# FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2000.

OR

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

COMMISSION FILE NUMBER 1-2616

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

| | |
|---|---|
| Maryland<br>(State of Incorporation) | 38-2730780<br>(I.R.S. Employer Identification No.) |
| 31700 Middlebelt Road<br>Suite 145<br>Farmington Hills, MI<br>(Address of Principal Executive Offices) | 48334<br>(Zip Code) |

Registrant's telephone number, including area code: (248) 932-3100

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 [X] No [ ]

APPLICABLE ONLY TO CORPORATE ISSUERS:

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

17,494,478 shares of Common Stock, $.01 par value as of October 31, 2000

SUN COMMUNITIES, INC.

INDEX

# SUN COMMUNITIES, INC.

## CONSOLIDATED BALANCE SHEETS

SEPTEMBER 30, 2000 AND DECEMBER 31, 1999

(IN THOUSANDS)

| | 2000 | 1999 |
|---|---|---|
| ASSETS | | |
| Investment in rental property, net | $ 785,791 | $ 755,138 |
| Cash and cash equivalents | 21,088 | 11,330 |
| Notes and other receivables | 116,797 | 101,158 |
| Investment in and advances to affiliates | 7,163 | 8,605 |
| Other assets | 32,533 | 27,801 |
| Total assets | $ 963,372 | $ 904,032 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Liabilities: | | |
| Line of credit | $ - | $ 47,000 |
| Debt | 452,884 | 354,564 |
| Accounts payable and accrued expenses | 23,669 | 17,616 |
| Deposits and other liabilities | 8,137 | 8,660 |
| Total liabilities | 484,690 | 427,840 |
| Minority interests | 141,172 | 137,834 |
| Stockholders' equity: | | |
| Preferred stock, $.01 par value, 10,000 shares authorized; no shares issued and outstanding | -- | -- |
| Common stock, $.01 par value, 100,000 shares authorized; 17,502 and 17,459 issued and outstanding in 2000 and 1999, respectively | 175 | 174 |
| Paid-in capital | 393,460 | 393,360 |
| Officers' notes | (11,257) | (11,452) |
| Unearned compensation | (4,967) | (5,459) |
| Distributions in excess of accumulated earnings | (39,901) | (38,265) |
| Total stockholders' equity | 337,510 | 338,358 |
| Total liabilities and stockholders' equity | $ 963,372 | $ 904,032 |

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

SUN COMMUNITIES, INC.

CONSOLIDATED STATEMENTS OF INCOME

FOR THE PERIODS ENDED SEPTEMBER 30, 2000 AND 1999
(IN THOUSANDS EXCEPT FOR PER SHARE DATA)

| | For the Three Months Ended September 30, 2000 | For the Three Months Ended September 30, 1999 | For the Nine Months Ended September 30, 2000 | For the Nine Months Ended September 30, 1999 |
|---|---|---|---|---|
| Revenues: | | | | |
| Income from property | $ 33,141 | $ 31,310 | $ 99,217 | $ 93,251 |
| Other income | 3,872 | 2,823 | 9,893 | 6,643 |
| Total revenues | 37,013 | 34,133 | 109,110 | 99,894 |
| Expenses: | | | | |
| Property operating and maintenance | 7,504 | 7,118 | 21,379 | 20,407 |
| Real estate taxes | 2,300 | 2,255 | 6,818 | 6,666 |
| Property management | 732 | 713 | 2,181 | 1,970 |
| General and administrative | 928 | 890 | 2,980 | 2,752 |
| Depreciation and amortization | 7,846 | 7,277 | 23,070 | 21,294 |
| Interest | 7,503 | 7,153 | 21,656 | 20,413 |
| Total expenses | 26,813 | 25,406 | 78,084 | 73,502 |
| Income before other, net and minority interests | 10,200 | 8,727 | 31,026 | 26,392 |
| Other, net | 4,619 | - | 4,619 | - |
| Income before minority interests | 14,819 | 8,727 | 35,645 | 26,392 |
| Less income allocated to minority interests: | | | | |
| Preferred OP Units | 1,977 | 627 | 5,848 | 1,879 |
| Common OP Units | 1,725 | 1,115 | 4,018 | 3,429 |
| Net income | $ 11,117 | $ 6,985 | $ 25,779 | $ 21,084 |
| Earnings per common share: | | | | |
| Basic | $ 0.64 | $ 0.41 | $ 1.49 | $ 1.23 |
| Diluted | $ 0.64 | $ 0.40 | $ 1.48 | $ 1.21 |
| Weighted average common shares outstanding: | | | | |
| Basic | 17,312 | 17,223 | 17,303 | 17,165 |
| Diluted | 17,404 | 17,400 | 17,394 | 17,326 |
| Distributions declared per common share outstanding | $ 0.53 | $ 0.51 | $ 1.57 | $ 1.02 |

