

SUN COMMUNITIES INC  
Form 10-Q  
November 06, 2009

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

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2009.

or

TRANSITION PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number 1-12616

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

Maryland  
(State of Incorporation)  
27777 Franklin Rd.  
Suite 200  
Southfield, Michigan  
(Address of Principal Executive Offices)

38-2730780  
(I.R.S. Employer Identification No.)

48034  
(Zip Code)

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

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

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

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company

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

Yes  No

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Number of shares of Common Stock, \$0.01 par value per share, outstanding  
as of September 30, 2009: 18,794,736

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SUN COMMUNITIES, INC.

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

	(Unaudited)	
	September	December
	30, 2009	31, 2008
<b>ASSETS</b>		
Investment property, net	\$ 1,072,850	\$ 1,099,020
Cash and cash equivalents	5,079	6,162
Inventory of manufactured homes	3,683	3,342
Investment in affiliates	2,428	3,772
Notes and other receivables	69,781	57,481
Other assets	35,384	37,152
Assets of discontinued operations	-	70
<b>TOTAL ASSETS</b>	<b>\$ 1,189,205</b>	<b>\$ 1,206,999</b>
<b>LIABILITIES</b>		
Debt	\$ 1,155,646	\$ 1,139,152
Lines of credit	88,883	90,419
Other liabilities	40,133	37,240
Liabilities of discontinued operations	-	70
<b>TOTAL LIABILITIES</b>	<b>1,284,662</b>	<b>1,266,881</b>
Commitments and contingencies		
<b>STOCKHOLDERS' DEFICIT</b>		
Preferred stock, \$0.01 par value, 10,000 shares authorized, none issued	\$ -	\$ -
Common stock, \$0.01 par value, 90,000 shares authorized (September 30, 2009 and December 31, 2008, 20,597 and 20,313 shares issued respectively)	206	203
Additional paid-in capital	463,608	459,847
Officer's notes	(5,163)	(8,334)
Accumulated other comprehensive loss	(2,108)	(2,851)
Distributions in excess of accumulated earnings	(483,666)	(445,147)
Treasury stock, at cost (September 30, 2009 and December 31, 2008, 1,802 shares)	(63,600)	(63,600)
Total Sun Communities, Inc. stockholders' deficit	(90,723)	(59,882)
Noncontrolling interest	(4,734)	-
<b>TOTAL STOCKHOLDERS' DEFICIT</b>	<b>(95,457)</b>	<b>(59,882)</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT</b>	<b>\$ 1,189,205</b>	<b>\$ 1,206,999</b>

See accompanying Notes to Consolidated Financial Statements.



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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
<b>REVENUES</b>				
Income from real property	\$ 48,597	\$ 47,788	\$ 148,093	\$ 145,792
Revenue from home sales	8,433	7,933	24,112	24,204
Rental home revenue	5,062	5,186	15,449	15,318
Ancillary revenues, net	4	35	261	349
Interest	1,554	1,129	4,194	2,741
Other income (loss)	(258)	(816)	(161)	2,884
Total revenues	63,392	61,255	191,948	191,288
<b>COSTS AND EXPENSES</b>				
Property operating and maintenance	13,249	12,469	38,641	36,857
Real estate taxes	3,848	3,844	12,150	12,183
Cost of home sales	6,046	6,073	17,313	18,893
Rental home operating and maintenance	3,864	4,135	12,423	11,566
General and administrative - real property	3,687	3,691	12,753	12,546
General and administrative - home sales and rentals	1,890	1,676	5,532	5,003
Georgia flood damage	800	-	800	-
Depreciation and amortization	15,841	16,025	47,960	48,097
Interest	15,109	15,361	44,093	45,311
Interest on mandatorily redeemable debt	839	847	2,509	2,535
Total expenses	65,173	64,121	194,174	192,991
Loss before income taxes and equity loss from affiliates	(1,781)	(2,866)	(2,226)	(1,703)
Provision for state income tax	(103)	(141)	(382)	(34)
Equity loss from affiliates	(854)	(1,486)	(1,344)	(14,036)
Loss from continuing operations	(2,738)	(4,493)	(3,952)	(15,773)
Income (loss) from discontinued operations	177	(274)	(155)	(785)
Net loss	(2,561)	(4,767)	(4,107)	(16,558)
Less: income (loss) attributable to noncontrolling interest	(526)	726	(690)	(602)
Net loss attributable to Sun Communities, Inc.	\$ (2,035)	\$ (5,493)	\$ (3,417)	\$ (15,956)
<b>Weighted average common shares outstanding:</b>				
Basic	18,513	18,213	18,437	18,151
Diluted	18,513	18,213	18,437	18,151
<b>Basic and diluted loss per share:</b>				
Continuing operations	\$ (0.12)	\$ (0.28)	\$ (0.18)	\$ (0.84)

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Discontinued operations		0.01		(0.02)		(0.01)		(0.04)
Basic and diluted loss per share	\$	(0.11)	\$	(0.30)	\$	(0.19)	\$	(0.88)
Cash dividends per common share:	\$	0.63	\$	0.63	\$	1.89	\$	1.89

See accompanying Notes to Consolidated Financial Statements.



