

BHP BILLITON LTD
Form 6-K
September 18, 2012

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 6-K

REPORT OF FOREIGN PRIVATE ISSUER
PURSUANT TO RULE 13a-16 OR 15d-16
UNDER THE SECURITIES EXCHANGE ACT OF 1934

September 18 2012

BHP BILLITON LIMITED

(ABN 49 004 028 077)
(Exact name of Registrant as specified in its charter)

VICTORIA, AUSTRALIA
(Jurisdiction of incorporation or organisation)

180 LONSDALE STREET, MELBOURNE,

VICTORIA

3000 AUSTRALIA
(Address of principal executive offices)

BHP BILLITON PLC

(REG. NO. 3196209)
(Exact name of Registrant as specified in its charter)

ENGLAND AND WALES
(Jurisdiction of incorporation or organisation)

NEATHOUSE PLACE, VICTORIA, LONDON,

UNITED KINGDOM
(Address of principal executive offices)

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Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F: Form 20-F Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934: Yes No

If Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): n/a

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.

BHP Billiton Limited and BHP Billiton Plc

Date: September 18 2012

By: /s/ Jane McAloon
Name: Jane McAloon
Title: Group Company Secretary

iv style="text-align:left;font-size:10pt;">Total comprehensive income (loss)

6,059

(231
)

17,781

9,240

Less: Comprehensive income (loss) attributable to the noncontrolling interests

(20
)

(206
)

439

529

Comprehensive income (loss) attributable to Sun Communities, Inc.

\$
6,079

\$
(25
)

\$
17,342

\$
8,711

See accompanying Notes to Consolidated Financial Statements.

SUN COMMUNITIES, INC.
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2013
(Unaudited - dollars in thousands)

	7.125% Series A Cumulative Redeemable Preferred Stock	Common Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Distributions in Excess of Accumulated Earnings	Non-controlling Interests	Total Stockholders' Equity
Balance as of December 31, 2012	\$ 34	\$ 298	\$ 876,620	\$ (696)	\$ (683,734)	\$ 20,468	\$ 212,990
Issuance of common stock from exercise of options, net	—	—	201	—	—	—	201
Issuance and associated costs of common stock, net	—	63	261,717	—	—	—	261,780
Issuance of preferred OP units	—	—	—	—	—	3,463	3,463
Share-based compensation - amortization and forfeitures	—	—	2,087	—	89	—	2,176
Net income	—	—	—	—	17,100	415	17,515
Unrealized gain on interest rate swaps	—	—	—	242	—	24	266
Distributions	—	—	—	—	(72,652)	(6,043)	(78,695)
Balance as of September 30, 2013	\$ 34	\$ 361	\$ 1,140,625	\$ (454)	\$ (739,197)	\$ 18,327	\$ 419,696

See accompanying Notes to Consolidated Financial Statements.

SUN COMMUNITIES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited - dollars in thousands)

	Nine Months Ended September 30,	
	2013	2012
OPERATING ACTIVITIES:		
Net income	\$ 17,515	\$ 8,597
Adjustments to reconcile net income to net cash provided by operating activities:		
Gain from dispositions	(761	) (87
Gain on valuation of derivative instruments	—	(4
Stock compensation expense	2,176	1,070
Depreciation and amortization	75,070	61,144
Amortization of deferred financing costs	2,212	1,252
Distributions from affiliate	(1,550	) (3,250
Change in notes receivable from financed sales of inventory homes, net of repayments	(10,089	) (6,466
Change in inventory, other assets and other receivables, net	7,406	1,892
Change in other liabilities	2,347	(6,221
NET CASH PROVIDED BY OPERATING ACTIVITIES	94,326	57,927
INVESTING ACTIVITIES:		
Investment in properties	(140,681	) (90,331
Acquisitions	(82,718	) (59,734
Investment in note receivable of acquired properties	(49,441) —
Proceeds related to affiliate dividend distribution	1,550	3,250
Proceeds related to disposition of land	—	172
Proceeds related to disposition of assets and depreciated homes, net	757	1,355
Decrease (increase) in notes receivable, net	224	(6,054
NET CASH USED IN INVESTING ACTIVITIES	(270,309	) (151,342
FINANCING ACTIVITIES:		
Issuance and associated costs of common stock, OP units, and preferred OP units, net	261,780	300,793
Net proceeds from stock option exercise	201	149
Distributions to stockholders, OP unit holders, and preferred OP unit holders	(74,185	) (52,928
Payments to retire preferred operating partnership units	(300) —
Borrowings on lines of credit	260,248	149,511
Payments on lines of credit	(235,264	) (275,557
Proceeds from issuance of other debt	24,368	83,427
Payments on other debt	(82,668	) (77,804
Payments for deferred financing costs	(2,750	) (1,309
NET CASH PROVIDED BY FINANCING ACTIVITIES	151,430	126,282
Net (decrease) increase in cash and cash equivalents	(24,553	) 32,867
Cash and cash equivalents, beginning of period	29,508	5,857
Cash and cash equivalents, end of period	\$ 4,955	\$ 38,724
SUPPLEMENTAL INFORMATION:		
Cash paid for interest (net of capitalized interest of \$424 and \$0, respectively)	\$ 44,595	\$ 42,834
Cash paid for interest on mandatorily redeemable debt	\$ 2,430	\$ 2,499
Cash paid for state income taxes	\$ 158	\$ 320
Noncash investing and financing activities:		
Unrealized gain on interest rate swaps	\$ 266	\$ 643
Reduction in secured borrowing balance	\$ 11,534	\$ 9,246
Change in dividends declared and outstanding	\$ 4,510	\$ 4,814

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Noncash investing and financing activities at the date of acquisition:

Acquisitions - A-3 preferred OP units issued	\$3,463	\$—
Acquisitions - release of note receivable and accrued interest	\$49,441	\$—

See accompanying Notes to Consolidated Financial Statements.

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

1. Basis of Presentation

The 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 rules and regulations of the Securities and Exchange Commission (“SEC”) for interim financial information 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. The accompanying consolidated financial statements reflect, in the opinion of management, all adjustments, including adjustments of a normal and recurring nature, necessary for a fair presentation of the interim financial statements. Certain reclassifications have been made to prior periods’ financial statements in order to conform to current period presentation.

The results of operations for interim periods are not necessarily indicative of results that may be expected for any other interim period or for the full year. These interim consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2012 as filed with the SEC on February 25, 2013 and amended on February 27, 2013 (the “2012 Annual Report”). These statements have been prepared on a basis that is substantially consistent with the accounting principles applied in our 2012 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.

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

2. Real Estate Acquisitions

During the second quarter of 2013, we acquired Big Timber Lake RV Resort ("Big Timber Lake"), a recreational vehicle ("RV") community with approximately 528 sites located in Cape May, New Jersey, and Jellystone RV Resort ("Jellystone"), an RV community with approximately 299 sites located in North Java, New York.

During the first quarter of 2013, we acquired ten RV communities from Gwynns Island RV Resort LLC, Indian Creek RV Resort LLC, Lake Laurie RV Resort LLC, Newpoint RV Resort LLC, Peters Pond RV Resort Inc., Seaport LLC, Virginia Tent LLC, Wagon Wheel Maine LLC, Westward Ho RV Resort LLC and Wild Acres LLC (collectively, "Morgan RV Properties"), with approximately 3,700 sites located in Ohio, Virginia, Maine, Massachusetts, Connecticut, New Jersey and Wisconsin. In connection with the acquisition, we also recorded a contingent asset of \$10.0 million as of the acquisition date which resulted from a covenant made by the seller in the Second Amendment to Omnibus Agreement related to the 2012 revenue of the acquired properties. The contingent asset was estimated using a probability weighted model of the potential shortfall in the 2012 revenue from that represented by the seller and is recorded at its estimated fair value in notes and other receivables.

The following tables summarize the amounts of the assets acquired and liabilities assumed recognized at the acquisition dates and the consideration paid for acquisitions completed in 2013 (in thousands):

At Acquisition Date	Morgan RV Properties	Jellystone	Big Timber Lake	Total
Investment in property	\$95,145	\$8,264	\$21,548	\$124,957
Inventory of manufactured homes	4,253	1,490	350	6,093
Notes and other receivables	10,000	—	—	10,000
In-place leases and other intangible assets	2,664	390	580	3,634
Other assets	157	7	48	212
Below market leases	—	—	(3,490)	(3,490)
Other liabilities	(3,697)	(930)	(1,157)	(5,784)
Total identifiable assets and liabilities assumed	\$108,522	\$9,221	\$17,879	\$135,622
Consideration				
Cash	\$55,618	\$9,221	\$17,879	\$82,718
Series A-3 preferred OP units	3,463	—	—	3,463
Extinguishment of note receivable	49,441	—	—	49,441
Fair value of total consideration transferred	\$108,522	\$9,221	\$17,879	\$135,622

The purchase price allocations for Morgan RV Properties, Jellystone and Big Timber Lake are preliminary and may be adjusted as final costs and final valuations are determined.

The amount of revenue and net income included in the consolidated statements of operations for the the three and nine months ended September 30, 2013 for all acquisitions described above is set forth in the following table (in thousands):

	Three Months Ended September 30, 2013 (unaudited)	Nine Months Ended September 30, 2013
Revenue	\$7,598	\$11,734

Net income	\$2,021	\$2,866
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SUN COMMUNITIES, INC.
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 (Unaudited)

2. Real Estate Acquisitions, continued

The following unaudited pro forma financial information presents the results of our operations for the three and nine months ended September 30, 2013 and 2012 as if the properties were acquired on January 1, 2012. The unaudited pro forma results reflect certain adjustments for items that are not expected to have a continuing impact, such as adjustments for acquisition costs incurred, management fees and purchase accounting. The information presented below has been prepared for comparative purposes only and does not purport to be indicative of either future results of operations or the results of operations that would have actually occurred had the acquisitions been consummated on January 1, 2012 (in thousands, except per-share data).

	Three Months Ended September 30, (unaudited)		Nine Months Ended September 30,	
	2013	2012	2013	2012
Total revenues	\$103,838	\$90,515	\$314,029	\$264,055
Net income attributable to Sun Communities, Inc. shareholders	\$4,137	\$4,294	\$14,427	\$14,294
Net income per share attributable to Sun Communities, Inc. shareholders - basic	\$0.11	\$0.16	\$0.42	\$0.54
Net income per share attributable to Sun Communities, Inc. shareholders - diluted	\$0.11	\$0.16	\$0.42	\$0.54

Acquisition related costs of approximately \$0.6 million and \$0.8 million and \$2.8 million and \$1.4 million have been incurred for the three and nine months ended September 30, 2013 and 2012, respectively, and are presented as "Acquisition related costs" in our consolidated statements of operations.