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

SUN COMMUNITIES, INC

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2000 AND 1999
(IN THOUSANDS)

| | 2000 | 1999 |
|---|---|---|
| Cash flows from operating activities: | | |
| Net income | $ 25,779 | $ 21,084 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Income allocated to minority interests | 4,018 | 3,429 |
| Other, net | (4,619) | -- |
| Depreciation and amortization | 23,070 | 21,294 |
| Amortization of deferred financing costs | 658 | 658 |
| Increase in other assets | (6,896) | (9,713) |
| Increase in accounts payable and other liabilities | 5,530 | 6,900 |
| Net cash provided by operating activities | 47,540 | 43,652 |
| Cash flows from investing activities: | | |
| Investment in rental properties | (50,177) | (57,963) |
| Investment in and advances to affiliate | 1,442 | 1,693 |
| Proceeds related to asset sales | 7,720 | 12,534 |
| Investments in notes receivable, net | (15,444) | (24,298) |
| Net cash used in investing activities | (56,459) | (68,034) |
| Cash flows from financing activities: | | |
| Borrowings (repayments) on line of credit, net | (47,000) | 12,000 |
| Proceeds from notes payable | 100,000 | - |
| Repayments on notes payable and other debt | (1,680) | (1,277) |
| Issuance of common stock and operating partnership units, net | 84 | 51,726 |
| Distributions | (31,642) | (30,352) |
| Payments for deferred financing costs | (1,085) | (1,387) |
| Net cash provided by financing activities | 18,677 | 30,710 |
| Net increase and cash equivalents | 9,758 | 6,328 |
| Cash and cash equivalents, beginning of period | 11,330 | 9,646 |
| Cash and cash equivalents, end of period | $ 21,088 | $ 15,974 |
| Supplemental Information: | | |
| Preferred OP Units issued for rental properties | $ 3,564 | $ -- |
| Debt assumed for rental properties | $ -- | $ 1,700 |
| Capitalized lease obligation for rental properties | $ -- | $ 10,605 |

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

SUN COMMUNITIES, INC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION:

These unaudited condensed consolidated financial statements of Sun Communities, Inc., a Maryland corporation, (the "Company"), have been prepared pursuant to the Securities and Exchange Commission ("SEC") rules and regulations and should be read in conjunction with the financial statements and notes thereto of the Company as of December 31, 1999. The following notes to consolidated financial statements present interim disclosures as required by the SEC. The accompanying consolidated financial statements reflect, in the opinion of management, all adjustments necessary for a fair presentation of the interim financial statements. All such adjustments are of a normal and recurring nature. Certain reclassifications have been made to the prior period financial statements to conform with current period presentation.

Sun Communities Operating Limited Partnership (the "Operating Partnership") owns 100 percent of the preferred stock of an affiliate, Sun Home Services, Inc. ("Sun Homes"), is entitled to 95 percent of the operating cash flow of Sun Homes, and accounts for its investment utilizing the equity method of accounting. The common stock of Sun Homes is owned by two officers of the Company and the estate of a former officer of the Company who collectively are entitled to receive 5 percent of the operating cash flow of Sun Homes.

