adverse change in or to the Project, the business conducted thereon, or Palm Creek.

(e) The Loan Assumption Approval shall have been obtained from the Lender.

(f) No action, suit, proceeding or investigation shall have been instituted before any court or governmental body, or instituted by any governmental agency, to restrain or prevent consummation of the transactions under this Agreement or which would affect the right of SCOLP to own, operate and control Palm Creek or the Project.

(g) [Intentionally Deleted]

(h) All of the manufactured home sites, RV sites and related site improvements and amenities described on Schedule 10.1(h) for the Phase 3 Land shall have been fully completed and paid for by Assignor to the reasonable satisfaction of SCOLP and so that the RV and manufactured home sites listed thereon will be in leasable condition without it being necessary to make any further improvements to permit a tenant to take possession of, and install a recreational vehicle on, such recreational vehicle site in accordance with Assignor's standard form lease and the rules and regulations applicable to the Project.

10.2 The obligation of Assignor to consummate the sale of the Membership Interests is expressly conditioned upon the following, each of which constitutes a condition precedent to the obligations of Assignor hereunder which, if not performed or determined to be acceptable to Assignor on or before the Closing Date (unless a different time for performance is expressly provided herein), shall permit Assignor, at its sole option, to declare this Agreement null and void and of no further force and effect by written notice to the SCOLP, whereupon neither Assignor nor SCOLP shall have any further duties or obligations under this Agreement except that (i) if any such condition was not satisfied as a result of any default or breach of this Agreement by SCOLP, Assignor may seek to recover the Deposit in accordance with the terms of this Agreement and the Deposit Escrow Agreement, and (ii) SCOLP's indemnity obligations under Section 9.3 shall survive (provided that Assignor shall have the right to waive any one or all of such conditions):

(a) SCOLP shall have complied with and performed all covenants, agreements and conditions on its part to be performed under this Agreement within the time herein provided for such performance.

(b) The representations, warranties and agreements of SCOLP contained herein and in all documents and agreements executed pursuant hereto are and shall be true and correct as of the date hereof and as of the Closing Date in all material respects.

(c) The Loan Assumption Approval shall have been obtained from the Lenders.

(d) No action, suit, proceeding or investigation shall have been instituted before any court or governmental body, or instituted by any governmental agency, to restrain or prevent consummation of the transactions under this Agreement.

11. OPERATION OF THE PROJECT.

11.1 From and after the date hereof to the Closing Date, Assignor shall cause Palm Creek to: (a) continue to manage, maintain, operate and conduct business at the Project in the ordinary course in substantially the same manner as prior to the date hereof; (b) perform all regular maintenance and repairs with respect to the Project; (c) keep the Project insured against all usual risks and will maintain in effect all insurance policies now maintained on the same; (d) not sell, assign or convey any right, title or interest in any part of the Project; (e) not change the operation or status of the Project in any manner reasonably expected to impair or diminish its value; (d) continue to market, advertise and promote the Project in accordance with current marketing efforts and plans, and (f) not execute, amend or extend any Tenant Lease for a term in excess of one year or providing for a rental rate that is less than the present rental for such space within the Project plus any increase thereof contemplated in such Project's operating budget, or otherwise terminate or waive any rights under the Tenant Leases. Further, Assignor shall at or prior to the Closing Date furnish SCOLP with a copy of each such new or renewal Tenant Lease.

11.2 Effective as of the Closing Date, Assignor shall terminate any third party manager of the Project and any Non-Assumed Project Contracts. SCOLP or Palm Creek shall have the right, but not

the obligation, to hire those employees of Assignor, and the Project's management agent who worked at or provided services to the Project, effective as of the Closing Date. Upon the consummation of the transactions contemplated herein, such employees will remain employees of Assignor or such manager unless expressly retained by SCOLP or Palm Creek at the Closing, and all compensation and fees due such employees, including any amount payable or that becomes payable as a result of the termination of the employees, and all costs and taxes attributable to such employment, shall be paid by Assignor. Assignor shall be responsible for any termination or severance payments and the provision of health plan continuation coverage in accordance with the requirements of COBRA; and any and all liabilities and obligations required under the WARN Act. Not less than seven (7) days prior to the Closing, SCOLP shall notify Assignor of all employees it will no longer retain in connection with the operation of the Project.

12. DESTRUCTION OF PROJECT.

12.1 In the event any part of the Project shall be damaged or destroyed prior to the Closing Date, Assignor shall notify SCOLP thereof, which notice shall include a description of the damage and all pertinent insurance information. If the use or occupancy of the Project is materially affected by such damage or destruction or the cost to repair such damage or destruction exceeds One Hundred Thousand Dollars (\$100,000.00), SCOLP shall have the right to terminate this Agreement by notifying Assignor within ten (10) days following the date SCOLP receives notice of such occurrence or on the Closing Date, whichever occurs first, whereupon (x) the Deposit shall be returned to SCOLP, and (y) neither Assignor nor SCOLP shall have any further duties or obligations under this Agreement except that SCOLP's indemnity obligations under Section 9.3 shall survive. If SCOLP does not elect to terminate this Agreement, or shall fail to timely notify Assignor within the required time period, on the Closing Date, which may be extended by Assignor or SCOLP to accommodate compliance with this Section

12.1, Assignor shall assign to SCOLP or Palm Creek all of Assignor' right, title and interest in and to the proceeds of the fire and extended coverage insurance presently carried by or payable directly or indirectly to Assignor or Palm Creek, and the Purchase Price shall not be reduced by the amount of any deductible applicable to such insurance.

