SUN COMMUNITIES INC
Form 10-K
February 23, 2012

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

FORM 10-K

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

For the fiscal year ended December 31, 2011
Commission file number 1-12616

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

Maryland (State of Incorporation)	38-2730780 (I.R.S. Employer Identification No.)
27777 Franklin Rd. Suite 200 Southfield, Michigan (Address of Principal Executive Offices)	48034 (Zip Code)

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

Common Stock, Par Value $0.01 per Share Securities Registered Pursuant to Section 12(b) of the Act	New York Stock Exchange Name of each exchange on which registered

Securities Registered Pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes [ ] No [X]

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act. Yes[ ] No [X]

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 [X]

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

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 [X] 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 [X]

As of June 30, 2011, the aggregate market value of the Registrant's stock held by non-affiliates was approximately $743,605,724 (computed by reference to the closing sales price of the Registrant's common stock as of June 30, 2011). For this computation, the Registrant has excluded the market value of all shares of common stock reported as beneficially owned by executive officers and directors of the Registrant; such exclusion shall not be deemed to constitute an admission that any such person is an affiliate of the Registrant.

Number of shares of Common Stock, $0.01 par value per share, outstanding as of February 15, 2012: 26,450,402

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PART I

ITEM 1. BUSINESS

GENERAL

Sun Communities, Inc., a Maryland corporation, together with the Sun Communities Operating Limited Partnership, a Michigan limited partnership (the “Operating Partnership”) and other consolidated subsidiaries (the “Subsidiaries”) are referred to herein as the “Company”, “us”, “we”, and “our”. We are a self-administered and self-managed real estate investment trust (“REIT”).

We are a fully integrated real estate company which, together with our affiliates and predecessors, has been in the business of acquiring, operating, developing and expanding manufactured housing communities since 1975. We lease individual parcels of land (“sites”) with utility access for placement of manufactured homes and recreational vehicles (“RV”) to our customers. We are also engaged through a taxable subsidiary, Sun Home Services, Inc., a Michigan corporation (“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.

We own, operate, and develop manufactured housing communities concentrated in the midwestern, southern, and southeastern United States. As of December 31, 2011, we owned and operated a portfolio of 159 properties located in 18 states (the “Properties”, or “Property”), including 141 manufactured housing communities, eight RV communities, and 10 properties containing both manufactured housing and RV sites. As of December 31, 2011, the Properties contained an aggregate of 54,811 developed sites comprised of 47,935 developed manufactured home sites, 3,867 permanent RV sites, 3,009 seasonal RV sites, and approximately 6,400 additional manufactured home sites suitable for development.

Our executive and principal property management office is located at 27777 Franklin Road, Suite 200, Southfield, Michigan 48034 and our telephone number is (248) 208-2500. We have regional property management offices located in Austin, Texas; Dayton, Ohio; Grand Rapids, Michigan; Elkhart, Indiana; and Orlando, Florida; and we employed an aggregate of 775 full and part time people as of December 31, 2011.

Our website address is www.suncommunities.com and we make available, free of charge, on or through our website all of our periodic reports, including our annual report on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K, as soon as reasonably practicable after we file such reports with the Securities and Exchange Commission.

RECENT DEVELOPMENTS

Acquisitions

In May 2011, we acquired Orange City RV Resort (“Orange City”), a Florida RV community comprised of 525 developed sites. In June 2011, we closed on the acquisition of Kentland Communities (“Kentland”), comprised of 17 manufactured home communities and one RV community. The 18 communities acquired are located in western Michigan and comprise 5,434 developed sites. In November 2011, we acquired Cider Mills Crossings (“Cider Mills”), a Michigan manufactured home community comprised of 262 developed sites through an auction. In December 2011, we closed on three Florida RV communities, Club Naples RV Resort, Kountree RV Resort, and North Lake RV Resort (collectively, the “Florida Properties”), two of which are in Naples, Florida and one of which is in Moore Haven, Florida, comprised of 740 developed sites. These acquisitions complement our existing portfolio and create both short-term and long-term growth opportunities.

In February 2012, we acquired three additional Florida RV communities, Three Lakes RV resort, Blueberry Hill RV resort and Grand Lake Estates (collectively, the "Additional Florida Properties"), one of which is located in Hudson, Florida, one of which is located in Bushnell, Florida and one of which is located in Orange Lake, Florida. Together, the Additional Florida Properties are comprised of 1,124 RV sites. We believe this portfolio provides for growth from both rental increases and through improved seasonal occupancy.

Secured Debt

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

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

In June 2011, we assumed secured debt with a principal balance $52.4 million, as a result of the Kentland acquisition (see Note 2 for acquisition details), that has a weighted average maturity of 4.7 years and weighted average annual interest rate of 5.70%. This secured debt was recorded at fair value on the date of the acquisition. This debt is secured by 12 Properties.

In June 2011, we also entered into a $22.9 million variable financing agreement to partially fund the Kentland and Orange City acquisition (see Note 2 for acquisition details). The agreement has a weighted average maturity of 3.9 years and weighted average annual variable interest rate of 3.0%. The debt was collateralized by six Properties – five Kentland properties and Orange City. Subsequent to year end, we paid down $4.5 million of this debt and the mortgage on Orange City was released.

In July 2011, we reached an agreement with Fannie Mae (“FNMA”) and PNC Bank National Association regarding the settlement of the litigation we commenced in November 2009 over certain fees charged when the variable rate loan facility was extended in April 2009. The agreement became effective January 3, 2012 and the litigation was dismissed. In accordance with the terms of the agreement, we have the option to extend the maturity date of our entire $367.0 million credit facility with PNC Bank and FNMA from 2014 to 2023, subject to compliance with certain underwriting criteria. This agreement also provided a reduction in the facility fee charged on our $152.4 million variable rate facility, the effect of which reduced interest expense by $1.7 million thru December 31, 2011. In addition we have a $10.0 million variable rate facility, which matures on May 1, 2023 and provides for interest-only payments until May 1, 2014, after which principal and interest payments will be due based on a 30-year amortization. The interest rate for the $10.0 million variable rate facility is equal to the 90-day LIBOR index, plus an investor spread equal to 95 basis points, plus a variable facility fee equal to 172 basis points through maturity.

In December 2011, we entered into a $17.0 million variable financing agreement with Bank of America, N.A. and Private Bank, to fund the Florida Properties acquisition (see Note 2 for acquisition details). The agreement has a maturity of 5.0 years and had an effective interest rate of 2.80% at December 31, 2011. The debt was collateralized by all three of the properties acquired in the Florida Properties acquisition.

Line of Credit

In September, 2011, we entered into a senior secured revolving credit facility with Bank of America, N.A., and certain other lenders in the amount of $130.0 million (the "Facility"), which replaced our $115.0 million revolving line of credit. The Facility is secured by a first priority lien on all of our equity interests in each entity that owns all or a portion of the properties constituting the borrowing base and collateral assignments of our senior and mezzanine debt positions in certain borrowing base properties. The Facility has a built-in accordion feature allowing up to $20.0 million in additional borrowings and a one-year extension option, both at our discretion. The Facility matures on October 1, 2015, assuming the election of the extension. The Facility will bear interest at a floating rate based on Eurodollar plus a margin that is determined based on our leverage ratio calculated in accordance with the Facility, which can range from 2.25% to 2.95%. Based on our current leverage ratio, the margin was 2.75% as of December 31, 2011.

Equity Transactions

In August, 2009, we entered into an “at-the-market” Sales Agreement with Brinson Patrick Securities Corporation to issue and sell up to 1,600,000 shares of common stock from time to time pursuant to our effective shelf registration statement on Form S-3. Sales under the agreement commenced during the third quarter of 2009 and we issued all 1,600,000 shares of common stock between the third quarter of 2009 and May 2011. In May 2011, the Board of Directors authorized the sale of an additional 1,600,000 shares under the agreement. During the year ended December 31, 2011, we issued 782,521 shares of common stock (480,184 shares from the first authorized issuance in 2009 and

302,337 shares from the second authorized issuance in 2011) under the agreement. The shares of common stock were sold at the prevailing market price of our common stock at the time of each sale with a weighted average price of $37.54 and we received net proceeds of approximately $28.8 million. As of the year ended December 31, 2011, there were 1,297,663 shares authorized for issuance under the agreement.

In August, 2010, we entered into a Common Stock Purchase Agreement (the “Purchase Agreement”) with REIT Opportunity, Ltd. (“REIT Ltd.”), which provides that, upon the terms and subject to the conditions set forth in the Purchase Agreement, REIT Ltd. Is committed to purchase up to the lesser of $100,000,000 of our common stock, or 3,889,493 shares of our common stock, which is equal to one share less than twenty percent of our issued and outstanding shares of common stock on the effective date of the Purchase Agreement. From time to time over the two year term of the Purchase Agreement, and at our sole discretion, we may present REIT Ltd. with draw down notices to purchase our common stock. Any and all issuances of shares of common stock to REIT Ltd. pursuant to the Purchase Agreement will be registered on our effective shelf registration statement on Form S-3. In January 2011, we sold 915,827 shares of common stock at a weighted average sale price of $32.76 and received net proceeds of approximately $30.0 million.

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

In January 2012, we closed an underwritten registered public offering of 4,600,000 shares of common stock at a price of $35.50 per share. The net proceeds from the offering were approximately $156.0 million after deducting the underwriting discounts and expenses related to the offering. We used the net proceeds of the offering to repay $123.5 million of outstanding debt and we used $25.0 million to fund a portion of the purchase price of the remaining three RV communities located in Florida that we acquired in 2012 (See Note 2 for additional information). We expect to use any remaining net proceeds of the offering to fund possible future acquisitions of properties, for working capital and for general corporate purposes.

STRUCTURE OF THE COMPANY

The Operating Partnership is structured as an umbrella partnership REIT, or UPREIT. In 1993, we contributed our net assets to the Operating Partnership in exchange for the sole general partner interest in the Operating Partnership and the majority of all the Operating Partnership's initial capital. We substantially conduct our operations through the Operating Partnership. The Operating Partnership owns, either directly or indirectly through Subsidiaries, all of our assets. This UPREIT structure enables us to comply with certain complex requirements under the Federal tax rules and regulations applicable to REITs, and to acquire manufactured housing communities in transactions that defer some or all of the sellers' tax consequences. The financial results of the Operating Partnership and the Subsidiaries are consolidated in our consolidated financial statements. The financial results include certain activities that do not necessarily qualify as REIT activities under the Internal Revenue Code of 1986, as amended (the "Code"). We have formed taxable REIT subsidiaries, as defined in the Code, to engage in such activities. We use taxable REIT subsidiaries to offer certain services to our residents and engage in activities that would not otherwise be permitted under the REIT rules if provided directly by us or by the Operating Partnership. The taxable REIT subsidiaries include our home sales business, SHS, which provides manufactured home sales, leasing and other services to current and prospective tenants of the Properties.

We do not own all of the OP Units. As of December 31, 2011, the Operating Partnership had issued and outstanding 23,881,980 common OP Units, 1,325,275 Aspen Preferred OP Units, 455,476 Preferred OP Units, and 122,400 Series B-3 preferred OP Units. As of December 31, 2011, we held 21,810,258 common OP Units, or approximately 91.3% of the issued and outstanding common OP Units, and no preferred OP ("Aspen Preferred OP") Units, Preferred OP Units or Series B-3 preferred OP Units.

Subject to certain limitations, the holder of each common OP Unit at its option may convert such common OP Unit at any time into one share of our common stock. The holders of common OP Units receive distributions on the same dates and in amounts equal to the dividends paid to holders of our common stock.

Subject to certain limitations, at any time prior to January 1, 2024, the holder of each Aspen Preferred OP Unit at its option may convert such Aspen Preferred OP Unit into: (a) if the market price of our common stock is $68.00 per share or less, 0.397 common OP Units, or (b) if the market price of our common stock is greater than $68.00 per share, that number of common OP Units determined by dividing (i) the sum of (A) $27.00 plus (B) 25% of the amount by which the market price of our common stock exceeds $68.00 per share, by (ii) the per-share market price of our common stock. The holders of Aspen Preferred OP Units generally receive distributions on the same dates as distributions are paid to holders of common OP Units. Each Aspen Preferred OP Unit is entitled to receive distributions in an amount equal to the product of (x) $27.00, multiplied by (y) an annual rate equal to the 10-year

United States Treasury bond yield plus 239 basis points; provided, however, that the aggregate distribution rate shall not be less than 6.5% nor more than 9.0%. On January 2, 2024, we are required to redeem all Aspen Preferred OP Units that have not been converted to common OP Units. In addition, we are required to redeem the Aspen Preferred OP Units of any holder thereof within five days after receipt of a written demand during the existence of certain uncured Aspen Preferred OP Unit defaults, including our failure to pay distributions on the Aspen Preferred OP Units when due and our failure to provide certain security for the payment of distributions on the Aspen Preferred OP Units. We may also redeem Aspen Preferred OP Units from time to time if we and the holder thereof agree to do so.

Subject to certain limitations, the holder of each Preferred OP Unit at its option may exchange such Preferred OP Unit at any time on or after December 31, 2013, into 2.439 shares of our common stock (which exchange rate is subject to adjustment upon stock splits, recapitalizations and similar events). The holders of Preferred OP Units generally receive distributions at the end of the quarter. Each Preferred OP Unit is entitled to receive distributions in an amount equal to the product of $100.00 multiplied by an annual rate equal to 5.1% until June 23, 2013, and an annual rate equal to 6.0% thereafter.

Series B-3 preferred OP Units are not convertible. The holders of Series B-3 preferred OP Units generally receive distributions at the end of each quarter. Each Series B-3 preferred OP Unit is entitled to receive distributions in an amount equal to the product of $100.00 multiplied by an annual rate equal to 8.0%. As of December 31, 2011, there were outstanding 46,700 Series B-3 preferred OP Units which were issued on December 1, 2002, 33,450 Series B-3 preferred OP Units which were issued on January 1, 2003, and 42,250 Series B-3 preferred OP Units which were issued on January 5, 2004. Subject to certain limitations, (x) during the 90-day period beginning on each of the tenth through fifteenth anniversaries of the issue date of the applicable Series B-3 preferred OP Units, (y) any time after the fifteenth anniversary of the issue date of the applicable Series B-3 preferred OP Units, or (z) after our receipt of notice of the death of the electing holder of a Series B-3 preferred OP Unit, each holder of Series B-3 preferred OP Units may require us to redeem such holder's Series B-3 preferred OP Units at the redemption price of $100.00 per unit. In addition, any time after the fifteenth anniversary of the issue date of the applicable Series B-3 preferred OP Units we may redeem, at our option, all of the Series B-3 preferred OP Units of any holder thereof at the redemption price of $100.00 per unit.

THE MANUFACTURED HOUSING COMMUNITY

A manufactured housing community is a residential subdivision designed and improved with sites for the placement of manufactured homes and related improvements and amenities. Manufactured homes are detached, single-family homes which are produced off-site by manufacturers and installed on sites within the community. Manufactured homes are available in a wide array of designs, providing owners with a level of customization generally unavailable in other forms of multi-family housing.

Modern manufactured housing communities, such as the Properties, contain improvements similar to other garden-style residential developments, including centralized entrances, paved streets, curbs and gutters, and parkways. In addition, these communities also often provide a number of amenities, such as a clubhouse, a swimming pool, shuffleboard courts, tennis courts, and laundry facilities.

The owner of each home on our Properties leases the site on which the home is located. We own the underlying land, utility connections, streets, lighting, driveways, common area amenities and other capital improvements and are responsible for enforcement of community guidelines and maintenance. Some of the Properties provide water and sewer service through public or private utilities, while others provide these services to residents from on-site facilities. Each owner within our Properties is responsible for the maintenance of the home and leased site. As a result, capital expenditure needs tend to be less significant relative to multi-family rental apartment complexes.

PROPERTY MANAGEMENT

Our property management strategy emphasizes intensive, hands-on management by dedicated, on-site district and community managers. We believe that this on-site focus enables us to continually monitor and address resident concerns, the performance of competitive properties and local market conditions. As of December 31, 2011, we employed 775 full and part time employees, of which 639 were located on-site as property managers, support staff, or maintenance personnel.

Our community managers are led by John B. McLaren, Chief Operating Officer, who has been in the manufactured housing industry since 1995, four Senior Vice Presidents of Operations and Sales and 15 Regional Vice Presidents. The Regional Vice Presidents are responsible for leading, developing and coaching their teams, staying current and anticipating changes in the market conditions, competing with other community operators, developing business with local manufactured home dealers and conducting regular and documented property inspections.

Each Regional Vice President performs regular inspections in order to continually monitor the Property's performance, physical condition and to provide community managers with the opportunity to learn. District and community managers are primarily responsible for maintaining community appearance and providing effective resident and customer service. In addition to a district or community manager, each district or property has on-site maintenance personnel and management support staff. We hold mandatory training sessions for all new property management personnel to ensure that management policies and procedures are executed effectively and professionally. All of our property management personnel participate in on-going training to ensure that changes to management policies and procedures are implemented consistently. We offer over 275 courses for our team members through our Sun University, which has led to increased knowledge, growth and accountability of daily operations and policies and procedures.

HOME SALES AND LEASING

SHS is engaged in the marketing, selling, and leasing of new and pre-owned homes to current and future residents in our communities. Since tenants often purchase a home already on-site within a community, such services enhance occupancy and property performance. Additionally, because many of the homes on the Properties are sold through SHS, better control of home quality in our communities can be maintained than if sales services were conducted solely through third-party brokers. SHS also leases homes to prospective tenants. At December 31, 2011, SHS had 7,047 occupied leased homes in its portfolio. Homes for this rental program (the “Rental Program”) are purchased at discounted rates from finance companies that hold repossessed homes within our communities. New homes are purchased as necessary to supplement these repossessed home purchases. Leases associated with the Rental Program are, in general, one year leases. We receive approximately 23,500 applications each year to live in our Properties, providing a significant “resident boarding” system allowing us to market purchasing a home to the best applicants and to rent to the remainder of approved applicants. Through the Rental Program we are able to demonstrate our product and lifestyle to the renters, while monitoring their payment history and converting qualified renters to owners.

REGULATIONS AND INSURANCE

General

Manufactured housing community properties are subject to various laws, ordinances and regulations, including regulations relating to recreational facilities such as swimming pools, clubhouses and other common areas. We believe that each Property has the necessary operating permits and approvals.

Insurance

Our management believes that the Properties are covered by adequate fire, flood (where appropriate), property and business interruption insurance provided by reputable companies with commercially reasonable deductibles and limits. We maintain a blanket policy that covers all of our Properties. We have obtained title insurance insuring fee title to the Properties in an aggregate amount which we believe to be adequate. Claims made to our insurance carriers that are determined to be recoverable are classified in other receivables as incurred.

SITE LEASES OR USAGE RIGHTS

The typical lease we enter into with a tenant for the rental of a manufactured home site is month-to-month or year-to-year, renewable upon the consent of both parties, or, in some instances, as provided by statute. A small number of our leases, mainly Florida properties, are tied to consumer price index or other indices as it relates to rent increase. Generally, market rate adjustments are made on an annual basis. These leases are cancelable for non-payment of rent, violation of community rules and regulations or other specified defaults. During the past five years, on average 2.7 percent of the homes in our communities have been removed by their owners and 5.4 percent of the homes have been sold by their owners to a new owner who then assumes rental obligations as a community resident. The cost to move a home is approximately $4,000 to $10,000. The average resident remains in our communities for approximately 19 years, while the average home, which gives rise to the rental stream, remains in our communities for approximately 37 years.

At Properties zoned for RV use, our customers have short-term (“seasonal”) usage rights or long-term (“permanent”) usage rights. The seasonal RV customers typically prepay for their stay or leave deposits to reserve a site for the following year, whereas the permanent RV customers prepay or pay on a monthly basis. Many of these RV customers do not live full time on the Property.

FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K 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," "estim "estimates," "expects," "expect," "expected," "project," "projected," "projections," "plans," "predicts," "potential," "seek "anticipated," "should," "could," "may," "will," "designed to," "foreseeable future," "believe," "believes," "scheduled expressions are intended to identify forward-looking statements. These forward-looking statements reflect our current views with respect to future events and financial performance, but involve known and unknown risks and uncertainties, both general and specific to the matters discussed in this filing. These risks and uncertainties may cause our actual results to be materially different from any future results expressed or implied by such forward-looking statements. In addition to the risks disclosed under "Risk Factors" contained in this Annual Report on Form 10-K and our other filings with the Securities and Exchange Commission, 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 our shares of common 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

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.

ITEM 1A. RISK FACTORS

Our prospects are subject to certain uncertainties and risks. Our future results could differ materially from current results, and our actual results could differ materially from those projected in forward-looking statements as a result of certain risk factors. These risk factors include, but are not limited to, those set forth below, other one-time events, and important factors disclosed previously and from time to time in our other filings with the Securities and Exchange Commission.

REAL ESTATE RISKS

General economic conditions and the concentration of our properties in Michigan, Florida, Indiana, and Texas may affect our ability to generate sufficient revenue.

The market and economic conditions in our current markets generally, and specifically in metropolitan areas of our current markets, may significantly affect manufactured home occupancy or rental rates. Occupancy and rental rates, in turn, may significantly affect our revenues, and if our communities do not generate revenues sufficient to meet our operating expenses, including debt service and capital expenditures, our cash flow and ability to pay or refinance our debt obligations could be adversely affected. We derive significant amounts of our rental income from properties located in Michigan, Florida, Indiana, and Texas. As of December 31, 2011, 66 of our 159 Properties representing approximately 37% of developed sites, are located in Michigan; 23 Properties representing approximately 21% of developed sites, are located in Florida; 18 Properties representing approximately 12% of developed sites, are located in Indiana; and 17 Properties representing approximately 10% of developed sites are located in Texas. As a result of the geographic concentration of our Properties in Michigan, Florida, Indiana, and Texas, we are exposed to the risks of downturns in the local economy or other local real estate market conditions which could adversely affect occupancy rates, rental rates, and property values of properties in these markets.

Our income would also be adversely affected if tenants were unable to pay rent or if sites were unable to be rented on favorable terms. If we were unable to promptly relet or renew the leases for a significant number of the sites, or if the rental rates upon such renewal or reletting were significantly lower than expected rates, then our business and results of operations could be adversely affected. In addition, certain expenditures associated with each Property (such as real estate taxes and maintenance costs) generally are not reduced when circumstances cause a reduction in income from the Property. Furthermore, real estate investments are relatively illiquid and, therefore, will tend to limit our ability to vary our portfolio promptly in response to changes in economic or other conditions.