2. RENTAL PROPERTY:

The following summarizes rental property (in thousands):

| | September 30, 2000 | December 31, 1999 |
|---|---|---|
| Land | $ 77,878 | $ 76,069 |
| Land improvements and buildings | 749,750 | 720,662 |
| Furniture, fixtures, equipment | 18,008 | 16,943 |
| Land held for future development | 16,490 | 17,046 |
| Property under development | 35,641 | 16,976 |
| | 897,767 | 847,696 |
| Accumulated depreciation | 111,976 | 92,558 |
| Rental property, net | $ 785,791 | $ 755,138 |

SUN COMMUNITIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3. NOTES AND OTHER RECEIVABLES:

Notes receivable consisted of the following (in thousands):

| | September 30, 2000 | December 31, 1999 |
|---|---|---|
| Mortgage notes receivable with minimum monthly interest payments ranging from 7.0% to LIBOR + 5.0%, maturing from May 2002 June 2012, collateralized by manufactured home through communities | $ 54,615 | $ 23,277 |
| Note receivable, bears interest at LIBOR + 2.35% and payable on demand | 27,560 | 40,794 |
| Note receivable, bears interest at 9.75% and matures September 2005 | 4,000 | 4,000 |
| Installment loans on manufactured homes with interest payable monthly at a weighted average interest rate and maturity of 11% and 21 years, respectively. | 16,886 | 18,635 |
| Other receivables | 13,736 | 14,452 |
| | $ 116,797 | $ 101,158 |

Officers' notes which are presented in stockholders' equity are 10 year, LIBOR + 1.75% notes, with a minimum and maximum interest rate of 6% and 9%, respectively, collateralized by 366,206 shares of the Company's common stock and 127,794 OP Units with substantial personal recourse.

SUN COMMUNITIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4. DEBT:

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

| | September 30, 2000 | December 31, 1999 |
|---|---|---|
| Collateralized term loan, interest at 7.01%, due September 9, 2007 | $ 43,530 | $ 43,927 |
| Senior notes, interest at 8.20%, due August 15, 2008 | 100,000 | - |
| Senior notes, interest at 7.375%, due May 1, 2001 | 65,000 | 65,000 |
| Senior notes, interest at 7.625%, due May 1, 2003 | 85,000 | 85,000 |
| Senior notes, interest at 6.97%, due December 3, 2007 | 35,000 | 35,000 |
| Callable/redeemable notes, interest at 6.77%, due May 14, 2015, callable/redeemable May 16, 2005 | 65,000 | 65,000 |
| Capitalized lease obligations, interest ranging from 5.5% to 6.3%, due June 2001 through January 2004 | 36,169 | 36,620 |
| Mortgage notes, other | 23,185 | 24,017 |
| | $ 452,884 | $ 354,564 |

The Company had its entire $125 million line of credit in available borrowings at September 30, 2000. Borrowings under the line of credit bear interest at the rate of LIBOR plus 1.0% and mature January 1, 2003.

5. OTHER INCOME:

The components of other income are as follows for the periods ended September 30, 2000 and 1999. (in thousands):

| | For the Three Months Ended September 30, 2000 | 1999 | For the Nine Months Ended September 30, 2000 | 1999 |
|---|---|---|---|---|
| Income from affiliate | $ 167 | $ 768 | $ 259 | $ 1,618 |
| Development fee income | 983 | 250 | 1,742 | 250 |
| Other income, principally interest | 2,722 | 1,805 | 7,892 | 4,775 |
| | $ 3,872 | $ 2,823 | $ 9,893 | $ 6,643 |

The $4.6 million gain included in other, net primarily relates to proceeds from the condemnation of certain land in two communities by the state transportation department.

SUN COMMUNITIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6. EARNINGS PER SHARE (IN THOUSANDS):

| | For the Three Months Ended September 30, 2000 | 1999 | For the Nine Months Ended September 30, 2000 | 1999 |
|---|---|---|---|---|
| Earnings used for basic and diluted earnings per share computation | $ 11,117 | $ 6,985 | $ 25,779 | $ 21,084 |
| Total shares used for basic earnings per share | 17,312 | 17,223 | 17,303 | 17,165 |
| Dilutive securities, principally stock options | 92 | 177 | 91 | 161 |
| Total shares used for diluted earnings per share computation | 17,404 | 17,400 | 17,394 | 17,326 |

Diluted earnings per share reflect the potential dilution that would occur if securities were exercised or converted into common stock. Convertible Preferred OP Units are excluded from the computations as their inclusion would have an antidilutive effect on earnings per share in 2000 and 1999.

