

Edgar Filing: SUN COMMUNITIES INC - Form 10-Q

SUN COMMUNITIES INC  
Form 10-Q  
August 08, 2006

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SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2006.

OR

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

COMMISSION FILE NUMBER 1-12616

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

Maryland  
(State of Incorporation)

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

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

48034  
(Zip Code)

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

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

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

Large accelerated filer  Accelerated filer  Non-accelerated filer

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

APPLICABLE ONLY TO CORPORATE ISSUERS:

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

Number of shares of Common Stock, \$.01 par value per share, outstanding as of June 30, 2006: 18,072,765

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SUN COMMUNITIES, INC.

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SUN COMMUNITIES, INC.  
CONSOLIDATED BALANCE SHEETS  
JUNE 30, 2006 AND DECEMBER 31, 2005  
(AMOUNTS IN THOUSANDS)

	(UNAUDITED) JUNE 30, 2006 -----
ASSETS	
Investment in rental property, net	\$ 1,173,752
Cash and cash equivalents	5,156
Inventory of manufactured homes	15,076
Investment in affiliate	46,868
Notes and other receivables	44,494
Other assets	44,448 -----

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Total assets	\$ 1,329,794	=====
LIABILITIES		
Debt	\$ 1,038,212	
Lines of credit	119,234	
Other liabilities	32,457	-----
Total liabilities	1,189,903	-----
Minority interest	17,074	-----
STOCKHOLDERS' EQUITY		
Preferred stock, \$.01 par value, 10,000 shares authorized, none issued	\$ -	
Common stock, \$.01 par value, 90,000 shares authorized, 19,875 and 19,814 issued in 2006 and 2005, respectively	199	
Additional paid-in capital	450,483	
Officer's notes	(9,246)	
Unearned compensation	-	
Accumulated comprehensive earnings	1,954	
Distributions in excess of accumulated earnings	(256,973)	
Treasury stock, at cost, 1,802 shares in 2006 and 2005	(63,600)	-----
Total stockholders' equity	122,817	-----
Total liabilities and stockholders' equity	\$ 1,329,794	=====

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

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SUN COMMUNITIES, INC.  
CONSOLIDATED STATEMENTS OF OPERATIONS  
FOR THE PERIODS ENDED JUNE 30, 2006 AND 2005  
(AMOUNTS IN THOUSANDS EXCEPT FOR PER SHARE DATA)  
(UNAUDITED)

	THREE MONTHS ENDED JUNE 30,	
	2006	2005
	-----	-----
REVENUES		
Income from rental property	\$ 45,587	\$ 43,945
Revenue from home sales	7,291	4,380
Rental home revenue	3,813	2,115
Ancillary revenues, net	31	104
Interest	844	1,114

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Other income (loss)	991	(48)	
	-----	-----	
Total revenues	58,557	51,610	
COSTS AND EXPENSES			
Property operating and maintenance	11,714	11,479	
Real estate taxes	3,903	3,800	
Cost of home sales	5,806	3,583	
Rental home operating and maintenance	2,565	1,480	
General and administrative - rental property	4,269	3,600	
General and administrative - home sales and rentals	1,600	1,509	
Depreciation and amortization	14,785	13,461	
Interest	15,250	13,538	
Interest on mandatorily redeemable debt	986	1,080	
Florida storm damage recovery	-	(55)	
	-----	-----	
Total expenses	60,878	53,475	
Equity income from affiliate	386	222	
	-----	-----	
Loss from operations	(1,935)	(1,643)	
Less income (loss) allocated to minority interest:			
Preferred OP Units	-	-	
Common OP Units	(226)	(200)	
	-----	-----	
Loss from continuing operations	(1,709)	(1,443)	
Income from discontinued operations	-	693	
	-----	-----	
Loss before cumulative effect of change in accounting principle	(1,709)	(750)	
Cumulative effect of change in accounting principle	-	-	
	-----	-----	
Net loss	\$ (1,709)	\$ (750)	\$
	=====	=====	=====
Weighted average common shares outstanding:			
Basic	17,615	17,731	
	=====	=====	
Diluted	17,615	17,731	
	=====	=====	
Basic and diluted earnings (loss) per share:			
Continuing operations	\$ (0.10)	\$ (0.08)	\$
Discontinued operations	-	0.04	
	-----	-----	
Loss before cumulative effect of change in accounting principle	(0.10)	(0.04)	
Cumulative effect of change in accounting principle	-	-	
	-----	-----	
Net loss	\$ (0.10)	\$ (0.04)	\$
	=====	=====	=====

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

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(AMOUNTS IN THOUSANDS)  
(UNAUDITED)

	THREE MONTHS ENDED JUNE 30,	
	2006	2005
Net loss	\$ (1,709)	\$ (750)
Unrealized income (loss) on interest rate swaps	578	(1,250)
Comprehensive loss	\$ (1,131)	\$ (2,000)

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

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SUN COMMUNITIES, INC.  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE SIX MONTHS ENDED JUNE 30, 2006 AND 2005  
(AMOUNTS IN THOUSANDS)

CASH FLOWS FROM OPERATING ACTIVITIES:

Net loss	\$
Adjustments to reconcile net loss to cash provided by operating activities:	
Loss allocated to minority interests	
Gain from property dispositions	
Loss on valuation of derivative instruments	
Stock compensation expense, net of cumulative effect of change in accounting principle	
Depreciation and amortization	
Amortization of deferred financing costs	
Distributions from affiliate	
Equity income from affiliate	
Increase in notes receivable from sale of inventory	
Decrease in inventory, other assets and other receivables, net	
Increase (decrease) in accounts payable and other liabilities	
Net cash provided by operating activities	

CASH FLOWS FROM INVESTING ACTIVITIES:

Investment in rental properties	
Purchase of short-term investments	
Proceeds from sale of short-term investments	
Proceeds related to property dispositions	
Decrease in notes receivable and officer's notes, net	
Net cash used in investing activities	

CASH FLOWS FROM FINANCING ACTIVITIES:

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Redemption of common stock and OP units  
Proceeds from option exercise  
Borrowings on lines of credit, net  
Payments to retire preferred operating partnership units  
Payments to redeem notes payable and other debt  
Payments for deferred financing costs  
Treasury stock purchases  
Distributions

Net cash provided by (used in) financing activities

Net decrease in cash and cash equivalents

Cash and cash equivalents, beginning of period

Cash and cash equivalents, end of period

SUPPLEMENTAL INFORMATION:

Cash paid for interest including capitalized amounts of \$32 and \$35  
for the six months ended June 30, 2006 and 2005, respectively

Cash paid for interest on mandatorily redeemable debt

Noncash investing and financing activities:

Debt assumed for rental properties

Unrealized gain (loss) on interest rate swaps

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

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

1. BASIS OF PRESENTATION:

These unaudited condensed consolidated financial statements of Sun Communities, Inc., a Maryland corporation, (the "Company") and all majority-owned and controlled subsidiaries including Sun Communities Operating Limited Partnership (the "Operating Partnership"), SunChamp LLC ("SunChamp"), and Sun Home Services, Inc. ("SHS"), have been prepared pursuant to the Securities and Exchange Commission ("SEC") rules and regulations and should be read in conjunction with the consolidated financial statements and notes thereto of the Company included in the Annual Report on Form 10-K for the year ended December 31, 2005. The following notes to consolidated financial statements present interim disclosures as required by the SEC. The accompanying consolidated financial statements reflect, in the opinion of management, all adjustments necessary for a fair presentation of the interim financial statements. All such adjustments are of a normal and recurring nature. Certain reclassifications have been made to prior periods' financial statements in order to conform to current period presentation.

2. SHARE-BASED COMPENSATION:

In December 2004, the Financial Accounting Standards Board ("FASB") issued Statement No. 123 (revised December 2004), Share-Based Payment ("SFAS

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123(R)"). SFAS 123(R) replaces FASB Statement No. 123 ("Statement 123"), Accounting for Stock-Based Compensation, and supersedes APB Opinion No. 25 ("APB 25"), Accounting for Stock Issued to Employees. SFAS 123(R) requires compensation costs related to share-based payment transactions be recognized in the financial statements. With limited exceptions, the amount of compensation cost will be measured based on the grant-date fair value of the equity or the liability instruments issued. In addition, liability awards will be remeasured each reporting period.