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

	Three Months Ended		Nine Months Ended	
	September 30, 2009	2008	September 30, 2009	2008
Amounts attributable to Sun Communities, Inc. common stockholders:				
Loss from continuing operations, net of state income taxes	\$ (2,193)	\$ (5,190)	\$ (3,278)	\$ (15,200)
Income (loss) from discontinued operations, net of state income taxes	158	(303)	(139)	(756)
Loss attributable to Sun Communities, Inc.	\$ (2,035)	\$ (5,493)	\$ (3,417)	\$ (15,956)

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

	Three Months Ended		Nine Months Ended	
	September 30, 2009	2008	September 30, 2009	2008
Net loss	\$ (2,561)	\$ (4,767)	\$ (4,107)	\$ (16,558)
Unrealized gain (loss) on interest rate swaps	(494)	4	832	(64)
Total comprehensive loss	(3,055)	(4,763)	(3,275)	(16,622)
Less: Comprehensive income (loss) attributable to the noncontrolling interest	(324)	733	(347)	(604)
Comprehensive loss attributable to Sun Communities, Inc.	\$ (2,731)	\$ (5,496)	\$ (2,928)	\$ (16,018)

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

	Common Stock	Additional Paid-in Capital	Officers' Notes	Distributions		Treasury Stock	Total Sun Communities' Non-controlling Interest	Total Stockholders' Deficit
				Accumulated Other Comprehensive Loss	in Excess of Accumulated Earnings			
Balance as of December 31, 2008	\$ 203	\$ 459,847	\$ (8,334)	\$ (2,851)	\$ (445,147)	\$ (63,600)	\$ (59,882)	\$ -
								\$ (59,882)

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Issuance of common stock, net	3	1,506	-	-	-	-	1,509	-	1,509
Stock-based compensation - amortization and forfeitures	-	2,255	-	-	14	-	2,269	-	2,269
Net loss	-	-	-	-	(3,417 )	-	(3,417 )	(690 )	(4,107 )
Unrealized gain on interest rate swaps	-	-	-	743	-	-	743	89	832
Repayment of officer's notes	-	-	3,171	-	-	-	3,171	-	3,171
Cash distributions declared of \$1.89 per share	-	-	-	-	(35,116 )	-	(35,116 )	(4,133 )	(39,249 )
Balance as of September 30, 2009	\$206	\$463,608	\$(5,163 )	\$(2,108 )	\$(483,666 )	\$(63,600 )	\$(90,723 )	\$(4,734 )	\$(95,457 )

See accompanying Notes to Consolidated Financial Statements.

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

	2009	2008
<b>OPERATING ACTIVITIES:</b>		
Net loss	\$ (4,107)	\$ (16,558)
Less: Loss from discontinued operations, net of tax	(155)	(785)
Loss from continuing operations	(3,952)	(15,773)
Adjustments to reconcile loss from continuing operations to net cash provided by operating activities:		
Gain from land dispositions	(90)	(3,336)
Gain on disposal of other assets and depreciated homes, net	(3,643)	(2,502)
Gain on valuation of derivative instruments	(5)	(2)
Stock compensation expense	2,335	1,696
Depreciation and amortization	51,342	51,137
Amortization of deferred financing costs	1,228	1,145
Equity loss from affiliates	1,344	14,036
Change in notes receivables from financed sales of inventory homes, net of repayments	(2,554)	(3,226)
Change in inventory, other assets and other receivables, net	(3,746)	(6,445)
Change in accounts payable and other liabilities	3,119	4,010
Net cash provided by operating activities of continuing operations	45,378	40,740
Net cash used for operating activities of discontinued operations	(438)	(351)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>44,940</b>	<b>40,389</b>
<b>INVESTING ACTIVITIES:</b>		
Investment in properties	(30,321)	(32,316)
Investment in affiliate	-	(500)
Proceeds related to dispositions of land	172	6,508
Proceeds related to disposition of other assets and depreciated homes, net	455	342
Payment of notes receivable and officer's notes, net	6,930	1,692
<b>NET CASH USED FOR INVESTING ACTIVITIES</b>	<b>(22,764)</b>	<b>(24,274)</b>
<b>FINANCING ACTIVITIES:</b>		
Issuance (redemption) of common stock and OP units, net	1,509	(459)
Borrowings on lines of credit	106,197	88,785
Payments on lines of credit	(107,733)	(102,612)
Proceeds from issuance of notes payable and other debt	40,231	52,549
Payments on notes payable and other debt	(23,737)	(13,538)
Payments for deferred financing costs	(477)	(338)
Distributions to stockholders and OP unit holders	(39,249)	(39,093)
<b>NET CASH USED FOR FINANCING ACTIVITIES</b>	<b>(23,259)</b>	<b>(14,706)</b>
		-
Net increase (decrease) in cash and cash equivalents	(1,083)	1,409
Cash and cash equivalents, beginning of period	6,162	5,415
Cash and cash equivalents, end of period	\$ 5,079	\$ 6,824