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

3. Investment Property

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

	September 30, 2013	December 31, 2012
Land	\$191,589	\$178,993
Land improvements and buildings	1,752,996	1,608,825
Rental homes and improvements	375,296	305,838
Furniture, fixtures, and equipment	60,139	54,354
Land held for future development	29,521	29,295
Investment property	2,409,541	2,177,305
Accumulated depreciation	(714,224	) (659,169
Investment property, net	\$1,695,317	\$1,518,136

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

See Note 2, "Real Estate Acquisitions", 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 under which we received 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. 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 9) within the consolidated balance sheets. The balance of the collateralized receivables was \$106.5 million (net of allowance of \$0.7 million) and \$93.8 million (net of allowance of \$0.6 million) as of September 30, 2013 and December 31, 2012, respectively. The outstanding balance on the secured borrowing was \$107.2 million and \$94.4 million as of September 30, 2013 and December 31, 2012, 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 September 30, 2013	
Beginning balance	\$94,409	
Financed sales of manufactured homes	24,368	
Principal payments and payoffs from our customers	(4,834)
Principal reduction from repurchased homes	(6,700)
Total activity	12,834	
Ending balance	\$107,243	

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 \$2.7 million and \$2.4 million and \$7.7 million and \$6.8 million for the three and nine months ended September 30, 2013 and 2012, 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):

	September 30, 2013	December 31, 2012
Installment notes receivable on manufactured homes, net	\$24,605	\$21,898
Collateralized receivables, net (see Note 4)	106,566	93,834
Other receivables, net	39,413	24,118
Total notes and other receivables, net	\$170,584	\$139,850

Installment Notes Receivable on Manufactured Homes

The installment notes of \$24.6 million (net of allowance of \$0.1 million) and \$21.9 million (net of allowance of 0.1 million) as of September 30, 2013 and December 31, 2012, 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. The notes have a net weighted average interest rate and maturity of 8.9 percent and 11.9 years as of September 30, 2013, and 8.6 percent and 11.0 years as of December 31, 2012.

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

	Nine Months Ended September 30, 2013
Beginning balance	\$22,019
Financed sales of manufactured homes	6,354
Principal payments and payoffs from our customers	(2,962))
Principal reduction from repossessed homes	(675))
Total activity	2,717
Ending balance	\$24,736

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 \$106.5 million (net of allowance of \$0.7 million) and \$93.8 million (net of allowance of \$0.6 million) as of September 30, 2013 and December 31, 2012, respectively. The receivables have a net weighted average interest rate and maturity of 10.7 percent and 13.5 years as of September 30, 2013, and 11.0 percent and 13.2 years as of December 31, 2012.

In January 2013, we entered into an agreement with Talmer Bank under which we may refer purchasers of homes in our communities to Talmer Bank to obtain loans to finance their home purchases. We do not receive referral fees or other cash compensation under the agreement. If Talmer Bank makes loans to purchasers referred by us under the agreement, and those purchasers default on their loans and Talmer Bank repossesses the homes securing such loans, we have agreed to purchase from Talmer Bank each such repossessed home for a price equal to 100% of the amount under each such loan, subject to certain adjustments; provided that the maximum outstanding principal amount of the loans subject to the agreement may not exceed \$10.0 million. In addition, we have agreed to waive all site rent that

would otherwise be due from Talmer Bank so long as it owns any homes on which loans were made pursuant to the agreement. The agreement expires November 1, 2013, but may be extended by mutual agreement of Talmer Bank and us. As of September 30, 2013, there have been no transactions under the agreement.

Each of Robert H. Naftaly and Arthur A. Weiss, who serve on our board of directors, is also a director of each of Talmer Bancorp, Inc. and its primary operating subsidiary, Talmer Bank. Each of Mr. Naftaly, Mr. Weiss, and Gary A. Shiffman, our Chairman of the Board, President and Chief Executive Officer, also owns less than one percent of Talmer Bancorp, Inc.'s common stock and may have a conflict of interest with respect to his obligations as our officer and/or director and his capacity as a shareholder and/or director of Talmer Bancorp, Inc. and Talmer Bank.

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

5. Notes and Other Receivables, continued

Allowance for Losses for Collateralized and Installment Notes Receivable

The following table sets forth the allowance for collateralized and installment notes receivable as of September 30, 2013 (in thousands).

	Nine Months Ended September 30, 2013
Beginning balance	\$(697)
Lower of cost or market write-downs	322
Increase to reserve balance	(433)
Total activity	(111)
Ending balance	\$(808)

Other Receivables

As of September 30, 2013, other receivables were comprised of amounts due from residents for rent and water and sewer usage of \$8.0 million (net of allowance of \$0.6 million), home sale proceeds of \$6.3 million, insurance receivables of \$2.5 million, insurance settlement of \$3.7 million, rebates and other receivables of \$3.6 million, a contingent asset of \$10.0 million (see Note 2, "Real Estate Acquisitions") and a note receivable of \$5.3 million. The note bears interest at LIBOR plus 475 basis points, is secured by senior mortgages on two RV communities, a pledge of \$4.0 million in Series A-3 Preferred OP Units, a subordinated interest in cash collateral account and equity interests in another RV community and is due on May 31, 2014. As of December 31, 2012, other receivables were comprised of amounts due from residents for rent and water and sewer usage of \$4.1 million (net of allowance of \$0.5 million), home sale proceeds of \$6.1 million, insurance receivables of \$1.7 million, insurance settlement of \$3.7 million, note receivable of \$5.0 million, and rebates and other receivables of \$3.5 million.

6. Intangibles

Our intangible assets include 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 \$39.0 million and \$35.3 million at September 30, 2013 and December 31, 2012, respectively. The accumulated amortization is \$13.8 million and \$11.8 million at September 30, 2013 and December 31, 2012, respectively. Aggregate net amortization expense related to intangible assets was \$1.2 million and \$0.7 million and \$3.6 million and \$2.2 million for the three and nine months ended September 30, 2013 and 2012, respectively.

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

7. Investment in Affiliates

Origen Financial Services, LLC (“OFS LLC”)

At September 30, 2013 and 2012, 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 dividends on our shares of Origen common stock. Per Origen's earnings release dated August 29, 2013, the dividend payment represented a return of capital. Our investment in Origen had a market value of approximately \$5.8 million based on a quoted market closing price of \$1.15 per share from the OTC Pink Marketplace as of September 30, 2013.

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

	Three Months Ended September 30, (unaudited)		Nine Months Ended September 30,	
	2013	2012	2013	2012
Revenues	\$ 12,079	\$ 14,228	\$ 37,959	\$ 50,608
Expenses	(13,123)	(16,619)	(40,683)	(52,427)
Net loss	\$(1,044)	\$(2,391)	\$(2,724)	\$(1,819)

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

8. Consolidated Variable Interest Entities

Variable interest entities ("VIEs") that are consolidated include Rudgate Village SPE, LLC, Rudgate Clinton SPE, LLC and Rudgate Clinton Estates SPE, LLC (the "Rudgate Borrowers"). We concluded that the Rudgate Borrowers qualify as VIEs as we are the primary beneficiary and hold a controlling financial interest in these entities due to our power to direct the activities that most significantly impact the economic performance of the entities, as well as our obligation to absorb the most significant losses and our rights to receive significant benefits from these entities. As such, the transactions and accounts of these VIEs are included in the accompanying consolidated financial statements.

The following table summarizes the assets and liabilities included in our consolidated balance sheet after appropriate eliminations (in thousands):

	September 30, 2013	December 31, 2012
ASSETS		
Investment property, net	\$56,326	\$56,326
Other assets	3,882	4,598
Total Assets	\$60,208	\$60,924
LIABILITIES AND STOCKHOLDERS' EQUITY		
Debt	\$45,386	\$45,900
Other liabilities	5,012	1,773
Noncontrolling interests	(920)	(508)
Total Liabilities and Stockholders' Equity	\$49,478	\$47,165

Investment property, net and other assets related to the consolidated VIEs comprised approximately 3.1 percent and 3.5 percent of our consolidated total assets and debt and other liabilities comprised approximately 3.3 percent and 3.1 percent of our consolidated total liabilities at September 30, 2013 and December 31, 2012, respectively.

Noncontrolling interest related to the consolidated VIEs comprised less than 1.0 percent of our consolidated total equity at September 30, 2013 and December 31, 2012.

9. 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, 2013	December 31, 2012	September 30, 2013	December 31, 2012	September 30, 2013	December 31, 2012	
Collateralized term loans - CMBS	\$682,368	\$725,951	4.1	4.5	5.4	% 5.2	%
Collateralized term loans - FNMA	366,917	369,810	9.6	10.3	3.6	% 3.8	%
Aspen and Series B-3 preferred OP Units	47,022	47,322	7.9	8.4	6.9	% 6.9	%
Secured borrowing (see Note 4)	107,243	94,409	13.4	12.8	10.7	% 11.0	%
Mortgage notes, other	149,898	186,228	6.0	6.2	4.6	% 4.3	%

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Total debt	\$1,353,448	\$ 1,423,720	6.5	6.8	5.3	% 5.2	%
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Collateralized Term Loans

In May 2013, we extended \$151.4 million of Fannie Mae (FNMA) debt until May 1, 2023, which had an original maturity date of May 1, 2013. The current weighted average interest rate on this debt is 4.3%.

The collateralized term loans totaling \$1.0 billion as of September 30, 2013, are secured by 99 properties comprised of 39,342 sites representing approximately \$668.0 million of net book value.

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

9. Debt and Lines of Credit, continued

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%.

Secured Borrowing

See Note 4, "Transfers of Financial Assets", for additional information regarding our collateralized receivables and secured borrowing transactions.

Mortgage Notes

In May 2013, we paid off the entire \$3.5 million mortgage agreement secured by Holiday West Village upon maturity.

In April 2013, we paid off the sellers note associated with the acquisition of Rainbow RV Resort. The note had a principal balance of \$0.6 million and did not incur any interest.