SUN COMMUNITIES, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF

FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

The following discussion and analysis of the consolidated financial condition and results of operations should be read in conjunction with the consolidated financial statements and the notes thereto.

RESULTS OF OPERATIONS

Comparison of the nine months ended September 30, 2000 and 1999

For the nine months ended September 30, 2000, income before other, net and minority interests increased by 17.6 percent from $26.4 million to $31.0 million, when compared to the nine months ended September 30, 1999. The increase was due to increased revenues of $9.2 million while expenses increased by $4.6 million.

Income from property increased by $6.0 million from $93.2 million to $99.2 million, or 6.4 percent, due primarily to rent increases and other community revenues ($4.5 million), lease up of manufactured home sites including new developments ($2.5 million), and acquisitions ($2.5 million), offset by a revenue reduction of $3.5 million due to the sale of four communities during 1999.

Other income increased by $3.3 million from $6.6 million to $9.9 million due primarily to an increase in interest income from notes receivable ($2.7 million) and development fee income ($1.5 million) offset by a $1.3 million reduction in income from affiliate.

Property operating and maintenance expenses increased by $1.0 million from $20.4 million to $21.4 million, or 4.8 percent, due primarily to acquisitions.

Real estate taxes increased by $0.1 million from $6.7 million to $6.8 million due primarily to acquisitions.

Property management expenses increased by $0.2 million from $2.0 million to $2.2 million representing 2.2 percent and 2.1 percent of income from property in 2000 and 1999, respectively.

General and administrative expenses increased by $0.2 million from $2.8 million to $3.0 million, representing 2.7 percent of total revenues in 2000 and 1999.

Earnings before interest, taxes, depreciation and amortization ("EBITDA" defined as total revenues less property operating and maintenance, real estate taxes, property management and general and administrative expenses) increased by $7.6 million from $68.1 million to $75.7 million. EBITDA as a percent of revenues increased to 69.4 percent in 2000 compared to 68.2 percent in 1999.

Depreciation and amortization increased by $1.8 million from $21.3 million to $23.1 million, or 8.3 percent, due primarily to acquisitions and development of communities in 2000 and 1999.

Interest expense increased by $1.2 million from $20.4 million to $21.6 million, or 6.1 percent, due primarily to additional investments in rental property and notes receivable.

The $4.6 million gain included in other, net primarily relates to proceeds from the condemnation of certain land in two communities by the state transportation department.

SUN COMMUNITIES, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF

FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS, CONTINUED

Comparison of the three months ended September 30, 2000 and 1999

For the three months ended September 30, 2000, income before other, net and minority interests increased by 16.9 percent from $8.7 million to $10.2 million, when compared to the three months ended September 30, 1999. The increase was due to increased revenues of $2.9 million while expenses increased by $1.4 million.

Income from property increased by $1.8 million from $31.3 million to $33.1 million, or 5.8 percent, due primarily to rent increases and other community revenues ($1.3 million), acquisitions ($1.0 million) and lease up of manufactured home sites including new developments ($0.6 million), offset by a revenue reduction of $1.1 million due to the sale of four communities during 1999.

Other income increased by $1.1 million from $2.8 million to $3.9 million due primarily to an increase in interest income from notes receivable ($0.7 million) and development fee income ($0.7 million) offset by a $0.6 million reduction in income from affiliate.

Property operating and maintenance expenses increased by $0.4 million from $7.1 million to $7.5 million, or 5.4 percent, due primarily to acquisitions.

Real estate taxes remained constant at $2.3 million.

Property management expenses remained constant at $0.7 million representing 2.2 percent and 2.3 percent of income from property in 2000 and 1999, respectively.

General and administrative expenses remained constant at $0.9 million, representing 2.5 percent and 2.6 percent of total revenues in 2000 and 1999, respectively.