13. CONDEMNATION.

13.1 If, prior to the Closing Date, Assignor or SCOLP receives or obtains notice that any governmental authority having jurisdiction intends to commence or has commenced proceedings for the taking of any portion of the Project by the exercise of any power of condemnation or eminent domain, or notice of any such taking is recorded among the public records of the State of Michigan or the county where the Project is located, and such taking results in a reduction of the number of home sites within the Project or SCOLP determines that such taking will adversely affect the operation of the Project, SCOLP shall have the option to terminate this Agreement by notifying Assignor within thirty (30) days following SCOLP's receipt of such notice or on the Closing Date, whichever is earlier, whereupon (x) the Deposit shall be returned to SCOLP, and (y) neither Assignor nor SCOLP shall have any further duties or obligations under this Agreement except that SCOLP's indemnity obligations under Section 9.3 shall survive. If SCOLP does not elect or does not have the right to terminate this Agreement or shall fail to timely notify Assignor, SCOLP shall close the transaction as if no such notice had been received, obtained or recorded or proceedings commenced, and in such event, any proceeds or awards made in connection with such taking shall be the sole property of SCOLP and Palm Creek, and not Assignor.

14. DEFAULT.

14.1 In the event Assignor shall fail to perform any of its obligations hereunder, SCOLP may, as its sole and exclusive right and remedy in such event, either (i) terminate this Agreement by written notice delivered to Assignor at or prior to the Closing Date; or (ii) obtain specific performance of the terms and conditions provided that an action therefor is commenced within one hundred twenty (120) days thereafter and SCOLP specifically acknowledges that SCOLP shall have no right to damages pursuant to this Section or otherwise under this Agreement, other than pursuant to the indemnification provisions set forth herein or in the Closing Documents.

14.2 In the event SCOLP does not elect to terminate this Agreement as permitted herein and the conditions precedent to the obligation of SCOLP to purchase the Membership Interests have been satisfied or waived by SCOLP in writing, and thereafter SCOLP fails to purchase the Membership Interests on the Closing Date in accordance with the terms of this Agreement, Assignor shall be entitled to terminate this Agreement by written notice delivered to SCOLP at or prior to the Closing Date, and have delivered to Assignor, as liquidated damages, the Deposit, the same being the Assignor's sole remedy, and SCOLP shall have no further or other liability hereunder except for the obligations of SCOLP in Section 9.3. Assignor and SCOLP agree that in the event of a default by SCOLP under this Agreement (excluding the obligations of SCOLP in Section 9.3), the Assignor's damages would be difficult or impossible to ascertain, and the amount of the Deposit represents a reasonable estimate of such damages. Neither SCOLP nor any designee, transferee or assignee of SCOLP, nor any officers, directors, shareholders or partners, general or limited, of SCOLP or such designee, transferee or assignee, shall be personally or individually liable with respect to any obligation under this Agreement, all such personal and individual liability, if any, being hereby waived by Assignor on their behalf and on behalf of all persons claiming by, through or under them.

15. LIABILITY AND INDEMNIFICATION.

15.1 Except as otherwise specified in Section 9.3, SCOLP does not and shall not assume any liability for any claims arising out of the occurrence of any event or the existence of any condition prior to the Closing Date with respect to the Project. Except for the liability of Palm Creek under the Mortgage Documents and Assumed Project Contracts arising on or after the Closing Date, all accounts payable, obligations and liabilities of the Assignor and Palm Creek, accrued or unaccrued, foreseen or unforeseen, contingent or liquidated, incurred as of the Closing Date or arising out of events or occurrences prior to the Closing Date, including under the Non-Assumed Project Contracts (collectively, the "Pre-Closing Liabilities") shall be the responsibility of, and paid by, Assignor, and not by SCOLP or Palm Creek.

15.2 Assignor, Ashton Wolfswinkel and Bernadette Wolfswinkel, jointly and severally, agree to indemnify and hold harmless Palm Creek and SCOLP and their respective successors, assigns, constituent members and partners, employees, agents and representatives, from and against any and all claims, penalties, damages, liabilities, actions, causes of action, costs and expenses (including attorneys' fees and costs) arising out of, as a result of or as a consequence of: (a) the Pre-Closing Liabilities, which include, without limitation, (i) any property damage or injuries to persons, including death, caused by any occurrence at the Project or resulting from Assignor's or Palm Creek's use, possession, operation, repair and maintenance of the Project prior to the Closing Date, (ii) any breach of the lessor's obligations under the Tenant Leases which occurred prior to the Closing Date or as a result of Assignor or Palm Creek not having reserved cash as of the Closing Date equal to the amount of all security deposits to be held under the Tenant Leases, (iii) any breach of Assignor's or Palm Creek's obligations under any Project Contract which occurred prior to the Closing Date, (iv) the termination of the employees of Assignor, Palm Creek or any manager of the Project on or prior to the Closing Date pursuant to Section 11.2 hereof, (v) any and all liabilities and obligations of Assignor or Palm Creek under any Non-Assumed Project Contracts, and (vi) all costs and expenses required to be paid by Assignor under Sections 6.1,

19.1 and/or 20.1; and (b) any breach by Assignor of any of its representations, warranties, or obligations (including, without limitation, any obligation to pay any fees, costs or expenses hereunder) set forth herein or in any other document or instrument delivered by Assignor or Palm Creek in connection with the consummation of the transactions contemplated herein.

15.3 From and after the Closing Date, SCOLP agrees to indemnify, defend and hold harmless Assignor and their respective successors, assigns, constituent members, managers, directors, officers, shareholders, partners, employees, agents and representatives from and against any and all claims, penalties, damages, liabilities, actions, causes of action, costs and expenses (including reasonable attorneys' fees), arising out of, as a result of or as a consequence of: (i) any breach of the lessor's obligations under the Tenant Leases which occurs subsequent to the Closing Date; (ii) any breach of Palm Creek's obligations under the Project Contracts retained by Palm Creek which may occur subsequent to the Closing Date; (iii) any property damage or injuries to persons, including death, caused by the occurrence of any event at any Project after the Closing Date or in connection with Palm Creek's use, possession, operation, repair and maintenance of the Project after the Closing Date; (iv) any breach by SCOLP of any of its representations, warranties, or obligations (including, without limitation, any obligation to pay any fees, costs or expenses hereunder) set forth herein or in any other document or instrument delivered by the SCOLP in connection with the consummation of the transactions contemplated herein; and (v) any failure by SCOLP to pay costs and expenses required to be paid by SCOLP under Sections 6.1, 19.1 and/or 20.1.