The following factors, among others, may adversely affect the revenues generated by our communities:

- the national and local economic climate which may be adversely impacted by, among other factors, plant closings, and industry slowdowns;
- local real estate market conditions such as the oversupply of manufactured housing sites or a reduction in demand for manufactured housing sites in an area;
- the number of repossessed homes in a particular market;
- the lack of an established dealer network;
-

the rental market which may limit the extent to which rents may be increased to meet increased expenses without decreasing occupancy rates;

- the perceptions by prospective tenants of the safety, convenience and attractiveness of our Properties and the neighborhoods where they are located;
- zoning or other regulatory restrictions;
- competition from other available manufactured housing communities and alternative forms of housing (such as apartment buildings and site-built single-family homes);
- our ability to provide adequate management, maintenance and insurance;
- increased operating costs, including insurance premiums, real estate taxes, and utilities; and
- the enactment of rent control laws or laws taxing the owners of manufactured homes.

REAL ESTATE RISKS, CONTINUED

Competition affects occupancy levels and rents which could adversely affect our revenues.

All of our Properties are located in developed areas that include other manufactured housing community properties. The number of competitive manufactured housing community properties in a particular area could have a material adverse effect on our ability to lease sites and increase rents charged at our Properties or at any newly acquired properties. We may be competing with others with greater resources and whose officers and directors have more experience than our officers and directors. In addition, other forms of multi-family residential properties, such as private and federally funded or assisted multi-family housing projects and single-family housing, provide housing alternatives to potential tenants of manufactured housing communities.

Our ability to sell or lease manufactured homes may be affected by various factors, which may in turn adversely affect our profitability.

SHS operates in the manufactured home market offering manufactured home sales and leasing services to tenants and prospective tenants of our communities. The market for the sale and lease of manufactured homes may be adversely affected by the following factors:

- downturns in economic conditions which adversely impact the housing market;
- an oversupply of, or a reduced demand for, manufactured homes;
- the difficulty facing potential purchasers in obtaining affordable financing as a result of heightened lending criteria; and
- an increase or decrease in the rate of manufactured home repossessions which provide aggressively priced competition to new manufactured home sales.

Any of the above listed factors could adversely impact our rate of manufactured home sales and leases, which would result in a decrease in profitability.

Increases in taxes and regulatory compliance costs may reduce our revenue.

Costs resulting from changes in real estate laws, income taxes, service or other taxes, generally are not passed through to tenants under leases and may adversely affect our funds from operations and our ability to pay or refinance our debt. Similarly, changes in laws increasing the potential liability for environmental conditions existing on properties or increasing the restrictions on discharges or other conditions may result in significant unanticipated expenditures, which would adversely affect our business and results of operations.

We may not be able to integrate or finance our expansion and development activities.

From time to time, we engage in the construction and development of new communities or expansion of existing communities, and may continue to engage in the development and construction business in the future. Our development and construction business may be exposed to the following risks which are in addition to those risks associated with the ownership and operation of established manufactured housing communities:

- we may not be able to obtain financing with favorable terms for community development which may make us unable to proceed with the development;

- we may be unable to obtain, or face delays in obtaining, necessary zoning, building and other governmental permits and authorizations, which could result in increased costs and delays, and even require us to abandon development of the community entirely if we are unable to obtain such permits or authorizations;

- we may abandon development opportunities that we have already begun to explore and as a result we may not recover expenses already incurred in connection with exploring such development opportunities;

- we may be unable to complete construction and lease-up of a community on schedule resulting in increased debt service expense and construction costs;

- we may incur construction and development costs for a community which exceed our original estimates due to increased materials, labor or other costs, which could make completion of the community uneconomical and we may not be able to increase rents to compensate for the increase in development costs which may impact our profitability;

REAL ESTATE RISKS, CONTINUED

- we may be unable to secure long-term financing on completion of development resulting in increased debt service and lower profitability; and

- occupancy rates and rents at a newly developed community may fluctuate depending on several factors, including market and economic conditions, which may result in the community not being profitable.

If any of the above occurred, our business and results of operations could be adversely affected.

We may not be able to integrate or finance our acquisitions and our acquisitions may not perform as expected.

We have acquired and intend to continue to acquire manufactured housing and RV communities on a select basis. Our acquisition activities and their success are subject to the following risks:

- we may be unable to acquire a desired property because of competition from other well capitalized real estate investors, including both publicly traded real estate investment trusts and institutional investment funds;

- even if we enter into an acquisition agreement for a property, it is usually subject to customary conditions to closing, including completion of due diligence investigations to our satisfaction, which may not be satisfied;

- even if we are able to acquire a desired property, competition from other real estate investors may significantly increase the purchase price;

- we may be unable to finance acquisitions on favorable terms;

- acquired properties may fail to perform as expected;

- acquired properties may be located in new markets where we face risks associated with a lack of market knowledge or understanding of the local economy, lack of business relationships in the area and unfamiliarity with local governmental and permitting procedures; and

- we may be unable to quickly and efficiently integrate new acquisitions, particularly acquisitions of portfolios of properties, into our existing operations.

If any of the above occurred, our business and results of operations could be adversely affected.

In addition, we may acquire properties subject to liabilities and without any recourse, or with only limited recourse, with respect to unknown liabilities. As a result, if a liability were to be asserted against us based upon ownership of those properties, we might have to pay substantial sums to settle it, which could adversely affect our cash flow.

Rent control legislation may harm our ability to increase rents.

State and local rent control laws in certain jurisdictions may limit our ability to increase rents and to recover increases in operating expenses and the costs of capital improvements. Enactment of such laws has been considered from time to time in other jurisdictions. Certain Properties are located, and we may purchase additional properties, in markets that are either subject to rent control or in which rent-limiting legislation exists or may be enacted.

REAL ESTATE RISKS, CONTINUED

We may be subject to environmental liability.

Under various federal, state and local laws, ordinances and regulations, an owner or operator of real estate is liable for the costs of removal or remediation of certain hazardous substances at, on, under or in such property. Such laws often impose such liability without regard to whether the owner knew of, or was responsible for, the presence of such hazardous substances. The presence of such substances, or the failure to properly remediate such substances, may adversely affect the owner's ability to sell or rent such property, to borrow using such property as collateral or to develop such property. Persons who arrange for the disposal or treatment of hazardous substances also may be liable for the costs of removal or remediation of such substances at a disposal or treatment facility owned or operated by another person. In addition, certain environmental laws impose liability for the management and disposal of asbestos-containing materials and for the release of such materials into the air. These laws may provide for third parties to seek recovery from owners or operators of real properties for personal injury associated with asbestos-containing materials. In connection with the ownership, operation, management, and development of real properties, we may be considered an owner or operator of such properties and, therefore, are potentially liable for removal or remediation costs, and also may be liable for governmental fines and injuries to persons and property. When we arrange for the treatment or disposal of hazardous substances at landfills or other facilities owned by other persons, we may be liable for the removal or remediation costs at such facilities.

All of the Properties have been subject to a Phase I or similar environmental audit (which involves general inspections without soil sampling or ground water analysis) completed by independent environmental consultants. These environmental audits have not revealed any significant environmental liability that would have a material adverse effect on our business. These audits cannot reflect conditions arising after the studies were completed, and no assurances can be given that existing environmental studies reveal all environmental liabilities, that any prior owner or operator of a property or neighboring owner or operator did not create any material environmental condition not known to us, or that a material environmental condition does not otherwise exist as to any one or more Properties.

Losses in excess of our insurance coverage or uninsured losses could adversely affect our cash flow.

We maintain comprehensive liability, fire, flood (where appropriate), extended coverage, and rental loss insurance on the Properties with policy specifications, limits, and deductibles which are customarily carried for similar properties. Certain types of losses, however, may be either uninsurable or not economically insurable, such as losses due to earthquakes, riots, or acts of war. In the event an uninsured loss occurs, we could lose both our investment in and anticipated profits and cash flow from the affected property. Any loss could adversely affect our ability to repay our debt.

FINANCING AND INVESTMENT RISKS

Our significant amount of debt could limit our operational flexibility or otherwise adversely affect our financial condition.

We have a significant amount of debt. As of December 31, 2011, we had approximately $1.4 billion of total debt outstanding, consisting of approximately $1.1 billion in debt that is collateralized by mortgage liens on 127 of the Properties, $81.7 million that is secured by collateralized receivables, $21.5 million that is collateralized by liens on manufactured homes, and $107.5 million that is secured by the first priority lien on all of our equity interest in 29 properties and $48.8 million that is unsecured debt. If we fail to meet our obligations under our secured debt, the lenders would be entitled to foreclose on all or some of the collateral securing such debt which could have a material adverse effect on us and our ability to make expected distributions, and could threaten our continued viability.

We are subject to the risks normally associated with debt financing, including the following risks:

- our cash flow may be insufficient to meet required payments of principal and interest, or require us to dedicate a substantial portion of our cash flow to pay our debt and the interest associated with our debt rather than to other areas of our business;

- our existing indebtedness may limit our operating flexibility due to financial and other restrictive covenants, including restrictions on incurring additional debt;

- it may be more difficult for us to obtain additional financing in the future for our operations, working capital requirements, capital expenditures, debt service or other general requirements;

- we may be more vulnerable in the event of adverse economic and industry conditions or a downturn in our business;

- we may be placed at a competitive disadvantage compared to our competitors that have less debt; and

- we may not be able to refinance at all or on favorable terms, as our debt matures.

If any of the above risks occurred, our financial condition and results of operations could be materially adversely affected.

FINANCING AND INVESTMENT RISKS, CONTINUED

We may incur substantially more debt, which would increase the risks associated with our substantial leverage.

Despite our current indebtedness levels, we may incur substantially more debt in the future. If new debt is added to our current debt levels, an even greater portion of our cash flow will be needed to satisfy our debt service obligations. As a result, the related risks that we now face could intensify and increase the risk of a default on our indebtedness.

The financial condition and solvency of our borrowers may adversely affect our installment notes.

As of December 31, 2011, we had approximately $94.6 million of installment notes, net of reserves, to owners of manufactured homes. These installment loans are collateralized by the manufactured homes. We may invest in additional mortgages and installment loans in the future. By virtue of our investment in the mortgages and the loans, we are subject to the following risks of such investment:

- the borrowers may not be able to make debt service payments or pay principal when due;
- the value of property securing the installment notes receivable may be less than the amounts owed; and
- interest rates payable on the installment notes receivable may be lower than our cost of funds.

If any of the above occurred, our business and results of operations could be adversely affected.

TAX RISKS

We may suffer adverse tax consequences and be unable to attract capital if we fail to qualify as a REIT.

We believe that since our taxable year ended December 31, 1994, we have been organized and operated, and intend to continue to operate, so as to qualify for taxation as a REIT under the Code. Although we believe that we have been and will continue to be organized and have operated and will continue to operate so as to qualify for taxation as a REIT, we cannot be assured that we have been or will continue to be organized or operated in a manner to so qualify or remain so qualified. 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 require us to continually to monitor our tax status.

If we fail to qualify as a REIT in any taxable year, we could be subject to federal income tax (including any applicable alternative minimum tax) on our taxable income at regular corporate rates. Moreover, unless entitled to relief under certain statutory provisions, we also would be disqualified from treatment as a REIT for the four taxable years following the year during which qualification was lost. This treatment would reduce our net earnings available for investment or distribution to stockholders because of the additional tax liability to us for the years involved. In addition, distributions to stockholders would no longer be required to be made. Even if we qualify for and maintain our REIT status, we will be subject to certain federal, state and local taxes on our property and certain of our operations.

We intend for the Operating Partnership to qualify as a partnership, but we cannot guarantee that it will qualify.

We believe that the Operating Partnership has been organized as a partnership and will qualify for treatment as such under the Code. However, if the Operating Partnership is deemed to be a "publicly traded partnership," it will be treated as a corporation instead of a partnership for federal income tax purposes unless at least 90% of its income is qualifying income as defined in the Code. The income requirements applicable to REITs and the definition of "qualifying income" for purposes of this 90% test are similar in most respects. Qualifying income for the 90% test generally includes passive income, such as specified types of real property rents, dividends and interest. We believe that the Operating Partnership would meet this 90% test, but we cannot guarantee that it would. If the Operating Partnership were to be taxed as a corporation, it would incur substantial tax liabilities, we would fail to qualify as a REIT for federal income tax purposes, and our ability to raise additional capital could be significantly impaired.

Our ability to accumulate cash may be restricted due to certain REIT distribution requirements.

In order to qualify as a REIT, we must distribute to our stockholders at least 90% of our REIT taxable income (calculated without any deduction for dividends paid and excluding net capital gain) and to avoid federal income taxation, our distributions must not be less than 100% of our REIT taxable income, including capital gains. As a result of the distribution requirements, we do not expect to accumulate significant amounts of cash. Accordingly, these distributions could significantly reduce the cash available to us in subsequent periods to fund our operations and future growth.

TAX RISKS, CONTINUED

Our taxable REIT subsidiaries, or TRSs, are subject to special rules that may result in increased taxes.

As a REIT, we must pay a 100% penalty tax on certain payments that we receive if the economic arrangements between us and any of our TRSs are not comparable to similar arrangements between unrelated parties. The Internal Revenue Service may successfully assert that the economic arrangements of any of our inter-company transactions are not comparable to similar arrangements between unrelated parties.

Dividends payable by REITs do not qualify for the reduced tax rates applicable to certain dividends.

The maximum federal tax rate for certain dividends payable to domestic stockholders that are individuals, trusts and estates is 15% (generally through 2012). Dividends payable by REITs, however, are generally not eligible for this reduced rate. Although this legislation does not adversely affect the taxation of REITs or dividends paid by REITs, the more favorable rates applicable to regular qualified corporate dividends could cause investors who are individuals, trusts and estates to perceive investments in REITs to be relatively less competitive than investments in stock of non-REIT corporations that pay dividends, which could adversely affect the comparative value of the stock of REITs, including our common stock.

Complying with REIT requirements may cause us to forego otherwise attractive opportunities.

To remain qualified as a REIT for federal income tax purposes, we must continually satisfy requirements and tests under the tax law concerning, among other things, the sources of our income, the nature and diversification of our assets, the amounts we distribute to our stockholders and the ownership of our stock. In order to meet these tests, we may be required to forego or limit attractive business or investment opportunities and distribute all of our net earnings rather than invest in attractive opportunities or hold larger liquid reserves. Therefore, compliance with the REIT requirements may hinder our ability to operate solely to maximize profits.

Our ability to use net operating loss carryforwards to reduce future tax payments may be limited if we experience a change in ownership, or if taxable income does not reach sufficient levels.

Under Section 382 of the Code, if a corporation undergoes an “ownership change” (generally defined as a greater than 50% change (by value) in its equity ownership over a three-year period), the corporation’s ability to use its pre-change net operating loss carryforwards to offset its post-change income may be limited. We may experience ownership changes in the future as a result of this offering and subsequent shifts in our stock ownership. If an ownership change were to occur, we would be limited in the portion of net operating loss carryforwards that we could use in the future to offset taxable income for U.S. Federal income tax purposes.

BUSINESS RISKS

Some of our directors and officers may have conflicts of interest with respect to certain related party transactions and other business interests.

Ownership of Origen. We own 5,000,000 shares of Origen Financial, Inc. (“Origen”) common stock and Shiffman Origen LLC (which is owned by the Milton M. Shiffman Spouse’s Marital Trust, Gary A. Shiffman (our Chief Executive Officer), and members of Mr. Shiffman’s family) owns 1,025,000 shares of Origen common stock. Gary A. Shiffman is a member of the Board of Directors of Origen and one of our directors, Arthur A. Weiss, is a trustee of the Milton M. Shiffman Spouse’s Marital Trust. Accordingly, in all transactions involving Origen, Mr. Shiffman and/or Mr. Weiss may have a conflict of interest with respect to their respective obligations as our officer and/or director.

Lease of Executive Offices. Gary A. Shiffman, together with certain family members, indirectly owns a 21 percent equity interest in American Center LLC, the entity from which we lease office space for our principal executive offices. Arthur A. Weiss, one of our directors, owns a 0.75 percent indirect interest in American Center LLC. As of October 2011, we lease approximately 48,200 rentable square feet. The term of the lease is until October 31, 2016, with an option to renew for an additional five years. The annual base rent under the current lease is $18.61 per square foot (gross) and will remain this amount through October 31, 2014. From November 1, 2014 to August 31, 2015, the annual base rent will be $18.72 per square foot (gross) and then from September 1, 2015 to October 31, 2016, the annual base rent will be $17.92 per square foot (gross). Mr. Shiffman and Mr. Weiss may have a conflict of interest with respect to their obligations as our officer and/or director and their ownership interest in American Center LLC.

Legal Counsel. During 2011, Jaffe, Raitt, Heuer, & Weiss, Professional Corporation (“JRH&W”) acted as our general counsel and represented us in various matters. Arthur A. Weiss, one of our directors, is the Chairman of the Board of Directors and a shareholder of such firm. We incurred legal fees and expenses of approximately $2.5 million, $0.8 million and $1.1 million in the years ended December 31, 2011, 2010 and 2009, respectively.

BUSINESS RISKS, CONTINUED

Tax Consequences Upon Sale of Properties. Gary A. Shiffman holds limited partnership interests in the Operating Partnership which were received in connection with the contribution of 24 properties (four of which have been sold) from partnerships previously affiliated with him (the “Sun Partnerships”). Prior to any redemption of these limited partnership interests for our common stock, Mr. Shiffman will have tax consequences different from those of us and our public stockholders on the sale of any of the Sun Partnerships. Therefore, we and Mr. Shiffman may have different objectives regarding the appropriate pricing and timing of any sale of those properties.

We rely on key management.

We are dependent on the efforts of our executive officers, Gary A. Shiffman, John B. McLaren, Karen J. Dearing and Jonathan M. Colman (together, the “Executive Officers”). The loss of services of one or more of our Executive Officers could have a temporary adverse effect on our operations. We do not currently maintain or contemplate obtaining any “key-man” life insurance on the Executive Officers.

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 Gary A. Shiffman, the Milton M. Shiffman Spouse’s Marital Trust and the Estate of Robert B. Bayer, Gary Shiffman, Milton M. Shiffman, Robert B. Bayer, or trustees, personal representatives and agents acting on their respective behalfs, 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.

Staggered Board. Our Board of Directors has been divided into three classes of directors. The term of one class will expire each year. Directors for each class will be chosen for a three-year term upon the expiration of such class’s term, and the directors in the other two classes will continue in office. The staggered terms for directors may affect the stockholders’ ability to change control of the Company even if a change in control were in the stockholders’ interest.

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. 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.

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.

Changes in our investment and financing policies may be made without stockholder approval.

Our investment and financing policies, and our policies with respect to certain other activities, including our growth, debt, capitalization, distributions, REIT status, and operating policies, are determined by our Board of Directors. Although the Board of Directors has no present intention to do so, these policies may be amended or revised from time to time at the discretion of the Board of Directors without notice to or a vote of our stockholders. Accordingly, stockholders may not have control over changes in our policies and changes in our policies may not fully serve the interests of all stockholders.

BUSINESS RISKS, CONTINUED

Substantial sales of our common stock could cause our stock price to fall.

Sales of a substantial number of shares of our common stock, or the perception that such sales could occur, could adversely affect prevailing market prices for shares. Based on the applicable conversion ratios then in effect, as of December 31, 2011, in the future we may issue to the limited partners of the Operating Partnership, up to approximately 2.1 million shares of our common stock in exchange for their common OP Units, up to approximately 0.5 million shares of our common stock in exchange for their Aspen Preferred OP Units, and up to approximately 1.1 million shares of our common stock in exchange for their Preferred OP Units, although the Preferred OP Units may not be converted into shares of common stock until December 31, 2013. The limited partners may sell such shares pursuant to registration rights or an available exemption from registration. As of December 31, 2011, options to purchase 77,086 shares of our common stock were outstanding under our 1993 Employee Stock Option Plan, our 1993 Non-Employee Director Stock Option Plan, our 2004 Non-Employee Director Option Plan and our Long-Term Incentive Plan. We currently have the authority to issue restricted stock awards or options to purchase up to an additional 693,000 shares of our common stock pursuant to our 2009 Equity Incentive Plan. In addition, we entered into an “at-the-market” Sales Agreement in August 2009 to issue and sell shares of common stock. As of December 31, 2011, we have 1,297,663 shares authorized for sale under this agreement. On August 6, 2010, we entered into the Purchase Agreement with REIT Ltd., and have 2,973,666 shares remaining to be purchased under this agreement after the issuance on January 4, 2011. No prediction can be made regarding the effect that future sales of shares of our common stock or our other securities will have on the market price of shares.

An increase in interest rates may have an adverse effect on the price of our common stock.

One of the factors that may influence the price of our common stock in the public market will be the annual distributions to stockholders relative to the prevailing market price of the common stock. An increase in market interest rates may tend to make the common stock less attractive relative to other investments, which could adversely affect the market price of our common stock.

The volatility in economic conditions and the financial markets may adversely affect our industry, business and financial performance.

The capital and credit markets have experienced unusual volatility and disruption during the past few years. Despite the fact that the U.S. economy is recovering from the recent recession, the recovery rate has been much slower than anticipated. In addition, job growth remains sluggish, and sustained high unemployment can hinder economic growth even further. While bank earnings and liquidity are on the rebound, the potential of significant future credit losses clouds the lending outlook. Credit availability has improved, but still lags pre-recession levels hampering business expansion and new development activities. The higher level of unemployment, coupled with the sluggish rate of economic recovery, may adversely impact our business. The other risk factors presented in this Form 10-K discuss some of the principal risks inherent in our business, including liquidity risks, operational risks, and credit risks, among others. The turbulence in financial markets has accentuated each of these risks and magnified their potential effect on us. If these economic developments continue to rebound slowly or worsen, there could be an adverse impact on our access to capital, stock price and our operating results.

Our business operations may not generate the cash needed to make distributions on our capital stock or to service our indebtedness, and we may adjust our common stock dividend policy.

Our ability to make distributions on our common stock and payments on our indebtedness and to fund planned capital expenditures will depend on our ability to generate cash in the future. We cannot assure you that our business will generate sufficient cash flow from operations or that future borrowings will be available to us in an amount sufficient to enable us to make distributions on our common stock, to pay our indebtedness or to fund our other liquidity needs.

The decision to declare and pay dividends on shares of our common stock in the future, as well as the timing, amount and composition of any such future dividends, will be at the sole discretion of our Board of Directors in light of conditions then existing, including our earnings, financial condition, capital requirements, debt maturities, the availability of debt and equity capital, applicable REIT and legal restrictions and the general overall economic conditions and other factors. Any change in our dividend policy could have a material adverse effect on the market price of our common stock.