The Company adopted SFAS 123(R) effective January 1, 2006 using the "modified prospective" method permitted by SFAS 123(R) in which compensation cost is recognized beginning with the effective date (a) based on the requirements of SFAS 123(R) for all share-based payments granted after the effective date and (b) based on the requirements of Statement 123 for all awards granted to employees prior to the effective date of SFAS 123(R) that remain unvested on the effective date. Prior to the adoption of SFAS 123(R), forfeitures were recognized as they occurred. Upon adopting SFAS 123(R), an estimate of future forfeitures is incorporated into the determination of compensation cost for restricted stock grants and stock options. The effect of this estimate of future forfeitures is the reversal of previously recorded compensation expense on restricted stock grants that were not vested at January 1, 2006 and are now expected to be forfeited. For the six months ended June 30, 2006, the cumulative effect of adopting SFAS 123(R) was an increase in loss from operations of \$0.05 million, an increase in loss from continuing operations of \$0.04 million, a decrease in net loss of \$0.2 million and an increase of \$0.01 in both basic and diluted earnings per share.

Under the provisions of SFAS 123(R), the recognition of aggregate deferred compensation as a component of equity is no longer permitted. Therefore, the amount of deferred compensation that had been in "Unearned compensation" was eliminated against "Additional paid-in capital" in the Company's Consolidated Balance Sheet commencing January 1, 2006.

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

#### 2. SHARE-BASED COMPENSATION, CONTINUED;

The modified prospective method of SFAS 123(R) does not require prior periods to be restated to reflect the amount of compensation cost that would have been reflected in the financial statements. The effect on net income and earnings per share if the Company had applied the fair value recognition provisions of Statement 123 to stock-based compensation for the three and six month periods ended June 30, 2005 was as follows (amounts in thousands except for per share data):

	THREE MONTHS
	-----
Net loss, as reported	\$ (750)
Stock based compensation expense included in net income as reported	\$ 571
Stock-based compensation expense under fair value method	(585)
	-----
Pro forma net loss	\$ (764)

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	=====
Earnings (loss) per share (Basic and Diluted), as reported	\$ (0.04)
	=====
Earnings (loss) per share (Basic and Diluted), pro forma	\$ (0.04)
	=====

Total compensation cost recorded for share-based compensation was \$1.0 million and \$0.6 million for the three months ended June 30, 2006 and 2005, respectively. Total compensation cost recorded for share-based compensation for the six months ended June 30, 2006 and 2005 was \$2.3 million and \$1.1 million, respectively. Included in the compensation cost for the three and six months ended June 30, 2006 was \$0.02 and \$0.04 million, respectively, related to stock options that were granted prior to the adoption of SFAS 123(R), which are being recognized over the remaining vesting period.

The Company awards restricted stock and options to its employees under its Second Amended and Restated Stock Option Plan (the "Plan"). The Plan provides for the issuance of options, stock appreciation rights, restricted stock and other stock based awards. No further awards may be granted under the Plan at this time. The Company believes that the awards better align the interests of its employees with those of its shareholders and has provided these incentives to attract and retain executive officers and key employees.

RESTRICTED STOCK

The Company's primary share-based compensation is restricted stock. The following table summarizes the Company's restricted stock activity for the six months ended June 30, 2006:

	NUMBER OF SHARES	WEIGHTED AVERAGE DATE FAIR
	-----	-----
Nonvested restricted shares at January 1, 2006	417,275	\$ 34.
Granted	-	
Vested	(54,597)	\$ 33.
Forfeited	-	
	-----	
Nonvested restricted shares at June 30, 2006	362,678	\$ 35.
	=====	

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

2. SHARE-BASED COMPENSATION, CONTINUED;

The remaining compensation expense to be recognized associated with the 362,678 restricted shares outstanding at June 30, 2006 is approximately \$7.6 million. That expense is expected to be recognized \$0.7 million in the remainder of 2006, \$1.7 million in 2007, \$1.3 million in 2008, \$2.3

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million in 2009 and \$1.6 million thereafter. For the six months ended June 30, 2006, the Company recognized \$1.4 million of compensation expense related to its outstanding restricted stock. Recipients receive dividend payments on the shares of restricted stock. The total fair value of shares vested during the six months ended June 30, 2006 and 2005 was \$1.8 million and \$1.7 million, respectively.

### PERFORMANCE-BASED RESTRICTED STOCK

The Company has 93,750 performance-based restricted shares with aggregate fair value of \$3.3 million which may vest on March 1, 2010. The number of shares that will vest will be determined based on the compounded annual growth rate of the Company's per share funds from operations ("FFO") as determined by comparing the per share FFO for the year ended December 31, 2009 with the per share FFO for the year ended December 31, 2005. The Company must achieve compounded annual growth of at least 5% in order for the recipients to receive any amount of the award and at least 9% to receive the entire share award. The Company recognizes expense related to performance-based restricted shares based on an estimate of the number of restricted shares that will ultimately vest. For the six months ended June 30, 2006, compensation expense of \$0.4 million was recognized for the performance-based restricted shares based on an estimated vesting of 46.67% of the shares on March 1, 2010.

### OPTIONS

At June 30, 2006, the Company had 535,091 options outstanding and exercisable under the Plan. For the six months ended June 30, 2006, the Company recognized \$0.03 million of compensation expense related to its outstanding options. No awards were granted in 2006 or 2005. The Black-Scholes option pricing model was used to value options until 2004 at which time the Company changed to the use of the Binomial option pricing model. The Company issues new shares at the time of share option exercise (or share unit conversion). The following table summarizes the Company's option activity for the first six months of 2006:

	NUMBER OF SHARES	WEIGHTED AVERAGE EXERCISE PRICE (PER COMMON SHARE)	WEIGHTED AVERAGE CONTRACTUAL TERM (IN YEARS)
	-----	-----	-----
Options outstanding at January 1, 2006	614,839	\$ 29.73	
Granted	--		
Exercised	(75,081)	\$ 28.24	
Forfeited	(4,667)	\$ 33.73	
	-----		
Options outstanding at June 30, 2006	535,091	\$ 29.90	2.1
	=====		
Options vested and exercisable at June 30, 2006	535,091	\$ 29.90	2.1
	=====		

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(UNAUDITED)

### 2. SHARE BASED COMPENSATION, CONTINUED;

The aggregate intrinsic value of options exercised during the six months ended June 30, 2006 was \$0.2 million. For options exercised during the first six months of 2005, the aggregate intrinsic value is immaterial.

#### PHANTOM AWARDS

At June 30, 2006, the Company had 22,500 unvested phantom liability awards with an aggregate fair value of \$0.7 million. The phantom awards pay cash bonuses per share equal to the amount of dividend paid per share of common stock. The awards vest (cash bonus is paid) in varying amounts until 2014. The remaining unrecognized expense related to these phantom liability awards is \$0.6 million. For the six months ended June 30, 2006, the Company recognized \$0.1 million of compensation expense related to these phantom awards. Awards of 13,000 shares were granted and no shares were vested, exercised or forfeited during the six months of 2006. The awards are remeasured at each reporting date.

At June 30, 2006, the Company had 18,750 unvested phantom performance-based liability awards with an aggregate fair value of \$0.6 million. The phantom performance-based awards pay cash bonuses per vested share equal to the average of the highest and lowest selling price on March 1, 2010. The number of shares that will vest will be determined based on the compounded annual growth rate of the Company's per share funds from operations ("FFO") as determined by comparing the per share FFO for the year ended December 31, 2009 with the per share FFO for the year ended December 31, 2005. The Company must achieve compounded annual growth of at least 5% in order for the recipients to receive any amount of the award and at least 9% to receive the entire share award. The Company recognizes expense related to phantom performance-based liability awards based on an estimate of the number of phantom performance-based shares that will ultimately vest. For the six months ended June 30, 2006, compensation expense of \$0.08 million was recognized for the phantom performance-based liability awards based on an estimated vesting of 46.67% of the award on March 1, 2010.