EBITDA increased by $2.4 million from $23.1 million to $25.5 million. EBITDA as a percent of revenues increased to 69.0 percent in 2000 compared to 67.8 percent in 1999.

Depreciation and amortization increased by $0.6 million from $7.3 million to $7.9 million, or 7.8 percent, due primarily to acquisitions and development of communities in 2000 and 1999.

Interest expense increased by $0.3 million from $7.2 million to $7.5 million, or 4.9 percent, due primarily to additional investments in rental property and notes receivable.

The $4.6 million gain included in other, net primarily relates to proceeds from the condemnation of certain land in two communities by the state transportation department.

SUN COMMUNITIES, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF

FINANCIAL CONDITION AND RESULTS OF OPERATIONS

SAME PROPERTY INFORMATION

The following table reflects property-level financial information as of and for the nine months ended September 30, 2000 and 1999. The "Same Property" data represents information regarding the operation of communities owned as of January 1, 1999 and September 30, 2000. Site, occupancy, and rent data for those communities is presented as of the last day of each period presented. The total portfolio column differentiates from the same property column by including financial information for managed but not owned communities, recreational vehicle communities, new development and acquisition communities and income related to dealer and manufacturer agreements.

| | SAME PROPERTY | | TOTAL PORTFOLIO | |
|---|---|---|---|---|
| | 2000 | 1999 | 2000 | 1999 |
| Income from property | $ 74,946 | $ 71,169 | $ 99,217 | $ 93,251 |
| Property operating expenses: | | | | |
| Property operating and maintenance | 13,708 | 13,162 | 21,379 | 20,407 |
| Real estate taxes | 5,805 | 5,328 | 6,818 | 6,666 |
| Property operating expenses | 19,513 | 18,490 | 28,197 | 27,073 |
| Property EBITDA | $ 55,433 | $ 52,679 | $ 71,020 | $ 66,178 |
| Number of operating properties | 88 | 88 | 113 | 110 |
| Developed sites | 30,119 | 29,764 | 39,340 | 39,336 |
| Occupied sites | 28,662 | 28,392 | 36,546 | 36,325 |
| Occupancy % | 95.2% | 95.4% | 95.0%(1) | 94.7%(1) |
| Weighted average monthly rent per site | $ 289 | $ 277 | $ 287(1) | $ 276(1) |
| Sites available for development | 1,595 | 1,854 | 5,481 | 6,500 |
| Sites planned for development in current year | 59 | 299 | 522 | 550 |

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

On a same property basis, property revenues increased by $3.8 million from $71.2 million to $75.0 million, or 5.3 percent, due primarily to increases in rents and occupancy related charges including water and property tax pass through. Also contributing to revenue growth was the increase of 270 leased sites at September 30, 2000 compared to September 30, 1999.

Property operating expenses increased by $1.0 million from $18.5 million to $19.5 million or 5.5 percent, due to increased occupancies and costs. Property EBITDA increased by $2.7 million from $52.7 million to $55.4 million, or 5.2 percent.

SUN COMMUNITIES, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF

FINANCIAL CONDITION AND RESULTS OF OPERATIONS

LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents increased by $9.8 million to $21.1 million at September 30, 2000 compared to $11.3 million at December 31, 1999 because cash provided by operating and financing activities exceeded cash used in investing activities.

Net cash provided by operating activities increased by $3.9 million to $47.5 million for the nine months ended September 30, 2000 compared to $43.6 million for the same period in 1999. This increase was primarily due to a $2.5 million increase in income before other, net, minority interests and depreciation and amortization and a $2.8 million change in other assets offset by a $1.4 million change in accounts payable and other liabilities.

Net cash used in investing activities decreased by $11.6 million to $56.4 million from $68.0 million primarily due to a $8.8 million decrease in investments in notes receivable, net and a $7.8 million decrease in investment in rental properties, offset by a $4.8 million reduction of proceeds related to asset sales.