In January 2013, we paid off the sellers note associated with the acquisition of Palm Creek Golf & RV Resort. The note had a principal balance of \$36.0 million and an interest rate of 2.0%. We also paid off the remaining \$30.0 million outstanding under our \$36.0 million variable financing loan from Bank of America, N.A. and The Private Bank.

The mortgage notes totaling \$149.9 million as of September 30, 2013, are collateralized by 20 properties comprised of 8,317 sites representing approximately \$252.4 million of net book value.

Lines of Credit

In May 2013, we entered into a credit agreement with Citibank, N.A. and certain other lenders consisting of a \$350.0 million senior secured revolving credit facility (the "Facility"). The Facility replaced our previous \$150.0 million senior secured revolving credit facility, which was scheduled to mature on October 1, 2014 and incurred interest at a floating rate based on the Eurodollar rate plus a margin that was determined based on our leverage ratio calculated in accordance with the previous credit agreement, which ranged from 2.25% to 2.95%.

The Facility has a four year term ending May 15, 2017, which can be extended for one additional year at our option, subject to the satisfaction of certain conditions as defined in the credit agreement. The credit agreement also provides for, subject to the satisfaction of certain conditions, additional commitments in an amount not to exceed \$250.0 million. The Facility bears interest at a floating rate based on the Eurodollar rate plus a margin that is determined based on our leverage ratio calculated in accordance with the credit agreement, which can range from 1.65% to 2.90%. Based on our calculation of the leverage ratio as of September 30, 2013, the margin was 1.65%. At September 30, 2013, we had approximately \$51.7 million outstanding under the Facility. There was no amount outstanding on the previous senior secured revolving credit facility at December 31, 2012. At September 30, 2013 and December 31, 2012, approximately \$4.0 million of availability was used to back standby letters 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 junior debt positions in certain borrowing base properties.

In February 2013, we entered into a \$61.5 million credit agreement to fund a portion of the purchase of the Morgan RV Properties acquisition (See Note 2 "Real Estate Acquisitions"). This loan was paid off in March 2013.

We also have a \$20.0 million secured line of credit agreement collateralized by a portion of our rental home portfolio, which was reduced from \$50.0 million in July 2013. The net book value of the rental homes pledged as security for the loan must meet or exceed 200% of the outstanding loan balance. The terms of the agreement require interest only payments for the first five years, with the remainder of the term being amortized based on a 10 year term. The interest rate is the prime rate as published in the Wall Street Journal adjusted the first day of each calendar month plus 200 basis points with a minimum rate of 5.5%. At September 30, 2013, the effective interest rate was 5.5%, and there was no amount outstanding. At December 31, 2012, we had \$25.0 million outstanding on \$50.0 million of availability under this line of credit.

SUN COMMUNITIES, INC.
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9. Debt and Lines of Credit, continued

Lastly, we have a \$12.0 million manufactured home floor plan facility renewable indefinitely until our lender provides us a twelve month notice of their intent to terminate the agreement. The interest rate is 100 basis points over the greater of the prime rate as quoted in the Wall Street Journal on the first business day of each month or 6.0%. At September 30, 2013 the effective interest rate was 7.0%. The outstanding balance was \$3.1 million and \$4.8 million at September 30, 2013 and December 31, 2012, respectively.

Covenants

The most restrictive of our debt agreements place limitations on secured borrowings and contain minimum fixed charge coverage, leverage, distribution and net worth requirements. At September 30, 2013, we were in compliance with all covenants.

10. Equity Transactions

The Company is incorporated in the state of Maryland and under the law of that state the concept of treasury shares does not exist. All shares repurchased are considered authorized but unissued. Accordingly, we have retrospectively reclassified \$63.6 million from treasury stock to common stock and additional paid in capital on our consolidated balance sheet.

In March 2013, we closed an underwritten registered public offering of 5,750,000 shares of common stock at a price of \$45.25 per share. The net proceeds from the offering were \$249.5 million after deducting underwriting discounts and the expenses related to the offering. We used a portion of the proceeds to pay down debt. We used the remaining net proceeds of the offering to fund the acquisition of properties and for working capital and general corporate purposes.

In February 2013, we issued \$4.0 million of A-3 preferred OP units in connection with the Morgan RV Properties acquisition (see Note 2). A-3 preferred OP unit holders can convert the A-3 preferred OP units into shares of common stock based upon a conversion price of \$53.75 per share. The A-3 preferred OP unit holders receive a preferred return of 4.5% per year.

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 2013 or 2012. 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 three and nine months ended September 30, 2013, there were no units converted to common stock. During the three and nine months ended September 30, 2012, holders of common OP units converted zero and 2,000 units to common stock, respectively.

Cash dividends of \$0.63 per share were declared for the quarter ended September 30, 2013. On October 18, 2013 cash payments of approximately \$24.1 million for aggregate dividends, distributions and dividend equivalents were made to common stockholders, common OP unitholders and restricted stockholders of record as of September 30, 2013. In

addition, cash dividends of \$0.4453 per share were declared on the Company's Series A cumulative redeemable preferred stock. On October 15, 2013 cash payments of approximately \$1.5 million for aggregate dividends were made to Series A cumulative redeemable preferred stockholders of record as of October 2, 2013.

11. Share-Based Compensation

In August 2013, we granted 36,000 shares of restricted stock to employees under our Sun Communities, Inc. Equity Incentive Plan ("2009 Equity Plan"). The restricted shares had a fair value of \$48.22 per share and will vest as follows: August 6, 2016: 35 percent; August 6, 2017: 35 percent; August 6, 2018: 20 percent; August 6, 2019: five percent; and August 6, 2020: five percent. The fair value was determined using the closing price of our common stock on the date the shares were issued.

In June 2013, we granted 250,000 shares of restricted stock to an executive officer under our 2009 Equity Plan. The restricted shares had a fair value of \$47.56 per share and will vest as follows: June 20, 2016: 87,500 shares; June 20, 2017: 87,500 shares; June 20, 2018: 50,000 shares; June 20, 2019: 12,500 shares; and June 20, 2020: 12,500 shares. The fair value was determined using the closing price of our common stock on the date the shares were issued.

SUN COMMUNITIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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11. Share-Based Compensation, continued

In March 2013, we granted 1,000 shares of restricted stock to employees under our 2009 Equity Plan. The awards vest on March 12, 2016, and had a fair value of \$45.68 per share. The fair value was determined using the closing price of our common stock on the date the shares were issued.

In February 2013, we granted 73,000 shares of restricted stock to our executive officers under our 2009 Equity Plan. The awards vest ratably over a six or eight year period beginning on the fourth anniversary of the grant date, and had a fair value of \$45.69 per share. The fair value was determined by using the closing share price of our common stock on the date the shares were issued.

In February 2013, we granted 10,800 shares of restricted stock to our directors under our First Amended and Restated 2004 Non-Employee Director Option Plan. The awards vest on February 15, 2016, and had a fair value of \$45.69 per share. The fair value was determined by using the closing share price of our common stock on the date the shares were issued.

During the nine months ended September 30, 2013, 9,442 shares of common stock were issued in connection with the exercise of stock options and the net proceeds received were \$0.2 million.

The vesting requirements for 36,666 restricted shares granted to our employees were satisfied during the nine months ended September 30, 2013.

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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. Transient RV revenue is included in Real Property Operations' revenues and is expected to approximate \$18.0 million annually. This transient revenue is estimated to be recognized 39% in the first quarter, 14% in the second, 29% in the third quarter and 18% 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, 2013			Three Months Ended September 30, 2012		
	Real Property Operations	Home Sales and Home Rentals	Consolidated	Real Property Operations	Home Sales and Home Rentals	Consolidated
Revenues	\$80,158	\$22,590	\$ 102,748	\$63,015	\$17,173	\$ 80,188
Operating expenses/Cost of sales	29,981	15,665	45,646	23,000	12,909	35,909
Net operating income/Gross profit	50,177	6,925	57,102	40,015	4,264	44,279
Adjustments to arrive at net income (loss):						
Other revenues	3,521	932	4,453	2,942	(112)	2,830
General and administrative	(5,927)	(2,227)	(8,154)	(5,165)	(1,905)	(7,070)
Acquisition related costs	(619)	—	(619)	(847)	—	(847)
Depreciation and amortization	(19,551)	(9,239)	(28,790)	(14,760)	(7,332)	(22,092)
Interest expense	(18,628)	(4)	(18,632)	(17,885)	(6)	(17,891)
Distributions from affiliate	700	—	700	600	—	600
Provision for state income tax	(90)	—	(90)	(84)	—	(84)
Net income (loss)	9,583	(3,613)	5,970	4,816	(5,091)	(275)
Less: Preferred return to A-1 preferred OP units	690	—	690	586	—	586
Less: Preferred return to A-3 preferred OP units	45	—	45	—	—	—
Less: Net income (loss) attributable to noncontrolling interests	272	(300)	(28)	328	(539)	(211)
Net income (loss) attributable to Sun Communities, Inc.	8,576	(3,313)	5,263	3,902	(4,552)	(650)
Less: 7.125% Series A Cumulative Preferred Stock Distributions	1,514	—	1,514	—	—	—
Net income (loss) attributable to Sun Communities, Inc. common stockholders	\$7,062	\$(3,313)	\$ 3,749	\$3,902	\$(4,552)	\$(650)

SUN COMMUNITIES, INC.
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12. Segment Reporting, continued