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

### 2. SHARE BASED COMPENSATION, CONTINUED;

#### DIRECTOR OPTION AWARDS

The Company also has a 2004 Non-Employee Director Option Plan ("Director Plan") which authorizes the issuance of up to 100,000 options to non-employee directors. At June 30, 2006, the Company had 84,000 options awarded under the Director Plan and a successor plan. Of these, 15,000 are unvested of which 7,500, 5,000, and 2,500 shares will vest in the second quarter of 2007, 2008 and 2009, respectively. The remaining unrecognized expense related to these options is \$0.04 million which will be recognized over the weighted average remaining vesting period of 1.6 years. For the six months ended June 30, 2006, the Company recognized \$0.02 million of compensation expense related to these director options. The fair value of the options issued is estimated on the date of grant using the Binomial (lattice) option pricing model, with the following assumptions used for

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the grants for the period indicated:

	SIX MONTHS ENDED JUNE 30, 2006	
	MARCH 2006 AWARD	MAY 2006 AWARD
Estimated fair value per share of options granted during year:	\$ 3.59	\$ 2.31
Assumptions:		
Annualized dividend yield	7.19%	8.20%
Common stock price volatility	17.04%	17.05%
Risk-free rate of return	4.68%	5.05%
Expected option term (in years)	7.5	7.5

The following table summarizes the Director option activity for the six months ended June 30, 2006:

	NUMBER OF SHARES	WEIGHTED AVERAGE EXERCISE PRICE (PER COMMON SHARE)	WEIGHTED AVERAGE CONTRACTUAL TERM (IN YEARS)	AGGR INTR VA (IN
Options outstanding at January 1, 2006	71,500	\$ 33.63		
Granted	15,000	\$ 33.84		
Exercised	(2,500)	\$ 26.50		
Canceled	--			
Options outstanding at June 30, 2006	84,000	\$ 33.88	4.4	\$
Options vested and expected to vest	84,000	\$ 33.88	4.4	\$
Options exercisable at June 30, 2006	69,000	\$ 33.87	3.3	\$

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

3. RENTAL PROPERTY:

The following summarizes rental property (amounts in thousands):

(UNAUDITED)	DECEMBER 31,
JUNE 30,	2005
2006	
-----	-----

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Land	\$ 117,561	\$ 116,738
Land improvements and buildings	1,170,006	1,156,612
Rental homes and improvements	142,413	117,314
Furniture, fixtures, and equipment	36,191	36,120
Land held for future development	31,082	31,082
Property under development	--	256
	-----	-----
	1,497,253	1,458,122
Less accumulated depreciation	(323,501)	(296,302)
	-----	-----
Rental property, net	\$ 1,173,752	\$ 1,161,820
	=====	=====

During the first quarter of 2006, the Company acquired one manufactured home community located in Oakland County, Michigan for a total purchase price of \$7.8 million, with occupancy of approximately 95%. The transaction included the assumption of \$4.5 million of debt.

The Company allocates the purchase price of properties to net tangible and identified intangible assets acquired based on their fair values in accordance with the provisions of SFAS No. 141. In making estimates of fair values for purposes of allocating purchase price, the Company utilizes a number of sources, including analysis of recently acquired and existing comparable properties in our portfolio, independent appraisals if obtained in connection with the acquisition or financing of the respective property, and other market data. The Company also considers information obtained about each property as a result of its pre-acquisition due diligence, marketing and leasing activities in estimating the fair value of the tangible and intangible assets (including in-place leases) acquired.

Depreciation is 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, 7 to 15 years for furniture, fixtures and equipment, and 7 years for intangible assets.

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

4. NOTES AND OTHER RECEIVABLES:

The following table sets forth certain information regarding notes and other receivables (amounts in thousands):

	JUNE 30, 2006	DECEMBER 31, 2005
	-----	-----
Mortgage note receivable, with interest payable at a weighted average interest rate of 7.55% and 6.63% at June 30, 2006 and December 31, 2005, respectively, maturing in August 2008, collateralized by a manufactured home community.	\$ 13,532	\$ 13,532

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Installment loans on manufactured homes with interest payable monthly at a weighted average interest rate and maturity of 6.57% and 10 years, respectively, net of allowance for losses of \$0.1 and \$0.2 million, at June 30, 2006 and December 31, 2005, respectively.	21,989	19,688
Other receivables, net of allowance for losses of \$0.3 million at June 30, 2006 and December 31, 2005.	8,973	7,914
	-----	-----
	\$ 44,494	\$ 41,134
	=====	=====

Officer's notes, presented as a reduction to stockholders' equity in the balance sheet, are 10 year, LIBOR + 1.75% notes, with a minimum and maximum interest rate of 6% and 9%, respectively, collateralized by 352,206 shares of the Company's common stock and 127,794 OP Units with substantial personal recourse. The notes become due in three equal installments on each of December 2008, 2009 and 2010. Reduction in the principal balance of these notes was \$0.2 million for the six months ended June 30, 2006 and 2005.

5. INVESTMENT IN AFFILIATE:

Origen Financial, Inc. ("Origen") is a real estate investment trust in the business of originating, acquiring and servicing manufactured home loans. In October 2003, the Company purchased 5,000,000 shares of common stock of Origen for \$50 million. The Company owns approximately 20% of Origen at June 30, 2006 and its investment is accounted for using the equity method of accounting. Because both the Company and Origen are public companies, information about Origen's actual quarterly earnings may not be received prior to the Company's quarterly filing. As a result, equity earnings recorded through June 30, 2006 reflect the Company's estimate of its portion of the anticipated earnings of Origen for the periods ending June 30, 2006 and the Company's adjustments for estimates made in prior quarters based on the actual reported results of Origen for such prior quarters.

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

6. DEBT:

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

	JUNE 30, 2006 -----
Collateralized term loan, 7.01%, due September 9, 2007	\$ 39,681
Collateralized term loans - CMBS, 4.93-5.32%, due July 1, 2011-2016	494,511
Collateralized term loans - FNMA, of which \$77.4M is variable, due May 1, 2014 and January 1, 2015 at the Company's option, interest at 4.51 - 5.2% at June 30, 2006 and December 31, 2005.	386,723

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Preferred OP units, redeemable at various dates through January 2, 2014, average interest at 6.9% at June 30, 2006 and December 31, 2005.	53,947
Mortgage notes, other	63,350
	-----
	\$1,038,212
	=====

The collateralized term loans totaling \$920.9 million at June 30, 2006 are secured by 94 properties comprising approximately 34,163 sites representing approximately \$659.9 million of net book value. The mortgage notes are collateralized by 14 communities comprising approximately 4,543 sites representing approximately \$144.8 million of net book value.

The Company has an unsecured revolving line of credit with a maximum borrowing capacity of \$115 million bearing interest at LIBOR + 1.75%. The outstanding balance on the line of credit at June 30, 2006 was \$106.0 million. In addition, \$3.4 million of availability was used to back standby letters of credit, and a maximum of \$5.6 million remains available to be drawn under the facility.

In March of 2006, the Company closed on a \$40.0 million floor plan facility that allows for draws on new and pre-owned home purchases and on the Company's portfolio of rental homes. At June 30, 2006 the outstanding balance on the floorplan was \$13.2 million.

During the quarter, the Company redeemed \$8.2 million of Preferred OP units.

At June 30, 2006, the total of maturities and amortization of debt during the next five years are approximately as follows: 2007 - \$48.6 million; 2008 - \$50.9 million; 2009 - \$30.5 million, 2010 - \$22.1 million; 2011 - \$18.6 million and \$867.5 million thereafter.

The most restrictive of these debt agreements place limitations on secured and unsecured borrowings and contain minimum debt service coverage, leverage, distribution and net worth requirements. At June 30, 2006 and 2005, all covenants were met.

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

7. OTHER INCOME (LOSS):

The components of other income (loss) are as follows for the periods ended June 30, 2006 and 2005 (in thousands):

THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
2006	2005	2006	2005
-----	-----	-----	-----

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Brokerage commissions	\$ 336	\$ 289	\$ 669	\$ 523
Disposal of assets	60	(315)	92	(362)
Unsuccessful acquisition expenditures	(1)	(9)	(18)	(355)
Lawsuit settlement	416	--	416	--
Other	180	(13)	301	(22)
	-----	-----	-----	-----
	\$ 991	\$ (48)	\$ 1,460	\$ (216)
	=====	=====	=====	=====

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

8. SEGMENT REPORTING (AMOUNTS IN THOUSANDS):

The consolidated operations of the Company can be segmented into manufactured home sales and property operations segments. Following is a presentation of selected financial information:

	THREE MONTHS ENDED JUNE 30, 2006			SIX M
	PROPERTY OPERATIONS	MANUFACTURED HOME SALES AND RENTALS	CONSOLIDATED	PROPER OPERAT
	-----	-----	-----	-----
Revenues	\$ 45,587(2)	\$ 11,104	\$ 56,691	\$ 93,
Operating expenses/Cost of sales	15,617	8,371	23,988	30,8
	-----	-----	-----	-----
Net operating income (1)/Gross profit	29,970	2,733	32,703	62,
Adjustments to arrive at net income (loss):				
Other revenues	1,584	282	1,866	2,
General and administrative	(4,269)	(1,600)	(5,869)	(9,
Depreciation and amortization	(11,297)	(3,488)	(14,785)	(22,
Interest expense	(16,037)	(199)	(16,236)	(31,
Equity income from affiliate	386	--	386	
Loss allocated to minority interest	226	--	226	
	-----	-----	-----	-----
Income (loss) from continuing operations	\$ 563	\$ (2,272)	\$ (1,709)	\$ 2,
Cumulative effect of change in accounting principal	--	--	--	
Net income (loss )	-----	-----	-----	-----
	\$ 563	\$ (2,272)	\$ (1,709)	\$ 2,
	=====	=====	=====	=====

	THREE MONTHS ENDED JUNE 30, 2006			SIX M
	PROPERTY OPERATIONS	MANUFACTURED HOME SALES AND RENTALS	CONSOLIDATED	PROPE OPERA
	-----	-----	-----	-----
Revenues	\$ 43,945(2)	\$ 6,495	\$ 50,440	\$ 89,
Operating expenses/Cost of sales	15,279	5,063	20,342	30,

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Net operating income (1)/Gross profit	28,666	1,432	30,098	59,
Adjustments to arrive at net income (loss):				
Other revenues	809	361	1,170	1,
General and administrative	(3,600)	(1,509)	(5,109)	(7,
Depreciation and amortization	(11,161)	(2,300)	(13,461)	(22,
Interest expense	(14,533)	(85)	(14,618)	(29,
Florida storm damage recovery	55	--	55	
Equity income from affiliate	222	--	222	
(Income) loss allocated to minority interest	200	--	200	(
	-----	-----	-----	-----
Income (loss) from continuing operations	\$ 658	\$ (2,101)	\$ (1,443)	\$ 2,
Income from discontinued operations	687	6	693	
	-----	-----	-----	-----
Net income (loss )	\$ 1,345	\$ (2,095)	\$ (750)	\$ 3,
	=====	=====	=====	=====

- (1) Investors in and analysts following the real estate industry utilize net operating income ("NOI") as a supplemental performance measure. NOI is derived from revenues (determined in accordance with GAAP) minus property operating expenses and real estate taxes (determined in accordance with GAAP). NOI does not represent cash generated from operating activities in accordance with GAAP and should not be considered to be an alternative to net income (determined in accordance with GAAP) as an indication of the Company's financial performance or to be an alternative to cash flow from operating activities (determined in accordance with GAAP) as a measure of the Company's liquidity; nor is it indicative of funds available for the Company's cash needs, including its ability to make cash distributions. The Company believes that net income is the most directly comparable GAAP measurement to net operating income. Net income includes interest and depreciation and amortization which often have no effect on the market value of a 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. The Company believes that net operating income is helpful to investors 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. The Company uses 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 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 the properties of the Company rather than of the Company overall.
- (2) Seasonal recreational vehicle revenue is included in Property Operations revenues and is approximately \$4.8 million annually. This seasonal revenue is recognized approximately 60% in the first quarter, 5% in both the second and third quarters and 30% in the fourth quarter of each fiscal year.

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SELECTED BALANCE SHEET DATA

	JUNE 30, 2006			DECEMBER 31, 2005	
	PROPERTY OPERATIONS	MANUFACTURED HOME SALES AND RENTALS	CONSOLIDATED	PROPERTY OPERATIONS AND RENTALS	MANUFACTURED HOME SALES AND RENTALS
Identifiable assets:					
Investment in rental property, net	\$ 1,045,870	\$ 127,882	\$ 1,173,752	\$ 1,052,603	\$ 1,052,603
Cash and cash equivalents	5,140	16	5,156	6,125	6,125
Inventory of manufactured homes	--	15,076	15,076	--	--
Investments in and advances to affiliate	46,868	--	46,868	46,352	46,352
Notes and other receivables	37,122	7,372	44,494	34,460	34,460
Other assets	43,308	1,140	44,448	47,129	47,129
Total assets	\$ 1,178,308	\$ 151,486	\$ 1,329,794	\$ 1,186,669	\$ 1,186,669

9. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES (IN THOUSANDS):

The Company has entered into four derivative contracts consisting of three interest rate swap agreements and an interest rate cap agreement. The Company's primary strategy in entering into derivative contracts is to minimize the variability that changes in interest rates could have on its future cash flows. The Company generally employs derivative instruments that effectively convert a portion of its variable rate debt to fixed rate debt and to cap the maximum interest rate on its variable rate borrowings. The Company does not enter into derivative instruments for speculative purposes.

The swap agreements have the effect of fixing interest rates relative to a portion of a collateralized term loan due to FNMA. One swap matures in July 2009, with an effective fixed rate of 4.84 percent. A second swap matures in July 2012, with an effective fixed rate of 5.28 percent. The third swap matures in July 2007, with an effective fixed rate of 3.88 percent. The third swap is effective as long as 90-day LIBOR is 7 percent or lower. The three swaps have an aggregate notional amount of \$75.0 million. The interest rate cap agreement matured on April 3, 2006 and was replaced with a new interest rate cap agreement that has a cap rate of 11.79 percent, a notional amount of \$152.4 million and a termination date of May 29, 2007. Each of the Company's derivative contracts is based upon 90-day LIBOR.

The Company has designated the first two swaps and the interest rate cap as cash flow hedges for accounting purposes. The changes in the value of these hedges are reflected in other comprehensive income/loss on the balance sheet. These three hedges were highly effective and had minimal effect on income. The third swap does not qualify as a hedge for accounting purposes and, accordingly, the entire change in valuation, whether positive or negative, is reflected as a component of interest expense. The valuation adjustment totals approximately \$0.02 million and \$0.2 million for the six months ended June 30, 2006 and 2005, respectively.

SFAS No. 133, the "Accounting for Derivative Instruments and Hedging Activities," requires all derivative instruments to be carried at fair value on the balance sheet. The fair value of the instruments approximates an asset of \$1.4 million and less than \$0.01 million as of June 30, 2006 and December 31, 2005, respectively.

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These valuation adjustments will only be realized if the Company terminates the swaps prior to maturity. This is not the intent of the Company and, therefore, the net of valuation adjustments through the various maturity dates will approximate zero.

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

10. DISPOSITION OF PROPERTIES:

During the second quarter of 2005, the Company sold two properties located in Florida comprised of 96 manufactured housing sites and 165 recreational vehicle sites for a combined sales price of \$5.7 million. These transactions resulted in a \$0.8 million gain.

In accordance with SFAS 144, "Accounting for the Impairment or Disposal of Long - Lived Assets" effective for financial statements issued for all fiscal years beginning after December 15, 2001, results of operations and gain/(loss) on sales of real estate for properties with identifiable cash flows sold subsequent to December 31, 2001 are reflected in the Consolidated Statements of Operations as income from discontinued operations for all periods presented. Below is a summary of the results of operations of sold properties through their respective disposition dates (in thousands):

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2006	2005	2006	2005
Income from rental property	\$ --	\$ 75	\$ --	\$ 407
Revenue from home sales	--	94	--	96
Ancillary revenues, net and other income (loss)	--	--	--	3
Property operating and maintenance expenses	--	(69)	--	(170)
Cost of home sales	--	(86)	--	(89)
Real estate taxes	--	(8)	--	(24)
Selling, general and administrative expenses	--	(3)	--	(6)
Depreciation and amortization	--	(19)	--	(62)
Interest expense	--	(23)	--	(45)
Income (loss) from operations	--	(39)	--	110
Gain on sale of properties	--	828	--	828
Income allocated to common OP units	--	(96)	--	(114)
Income from discontinued operations	\$ --	\$ 693	\$ --	\$ 824

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

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11. EARNINGS (LOSS) PER SHARE (IN THOUSANDS):

For the periods ended June 30, 2006 and 2005:

	THREE MONTHS ENDED JUNE 30,		SIX
	2006	2005	20
Earnings (loss) used for basic and diluted earnings (loss) per share:			
Continuing operations	\$ (1,709)	\$ (1,443)	\$ (2
Discontinued operations	\$ --	\$ 693	\$
Weighted average shares used for basic earnings (loss) per share	17,615	17,731	17
Dilutive securities:			
Stock options and other	--	--	--
Diluted weighted average shares	17,615	17,731	17

Diluted earnings per share reflect the potential dilution that would occur if dilutive securities were exercised or converted into common stock. The calculation of both basic and diluted earnings per share for the three and six month periods ending June 30, 2006 and 2005 is based upon weighted average shares prior to dilution, as the effect of including potentially dilutive securities in the calculation during these periods would be anti-dilutive.