BUSINESS RISKS, CONTINUED

Our share price could be volatile and could decline, resulting in a substantial or complete loss on our stockholders' investment.

The stock markets, including the New York Stock Exchange ("NYSE"), on which we list our common stock, have experienced significant price and volume fluctuations. As a result, the market price of our common stock could be similarly volatile, and investors in our common stock may experience a decrease in the value of their shares, including decreases unrelated to our operating performance or prospects. The price of our common stock could be subject to wide fluctuations in response to a number of factors, including:

- our operating performance and the performance of other similar companies;
- our ability to maintain compliance with covenants contained in our debt facilities;
- actual or anticipated variations in our operating results, funds from operations, cash flows or liquidity;
- changes in our earnings estimates or those of analysts;
- changes in our dividend policy;
- publication of research reports about us or the real estate industry generally;
- increases in market interest rates that lead purchasers of our common stock to demand a higher dividend yield;
- changes in market valuations of similar companies;
- adverse market reaction to the amount of our debt outstanding at any time, the amount of our debt maturing in the near- and medium-term and our ability to refinance our debt, or our plans to incur additional debt in the future;
- additions or departures of key management personnel;
- speculation in the press or investment community;
- actions by institutional stockholders; and
- general market and economic conditions.

Many of the factors listed above are beyond our control. Those factors may cause the market price of our common stock to decline significantly, regardless of our financial condition, results of operations and prospects. It is impossible to provide any assurance that the market price of our common stock will not fall in the future, and it may be difficult for holders to resell shares of our common stock at prices they find attractive, or at all. In the past, securities class action litigation has often been instituted against companies following periods of volatility in their stock price. This type of litigation could result in substantial costs and divert our management's attention and resources.

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ITEM 2. PROPERTIES

As of December 31, 2011, the Properties consisted of 141 manufactured housing communities, eight RV communities, and 10 properties containing both manufactured housing and RV sites located in 18 states. As of December 31, 2011, the Properties contained an aggregate of 54,811 developed sites comprised of 47,935 developed manufactured home sites, 3,867 permanent RV sites, 3,009 seasonal RV sites, and approximately 6,400 additional manufactured home sites suitable for development. Most of the Properties include amenities oriented toward family and retirement living. Of the 159 Properties, 73 have more than 300 developed manufactured home sites; with the largest having 1,003 developed manufactured home sites. See "Real Estate and Accumulated Depreciation, Schedule III" for detail on properties which are encumbered.

As of December 31, 2011, the Properties had an occupancy rate of 85.3 percent excluding seasonal RV sites. Since January 1, 2011, the Properties have averaged an aggregate annual turnover of homes (where the home is moved out of the community) of approximately 2.7 percent and an average annual turnover of residents (where the resident-owned home is sold and remains within the community, typically without interruption of rental income) of approximately 4.7 percent. The average renewal rate for residents in our Rental Program was 59.8 percent for the year ended December 31, 2011.

We believe that our Properties' high amenity levels contribute to low turnover and generally high occupancy rates. All of the Properties provide residents with attractive amenities with most offering a clubhouse, a swimming pool, and laundry facilities. Many Properties offer additional amenities such as sauna/whirlpool spas, tennis, shuffleboard and basketball courts and/or exercise rooms.

We have concentrated our communities within certain geographic areas in order to achieve economies of scale in management and operation. The Properties are principally concentrated in the midwestern, southern, and southeastern United States. We believe that geographic diversification helps to insulate the portfolio from regional economic influences.

The following tables set forth certain information relating to the properties owned as of December 31, 2011. The occupancy percentage includes manufactured home sites ("MH Sites") and permanent RV sites, and excludes seasonal RV sites.

Property	City	State	MH and Permanent RV Sites as of 12/31/2011	Seasonal RV Sites as of 12/31/2011	Occupancy as of 12/31/2011	Occupancy as of 12/31/10	Occupancy as of 12/31/09
MIDWEST							
Michigan							
Academy/West Pointe (1)	Canton	MI	441	-	88%	88%	88%
Allendale Meadows Mobile Village	Allendale	MI	352	-	78%	74%	74%
Alpine Meadows Mobile Village	Grand Rapids	MI	403	-	87%	83%	82%
Apple Carr Village	Muskegon	MI	529	-	72%	N/A	N/A
Bedford Hills Mobile Village	Battle Creek	MI	339	-	71%	73%	76%
Brentwood Mobile Village	Kentwood	MI	195	-	99%	98%	94%
Brookside Village	Kentwood	MI	196	-	95%	N/A	N/A
Byron Center Mobile Village	Byron Center	MI	143	-	93%	92%	92%
Candlewick Court	Owosso	MI	211	-	73%	74%	76%
Cider Mill Crossings	Fenton	MI	262		19%	N/A	N/A
Cider Mill Village	Middleville	MI	258	-	67%	N/A	N/A
College Park Estates	Canton	MI	230	-	73%	70%	68%
Continental Estates	Davison	MI	385	-	40%	38%	37%
Continental North	Davison	MI	474	-	53%	54%	53%
Country Acres Mobile Village	Cadillac	MI	182	-	86%	84%	85%
Country Hills Village	Hudsonville	MI	239	-	74%	N/A	N/A
Country Meadows Mobile Village	Flat Rock	MI	577	-	94%	91%	90%
Country Meadows Village	Caledonia	MI	307	-	77%	N/A	N/A
Countryside Village	Perry	MI	359	-	58%	67%	70%
Creekwood Meadows	Burton	MI	336	-	65%	63%	59%
Cutler Estates Mobile Village	Grand Rapids	MI	259	-	98%	93%	90%
Davison East	Davison	MI	190	-	44%	45%	45%
Dutton Mill Village	Caledonia	MI	307	-	91%	N/A	N/A
Falcon Pointe (2)	East Lansing	MI	142	-	13% (2)	15% (2)	17% (2)
Fisherman's Cove	Flint	MI	162	-	87%	87%	85%
Grand Mobile Estates	Grand Rapids	MI	230	-	75%	73%	72%
Hamlin (3)	Webberville	MI	209	-	75% (3)	73% (3)	72% (3)
Hickory Hills Village	Battle Creek	MI	283	-	84%	N/A	N/A
Hidden Ridge RV Resort	Hopkins	MI	-	276	N/A	N/A	N/A
Holiday West Village	Holland	MI	340	-	93%	N/A	N/A
Holly Village/Hawaiian Gardens (1)	Holly	MI	425	-	98%	98%	97%
Hunters Glen (2)	Wayland	MI	280	-	63% (2)	59% (2)	53% (2)
Kensington Meadows	Lansing	MI	290	-	90%	85%	81%
Kings Court Mobile Village	Traverse City	MI	639	-	100%	98%	98%

Knollwood Estates	Allendale	MI	161	-	82%	81%	79%
Lafayette Place	Metro Detroit	MI	254	-	66%	65%	65%
Lakeview	Ypsilanti	MI	392	-	97%	93%	91%
Leisure Village	Belmont	MI	237	-	97%	N/A	N/A
Lincoln Estates	Holland	MI	191	-	92%	85%	88%
Meadow Lake Estates	White Lake	MI	425	-	88%	84%	81%
Meadowbrook Estates	Monroe	MI	453	-	92%	92%	92%
Oak Island Village	East Lansing	MI	250	-	84%	N/A	N/A
Pinebrook Village	Grand Rapids	MI	185	-	91%	N/A	N/A
Presidential Estates Mobile Village	Hudsonville	MI	364	-	90%	88%	84%
Richmond Place	Metro Detroit	MI	117	-	84%	83%	82%
River Haven Village	Grand Haven	MI	721	-	60%	57%	58%
Scio Farms Estates	Ann Arbor	MI	913	-	94%	93%	95%
Sheffield Estates	Auburn Hills	MI	228	-	98%	98%	99%
Sherman Oaks	Jackson	MI	366	-	74%	72%	72%
Southwood Village	Grand Rapids	MI	394	-	94%	N/A	N/A

Property	City	State	MH and Permanent RV Sites as of 12/31/2011	Seasonal RV Sites as of 12/31/2011	Occupancy as of 12/31/2011		Occupancy as of 12/31/10		Occupancy as of 12/31/09	
Michigan (continued)										
St. Clair Place	Metro Detroit	MI	100	-	75%		74%		77%	
Sunset Ridge	Portland Township	MI	190	-	96%		95%		92%	
Sycamore Village	Mason	MI	396	-	85%		N/A		N/A	
Tamarac Village	Ludington	MI	399	10	96%	(5)	N/A		N/A	
Timberline Estates	Grand Rapids	MI	296	-	83%		80%		79%	
Town & Country Mobile Village	Traverse City	MI	192	-	98%		98%		98%	
Village Trails	Howard City	MI	100	-	97%		92%		82%	(3)
Warren Dunes Village	Bridgman	MI	188	-	77%		N/A		N/A	
Waverly Shores Village	Holland	MI	326	-	97%		N/A		N/A	
White Lake Mobile Home Village	White Lake	MI	315	-	96%		98%		98%	
White Oak Estates	Mt. Morris	MI	480	-	66%		68%		70%	
Windham Hills Estates (3)	Jackson	MI	402	-	77%	(3)	70%	(3)	62%	(3)
Windsor Woods Village	Wayland	MI	314	-	78%		N/A		N/A	
Woodhaven Place	Metro Detroit	MI	220	-	98%		95%		97%	
Michigan Total			19,743	286	81%		79%		78%	
Indiana										
Brookside Mobile Home Village	Goshen	IN	570	-	66%		64%		61%	
Carrington Pointe (3)	Ft. Wayne	IN	320	-	80%	(3)	79%	(3)	78%	(3)
Clear Water Mobile Village	South Bend	IN	227	-	77%		73%		74%	
Cobus Green Mobile Home Park	Elkhart	IN	386	-	66%		64%		60%	
Deerfield Run (3)	Anderson	IN	175	-	61%	(3)	64%	(3)	68%	(3)
Four Seasons	Elkhart	IN	218	-	82%		80%		79%	
Holiday Mobile Home Village	Elkhart	IN	326	-	75%		75%		71%	
Liberty Farms	Valparaiso	IN	220	-	98%		98%		99%	
Maplewood	Lawrence	IN	207	-	69%		70%		74%	
Meadows	Nappanee	IN	330	-	50%		51%		51%	
Pebble Creek (4)	Greenwood	IN	257	-	93%		89%	(2)	88%	(2)
Pine Hills	Middlebury	IN	129	-	91%		88%		88%	
Roxbury Park	Goshen	IN	398	-	84%		85%		85%	
Timberbrook	Bristol	IN	567	-	55%		56%		56%	
Valley Brook	Indianapolis	IN	798	-	54%		53%		54%	
West Glen Village	Indianapolis	IN	552	-	72%		71%		70%	
Woodlake Estates	Ft. Wayne	IN	338	-	53%		50%		47%	
Woods Edge Mobile Village (3)	West Lafayette	IN	598	-	52%	(3)	53%	(3)	54%	(3)
Indiana Total			6,616	-	67%		66%		66%	

Ohio							
Apple Creek Manufactured Home Community and Self Storage	Amelia	OH	176	-	95%	100%	92%
Byrne Hill Village	Toledo	OH	236	-	91%	86%	86%
Catalina	Middletown	OH	462	-	59%	56%	61%
East Fork (4)	Batavia	OH	215	-	97%	94%	93%
Oakwood Village	Miamisburg	OH	511	-	92%	89%	84%
Orchard Lake	Milford	OH	147	-	97%	96%	95%
Westbrook Senior Village	Toledo	OH	112	-	96%	98%	99%
Westbrook Village	Toledo	OH	344	-	96%	95%	95%
Willowbrook Place	Toledo	OH	266	-	91%	95%	94%
Woodside Terrace	Holland	OH	439	-	79%	82%	84%
Worthington Arms	Lewis Center	OH	224	-	98%	96%	97%
Ohio Total			3,132	-	87%	86%	86%

Property	City	State	MH and Permanent RV Sites as of 12/31/2011	Seasonal RV Sites as of 12/31/2011	Occupancy as of 12/31/2011	Occupancy as of 12/31/10	Occupancy as of 12/31/09
SOUTH							
Texas							
Boulder Ridge	Pflugerville	TX	527	-	94%	79% (2)	73% (2)
Branch Creek Estates	Austin	TX	392	-	99%	100%	99%
Casa del Valle	Alamo	TX	224	173	100% (5)	100% (5)	100% (5)
Chisholm Point Estates	Pflugerville	TX	417	-	99%	100%	95%
Comal Farms (4)	New Braunfels	TX	351	-	99%	91%	80% (2)
Kenwood RV and Mobile Home Plaza	LaFeria	TX	87	193	100% (5)	100% (5)	99% (5)
Oak Crest	Austin	TX	335	-	98% (2)	88% (2)	74% (2)
Pecan Branch	Georgetown	TX	69	-	91% (2)	99% (2)	93% (2)
Pine Trace	Houston	TX	405	-	98%	98%	81% (2)
River Ranch (4)	Austin	TX	121	-	98%	99%	99%
River Ridge (3)	Austin	TX	515	-	74% (3)	99%	96%
Saddle Brook	Austin	TX	261	-	98%	87% (2)	75% (2)
Snow to Sun	Weslaco	TX	316	161	100% (5)	100% (5)	100% (5)
Stonebridge (4)	San Antonio	TX	335	-	99%	98%	96%
Summit Ridge (4)	Converse	TX	250	-	98%	98%	100%
Sunset Ridge (4)	Kyle	TX	170	-	98%	100%	96%
Woodlake Trails (4)	San Antonio	TX	134	-	98%	97%	96%
Texas Total			4,909	527	96%	95%	89%
SOUTHEAST							
Florida							
Arbor Terrace RV Park	Bradenton	FL	176	218	98% (5)	99% (5)	98% (5)
Ariana Village Mobile Home Park	Lakeland	FL	208	-	92%	92%	91%
Buttonwood Bay	Sebring	FL	791	149	99% (5)	100% (5)	100% (5)
Club Naples	Naples	FL	144	165	99% (5)	N/A	N/A
Gold Coaster	Homestead	FL	448	97	100% (5)	100% (5)	99% (5)
Groves RV Resort	Ft. Myers	FL	154	128	99% (5)	99% (5)	99% (5)
Holly Forest Estates	Holly Hill	FL	402	-	99%	100%	100%
Indian Creek Park	Ft. Myers Beach	FL	1,332	114	99% (5)	99% (5)	99% (5)
Island Lakes	Merritt Island	FL	301	-	99%	100%	100%
Kings Lake	Debary	FL	245	-	96%	97%	100%
Lake Juliana Landings	Auburndale	FL	274	-	97%	98%	98%
Lake San Marino RV Park	Naples	FL	197	212	96% (5)	98% (5)	100% (5)
Meadowbrook Village	Tampa	FL	257	-	100%	100%	99%
Naples Gardens	Naples	FL	32	129	94% (5)	N/A	N/A
North Lake Estates	Moore Haven	FL	168	102	100% (5)	N/A	N/A
Orange City RV Resort	Orange City	FL	190	335	100% (5)	N/A	N/A

Orange Tree Village	Orange City	FL	246	-	100%		99%		99%	
Royal Country	Miami	FL	864	-	100%		100%		100%	
Saddle Oak Club	Ocala	FL	376	-	99%		99%		100%	
Siesta Bay RV Park	Ft. Myers Beach	FL	730	67	98%	(5)	99%	(5)	100%	(5)
Silver Star Mobile Village	Orlando	FL	406	-	98%		99%		99%	
Tampa East	Tampa	FL	221	479	97%	(5)	100%	(5)	99%	(5)
Water Oak Country Club Estates	Lady Lake	FL	1,003	-	100%		99%		99%	
Florida Total			9,165	2,195	99%		99%		99%	

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Property	City	State	MH and Permanent RV Sites as of 12/31/2011	Seasonal RV Sites as of 12/31/2011	Occupancy as of 12/31/2011		Occupancy as of 12/31/10		Occupancy as of 12/31/09	
OTHER										
Autumn Ridge	Ankeny	IA	413	-	100%		100%		99%	
Bell Crossing (3)	Clarksville	TN	239	-	72%	(3)	64%	(3)	64%	(3)
Candlelight Village	Chicago Heights	IL	309	-	99%		94%		88%	
Cave Creek (3)	Evans	CO	289	-	91%	(3)	76%	(2)	74%	(2)
Countryside Atlanta (6)	Lawrenceville	GA	271	-	100%	(6)	99%	(6)	99%	(6)
Countryside Gwinnett	Buford	GA	331	-	96%		94%		91%	
Countryside Lake Lanier	Buford	GA	548	-	84%		83%		82%	
Creekside (2) (4)	Reidsville	NC	45	-	64%	(2)	67%	(2)	64%	(2)
Desert View Village (2)	West Wendover	NV	93	-	47%	(2)	48%	(2)	49%	(2)
Eagle Crest	Firestone	CO	441	-	94%		76%	(2)	97%	(2)
Edwardsville	Edwardsville	KS	634	-	69%		67%		66%	
Forest Meadows	Philomath	OR	75	-	99%		100%		100%	
Glen Laurel (2) (4)	Concord	NC	260	-	67%	(2)	61%	(2)	57%	(2)
High Pointe	Frederica	DE	411	-	93%		92%		92%	
Meadowbrook (4)	Charlotte	NC	177	-	99%		98%		93%	
North Point Estates (2)	Pueblo	CO	108	-	76%	(2)	63%	(2)	58%	(2)
Pheasant Ridge	Lancaster	PA	553	-	100%		100%		100%	
Pin Oak Parc	O'Fallon	MO	502	-	82%		82%		83%	
Pine Ridge	Petersburg	VA	245	-	98%		98%		98%	
Sea Air	Rehoboth Beach	DE	509	1	100%	(5)	99%	(5)	99%	(5)
Southfork	Belton	MO	477	-	62%		65%		69%	
Sun Villa Estates	Reno	NV	324	-	100%		99%		99%	
Timber Ridge	Ft. Collins	CO	585	-	98%		95%		90%	
Woodland Park Estates	Eugene	OR	398	-	99%		98%		98%	
Other Total			8,237	1	89%		86%		86%	
TOTAL / AVERAGE			51,802	3,009	85%		84%		83%	

(1) Properties have two licenses but operate as one community.

(2) Occupancy in these properties reflects the fact that these communities are newly developed from the ground up.

(3) Occupancy in these properties reflects the fact that these communities are in a lease-up phase following an expansion.

(4) This Property is owned by an affiliate of SunChamp LLC, a joint venture that owns 11 of our consolidated manufactured home communities, in which we own approximately a 78.9 percent equity interest as of December 31, 2011.

(5) Occupancy percentage excludes seasonal RV sites.

(6)

The number of developed sites and occupancy percentage at this Property includes sites that have been covered under our comprehensive insurance coverage (subject to deductibles and certain limitations) for both property damage and business interruption from a flood that caused substantial damage to this Property.

ITEM 3. LEGAL PROCEEDINGS

On or about November 19, 2009, we, Sun Secured Financing LLC, Aspen-Ft. Collins Limited Partnership, Sun Secured Financing Houston Limited Partnership, Sun Communities Finance, LLC, Sun Holly Forest LLC and Sun Saddle Oak LLC (collectively, the “Plaintiffs”) filed suit against ARCS Commercial Mortgage Co., L.P., PNC ARCS, LLC, and the Federal National Mortgage Association (collectively, the “Defendants”) in the United States District Court for the District of Columbia as Case No. 1:09-cv-02162. The essence of the dispute was whether the terms of a commercial credit facility permitted Defendants to increase the variable facility fee applicable to the outstanding variable rate loans in conjunction with an extension of the credit facility (and, if so, whether the Defendants properly exercised that right). On March 31, 2011, the parties entered into an Agreement and Release, pursuant to which the parties agreed to stay the litigation. As part of the settlement, on July 27, 2011, we, PNC Bank, National Association (as successor in interest to ARCS Commercial Mortgage Co., L.P., and PNC ARCS, LLC), and Fannie Mae entered into a Second Amended and Restated Master Credit Facility Agreement, as amended on October 3, 2011 (the “Restated Credit Agreement”) which amended and restated in its entirety the prior credit agreement. On January 3, 2012, the Restated Credit Agreement became effective in its entirety and the litigation was dismissed.

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.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

Our common stock has been listed on the NYSE since December 8, 1993, and traded under the symbol "SUI". The following table sets forth the high and low sales prices per share for the common stock for the periods indicated as reported by the NYSE and the distributions per share paid by us with respect to each period:

Year Ended December 31, 2011	High	Low	Distributions
1st Quarter	$ 35.73	$ 31.85	$ 0.63
2nd Quarter	40.21	35.01	0.63
3rd Quarter	40.00	30.49	0.63
4th Quarter	39.45	33.00	0.63 (1)

Year Ended December 31, 2010	High	Low	Distributions
1st Quarter	$ 25.46	$ 17.12	$ 0.63
2nd Quarter	31.53	25.03	0.63
3rd Quarter	31.23	25.60	0.63
4th Quarter	35.11	30.49	0.63

(1) We declared a quarterly dividend of $0.63 per share for the fourth quarter of 2011, which was paid January 20, 2012 to stockholders of record as of December 30, 2011

On February 15, 2012, the closing share price of our common stock was $39.93 per share on the NYSE, and there were 268 holders of record for the 26,450,402 million outstanding shares of common stock. On February 15, 2012, the Operating Partnership had (i) 2,071,722 common OP Units issued and outstanding which were convertible into an equal number of shares of our common stock, (ii) 1,325,275 Aspen Preferred OP Units issued and outstanding which were exchangeable for 526,212 shares of our common stock, and 455,476 Preferred OP Units issued and outstanding which on or after December 31, 2013 will be exchangeable for 1,111,361 shares of our common stock.

We have historically paid regular quarterly distributions to holders of our common stock and common OP Units. In addition, we are obligated to make distributions to holders of Aspen Preferred OP Units, Preferred OP Units and Series B-3 preferred OP Units. See "Structure of the Company" under Item 1 above. Our ability to make distributions on our common stock and payments on our indebtedness and to fund planned capital expenditures will depend on our ability to generate cash in the future. The decision to declare and pay dividends on shares of our common stock in the future, as well as the timing, amount and composition of any such future dividends, will be at the sole discretion of our Board of Directors in light of conditions then existing, including our earnings, financial condition, capital requirements, debt maturities, the availability of debt and equity capital, applicable REIT and legal restrictions and the general overall economic conditions and other factors.