	Nine Months Ended September 30, 2013			Nine Months Ended September 30, 2012		
	Real Property Operations	Home Sales and Home Rentals	Consolidated	Real Property Operations	Home Sales and Home Rentals	Consolidated
Revenues	\$234,969	\$63,983	\$ 298,952	\$188,818	\$51,027	\$ 239,845
Operating expenses/Cost of sales	83,739	43,612	127,351	66,002	37,625	103,627
Net operating income/Gross profit	151,230	20,371	171,601	122,816	13,402	136,218
Adjustments to arrive at net income (loss):						
Other revenues	9,936	1,376	11,312	8,437	(124)	8,313
General and administrative	(19,086)	(7,473)	(26,559)	(15,405)	(5,985)	(21,390)
Acquisition related costs	(2,769)	—	(2,769)	(1,434)	—	(1,434)
Depreciation and amortization	(53,757)	(26,359)	(80,116)	(41,798)	(21,229)	(63,027)
Interest expense	(56,985)	(333)	(57,318)	(53,051)	(92)	(53,143)
Distributions from affiliate	1,550	—	1,550	3,250	—	3,250
Provision for state income tax	(186)	—	(186)	(190)	—	(190)
Net income (loss)	29,933	(12,418)	17,515	22,625	(14,028)	8,597
Less: Preferred return to A-1 preferred OP units	1,909	—	1,909	1,744	—	1,744
Less: Preferred return to A-3 preferred OP units	121	—	121	—	—	—
Less: Net income (loss) attributable to noncontrolling interests	1,503	(1,088)	415	1,985	(1,522)	463
Net income (loss) attributable to Sun Communities, Inc.	26,400	(11,330)	15,070	18,896	(12,506)	6,390
Less: 7.125% Series A Cumulative Preferred Stock Distributions	4,542	—	4,542	—	—	—
Net income (loss) attributable to Sun Communities, Inc. common stockholders	\$21,858	\$(11,330)	\$ 10,528	\$18,896	\$(12,506)	\$ 6,390

	September 30, 2013			December 31, 2012		
	Real Property Operations	Home Sales and Home Rentals	Consolidated	Real Property Operations	Home Sales and Home Rentals	Consolidated
Identifiable assets:						
Investment property, net	\$1,416,314	\$279,003	\$ 1,695,317	\$1,296,753	\$221,383	\$ 1,518,136
Cash and cash equivalents	4,452	503	4,955	29,071	437	29,508
Inventory of manufactured homes	—	4,005	4,005	—	7,527	7,527
Notes and other receivables	160,964	9,620	170,584	131,000	8,850	139,850
Other assets	58,043	3,787	61,830	54,959	4,648	59,607
Total assets	\$1,639,773	\$296,918	\$ 1,936,691	\$1,511,783	\$242,845	\$ 1,754,628

SUN COMMUNITIES, INC.
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13. 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, 2013.

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, 2013 and December 31, 2012.

We had no unrecognized tax benefits as of September 30, 2013 and 2012. We expect no significant increases or decreases in unrecognized tax benefits due to changes in tax positions within one year of September 30, 2013.

We classify certain state taxes as income taxes for financial reporting purposes. We record Texas Margin Tax as income tax in our financial statements, and we recorded a provision for state income taxes of approximately \$0.1 million and \$0.2 million for the three and nine months ended September 30, 2013 and 2012, respectively.

SUN COMMUNITIES, INC.
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14. Earnings 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, convertible A-3 preferred OP units and Aspen preferred OP Units, which if converted or exercised, may impact dilution.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Numerator				
Basic earnings: net income attributable to common stockholders	\$3,749	\$(650)	) \$10,528	\$6,390
Add: amounts attributable to common noncontrolling interests	—	—	—	—
Diluted earnings: net income available to common stockholders and unitholders	\$3,749	\$(650)	) \$10,528	\$6,390
Denominator				
Weighted average common shares outstanding	35,499	26,938	33,802	26,145
Weighted average unvested restricted stock outstanding	629	—	461	282
Basic weighted average common shares and unvested restricted stock outstanding	36,128	26,938	34,263	26,427
Add: dilutive securities	15	—	16	17
Diluted weighted average common shares and securities	36,143	26,938	34,279	26,444
Earnings per share available to common stockholders:				
Basic	\$0.10	\$(0.02)	) \$0.31	\$0.24
Diluted	\$0.10	\$(0.02)	) \$0.31	\$0.24

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, 2013 and 2012 (amounts in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Stock options	—	57	—	—
Unvested restricted stock	—	289	—	—
Common OP units	2,069	2,070	2,069	2,071
Series A-1 preferred OP units	1,111	1,111	1,111	1,111
Series A-3 preferred OP units	75	—	64	—
Aspen preferred OP units	526	526	526	526
Total securities	3,781	4,053	3,770	3,708

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.

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SUN COMMUNITIES, INC.
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15. 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, 2013, we had 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. We generally employ derivative instruments that effectively convert a portion of our variable rate debt to fixed rate debt and to cap the maximum interest rate on certain variable rate borrowings. We do not enter into derivative instruments for speculative purposes.

The following table provides the terms of our interest rate derivative contracts that were in effect as of September 30, 2013:

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	0.2731%	2.1450%	1.8700%	4.0150%
Cap	Cap Floating Rate	4/1/2012	4/1/2015	\$152.4	3 Month LIBOR	0.2740%	11.2650%	—%	N/A
Cap	Cap Floating Rate	10/3/2011	10/3/2016	\$10.0	3 Month LIBOR	0.2740%	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 does not qualify as a cash flow hedge, the ineffective portion is recorded in interest expense. Hedges that receive 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, 2013 and December 31, 2012 (in thousands):

	Asset Derivatives		Liability Derivatives			
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value		
Derivatives designated as hedging instruments		September 30, 2013	December 31, 2012	September 30, 2013	December 31, 2012	
Interest rate swaps and cap agreement	Other assets	\$—	\$ —	Other liabilities	\$ 193	\$ 459

Total derivatives designated as hedging instruments	\$—	\$ —	\$193	\$ 459
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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 accumulated 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.

SUN COMMUNITIES, INC.
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15. Derivative Instruments and Hedging Activities, continued

Our hedges were highly effective and had minimal effect on income. The following tables summarize the impact of derivative instruments for the three and nine months ended September 30, 2013 and 2012 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)	
	Three Months Ended September 30, 2013	2012		Three Months Ended September 30, 2013	2012		Three Months Ended September 30, 2013	2012
Interest rate swaps and cap agreement	\$89	\$44	Interest expense	\$—	\$—	Interest expense	\$—	\$—
Total	\$89	\$44	Total	\$—	\$—	Total	\$—	\$—
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, 2013	2012		Nine Months Ended September 30, 2013	2012		Nine Months Ended September 30, 2013	2012
Interest rate swaps and cap agreement	\$266	\$643	Interest expense	\$—	\$—	Interest expense	\$—	\$3
Total	\$266	\$643	Total	\$—	\$—	Total	\$—	\$3

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, 2013 and December 31, 2012, we had collateral deposits recorded in other assets of approximately \$0.7 million and \$1.2 million, respectively.

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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 a fair value hierarchy that requires the use of observable market data, when available, and prioritizes the inputs to valuation techniques used to measure fair value in the following categories:

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

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

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

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 approximates 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 approximates 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 and presents the carrying values and fair values as of September 30, 2013 and December 31, 2012 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.

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16. Fair Value of Financial Instruments, continued

	September 30, 2013		December 31, 2012	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets				
Installment notes on manufactured homes, net	\$24,605	\$24,605	\$21,898	\$21,898
Collateralized receivables, net	\$106,566	\$106,566	\$93,834	\$93,834
Financial liabilities				
Derivative instruments	\$193	\$193	\$459	\$459
Long term debt (excluding secured borrowing)	\$1,246,205	\$1,263,936	\$1,329,311	\$1,355,331
Secured borrowing	\$107,243	\$107,243	\$94,409	\$94,409
Lines of credit	\$54,765	\$54,765	\$29,781	\$29,781

The derivative instruments are the only financial liabilities that were required to be carried at fair value in the consolidated balance sheets for the periods indicated, and we have no financial assets that are required to be carried at fair value.

17. Recently Adopted Accounting Pronouncements

In July 2013, the FASB issued Accounting Standards Update (“ASU”) 2013-11, “Income Taxes (Topic 740): Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists” (“ASU 2013-11”). ASU 2013-11 requires an entity to present its unrecognized tax benefits net of its deferred tax assets when settlement in this manner is available under the tax law, which would be based on facts and circumstances as of the balance sheet reporting date and would not consider future events. Gross presentation in the notes to the financial statements will still be required. ASU 2013-11 will apply on a prospective basis to all unrecognized tax benefits that exist at the effective date, with the option to apply it retrospectively. The guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. While the adoption of this pronouncement will not have an impact on our results of operations or cash flows, we are currently evaluating the impact of presenting unrecognized tax benefits net of our deferred tax assets where applicable on our consolidated balance sheet.

In February 2013, the FASB issued ASU 2013-02, “Comprehensive Income: Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income” (“ASU 2013-02”). ASU 2013-02 requires an entity to provide information about the amounts reclassified out of accumulated other comprehensive income by component. In addition, an entity is required to present, either on the face of the statement where net income is presented or in the notes, significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income but only if the amount reclassified is required under GAAP to be reclassified to net income in its entirety in the same reporting period. For other amounts that are not required under GAAP to be reclassified in their entirety to net income, an entity is required to cross-reference to other disclosures required under GAAP that provide additional detail about those amounts. The provisions of ASU 2013-02 are effective for annual reporting periods beginning after December 15, 2012. The adoption of this pronouncement did not have any impact on our consolidated financial statements.

In January 2013, the FASB issued ASU 2013-01, “Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities” (“ASU 2013-01”) which amends ASC Topic 210, Balance Sheet. The updated guidance in ASC Topic 210 clarifies that ordinary trade receivables are not in the scope of ASU No. 2011-11, Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities. Specifically, ASU 2011-11 applies only to derivatives, repurchase agreements and reverse purchase agreements, and securities borrowing and securities lending transactions that are either offset in accordance with specific criteria contained in the Codification or subject to a master netting arrangement or similar agreement. An entity is required to apply the amendments for fiscal years beginning on or after

January 1, 2013, and interim periods within those annual periods. An entity should provide the required disclosures retrospectively for all comparative periods presented. The effective date is the same as the effective date of ASU 2011-11, which was January 1, 2013. Early adoption was not permitted. The adoption of this pronouncement did not have any impact on our results of operations or financial condition.

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

18. Commitments and Contingencies

On September 16, 2013, we settled all of the claims arising out of the litigation that we filed on December 26, 2012 in Oakland County (Michigan) Circuit Court against MHC Operating Limited Partnership (“MHC”) (an affiliate of Equity Lifestyle Properties, Inc.), the contributors of the Morgan RV Properties (the “Contributors”) and certain of their affiliates with respect to MHC’s assertion of claims against the Morgan RV Properties. Under the settlement agreement, MHC released all of its claims against the Morgan RV Properties, we released all of our rights with respect to one other RV community owned by an affiliate of the Contributors and MHC reimbursed us for certain costs and expenses and paid us certain additional consideration. The Contributors and their affiliates paid us \$250,000 by increasing the principal balance of our existing \$5.0 million note receivable in full satisfaction of their obligation under the specific indemnity related to MHC’s claims to the Morgan RV Properties. No party admitted any liability under the settlement agreement.

