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

27777 Franklin Rd. Suite 200 Southfield, Michigan	48034
(Address of Principal Executive Offices)	(Zip Code)

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

Common Stock, Par Value $0.01 per Share	New York Stock Exchange
Securities Registered Pursuant to Section 12(b) of the Act	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.

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				