Securities Authorized for Issuance Under Equity Compensation Plans

The following table reflects information about the securities authorized for issuance under our equity compensation plans as of December 31, 2011.

	Number of securities to be issued	Weighted-average exercise price of outstanding	Number of securities remaining

Plan Category	upon exercise of outstanding options, warrants and rights (a)	options, warrants and rights (b)	available for future issuance under equity compensation plans (excluding securities reflected in column a) (c)
Equity compensation plans approved by shareholders	70,700	$ 29.36	791,750
Equity compensation plans not approved by shareholders (1)	6,386	32.75	-
Total	77,086	$ 29.64	791,750

(1) On May 29, 1997, we established a Long Term Incentive Plan (the "LTIP") pursuant to which all of our full-time salaried and full-time commission only employees, excluding our officers, were entitled to receive options to purchase shares of the our common stock at $32.75 per share (i.e., the average of the highest and lowest selling prices for the common stock on May 29, 1997), on January 31, 2002. In accordance with the terms of the LTIP, (a) we granted the eligible participants options to purchase 167,918 shares of common stock; and (b) each eligible participant received an option to purchase a number of shares of common stock equal to the product of 167,918 and the quotient derived by dividing such participant's total compensation during the period beginning on January 1, 1997 and ending on December 31, 2001 (the "Award Period") by the aggregate compensation of all of the eligible participants during the Award Period.

Issuer Purchases of Equity Securities

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 under this program during 2011. There is no expiration date specified for the buyback program.

Recent Sales of Unregistered Securities

From time to time, we may issue shares of common stock in exchange for OP Units that may be tendered to the Operating Partnership for redemption in accordance with the terms and provisions of the limited partnership agreement of the Operating Partnership. Such shares are issued based on the exchange ratios and formulas described in "Structure of the Company" under Item 1 above.

Holders of common OP Units have converted 10,249 units, 51,881 units and 158,207 units to common stock for the years ended December 31, 2011, 2010 and 2009, respectively. In March 2009, our Operating Partnership issued 110,444 common OP Units to Water Oak, Ltd.

In June, 2011, our Operating Partnership issued 455,476 Preferred OP units in connection with our acquisition of the Kentland Communities. See Note 2 of the Consolidated Financial Statements contained herein for other consideration paid in the transaction. The Preferred OP units are convertible, but not redeemable. The holders of the Preferred OP units can convert the Preferred OP units into shares of common stock at any time after December 31, 2013 based on a conversion price of $41 per share with $100 par value. The Preferred OP unit holders receive an annual preferred return of 5.1% until June 23, 2013 and 6.0% thereafter.

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

Use of Proceeds from Sales of Registered Securities

Through the "at-the-market" Sales Agreement we entered into on August 2009, we sold 782,521 shares of common stock (480,184 shares from the first authorized issuance in 2009 and 302,337 shares from the second authorized issuance in 2011) and received net proceeds of approximately $28.8 million during the year ended December 31, 2011. The shares of common stock were sold at the prevailing market price of our common stock at the time of each sale with a weighted average sale price of $37.54. The proceeds were used to pay down our line of credit.

On August 6, 2010, we entered into a Common Stock Purchase Agreement (the "Purchase Agreement") with REIT Opportunity, Ltd. ("REIT Ltd."), which provides that, upon the terms and subject to the conditions set forth in the Purchase Agreement, REIT Ltd. Is committed to purchase up to the lesser of $100,000,000 of our common stock, or 3,889,493 shares of our common stock, which is equal to one share less than twenty percent of our issued and outstanding shares of common stock on the effective date of the Purchase Agreement. From time to time over the two year term of the Purchase Agreement, and at our sole discretion, we may present REIT Ltd. with draw down notices to purchase our common stock. Any and all issuances of shares of common stock to REIT Ltd. pursuant to the Purchase Agreement will be registered on our effective shelf registration statement on Form S-3. We sold 915,827 shares of common stock at a weighted average sale price of $32.76 and received net proceeds of approximately $30.0 million during the year ended December 31, 2011. The funds were used to pay down our line of credit, and then we subsequently used the line of credit to purchase Kentland.

In January 2012, we closed an underwritten registered public offering of 4,600,000 shares of common stock at a price of $35.50 per share. The net proceeds from the offering were $156.0 million after deducting the underwriting discounts and expenses related to the offering. We used the net proceeds of the offering to repay $123.5 million of outstanding debt and we used $25.0 million to fund a portion of the purchase price of the remaining three RV communities located in Florida that we acquired in 2012 (See Note 2 for additional information). We expect to use any remaining net proceeds of the offering to fund possible future acquisitions of properties, for working capital and for general corporate purposes.

Performance Graph

Set forth below is a line graph comparing the yearly percentage change in the cumulative total shareholder return on our common stock against the cumulative total return of a broad market index composed of all issuers listed on the NYSE and an industry index comprised of fifteen publicly traded residential real estate investment trusts, for the five year period ending on December 31, 2011. This line graph assumes a $100 investment on December 31, 2006, a reinvestment of dividends and actual increase of the market value of our common stock relative to an initial investment of $100. The comparisons in this table are required by the SEC and are not intended to forecast or be indicative of possible future performance of our common stock.

	As of December31,					
Index	2006	2007	2008	2009	2010	2011
Sun Communities, Inc.	100.00	70.64	54.55	91.39	169.97	203.38
SNL US REIT Residential	100.00	75.02	55.93	75.04	110.22	126.25
NYSE Market Index	100.00	109.14	66.41	85.39	97.01	93.45

The information included under the heading "Performance Graph" is not to be treated as "soliciting material" or as "filed" with the SEC, and is not incorporated by reference into any filing by the Company under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, that is made on, before or after the date of filing of this Form 10-K.

ITEM 6. SELECTED FINANCIAL DATA

The following table sets forth selected financial and operating information on a historical basis. The historical financial data has been derived from our historical financial statements. The following information should be read in conjunction with the information included in "Management's Discussion and Analysis of Financial Condition and Results of Operations", and the financial statements and accompanying notes included herein.

	Years Ended December 31,				
	2011	2010 (a)	2009 (a)	2008 (a)	2007 (a)
	(In thousands, except for share related data)				
OPERATING DATA:					
Revenues	$ 289,185	$ 265,970	$ 259,021	$ 255,404	$ 236,424
Net loss attributable to Sun Communities, Inc. common stockholders:					
Loss from continuing operations	(1,086)	(2,883)	(6,099)	(29,209)	(15,940)
Net loss	(1,086)	(2,883)	(6,302)	(34,448)	(16,643)
Loss from continuing operations per share - basic and diluted	$ (0.05)	$ (0.15)	$ (0.33)	$ (1.61)	$ (0.89)
Cash dividends declared per common share (b)	$ 3.15	$ 2.52	$ 2.52	$ 2.52	$ 2.52
BALANCE SHEET DATA:					
Investment property before accumulated depreciation	$ 1,794,605	$ 1,580,544	$ 1,565,700	$ 1,549,339	$ 1,537,865
Total assets	1,367,974	1,165,342	1,184,234	1,209,683	1,248,337
Total debt and lines of credit	1,397,225	1,258,139	1,253,907	1,229,571	1,187,675
Total stockholders' (deficit) equity	(100,655)	(132,384)	(111,308)	(59,882)	26,046
OTHER FINANCIAL DATA:					
Net operating income (NOI) (c) from:					
Real property operations	$ 146,876	$ 135,222	$ 131,131	$ 130,222	$ 126,329
Home sales and home rentals	12,954	12,981	13,410	12,051	9,734
Funds from operations (FFO) (c)	$ 72,309	$ 62,765	$ 56,073	$ 26,903	$ 44,854
Adjustment for special items	2,946	874	3,419	30,127	10,414
FFO-Adjusted (c)	$ 75,255	$ 63,639	$ 59,492	$ 57,030	$ 55,268
FFO-Adjusted (c) per weighted average Common Share/OP Unit - Diluted	$ 3.13	$ 2.97	$ 2.86	$ 2.78	$ 2.72

(a) Financial information has been restated to reflect the reclassification of our cable television service business as a discontinued operation. Additionally, financial information has been restated to reflect the certain reclassifications in prior periods to conform to current period presentation.

(b) In 2011, we paid $2.52 in cash dividends per common share and declared $3.15 in dividends per common share.

(c) Refer to Item 7, Supplemental Measures, for information regarding the presentation of the net operating income ("NOI") financial measure, funds from operations ("FFO") and FFO-Adjusted financial measure.

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ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

EXECUTIVE SUMMARY

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 elsewhere herein.

We are a fully integrated, self-administered and self-managed REIT. We own, operate, and develop manufactured housing communities concentrated in the midwestern, southern, and southeastern United States. As of December 31, 2011, we owned and operated a portfolio of 159 developed properties located in 18 states, including 141 manufactured housing communities, eight RV communities, and 10 properties containing both manufactured housing and RV sites.

The majority of our revenue (Income from real property) is affected by occupancy and our ability to raise rents. Our residents normally sign a one year lease and then lease on a month to month basis for the next ten to fifteen years. Few of our leases are tied to published CPI statistics or other indices therefore allowing us significant flexibility in rental increases based on the markets in which we operate. Weighted average rent increases over the last five years have ranged from 2.2 percent to 3.3 percent and we expect to continue to be able to increase rents at or near these levels in the future. Our occupancy has also increased over the past three years from 83.4% as of December 31, 2009 to 85.3% as of December 31, 2011.

Our Rental Program is a significant contributor to the stability and improvement of our occupancies and revenue stream. Over the past several years, the Rental Program has been the single largest contributor to the generation of applications to live in our communities, which numbered nearly 23,500 in 2011. We own and rent approximately 7,000 homes throughout our portfolio applying stringent approval standards (over 50% of our rental applications are denied) to each applicant thereby ensuring maintenance of the quality of our communities as desirable neighborhoods in which to live. During 2011, occupants in the Rental Program increased by 906.

Home sales units sold have increased from 1,375 in 2010 to 1,439 in 2011 and we anticipate selling approximately 1,750 homes in the coming year. Our ability to sell homes is dependent on access to financing for the prospective buyer. Although the majority of our home sales are financed through third party lenders, some of which we provide recourse, we do provide financing for certain home purchasers who are unable to obtain financing through other means.

The economic downturns and market volatility during the past few years have presented both challenges and opportunities. We provide affordable housing to the marketplace which, in difficult times, improves demand for the housing values that our products and programs offer. This demand is somewhat offset by job losses in our resident base resulting from businesses closing and layoffs which occur in times of economic contraction.

The broader financial markets which provide capital for funding our continued growth and refinancing of debt are improving, but remain constrained and contain terms more restrictive than when most of our current debt was originated.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Management's Discussion and Analysis of Financial Condition and Results of Operations discuss our Consolidated Financial Statements, which have been prepared in accordance with generally accepted accounting principles in the United States ("GAAP"). The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. In preparing these financial statements, management has made its best estimate and judgment of certain amounts included in the financial statements. Nevertheless, actual results may differ from these estimates under different assumptions or conditions. Management believes the following significant accounting policies, among others, affect its more significant judgments and estimates used in the preparation of our Consolidated Financial Statements:

Investment Property

Investment property is recorded at cost, less accumulated depreciation. We review the carrying value of long-lived assets to be held and used for impairment quarterly or whenever events or changes in circumstances indicate a possible impairment. Circumstances that may prompt a test of recoverability may include a significant decrease in the anticipated market price, an adverse change to the extent or manner in which an asset may be used or in its physical condition or other such events that may significantly change the value of the long-lived asset. An impairment loss is recognized when a long-lived asset's carrying value is not recoverable and exceeds estimated fair value. We estimate the fair value of our long lived assets based on future cash flows and any potential disposition proceeds for a given asset. Forecasting cash flows requires management to make estimates and assumptions about such variables as the estimated holding period, rental rates, occupancy, development and operating expenses during the holding period, as well as disposition proceeds. Management uses its best judgment when developing these estimates and assumptions, but the development of the projected future cash flows is based on subjective variables. Future events could occur which would cause us to conclude that impairment indicators exist, and significant adverse changes in national, regional, or local market conditions or trends may cause us to change the estimates and assumptions used in our impairment analysis. The results of an impairment analysis could be material to our financial statements.

Capitalized Costs

We capitalize certain costs incurred in connection with the development, redevelopment, capital enhancement and leasing of our properties. Management is required to use professional judgment in determining whether such costs meet the criteria for immediate expense or capitalization. The amounts are dependent on the volume and timing of such activities and the costs associated with such activities. Maintenance, repairs and minor improvements to properties are expensed when incurred. Renovations and improvements to properties are capitalized and depreciated over their estimated useful lives and construction costs related to the development of new community or expansion sites are capitalized until the property is substantially complete. Costs incurred to renovate repossessed homes for our Rental Program are capitalized and costs incurred to refurbish the homes at turnover and repair the homes while occupied are expensed. Certain expenditures to dealers and residents related to obtaining lessees in our communities are capitalized and amortized over a seven year period based on the anticipated term of occupancy of a resident. Costs associated with implementing our computer systems are capitalized and amortized over the estimated useful lives of the related software and hardware.

Notes and Other Receivables

We provide financing to purchasers of manufactured homes generally located in our communities. The notes are collateralized by the underlying manufactured home sold. Notes receivable include both installment loans retained by the Company as well as transferred loans that have not met the requirements for sale accounting which are presented herein as collateralized receivables (See Note 5 for additional information). For purposes of accounting policy, all notes receivable are considered one homogenous segment, as the notes are typically underwritten using the same requirements and terms. Notes receivable are reported at their outstanding unpaid principal balance adjusted for an allowance for loan loss. Interest income is accrued based upon the unpaid principal balance of the loans.

Past due status of our notes receivable is determined based upon the contractual terms of the note. When a note receivable becomes 60 days delinquent, we stop accruing interest on the note receivable. The interest on nonaccrual loans is accounted for on the cash basis until qualifying for return to accrual. Loans are returned to accrual when all principal and interest amounts contractually due are brought current and future payments are reasonably assured. Loans on a nonaccrual status were immaterial at December 31, 2011 and 2010. The ability to collect our notes receivable is measured based on current and historical information and events. We consider numerous factors including: length of delinquency, estimated costs to lease or sell, and repossession history. Our experience supports a high recovery rate for notes receivable; however there is some degree of uncertainty about the recoverability of our investment in these notes receivable. We are generally able to recover our recorded investment in uncollectible notes receivable by repossessing the homes on the notes retained by us and repurchasing the homes on the collateralized receivables, and subsequently selling or leasing these homes to potential residents in our communities. We have established a loan loss reserve based on our estimated unrecoverable costs associated with repossessed/repurchased homes. We estimate our unrecoverable costs to be the repurchase price of the home collateralizing the note receivable plus repair and remarketing costs in excess of the estimated selling price of the home being repossessed. A historical average of this excess cost is calculated based on prior repossessions/repurchases and is applied to our estimated annual future repossessions to create the allowance for both installment and collateralized notes receivable. See Note 6 for additional information.

We evaluate the collectability of a loan based on our ability to collect the scheduled payments of principal and interest when due according to the contractual terms of the loan agreement. We generally see that if the obligor is delinquent on the loan they are also delinquent on site rent. If the scheduled payment is delinquent more than five to seven days, dependent on state law, we begin the repossession and eviction process simultaneously. This process generally takes 30 to 45 days; due to the short time frame from delinquent loan to repossession we do not evaluate the notes receivables for impairments. No loans were considered impaired as of December 31, 2011 and 2010.

We evaluate the credit quality of our notes receivable at the inception of the receivable. We consider the following factors in order to determine the credit quality of the applicant- FICO scores; home debt to income ratio; total debt to income ratio; length of employment; and previous landlord references.

Other receivables are generally comprised of amounts due from residents for rent and related charges, home sale proceeds receivable from sales near year end and various other miscellaneous receivables. Accounts receivable from residents are typically due within 30 days and stated at amounts due from residents net of an allowance for doubtful accounts. Accounts outstanding longer than the contractual payment terms are considered past due. We evaluate the recoverability of our receivables whenever events occur or there are changes in circumstances such that management believes it is probable that it will be unable to collect all amounts due according to the contractual terms of the loan and lease agreements. Receivables related to community rents are reserved when we believe that collection is less than probable, which is generally after a resident balance reaches 60 to 90 days past due.

Investment in Affiliates

Investments in affiliates in which we do not have a controlling direct or indirect voting interest, but can exercise significant influence over the entity with respect to its operations and major decisions, are accounted for using the equity method of accounting. The carrying value of our investment is adjusted for our proportionate share of the affiliate’s net income or loss and reduced by distributions received. We review the carrying value of our investment in affiliates for other than temporary impairment whenever events or changes in circumstances indicate a possible impairment. Financial condition, operational performance, and other economic trends are some of the factors we consider when we evaluate the existence of impairment indicators. When we have a carrying value of zero for our investment, we suspend the equity method of accounting until such time that the affiliate’s net income equals or exceeds the share of net losses not recognized during the time in which the equity method of accounting was suspended.

Revenue Recognition

Rental income attributable to site and home leases is recorded on a straight-line basis when earned from tenants. Leases entered into by tenants are generally for one year terms but may range from month-to-month to two years and are renewable by mutual agreement from us and the resident, or in some cases, as provided by state statute. Revenue from the sale of manufactured homes is recognized upon transfer of title at the closing of the sales transaction. Interest income on notes receivable is recorded on a level yield basis over the life of the notes. We report certain taxes collected from the resident and remitted to taxing authorities in revenue. These taxes include certain Florida property and fire taxes.

Depreciation and Amortization

Depreciation and amortization are computed on a straight-line basis over the estimated useful lives of the assets. Useful lives are 30 years for land improvements and buildings, 10 years for rental homes, seven to 15 years for furniture, fixtures and equipment, and seven years for intangible assets.

Derivative Instruments and Hedging Activities

We have four derivative contracts consisting of two interest rate swap agreements with a total notional amount of $45.0 million, and an two interest rate cap agreements with a notional amount of $162.4 million as of December 31, 2011. We do not enter into derivative instruments for speculative purposes. For those hedges that qualify for cash flow hedge accounting, we adjust our balance sheet on a quarterly basis to reflect current fair market value of our derivatives. Changes in the fair value of derivatives are recorded in earnings or comprehensive income (loss), as appropriate. The ineffective portion of these hedges are immediately recognized in earnings to the extent that the change in value of a derivative does not perfectly offset the change in value of the instrument being hedged. The effective portion of these hedges are recorded in accumulated other comprehensive income (loss). We use standard market conventions to determine the fair values of derivative instruments, including the quoted market prices or quotes from brokers or dealers for the same or similar instruments. All methods of assessing fair value result in a general approximation of value and such value may never actually be realized.

Income Taxes

We have elected to be taxed as a REIT as defined under Section 856(c) of the Code. 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. As a REIT, we generally will not be subject to U.S. federal income taxes at the corporate level if we distribute at least ninety percent (90%) of its REIT ordinary taxable income to our stockholders, which we fully intend to do. If we fail to qualify as a REIT in any taxable year, we will be subject to Federal income tax (including any applicable alternative minimum tax) on our taxable income at regular corporate rates. We remain subject to certain state and local taxes on our income and property as well as Federal income and excise taxes on our undistributed income.

We are subject to certain state taxes that are considered income taxes and have certain subsidiaries that are taxed as regular corporations. Deferred tax assets or liabilities are recognized for temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements and net operating loss carry forwards. Deferred tax assets and liabilities are measured using currently enacted tax rates. A valuation allowance is established if based on available evidence it is more likely than not that some portion or all of the deferred tax assets will not be realized.

Recent Accounting Pronouncements

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

In May 2011, the FASB issued ASU 2011-04, “Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs” (ASU 2011-04) which amends ASC Topic 820, Fair Value Measurement. The updated guidance in ASC Topic 820 changes the wording used to describe the requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements. The updated guidance in ASC Topic 820 is effective during interim and annual periods beginning after December 15, 2011. Early adoption is not permitted. We are currently evaluating the impact of ASU 2011-04 on our results of operations, financial condition and disclosure requirements. We will apply the provisions of these accounting standards after the effective date.

In June 2011, the FASB issued ASU 2011-05, “Presentation of Comprehensive Income” (ASU 2011-05) which amends ASC Topic 220, Comprehensive Income. The updated guidance in ASC Topic 220 gives an entity the option to present the total of comprehensive income, the components of net income and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. The updated guidance in ASC Topic 220 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. Early adoption is permitted. The adoption of this guidance did not have any impact on our results of operations or financial condition.

In December 2011, the FASB issued ASU 2011-12, “Comprehensive Income (Topic 220)—Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-12” (ASU 2011-12) to defer the effective date for part of ASU 2011-05. The deferral of ASU 2011-05 is to defer the requirement of adjustments of items out of accumulated other income to be presented on the components of both net income and other comprehensive income in financial statements. This deferral is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011, so that entities will not be required to comply with the presentations requirements in ASU 2011-05 that ASU 2011-12 is deferring. Early adoption is permitted. The adoption of this guidance did not have any impact on our results of operations or financial condition.

SUPPLEMENTAL MEASURES

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

We believe that NOI is helpful to investors and analysts as a measure of operating performance because it is an indicator of the return on property investment, and provides a method of comparing property performance over time. We use NOI as a key management tool when evaluating performance and growth of particular properties and/or groups of properties. The principal limitation of NOI is that it excludes depreciation, amortization, interest expense, and non-property specific expenses such as general and administrative expenses, all of which are significant costs, and therefore, NOI is a measure of the operating performance of our properties rather than of the Company overall. We believe that these costs included in net income (loss) often have no effect on the market value of our property and therefore limit its use as a performance measure. In addition, such expenses are often incurred at a parent company level and therefore are not necessarily linked to the performance of a real estate asset.

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

We also provide information regarding Funds From Operations ("FFO"). 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-Adjusted 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 FFO-Adjusted 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-Adjusted, a reconciliation of FFO to net loss, and FFO to FFO-Adjusted are included in the presentation of FFO in "Results of Operations" following the "Comparison of the Years Ended December 31, 2011 and 2010".

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 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.

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 standalone financial information prepared in accordance with GAAP. These allocated costs include expenses for shared services such as information technology, finance, communications, legal, and human resources. We do not allocate interest expense and certain other corporate costs not directly associated with the segments' NOI.