SUPPLEMENTAL INFORMATION:

Cash paid for interest	\$ 39,545	\$ 42,990
Cash paid for interest on mandatorily redeemable debt	\$ 2,509	\$ 2,587
Cash paid for state income taxes	\$ 526	\$ 249
Noncash investing and financing activities:		
Unrealized gain (loss) on interest rate swaps	\$ 832	\$ (64)

See accompanying Notes to Consolidated Financial Statements.

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

1. Basis of Presentation

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

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

The accompanying Consolidated Financial Statements reflect, in the opinion of management, all adjustments necessary for a fair presentation of the interim financial statements. All such adjustments are of a normal and recurring nature.

We completed the sale of our cable television services business during the third quarter ended September 30, 2009. The cable television services business has been classified and presented as discontinued operations in the Consolidated Financial Statements and related notes. See Note 2 for additional information.

The following Notes to Consolidated Financial Statements present interim disclosures as required by the SEC. These statements have been prepared on a basis that is substantially consistent with the accounting principles applied in our 2008 Annual Report, with the exception of the impact of our adoption in the first quarter of 2009 of the following accounting standards: Statement of Financial Accounting Standards (SFAS) No. 160, “Noncontrolling Interests in Consolidated Financial Statements”, which is now included within the FASB Accounting Standards Codification TM (“ASC”) Topic 810, Consolidation; and FASB Staff Position Emerging Issues Task Force (“EITF”) No. 03-6-1, “Determining Whether Instruments Granted in Share-Based Payment Transactions are Participating Securities”, which is included within ASC Topic 260, Earnings Per Share. See Recent Accounting Pronouncements in Note 17 for further information on our adoption of these accounting standards.

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

2. Discontinued Operations

We had investments in certain land improvements and equipment that provided cable television services to certain communities within the Real Property Operations segment. In December 2008, we determined that the cable television assets could not provide the necessary return on investment to justify the capital investment required to keep up with the technological advances in the offered product. In the fourth quarter of fiscal 2008, we announced our

intention to exit the cable television service business and recorded a \$4.1 million impairment charge on the cable television assets. This impairment charge was recognized in accordance with ASC Topic 360, Plant Property and Equipment.

We completed the sale of the cable television services business during the third quarter ended September 30, 2009. Cash proceeds from this sale were \$0.3 million, resulting in a net gain on sale of \$0.2 million, which is recorded in loss from discontinued operations. In accordance with ASC Topic 205, Presentation of Financial Statements, the cable television service business has been presented as a discontinued operation in the Consolidated Financial Statements for all periods presented.

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

2. Discontinued Operations, continued

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

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2009	2008	2009	2008
Total revenues	\$ 268	\$ 178	\$ 623	\$ 573
Total expenses	(91)	(452)	(778)	(1,358)
Income (loss) from discontinued operations	177	(274)	(155)	(785)
Less: Income (loss) attributable to noncontrolling interest	19	29	(16)	(29)
Income (loss) from discontinued operations attributable to Sun Communities, Inc. common stockholders	\$ 158	\$ (303)	\$ (139)	\$ (756)

	September 30, 2009	December 31, 2008
<b>ASSETS</b>		
Accounts receivable, net	\$ -	\$ 16
Other assets	-	54
Total assets	\$ -	\$ 70
<b>LIABILITIES</b>		
Accounts payable	\$ -	\$ 16
Deferred income	-	38
Other liabilities	-	16
Total liabilities	\$ -	\$ 70