15.4 Notwithstanding anything to the contrary in this Agreement, the representations and warranties set forth in Sections 7 and 8 of this Agreement shall survive for a period of eighteen (18) months after the Closing Date; provided, however, that (a) the representations and warranties contained in Sections 7.1(f), 7.1(g), the last sentence of 7.1(k), 7.1(o), 7.1(p), 8.1(a), 8.1(b) and 8.1(c) shall survive

for six (6) years only, and (b) the representations and warranties contained in Sections 7.1(m), 7.1(r) and 7.1(s) shall survive until the 60th day after the expiration of the applicable statute of limitations. All covenants and agreements of the parties contained herein (including, without limitation, any covenant or agreement to pay any fees, costs or expenses hereunder) shall survive the Closing for a period of six (6) years. Notwithstanding the foregoing, any claims asserted in good faith with reasonable specificity (to the extent known at such time) and in writing by notice from the non-breaching party to the breaching party prior to the expiration date of the applicable survival period shall not thereafter be barred by the expiration of the relevant representation or warranty and such claims shall survive until finally resolved. Except as provided above, no party shall be liable to any other party with respect to any claim under this Agreement unless such claiming party delivers written notice of such claim to the other party prior to 5:00 p.m. Eastern time on the expiration date of the applicable survival period.

15.5 To secure the Assignor's obligation to pay any claims for indemnification under this Agreement, the parties agree to establish a separate escrow account ("Holdback Escrow Account") which shall be funded from the Purchase Price otherwise payable to the Seller in an amount equal to \$350,000.00 (the "Holdback Escrow Deposit"). At the Closing, Assignor, Palm Creek, SCOLP and the Title Company as escrow agent (the "Escrow Agent") shall enter into an escrow agreement attached hereto as Exhibit F (the "Holdback Escrow Agreement"). At Closing, Assignor shall deliver to the Escrow Agent cash from the Purchase Price in the amount of the Holdback Escrow Deposit to be held in escrow under the Holdback Escrow Agreement. The Holdback Escrow Agreement shall terminate on April 15, 2014; provided that the term shall be extended until the final resolution of any dispute resulting from the timely delivery of a claim thereunder. Upon termination of the Holdback Escrow Agreement, the Escrow Agent shall distribute the remaining balance of the Escrow Deposit and the interest earned thereon, if any, to Assignor.

16. DUE DILIGENCE INVESTIGATION.

16.1 From the date hereof through November 20, 2012 (the "Investigation Period"), SCOLP shall have the right to inspect and investigate all aspects of the Project, the Assignor and Palm Creek, including, without limitation, the physical condition of the Project, all items of income and expense arising from the Assignor's and Palm Creek's ownership and operation of the Project, and all documents relating thereto. In the event Assignor has failed to deliver or make available to SCOLP the information and material required by Section 9.1 within five (5) days of the date hereof, the Investigation Period shall be extended for a period of time equal to the number of days from the required delivery date of each such item to the actual date of delivery of all such items, but in no event more than ten (10) days. At any time prior to the expiration of the Investigation Period and for any reason whatsoever, SCOLP may, at its option and in its sole and absolute discretion, terminate this Agreement by delivery of written notice to Assignor, whereupon the Deposit shall be returned to SCOLP, and Assignor, Palm Creek and SCOLP shall not have any further obligations to any other party except as expressly provided herein.

17. ASSIGNMENT OF LEASES, PROJECT CONTRACTS AND INTANGIBLES.

17.1 Immediately before Closing, Assignor shall assign to Palm Creek all of Assignor's rights under all Tenant Lease and all security and other deposits furnished by tenants under the Tenant Leases together with all original Tenant Lease agreements and documents and records with respect thereto if not then in the name of Palm Creek.

17.2 All Project Contracts (the "Assumed Project Contracts") shall be retained by Palm Creek at the Closing. All future contracts, agreements and other obligations (excluding tenant leases as permitted hereunder) entered into by Palm Creek after the date hereof not approved by SCOLP prior to the Closing

(the "Non-Assumed Project Contracts") shall be terminated prior to and after the Closing. Assignor shall be responsible for all liabilities and obligations of Assignor or Palm Creek under the Non-Assumed Project Contracts, and shall to indemnify and hold harmless SCOLP and Palm Creek from all such liabilities and obligations.

17.3 Unless previously assigned or transferred to Palm Creek, or in the name of Palm Creek as of the date first set forth above, at or before Closing, Assignor shall assign to Palm Creek all of its right, title and interest in and to: (a) all licenses, permits and franchises for the Project which may be lawfully assigned and which may be necessary or desirable, in SCOLP's opinion, to operate the Project; (b) any warranties and guaranties from manufacturers, suppliers and installers pertaining to the Project; (c) the name " PALM CREEK GOLF & RV RESORT" and all variations thereof; (d) the telephone number(s) for all of Assignor's telephones installed at the Project; (e) all Plans and other documents relating to the development of the Project; (f) all business, operating and maintenance records, reports, notices and other information concerning the Project; (g) all promissory notes, installment loan agreements and installment loan contracts and related documentation that relate to manufactured homes sold to residents of the Project and now located on the Land; and (h) all other intangible property related to the Project (collectively, the "Intangible Property").

18. CLOSING.

18.1 Subject to satisfaction or waiver by SCOLP of the conditions set forth in Section 10.1 hereof and satisfaction or waiver by Assignor of the conditions set forth in Section 10.2 hereof, the closing ("Closing") of the transactions contemplated herein shall take place simultaneously at the offices of the Title Company at 10:00 A.M., local time, on December 1, 2012 or if the Loan Assumption Approval Period has been extended, ten (10) days after the Loan Assumption Approval but in no event later than

December 31, 2012 unless a later date is approved in writing by Assignor and SCOLP (the "Closing Date").

18.2 At Closing:

(a) Assignor shall execute and deliver to SCOLP an Assignment of Membership Interest in form and substance acceptable to SCOLP, transferring all of its Membership Interests to SCOLP, free and clear of all liens, claims and encumbrances whatsoever.