The Company also has the following potentially convertible securities which, if converted, may impact dilution:

CONVERTIBLE SECURITIES	NUMBER OF UNITS ISSUED	CONVERSION FEATURES
Series A Preferred OP Units	1,325,275	Convertible to common stock at \$68 per share/unit Mandatorily redeemable on January 2, 2014
Series B-2 Preferred OP Units	100,000	Convertible into Common OP Units after January 31 at \$45 per share/unit.

12. COMMITMENTS AND CONTINGENCIES:

On June 2, 2006, the Company entered into a rate lock agreement with ARCS

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Commercial Mortgage Co, LP. The Company paid a rate lock deposit of \$962,000 to lock the interest rate of 6.159 percent for a period of 75 days for \$48.1 million in principal. The Company entered into the rate lock to secure mortgage debt financing for three communities. The mortgage debt was funded in two draws on July 12 and August 1, 2006.

On April 9, 2003, T.J. Holdings, LLC ("TJ Holdings"), a member of Sun/Forest, LLC ("Sun/Forest") (which, in turn, owns an equity interest in SunChamp LLC), ("SunChamp"), filed a complaint against the Company, SunChamp, certain other affiliates of the Company and two directors of Sun Communities, Inc. in the Superior Court of Guilford County, North Carolina. The complaint alleges that the defendants wrongfully deprived the plaintiff of economic opportunities that they took for themselves in contravention of duties allegedly owed to the plaintiff and purports to claim damages of \$13.0 million plus an unspecified amount for punitive damages. The Company believes the complaint and the claims threatened therein have no merit and will defend it vigorously. These proceedings were stayed by the Superior Court of Guilford County, North Carolina in 2004 pending final determination by the Circuit Court of Oakland County, Michigan as to whether the dispute should be submitted to arbitration and the conclusion of all appeals therefrom. On April 4, 2005, the Oakland County Circuit Court issued a final order compelling arbitration for certain claims brought in the North Carolina case but denying arbitration for certain other claims in the North Carolina case. Shortly thereafter, the Company appealed this decision with respect to the claims for which the court denied arbitration and such appeal is currently pending in the Michigan Court of Appeals.

On February 27, 2006, the United States Securities and Exchange Commission (the "SEC") filed a civil action against the Company's Chief Executive Officer, 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 Administrative Order, entered February 27, 2006, with respect to the Company's accounting for its SunChamp investment during 2000, 2001 and 2002. The Company continues to indemnify such employees for all costs and expenses incurred in connection with such civil action.

The Company is 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.

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### 13. SUBSEQUENT EVENTS:

Subsequent to quarter end, the Company closed on financing of \$48.1 million which is secured by three properties. The debt carries an annual interest rate of 6.16 percent and requires interest-only payments for 10 years. The mortgage debt generated total net proceeds to the Company of \$33.9 million.

### 14. RECENT ACCOUNTING PRONOUNCEMENTS:

On July 13, 2006 the Financial Accounting Standards Board issued interpretation (FIN 48), Accounting for uncertainty in Income Taxes -- an interpretation of FASB Statement No. 109. FIN 48 prescribes a consistent recognition threshold and measurement standard, as well as clear criteria for subsequently recognizing, derecognizing and measuring tax positions for financial statement purposes. FIN 48 also

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requires expanded disclosure with respect to the uncertainty of income taxes. FIN 48 is effective for fiscal years beginning after December 15, 2006 and must therefore be adopted by the Company for its fiscal year ended December 31, 2007. Management is currently evaluating the impact of FIN 48.

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SUN COMMUNITIES, INC.

### ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

#### OVERVIEW

The following discussion and analysis of the consolidated financial condition and results of operations should be read in conjunction with the consolidated financial statements and the notes thereto. Capitalized terms are used as defined elsewhere in this Form 10-Q.

#### SIGNIFICANT ACCOUNTING POLICIES

The Company had identified significant accounting policies that, as a result of the judgments, uncertainties, uniqueness and complexities of the underlying accounting standards and operations involved could result in material changes to its financial condition or results of operations under different conditions or using different assumptions. Details regarding the Company's significant accounting policies are described fully in the Company's 2005 Annual Report filed with the Securities and Exchange Commission on Form 10-K. During the six months ended June 30, 2006, there have been no material changes to the Company's significant accounting policies that impacted the Company's financial condition or results of operations except for the adoption of Financial Accounting Standards Board ("FASB") Statement No. 123 (revised December 2004), Share-Based Payment ("SFAS 123(R)").

In December 2004, FASB issued SFAS 123(R). SFAS 123(R) replaces FASB Statement No. 123 ("Statement 123"), Accounting for Stock-Based Compensation, and supersedes APB Opinion No. 25 ("APB 25"), Accounting for Stock Issued to Employees. SFAS 123(R) requires compensation costs related to share-based payment transactions be recognized in the financial statements. The Company adopted SFAS 123(R) effective January 1, 2006 using the "modified prospective" method. Therefore, prior period statements have not been restated. Under this method, in addition to reflecting compensation expense for new-share based awards, expense is also recognized to reflect the remaining service period of awards that had been included in pro-forma disclosures in prior periods.

With the adoption of SFAS 123(R), the Company is required to record the fair value of stock-based compensation awards as an expense. In order to determine the fair value of stock options on the grant date, the Company applies the Binomial (lattice) option-pricing model. Inherent in this model are assumptions related to expected stock-price volatility, option life, risk-free interest rate and dividend yield. While the risk-free rate and dividend yield are less subjective assumptions, typically based on factual data derived from public sources, the expected stock-price volatility and option life assumptions require a greater level of judgment which make them critical accounting estimates.

The Company uses an expected stock-price volatility assumption that is based on historical implied volatilities of the underlying stock which is obtained from public data sources. With regard to the weighted-average option life assumption,

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the Company considers the exercise behavior of past grants and models the pattern of aggregate exercises. Patterns are determined on specific criteria of the aggregate pool of optionees. The Company uses the resources of an outside consultant for valuing its options. Two awards of 7,500 options each were made to the Company's non-employee directors during the six months ended June 30, 2006.

Performance-based awards vest based upon the achievement of certain performance conditions and the Company makes its best estimate as to the ultimate achievement of such performance conditions.

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### SUN COMMUNITIES, INC.

#### ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

##### RESULTS OF OPERATIONS

Comparison of the three months ended June 30, 2006 and 2005

For the three months ended June 30, 2006, loss from operations increased by \$0.3 million from \$(1.6) million to \$(1.9) million, when compared to the three months ended June 30, 2005. The increased loss was due to increased expenses of \$7.4 million, offset by increased revenues of \$6.9 million and increased equity income from affiliate of \$0.2 million as described in more detail below.

Income from rental property increased by \$1.7 million from \$43.9 million to \$45.6 million, or 3.9 percent, due to acquisitions (\$0.3 million) and rent increases and other community revenues (\$1.4 million).

Revenues from home sales increased by \$2.9 million from \$4.4 million to \$7.3 million, or 66.0 percent. The Company sold 160 manufactured homes during the second quarter of 2006 as compared to 99 sales during the same period in 2005.

Rental home revenue increased by \$1.7 million from \$2.1 million to \$3.8 million. The number of tenants in the Company's rental program increased from 3,057 at June 30, 2005 to 4,600 at June 30, 2006, resulting in additional revenue of approximately \$1.2 million. The remainder of the increase resulted from an increase in the average rental rate per home from \$612 per month at June 30, 2005 to \$665 per month at June 30, 2006.

Ancillary revenues, net decreased by approximately \$0.1 million due primarily to an increase in golf course management fees.

Interest income decreased by \$0.3 million from \$1.1 million to \$0.8 million, or 27.3 percent, due primarily to a reduction in the amount of interest earned on the Company's short-term investments and the payoff of interest earning notes and receivables by the borrowers.

Other income increased by \$1.0 million from a loss of less than \$(0.1) million to income of \$1.0 million due primarily to a decrease in the loss associated with the disposition of miscellaneous assets, and a \$0.4 million lawsuit settlement payment.

Property operating and maintenance expenses increased by \$0.2 million from \$11.5 million to \$11.7 million, or 1.7 percent. The increase was due primarily to increases in utility costs.

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Real estate taxes increased by \$0.1 million due to increases in assessments and tax rates.