COMPARISON OF THE YEARS ENDED DECEMBER 31, 2011 AND 2010

REAL PROPERTY OPERATIONS – TOTAL PORTFOLIO

	Years Ended December 31,			
Financial Information (in thousands)	2011	2010	Change	% Change
Income from Real Property	$ 223,613	$ 204,498	$ 19,115	9.3%
Property operating expenses:				
Payroll and benefits	17,312	15,951	1,361	8.5%
Legal, taxes, & insurance	3,200	2,934	266	9.1%
Utilities	25,146	22,879	2,267	9.9%
Supplies and repair	8,852	7,597	1,255	16.5%
Other	4,680	3,633	1,047	28.8%
Real estate taxes	17,547	16,282	1,265	7.8%
Property operating expenses	76,737	69,276	7,461	10.8%
Real Property NOI	$ 146,876	$ 135,222	$ 11,654	8.6%

	As of December 31,		
Other Information	2011	2010	Change
Number of properties	159	136	23
Developed sites	54,811	47,683	7,128
Occupied sites (1)(2)	39,390	38,498	892
Occupancy % (1)	85.3%	84.3%	1.0%
Weighted average monthly rent per site (3)	$ 420	$ 413	$ 7
Sites available for development	6,443	5,939	504

(1) Occupied sites and occupancy % include manufactured housing and permanent RV sites, and exclude seasonal RV sites.
(2) Occupied sites do not include 4,814 sites acquired during 2011. The total change in occupied sites including acquired sites is 5,706 sites.
(3) Average rent relates only to manufactured housing sites, and excludes permanent and seasonal RV sites.

Real Property NOI increased by $11.7 million, from $135.2 million to $146.9 million or 8.6%. The growth in NOI is primarily due to $6.9 million from the newly acquired properties and $4.8 million from the same site properties as detailed below.

REAL PROPERTY OPERATIONS - SAME SITE

A key management tool we use 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 years ended December 31, 2011 and 2010. 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 years ended December 31, 2011 and 2010:

	Years Ended December 31,			
Financial Information (in thousands)	2011	2010	Change	% Change
Income from Real Property	$ 198,806	$ 193,070	$ 5,736	3.0%
Property operating expenses:				
Payroll and benefits	16,223	15,951	272	1.7%
Legal, taxes, & insurance	2,993	2,934	59	2.0%
Utilities	11,004	11,451	(447)	-3.9%
Supplies and repair	8,163	7,597	566	7.5%
Other	4,310	3,633	677	18.6%
Real estate taxes	16,055	16,282	(227)	-1.4%
Property operating expenses	58,748	57,848	900	1.6%
Real Property NOI	$ 140,058	$ 135,222	$ 4,836	3.6%

	As of December 31,		
Other Information	2011	2010	Change
Number of properties	136	136	-
Developed sites	47,850	47,683	167
Occupied sites (1)	39,230	38,498	732
Occupancy % (1)(2)	85.8%	84.5%	1.3%
Weighted average monthly rent per site (3)	$ 425	$ 413	$ 12
Sites available for development	5,247	5,441	(194)

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

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

(3) Average rent relates only to manufactured housing sites, and excludes permanent and seasonal RV sites.

Real Property NOI increased by $4.8 million from $135.2 million to $140.0 million, or 3.6 percent. The growth in NOI is primarily due to increased revenues. Income from real property revenues consist of manufactured home and RV site rent, and miscellaneous other property revenues. Income from real property revenues increased $5.7 million, from $193.1 million to $198.8 million, or 3.0 percent. The growth in income from real property was due to a combination of factors. Revenue from our manufactured home and RV portfolio increased by $5.3 million due to average rental rate increases of 2.7 percent and due to the increased number of occupied home sites. This growth in revenue was partially offset by rent concessions offered to new residents and current residents converting from home renters to home owners. Additionally, we experienced increased miscellaneous other property revenues of $0.4 million primarily due to revenue realized on cable television royalties and revenue from late fee and non-sufficient funds charges.

Property operating expenses increased $0.9 million, from $57.8 million to $58.7 million, or 1.6 percent. The growth in property operating expenses was due to several factors. Payroll and benefits increased by $0.3 million due to increased wages from annual merit increases. Supplies and repairs increased by $0.6 million primarily due to increased cost of lawn services and community maintenance. Utility costs reported net of rebilled water/sewer revenue, primarily related to water, electricity charges, and rubbish removal, decreased $0.4 million due to increased water and sewer income. Real estate taxes decreased by $0.2 million primarily due to reduced real estate taxes in Indiana and Illinois. Legal, taxes and insurance remained nearly constant. Other operating expenses increased by $0.6 million due to increased bank charges, resident relation expenses, and bad debt expense.

HOME SALES AND RENTALS

We acquire pre-owned and repossessed manufactured homes 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 programs we have established for our customers to lease or buy new and pre-owned homes have helped to improve portfolio occupancy.

The following table reflects certain financial and other information for our Rental Program as of and for the years ended December 31, 2011 and 2010:

	Years Ended December 31,			
Financial Information (in thousands)	2011	2010	Change	% Change
Rental home revenue	$ 22,290	$ 20,480	$ 1,810	8.8%
Site rent from Rental Program (1)	31,897	28,585	3,312	11.6%
Rental Program revenue	54,187	49,065	5,122	10.4%
Expenses				
Commissions	1,908	1,655	253	15.3%
Repairs and refurbishment	8,080	7,671	409	5.3%
Taxes and insurance	3,100	3,127	(27)	-0.9%
Marketing and other	3,108	2,961	147	5.0%
Rental Program operating and maintenance	16,196	15,414	782	5.1%
Rental Program NOI	$ 37,991	$ 33,651	$ 4,340	12.9%
Other Information				
Number of occupied rentals, end of period	7,047	6,141	906	14.8%
Investment in occupied rental homes (in thousands)	$ 237,383	$ 199,110	$ 38,273	19.2%
Number of sold rental homes	789	762	27	3.5%
Weighted average monthly rental rate	$ 756	$ 735	$ 21	2.9%

(1) The renter's monthly payment includes the site rent and an amount attributable to the leasing of the home. The site rent is reflected in the Real Property Operations segment. For purposes of management analysis, the site rent is included in the Rental Program revenue to evaluate the incremental revenue gains associated with implementation of the Rental Program, and assess the overall growth and performance of Rental Program and financial impact to our operations.

Rental Program NOI increased $4.3 million from $33.7 million to $38.0 million, or 12.9 percent due to increased revenues of $5.1 million, offset by increased expenses of $0.8 million. Revenues increased $5.1 million primarily due to the increased number of residents participating in the Rental Program as indicated in the table above and from increased market rates from the site rent.

The increase in operating and maintenance expenses of $0.8 million was due to several factors. Commissions increased by $0.3 million due to increased number of new leases and increased lease renewal rate. Repairs costs on occupied home rentals increased by $0.3 million due to the increased number of homes in the Rental Program. Refurbishment costs increased by $0.1 million. Marketing and other costs increased by $0.1 million due to an increase in bad debt expense partially offset by a decrease in utility expense.

The following table reflects certain financial and statistical information for our Home Sales Program for the years ended December 31, 2011 and 2010:

	Years Ended December 31,			
Financial Information (in thousands)	2011	2010	Change	% Change
New home sales	$ 2,062	$ 2,396	$ (334)	-13.9%
Pre-owned home sales	30,190	29,549	641	2.2%
Revenue from homes sales	32,252	31,945	307	1.0%
New home cost of sales	1,700	2,044	(344)	-16.8%
Pre-owned home cost of sales	23,692	21,986	1,706	7.8%
Cost of home sales	25,392	24,030	1,362	5.7%
NOI / Gross profit	$ 6,860	$ 7,915	$ (1,055)	-13.3%
Gross profit – new homes	362	352	10	2.8%
Gross margin % – new homes	17.6%	14.7%		2.9%
Gross profit – pre-owned homes	6,498	7,563	(1,065)	-14.1%
Gross margin % – pre-owned homes	21.5%	25.6%		-4.1%
Statistical Information				
Home sales volume:				
New home sales	28	36	(8)	-22.2%
Pre-owned home sales	1,411	1,339	72	5.4%
Total homes sold	1,439	1,375	64	4.7%

Home Sales NOI decreased by $1.0 million, from $7.9 million to $6.9 million, or 13.3 percent primarily due to reduced profit margins on pre-owned homes.

The gross profit margin on new home sales slightly increased due to the increased average selling price per new home sold. The gross profit margin on pre-owned home sales decreased 4.1 percent from 25.6 percent to 21.5 percent. We decreased the average margin of our pre-owned homes to stimulate sales thereby accelerating the recycling of the capital invested in inventory and the Rental Program. Approximately 90 percent of these home sales are financed by third party lenders or are paid for in cash.

OTHER INCOME STATEMENT ITEMS

Other revenues include other income (loss), interest income, and ancillary revenues, net. Other revenues increased by $2.0 million, from $9.0 million to $11.0 million, or 22.2 percent. This was due to an increase in interest income of $1.5 million from collateralized receivables, a $0.4 million increase in other income, primarily due to the sale of certain raw water rights, and a $0.1 million increase in ancillary revenues, net.

Real Property general and administrative costs increased by $2.5 million, from $17.2 million to $19.7 million, or 14.5 percent due to increased wages, bonus, payroll taxes and health benefits of $1.5 million mainly from additional resources from acquisition and growth, employee relation expenses of $0.1 million, training and travel expense of $0.1 million, office expenses of $0.1 million and increased tax expense of $0.7 million. Tax expense for the year ended December 31, 2010 included a $0.7 million reversal of a state tax provision recorded in December of 2009 and the year ended December 31, 2011 does not contain such a reversal.

Home Sales and Rentals general and administrative costs increased by $0.5 million, from $7.6 million to $8.1 million, or 6.6 percent due to increased salary, commission costs and payroll tax of $0.4 million and increased inventory utility costs of $0.1 million.

Acquisition related costs increased to $2.0 million (See Note 2).

Depreciation and amortization costs increased by $5.3 million, from $68.9 million to $74.2 million, or 7.7 percent due to increased depreciation on investment property for use in our Rental Program of $1.9 million and increased other depreciation and amortization of $3.4 million primarily due to the newly acquired properties (See Note 2).

Interest expense on debt, including interest on mandatorily redeemable debt, increased by $2.5 million, from $65.4 million to $67.9 million, or 3.8 percent due to increased expense associated with our secured borrowing arrangements of $1.5 million, an increase in our mortgage interest of $0.8 million, an increase in interest on our lines of credit of $0.3 million and a $2.0 million increase due to acquisition related debt (See Note 2). This was offset by a $0.1 million reduction in bank service charges and a $2.0 million reduction in interest expense primarily due to the settlement with FNMA (See Note 9).

Equity income (loss) and distributions from affiliates increased by $3.2 million, from a loss of $1.1 million to income of $2.1 million due to the suspension of equity accounting in 2010 as our investment below is zero. The income recorded in 2011 is dividend income.

COMPARISON OF THE YEARS ENDED DECEMBER 31, 2010 AND 2009

REAL PROPERTY OPERATIONS - SAME SITE

A key management tool we use 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 years ended December 31, 2010 and 2009. Our Same Site portfolio is equal to our total portfolio for the years ended December 31, 2010 and 2009. 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 years ended December 31, 2010 and 2009:

	Years Ended December 31,			
Financial Information (in thousands)	2010	2009	Change	% Change
Income from Real Property	$ 193,070	$ 188,423	$ 4,647	2.5%
Property operating expenses:				
Payroll and benefits	15,951	15,547	404	2.6%
Legal, taxes, & insurance	2,934	3,163	(229)	-7.2%
Utilities	11,451	11,934	(483)	-4.0%
Supplies and repair	7,597	6,841	756	11.1%
Other	3,633	3,270	363	11.1%
Real estate taxes	16,282	16,537	(255)	-1.5%
Property operating expenses	57,848	57,292	556	1.0%
Real Property NOI	$ 135,222	$ 131,131	$ 4,091	3.1%

	As of December 31,		
Other Information	2010	2009	Change
Number of properties	136	136	-
Developed sites	47,683	47,572	111
Occupied sites (1)	38,498	37,935	563
Occupancy % (1)(2)	84.5%	83.4%	0.9%
Weighted average monthly rent per site (3)	$ 413	$ 404	$ 9
Sites available for development	5,441	5,588	(147)

(1) Occupied sites and occupancy % include manufactured housing and permanent RV sites, and exclude seasonal RV sites.
(2) Occupancy % for 2010 excludes completed but vacant expansion sites.
(3) Average rent relates only to manufactured housing sites, and excludes permanent and seasonal RV sites.

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Real Property NOI increased by $4.1 million from $131.1 million to $135.2 million, or 3.1 percent. The growth in NOI is primarily due to increased revenues. Income from real property revenues consist of manufactured home and RV site rent, and miscellaneous other property revenues. Income from real property revenues increased $4.6 million, from $188.4 million to $193.0 million, or 2.5 percent. The growth in income from real property was due to a combination of factors. Revenue from our manufactured home and RV portfolio increased by $4.2 million due to average rental rate increases of 2.6 percent and due to the increased number of occupied home sites. This growth in revenue was partially offset by rent concessions offered to new residents and current residents converting from home renters to home owners. Additionally, we experienced increased miscellaneous other property revenues of $0.4 million primarily due to revenue realized on cable television royalties.

Property operating expenses increased $0.6 million, from $57.3 million to $57.9 million, or 1.0 percent. The growth in property operating expenses was due to several factors. Payroll and benefits increased by $0.4 million due to increased wages from annual merit increases. Supplies and repairs increased by $0.8 million primarily due to increased cost of lawn services, water system and community maintenance. Utility costs, primarily related to water, electricity charges, and rubbish removal, decreased $0.5 million due to increased water and sewer income. Real estate taxes decreased by $0.3 million primarily due to tax appeal refunds and reduced real estate taxes in Indiana. Property and casualty insurance decreased by $0.1 million due to decreased premiums on insurance policies. Other operating expenses increased by $0.3 million due to increased administrative costs, resident relations, and bad debt expense.

HOME SALES AND RENTALS

We acquire pre-owned and repossessed manufactured homes 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 programs we have established for our customers to lease or buy new and pre-owned homes have helped to improve portfolio occupancy.

The following table reflects certain financial and other information for our Rental Program as of and for the years ended December 31, 2010 and 2009:

	Years Ended December 31,			
Financial Information (in thousands)	2010	2009	Change	% Change
Rental home revenue	$ 20,480	$ 20,463	$ 17	0.1%
Site rent from Rental Program (1)	28,585	26,699	1,886	7.1%
Rental Program revenue	49,065	47,162	1,903	4.0%
Expenses				
Payroll and commissions	1,655	2,335	(680)	-29.1%
Repairs and refurbishment	7,671	7,513	158	2.1%
Taxes and insurance	3,127	3,101	26	0.8%
Marketing and other	2,961	3,342	(381)	-11.4%
Rental Program operating and maintenance	15,414	16,291	(877)	-5.4%
Rental Program NOI	$ 33,651	$ 30,871	$ 2,780	9.0%
Other Information				
Number of occupied rentals, end of period	6,141	5,747	394	6.9%
Investment in occupied rental homes (in thousands)	$ 199,110	$ 181,301	$ 17,809	9.8%
Number of sold rental homes	762	705	57	8.1%
Weighted average monthly rental rate	$ 735	$ 728	$ 7	1.0%

(1)

The renter's monthly payment includes the site rent and an amount attributable to the leasing of the home. The site rent is reflected in the Real Property Operations segment. For purposes of management analysis, the site rent is included in the Rental Program revenue to evaluate the incremental revenue gains associated with implementation of the Rental Program, and assess the overall growth and performance of Rental Program and financial impact to our operations.

Rental Program NOI increased $2.8 million from $30.9 million to $33.7 million, or 9.0 percent due to increased revenues of $1.9 million and by decreased expenses of $0.9 million. Revenues increased $1.9 million primarily due to the increased number of residents participating in the Rental Program as indicated in the table above.

The decrease in operating and maintenance expenses of $0.9 million was due to several factors. Commissions decreased by $0.7 million due to restructuring of the commission plan associated with new and renewed leases. Expenses associated with repairs and refurbishment increased by $0.2 million. Repairs costs on occupied home rentals increased by $0.3 million due to the increased number of occupied homes in the Rental Program offset by refurbishment costs which decreased by $0.1 million due to a decline in the average cost associated with preparing a previously leased home for a new occupant. Marketing and other costs decreased by $0.4 million due to reductions in bad debt expense and advertising expenses.

The following table reflects certain financial and statistical information for our Home Sales Program for the years ended December 31, 2010 and 2009:

	Years Ended December 31,			
Financial Information (in thousands)	2010	2009	Change	% Change
New home sales	$ 2,396	$ 5,049	$ (2,653)	-52.5%
Pre-owned home sales	29,549	27,672	1,877	6.8%
Revenue from homes sales	31,945	32,721	(776)	-2.4%
New home cost of sales	2,044	4,261	(2,217)	-52.0%
Pre-owned home cost of sales	21,986	19,222	2,764	14.4%
Cost of home sales	24,030	23,483	547	2.3%
NOI / Gross profit	$ 7,915	$ 9,238	$ (1,323)	-14.3%
Gross profit – new homes	352	788	(436)	-55.3%
Gross margin % – new homes	14.7%	15.6%		-0.9%
Gross profit – pre-owned homes	7,563	8,450	(887)	-10.5%
Gross margin % – pre-owned homes	25.6%	30.5%		-4.9%
Statistical Information				
Home sales volume:				
New home sales	36	71	(35)	-49.3%
Pre-owned home sales	1,339	1,045	294	28.1%
Total homes sold	1,375	1,116	259	23.2%

Home Sales NOI decreased by $1.3 million, from $9.2 million to $7.9 million, or 14.3 percent due to decreased profit margins on new and pre-owned homes.

The gross profit margin on new home sales decreased 0.9 percent from 15.6 percent to 14.7 percent. The gross profit decreased by 55.3 percent from $0.8 million to $0.4 million which was primarily due to a 49.3 percent decline in sales volume.

The gross profit margin on pre-owned home sales decreased 4.9 percent from 30.5 percent to 25.6 percent. The majority of our pre-owned home sales are related to homes previously used in our Rental Program. These sales convert home renters to home owners and thereby allow us to recycle capital invested in the Rental Program. We decreased the average selling price of our pre-owned homes to increase the volume of sales thereby accelerating the recycling of this capital. Approximately 90 percent of these home sales are financed by third party lenders or are paid for in cash.

OTHER INCOME STATEMENT ITEMS

Other revenues include other income (loss), interest income, and ancillary revenues, net. Other revenues increased by $2.0 million, from $7.0 million to $9.0 million, or 28.6 percent. This increase was due to increased interest income of $2.0 million. The increase in interest income was primarily due to the additional installment notes receivable recognized in association with the transfer of financial assets that are recorded as collateralized receivables in the Consolidated Balance Sheets. The interest income on these collateralized receivables is offset by the same amount of interest expense recognized on the secured debt recorded in association with this transaction. See Note 5 for additional information.

Real Property general and administrative costs decreased by $0.5 million, from $17.7 million to $17.2 million, or 2.9 percent due to reduced sales, use and other tax expense of $1.5 million and decreased salary and other compensation costs of $0.1 million offset by increased legal costs of $0.5 million and increased other expenses of $0.6 million. The decreased sales, use and other tax expense includes $1.6 million decrease due to the reversal of a provision for $0.7 million related to the filing methodology for federally disregarded single member limited liability companies under the former Michigan Single Business Tax. The liability was required to be recorded at December 31, 2009 and was reversed in March 2010 after legislative action by the State of Michigan.

Home Sales and Rentals general and administrative costs increased by $0.2 million, from $7.4 million to $7.6 million, or 2.7 percent due to increased salary costs of $0.4 million offset by a decrease in leasing costs of $0.1 million and a decrease in taxes and insurance of $0.1 million.

Georgia flood damage charges of $0.8 million were recorded due to a flood that caused substantial damage to our property, Countryside Village of Atlanta, located in Lawrenceville, Georgia in 2009. See Note 4 for additional information.

Depreciation and amortization costs increased by $1.4 million, from $67.4 million to $68.9 million, or 2.1 percent due to increased depreciation on investment property for use in our Rental Program of $0.7 million and increased amortization of promotions and other depreciation of $0.7 million.

Interest expense on debt, including interest on mandatorily redeemable debt, increased by $2.6 million, from $62.8 million to $65.4 million, or 4.2 percent due to increased expense associated with the increase in our FNMA facility fee of $0.9 million and our secured borrowing arrangements of $2.8 million partially offset by a reduction in expense of $1.1 million primarily due to lower interest rates charged on variable rate debt. The interest expense on our secured borrowing is offset completely by the interest income recognized on our collateralized receivables. See Note 5 for additional information.

Equity loss from affiliates decreased by $1.1 million, from a loss of $2.2 million, to loss of $1.1 million, net of $0.5 million cash distribution, or 50.0 percent due to limited recognition of our allocation of Origen’s and the LLC’s equity losses. We suspend equity accounting in periods in which the recognition of equity losses would reduce the carrying value of our investment below zero.

Provision for state income taxes increased by $0.1 million, from $0.4 million to $0.5 million, or 25.0 percent due to the utilization of investment tax credits which reduced tax expense in 2009.

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

	Years Ended December 31,		
	2011	2010	2009
Real Property NOI	$ 146,876	$ 135,222	$ 131,131
Rental Program NOI	37,991	33,651	30,871
Home Sales NOI/Gross Profit	6,860	7,915	9,238
Site rent from Rental Program (included in Real Property NOI)	(31,897)	(28,585)	(26,699)
NOI/Gross profit	159,830	148,203	144,541
Adjustments to arrive at net loss:			
Other revenues	11,030	9,047	6,993
General and administrative	(27,860)	(24,810)	(25,099)
Georgia flood damage	-	-	(800)
Acquisition related costs	(1,971)	-	-
Depreciation and amortization	(74,193)	(68,868)	(67,423)
Asset impairment charge	(1,382)	-	
Interest expense	(67,939)	(65,427)	(62,779)
Provision for state income taxes	(150)	(512)	(413)
Equity income (loss) and distributions from affiliates	2,100	(1,146)	(2,176)
Loss from continuing operations	(535)	(3,513)	(7,156)
Loss from discontinued operations	-	-	(227)
Net loss	(535)	(3,513)	(7,383)
Less: preferred return to Preferred OP units	1,222	-	-
Less: amounts attributable to common noncontrolling interests	(671)	(630)	(1,081)
Net loss attributable to Sun Communities, Inc. common stockholders	$ (1,086)	$ (2,883)	$ (6,302)

FUNDS FROM OPERATIONS

We provide information regarding FFO as a supplemental measure of operating performance. FFO is defined by the NAREIT as net income (loss) (computed in accordance GAAP), excluding gains (or losses) from sales of depreciable operating property, plus real estate-related depreciation and amortization, and after adjustments for unconsolidated partnerships and joint ventures. Due to the variety among owners of identical assets in similar condition (based on historical cost accounting and useful life estimates), we believe excluding gains and losses related to sales of previously depreciated operating real estate assets, 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. Management also uses FFO-Adjusted 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 FFO-Adjusted provides investors with another financial measure of our operating performance that is more comparable when evaluating period over period results. Other REITs may use different methods for calculating FFO and FFO-Adjusted and, accordingly, our FFO and FFO-Adjusted may not be comparable to other REITs.