(b) The Deposit shall be delivered to Assignor as contemplated in Section 2.1(b) above and the Deposit Escrow Agreement, and SCOLP shall deliver the Cash Payment to the Assignor, by wire transfer of immediately available funds.

(c) Assignor shall cause the Commitment referred to in Section 4.1 hereof to be recertified and updated to the Closing Date, and shall cause the policy of title insurance to be issued to Palm Creek pursuant to such updated Commitment together with such endorsements thereto as provided or required herein.

(e) Assignor shall deliver to SCOLP a certificate confirming the truth and accuracy of their representations and warranties hereunder, and the Rent Roll, updated to the Closing Date, shall be certified by Assignor as true and correct in all respects.

(f) If not then located at the Project, Assignor shall deliver to SCOLP to the extent in its possession or control, originals of: (i) the Tenant Leases, including all amendments thereto and modifications thereof; (ii) all Project Contracts; (iii) all architectural plans and specifications and other documents pertaining to the development of the Project; (iv) certificates of title for all vehicles owned by Palm Creek; and (v) all other documentation used in the operation of the Project.

(g) Assignor shall deliver to SCOLP an affidavit certifying that they and all persons or entities holding an interest in Assignor are not non-resident aliens or foreign entities, as the case may be, such that Assignor and such interest holders are not subject to tax under the Foreign Investment and Real Property Tax Act of 1980.

(h) SCOLP shall deliver Holdback Escrow Deposit from the Purchase Price to the Title Company, as escrow agent, to be held and disbursed pursuant to the terms of a Holdback Escrow Agreement which shall be executed and delivered by the Assignor, SCOLP and the Title Company, as escrow agent. All interest earned on the Holdback Escrow Amount shall belong to Assignor.

(i) Assignor and SCOLP shall each deliver to the other evidence of payment (or provision for payment) of costs, fees and expenses for which such party is responsible hereunder, and such other documents or instruments as shall reasonably be required by such party, its counsel or the Title Company to consummate the transaction contemplated herein and/or to cause the issuance of the policy of title insurance which, in all events, shall not increase such party's liability hereunder or decrease such party's rights hereunder.

19. COSTS.

19.1 SCOLP and Assignor shall each be responsible for their own counsel fees and travel expenses. As provided for herein, Assignor shall pay: (a) the documentary, intangible, transfer taxes, and other taxes if any, due on or in connection with the conveyance of the Property to New Member and the conveyance of the Membership Interests to SCOLP; (b) the title insurance premiums for the policy of title insurance as specified in Section 4.1 hereof and (c) all Assumption Costs. As provided for herein, SCOLP shall pay: (i) all recording fees; (ii) costs associated with the Surveys and UCC and tax lien

searches described in Section 4.3 hereof; and (ii) all costs associated with SCOLP's inspection of the Project.

20. BROKERS.

20.1 Other than Insight Land & Investment whose commission shall be paid by Assignor pursuant to the terms of a separate agreement, SCOLP and Assignor represent and warrant to each other that the parties making the representation have not dealt with any brokers or finders or created or incurred any obligation for a commission, finder's fee or similar remuneration in connection with this transaction and agree to indemnify, warrant and defend each other against and from all liability, loss, damages, claims or expenses, including reasonable attorney fees, arising from the breach or asserted breach of such representation.

21. ASSIGNMENT.

21.1 Neither SCOLP nor Assignor shall have the right to assign its rights or obligations under this Agreement without the prior written consent of the other party; provided, however, that SCOLP may assign its rights and obligations hereunder to a wholly-owned subsidiary of SCOLP without the prior written consent of Assignor. .

22. CONTROLLING LAW.

22.1 This Agreement shall be controlled, construed and enforced in accordance with the laws of the State of Arizona, without regard to conflicts-of-laws principles that would require the application of any other law.

23. ENTIRE AGREEMENT.

23.1 Assignor and SCOLP acknowledge that as of the Effective Date certain of the Exhibits and Schedules hereto have not been completed and the parties agree that the final Exhibits and Schedules shall be completed and attached hereto within five (5) business days after the Effective Date. This Agreement (together with the Exhibits and Schedules hereto once so attached) constitutes the entire agreement of the parties hereto with respect to the subject matter hereof and supersedes all prior agreements and undertakings, both written and oral, among the Assignor and SCOLP with respect to the subject matter hereof. There is no statement, promise, agreement or obligation in existence which may conflict with the terms of this Agreement or which may modify, enlarge or invalidate this Agreement or any provision hereof. None of the prior and/or contemporaneous negotiations, preliminary drafts, or prior versions of this Agreement leading up to its execution and not set forth herein shall be used by any of the parties to construe or affect the validity of this Agreement.

24. AMENDMENTS.

24.1 This Agreement may not be amended or modified except by an instrument in writing signed by, or on behalf of, SCOLP and Assignor.

25. NON-COMPETE

25.1 In order to assure to SCOLP the value of the Project and goodwill being purchased hereunder, each of Assignor and Conley Wolfswinkel, Ashton Wolfswinkel and Bernadette Wolfswinkel

(collectively, the “Restricted Parties”) for themselves and their affiliates, agree that, for a period of three(3) years after the Closing Date, no such person or entity will (i) engage in the development, ownership or operation of any manufactured housing or RV community, located within seventy five (75) miles of the Project, whether such operation involves the lease or sale of sites or lots therein, and whether such development, ownership or operation is direct or is indirect, through one or more entities, contractual relationships or familial relationships, and whether such development, ownership or operation is as owner, principal, agent, partner, shareholder, officer, director, member, trustee, beneficiary, employer, employee, consultant, manager, lessor, lessee, or otherwise, or (ii) solicit, divert or take away, or attempt to solicit, divert or take away, any tenants or residents of the Project, whether tenants or residents now or in the future. The Assignor recognizes that irreparable harm will result to the SCOLP and Palm Creek in the event of the violation of any of the covenants contained in this Section 25.1, and agrees that in the event of any such violation, the SCOLP and Palm Creek shall be entitled, in addition to its other legal and equitable remedies and damages, to temporary and permanent injunctive relief to restrain the Restricted Parties from committing any such violations. Notwithstanding the foregoing, these covenants shall not prohibit Keith and its affiliates from the continued ownership and operation of the communities listed on Schedule 25.1. At Closing, the Assignor shall execute and deliver, and cause the Restricted Parties to execute and deliver, an agreement confirming their covenants herein in the form attached hereto as Exhibit G.