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.

SUN COMMUNITIES, INC.

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 Notes thereto, along with our 2012 Annual Report. Capitalized terms are used as defined elsewhere in this Form 10-Q.

OVERVIEW

We are a fully integrated, self-administered and self-managed REIT. We own, operate, and develop manufactured housing and RV communities concentrated in the midwestern, southern, and southeastern United States. As of September 30, 2013, we owned and operated a portfolio of 185 developed properties located in 25 states, including 149 manufactured housing communities, 25 RV communities, and 11 properties containing both manufactured housing and RV sites.

We have been in the business of acquiring, operating, developing and expanding manufactured housing and RV communities since 1975. We lease individual sites with utility access for placement of manufactured homes and RVs to our customers. We are also engaged through 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 2012 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 and maintenance 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 and provides a method of comparing property performance over time. We use NOI as a key management tool when evaluating performance and growth of particular properties and/or groups of properties. The principal limitation of NOI is that it excludes depreciation, amortization, interest expense, and non-property specific expenses such as general and administrative expenses, all of which are significant costs, and therefore, NOI is a measure of the operating performance of our properties rather than of the Company overall. We believe that these costs included in net income 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”). We consider FFO an appropriate supplemental measure of the financial performance of an equity REIT. Under the National Association of Real Estate Investment Trusts (“NAREIT”) definition, FFO represents net income, excluding extraordinary items (as defined under GAAP), and gain (loss) on sales of depreciable property, plus real estate related depreciation and amortization (excluding amortization of financing costs), and after adjustments for unconsolidated partnerships and joint ventures. Management also uses FFO excluding certain items, a non-GAAP financial measure, which excludes certain gain and loss items that management considers unrelated to the operational and financial performance of our core business. We believe that this provides investors with another financial measure of our operating performance that is more comparable when evaluating period over period results. A discussion of FFO, FFO excluding certain items, a reconciliation of FFO to net income, and FFO to FFO excluding certain items are included in the presentation of FFO in “Results of Operations” following the “Comparison of the Three and Nine Months Ended September 30, 2013 and 2012”.

SUN COMMUNITIES, INC.

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, 2013 AND 2012

The following table summarizes our consolidated financial results for the three months ended September 30, 2013 and 2012 (in thousands):

	Three Months Ended September 30,	
	2013	2012
Real Property NOI	\$50,177	\$40,015
Rental Program NOI	14,825	11,431
Home Sales NOI/Gross Profit	3,984	2,670
Site rent from Rental Program (included in Real Property NOI)	(11,884	) (9,837
NOI/Gross profit	57,102	44,279
Adjustments to arrive at net income:		
Other revenues	4,453	2,830
General and administrative	(8,154	) (7,070
Acquisition related costs	(619	) (847
Depreciation and amortization	(28,790	) (22,092
Interest expense	(18,632	) (17,891
Provision for state income taxes	(90	) (84
Distributions from affiliate	700	600
Net income (loss)	5,970	(275
Less: Preferred return to A-1 preferred OP units	690	586
Less: Preferred return to A-3 preferred OP units	45	—
Less: Amounts attributable to noncontrolling interests	(28	) (211
Net income (loss) attributable to Sun Communities, Inc.	5,263	(650
Less: Series A Preferred Stock Distributions	1,514	—
Net income (loss) attributable to Sun Communities, Inc. common stockholders	\$3,749	\$(650

SUN COMMUNITIES, INC.

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, 2013 and 2012. 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, 2013 and 2012:

Financial Information (in thousands)	Three Months Ended September 30,				
	2013	2012	Change	% Change	
Income from Real Property	\$60,621	\$57,835	\$2,786	4.8	%
Property operating expenses:					
Payroll and benefits	5,451	5,054	397	7.9	%
Legal, taxes & insurance	1,100	865	235	27.2	%
Utilities	3,217	3,234	(17)	(0.5))%
Supplies and repair	2,812	2,768	44	1.6	%
Other	1,613	1,472	141	9.6	%
Real estate taxes	4,754	4,806	(52)	(1.1))%
Property operating expenses	18,947	18,199	748	4.1	%
Real Property NOI	\$41,674	\$39,636	\$2,038	5.1	%

Other Information	As of September 30,			
	2013	2012	Change	
Number of properties	159	159	—	
Developed sites	55,138	54,844	294	
Occupied sites ⁽¹⁾	46,445	45,163	1,282	
Occupancy % ⁽¹⁾⁽²⁾	88.8	% 87.2	% 1.6	%
Weighted average monthly rent per site - MH	\$443	\$431	\$12	
Weighted average monthly rent per site - Annual RV ⁽³⁾	\$420	\$409	\$11	
Sites available for development	5,924	6,217	(293)	

(1) Occupied sites and occupancy % include manufactured housing and annual RV sites, and exclude transient RV sites.

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

(3) Weighted average rent pertains to annual RV sites and excludes transient RV sites.

Real Property NOI increased \$2.1 million, or 5.1 percent, from \$39.6 million to \$41.7 million. The increase is primarily a result of increased revenues of \$2.8 million partially offset by additional expenses of \$0.7 million.

Income from real property revenue consists of manufactured home and RV site rent, and miscellaneous other property revenues. Income from real property revenues increased \$2.8 million, or 4.8 percent, from \$57.8 million to \$60.6 million. The growth in income from real property was due to increased revenue from our manufactured home and RV portfolio of \$2.5 million as a result of average rental rate increases of 3.1%, and the increased number of occupied home sites, which was partially offset by rent concessions offered to new residents and current residents who convert from home renters to home owners. Additionally, other revenues increased by \$0.3 million primarily due to increases in late fees and non-sufficient funds charges, cable television royalties, property tax income, home rental income, trash removal income and other charges and fee income. These increases were partially offset by decreases in garage, carport and shed fees.

Property operating expenses increased \$0.7 million, or 4.1 percent, from \$18.2 million to \$18.9 million primarily as a result of an increase in payroll and benefits of \$0.4 million due to increases in salaries and health insurance costs; an increase in legal, taxes

SUN COMMUNITIES, INC.

and insurance costs of \$0.2 million and an increase in bad debt expense of \$0.2 million, partially offset by a decrease of \$0.1 million in real estate taxes and decreases in various other expenses.

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SUN COMMUNITIES, INC.

HOME RENTALS AND SALES

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, 2013 and 2012 (in thousands, except for certain items marked with *):

Financial Information	Three Months Ended September 30,				
	2013	2012	Change	% Change	
Rental home revenue	\$8,445	\$6,712	\$1,733	25.8	%
Site rent from Rental Program ⁽¹⁾	11,884	9,837	2,047	20.8	%
Rental Program revenue	20,329	16,549	3,780	22.8	%
Expenses					
Commissions	550	569	(19)	(3.3))%
Repairs and refurbishment	2,704	2,689	15	0.6	%
Taxes and insurance	1,133	876	257	29.3	%
Marketing and other	1,117	984	133	13.5	%
Rental Program operating and maintenance	5,504	5,118	386	7.5	%
Rental Program NOI	\$14,825	\$11,431	\$3,394	29.7	%
Other Information					
Number of occupied rentals, end of period*	9,232	7,930	1,302	16.4	%
Investment in occupied rental homes	\$338,110	\$276,300	\$61,810	22.4	%
Number of sold rental homes*	239	209	30	14.4	%
Weighted average monthly rental rate*	\$795	\$773	\$22	2.8	%

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

⁽¹⁾ 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 \$3.4 million, or 29.7 percent, from \$11.4 million to \$14.8 million primarily due to increased revenues of \$3.8 million, partially offset by increased expenses of \$0.4 million. Revenues increased \$3.8 million primarily as a result of 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 \$0.4 million was a result of an increase in insurance and personal property and use taxes of \$0.3 million primarily due to the additional number of homes in the Rental Program and an increase in bad debt expense of \$0.1 million.

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The following table reflects certain financial and statistical information for our Home Sales Program for the three months ended September 30, 2013 and 2012 (in thousands, except for statistical information):

Financial Information	Three Months Ended September 30,			
	2013	2012	Change	% Change
New home sales	\$1,592	\$1,244	\$348	28.0 %
Pre-owned home sales	12,553	9,217	3,336	36.2 %
Revenue from homes sales	14,145	10,461	3,684	35.2 %
New home cost of sales	1,287	1,041	246	23.6 %
Pre-owned home cost of sales	8,874	6,750	2,124	31.5 %
Cost of home sales	10,161	7,791	2,370	30.4 %
NOI / Gross profit	\$3,984	\$2,670	\$1,314	49.2 %
Gross profit – new homes	\$305	\$203	\$102	50.2 %
Gross margin % – new homes	19.2	% 16.3	% 2.8	17.8 %
Gross profit – pre-owned homes	\$3,679	\$2,467	\$1,212	49.1 %
Gross margin % – pre-owned homes	29.3	% 26.8	% 2.5	9.5 %
Statistical Information				
Home sales volume:				
New home sales	19	16	3	18.8 %
Pre-owned home sales	468	379	89	23.5 %
Total homes sold	487	395	92	23.3 %

Home Sales NOI increased \$1.3 million, or 49.2 percent, from \$2.7 million to \$4.0 million primarily due to increased gross profit on pre-owned home sales as a result of higher sales prices.

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OTHER INCOME STATEMENT ITEMS

Other revenues include other income, interest income, and ancillary revenues, net. Other revenues increased \$1.6 million, or 57.3 percent, from \$2.8 million to \$4.4 million. The increase is primarily due to increases in ancillary revenues, net of \$1.0 million, interest income of \$0.3 million from collateralized receivables and interest income of \$0.3 million from installment note receivables.

Real Property general and administrative costs increased \$0.8 million or 14.8 percent, from \$5.1 million to \$5.9 million primarily due to increases in amortization of deferred compensation expense of \$0.6 million, salaries and wages of \$0.6 million, consulting and recruiting of \$0.2 million, health benefit costs of \$0.1 million and \$0.3 million of various other miscellaneous expenses, partially offset by a decrease in bonus and incentive accruals of \$1.0 million.