Net cash provided by financing activities decreased by $12.0 million to $18.7 million for the nine months ended September 30, 2000 compared to $30.7 million for the same period in 1999. This decrease was primarily because of a $59.0 million reduction in borrowings on the line of credit, a $51.6 million reduction in proceeds from common stock and Operating Partnership units and a $1.3 million increase in distributions offset by proceeds of $100 million received from the August 2000 issuance of senior notes which bear interest at 8.2% and mature August 15, 2008..

The Company expects to meet its short-term liquidity requirements generally through its working capital provided by operating activities. The Company expects to meet certain long-term liquidity requirements such as scheduled debt maturities and property acquisitions through the issuance of equity or debt securities, or interests in the Operating Partnership. The Company considers these sources to be adequate and anticipates they will continue to be adequate to meet operating requirements, capital improvements, investment in development, and payment of distributions by the Company in accordance with REIT requirements in both the short and long term. The Company may also meet these short-term and long-term requirements by utilizing its $125 million line of credit which bears interest at LIBOR plus 1.0% and is due January 1, 2003. See "Special Note Regarding Forward-Looking Statements."

The terms of $35.8 million of Convertible Preferred Operating Partnership Units were renegotiated in the first quarter of 2000. The conversion price increased from $27 to $36 and the coupon raised from 7% to 9% with equal serialized maturities in January 2003, 2004, 2005 and 2007.

At September 30, 2000, the Company's debt to total market capitalization ratio approximated 37.2% (assuming conversion of all Common and Preferred OP Units into shares of common stock). The debt has a weighted average maturity of approximately 6.3 years and a weighted average interest rate of 7.35%.

Recurring capital expenditures approximated $3.2 million for the nine months ended September 30, 2000.

SUN COMMUNITIES, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF

FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OTHER

Funds from operations ("FFO") is defined by the National Association of Real Estate Investment Trusts ("NAREIT") as "net income (computed in accordance with generally accepted accounting principles) excluding gains (or losses) from debt restructuring and sales of property, plus depreciation and amortization, and after adjustments for unconsolidated partnerships and joint ventures." Industry analysts consider FFO to be an appropriate supplemental measure of the operating performance of an equity REIT primarily because the computation of FFO excludes historical cost depreciation as an expense and thereby facilitates the comparison of REITs which have different cost bases in their assets. Historical cost accounting for real estate assets implicitly assumes that the value of real estate assets diminishes predictably over time, whereas real estate values have instead historically risen or fallen based upon market conditions. FFO does not represent cash flow from operations as defined by generally accepted accounting principles and is a supplemental measure of performance that does not replace net income as a measure of performance or net cash provided by operating activities as a measure of liquidity. In addition, FFO is not intended as a measure of a REIT's ability to meet debt principal repayments and other cash requirements, nor as a measure of working capital. The following table calculates FFO and FFO per share for both basic and diluted purposes for the periods ended September 30, 2000 and 1999 (in thousands):

| | For the Three Months Ended September 30, | | For the Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2000 | 1999 | 2000 | 1999 |
| Net income | $ 11,117 | $ 6,985 | $ 25,779 | $ 21,084 |
| Deduct Other, net | (4,619) | - | (4,619) | - |
| Add: | | | | |
| Minority interest in earnings to common OP Unit holders | 1,725 | 1,115 | 4,018 | 3,429 |
| Depreciation and amortization, net of corporate office depreciation | 7,766 | 7,217 | 22,860 | 21,114 |
| Funds from operations - basic | 15,989 | 15,317 | 48,038 | 45,627 |
| Deduct distributions on Convertible preferred OP Units | - | 626 | - | 1,878 |
| Funds from operations - diluted | $ 15,989 | $ 15,943 | $ 48,038 | $ 47,505 |
| Weighted average common shares and OP Units outstanding for basic FFO per share/unit | 19,998 | 19,971 | 20,001 | 19,957 |
| Dilutive securities: | | | | |
| Stock options and awards | 92 | 177 | 91 | 161 |
| Convertible preferred OP Units | -- | 1,202 | -- | 1,220 |
| Weighted average common shares and OP Units outstanding for diluted FFO per share/unit | 20,090 | 21,350 | 20,092 | 21,338 |
| FFO, per share/unit: | | | | |
| Basic | $ 0.80 | $ 0.77 | $ 2.40 | $ 2.29 |
| Diluted | $ 0.80 | $ 0.75 | $ 2.39 | $ 2.23 |

SUN COMMUNITIES, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF

FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OTHER CONTINUED:
Year 2000 Update

In February 2000, the Company officially concluded its Year 2000 compliance program as no events had occurred that significantly affected either the Company's operation or its financial statements.