26. NOTICES.

26.1 All notices, requests, claims, demands and other communications hereunder shall be in writing and shall be given or made (and shall be deemed to have been duly given or made upon receipt) by delivery in person, by an internationally recognized overnight courier service, by facsimile or registered or certified mail (postage prepaid, return receipt requested) to the respective parties hereto at

the following addresses (or at such other address for a party as shall be specified in a notice given in accordance with this Section 26.1):

If to the Assignor:

1121 West Warner Roads, #109

Tempe, Arizona 85284

Attn: Mrs. Judy Windisch

Fax: (48) 893-1604

With a required copy to:

Udall Law Firm

4801 E. Broadway Blvd., Suite 400

Tucson, Arizona 85711

Attn: Lawrence S. Rollin, Esq.

Fax: (520) 792-2436

If to SCOLP:

Mr. Gary A. Shiffman

Sun Communities, Inc.

27777 Franklin Road, Suite 200

Southfield, Michigan 48034

Fax: (248) 208-2645

With a required copy to:

Jaffe, Raitt, Heuer & Weiss, P.C.

27777 Franklin Road, Suite 2500

Southfield, Michigan 48034

Attn: Mr. Mark P. Krysinski

Fax: (248) 351-3082

27. BINDING.

27.1 The terms hereof shall be binding upon and shall inure to the benefit of the parties hereto, their successors, transferees and permitted assigns.

28. PARAGRAPH HEADINGS.

28.1 The captions in this Agreement are inserted for convenience of reference and in no way define, describe or limit the scope or intent of this Agreement or any of the provisions hereof.

29. SURVIVAL AND BENEFIT.

29.1 Except as otherwise expressly provided herein, each agreement, representation or warranty made in this Agreement by or on behalf of either party, or in any instruments delivered pursuant hereto or in connection herewith, shall survive the Closing Date and the consummation of the transactions provided for herein.

29.2 The covenants, agreements and undertakings of each of the parties hereto are made solely for the benefit of, and may be relied on only by, the other parties hereto, their transferees and assigns, and are not made for the benefit of, nor may they be relied upon, by any other person whatsoever.

29.3 This Agreement shall not be construed more strictly against one party than against the other, merely by virtue of the fact that it may have been prepared by counsel for one of the parties, it being recognized that Assignor and SCOLP have contributed substantially and materially to the preparation of this Agreement.

30. COUNTERPARTS.

30.1 This Agreement may be executed in two or more counterparts, each of which shall be deemed an original and all of which together shall constitute one and the same instrument. Copies (whether photostatic, facsimile or otherwise) of this Agreement may be made and relied upon to the same extent as an original.

31. FURTHER ASSURANCES.

31.1 From time to time after the Closing Date, without payment of additional consideration, Assignor and SCOLP shall execute and deliver, or cause to be executed and delivered, such further instruments and documents, and shall do, or cause to be done, such further acts and things as may reasonably be requested by another party hereto for the purpose of assigning, transferring and delivering the Membership Interests to SCOLP or otherwise accomplishing the transactions contemplated herein.

[Signatures on next page]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first above written.

ASSIGNOR:

PCGRV, LLC., an Arizona limited liability company

By: /s/ Ashton Wolfswinkel

Name: Ashton Wolfswinkel

Title: Authorized Representative

KEITH AMIGOS, INC., an Arizona corporation

By: /s/ Charles Keith

Name: Charles Keith

Title: President

As to Section 25.1 only:

/s/ Conley Wolfswinkel

Conley Wolfswinkel

As to Sections 15.2 and 25.1 only

/s/ Ashton Wolfswinkel

Ashton Wolfswinkel

/s/ Bernadette Wolfswinkel

Bernadette Wolfswinkel

SCOLP:

SUN COMMUNITIES OPERATING LIMITED PARTNERSHIP, a Michigan
limited partnership

By: Sun Communities, Inc., its General Partner

By: /s/ Gary A. Shiffman

Name: Gary A. Shiffman

Title: President

LIST OF EXHIBITS

<u>Exhibit</u>	<u>Description</u>
A	Project/Legal Description of Land
B	Schedule of Personal Property
C	Owned Homes – Resort Sales
D	Asset Purchase Agreement
E	Form of Deposit Escrow Agreement
F	Form of Holdback Escrow Agreement
G	Form of Non-Compete Agreement

Second Loan Modification Agreement

This Second Loan Modification Agreement (this "Agreement") is made on October 4, 2012, by and among Sun Blueberry Hill LLC, a Michigan limited liability company ("Sun Blueberry Hill"); Sun Grand Lake LLC, a Michigan limited liability company ("Sun Grand Lake"); Sun Three Lakes LLC, a Michigan limited liability company ("Sun Three Lakes"); Sun Club Naples LLC, a Michigan limited liability company ("Sun Club Naples"); Sun Naples Gardens LLC, a Michigan limited liability company ("Sun Naples Gardens"); and Sun North Lake Estates LLC, a Michigan limited liability company ("Sun North Lake Estates") (collectively, "Borrower"), Sun Communities Operating Limited Partnership, a Michigan limited partnership (the "Guarantor"), Bank of America, N.A., a national banking association ("Bank of America"), The PrivateBank and Trust Company, an Illinois state chartered bank ("The PrivateBank") (Bank of America and The PrivateBank are collectively referred to herein as the "Lenders" and individually, a "Lender"), and Bank of America, N.A., a national banking association, acting on behalf of the Lenders, as Administrative Agent (the "Administrative Agent").