3. Investment Property

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

	September 30, 2009	December 31, 2008
Land	\$ 116,266	\$ 116,292
Land improvements and buildings	1,184,893	1,177,362
Rental homes and improvements	199,677	194,649
Furniture, fixtures, and equipment	34,523	34,050
Land held for future development	26,986	26,986
Investment property	1,562,345	1,549,339
Less: Accumulated depreciation	(489,495)	(450,319)
Investment property, net	\$ 1,072,850	\$ 1,099,020

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

On September 21, 2009, a flood caused substantial damage to our property, Countryside Village of Atlanta, located in Lawrenceville, Georgia. We are still in the preliminary stages of assessing the damage to our property. We have comprehensive insurance coverage for both property damage and business interruption, subject to deductibles and certain limitations. We believe the cost of the damage sustained from the flooding will be in excess of our insurance deductible. We have recorded a charge of \$0.8 million associated with the flooding. This charge represents our deductible, net of expected insurance recoveries for the replacement of assets that exceed the net book value of assets damaged in the flood.



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

4. Secured Borrowing and Collateralized Receivables

We have completed various transactions involving our installment notes since the third quarter of fiscal 2008. We have received a total of \$49.2 million of cash proceeds in exchange for relinquishing our right, title and interest in the installment notes. 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. The recourse provisions are considered to be a form of continuing involvement, and we have recorded these transactions as a transfer of financial assets in accordance with ASC Topic 860, Transfers and Servicing.

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

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

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 7) within the Consolidated Balance Sheets. The net balance of the collateralized receivables was \$44.9 million and \$26.1 million as of September 30, 2009 and December 31, 2008, respectively. The collateralized receivables are presented net of allowance for losses of \$0.1 million as of September 30, 2009 and December 31, 2008. The outstanding balance on the secured borrowing was \$45.0 million and \$26.2 million as of September 30, 2009 and December 31, 2008, respectively.

The balances of the collateralized receivables and secured borrowings fluctuate. The balances increase as additional installment notes are transferred and exchanged for cash proceeds. The balances are reduced as the related installment notes 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):

Beginning balance as of December 31, 2008	\$ 26,211
Financed sales of manufactured homes	21,690
Principal payments and payoffs from our customers	(1,439)
Repurchases	(1,406)
Total activity	18,845
Ending balance as of September 30, 2009	\$ 45,056

The collateralized receivables earn interest income and the secured borrowings accrue borrowing costs at the same interest rates. The amount of interest income and expense recognized was \$1.2 million and \$0.7 million for the three months ended September 30, 2009 and 2008, respectively. The amount of interest income and expense recognized was \$2.8 million and \$0.7 million for the nine months ended September 30, 2009 and 2008, respectively.

For federal tax purposes, we treat these transfers of collateralized receivables as sales of financial assets.

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, 2009	December 31, 2008
Installment notes receivable on manufactured homes, net	\$ 16,407	\$ 21,232
Collateralized receivables, net (see Note 4)	44,913	26,159
Other receivables, net	8,461	10,090
Total notes and other receivables, net	\$ 69,781	\$ 57,481

Installment Notes Receivable on Manufactured Homes

The installment notes of \$16.4 million and \$21.2 million as of September 30, 2009 and December 31, 2008, respectively, are collateralized by manufactured homes. The installment notes are presented net of allowance for losses of \$0.1 million as of September 30, 2009 and December 31, 2008. The installment notes represent financing provided by us to purchasers of manufactured homes generally located in our communities. The installment notes receivable have interest payable monthly at a net weighted average interest rate and a maturity of 7.8 percent and 12.8 years and 7.6 percent and 13.8 years at September 30, 2009 and December 31, 2008, respectively.

Collateralized Receivables

We have completed various transactions involving our installment notes since the third quarter of fiscal 2008. We have received a total of \$49.2 million of cash proceeds in exchange for relinquishing our right, title and interest in the installment notes. These transactions were recorded as a transfer of financial assets. The transferred assets have been classified as collateralized receivables with a net balance of \$44.9 million and \$26.1 million as of September 30, 2009 and December 31, 2008, respectively. The collateralized receivables are presented net of allowance for losses of \$0.1 million as of September 30, 2009 and December 31, 2008. The collateralized receivables have interest payable monthly at a weighted average interest rate and maturity of 10.8 percent and 13.8 years and 10.1 percent and 14.0 years, as of September 30, 2009 and December 31, 2008, respectively. See Note 4 for additional information.