FUNDS FROM OPERATIONS, CONTINUED

The following table reconciles net loss to FFO and FFO-Adjusted, and calculates FFO and FFO-Adjusted data for diluted purposes for the years ended December 31, 2011, 2010, and 2009 (in thousands, except for per share/OP unit amounts):

	Years Ended December 31,		
	2011	2010	2009
Net loss attributable to Sun Communities, Inc. common stockholders	$ (1,086)	$ (2,883)	$ (6,302)
Adjustments:			
Preferred return to Preferred OP units	1,222	-	-
Amounts attributable to common noncontrolling interests	(671)	(630)	(1,081)
Depreciation and amortization	75,479	70,578	69,301
Gain on disposition of assets, net	(2,635)	(4,300)	(5,845)
Funds from operations ("FFO")	$ 72,309	$ 62,765	$ 56,073
Adjustments:			
Michigan Business tax/reversal	-	(740)	740
Georgia flood damage	-	-	800
Equity affiliate adjustment (1)	-	1,646	1,654
OFS LLC impairment charge	-	-	322
Acquisition related costs	1,971	-	-
Asset impairment charge	1,382	-	-
Benefit for state income taxes (2)	(407)	(32)	(97)
FFO-Adjusted	$ 75,255	$ 63,639	$ 59,492
Weighted average common shares outstanding:	21,147	19,168	18,484
Add:			
OP units	2,075	2,114	2,179
Restricted stock	235	153	170
Common stock issuable upon conversion of Preferred OP units	580	-	-
Common stock issuable upon conversion of stock options	16	9	-
Weighted average common shares outstanding - diluted (FFO and FFO-Adjusted)	24,053	21,444	20,833
Funds from operations per share - diluted	$ 3.01	$ 2.93	$ 2.69
FFO-Adjusted per share - diluted	$ 3.13	$ 2.97	$ 2.86

(1) This amount represents our equity loss from affiliates in 2010 and 2009. Origen declared cash dividends of $2.1 million and $0.5 million for the years ended December 31, 2011 and 2010, respectively, which remain in FFO and FFO-Adjusted. No cash dividends were declared for the year ended December 31, 2009.

(2) The state income tax benefit for the period ended December 31, 2011, 2010 and 2009 represents the reversal of the Michigan Business Tax provision previously recorded.

LIQUIDITY AND CAPITAL RESOURCES

Our principal liquidity demands have historically been, and are expected to continue to be, distributions to our stockholders and the unitholders of the Operating Partnership, capital improvements to properties, the purchase of new and pre-owned homes, property acquisitions, development and expansion of properties, and debt repayment.

We expect to meet our short-term liquidity requirements through working capital provided by operating activities and through borrowings on our lines of credit. We consider these resources to be adequate to meet our operating requirements, including recurring capital improvements, routinely amortizing debt and other normally recurring expenditures of a capital nature, payment of dividends to our stockholders to maintain qualification as a REIT in accordance with the Code, and payment of distributions to our Operating Partnership’s unitholders.

We closed on four acquisitions in 2011 in which we acquired 23 properties in total, 18 manufactured housing communities and five RV communities. Subsequent to year end, we acquired three additional RV communities. See Note 2 for details on the acquisitions. We will continue to evaluate acquisition opportunities that meet our criteria for acquisition. Should additional investment opportunities arise in 2012, we will finance the acquisitions through secured financing, the assumption of existing debt on the properties or the issuance of certain equity securities.

During the year ended December 31, 2011, we have invested $35.9 million related to the acquisition of homes intended for the Rental Program net of proceeds from third party financing from homes sales. Expenditures for 2012 will be dependent upon the condition of the markets for repossessions and new home sales, as well as rental homes. We finance new home purchases with a $12.0 million floor plan facility. Our ability to purchase homes for sale or rent may be limited by cash received from third party financing of our home sales, available floor plan financing and working capital available on our secured line of credit.

Cash and cash equivalents decreased by $2.5 million from $8.4 million at December 31, 2010, to $5.9 million as of December 31, 2011. Net cash provided by operating activities from continuing operations increased by $4.4 million from $59.1 million for the year ended December 31, 2010 to $63.5 million for the year ended December 31, 2011.

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 Item 1A.

We have a secured revolving line of credit facility with a maximum borrowing capacity of $130.0 million, subject to certain borrowing base calculations. The outstanding balance on the line of credit at December 31, 2011 and 2010 was $107.5 million and $81.0 million, respectively. In addition, $4.0 million of availability was used to back standby letters of credit as of December 31, 2011 and 2010. Borrowings under the line of credit bear a floating interest rate based on Eurodollar plus a margin that is determined based on our leverage ratio calculated in accordance with the line of credit agreement, which can range from 2.25% to 2.95%. The effective weighted average interest rate on the outstanding borrowings was 3.4 percent as of December 31, 2011. As of December 31, 2011, $18.5 million was available to be drawn under the facility based on the calculation of the borrowing base. During 2011, the highest balance on the line of credit was $107.5 million. The borrowings under the line of credit mature October 1, 2015, assuming the election of a one year extension that is available at our discretion, subject to certain conditions. Although the secured revolving line of credit is a committed facility, the financial failure of one or more of the participating financial institutions may reduce the amount of available credit for use by us.

The line of credit facility contains various leverage, fixed charge coverage, net worth maintenance and other customary covenants all of which we were in compliance with as of December 31, 2011. The most limiting covenants contained in the line of credit are the maximum leverage ratio and minimum fixed charge coverage ratios. The maximum leverage ratio covenant requires that total indebtedness be no more than 70 percent of total asset value as defined in the terms of the line of credit agreement. The minimum fixed charge coverage ratio covenant requires a minimum ratio of 1.45:1. As of December 31, 2011, the leverage coverage was 63.0 percent and the fixed charge coverage ratio was 1.86:1.

LIQUIDITY AND CAPITAL RESOURCES, CONTINUED

The slow economy and the conservative lending environment have generally resulted in a reduction of availability of financing and higher borrowing costs. Although base interest rates have generally decreased relative to their levels prior to the disruptions in the financial markets, the tightening of credit markets has affected the credit risk spreads charged over base interest rates on, and the availability of, mortgage loan financing. For us, this is the most relevant consequence of financial market volatility. We believe this risk is somewhat mitigated because we have adequate working capital provided by operating activities as noted above and debt maturities are appropriately staggered

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 32 unencumbered properties with an estimated market value of $233.7 million, most of which support the borrowing base for our $130.0 million secured line of credit. From time to time, we may also issue shares of our capital stock or preferred stock, issue equity units in our Operating Partnership, utilize debt and/or equity venture capital, or sell selected assets. Our ability to finance our long-term liquidity requirements in such a manner will be affected by numerous economic factors affecting the manufactured housing community industry at the time, including the availability and cost of mortgage debt, our financial condition, the operating history of the properties, the state of the debt and equity markets, and the general national, regional, and local economic conditions. When it becomes necessary for us to approach the credit markets, the volatility in those markets could make borrowing more difficult to secure, more expensive, or effectively unavailable. See “Risk Factors” in Item 1A. If we are unable to obtain additional debt or equity financing on acceptable terms, our business, results of operations and financial condition would be adversely impacted.

Our primary long-term liquidity needs are principal payments on outstanding indebtedness. As of December 31, 2011, our outstanding contractual obligations, including interest expense, were as follows:

	Payments Due By Period (In thousands)				
Contractual Cash Obligations	Total Due	< 1 year	1-3 years	3-5 years	After 5 years
Collateralized term loans - CMBS	$ 629,229	$ 8,452	$ 190,725	$ 264,803	$ 165,249
Collateralized term loans - FNMA	364,581	4,771	11,709	16,161	331,940
Aspen and Series B-3 Preferred OP Units	48,822	4,670	8,370	-	35,782
Lines of credit	129,034	5,534	-	107,500	16,000
Secured borrowing	81,682	3,450	7,923	9,661	60,648
Mortgage notes, other	143,877	20,148	51,597	53,927	18,205
Total principal payments	$ 1,397,225	$ 47,025	$ 270,324	$ 452,052	$ 627,824
Interest expense (1)	372,555	59,971	109,263	82,415	120,906
Operating leases	3,925	873	1,747	1,305	-
Total contractual obligations	$ 1,773,705	$ 107,869	$ 381,334	$ 535,772	$ 748,730

(1) Our contractual cash obligation related to interest expense is calculated based on the current debt levels, rates and maturities as of December 31, 2011 excluding secured borrowings, and actual payments required in future periods may be different than the amounts included above.

As of December 31, 2011, our debt to total market capitalization approximated 61.6 percent (assuming conversion of all Common Operating Partnership Units to shares of common stock). Our debt has a weighted average maturity of approximately 7.0 years and a weighted average interest rate of 5.1 percent.

Capital expenditures for the years ended December 31, 2011 and 2010 included recurring capital expenditures of $8.2 million and $6.8 million, respectively. We are committed to the continued upkeep of our Properties and therefore do not expect a significant decline in our recurring capital expenditures during 2012.

LIQUIDITY AND CAPITAL RESOURCES, CONTINUED

Net cash used for investing activities was $159.5 million for the year ended December 31, 2011, compared to $43.4 million for the year ended December 31, 2010. The difference is due to increased acquisitions of $77.1 million, increased investment in property of $36.9 million, and decreased principal repayment on an officer's notes and other notes receivable of $4.6 million, offset by increased proceeds related to disposition of assets of $0.8 million and increased dividend distribution from affiliate of $1.6 million,.

Net cash provided by financing activities was $93.5 million for the year ended December 31, 2011; compared to $11.8 million net cash used for financing activities for the year ended December 31, 2010. The difference is due to increased net proceeds received from the issuance of additional shares of $28.4 million, increased proceeds from issuance of other debt net of repayments on other debt of $50.2 million, increased net borrowings on the line of credit of $34.4 million, increased proceeds from stock option exercises of $0.6 million, and decreased payments to retire preferred operating partnership units of $0.9 million, offset by increased payments of deferred financing costs of $3.1 million and increased distributions to our stockholders and OP unitholders of $6.3 million due to equity issuances.

ITEM 7A. 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 effect 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 four derivative contracts consisting of two interest rate swap agreements with a total notional amount of $45.0 million, and two interest rate cap agreements with a notional amount of $162.4 million as of December 31, 2011. The first swap agreement fixes $25.0 million of variable rate borrowings at 5.60 percent through July 2012. The second swap agreement fixes $20.0 million of variable rate borrowings at 3.04 percent through January 2014. The first interest rate cap agreement has a cap rate of 11.0 percent, a notional amount of $152.4 million, and a termination date of May 1, 2012. The second interest rate cap agreement has a cap rate of 11.02 percent, a notional amount of $10.0 million, and a termination date of October 3, 2016. Each of these derivative contracts is based upon 90-day LIBOR.

Our remaining variable rate debt totals $322.8 million and $242.3 million as of December 31, 2011 and 2010, respectively, which bear interest at Prime, various LIBOR or Fannie Mae Discounted Mortgage Backed Securities ("DMBS") rates. If Prime, LIBOR, or DMBS increased or decreased by 1.0 percent during the years ended December 31, 2011 and 2010, we believe our interest expense would have increased or decreased by approximately $2.6 million and $2.4 million based on the $257.7 million and $244.2 million average balances outstanding under our variable rate debt facilities for the years ended December 31, 2011 and 2010, respectively. A portion of our variable debt is floating on DMBS rates. If the credit markets tighten, and there are fewer or no buyers of this security, the interest rate may be negatively impacted resulting in higher interest expense.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Financial statements and supplementary data are filed herewith under Item 15.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our management is responsible for establishing and maintaining disclosure controls and procedures as defined in the rules promulgated under the Securities Exchange Act of 1934, as amended (the “Exchange Act”). 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 December 31, 2011. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of December 31, 2011, to ensure that information we are required to disclose in filings with the Securities and Exchange Commission under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Commission’s rules and forms, and to ensure that information required to be disclosed by us in the reports that we file under the Exchange Act is accumulated and communicated to our management, including its principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

Design and Evaluation of Internal Control Over Financial Reporting

Pursuant to Section 404 of the Sarbanes-Oxley Act of 2002, we have included a report of management’s assessment of the design and effectiveness of our internal controls as part of this Form 10-K for the fiscal year ended December 31, 2011. Our independent registered public accounting firm also attested to, and reported on, the effectiveness of internal control over financial reporting. Management’s report and the independent registered public accounting firm’s attestation report are included in our 2011 financial statements under the captions entitled “Management’s Report on Internal Control Over Financial Reporting” and “Report of Independent Registered Public Accounting Firm”.

Changes in Internal Control Over Financial Reporting

There have been no changes in our internal control over financial reporting during the quarterly period ended December 31, 2011 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Board of Directors and Committees

Pursuant to the terms of our charter, the Board of Directors (the "Board") is divided into three classes. The class up for election at the annual meeting of shareholders to be held in 2012 will hold office for a term expiring at the annual meeting of shareholders to be held in 2015. A second class will hold office for a term expiring at the annual meeting of shareholders to be held in 2013 and a third class will hold office for a term expiring at the annual meeting of shareholders to be held in 2014. Each director will hold office for the term to which such director is elected and until such director's successor is duly elected and qualified. At each of our annual meeting of the shareholders, the successors to the class of directors whose terms expire at such meeting will be elected to hold office for a term expiring at the annual meeting of shareholders held in the third year following the year of their election.

The Board meets quarterly, or more often as necessary. The Board met five times during 2011 and took various actions pursuant to resolutions adopted by unanimous written consent. All directors attended at least 75% of the meetings of the Board and each committee on which they served. More than 50% of our board members attended the annual meeting of shareholders held on July 27, 2011.

Several important functions of the Board may be performed by committees that are comprised of members of the Board. Our Bylaws authorize the formation of these committees and grant the Board the authority to prescribe the functions of each committee and the standards for membership of each committee. In addition, the Board appoints the members of each committee. The Board has four standing committees: an Audit Committee, a Compensation Committee, a Nominating and Corporate Governance Committee, and an Executive Committee. You may find copies of the charters of the Audit Committee, the Compensation Committee and the Nominating and Corporate Governance Committee under the "Investor Relations-Officers and Directors" section of our website at www.suncommunities.com. You may also find a copy of our corporate governance guidelines and its code of business ethics under the "Investor Relations-Officers and Directors" section of our website at www.suncommunities.com. All of the committee charters, our corporate governance guidelines and our code of business ethics are available in print to any shareholder who requests them.

The Audit Committee operates pursuant to a third amended and restated charter that was approved by the Board in December 2007, and is reviewed annually. It is available under the "Investor Relations-Officers and Directors" section of our website at www.suncommunities.com. The Audit Committee, among other functions, (i) has the sole authority to appoint, retain, terminate and determine the compensation of our independent accountants, (ii) reviews with our independent accountants the scope and results of the audit engagement, (iii) approves professional services provided by our independent accountants, (iv) reviews the independence of our independent accountants, and (v) directs and controls our internal audit functions. The current members of the Audit Committee are Messrs. Robert H. Naftaly, Clunet R. Lewis (Chairman) and Ms. Stephanie W. Bergeron, all of whom are "independent" as that term is defined in the rules of the SEC and applicable rules of the NYSE. The Audit Committee held four formal meetings during the fiscal year ended December 31, 2011. The Board has determined that each member of the Audit Committee is an "audit committee financial expert," as defined by SEC rules.

The Compensation Committee operates pursuant to a charter that was approved by the Board in March 2004. A copy of the Compensation Committee Charter is available under the "Investor Relations-Officers and Directors" section of our website at www.suncommunities.com. The Compensation Committee, among other functions, (i) reviews and approves corporate goals and objectives relevant to the compensation of the Chief Executive Officer and such other executive officers as may be designated by the Chief Executive Officer, evaluates the performance of such officers in light of such goals and objectives, and determines and approves the compensation of such officers based on these evaluations, (ii) approves the compensation of our other executive officers, (iii) recommends to the Board for approval the compensation of the non-employee directors and (iv) oversees our incentive-compensation plans and equity-based plans. The current members of the Compensation Committee are Messrs. Robert H. Naftaly (Chairman), Clunet R. Lewis and Paul D. Lapides, all of whom are independent directors under the NYSE rules. During the fiscal year ended December 31, 2011, the Compensation Committee held one formal meetings and took various actions pursuant to resolutions adopted by unanimous written consent. See “Report of the Compensation Committee on Executive Compensation.”

The Nominating and Corporate Governance Committee (the "NCG Committee") operates pursuant to a charter that was approved by the Board in March 2004. A copy of the NCG Committee Charter is available under the "Investor Relations-Officers and Directors" section of our website at www.suncommunities.com. The NCG Committee, among other functions, is responsible for (i) identifying individuals qualified to become Board members, consistent with criteria approved by the Board, (ii) recommending that the Board select the committee-recommended nominees for election at each annual meeting of shareholders, (iii) developing and recommending to the Board a set of corporate governance guidelines applicable to us, and (iv) periodically reviewing such guidelines and recommending any changes, and overseeing the evaluation of the Board. The current members of the NCG Committee are Messrs. Ted J. Simon (Chairman), Clunet R. Lewis and Ronald L. Piasecki, all of whom are independent under the NYSE rules. The NCG Committee held one formal meeting during the fiscal year ended December 31, 2011. The NCG Committee considers diversity and skills in identifying nominees for service on our Board. Regarding diversity, the NCG Committee considers the entirety of the board and a wide range of economic, social and ethnic backgrounds and does not nominate representational directors from any specific group.

The Executive Committee was established to generally manage our day-to-day business and affairs between regular Board meetings. In no event may the Executive Committee, without the prior approval of the Board acting as a whole: (i) recommend to the shareholders an amendment to our Charter; (ii) amend our Bylaws; (iii) adopt an agreement of merger or consolidation; (iv) recommend to the shareholders the sale, lease or exchange of all or substantially all of our property and assets; (v) recommend to the shareholders our dissolution or a revocation of a dissolution; (vi) fill vacancies on the Board; (vii) fix compensation of the directors for serving on the Board or on a committee of the Board; (viii) declare dividends or authorize the issuance of our stock; (ix) approve or take any action with respect to any related party transaction involving us; or (x) take any other action which is forbidden by our Bylaws. All actions taken by the Executive Committee must be promptly reported to the Board as a whole and are subject to ratification, revision and alteration by the Board, except that no rights of third persons created in reliance on authorized acts of the Executive Committee can be affected by any such revision or alteration. The current members of the Executive Committee are Messrs. Gary A. Shiffman and Ted J. Simon. The Executive Committee did not hold any formal meetings during the fiscal year ended December 31, 2011 but took various actions pursuant to resolutions adopted by unanimous written consent.

The Board oversees and implements its risk management function several different ways. Specifically, the Audit Committee discusses our risk assessment and risk management policies with the Chief Financial Officer and other accounting staff, our internal auditor and our independent accountants in conjunction with its review of our financial statements as they deem necessary. In addition, the Board discusses the general risks facing us, the risk factors disclosed in our annual and period reports and our risk management policies with our executive management team from time to time throughout the year. In the event that a specific risk is identified, the Board or the Audit Committee directs management to assess, evaluate and provide remedial recommendations to the Board, or the Audit Committee, with respect to such risk which may include suggested public disclosure.

Independence of Non-Employee Directors

The NYSE rules require that a majority of the Board consist of members who are independent. There are different measures of director independence—independence under NYSE rules, under Section 16 of the Exchange Act and under Section 162(m) of the Code. The Board has reviewed information about each of our non-employee directors and determined that Messrs. Paul D. Lapides, Clunet R. Lewis, Robert H. Naftaly, Ronald L. Piasecki, Ted J. Simon and Ms. Stephanie W. Bergeron are independent directors. The independent directors meet on a regular basis in executive sessions without management participation. In 2011, the executive sessions occurred after some of the regularly scheduled meetings of the entire Board and may occur at such other times as the independent directors deem appropriate or necessary. The Board appoints a lead director on an annual basis to serve for a term of one year. Clunet R. Lewis is currently serving as lead director. The lead director calls and presides at the executive sessions of our independent directors, acts as a liaison between our management team and the Board and is responsible for identifying, analyzing and making recommendations to the Board with respect to certain strategic and extraordinary matters.

Consideration of Director Nominees

Board Membership Criteria

The Board of Directors has established criteria for Board membership. These criteria include the following specific, minimum qualifications that the NCG Committee believes must be met by an NCG Committee-recommended nominee for a position on the Board:

- The candidate must have experience at a strategic or policymaking level in a business, government, non-profit or academic organization of high standing;
- The candidate must be highly accomplished in his or her field, with superior credentials and recognition;
- The candidate must be well regarded in the community and must have a long-term reputation for high ethical and moral standards;
- The candidate must have sufficient time and availability to devote to our affairs, particularly in light of the number of boards on which the nominee may serve; and
- The candidate's principal business or occupation must not be such as to place the candidate in competition with us or conflict with the discharge of a director's responsibilities to us or to our shareholders.

In addition to the minimum qualifications for each nominee set forth above, the NCG Committee will recommend director candidates to the full Board for nomination, or present director candidates to the full Board for consideration, to help ensure that:

- A majority of the Board of Directors shall be "independent" as defined by the NYSE rules;
- Each of its Audit, Compensation and NCG Committees shall be comprised entirely of independent directors; and
- At least one member of the Audit Committee shall have such experience, education and qualifications necessary to qualify as an "audit committee financial expert" as defined by the rules of the SEC.