RECITALS:

WHEREAS, Bank of America is the owner and holder of an Amended and Restated Promissory Note dated March 29, 2012, executed and delivered by the Borrower and payable to Bank of America in the original principal amount of \$21,000,000.00 (as renewed, extended, modified, amended or restated from time to time, the "Bank of America Note"), which Bank of America Note evidences the Borrower's obligations to Bank of America in connection with a loan in the original principal amount of the Bank of America Note (the "Bank of America Loan");

WHEREAS, The PrivateBank is the owner and holder of an Amended and Restated Promissory Note dated March 29, 2012, executed and delivered by the Borrower and payable to The PrivateBank in the original principal amount of \$15,000,000.00 (as renewed, extended, modified, amended or restated from time to time, the "The PrivateBank Note"), which The PrivateBank Note evidences the Borrower's obligations to The PrivateBank in connection with a loan in the original principal amount of The PrivateBank Note (the "The PrivateBank Loan");

WHEREAS, the Bank of America Note and The PrivateBank Note were issued pursuant to a Term Loan Agreement dated December 15, 2011, as modified March 29, 2012, by and among the Lenders, the Administrative Agent and the Borrower (as amended, modified, supplemented or restated from time to time, the "Loan Agreement");

WHEREAS, the Borrower's obligations under the Bank of America Note and The PrivateBank Note are secured by, among other things, a Mortgage, Assignment of Rents, Security Agreement and Fixture Filing dated December 15, 2011, from Sun Club Naples to the Administrative Agent, as agent for the Lenders, recorded December 21, 2011 in the Collier County, Florida, Clerk's Office in OR 4748, page 2645, as modified by a Modification Agreement (Mortgage, Assignment of Rents, Security Agreement and Fixture Filing) dated March 29, 2012, recorded April 23, 2012 in the Collier County, Florida, Clerk's Office in OR 4788, page 3121; a Mortgage, Assignment of Rents, Security Agreement and Fixture Filing dated December 15, 2011, from Sun Naples Gardens to the Administrative Agent, as agent for the Lenders, recorded December 21, 2011 in the Collier County, Florida, Clerk's Office in OR 4748, page 2753, as modified by a Modification Agreement (Mortgage, Assignment of Rents, Security Agreement and Fixture Filing) dated March 29, 2012, recorded April 23, 2012 in the Collier County, Florida, Clerk's Office in OR 4788, page 3126; a Mortgage, Assignment of Rents, Security Agreement and Fixture Filing dated December 15, 2011, from Sun North Lake Estates to the Administrative Agent, as agent for the Lenders, recorded December 20, 2011 in the Glades County, Florida, Clerk's Office in OR 298, page 518, as modified by a Modification Agreement (Mortgage, Assignment of Rents, Security Agreement and Fixture Filing) dated March 29, 2012, recorded April 20, 2012 in the Glades County, Florida, Clerk's Office as Instrument No. 201222000851; a Mortgage, Assignment of Rents, Security Agreement and Fixture Filing dated March 29, 2012, from Sun Blueberry Hill to the Administrative Agent, as agent for the Lenders, recorded April 23, 2012 in the Sumter County, Florida, Clerk's Office as

Instrument No. 201260012143; a Mortgage, Assignment of Rents, Security Agreement and Fixture Filing dated March 29, 2012, from Sun Grand Lake to the Administrative Agent, as agent for the Lenders, recorded April 23, 2012 in the Marion County, Florida, Clerk's Office in OR BK 05665, pages 0627-0652, and; a Mortgage, Assignment of Rents, Security Agreement and Fixture Filing dated March 29, 2012, from Sun Three Lakes to the Administrative Agent, as agent for the Lenders, recorded April 19, 2012 in the Pasco County, Florida, Clerk's Office in OR BK 8686, page 2670 (as amended, supplemented, modified, restated, renewed or extended from time to time, collectively, the "Mortgages"), covering certain real property and improvements thereon, more particularly described therein (each a "Property" and collectively, the "Property");

WHEREAS, the Borrower's obligations under the Bank of America Note and The PrivateBank Note are guaranteed by the Guarantor pursuant to a Limited Guaranty Agreement dated December 15, 2011 (as amended, supplemented, modified, restated or renewed from time to time, the "Guaranty");

WHEREAS, the Borrower's obligations under the Bank of America Note and The PrivateBank Note and the other Loan Documents (hereinafter defined) are hereinafter collectively called the "Obligations"; the Bank of America Note and The PrivateBank Note, the Mortgages, the Loan Agreement, the Guaranty, and all other documents previously, now or hereafter executed and delivered to evidence, secure, guarantee, or in connection with, the Obligations, as the same may from time to time be renewed, extended, amended, supplemented or restated, are hereinafter collectively called the "Loan Documents"; and all liens, security interests, assignments, superior titles, rights, remedies, powers, equities and priorities securing the Bank of America Note and The PrivateBank Note or providing recourse to Lender with respect thereto are hereinafter collectively called the "Liens";

WHEREAS, the Borrower has advised the Administrative Agent that, for the fiscal period ending June 30, 2012, they failed to comply with the covenant contained in Section 6.21 of the Loan Agreement, which required the Borrower to maintain a Debt Service Coverage Ratio of at least 1.30 to 1.00 (the "Defaulted Covenant");

WHEREAS, the Borrower acknowledges and agrees that, as a result of the occurrence of such Defaulted Covenant, upon the expiration of the applicable notice and cure period provided for in the Loan Agreement, an Event of Default would occur under the Loan Agreement; and

WHEREAS, the Borrower has requested that the Administrative Agent, on behalf of the Lenders, waive compliance by the Borrower with the Defaulted Covenant for such fiscal period, as well as any Event of Default arising therefrom and the Administrative Agent and the Lenders are agreeable thereto on the terms and conditions provided herein.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Borrower, the Administrative Agent and the Lenders now agree as set forth below.

1. **Recitals.** The parties hereto acknowledge and agree that the recitals set forth above are true and correct and are incorporated herein by this reference; provided, however, that such recitals shall not be deemed to modify the express provisions hereinafter set forth. Capitalized terms used herein but not defined shall have the meanings given them in the Loan Agreement.

1. **Paydown of Loans.** Simultaneously with the execution of this Agreement, the Borrower shall make a voluntary paydown of the Bank of American Loan, in the principal amount of \$3,500,000.00, reducing the outstanding principal balance of such loan to \$17,370,062.47, and shall make a voluntary paydown of the PrivateBank Loan, in the principal amount of \$2,500,000.00, reducing the outstanding principal balance of such loan to \$12,407,187.53.