Special Note Regarding Forward-Looking Statements

This Form 10-Q contains various "forward-looking statements" within the meaning of the Securities Act of 1933 and the Securities Exchange Act of 1934, and the Company intends that such forward-looking statements be subject to the safe harbors created thereby. The words "may", "will", "expect", "believe", "anticipate", "should", "estimate", and similar expressions identify forward-looking statements. These forward-looking statements reflect the Company's current views with respect to future events and financial performance, but are based upon current assumptions regarding the Company's operations, future results and prospects, and are subject to many uncertainties and factors relating to the Company's operations and business environment which may cause the actual results of the Company to be materially different from any future results expressed or implied by such forward-looking statements. Such uncertainties and factors include the ability of manufactured home buyers to obtain financing, the level of repossessions by manufactured home lenders, and those referenced in the section entitled "Risk Factors" of the Company's Registration Statement on Form S-3 filed with the Securities and Exchange Commission on February 15, 2000.

Such factors include, but are not limited to, the following: (i) changes in the general economic climate; (ii) increased competition in the geographic areas in which the Company owns and operates manufactured housing communities; (iii) changes in government laws and regulations affecting manufactured housing communities; (iv) the ability of manufactured home buyers to obtain financing; (v) the level of repossessions by manufactured home lenders; and (vi) the ability of the Company to continue to identify, negotiate and acquire manufactured housing communities and/or vacant land which may be developed into manufactured housing communities on terms favorable to the Company. The Company undertakes no obligation to publicly update or revise any forward-looking statements whether as a result of new information, future events, or otherwise.

Recent Accounting Pronouncements
In December 1999, the Securities and Exchange Commission staff issued Staff Accounting Bulletin No. 101 "Revenue Recognition in Financial Statements" ("SAB 101"). This statement represents guidance and interpretations of basic principles of revenue recognition in existing generally accepted accounting principles (GAAP). As amended, SAB 101 should be implemented no later than fourth quarter of fiscal years beginning after December 15, 1999. The Company is in the process of evaluating the effect of SAB 101 but does not expect a financial impact.

SUN COMMUNITIES, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF

FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OTHER CONTINUED:

Recent Accounting Pronouncements, continued

In June 1998, FASB issued SFAS No. 133 "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133"). This statement establishes accounting and reporting standards for derivative instruments including certain derivative instruments embedded in other contracts, (collectively referred to as derivatives) and for hedging activities. This statement will be effective January 1, 2001. There is no effect from the application of SFAS 133 on the earnings and financial position of the Company as the Company had no derivative instruments at September 30, 2000 and December 31, 1999.

SUN COMMUNITIES, INC.

PART II

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

| EXHIBIT NO. | DESCRIPTION |
|---|---|
| 27 | Financial Data Schedule |

ITEM 6.(B) - REPORTS ON FORM 8-K

On August 16, 2000, Sun Communities Operating Limited Partnership filed a Form 8-K reporting its issuance of $100 million aggregate principal amount of 8.20% Medium-Term Notes due August 15, 2008.

SUN COMMUNITIES, INC.

SIGNATURES

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

Dated: November 13, 2000

SUN COMMUNITIES, INC.

BY: /s/ Jeffrey P. Jorissen
--------------------------------------------------
Jeffrey P. Jorissen, Chief Financial Officer
and Secretary

SUN COMMUNITIES, INC.
EXHIBIT INDEX

| EXHIBIT NO. | DESCRIPTION | FILED HEREWITH | PAGE NUMBER HEREIN |
|---|---|---|---|
| 27 | Financial Data Schedule | X | |

5
1,000

9-MOS
DEC-31-2000
JAN-01-2000
SEP-30-2000
21,088
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