Consideration of Shareholder Nominated Directors

The NCG Committee's current policy is to review and consider any director candidates who have been recommended by shareholders in compliance with the procedures established from time to time by the NCG Committee. All shareholder recommendations for director candidates must be submitted in writing to our Secretary at Sun Communities, Inc., 27777 Franklin Road, Suite 200, Southfield, MI 48034, who will forward all recommendations to the NCG Committee. All shareholder recommendations for director candidates for election at the 2013 annual meeting of shareholders must be submitted to our Secretary not earlier than the 120th day and not later than the 90th day prior to the first anniversary of the 2012 annual meeting provided, however, that if the 2013 annual meeting is more than 30 days earlier or later than the first anniversary of the 2012 annual meeting, notice by the shareholder must be delivered not earlier than the 120th day and not later than the 90th day prior to the date of the 2013 annual meeting or, if the first public announcement of the date of the 2013 annual meeting is less than 100 days prior to the date of the 2012 annual meeting, the tenth day following the day on which public announcement of the date of the 2013 annual meeting is first made by us. All shareholder recommendations for director candidates must include the following information:

- The shareholder's name, address, number of shares owned, length of period held and proof of ownership;

- The name, age, business and residential address, educational background, current principal occupation or employment, and principal occupation or employment for the preceding five full fiscal years of the proposed director candidate;

- A description of the qualifications and background of the proposed director candidate which addresses the minimum qualifications and other criteria for Board membership as approved by the Board from time to time;

- A description of all arrangements or understandings between the shareholder and the proposed director candidate;

- The consent of the proposed director candidate (1) to be named in the proxy statement relating to our annual meeting of stockholders and (2) to serve as a director if elected at such annual meeting; and

- Any other information regarding the proposed director candidate that is required to be included in a proxy statement filed pursuant to the rules of the SEC.

Identifying and Evaluating Nominees

The NCG Committee may solicit recommendations for director nominees from any or all of the following sources: non-management directors, executive officers, third-party search firms or any other source it deems appropriate. The NCG Committee will review and evaluate the qualifications of any proposed director candidate that it is considering or has been recommended to it by a shareholder in compliance with the NCG Committee's procedures for that purpose, and conduct inquiries it deems appropriate into the background of these proposed director candidates. When nominating a sitting director for re-election, the NCG Committee will consider the director's performance on the Board and the director's qualifications in respect to the criteria set forth above. Other than circumstances in which we are legally required by contract or otherwise to provide third parties with the ability to nominate directors, the NCG Committee will evaluate all proposed director candidates based on the same criteria and in substantially the same manner, with no regard to the source of the initial recommendation of the proposed director candidate.

Board of Directors

The following list identifies each incumbent director and describes each person's principal occupation for at least the past five years. Each of the directors has served continuously from the date of his or her election to the present time.

Name	Age	Office
Gary A. Shiffman	57	Chairman, Chief Executive Officer, President and Director
Stephanie W. Bergeron	58	Director
Paul D. Lapides	57	Director
Clunet R. Lewis	65	Director
Robert H. Naftaly	74	Director
Ronald L. Piasecki	72	Director
Ted J. Simon	81	Director
Arthur A. Weiss	63	Director

Gary A. Shiffman is our Chairman, Chief Executive Officer, and President, and has been an executive officer since our inception. He has been actively involved in the management, acquisition, construction and development of manufactured housing communities and has developed an extensive network of industry relationships over the past twenty years. He has overseen the acquisition, rezoning, development and marketing of numerous manufactured home expansion projects, as well as other types of income producing real estate. Additionally, Mr. Shiffman has significant direct holdings in various real estate asset classes, which include office, multi-family, industrial, residential and retail. Mr. Shiffman is an executive officer and a director of Sun Home Services, Inc. ("Sun Home Services") and all of our other corporate subsidiaries. Mr. Shiffman is also a director of Origen Financial, Inc. (OTCBB: ORGN.BB). Mr. Shiffman received the Manufactured Home Community Operator of the Year Award in 1997 and in 2002, by the Manufactured Housing Institute.

Stephanie W. Bergeron has been a director since May 2007. Ms. Bergeron, a registered certified public accountant, also serves as the President and Chief Executive Officer of Walsh College. Additionally, Ms. Bergeron serves as President and Chief Executive Officer of Bluepoint Partners, LLC, a firm providing financial consulting services. From December 1998 to December 2003, Ms. Bergeron served as Vice President and Treasurer and then Senior Vice President-Corporate Financial Operations of The Goodyear Tire & Rubber Company ("Goodyear"). Prior to joining Goodyear, Ms. Bergeron was a Vice President and Assistant Treasurer of DaimlerChrysler Corporation. She has also served on Audit Committees of several publicly traded companies (including as chairman) and a number of not for profit organizations. During her business career, Ms. Bergeron directed staff responsible for accounting, treasury, investor relations and tax matters. Crain's Detroit Business named Bergeron one of its "Most Influential Women" in

1997 and in 2007.

Paul D. Lapides has been a director since December 1993. Mr. Lapides is Director of the Corporate Governance Center in the Michael J. Coles College of Business at Kennesaw State University, where he is a professor of management and entrepreneurship. Mr. Lapides is a director of EasyLink Services International Corporation (NASDAQ: ESIC) and a member of the Advisory Board of the National Association of Corporate Directors and served on the NACD's Blue Ribbon Commission on Audit Committees (1999). Mr. Lapides has extensive knowledge and experience in the areas of real estate and corporate governance. Mr. Lapides, a certified public accountant, has been involved in real-estate related activities including the management of a $3.0 billion national portfolio of income-producing real. As a published author or co-author of more than 100 articles and twelve books, Mr. Lapides is considered a well-respected authority in management and corporate governance related issues.

Clunet R. Lewis has been a director since December 1993. From 1995 until 2000, Mr. Lewis served in various positions with Eltrax Systems, Inc., a NASDAQ National Market System company, including Secretary, General Counsel, member of the Board of Directors and Chief Financial Officer. In these roles, Mr. Lewis was primarily responsible for the company's legal affairs, its relationship with its auditors, and the interactions between the company and the SEC. From 1989 until 1994, Mr. Lewis served as Secretary and General Counsel of Military Communications Center, Inc., a privately held company that provided retail telecommunications services to members of the United States Armed Services. From 1990 through 1991, Mr. Lewis was Managing Director of MCC Communications, Inc., a privately held company that provided international telecommunications services to members of the United States Armed Services serving in the Persian Gulf area during the Gulf War. Prior to 1993, Mr. Lewis was a shareholder of the law firm of JRH&W. While actively engaged in the practice of law, Mr. Lewis focused on mergers and acquisitions, debt financings, issuances of equity and debt securities and corporate governance and control issues.

Robert H. Naftaly has been a director since October 2006. Mr. Naftaly is retired as President and Chief Executive Officer of PPOM, an independent operating subsidiary of Blue Cross Blue Shield of Michigan ("BCBSM") and as Executive Vice President and Chief Operating Officer of BCBSM. Previously, Mr. Naftaly served as Vice President and General Auditor of Detroit Edison Company and was the Director of the Department of Management and Budget for the State of Michigan. He was a managing partner and founder of Geller, Naftaly, Herbach & Shapiro, a certified public accounting firm. In addition, Mr. Naftaly has served as a director of Meadowbrook Insurance Group, Inc. (NYSE:MIG) since 2002 where he is currently the Chairman of the Compensation Committee and a member of the Audit Committee and Finance Committee. Mr. Naftaly is a director of Walsh College, a premier non-profit institution that offers business and technology degrees and programs. Mr. Naftaly, a certified public accountant, draws upon a wide experience of board membership and leadership experiences. Mr. Naftaly was appointed by Governor Jennifer Granholm, as Chairperson, State Tax Commission of the State of Michigan in 2002. Mr. Naftaly is a member of the American Institute of Certified Public Accountants and the Michigan Association of Certified Public Accountants. In 2002, he received the Distinguished Achievement Award from the Michigan Association of Certified Public Accountants.

Ronald L. Piasecki has been a director since May 1996, upon completion of our acquisition of twenty-five manufactured housing communities (the "Aspen Properties") owned by affiliates of Aspen Enterprises, Ltd. ("Aspen"). Mr. Piasecki was a director of Aspen Properties, which he co-founded in 1974. From 1974 until its sale to us in 1996, Mr. Piasecki was the managing partner in charge of property acquisition, financing and disposition, legal and accounting relationships and oversight, resident relations, lobbying and syndication and sale of registered private equity limited partnership and participating mortgage interests. Prior to our acquisition, Aspen was one of the largest privately-held developers and owners of manufactured housing communities in the U.S. In addition, Mr. Piasecki is a director of Advanced Equities Financial Corporation, a financial services firm engaged in retail and institutional securities brokerage, venture capital investment banking and financial advisory services. Mr. Piasecki has been involved in real estate development and management since 1968 when he began working in the tax department of the then accounting firm of Lybrand, Ross Brothers and Montgomery in Detroit. Mr. Piasecki then practiced law, specializing in real estate development, syndication and management, until 1980 when he became a full time partner in Aspen. Mr. Piasecki is currently engaged in the development and management of residential real estate properties in western Michigan.

Ted J. Simon has been a director since December 1993. Since February 1999, Mr. Simon has been affiliated with Grand Sakwa Management LLC, a real estate development company located in Farmington Hills, Michigan. From 1981 until January 1999, Mr. Simon was the Vice President-Real Estate (Midwest Group) of The Great Atlantic & Pacific Tea Company, Inc. and Mr. Simon was a Vice President-Real Estate and a director of Borman's Inc., a wholly owned subsidiary of The Great Atlantic & Pacific Tea Company, Inc. Also, until December 2010, Mr. Simon was a director of Clarkston State Bank, a wholly-owned subsidiary of Clarkston Financial Corporation (OTC BB: CKSB.OB). Mr. Simon has extensive executive-level experience in the real estate industry in general, including the management of large real estate and investment portfolios. Mr. Simon has been involved in business activities related to residential and commercial real estate for the past 58 years. Early in his career, Mr. Simon was involved with brokerage and management activities within the Detroit metropolitan area. Later, Mr. Simon served as a senior real estate officer of various public supermarket companies with stores located across the United States, and their affiliated development subsidiaries.

Arthur A. Weiss has been a director since October 1996. Since 1976, Mr. Weiss has practiced law with the law firm of JRH&W, which represents us in various matters. Mr. Weiss is currently Chairman of the Board of Directors and a shareholder of JRH&W. Mr. Weiss practices law in the area of business planning, taxation, estate planning and real estate law. Mr. Weiss is a director of several closely-held companies in the real estate industry, steel industry, technology industry and banking industry. Mr. Weiss is also a director and officer of a number of closely held public and private nonprofit corporations, which include the Jewish Federation of Metropolitan Detroit and the Detroit Symphony Orchestra, where he is on the executive committee, and serves as a vice-president and board member. Mr. Weiss received a MBA in finance and a post graduate LLM degree from New York University in taxation. In addition to being an author and frequent lecturer in the Detroit area, Mr. Weiss previously was an Adjunct Professor of Law at Wayne State University. Mr. Weiss was recognized in 2008 as one of the nation's Top 100 Attorneys by Worth magazine.

In addition to each director's qualifications, experience and skills outlined in their biographical data above and the minimum Board qualifications set forth above, our NCG Committee looked for certain attributes in each director nominee and based on these attributes, and the mix of attributes of the other incumbent directors, determined that each director nominee should serve on our Board. The NCG Committee does not require that each director nominee possess all of these attributes but rather that the Board is comprised of directors that, taken together, provide us with a variety and depth of knowledge, judgment and experience necessary to provide effective oversight and vision. These attributes include: (a) significant leadership skills as a chief executive officer and/or relevant board member experience, (b) real estate industry experience, (c) transactional experience, especially within the real estate industry, (d) relevant experience in property operations, (e) financial expertise, and (f) legal or regulatory experience. The following table lists the attributes of each director, as determined by the NCG Committee:

Director	CEO/Board Experience	Real Estate Industry	Transactional Experience	Property Operations	Financial Expertise	Legal / Regulatory
Gary A. Shiffman	X	X	X	X	X	
Stephanie W. Bergeron	X		X		X	
Paul D. Lapides	X	X	X	X	X	X
Clunet R. Lewis	X	X	X		X	X
Robert H. Naftaly	X		X		X	
Ronald L. Piasecki	X	X	X	X	X	X
Ted J. Simon	X	X	X	X	X	
Arthur A. Weiss	X	X	X		X	X

To the best of our knowledge, as of the date of this Form 10-K, there are no material proceedings to which any director or nominee is currently a party, or has a material interest, adverse to the Company. Except as described below, to the best of our knowledge, during the past ten years: (i) there have been no events under any bankruptcy act, no criminal proceedings and no judgments or injunctions that are material to the evaluation of the ability or integrity of any director or nominee, (ii) no director or nominee has been the subject of a or a party to any judicial or administrative proceedings relating to an alleged violation of (a) mail or wire fraud; (b) fraud in connection with any business entity; (c) violations of federal or state securities, commodities, banking or insurance laws and regulations, and (iii) no director or nominee has been the subject of a or a party to any sanction or order of any self-regulatory organization, any registered entity (as defined in Section 1(a)(29) of the Commodity Exchange Act), or any equivalent exchange, association, entity or organization that has disciplinary authority over its members or persons associated with a member.

As announced on February 27, 2006, the U.S. Securities and Exchange Commission (the “SEC”) completed its inquiry regarding the accounting for our SunChamp investment during 2000, 2001 and 2002, and the entry of an agreed-upon Administrative Order (the “Order”). The Order required us to cease and desist from violations of certain non-intent based provisions of the federal securities laws, without admitting or denying any such violations. On February 27, 2006, the SEC filed a civil action against Mr. Shiffman, in his capacity as our Chief Executive Officer, Jeffrey P. Jorissen, our then (and now former as of February 2008) Chief Financial Officer and a former Controller in the United States District Court for the Eastern District of Michigan alleging various claims generally consistent with the SEC’s findings set forth in the Order. On July 21, 2008, the U.S. District Court for the Eastern District of Michigan approved a settlement whereby the SEC dismissed its civil lawsuit against Mr. Shiffman and our former Controller. The SEC concurrently reached a settlement with Mr. Jorissen.

Executive Officers

The persons listed below are our executive officers who served during the last completed fiscal year. Each is appointed by, and serves at the pleasure of, the Board.

Name	Age	Office
Gary A. Shiffman	57	Chairman, Chief Executive Officer, and President
Karen J. Dearing	47	Executive Vice President, Treasurer, Chief Financial Officer and Secretary
John B. McLaren	41	Executive Vice President and Chief Operating Officer
Jonathan M. Colman	56	Executive Vice President

Background information for Gary A. Shiffman is provided above. Background information for the other three current executive officers is set forth below.

Karen J. Dearing joined us in October 1998 as the Director of Finance where she worked extensively with accounting and finance matters related to our ground up developments and expansions. Ms. Dearing became our Corporate Controller in 2002, a Senior Vice President in 2006, and Executive Vice President and Chief Financial Officer in February 2008. She was responsible for the overall management of our information technology, accounting and finance departments, and all internal and external financial reporting. Prior to working for us, Ms. Dearing had eight years of experience as the Financial Controller of a privately-owned automotive supplier specializing in critical automotive fasteners and five years' experience as a certified public accountant with Deloitte & Touche.

John B. McLaren has been in the manufactured housing industry since 1995. Prior to his appointment as Executive Vice President and Chief Operating Officer in February 2008, Mr. McLaren served, since August 2005, as Senior Vice President of Sun Home Services with overall responsibility for homes sales and leasing. Prior to that, Mr. McLaren was a Regional Vice President for Apartment Investment & Management Company ("AIMCO"), a Real Estate Investment Trust engaged in leasing apartments. Prior to AIMCO, Mr. McLaren spent approximately three years as Vice President of Leasing & Service for Sun Home Services with responsibility for developing and leading our rental home program.

Jonathan M. Colman joined us in 1994 as Vice President-Acquisitions and became a Senior Vice President in 1995 and an Executive Vice President in March 2003. A certified public accountant, Mr. Colman has over twenty years of experience in the manufactured housing community industry. He has been involved in the acquisition, financing and management of over 75 manufactured housing communities for two of the 10 largest manufactured housing community owners, including Uniprop, Inc. during its syndication of over $90.0 million in public limited partnerships in the late 1980s. Mr. Colman is also a Vice President of all of our corporate subsidiaries.

To the best of our knowledge, as of the date of this Form 10-K, there are no material proceedings to which any executive officer is currently a party, or has a material interest, adverse to us. To the best of our knowledge, except with respect to Mr. Shiffman (as described above), during the past ten years: (i) there have been no events under any bankruptcy act, no criminal proceedings and no judgments or injunctions that are material to the evaluation of the ability or integrity of any executive officer, (ii) no executive officer has been the subject of a or a party to any judicial or administrative proceedings relating to an alleged violation of (a) mail or wire fraud; (b) fraud in connection with any business entity; (c) violations of federal or state securities, commodities, banking or insurance laws and regulations, and (iii) no any executive officer has been the subject of a or a party to any sanction or order of any self-regulatory organization, any registered entity (as defined in Section 1(a)(29) of the Commodity Exchange Act), or any equivalent exchange, association, entity or organization that has disciplinary authority over its members or persons associated with a member.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act, requires our directors, executive officers and beneficial owners of more than 10% of our capital stock to file reports of ownership and changes of ownership with the SEC and the NYSE. Based solely on our review of the copies of such reports received by us, and written representations from certain reporting persons, we believe, that, during the year ended December 31, 2011, our directors, executive officers and beneficial owners of more than 10% of our Common Stock have complied with all filing requirements applicable to them, except Mr. Arthur A. Weiss failed to timely file one report disclosing the sale of 1,632 shares of common stock by a trust of which he is co-trustee. In addition, in 2011 Mr. Weiss filed three Form 5's relating to sales by the same trust of an aggregate of 20,041 shares of common stock in 2008, 2009 and 2010, which sales had not been previously reported. Mr. Weiss disclaims beneficial ownership of all of the shares held by the trust. In addition, in 2011 John B. McLaren filed a Form 5, which reported dispositions of common stock by him in his 401(k) account that had not been previously reported.

ITEM 11. EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Compensation Committee Composition and Charter

The Compensation Committee assists the Board in fulfilling its responsibilities for determining the compensation offered to our executive officers. The Compensation Committee, among other functions:

- consults with executive management in developing a compensation philosophy;
- reviews and approves the goals and objectives relevant to the compensation of the Chief Executive Officer and other executive officers ensuring those goals are aligned with our short and long-term objectives;
- reviews and approves salary, annual and long-term incentive compensation performance objectives and payments for the executive officers;
- evaluates the performance of the executives in light of the goals and objectives of our executive compensation plans and establishes future compensation levels based upon this evaluation;
- reviews and approves grants and awards to the executive officers and other participants under our equity based compensation plans, and;
- reviews and approves any employment agreements and severance agreements to be made with any existing or prospective executive officer.

The Compensation Committee has the authority to retain and terminate independent, third-party compensation consultants and to obtain independent advice and assistance from internal and external legal, accounting and other advisors. The Compensation Committee has utilized the services of a compensation consultant in crafting its compensation policies for the compensation years included herein. Each member of the Compensation Committee is independent under NYSE rules. A copy of the Compensation Committee Charter is available under the “Investor Relations-Officers and Directors” section of our website at www.suncommunities.com.

In late 2010, the Compensation Committee engaged FPL Associates (“FPL”), a nationally recognized consulting firm specializing in the real estate industry, to: (1) assist the Compensation Committee with identifying a peer group; (2) assess the overall framework of our executive compensation program; (3) assess the compensation levels compared to the selected peer group; and (4) provide guidance and recommendations in establishing the overall compensation structure and individual compensation opportunities that were in place during 2010 and those established in 2011. The compensation of our Chief Executive Officer, Chief Financial Officer and Chief Operating Officer were reviewed and compared to a Public REIT Peer Group (the “Peer Group”) generally comparable to Sun in terms of asset class, size and/or geography. The Peer Group contained the following companies:

Associated Realty Corporation
Colonial Properties Trust
EastGroup Properties, Inc.
Equity LifeStyle Properties, Inc.
Glimcher Realty Trust
Home Properties, Inc.
Mid-America Apartment Communities, Inc.

Post Properties, Inc.
Ramco-Gershenson Properties Trust
UMH Properties, Inc.

The compensation data for each company was reviewed over a three-year period and compared to our compensation data for the same period. Each compensation component and total compensation of our three officers generally ranked between the 25th percentile to median of the total compensation levels of the Peer Group. The Compensation Committee believed this to be an appropriate level of compensation, although the Compensation Committee does not set a specific target level of compensation for our officers in relation to peers. As part of the review, FPL and the Compensation Committee discussed long-term equity plans with multi-year performance components including the types of programs being utilized in the marketplace, an analysis of all the peer long-term incentive plans, and key considerations with regards to such a plan for us. The Compensation Committee evaluated the possibility of adding a long-term equity plan with multi-year performance metrics as a component of our compensation program in future years. FPL has not provided any other services to us.

Compensation Philosophy and Objectives

The goals and objectives of our executive compensation program are to attract and retain a skilled executive team to manage, lead and direct our personnel and capital to obtain the best possible economic results.

The executive compensation program supports our commitment to providing superior shareholder value. This program is designed to:

- attract, retain and reward executives who have the motivation, experience and skills necessary to lead us effectively and encourage them to make career commitments to us;
- base executive compensation levels on our overall financial and operational performance and the individual contribution of an executive officer to our success;
- create a link between the performance of our stock and executive compensation; and
- position executive compensation levels to be competitive with other similarly situated public companies including the real estate industry in general and manufactured housing REITs in particular.

Annual salary and incentive awards are intended to be competitive in the marketplace to attract and retain executives. Stock options and restricted stock awards are intended to provide longer-term motivation which has the effect of linking stock price performance to executive compensation. Restricted stock is also intended to provide post-retirement financial security in lieu of other forms of more costly supplemental retirement programs. We have not implemented any policies related to stock ownership guidelines for our executive management or for members of the Board.

Role of Executive Officers in Compensation Decisions

The Compensation Committee makes all decisions regarding the compensation of executive officers, including cash-based and equity-based incentive compensation programs. The Compensation Committee reviews the performance, and determines the annual incentive compensation, of the Chief Executive Officer. The Compensation Committee and the Chief Executive Officer annually review the performance metrics of the short and long-term performance plans and the performance of the other executive officers. The conclusions reached and recommendations based on the reviews of the other executive officers, including with respect to annual incentive and equity award amounts, are presented by the Chief Executive Officer to the Compensation Committee, which can exercise its discretion in modifying any recommended incentive or equity awards. From time to time, the Compensation Committee may request our Senior Vice President of Human Resources or Chief Financial Officer to collect publicly available information on compensation levels and programs for executives. In addition, our Chief Financial Officer analyzes implications of various executive compensation awards or plan designs.