2. **Waiver of Covenant Default.** In consideration of the paydowns of the Bank of America Loan and the PrivateBank Loan provided for in paragraph 2, the Administrative Agent, on behalf of the Lenders, hereby waives: (a) compliance by the Borrower with the Defaulted Covenant for the fiscal period ending June 30, 2012, (b) the Event of Default that would occur by reason of the Borrower's failure to comply with the Defaulted Covenant, upon the expiration of the applicable notice and cure period, solely for such fiscal period, and (c) the Bank's remedies under the Loan Agreement with respect to the Defaulted Covenant and the subsequent Event of Default which would occur upon the expiration of the applicable notice and cure period. Administrative Agent acknowledges and agrees that the Borrower's failure to comply with the Defaulted Covenant has been cured in accordance with the terms of this Agreement and that no Event of Default has occurred under the Loan Agreement or other Loan Documents as a result of Borrower's failure to comply with the Defaulted Covenant. This waiver shall be narrowly construed and shall neither extend to any other violations under, or default of, the Loan Agreement, including but not limited to, a violation of the foregoing covenant (as herein amended) for any future period of time, except as provided for in paragraph 5 below, nor shall this waiver prejudice any rights or remedies which the Administrative Agent, on behalf of the Lenders, may have or be entitled to with respect to such future violations or defaults.

3. **Amendment to Loan Agreement.** Section 6.21 of the Loan Agreement is hereby amended in its entirety to read as follows:

6.21 Debt Service Coverage Ratio.

Borrower shall maintain a Debt Service Coverage Ratio of at least 1.30 to 1.00, as of the end of each fiscal quarter ending on or after March 31, 2012 and on or before March 31, 2013, and a Debt Service Coverage Ratio of at least 1.35 to 1.00, as of the end of each fiscal quarter ending on or after June 30, 2013. If the Borrower exercises the extension option provided for in the Notes, Borrower shall maintain a Debt Service Coverage Ratio of at least 1.40 to 1.00, as of the end of each fiscal quarter ending on or after March 31, 2015. The Debt Service Coverage Ratio may be satisfied by a voluntary paydown of the Loan by Borrower, subject to the satisfaction of any conditions to prepayment, as set forth in Section 4 of the Notes.

4. **Waiver of Covenant Compliance.** Notwithstanding the amendment to Section 6.21 of the Loan Agreement provided in paragraph 4 above, the Borrower shall not be required to comply with the covenant contained in Section 6.21 of the Loan Agreement for the fiscal quarters ending September 30, 2012 and December 31, 2012, and the Administrative Agent, on behalf of the Lenders, hereby waives any requirement for such compliance and any default or Event of Default that would otherwise arise as a result of such noncompliance. The Borrower shall again be required to comply with the covenant contained in Section 6.21 of the Loan Agreement, as herein amended, for the fiscal quarter ending March 31, 2013 and thereafter. Borrower shall continue to be required to furnish the financial information provided for in Section 6.8 of the Loan Agreement for the fiscal quarters ending September 30, 2012 and December 31, 2012, notwithstanding the Administrative Agent's waiver of compliance with the covenant contained in Section 6.21 of the Loan Agreement for such fiscal quarters as provided in this paragraph.

5. **Amendment to Guaranty.** The limitation on the Guarantor's Obligations (as defined in the Guaranty) to the Guaranteed Amount (as defined in the Guaranty) provided in the second paragraph of Section 1 of the Guaranty (the "Guaranty Limitation") is hereby removed and, subject to the following proviso, the Guarantor shall hereafter have unlimited liability for the Guaranteed Obligations (as defined in the Guaranty) in accordance with the terms and provisions of the Guaranty (other than the second paragraph of Section 1); provided, however, that if the Borrower fully complies with the Debt Service Coverage Ratio covenant contained in Section 6.21 of the Loan Agreement, as herein amended, for three consecutive fiscal quarters, provided no Event of Default has then occurred and is continuing, as of the end of the third such fiscal quarter, the Guaranty Limitation shall thereupon be deemed reinstated and shall thereafter be in full force and effect.

6. **Modification Fee.** In order for this Agreement to be effective, prior to or simultaneously with the execution and delivery hereof, the Borrower shall pay to the Administrative Agent, for the accounts of Bank of America and The PrivateBank on a pro-rata basis, a modification fee in the amount of \$10,000.00.

7. **Borrower's Representations and Warranties.** The Borrower hereby reaffirms all of the representations and warranties set forth in the Loan Documents, and further represents and warrants that (a) Each Borrower is the sole legal and beneficial owner of the Property covered by its respective Mortgage; (b) the execution and delivery of this Agreement do not contravene, result in a breach of, or constitute a default under, any mortgage, loan agreement, indenture or other contract or agreement to which any Borrower is a party or by which any Borrower or any of its properties may be bound (nor would such execution and delivery constitute such a default with the passage of time or the giving of notice or both), and do not violate or contravene any law, order, decree, rule, regulation or restriction to which any Borrower or any Property is subject; (c) this Agreement constitutes the legal, valid and binding obligations of each Borrower enforceable in accordance with its terms; (d) the execution and delivery of, and performance under, this Agreement are within each Borrower's power and authority without the joinder or consent of any other party and have been duly authorized by all requisite action, and are not in contravention of any law, or of any Borrower's articles of organization or operating agreement or of any indenture, agreement or undertaking to which any Borrower is a party or by which it is bound; (e) there exists no default under the Bank of America Note or The PrivateBank Note or any other Loan Document; (f) there are no offsets, claims, counterclaims, cross-claims or defenses with respect to the Obligations; and (g) each Borrower is duly organized and legally existing under the laws of the state of its organization and is duly qualified to do business in the state of Florida. Each Borrower further represents and warrants that, except as disclosed in writing to the Administrative Agent, there is no suit, judicial or administrative action, claim, investigation, inquiry, proceeding or demand pending (or, to any Borrower's knowledge, threatened) against (i) any Borrower, or (ii) which affects the Property or any Borrower's title to its respective Property, or (iii) which affects the validity enforceability or priority of any of the Loan Documents. Each Borrower agrees to indemnify and hold the Lender harmless against any loss, claim, damage, liability or out-of-pocket expense (including, without limitation, reasonable attorneys' fees) incurred as a result of any representation or warranty made by that Borrower herein which proves to be untrue or inaccurate in any material respect, and any such occurrence shall constitute a default under the Loan Documents.