Cost of home sales increased by \$2.2 million from \$3.6 million to \$5.8 million, or 61 percent due to the increase in the number of homes sold. The Company sold 160 manufactured homes during the second quarter of 2006 as compared to 99 sales during the same period in 2005.

Rental home operating and maintenance expense increased by \$1.1 million from \$1.5 million to \$2.6 million, or 73.3 percent due primarily to an increase in the number of tenants in the Company's rental program.

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### SUN COMMUNITIES, INC.

#### ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

##### RESULTS OF OPERATIONS, CONTINUED:

General and administrative expenses for rental property increased by \$0.7 million from \$3.6 million to \$4.3 million, or 19.4 percent. General and administrative expenses for home sales and rentals increased by \$0.1 million from \$1.5 million to \$1.6 million, or 6.7 percent. The increases are primarily attributable to increases in payroll and benefits that include the accrual of annual performance based incentives and initial recognition of expense related to performance-based awards under the Company's 5-year incentive stock award program.

Depreciation and amortization increased by \$1.3 million from \$13.5 million to \$14.8 million, or 9.6 percent, due primarily to an increase in the total rental home portfolio.

Interest expense increased by \$1.7 million from \$13.5 million to \$15.2 million, or 12.6 percent, primarily due to increased debt levels and increased interest rates on variable rate debt.

##### Comparison of the six months ended June 30, 2006 and 2005

For the six months ended June 30, 2006, loss from operations before minority interest increased by \$3.1 million from a loss of less than \$(0.1) million to a loss of \$(3.2) million, when compared to the six months ended June 30, 2005. The increase was due to increased expenses of \$14.3 million, partially offset by increased revenues of \$10.6 million and increased equity income from affiliate of \$0.6 million as described in more detail below.

Income from rental property increased by \$4.3 million from \$89.4 million to \$93.7 million, or 4.8 percent, due to acquisitions (\$1.0 million) and rent increases and other community revenues (\$3.3 million). Rental increases have been implemented for over 25,000 of the Company's occupied sites in the first half of 2006.

Revenues from home sales increased by \$2.4 million from \$8.1 million to \$10.5 million, or 29.6 percent. The Company sold 231 manufactured homes during the six months ended June 30, 2006 as compared to 210 sales during the same period in 2005. The increase in the number of homes sold resulted in additional revenue of approximately \$1.0 million. The remainder of the increase resulted from an increase in the average selling price per home.

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Rental home revenue increased by \$3.5 million from \$3.6 million to \$7.1 million. The number of tenants in the Company's rental program increased from 3,057 at June 30, 2005 to 4,600 at June 30, 2006, resulting in additional revenue of approximately \$2.5 million. The remainder of the increase resulted from an increase in the average rental rate per home from \$612 per month at June 30, 2005 to \$665 per month at June 30, 2006.

Ancillary revenues, net, decreased by \$0.3 million from \$0.6 million to \$0.3 million due to a non-refundable option payment received in 2005 (\$0.2 million) and increased golf course management fees (\$0.1 million).

Interest income decreased by \$1.0 million from \$2.7 million to \$1.7 million, or 37.0 percent, due primarily to a decrease in interest earned on the Company's short-term investments and a decrease in the amount of interest earning notes and receivables.

Other income increased by \$1.7 million from a loss of \$(0.2) million to income of \$1.5 million due to an increase in brokerage commissions (\$0.2 million), a decrease in a loss associated with disposition of miscellaneous assets (\$0.5 million), a decrease in unsuccessful acquisition expenses (\$0.3 million), proceeds from a lawsuit settlement (\$0.4 million) and an increase in other miscellaneous operating income (\$0.3 million).

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### SUN COMMUNITIES, INC.

#### ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

##### RESULTS OF OPERATIONS, CONTINUED:

Property operating and maintenance expenses increased by \$0.7 million from \$22.4 million to \$23.1 million, or 3.1 percent. The increase was due to acquisitions (\$0.4 million), increases in utility costs (\$0.8 million) and payroll expense (\$0.2 million), partially offset by decreases in repair and maintenance (\$0.2 million) and other miscellaneous expenses (\$0.5 million).

Real estate taxes increased by \$0.2 million from \$7.6 million to \$7.8 million, or 2.6 percent, due to acquisitions (\$0.1 million) and increases in assessments and tax rates (\$0.1 million).

Cost of home sales increased by \$2.2 million from \$6.0 million to \$8.2 million, or 36.7 percent due to the increase in the number of homes sold. The Company sold 231 manufactured homes in the first half of 2006 compared to 210 sales of the first half of 2005. The increase in the number of homes sold resulted in additional costs of approximately \$0.7 million. The remainder of the increase resulted from an increase in the average cost per home. Gross profit margins decreased from 26.3 percent in 2005 to 22.2 percent in 2006 due to increased sales of pre-owned homes at lower margins partially offset by improved margins on new home sales.

Rental home operating and maintenance expense increased by \$2.2 million from \$3.0 million to \$5.2 million, or 73.3 percent due primarily to an increase in the number of tenants in the Company's rental program.

General and administrative expenses for rental property increased by \$2.3 million from \$7.1 million to \$9.4 million, or 32.4 percent, due to an increase in payroll and benefits (\$1.8 million) that includes the accrual of annual performance based bonus incentives and initial recognition of expense related to

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performance-based restricted and phantom stock awards, an increase in expenditures related to a review of the Company's strategic alternatives (\$0.4 million) and professional fees related to the SEC investigation (\$0.1 million).

General and administrative expenses for home sales and rentals increased by \$0.1 million from \$3.0 million to \$3.1 million, or 3.3 percent due primarily to an increase in payroll and commissions.

Depreciation and amortization increased by \$3.3 million from \$26.5 million to \$29.8 million, or 12.5 percent, due primarily to an increase in the total rental home portfolio.

Interest expense increased by \$2.7 million from \$29.3 million to \$32.0 million, or 9.2 percent, primarily due to increased debt levels.

### SAME PROPERTY INFORMATION

The following table reflects property-level financial information as of and for the six months ended June 30, 2006 and 2005. The "Same Property" data represents information regarding the operation of communities owned as of January 1, 2005 and June 30, 2006. Site, occupancy, and rent data for those communities is presented as of the last day of each period presented. The "Total Portfolio" column differs from the "Same Property" column by including financial and statistical information for new development and acquisition communities.

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### SUN COMMUNITIES, INC.

#### ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

##### RESULTS OF OPERATIONS, CONTINUED:

	SAME PROPERTY		TOTAL PORTFOLIO	
	2006	2005	2006	2005
	(in thousands)		(in thousands)	
Income from rental property	\$ 88,481	\$ 85,325	\$ 93,660	\$ 88,481
Property operating expenses:				
Property operating and maintenance	17,695	17,547	23,099	23,099
Real estate taxes	7,596	7,456	7,797	7,797
Property operating expenses	25,291	25,003	30,896	30,896
Property net operating income (1)	\$ 63,190	\$ 60,322	\$ 62,764	\$ 57,585
Number of properties	133	133	136	136
Developed sites	46,530	46,477	47,598	47,598
Occupied sites	38,201 (2)	38,281 (2)	38,604 (2)	38,604 (2)
Occupancy %	84.4% (3)	84.8% (3)	84.2% (3)	84.2% (3)
Weighted average monthly rent per site	\$ 363 (3)	\$ 349 (3)	\$ 362 (3)	\$ 362 (3)
Sites available for development	6,328	6,494	6,826	6,826

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Sites planned for development in next year

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- (1) Investors in and analysts following the real estate industry utilize net operating income ("NOI") as a supplemental performance measure. NOI is derived from revenues (determined in accordance with GAAP) minus property operating expenses and real estate taxes (determined in accordance with GAAP). NOI does not represent cash generated from operating activities in accordance with GAAP and should not be considered to be an alternative to net income (determined in accordance with GAAP) as an indication of the Company's financial performance or to be an alternative to cash flow from operating activities (determined in accordance with GAAP) as a measure of the Company's liquidity; nor is it indicative of funds available for the Company's cash needs, including its ability to make cash distributions. The Company believes that net income is the most directly comparable GAAP measurement to net operating income. Net income includes interest and depreciation and amortization which often have no effect on the market value of a 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. The Company believes that net operating income is helpful to investors 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. The Company uses 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 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 the properties of the Company rather than of the Company overall.
  - (2) Occupied sites include manufactured housing and permanent recreational vehicle sites, and exclude seasonal recreational vehicle sites.
  - (3) Occupancy % and weighted average rent relates to manufactured housing sites, excluding recreational vehicle sites.