Home Sales and Rentals general and administrative costs increased \$0.3 million or 17.0 percent, from \$1.9 million to \$2.2 million primarily primarily due to increases in salaries and wages of \$0.2 million and commissions on home sales of \$0.1 million.

Acquisition related costs decreased \$0.2 million from \$0.8 million to \$0.6 million. These costs were incurred for both completed and potential acquisitions (See Note 2 of our financial statements).

Depreciation and amortization costs increased \$6.7 million or 30.3 percent, from \$22.1 million to \$28.8 million primarily due to increases in other depreciation and amortization of \$4.4 million primarily as a result of the newly acquired properties, depreciation on investment property for use in our Rental Program of \$1.8 million and amortization of in-place leases of approximately \$0.5 million.

Interest expense on debt, including interest on mandatorily redeemable debt, increased \$0.7 million, or 3.9 percent, from \$17.9 million to \$18.6 million due to a \$0.6 million increase in mortgage and other interest primarily as a result of debt associated with property acquisitions and a \$0.3 million increase in expense associated with our secured borrowing arrangements, partially offset by a \$0.2 million decrease in interest expense on our lines of credit.

Distributions from affiliate increased \$0.1 million, from \$0.6 million to \$0.7 million. We suspended equity accounting in 2010 on our affiliate, Origen, as our investment balance is zero. The income recorded in 2013 and 2012 is dividend income. See Note 7 of our financial statements.

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COMPARISON OF THE NINE MONTHS ENDED SEPTEMBER 30, 2013 AND 2012

The following table summarizes our consolidated financial results for the nine months ended September 30, 2013 and 2012 (in thousands):

	Nine Months Ended September 30,	
	2013	2012
Real Property NOI	\$ 151,230	\$ 122,816
Rental Program NOI	43,646	34,788
Home Sales NOI/Gross Profit	10,840	6,978
Site rent from Rental Program (included in Real Property NOI)	(34,115)	(28,364)
NOI/Gross profit	171,601	136,218
Adjustments to arrive at net income:		
Other revenues	11,312	8,313
General and administrative	(26,559)	(21,390)
Acquisition related costs	(2,769)	(1,434)
Depreciation and amortization	(80,116)	(63,027)
Interest expense	(57,318)	(53,143)
Provision for state income taxes	(186)	(190)
Distributions from affiliate	1,550	3,250
Net income	17,515	8,597
Less: Preferred return to A-1 preferred OP units	1,909	1,744
Less: Preferred return to A-3 preferred OP units	121	—
Less: Amounts attributable to noncontrolling interests	415	463
Net income attributable to Sun Communities, Inc.	15,070	6,390
Less: Series A Preferred Stock Distributions	4,542	—
Net income attributable to Sun Communities, Inc. common stockholders	\$ 10,528	\$ 6,390

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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, 2013 and 2012:

Financial Information (in thousands)	Nine Months Ended September 30,			
	2013	2012	Change	% Change
Income from Real Property	\$234,969	\$188,818	\$46,151	24.4 %
Property operating expenses:				
Payroll and benefits	21,325	15,021	6,304	42.0 %
Legal, taxes & insurance	3,429	2,318	1,111	47.9 %
Utilities	27,255	21,966	5,289	24.1 %
Supplies and repair	8,685	7,816	869	11.1 %
Other	5,899	4,140	1,759	42.5 %
Real estate taxes	17,146	14,741	2,405	16.3 %
Property operating expenses	83,739	66,002	17,737	26.9 %
Real Property NOI	\$151,230	\$122,816	\$28,414	23.1 %
		As of September 30,		
Other Information	2013	2012	Change	
Number of properties	185	164	21	
Developed sites	68,269	57,191	11,078	
Occupied sites ⁽¹⁾ ⁽²⁾	54,283	45,958	8,325	
Occupancy % ⁽¹⁾	89.6	% 86.8	% 2.8	%
Weighted average monthly site rent - MH	\$441	\$431	\$10	
Weighted average monthly site rent - Annual RV ⁽³⁾	\$387	\$410	\$(23)	
Sites available for development	6,727	6,217	510	

(1) Occupied sites and occupancy % include manufactured housing and annual RV sites, and exclude transient RV sites.

(2) Occupied sites include 1,897 sites acquired in 2013 and 4,989 sites acquired in 2012.

(3) Weighted average rent pertains to annual RV sites and excludes transient RV sites.

Real Property NOI increased \$28.4 million, or 23.1 percent, from \$122.8 million to \$151.2 million. The increase is primarily a result of an additional \$21.8 million from newly acquired properties and \$6.6 million from same site properties as detailed below.

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REAL PROPERTY OPERATIONS – SAME SITE

The following tables reflect certain financial and other information for our Same Site communities as of and for the nine months ended September 30, 2013 and 2012:

Financial Information (in thousands)	Nine Months Ended September 30,			
	2013	2012	Change	% Change
Income from Real Property	\$ 183,699	\$ 175,159	\$ 8,540	4.9 %
Property operating expenses:				
Payroll and benefits	15,739	14,608	1,131	7.7 %
Legal, taxes & insurance	2,955	2,283	672	29.4 %
Utilities	10,370	10,159	211	2.1 %
Supplies and repair	7,145	7,551	(406)	(5.4) %
Other	4,226	4,033	193	4.8 %
Real estate taxes	14,677	14,545	132	0.9 %
Property operating expenses	55,112	53,179	1,933	3.6 %
Real Property NOI	\$ 128,587	\$ 121,980	\$ 6,607	5.4 %
		As of September 30,		
Other Information	2013	2012	Change	
Number of properties	159	159	—	
Developed sites	55,138	54,844	294	
Occupied sites ⁽¹⁾	46,445	45,163	1,282	
Occupancy % ⁽¹⁾⁽²⁾	88.8 %	87.2 %	1.6 %	
Weighted average monthly rent per site - MH	\$443	\$431	\$12	
Weighted average monthly rent per site - Annual RV ⁽³⁾	\$420	\$409	\$11	
Sites available for development	5,924	6,217	(293)	

(1) Occupied sites and occupancy % include manufactured housing and annual RV sites, and exclude transient RV sites.

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

(3) Weighted average rent pertains to annual RV sites and excludes transient RV sites.

Real Property NOI increased \$6.6 million, or 5.4%, from \$122.0 million to \$128.6 million. The increase is primarily a result of increased revenues of \$8.5 million partially offset by an increase in expenses of \$1.9 million.

Income from real property revenue consists of manufactured home and RV site rent, and miscellaneous other property revenues. Income from real property revenues increased \$8.5 million, or 4.9%, from \$175.2 million to \$183.7 million. The growth in income from real property was due to increased revenue from our manufactured home and RV portfolio of \$7.7 million as a result of average rental rate increases of 3.1%, and the increased number of occupied home sites, which was partially offset by rent concessions offered to new residents and current residents who convert from home renters to home owners. Additionally, other revenues increased by \$0.8 million due to an increase in late fees and non-sufficient funds charge income, cable television royalties, electric and gas income and property tax income.

Property operating expenses increased \$1.9 million, or 3.6%, from \$53.2 million to \$55.1 million primarily as a result of increased payroll and benefits of \$1.1 million due to increases in salaries, health insurance and workers compensation costs; legal and property insurance expenses of \$0.7 million; utilities expenses of \$0.2 million primarily due to increased gas expense; real estate taxes of \$0.1 million; and increased bad debt expense of \$0.4 million. These

increases were partially offset by a decrease in supplies and repairs of \$0.4 million primarily due to decreased landscaping, tree and lawn care and miscellaneous community maintenance expenses, and a decrease in general office and other miscellaneous expenses of \$0.2 million.

SUN COMMUNITIES, INC.

HOME RENTALS AND SALES

The following table reflects certain financial and other information for our Rental Program as of and for the nine months ended September 30, 2013 and 2012 (in thousands, except for certain items marked with *):

Financial Information	Nine Months Ended September 30,			
	2013	2012	Change	% Change
Rental home revenue	\$23,783	\$19,514	\$4,269	21.9 %
Site rent from Rental Program ⁽¹⁾	34,115	28,364	5,751	20.3 %
Rental Program revenue	57,898	47,878	10,020	20.9 %
Expenses				
Commissions	1,804	1,647	157	9.5 %
Repairs and refurbishment	6,381	6,568	(187)	(2.8)%
Taxes and insurance	3,233	2,509	724	28.9 %
Marketing and other	2,834	2,366	468	19.8 %
Rental Program operating and maintenance	14,252	13,090	1,162	8.9 %
Rental Program NOI	\$43,646	\$34,788	\$8,858	25.5 %
Other Information				
Number of occupied rentals, end of period*	9,232	7,930	1,302	16.4 %
Investment in occupied rental homes	\$338,110	\$276,300	\$61,810	22.4 %
Number of sold rental homes*	689	678	11	1.6 %
Weighted average monthly rental rate*	\$795	\$773	\$22	2.8 %

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 ⁽¹⁾ 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 the Rental Program and financial impact to our operations.

Rental Program NOI increased \$8.9 million, or 25.5 percent, from \$34.8 million to \$43.6 million primarily due to increased revenues of \$10.0 million, offset by increased expenses of \$1.2 million. Revenues increased \$10.0 million primarily as a result of 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 \$1.2 million was a result of several factors: increased insurance and personal property and use taxes of \$0.7 million due to the additional number of homes in the Rental Program, increased bad debt expense of \$0.4 million, increased commissions of \$0.2 million and gas and electric utilities of \$0.1 million due to the increased number of new leases, partially offset by a decrease in repairs and refurbishment cost of \$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, 2013 and 2012 (in thousands, except for statistical information):

Financial Information	Nine Months Ended September 30,				% Change
	2013	2012	Change		
New home sales	\$3,918	\$3,878	\$40	1.0	%
Pre-owned home sales	36,282	27,635	8,647	31.3	%
Revenue from homes sales	40,200	31,513	8,687	27.6	%
New home cost of sales	3,308	3,312	(4	) (0.1)%
Pre-owned home cost of sales	26,052	21,223	4,829	22.8	%
Cost of home sales	29,360	24,535	4,825	19.7	%
NOI / Gross profit	\$10,840	\$6,978	\$3,862	55.3	%
Gross profit – new homes	\$610	\$566	\$44	7.8	%
Gross margin % – new homes	15.6	% 14.6	% 1.0	6.7	%
Gross profit – pre-owned homes	\$10,230	\$6,412	\$3,818	59.5	%
Gross margin % – pre-owned homes	28.2	% 23.2	% 5.0	21.5	%
Statistical Information					
Home sales volume:					
New home sales	53	54	(1	) (1.9)%
Pre-owned home sales	1,380	1,199	181	15.1	%
Total homes sold	1,433	1,253	180	14.4	%

Home Sales NOI increased \$3.9 million, or 55.3 percent from \$7.0 million to \$10.8 million primarily due to increased gross profit on pre-owned home sales primarily as a result of higher sales prices and increased sales volume.