8. **Renewal; Lien Continuation; No Novation.** The Borrower hereby renews the Obligations and promises to pay and perform all Obligations as modified by this Agreement. The Liens are hereby ratified and confirmed as valid, subsisting and continuing to secure the Obligations, as modified hereby. Nothing herein shall in any manner diminish, impair, waive or extinguish the Bank of America Note, The PrivateBank Note, the Obligations or the Liens. The execution and delivery of this Agreement shall not constitute a novation of the debt evidenced and secured by the Loan Documents.

9. **Default.** A default under this Agreement shall constitute a default under the Bank of America Note and the PrivateBank Note and other Loan Documents.

10. **Miscellaneous.** To the extent of any conflict between the Loan Documents and this Agreement, this Agreement shall control. Unless specifically modified hereby, all terms of the Loan Documents shall remain in full force and effect. This Agreement (a) shall bind and benefit the parties hereto and their respective heirs, beneficiaries, administrators, executors, receivers, trustees, successors and assigns; (b) shall be governed by the laws of the State of Michigan and United States federal law; and (c) may be executed in several counterparts, and by the parties hereto on separate counterparts, and each counterpart, when executed and delivered, shall constitute an original agreement enforceable against all who signed it without production of or accounting for any other counterpart, and all separate counterparts shall constitute the same agreement.

11. **Course of Dealing.** The Administrative Agent, the Lenders and Borrower hereby acknowledge and agree that at no time shall any prior or subsequent course of conduct by Borrower, Administrative Agent or Lenders directly or indirectly limit, impair or otherwise adversely affect any of Administrative Agent's or any Lender's rights, interests or remedies

in connection with the Bank of America Loan and The PrivateBank Loan and the Loan Documents or obligate Administrative Agent or any Lender to agree to, or to negotiate or consider an agreement to, any waiver of any obligation or default by Borrower under any Loan Document or any amendment to any term or condition of any Loan Document.

12. Reaffirmation of Guaranty. The Guarantor, by signature below as such, for a valuable consideration, the receipt and adequacy of which are hereby acknowledged, hereby consents to and joins in this Agreement and hereby declares to and agrees with the Administrative Agent and the Lenders that the Guaranty is and shall continue in full force and effect for the benefit of Administrative Agent and the Lenders with respect to the Obligations, as amended by this Agreement, that there are no offsets, claims, counterclaims, cross-claims or defenses of the Guarantor with respect to the Guaranty nor, to Guarantor's knowledge, with respect to the Obligations, that the Guaranty is not released, diminished or impaired in any way by this Agreement or the transactions contemplated hereby, and that the Guaranty is hereby ratified and confirmed in all respects. Guarantor hereby reaffirms all of the representations and warranties set forth in the Guaranty. Guarantor acknowledges that without this consent and reaffirmation, the Administrative Agent and the Lenders would not execute this Agreement or otherwise consent to its terms.

13. Release of Claims. The Borrower and the Guarantor, for themselves and for each of their respective heirs, personal representatives, successors and assigns, hereby release and waive all claims and/or defenses they now or hereafter may have against the Administrative Agent or any Lender and their successors and assigns on account of any occurrence relating to the Bank of America Loan, The PrivateBank Loan, the Loan Documents and/or the Property which accrued prior to the date hereof. This release and waiver shall be effective as of the date of this Agreement and shall be binding upon the Borrower and the Guarantor and each of their respective heirs, personal representatives, successors and assigns, and shall inure to the benefit of the Administrative Agent and the Lenders and their successors and assigns. The terms "Administrative Agent" and "Lender" as used herein shall include, but shall not be limited to, their present and former officers, directors, employees, agents and attorneys.

[Signature Page Follows]

IN WITNESS WHEREOF, Borrower, Administrative Agent and Lenders have caused this Agreement to be executed as of the date first above written.

BORROWER:

Sun Blueberry Hill LLC,
a Michigan limited liability company

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/ Karen Dearing

Name: Karen Dearing

Title: Executive Vice President

Sun Grand Lake LLC,
a Michigan limited liability company

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/ Karen Dearing

Name: Karen Dearing

Title: Executive Vice President

Sun Three Lakes LLC,
a Michigan limited liability company

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/ Karen Dearing

Name: Karen Dearing

Title: Executive Vice President

Sun Club Naples LLC,
a Michigan limited liability company

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/ Karen Dearing
Name: Karen Dearing
Title: Executive Vice President

Sun Naples Gardens LLC,
a Michigan limited liability company

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/ Karen Dearing
Name: Karen Dearing
Title: Executive Vice President

Sun North Lake Estates LLC,
a Michigan limited liability company

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/ Karen Dearing
Name: Karen Dearing
Title: Executive Vice President

ADMINISTRATIVE AGENT:

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

By: /s/ Shannon Westberg
Name: Shannon Westberg
Title: Senior Vice President

LENDER:

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

By: /s/ Shannon Westberg
Name: Shannon Westberg
Title: Senior Vice President

LENDER:

The PrivateBank and Trust Company,
an Illinois state chartered bank

By: /s/ Stephen A. Anderson

Name: Stephen A. Anderson

Title: Managing Director

GUARANTOR:

Sun Communities Operating Limited Partnership,
a Michigan limited partnership

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

By: /s/ Karen Dearing
Name: Karen Dearing
Title: Executive Vice President

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: October 25, 2012

/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: October 25, 2012

/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, 2012, 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

October 25, 2012

Gary A. Shiffman, Chief Executive Officer

/s/ Karen J. Dearing

October 25, 2012

Karen J. Dearing, Chief Financial Officer

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