Allowance for Losses for Collateralized and Installment Notes Receivable

We are generally able to recover our investment in uncollectible notes receivable by repurchasing the homes that collateralized these notes receivables, and then selling or leasing these homes to potential residents in our communities. Although our experience supports a high recovery rate for repossessed homes, we believe there is some degree of uncertainty about recoverability of our investment in these repossessed homes. We have established a loan loss reserve that estimates our unrecoverable costs associated with these repossessed homes. We estimate our unrecoverable costs to be the repurchase price plus repair costs that exceed the estimated selling price of the home being repossessed. A historical average of this excess cost is calculated based on prior repossessions and applied to our estimated annual future repossessions to create the allowance for installment notes and collateralized receivables. The allowance for losses for collateralized and installment notes receivable was \$0.2 million as of September 30, 2009 and December 31, 2008.



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

5. Notes and Other Receivables, continued

Other Receivables

Other receivables were comprised of amounts due from residents of \$1.6 million (net of allowance of \$0.2 million), home sale proceeds of \$3.4 million, an employee loan of \$0.5 million, insurance receivables of \$0.4 million, and rebates and other receivables of \$2.6 million as of September 30, 2009. Other receivables were comprised of amounts due from residents of \$1.6 million (net of allowance of \$0.3 million), home sale proceeds of \$3.7 million, an employee loan of \$0.5 million, insurance receivables of \$0.3 million, and rebates and other receivables of \$4.0 million as of December 31, 2008.

Officer's Notes

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

Promissory Notes	September 30, 2009			December 31, 2008		
	Outstanding Principal Balance	Secured by		Outstanding Principal Balance	Secured by	
		Common Stock	Common OP Units		Common Stock	Common OP Units
Secured - \$1.3 million	\$ 597	36,711	-	\$ 963	59,263	-
Secured - \$6.6 million	3,031	81,515	58,643	4,894	131,591	94,669
Secured - \$1.0 million	469	43,397	-	757	70,057	-
Subtotal secured notes	4,097	161,623	58,643	6,614	260,911	94,669
Unsecured - \$1.0 million	469	-	-	757	-	-
Unsecured - \$1.3 million	597	-	-	963	-	-
Subtotal unsecured notes	1,066	-	-	1,720	-	-
Total promissory notes	\$ 5,163	161,623	58,643	\$ 8,334	260,911	94,669

The officer's personal liability on the secured promissory notes is limited to all accrued interest on such notes plus fifty percent of the deficiency, if any, after application of the proceeds from the sale of the secured shares and/or the secured units to the then outstanding principal balance of the promissory notes. The value of secured shares and secured OP Units total approximately \$4.7 million based on the closing price of our shares on the New York Stock Exchange of \$21.52 as of September 30, 2009. The unsecured notes are fully recourse to the officer.

Total interest received was \$0.1 million for the three months ended September 30, 2009 and 2008. Total interest received was \$0.2 million and \$0.4 million for the nine months ended September 30, 2009 and 2008, respectively.

The reduction in the aggregate principal balance of these notes was \$3.2 million and \$0.3 million for the nine months ended September 30, 2009 and 2008, respectively. The notes are due in two remaining installments on December 31,

2009 and 2010.

6.

Investment in Affiliates

In October 2003, we purchased 5,000,000 shares of common stock of Origen Financial, Inc. (“Origen”). We own approximately 19 percent of Origen as of September 30, 2009, and our investment is accounted for using the equity method of accounting. As of September 30, 2009, our investment in Origen had a market value of approximately \$8.0 million based on a quoted market closing price of \$1.60 per share from the “Pink Sheet Electronic OTC Trading System”.

We recorded our estimated equity allocation of the reported losses from Origen of \$0.8 million and \$1.2 million for the three and nine months ended September 30, 2009, respectively. We recorded equity losses from Origen of \$1.5 million and \$14.1 million for the three and nine months ended September 30, 2008, respectively. These equity losses included other than temporary impairment charges of \$1.3 million and \$8.1 million for the three and nine months ended September 30, 2008, respectively.

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

6. Investment in Affiliates, continued

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

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2009	2008	2009	2008
Revenues	\$ 19,791	\$ 23,469	\$ 62,538	\$ 69,199
Less:				
Expenses	24,119	32,517	68,810	88,765
Loss on sale of loans	-	-	-	22,377
Loss from continuing operations	(4,328)	(9,048)	(6,272)	(41,943)
Income from discontinued operations	-	7,875	-	11,004
Net loss	\$ (4,328)			