SUN COMMUNITIES, INC.

OTHER INCOME STATEMENT ITEMS

Other revenues include other income, interest income, and ancillary revenues, net. Other revenues increased \$3.0 million, or 36.1 percent, from \$8.3 million to \$11.3 million. The increase was primarily due to increases in ancillary revenues, net of \$1.5 million, interest income of \$0.9 million from collateralized receivables, interest income of \$0.7 million from installment note receivables, brokerage commissions of \$0.2 million and interest income of \$0.1 million from other notes receivable, partially offset by a \$0.3 million increase in loan loss reserve and a \$0.1 million decrease in disposition of land.

Real Property general and administrative costs increased \$3.7 million, or 23.9 percent, from \$15.4 million to \$19.1 million primarily due to increases in salaries and wages of \$1.7 million, amortization of deferred compensation expense of \$1.1 million, recruiting and consulting costs of \$0.5 million, corporate insurance and claim reserves of \$0.3 million, health benefit costs of \$0.3 million, travel expenses of \$0.1 million, legal expenses of \$0.1 million and various miscellaneous expenses of \$0.4 million, partially offset by a \$0.8 million decrease in accrued bonus and incentive compensation.

Home Sales and Rentals general and administrative costs increased \$1.5 million, or 24.9 percent, from \$6.0 million to \$7.5 million, primarily due to increases in salaries and wages of \$0.7 million, commissions paid on home sales of \$0.3 million, utility expenses of \$0.2 million, health benefit costs of \$0.1 million, advertising costs of \$0.1 million and various other expenses of \$0.1 million.

Acquisition related costs increased \$1.4 million from \$1.4 million to \$2.8 million. These costs were incurred for both completed and potential acquisitions (See Note 2 of our financial statements).

Depreciation and amortization costs increased \$17.1 million, or 27.1 percent, from \$63.0 million to \$80.1 million due to increases in other depreciation and amortization of \$9.0 million primarily as a result of the newly acquired properties, depreciation on investment property for use in our Rental Program of \$4.7 million, amortization of in-place leases and promotions of \$1.4 million and \$0.2 million, respectively, and the write-off of net book value of replaced assets of \$1.8 million.

Interest expense on debt, including interest on mandatorily redeemable debt, increased \$4.2 million, or 7.9 percent, from \$53.1 million to \$57.3 million primarily due to increases in mortgage interest of \$1.7 million primarily due to debt associated with acquired properties, other interest expense and amortization of deferred financing costs of \$1.2 million, primarily as a result of the early replacement of our senior secured revolving credit facility and interest expense on our secured borrowing arrangements and lines of credit of \$0.9 million and \$0.4 million, respectively.

Distributions from affiliate decreased \$1.7 million, from \$3.3 million to \$1.6 million. We suspended equity accounting in 2010 on our affiliate, Origen, as our investment balance is zero. The income recorded in 2013 and 2012 is dividend income. See Note 7 of our financial statements.

SUN COMMUNITIES, INC.

FUNDS FROM OPERATIONS

We provide information regarding FFO as a supplemental measure of operating performance. FFO is defined by 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.

SUN COMMUNITIES, INC.

The following table reconciles net income to FFO data for diluted purposes for the three and nine months ended September 30, 2013 and 2012 (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Net income (loss) attributable to Sun Communities, Inc. common stockholders	\$3,749	\$(650)	\$10,528	\$6,390
Adjustments:				
Preferred return to Series A-1 preferred OP units	690	586	1,909	1,744
Preferred return to Series A-3 preferred OP units	45	—	121	—
Amounts attributable to noncontrolling interests	(28)	(211)	415	463
Depreciation and amortization	29,242	22,365	80,926	63,798
Gain on disposition of assets, net	(2,190)	(1,427)	(5,806)	(3,324)
Funds from operations ("FFO")	31,508	20,663	88,093	69,071
Adjustments:				
Acquisition related costs	619	847	2,769	1,434
FFO excluding certain items	\$32,127	\$21,510	\$90,862	\$70,505
Weighted average common shares outstanding:	35,499	26,938	33,802	26,145
Add:				
Common OP units	2,069	2,070	2,069	2,071
Restricted stock	629	289	461	282
Common stock issuable upon conversion of Series A-1 preferred OP units	1,111	1,111	1,111	1,111
Common stock issuable upon conversion of Series A-3 preferred OP units	75	—	64	—
Common stock issuable upon conversion of stock options	15	18	16	17
Weighted average common shares outstanding - fully diluted	39,398	30,426	37,523	29,626
FFO per share - fully diluted	\$0.80	\$0.68	\$2.36	\$2.34
FFO per share excluding certain items - fully diluted	\$0.82	\$0.71	\$2.44	\$2.39

SUN COMMUNITIES, INC.

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 improvement of properties, the purchase of new and pre-owned homes, property acquisitions, development and expansion of properties, and debt repayment.

Subject to market conditions, we intend to continue to look for opportunities to expand our development pipeline and acquire existing communities. We also intend to continue to strengthen our capital and liquidity positions by continuing to focus on our core fundamentals, which are generating positive cash flows from operations, maintaining appropriate debt levels and leverage ratios, and controlling overhead costs. We intend to meet our liquidity requirements through available cash balances, cash flows generated from operations, draws on our secured credit facility, and the use of debt and equity offerings under our automatic shelf registration statement.

During the nine months ended September 30, 2013, we acquired 12 RV communities with approximately 4,500 sites. We also completed seven acquisitions in 2012 in which we acquired 14 properties in total, seven manufactured housing communities, five RV communities and two communities containing both manufactured housing and RV communities. See Note 2 to our financial statements for details on the 2013 acquisitions and Note 9 to our financial statements for related debt transactions. We will continue to evaluate acquisition opportunities that meet our criteria for acquisition. Should additional investment opportunities arise in 2013, we intend to finance the acquisitions through secured financing, draws on our credit facilities, the assumption of existing debt on the properties and the issuance of certain equity securities.

During the nine months ended September 30, 2013, we invested \$49.3 million in the acquisition of homes intended for the Rental Program net of proceeds from third party financing from homes sales. Expenditures for 2013 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.

Our cash flow activities are summarized as follows (in thousands):

	Nine Months Ended September 30,	
	2013	2012
Net Cash Provided by Operating Activities	\$94,326	\$57,927
Net Cash Used in Investing Activities	\$(270,309)	\$(151,342)
Net Cash Provided by Financing Activities	\$151,430	\$126,282

Operating Activities

Cash and cash equivalents decreased by \$24.5 million from \$29.5 million as of December 31, 2012, to \$5.0 million as of September 30, 2013. Net cash provided by operating activities increased by \$36.4 million from \$57.9 million for the nine months ended September 30, 2012 to \$94.3 million for the nine months ended September 30, 2013.

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 Part I, Item 1A of our 2012 Annual Report.

Investing Activities

Net cash used in investing activities was \$270.3 million for the nine months ended September 30, 2013, compared to \$151.3 million for the nine months ended September 30, 2012. The increase is primarily due to increased investment in property of \$50.4 million, largely due to homes purchased for the Rental Program, an investment in a note receivable on properties acquired of \$49.4 million, increased community acquisitions of \$23.0 million (see Note 2 to our financial statements), a decrease in proceeds from affiliate dividend distribution of \$1.7 million, a decrease in proceeds related to the disposition of assets and depreciated homes, net of \$0.6 million and a decrease in proceeds related to disposition of land of \$0.2 million, partially offset by a decrease in cash used for

SUN COMMUNITIES, INC.

notes receivable investing of \$6.3 million. The investment in a note receivable on properties acquired of \$49.4 million was extinguished in a net cash settlement during the acquisition of the properties (see Noncash investing and financing activities).

Financing Activities

Net cash provided by financing activities was \$151.4 million for the nine months ended September 30, 2013, compared to \$126.3 million for the nine months ended September 30, 2012. The increase is primarily due to increased borrowings of \$110.7 million and decreased payments of \$40.3 million on our lines of credit, partially offset by a decrease in proceeds from issuance of other debt of \$59.1 million, a decrease in proceeds received from the issuance of additional shares of \$39.0 million, increased distributions to our stockholders and OP unitholders of \$21.3 million, and the increase in payments of other debt and deferred financing costs of \$4.9 million and \$1.4 million, respectively.

Financial Flexibility

We have a senior secured revolving credit facility (the "Facility") with a maximum borrowing capacity of \$350.0 million, subject to certain borrowing base calculations, and a built in accordion allowing for up to \$250.0 million in additional borrowings. The Facility replaced our \$150.0 million senior secured revolving credit facility, which was scheduled to mature on October 1, 2014. As of September 30, 2013, we had approximately \$51.7 million outstanding under the Facility. There was no amount outstanding on the previous senior secured revolving credit facility as of December 31, 2012. Borrowings under the Facility bear interest at a floating rate based on the Eurodollar rate plus a margin that is determined based on our leverage ratio calculated in accordance with the Facility, which can range from 1.65% to 2.90%. During 2013, the highest balance on the Facility was \$52.9 million, and the highest balance on the previous senior secured revolving credit facility was \$110.2 million. The borrowings under the Facility mature May 15, 2017, which can be extended for one additional year at our option, subject to the satisfaction of certain conditions as defined in the credit agreement. Although the Facility 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.

Our Facility provides us with the ability to issue letters of credit. Our issuance of letters of credit does not increase our borrowings outstanding under our line of credit, but it does reduce the borrowing amount available. At September 30, 2013, we had outstanding letters of credit to back standby letters of credit totaling approximately \$4.0 million, leaving approximately \$294.3 million available under our secured line of credit.