Compensation Components and Processes

In order to implement our executive compensation philosophy, the Compensation Committee exercises its independent discretion in reviewing and approving the executive compensation program as a whole, as well as specific compensation levels for each executive officer. Final aggregate compensation determinations for each fiscal year are generally made after the end of the fiscal year, after financial statements for such year become available. At that time, the Compensation Committee determines the annual incentive award, if any, for the past year’s performance, sets base salaries for those executive officers whose base salaries are not bound by employment agreements for the following fiscal year and makes awards of equity-based compensation, if any. Prior to the engagement of FPL in late 2010, the Compensation Committee did not formally benchmark executive compensation but did, on occasion, review salary and compensation information for companies with comparable market capitalization, number of employees and business sectors as published in the National Association of Real Estate Investment Trusts Compensation Survey (the “NAREIT Survey”) and various other compensation studies and surveys. The Compensation Committee used this information to gain a general understanding of current compensation practices and guidelines and did not tie its compensation decisions to any particular target or level of compensation noted in the NAREIT Survey or other surveys. The Compensation Committee considers (a) internal equity among executive officers, (b) market data for the positions held by these executives, (c) each executive’s duties, responsibilities, and experience level, (d) each executive’s performance and contribution to our success, and (e) cost to us when determining levels of compensation.

The Compensation Committee also considered the results of the advisory vote by shareholders on executive compensation, or the "say-on-pay" proposal, presented to shareholders at our July 27, 2011 Annual Meeting. As reported in our Form 8-K, filed with the SEC on July 28, 2011, approximately 96% of the shares that voted on the say-on-pay proposal approved our 2010 executive compensation. Based on the votes from our 2011 Annual Meeting, we will continue to offer an annual non-bidding advisory vote on the executive compensation. Accordingly, the Compensation Committee made no direct changes to the Company's executive compensation program as a result of the say-on-pay vote and our executive compensation program for the year ended December 31, 2011 continued to focus on the factors and objectives described above.

The key components of executive officer compensation are base salary, annual incentive awards, and long-term equity incentive awards. Base salary is generally based on factors such as an individual officer's level of responsibility, prior years' compensation, comparison to compensation of other officers, and compensation provided at competitive companies and companies of similar size.

Annual incentive awards are cash bonuses that motivate the executive officers to maximize our annual operating and financial performance and reward participants based on annual performance. The Compensation Committee annually reviews the performance measures for determining award levels which include individual performance, our performance against budget and growth in FFO and CNOI, in each case as measured against targets established by the Compensation Committee. A definition of FFO and NOI is included under the heading "Supplemental Measures" in Item 7 and CNOI is described further below. The Compensation Committee, in its sole discretion, may make adjustments to the NAREIT definition of FFO in determining FFO performance targets and achievement. The specific performance measures of the 2011 annual incentive award plan are further enumerated below.

Long-term equity incentive awards are provided to the executive officers in order to increase their personal stake in our success and motivate them to enhance our long-term value while better aligning their interests with those of other shareholders. Equity awards are generally awarded in the form of restricted stock although stock options are utilized from time to time. The value of the restricted shares awarded is the price of a share of our stock as of the close of business on the grant date. On an annual basis the Compensation Committee reviews and approves the equity incentives to be issued to each of the executive officers for the prior year's performance. There is no established target for long-term equity incentive awards for any of the executive officers either as a dollar value or percentage of their total compensation. Rather, the Compensation Committee reviews this component of each executive officer's total compensation on an annual basis. As such the Compensation Committee in May 2011 awarded equity incentive awards of 50,000 shares of restricted stock to Mr. Shiffman, 10,000 shares of restricted stock to Ms. Dearing and 7,500 shares of restricted stock to Mr. McLaren to complement their base salaries and bonuses for 2011.

Equity incentive awards were awarded in relation to the Company and individual 2011 performance in February 2012. Ms. Dearing was granted 5,000 shares of restricted stock and Mr. McLaren was granted 10,000 shares of restricted stock. In addition, in March 2011, we granted 7,500 shares of restricted stock to Ms. Dearing and 12,500 shares of restricted stock to Mr. McLaren pursuant to the terms of their new employment agreements. Restricted stock awards generally begin to vest after three to four years from the date of grant and then vest over the following four to nine years. Our executive officers (as well as our employees that receive restricted stock awards) receive dividends on the restricted stock awards that have been granted to date, including restricted stock awards that have not vested.

Employment Agreements

Gary A. Shiffman

In 2005, we entered into an employment agreement with Gary A. Shiffman pursuant to which Mr. Shiffman serves as our Chairman, Chief Executive Officer, and President. Mr. Shiffman's employment agreement is for an initial term ending December 31, 2011 and is automatically renewable for successive one year terms thereafter unless either party timely terminates the agreement. Pursuant to this employment agreement, Mr. Shiffman is paid an annual base salary of $545,000, which will be increased by an annual cost of living adjustment beginning with calendar year 2006. In addition to his base salary and in accordance with the terms of his employment agreement and in the sole discretion of the Compensation Committee, Mr. Shiffman is entitled to annual incentive compensation of up to 75% of his then current base salary if he satisfies certain individual and Company performance criteria established from time to time by the Compensation Committee. Mr. Shiffman also is entitled to annual incentive compensation of up to 25% of his then current base salary in the sole discretion of the Compensation Committee. The non-competition clauses of

Mr. Shiffman's employment agreement preclude him from engaging, directly or indirectly: (a) in the real estate business or any ancillary business during the period he is employed by us; and (b) in the manufactured housing community business or any ancillary business for a period of eighteen months following the period he is employed by us. However, Mr. Shiffman's employment agreement does allow him to make passive investments relating to real estate in general or the housing industry in particular (other than in manufactured housing communities) during the period he is employed by us.

The initial term of the employment agreement of Mr. Shiffman expired on December 31, 2011 and the agreement was automatically renewed for a one-year term. The Compensation Committee has been negotiating the terms of a new employment agreement with Mr. Shiffman and expects that a new agreement will be finalized in the second quarter of 2012.

A copy of Mr.Shiffman's employment agreement is attached as an exhibit to our periodic filings under the Exchange Act.

Karen J. Dearing

On March 7, 2011 with an effective date of January 1, 2011 (the “Effective Date”), we entered into an employment agreement with Karen J. Dearing pursuant to which Ms. Dearing serves as our Executive Vice President, Chief Financial Officer, Secretary, and Treasurer. Ms. Dearing’s employment agreement is for an initial term commencing on the Effective Date and ending on December 31, 2015. The employment agreement is automatically renewable for successive one year terms thereafter unless either party timely terminates the agreement. Pursuant to the employment agreement, Ms. Dearing is paid an annual base salary of $335,000 thereafter, subject to adjustments in accordance with the annual cost of living provided that if the base salary for the calendar year 2014 is less than 115% of the base salary for calendar year 2011, for 2014 and 2015 only, the annual increase in the base salary shall be the greater of five percent or the otherwise applicable cost of living adjustment. Upon signing the employment agreement, Ms. Dearing was paid a one-time signing bonus of $150,000. In addition to her base salary and in accordance with the terms of her employment agreement and in sole discretion of the Compensation Committee, Ms. Dearing is eligible for annual incentive compensation of up to 50% of her base salary if certain annual individual and/or Company performance criteria, as established by the Compensation Committee in its sole discretion, are met and up to 50% of her base salary at the sole discretion of the Compensation Committee. The clawback clause of Ms. Dearing’s employment agreement deems that the bonus payment or any other incentive compensation is not deemed fully earned and vested, and Ms. Dearing shall reimburse us if previously paid, to the extent such incentive compensation becomes subject to clawback pursuant to the provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act or NYSE rules. Upon the execution of the employment agreement, Ms. Dearing was granted 7,500 shares of restricted stock pursuant to the terms of the employment agreement, which shall vest 2,500 shares on each of the fourth, fifth, and sixth anniversaries of the Effective Date. The non-competition clauses of Ms. Dearing’s employment agreement preclude her from engaging, directly or indirectly, in the development, ownership, leasing, management, financing, or sales of manufactured housing communities or manufactured homes anywhere in the continental United States or Canada during the period she is employed by us and for a period of up to twenty four months following the period she is employed by us; provided, however, that if Ms. Dearing is terminated without “cause” the period of non-competition shall be reduced to twelve months following the period she is employed by us. Notwithstanding, Ms. Dearing’s employment agreement does allow her to make passive investments in publicly-traded entities engaged in our business during the period she is employed by us. See “Change in Control and Severance Payments” for a description of the terms of the employment agreement relating to change of control and severance payments.

A copy of Ms.Dearing’s employment agreement is attached as an exhibit to our periodic filings under the Exchange Act.

John B. McLaren

On March 7, 2011 but effective as of the Effective Date, we entered into an employment agreement with John B. McLaren pursuant to which Mr. McLaren serves as our Executive Vice President and Chief Operating Officer. Mr. McLaren’s employment agreement is for an initial term commencing on the Effective Date and ending on December 31, 2015. The employment agreement is automatically renewable for successive one year terms thereafter unless either party timely terminates the agreement. Pursuant to the employment agreement, Mr. McLaren is paid an annual base salary of $345,000 in the first year, $375,000 in the second year, $400,000 in the third year, and $425,000 thereafter, subject to adjustments in accordance with the annual cost of living. Upon signing the employment agreement, Mr. McLaren was paid a one-time signing bonus of $150,000. In addition to his base salary and in accordance with the terms of his employment agreement and in the sole discretion of the Compensation Committee, Mr. McLaren is eligible for annual incentive compensation of up to 50% of his base salary if certain annual individual and/or Company performance criteria, as established by the Compensation Committee in its sole discretion, are met and up to 50% of his base salary at the sole discretion of the Compensation Committee. The clawback clause of Mr. McLaren’s employment agreement deems that the bonus payment or any other incentive compensation is not deemed fully earned and vested, and Mr. McLaren shall reimburse us if previously paid, to the extent such incentive compensation becomes subject to clawback pursuant to the provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act or NYSE rules. Promptly after the execution of the employment agreement, Mr. McLaren was granted 12,500 shares of restricted stock pursuant to the terms of the employment agreement, which shall vest 4,166 shares on each of the fourth and fifth anniversaries of the Effective Date, and the remainder shall vest on the sixth anniversary. The non-competition clauses of Mr. McLaren's employment agreement preclude him from engaging, directly or indirectly, in the development, ownership, leasing, management, financing, or sales of manufactured housing communities or manufactured homes anywhere in the continental United States or Canada during the period he is employed by us and for a period of up to twenty four months following the period he is employed by us; provided, however, that if Mr. McLaren is terminated without "cause" the period of non-competition shall be reduced to twelve months following the period he is employed by us. Notwithstanding, Mr. McLaren's employment agreement does allow him to make passive investments in publicly-traded entities engaged in our business during the period he is employed by us. See "Change in Control and Severance Payments" for a description of the terms of the employment agreement relating to change of control and severance payments.

A copy of Mr.McLaren's employment agreement is attached as an exhibit to our periodic filings under the Exchange Act.

2011 Compensation

The base salaries for the named executive officers for the year ended December 31, 2011, were paid in accordance with existing employment agreements or arrangements.

For 2011, the Compensation Committee established the following targets for the executive officers in relation to annual incentive awards. The achievement of such targets was used to determine a portion of the executive's annual incentive award. As indicated in each executive's employment agreement, the payment of any or all of the incentive compensation, whether or not set targets are achieved, is in the sole discretion of the Compensation Committee. The structure of the bonus plans for Mr. Shiffman and Ms. Dearing are set forth in the tables below:

CEO Bonus Plan		% of Salary				
		30 %	60 %	100 %		
Item	Allocation of Base Salary	Met	Exceed	Excel	Maximum Discretionary Award (2)	Total Bonus Awarded
Achievement of individual goals	$ 159,346	$ 47,804	$ 95,608	$ 159,346	-	$ 159,346
Company achievement of FFO (1)	318,693	95,608	191,216	318,693	-	191,216
Compensation Committee Discretion (2)	159,346	-	-	-	159,346	159,346
Total	$ 637,385					$ 509,908

Due to the exceptional results achieved in 2011, including acquisitions and financing transactions, the Compensation Committee, elected to exercise its sole discretion to award Mr. Shiffman an additional discretionary amount of $127,477, bringing his total annual incentive bonus to $637,385.

CFO Bonus Plan		% of Salary				
		30 %	60 %	100 %		
Item	Allocation of Base Salary	Met	Exceed	Excel	Maximum Discretionary Award (2)	Total Bonus Awarded
Achievement of individual goals	$ 83,750	$ 25,125	$ 50,250	$ 83,750	-	$ 83,750
Company achievement of FFO (1)	167,500	50,250	100,500	167,500	-	100,500
Compensation Committee Discretion (2)	83,750	-	-	-	83,750	68,675
Total	$ 335,000					$ 252,925

(1) See Target Level Table below for achievement ranges.
(2) The Compensation Committee has the discretion to award the CEO and CFO a cash bonus in any amount up to a maximum of 25% of their base salary.

The individual goals for Mr. Shiffman were focused on strategic leadership of the organization and communication of our mission and values, implementation of systems and processes that assure physical, financial and human resources of our organization, and provide strategic planning and guidance for opportunistic acquisition and/or expansions. The individual goals for Ms. Dearing were focused on evaluation and implementation of strategies associated with our capital requirements and structure including debt and equity transactions, effectively leading our accounting, tax and information technology departments, and creating and communicating along with the other executive officers, our strategic vision. The Compensation Committee determined that for fiscal year 2011 both Mr. Shiffman and Ms. Dearing "excelled" in the achievement of their individual goals and as such, achieved annual incentive awards of $159,346 and $83,750, respectively, for the achievement of this target.

The following tables provide a summary of the various target levels that we established compared to the actual results to evaluate the achievement of certain executive goals:

	Target Ranges			
Achievement Level	FFO	CNOI(2)	Annual Quant Sales Budget	Revenue Producing Sites ("RPS")
Met	$3.03 ≤ FFO ≤ $3.06	> $146,732,533	1,651	> 556
Exceed	$3.06 < FFO ≤ $3.09	> $147,466,196	1,651	> 606
Excel	$3.09 < FFO	> $148,199,858	1,651	> 656

	Company Results			
	Revised FFO(1)	CNOI(2)	Annual Quant Sales Budget	Revenue Producing Sites ("RPS")
Result	$ 3.07	$ 147,089,843	1,439	732
Achievement Level	Exceed	Met	Not Met	Excel

(1) The reconciliation for Revised FFO as deemed by the Compensation Committee is below.
(2) CNOI is comprised of NOI/Gross Profit excluding any Gross Profit (Loss) on fixed asset home sales. The CNOI of acquired communities in 2011 are not in the above target.

Although we reported FFO-Adjusted per share of $3.13, the Compensation Committee, in its sole discretion, reduced FFO-Adjusted per share for executive incentive purposes to $3.07 to reflect a charge for unrecovered 2009 interest expense related to a change in our lending agreement with Fannie Mae and PNC Bank. The interest was added back to FFO for executive compensation purposes in 2009, but was not recovered in 2011 when the disagreement between us, Fannie Me and PNC Bank was concluded. The following table provides information regarding the charge that was excluded from the Compensation Committee's calculation of Revised FFO (shown as diluted per share):

	Year Ended December 31, 2011
Funds from operations (FFO)	$ 3.01
Acquisition related costs	0.08
Asset impairment charge	0.06
Benefit for state income taxes	(0.02)
Unrecovered 2009 FNMA/ARCS facility fee	(0.06)
Revised FFO as deemed by the Compensation Committee	$ 3.07

We achieved Revised FFO/share of $3.07 as adjusted by the Compensation Committee and as such Messrs. Shiffman and McLaren and Ms. Dearing achieved annual incentive awards of $191,216, $41,400 and $100,500, respectively, for the achievement of this target.

The structure of the annual incentive plan for John B. McLaren is set forth in the table below:

COO Bonus Plan	% of Salary

Item	Allocation of Base Salary	30 % Minimum	60 % Target	100 % Maximum	Maximum Discretionary Award (2)	Total Bonus Awarded
CNOI(1)(2)	$ 86,250	$ 25,875	$ 51,750	$ 86,250	-	
Company achievement of FFO (2)	69,000	20,700	41,400	69,000	-	41,400
Achievement of Revenue Producing Sites (“RPS”) (2)	17,250	5,175	10,350	17,250	-	17,250
Compensation Committee Discretion (3)	172,500				172,500	172,500
Total	$ 345,000					$ 231,150

(1) Annual Quant Sales Budget must also be achieved in order to be eligible for the CNOI Payout.
(2) See Target Ranges Table above for achievement ranges and definition of CNOI
(3) The Compensation Committee has the discretion to award the COO a cash bonus in any amount up to a maximum of 25% of his base salary.

Combined net operating income for this purpose may not be the same as net operating income as disclosed in the accompanying financial statements as certain items that are not under Mr. McLaren’s control or that are recorded solely for GAAP financial purposes are excluded from the computation of combined net operating income. For purposes of this calculation, we achieved combined net operating income of $147,089,843 and we did not achieve the annual quant sales budget of 1,651, so Mr. McLaren did not achieve an annual incentive award for this target.

We achieved a gain in RPS of 732 sites and Mr. McLaren achieved an annual incentive award of $17,250 related to the achievement of this target.

For Jonathan M. Colman:

Mr. Colman's annual incentive award is determined in the discretion of the CEO and recommended to the Compensation Committee after review of his overall responsibilities, his individual performance during the year, the annual incentives of the other executive officers and his overall compensation. For the fiscal year 2011, the CEO recommended and the Compensation Committee approved an annual incentive award of $75,000 related to his work on the acquisition of the 23 communities completed in 2011.

Tax and Accounting Implications

Deductibility of Executive Compensation.

Section 162(m) of the Code limits the deductibility on our tax return of compensation over $1.0 million to any of our named executive officers. However, compensation that is paid pursuant to a plan that is performance-related, non-discretionary and has been approved by our stockholders is not subject to section 162(m). We have such a plan and may utilize it to mitigate the potential impact of section 162(m). We did not pay any compensation during 2011 that would be subject to section 162(m). We believe that, because we qualify as a REIT under the Code and therefore are not subject to federal income taxes on its income to the extent distributed, the payment of compensation that does not satisfy the requirements of section 162(m) will not generally affect our net income. However, to the extent that compensation does not qualify for deduction under section 162(m) or under short term incentive plans approved by shareholders to, among other things, mitigate the effects of section 162(m), a larger portion of shareholder distributions may be subject to federal income taxation as dividend income rather than return of capital. We do not believe that section 162(m) will materially affect the taxability of shareholder distributions, although no assurance can be given in this regard due to the variety of factors that affect the tax position of each shareholder. For these reasons, the Compensation Committee's compensation policy and practices are not directly governed by section 162(m).

409A Considerations.

We have also taken into consideration Code Section 409A in the design and implementation of our compensation programs. If an executive is entitled to nonqualified deferred compensation benefits that are subject to Section 409A, and such benefits do not comply with Section 409A, then the benefits are taxable in the first year they are not subject to a substantial risk of forfeiture. In such case, the executive is subject to regular federal income tax, interest and an additional federal income tax of 20% of the benefit includible in income.

Risks Arising from Compensation Policies and Practices

Our senior management has assessed the enterprise-wide risks facing us and processes and procedures to mitigate such risks. In connection with such enterprise risk management process, our compensation programs were assessed, including program features that could potentially encourage excessive or imprudent risk taking and the specific aspects of our compensation policies and procedures which mitigate some of the material risks that might otherwise arise from such policies and procedures. Following this review, our management, Compensation Committee and full Board of Directors affirmatively determined that there were no risks arising from the compensation policies and practices that are reasonably likely to have a material adverse effect on us.

Director Compensation Tables

Directors who are also employees receive no additional compensation for their services as directors. During 2011, we paid directors that are not our employees the following annual fees:

	Chairman	Member
Annual Retainer	$ -	$ 60,000
Audit Committee	$ 32,500	$ 30,000
Compensation Committee	$ 10,000	$ 5,000
NCG Committee	$ 10,000	$ 5,000
Executive Committee	$ 5,000	$ -

The following tables provide compensation information for each member of the Board for the year ended on December 31, 2011.

Name	Fees Earned or Paid in Cash	Option Awards (1)	Total
Stephanie W. Bergeron	$ 90,000	$ 14,561	$ 104,561
Paul D. Lapides	$ 65,000	$ 14,561	$ 79,561
Clunet R. Lewis	$ 102,500	$ 14,561	$ 117,061
Robert H. Naftaly	$ 100,000	$ 14,561	$ 114,561
Ronald L. Piasecki	$ 65,000	$ 14,561	$ 79,561
Ted J. Simon	$ 75,000	$ 14,561	$ 89,561
Arthur A. Weiss (2)	$ 45,000	$ 14,561	$ 59,561

(1) This column represents the aggregate grant date fair value computed in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718, Compensation - Stock Compensation (“FASB ASC Topic 718”). For additional information on the valuation assumptions with respect to these grants, refer to Note 11 of our financial statements.

(2) Although Arthur A. Weiss earned director’s fees of $60,000 for services during the year ended December 31, 2011, he declined to accept these fees until the second quarter of 2011 and was paid $45,000.

Name	July 2011 Option Award 1,500 each (1)	Aggregate number of options outstanding at December 31, 2011
Stephanie W. Bergeron	$ 14,561	7,500
Paul D. Lapides	$ 14,561	11,000
Clunet R. Lewis	$ 14,561	12,000
Robert H. Naftaly	$ 14,561	7,500
Ronald L Piasecki	$ 14,561	4,500
Ted J. Simon	$ 14,561	11,000
Arthur A. Weiss	$ 14,561	10,500

(1) This column represents the aggregate grant date fair value computed in accordance with FASB ASC Topic 718. For additional information on the valuation assumptions with respect to these grants, refer to Note 11 of our financial statements.

Summary Compensation Table

The following table includes information concerning compensation for our named executive officers for the fiscal year ended December 31, 2011.

Name and Principal Position	Year	Salary (1)	Bonus (2)	Stock Awards (3)	All Other Compensation (4)	Total
Gary A. Shiffman,						
Chairman,	2011	$ 637,385	$ 637,385	$ 1,882,000	$ 47,571	$ 3,204,341
Chief Executive Officer, and	2010	$ 615,012	$ 135,000	$ -	$ 47,370	$ 797,382
President	2009	$ 621,779	$ 340,000	$ 897,000	$ 47,926	$ 1,906,705
Karen J. Dearing, Executive						
Vice	2011	$ 335,000	$ 402,925	$ 834,575	$ 5,145	$ 1,577,645
President, Treasurer, Chief	2010	$ 290,096	$ -	$ -	$ 5,594	