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SUN COMMUNITIES, INC.

### ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

#### RESULTS OF OPERATIONS, CONTINUED:

On a same property basis, property net operating income increased by \$2.9 million from \$60.3 million to \$63.2 million, or 4.8 percent. Income from rental property increased by \$3.2 million from \$85.3 million to \$88.5 million, or 3.7 percent, due primarily to increases in rents including water and property tax pass through. Property operating expenses increased by \$0.3 million from \$25.0 million to \$25.3 million, or 1.2 percent, due primarily to increases in real estate taxes and utilities costs.

#### RENTAL PROGRAM

The following tables reflect additional information regarding the Company's rental program for the periods ended and as of June 30, 2006 and 2005:

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	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2006	2005	2006	2005
Rental home revenue	\$ 3,813	\$ 2,115	\$ 7,142	\$ 3,6
Site rent included in Income from rental property	4,696	2,892	8,882	5,0
Rental program revenue	8,509	5,007	16,024	8,7
Expenses				
Payroll and commissions	547	399	1,022	8
Repairs and refurbishment	1,034	609	1,991	1,1
Taxes and insurance	624	267	1,218	5
Other	360	205	947	4
Rental program operating and maintenance	2,565	1,480	5,178	2,9
Net operating income (1)	\$ 5,944	\$ 3,527	\$ 10,846	\$ 5,7

(1) See Note (1) following Same Property Information

OCCUPIED RENTAL HOMES INFORMATION (IN THOUSANDS EXCEPT FOR \*):

	2006	2005
Number of occupied rentals, end of period*	4,600	3,057
Cost of occupied rental homes	\$ 135,301	\$ 88,290
Weighted average monthly rental rate*	\$ 665	\$ 612

Net operating income from the rental program increased \$2.4 million from \$3.5 million to \$5.9 million in the second quarter of 2006 as a result of a \$3.5 million increase in revenue offset by a \$1.1 million increase in expenses. Revenues increased due to an increase in the weighted average monthly rental rate and an increase in the number of leased rental homes. Expenses were also impacted by the increase in the number of leased rental homes.

SUN COMMUNITIES, INC.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

LIQUIDITY AND CAPITAL RESOURCES

The Company's principal liquidity demands have historically been, and are expected to continue to be, distributions to the Company's stockholders and the unitholders of the Operating Partnership, capital improvements of properties,

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

The Company expects to meet its short-term liquidity requirements through its working capital provided by operating activities, its \$115.0 million line of credit and its \$40.0 million floor plan. The Company considers these resources to be adequate to meet all operating requirements, including recurring capital improvements, routinely amortizing debt and other normally recurring expenditures of a capital nature, pay dividends to its stockholders to maintain qualification as a REIT in accordance with the Internal Revenue Code and make distributions to the Operating Partnership's unitholders.

The Company has invested approximately \$1.4 million in its development communities consisting primarily of costs necessary to complete home site improvements such as driveways, sidewalks, piers, pads and runners and anticipates investing an additional \$1.0 - \$1.5 million for such costs during the remainder of 2006. The Company expects to finance these investments by using net cash flows provided by operating activities and by drawing upon its lines of credit.

The Company has invested \$7.8 million (\$3.3 million cash and \$4.5 million in assumed debt) in the acquisition of properties during 2006. Although substantial acquisitions are not anticipated prior to year end, the Company continuously seeks acquisition opportunities that meet the Company's criteria for acquisition. Should such investment opportunities arise the Company will finance the acquisitions though the temporary use of its line of credit until permanent secured financing can be arranged, through the assumption of existing debt on the properties or the issuance of certain equity securities.

The Company has also invested approximately \$25.1 million during the first half of 2006 in homes primarily intended for its rental program. Expenditures for the remainder of 2006 will be dependent upon the condition of the markets for repossessions and new home sales as well as rental homes.

Cash and cash equivalents decreased by \$0.7 million from \$5.9 million at December 31, 2005 to \$5.2 million at June 30, 2006. Net cash provided by operating activities decreased by \$1.2 million to \$30.0 million for the six months ended June 30, 2006 compared to \$31.2 million for the six months ended June 30, 2005.

The Company's net cash flows provided by operating activities may be adversely impacted by, among other things: (a) the market and economic conditions in the Company's current markets generally, and specifically in metropolitan areas of the Company's current markets; (b) lower occupancy and rental rates of the Company's properties (the "Properties"); (c) increased operating costs, including insurance premiums, real estate taxes and utilities, that cannot be passed on to the Company's tenants; and (d) decreased sales of manufactured homes. See "Risk Factors " in the Company's Annual Report on Form 10-K for the year ended December 31, 2005.

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SUN COMMUNITIES, INC.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

LIQUIDITY AND CAPITAL RESOURCES, CONTINUED:

The Company anticipates meeting its long-term liquidity requirements, such as

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scheduled debt maturities, large property acquisitions, and Operating Partnership unit redemptions through the collateralization of its properties. From time to time, the Company may also issue shares of its capital stock, issue equity units in the Operating Partnership or sell selected assets. The ability of the Company to finance its long-term liquidity requirements in such 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, the financial condition of the Company, the operating history of the Properties, the state of the debt and equity markets, and the general national, regional and local economic conditions. See "Risk Factors" in the Company's Annual Report on Form 10-K for the year ended December 31, 2005. If the Company is unable obtain additional debt or equity financing on acceptable terms, the Company's business, results of operations and financial condition will be adversely impacted.

At June 30, 2006, the Company's debt to total market capitalization approximated 63.6 percent (assuming conversion of all Common OP Units to shares of common stock). The debt has a weighted average maturity of approximately 6.7 years and a weighted average interest rate of 5.5 percent.

Capital expenditures for the six months ended June 30, 2006 and 2005 included recurring capital expenditures of \$3.3 million for both periods.

Net cash used in investing activities increased by \$30.5 million to \$34.8 million for the six months ended June 30, 2006 compared to \$4.3 million for the six months ended June 30, 2005. This increase was due to a \$45.0 million decrease in net proceeds from sale of short-term investments, a \$3.9 million decrease in proceeds related to property dispositions and a \$0.9 million decrease in notes receivable and officers' notes, net, offset by decreased investment in rental property of \$19.3 million.

Net cash provided by financing activities increased by \$80.1 million to \$4.0 million provided by financing activities for the six months ended June 30, 2006 compared to \$76.1 million used in financing activities for the six months ended June 30, 2005. This increase was primarily due to a \$41.8 million decrease in payments to retire preferred operating partnership units, an increase of \$22.0 million in borrowings on lines of credit, a \$7.1 million reduction in funds used to purchase Company stock, a \$7.4 million reduction in payments made to redeem notes payable and other debt, a \$0.9 million decrease in payments to redeem common stock and OP units and a \$1.5 million increase in proceeds from option exercises, offset by an increase in distributions of \$0.4 million and an increase in payments for deferred financing costs of \$0.2 million.

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SUN COMMUNITIES, INC.

### ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

#### SUPPLEMENTAL MEASURE:

Funds from operations ("FFO") is defined by the National Association of Real Estate Investment Trusts ("NAREIT") as net income (computed in accordance with generally accepted accounting principles), excluding gains (or losses) from sales of depreciable operating property, plus real estate-related depreciation and amortization, and after adjustments for unconsolidated partnerships and joint ventures. FFO is a non-GAAP financial measure that management believes is a useful supplemental measure of the Company's operating performance. Management generally considers FFO to be a useful measure for reviewing comparative

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operating and financial performance because, by excluding gains and losses related to sales of previously depreciated operating real estate assets and excluding real estate asset depreciation and amortization (which can vary among owners of identical assets in similar condition based on historical cost accounting and useful life estimates), FFO provides a performance measure that, when compared year over year, reflects the impact to operations from trends in occupancy rates, rental rates and operating costs, providing perspective not readily apparent from net income. 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.

Because FFO excludes significant economic components of net income including depreciation and amortization, FFO should be used as an adjunct to net income and not as an alternative to net income. 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 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. Other REITs may use different methods for calculating FFO and, accordingly, the Company's FFO may not be comparable to other REITs.

The following table reconciles net income to FFO and calculates both basic and diluted FFO per share for the periods ended June 30, 2006 and 2005 (in thousands):

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### SUN COMMUNITIES, INC.

#### ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

##### SUPPLEMENTAL MEASURE, CONTINUED:

### SUN COMMUNITIES, INC.

#### RECONCILIATION OF NET LOSS TO FUNDS FROM OPERATIONS

(Amounts in thousands, except per share/OP unit amounts) (Unaudited)

	THREE MONTHS ENDED JUNE 30,		SIX MONTH JUNE
	2006	2005	2006
Net loss	\$ (1,709)	\$ (750)	\$ (2,577)
Adjustments:			
Depreciation and amortization	15,002	14,100	30,590
Valuation adjustment (1)	(22)	(153)	21
(Gain) loss on disposition of assets, net	102	(513)	70
Loss allocated to minority interest	(226)	(104)	(341)
	\$ 13,147	\$ 12,580	\$ 27,763
Funds from operations (FFO)	\$ 13,147	\$ 12,580	\$ 27,763
FFO - Continuing Operations	\$ 13,147	\$ 12,600	\$ 27,763

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FFO - Discontinued Operations	\$	--	\$	(20)	\$	--
=====						
Weighted average common shares/OP Units outstanding:						
Basic		19,937		20,193		19,897
=====						
Diluted		20,116		20,352		20,092
=====						
Continuing Operations:						
FFO per weighted average common share/OP Unit - Basic	\$	0.66	\$	0.62	\$	1.40
=====						
FFO per weighted average common share/OP Unit - Diluted	\$	0.65	\$	0.62	\$	1.38
=====						
Discontinued Operations:						
FFO per weighted average common share/OP Unit - Basic	\$	--	\$	--	\$	--
=====						
FFO per weighted average common share/OP Unit - Diluted	\$	--	\$	--	\$	--
=====						
Total Operations:						
FFO per weighted average common share/OP Unit - Basic	\$	0.66	\$	0.62	\$	1.40
=====						
FFO per weighted average common share/OP Unit - Diluted	\$	0.65	\$	0.62	\$	1.38
=====						

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- (1) The Company entered into three interest rate swaps and an interest rate cap agreement. The valuation adjustment reflects the theoretical noncash profit and loss were those hedging transactions terminated at the balance sheet date. As the Company has no expectation of terminating the transactions prior to maturity, the net of these noncash valuation adjustments will be zero at the various maturities. As any imperfection related to hedging correlation in these swaps is reflected currently in cash as interest, the valuation adjustments reflect volatility that would distort the comparative measurement of FFO and on a net basis approximate zero. Accordingly, the valuation adjustments are excluded from FFO. The valuation adjustment is included in interest expense.

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SUN COMMUNITIES, INC.

### ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

#### SAFE HARBOR STATEMENT

This Form 10-Q contains various "forward-looking statements" within the meaning of the Securities Act of 1933 and the Securities Exchange Act of 1934, and the Company intends that such forward-looking statements will be subject to the safe harbors created thereby. For this purpose, any statements contained in this filing that relate to prospective events or developments are deemed to be forward-looking statements. Words such as "believes," "forecasts," "anticipates," "intends," "plans," "expects," "may", "will" and similar expressions are intended to identify forward-looking statements. These forward-looking statements reflect the Company's current views with respect to future events and financial performance, but involve known and unknown risks and

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uncertainties, both general and specific to the matters discussed in this filing. These risks and uncertainties may cause the actual results of the Company to be materially different from any future results expressed or implied by such forward looking statements. Such risks and uncertainties include the national, regional and local economic climates, the ability to maintain rental rates and occupancy levels, competitive market forces, changes in market rates of interest, the ability of manufactured home buyers to obtain financing, the level of repossessions by manufactured home lenders and those risks and uncertainties referenced under the headings entitled "Risk Factors" contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2005 and the Company's filings with the Securities and Exchange Commission. The forward-looking statements contained in this Form 10-Q speak only as of the date hereof and the Company expressly disclaims any obligation to provide public updates, revisions or amendments to any forward-looking statements made herein to reflect changes in the Company's expectations of future events.

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### SUN COMMUNITIES, INC.

#### ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

The Company's principal market risk exposure is interest rate risk. The Company mitigates 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. The Company's primary strategy in entering into derivative contracts is to minimize the variability that changes in interest rates could have on its future cash flows. The Company generally employs derivative instruments that effectively convert a portion of its variable rate debt to fixed rate debt. The Company does not enter into derivative instruments for speculative purposes.

The Company's variable rate debt totals \$217.0 million and \$124.9 million as of June 30, 2006 and 2005, respectively, which bears interest at various Prime and LIBOR/DMBS rates. If Prime or LIBOR/DMBS increased or decreased by 1.00 percent during the six months ended June 30, 2006 and 2005, the Company believes its interest expense would have increased or decreased by approximately \$1.9 million and \$1.1 million based on the \$194.0 million and \$111.5 million average balance outstanding under the Company's variable rate debt facilities for the six months ended June 30, 2006 and 2005, respectively.

Additionally, the Company had \$13.5 million and \$14.7 million LIBOR based variable rate mortgage and other notes receivables as of June 30, 2006 and 2005, respectively. If LIBOR increased or decreased by 1.0 percent during the six months ended June 30, 2006 and 2005, the Company believes interest income would have increased or decreased by approximately \$0.1 million and \$0.1 million based on the \$13.5 million and \$14.7 million average balance outstanding on all variable rate notes receivable for the six months ended June 30, 2006 and 2005, respectively.

The Company has entered into three separate interest rate swap agreements and an interest rate cap agreement. One of the swap agreements fixes \$25 million of variable rate borrowings at 4.84 percent through July 2009, another of the swap agreements fixes \$25 million of variable rate borrowings at 5.28 percent through July 2012 and the third swap agreement, which is only effective for so long as 90-day LIBOR is 7 percent or less, fixes \$25 million of variable rate borrowings at 3.88 percent through July 2007. The interest rate cap agreement has a cap rate of 11.79 percent, a notional amount of \$152.4 million and a termination date of May 29, 2007. Each of the Company's derivative contracts is based upon 90-day LIBOR.

SUN COMMUNITIES, INC.

ITEM 4. CONTROLS AND PROCEDURES

- (a) Under the supervision and with the participation of the Company's management, including the Chief Executive Officer, Gary A. Shiffman, and Chief Financial Officer, Jeffrey P. Jorissen, the Company evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures as of the end of the period covered by this quarterly report, pursuant to Rule 13a-15 of the Securities Exchange Act of 1934 (the "Exchange Act"). Based upon that evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective to ensure that information the Company is required to disclose in its 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 the Company in the reports that it files under the Exchange Act is accumulated and communicated to the Company's management, including its principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.
- (b) There have been no changes in the Company's internal control over financial reporting during the quarterly period ended June 30, 2006, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

SUN COMMUNITIES, INC.

PART II

ITEM 4. -- SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

On May 25, 2006, the Company held its Annual Meeting of Shareholders. The following matters were voted upon at the meeting:

- (a) The election of two directors to serve until the 2009 Annual Meeting of Shareholders or until their respective successors shall be elected and shall qualify. The results of the election appear below:

Nominees	For	% of Shares Voting	Withheld
Ted J. Simon	15,043,382	95.58	694,668
Paul D. Lapides	14,885,159	94.58	852,861

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

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See the attached Exhibit Index.

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## SIGNATURES

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

Dated: August 7, 2006

SUN COMMUNITIES, INC.

BY: /s/ Jeffrey P. Jorissen

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Jeffrey P. Jorissen, Chief Financial Officer  
and Secretary  
(Duly authorized officer and principal  
financial officer)

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SUN COMMUNITIES, INC.  
EXHIBIT INDEX

EXHIBIT NO. -----	DESCRIPTION -----
10.1	Promissory Note, dated July 10, 2006, by Sun Villa MHC LLC in favor of ARCS Commercial Mortgage Co., LP in the original principal amount of \$18,300,000.00.
10.2	Promissory Note, dated July 10, 2006, by Sun Countryside Atlanta LLC in favor of ARCS Commercial Mortgage Co., LP in the original principal amount of \$12,950,000.00.
10.3	Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing, dated July 10, 2006, by Sun Villa MHC LLC in favor of First American Title Insurance Company, trustee, for the benefit of ARCS Commercial Mortgage Co., LP.
10.4	Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing, dated July 10, 2006, by Sun Countryside Atlanta LLC in favor of ARCS Commercial Mortgage Co., LP.
31.1	Certification of Chief Executive Officer pursuant to Securities Exchange Act Rules 13a-14(a)/15(d)-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Securities Exchange Act Rules 13a-14(a)/15(d)-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