Pursuant to the terms of the line of credit facility, we are subject to various financial and other covenants. We are currently in compliance with these covenants. The most restrictive financial covenants for the line of credit facility are as follows:

Covenant	Must Be	As of September 30, 2013
Maximum Leverage Ratio	<68.5%	45.1%
Minimum Fixed Charge Coverage Ratio	>1.40	2.23
Minimum Tangible Net Worth	>\$850,141	\$1,129,538
Maximum Dividend Payout Ratio	<95.0%	72.0%

Market and Economic Conditions

Although the U.S. has seen improvements in job growth, motor vehicle sales and the housing market, growth in GDP remains soft. With continued concerns about government spending, the potential reduction in asset purchases by the Federal Reserve and rising interest rates, the potential risk of volatility in credit, equity and fixed income markets

continues. 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 66 unencumbered Properties with an estimated market value of \$415.7 million, 64 of these properties support the borrowing base for our \$350.0 million secured line of credit. From time to time, we may also issue shares of our capital 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 Part I, Item 1A of our 2012 Annual Report. If we are

SUN COMMUNITIES, INC.

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, 2013, our net debt plus preferred stock to enterprise value approximated 47.0% (assuming conversion of all common OP units, A-1 preferred OP units and A-3 preferred OP units to shares of common stock). Our debt has a weighted average maturity of approximately 6.5 years and a weighted average interest rate of 5.3 percent.

Capital expenditures for the nine months ended September 30, 2013 and 2012 included recurring capital expenditures of \$9.9 million and \$6.3 million, respectively. We are committed to the continued upkeep of our properties and therefore do not expect a decline in our recurring capital expenditures during 2013.

SUN COMMUNITIES, INC.

FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains various “forward-looking statements” within the meaning of the United States 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. For this purpose, any statements contained in this filing that relate to expectations, beliefs, projections, future plans and strategies, trends or prospective events or developments and similar expressions concerning matters that are not historical facts are deemed to be forward-looking statements. Words such as “forecasts,” “intends,” “intend,” “intended,” “goal,” “estimate,” “estimates,” “expects,” “expect,” “expected,” “project,” “projected,” “projections,” “plans,” “predicts,” “potential,” “seeks,” “anticipates,” “should,” “could,” “may,” “will,” “designed to,” “foreseeable future,” “believe,” “believes,” “scheduled” and similar expressions are intended to identify forward-looking statements, although not all forward looking statements contain these words. These forward-looking statements reflect our current views with respect to future events and financial performance, but involve known and unknown risks and uncertainties, both general and specific to the matters discussed in this filing. These risks and uncertainties may cause our actual results to be materially different from any future results expressed or implied by such forward-looking statements. In addition to the risks disclosed under “Risk Factors” contained in this Quarterly Report on Form 10-Q, our 2012 Annual Report and our other filings with the SEC, such risks and uncertainties include:

- changes in general economic conditions, the real estate industry and the markets in which we operate;
- difficulties in our ability to evaluate, finance, complete and integrate acquisitions, developments and expansions successfully;
- our liquidity and refinancing demands;
- our ability to obtain or refinance maturing debt;
- our ability to maintain compliance with covenants contained in our debt facilities;
- availability of capital;
- difficulties in completing acquisitions;
- our failure to maintain effective internal control over financial reporting and disclosure controls and procedures;
- increases in interest rates and operating costs, including insurance premiums and real property taxes;
- risks related to natural disasters;
- general volatility of the capital markets and the market price of shares of our capital stock;
- our failure to maintain our status as a REIT;
- changes in real estate and zoning laws and regulations;
- legislative or regulatory changes, including changes to laws governing the taxation of REITs;
- litigation, judgments or settlements;

our ability to maintain rental rates and occupancy levels;

competitive market forces; and

the ability of manufactured home buyers to obtain financing and the level of repossessions by manufactured home lenders

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Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statement was made. We undertake no obligation to publicly update or revise any forward-looking statements included or incorporated by reference into this filing, whether as a result of new information, future events, changes in our expectations or otherwise.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. All written and oral forward-looking statements attributable to us or persons acting on our behalf are qualified in their entirety by these cautionary statements.

SUN COMMUNITIES, INC.

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, 2013. The swap agreement fixes \$20.0 million of variable rate borrowings at 4.02% through January 2014. The first interest rate cap agreement has a cap rate of 11.27%, a notional amount of \$152.4 million, and a termination date of April 2015. The second interest rate cap agreement has a cap rate of 11.02%, a notional amount of \$10.0 million and a termination date of October 2016.

Our remaining variable rate debt totals \$217.6 million and \$202.0 million as of September 30, 2013 and 2012, respectively, and bears interest at Prime or various LIBOR rates. If Prime or LIBOR increased or decreased by 1.0 percent, we believe our interest expense would have increased or decreased by approximately \$1.7 million and \$1.9 million as of September 30, 2013 and 2012, respectively, based on the \$224.7 million and \$250.3 million average balances outstanding under our variable rate debt facilities, respectively.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of disclosure controls and procedures

Under the supervision and with the participation of our management, including our 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 and 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.

Changes in internal control over financial reporting

There have been no changes in our internal control over financial reporting during the quarterly period ended September 30, 2013 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

SUN COMMUNITIES, INC.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

See Note 18 included in Part I, Item 1, "Notes to Unaudited Consolidated Financial Statements," within this quarterly report on Form 10-Q.

ITEM 1A. RISK FACTORS

Certain provisions in our governing documents may make it difficult for a third-party to acquire us.

9.8% Ownership Limit. In order to qualify and maintain our qualification as a REIT, not more than 50% of the outstanding shares of our capital stock may be owned, directly or indirectly, by five or fewer individuals. Thus, ownership of more than 9.8%, in number of shares or value, of the issued and outstanding shares of our capital stock by any single stockholder has been restricted, with certain exceptions, for the purpose of maintaining our qualification as a REIT under the Code. Such restrictions in our charter do not apply to Milton M. Shiffman, Gary A. Shiffman, and Robert B. Bayer; trustees, personal representatives and agents to the extent acting for them or their respective estates; or certain of their respective relatives.

The 9.8% ownership limit, as well as our ability to issue additional shares of common stock or shares of other stock (which may have rights and preferences over the common stock), may discourage a change of control of the Company and may also: (1) deter tender offers for the common stock, which offers may be advantageous to stockholders; and (2) limit the opportunity for stockholders to receive a premium for their common stock that might otherwise exist if an investor were attempting to assemble a block of common stock in excess of 9.8% of our outstanding shares or otherwise effect a change of control of the Company.

Preferred Stock. Our charter authorizes the Board of Directors to issue up to 10,000,000 shares of preferred stock and to establish the preferences and rights (including the right to vote and the right to convert into shares of common stock) of any shares issued. In November 2012, we amended our charter to designate 3,450,000 shares of preferred stock as 7.125% Series A Cumulative Redeemable Preferred Stock, \$0.01 par value per share, and issued 3,400,000 of such shares of stock. The power to issue preferred stock could have the effect of delaying or preventing a change in control of the Company even if a change in control were in the stockholders' interest.

Upon the occurrence of certain change of control events, the result of which is that shares of our common stock and the common securities of the acquiring or surviving entity (or ADRs representing such securities) are not listed on the NYSE, the NYSE MKT or NASDAQ or listed or quoted on an exchange or quotation system that is a successor to the NYSE, the NYSE MKT or NASDAQ, holders of shares of Series A Preferred Stock will have the right, subject to certain limitations, to convert some or all of their shares of Series A Preferred Stock into shares of our common stock (or equivalent value of alternative consideration) and under these circumstances we will also have a special optional redemption right to redeem the shares of Series A Preferred Stock. Upon such a conversion, the holders of shares of Series A Preferred Stock will be limited to a maximum number of shares of our common stock. If our common stock price, as determined in accordance with our charter for these purposes, is less than \$20.97, subject to adjustment, the holders will receive a maximum of 1.1925 shares of our common stock per shares of Series A Preferred Stock, which may result in a holder receiving value that is less than the liquidation preference of the Series A Preferred Stock. These features of the Series A Preferred Stock may have the effect of inhibiting a third party from making an acquisition proposal for Sun or of delaying, deferring or preventing a change of control of Sun under circumstances that otherwise could provide the holders of our common stock and Series A Preferred Stock with the opportunity to realize a premium over the then-current market price or that stockholders may otherwise believe is in their best

interests.

Rights Plan. We adopted a stockholders' rights plan in 2008 that provides our stockholders (other than a stockholder attempting to acquire a 15% or greater interest in us) with the right to purchase our stock at a discount in the event any person attempts to acquire a 15% or greater interest in us. Because this plan could make it more expensive for a person to acquire a controlling interest in us, it could have the effect of delaying or preventing a change in control even if a change in control were in the stockholders' interest.

In addition to the other information set forth in this report, you should carefully consider the factors in Part 1, Item 1A., "Risk Factors," in our 2012 Annual Report, which could materially affect our business, financial condition or future results. Except as set forth above, there are no material changes to the disclosure on these matters set forth in the 2012 Annual Report.

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SUN COMMUNITIES, INC.

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 three and nine months ended September 30, 2013. There is no expiration date specified for the buyback program.

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SUN COMMUNITIES, INC.

ITEM 6. EXHIBITS

Exhibit No.	Description	Method of Filing
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.	(1)
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.	(1)
32.1	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	(1)
101**	The following Sun Communities, Inc. financial information for the quarter ended September 30, 2013, formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Balance Sheets (unaudited), (ii) Consolidated Statements of Operations (unaudited), (iii) Consolidated Statements of Comprehensive Income (unaudited), (iv) Consolidated Statement of Stockholders' Equity (unaudited), (v) Consolidated Statements of Cash Flows (unaudited) and (vi) Notes to Consolidated Financial Statements (unaudited).	(1)

(1) Filed herewith.

** 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.

SUN COMMUNITIES, INC.

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 29, 2013

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

SUN COMMUNITIES, INC.

EXHIBIT INDEX

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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.	(1)
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.	(1)
32.1	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	(1)
101**	The following Sun Communities, Inc. financial information for the quarter ended September 30, 2013, formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Balance Sheets (unaudited), (ii) Consolidated Statements of Operations (unaudited), (iii) Consolidated Statements of Comprehensive Income (unaudited), (iv) Consolidated Statement of Stockholders' Equity (unaudited), (v) Consolidated Statements of Cash Flows (unaudited) and (vi) Notes to Consolidated Financial Statements (unaudited).	(1)

(1) Filed herewith.

** 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.