

# Uniprop Manufactured Housing Communities Income Fund II (a Michigan limited partnership)

## Balance Sheets

<i>December 31,</i>	<b>2009</b>	2008
<b>Assets</b>		
<b>Property and Equipment</b>		
Buildings and improvements	\$ 41,422,578	\$ 41,241,255
Land	8,952,937	8,952,937
Furniture and equipment	576,801	560,906
	<b>50,952,316</b>	50,755,098
Less accumulated depreciation	29,674,778	28,197,016
<b>Net Property and Equipment</b>	<b>21,277,538</b>	22,558,082
Cash	7,370,544	7,469,961
Manufactured homes and improvements	412,635	787,563
Unamortized financing costs	652,170	679,922
Other assets	1,417,425	1,383,357
	<b>\$ 31,130,312</b>	\$ 32,878,885
<b>Liabilities and Partners' Equity</b>		
Note payable	\$ 22,750,674	\$ 23,133,242
Accounts payable	95,517	91,120
Other liabilities	416,672	489,596
<b>Total Liabilities</b>	<b>23,262,863</b>	23,713,958
<b>Partners' Equity</b>		
Unit holders - 3,303,387 units issued and outstanding	7,451,425	8,746,499
General partner	416,024	418,428
<b>Total Partners' Equity</b>	<b>7,867,449</b>	9,164,927
	<b>\$ 31,130,312</b>	\$ 32,878,885

*See accompanying notes to financial statements.*

# Unipro Manufacturing Housing Communities Income Fund II (a Michigan limited partnership)

## Statements of Income

<i>Year Ended December 31,</i>	<b>2009</b>	<b>2008</b>
<b>Revenue</b>		
Rental	\$ 7,288,627	\$ 7,088,651
Home sale income	545,248	889,568
Other	573,371	789,298
	<b>8,407,246</b>	<b>8,767,517</b>
<b>Operating Expenses</b>		
Administrative	2,304,801	2,267,489
Property taxes	939,089	1,003,404
Utilities	628,350	612,573
Property operations	953,345	1,111,854
Depreciation	1,477,762	1,456,950
Interest	1,546,739	2,120,139
Home sale expense	797,554	1,099,491
	<b>8,647,640</b>	<b>9,671,900</b>
<b>(Loss)from Continuing Operations</b>	<b>(240,394)</b>	<b>(904,383)</b>
<b>Discontinued Operations</b>		
Loss from discontinued operations	-	(55,620)
Net gain on sale of discontinued operations	-	880,656
<b>Income from Discontinued Operations</b>	<b>-</b>	<b>825,036</b>
<b>Net Loss</b>	<b>\$ (240,394)</b>	<b>\$ (79,347)</b>
<b>Loss Per Limited Partnership Unit - Continuing Operations</b>	<b>\$ (.07)</b>	<b>\$ (.27)</b>
<b>Income Per Limited Partnership Unit - Discontinued Operations</b>	<b>\$ -</b>	<b>\$ .25</b>
<b>Total Loss Per Limited Partnership Unit</b>	<b>\$ (.07)</b>	<b>\$ (.02)</b>
<b>Distributions Per Limited Partnership Unit</b>	<b>\$ .32</b>	<b>\$ .49</b>
<b>Weighted Average Number of Limited Partnership Units Outstanding</b>	<b>3,303,387</b>	<b>3,303,387</b>
<b>Net Loss Allocable to General Partner</b>	<b>\$ (2,404)</b>	<b>\$ (793)</b>
<b>Distributions Allocable to General Partner</b>	<b>\$ -</b>	<b>\$ -</b>

*See accompanying notes to financial statements.*

**Unipro Manufacturing Housing  
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**Statements of Partners' Equity  
Years Ended December 31, 2009 and 2008**

	<i>General Partner</i>	<i>Unit Holders</i>	<i>Total</i>
<b>Balance, January 1, 2008</b>	419,221	10,443,713	<b>10,862,934</b>
Distributions to unit holders	-	(1,618,660)	<b>(1,618,660)</b>
Net loss for the year	(793)	(78,554)	<b>(79,347)</b>
<b>Balance, December 31, 2008</b>	418,428	8,746,499	<b>9,164,927</b>
Distributions to unit holders	-	(1,057,084)	<b>(1,057,084)</b>
Net loss for the year	(2,404)	(237,990)	<b>(240,394)</b>
<b>Balance, December 31, 2009</b>	\$ 416,024	\$ 7,451,425	<b>\$ 7,867,449</b>

*See accompanying notes to financial statements.*

**Unipro Manufacturing Housing  
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(a Michigan limited partnership)**

**Statements of Cash Flows**

<i>Year Ended December 31,</i>	<b>2009</b>	2008
<b>Cash Flows From Operating Activities</b>		
Net loss	\$ (240,394)	\$ (79,347)
Adjustments to reconcile net (loss) income to net cash provided by operating activities		
Depreciation	1,477,762	1,516,524
Amortization and write off of deferred financing costs	27,752	442,417
Gain on sale of property	-	(880,656)
Decrease (increase) in manufactured homes and improvements	374,928	(76,350)
Increase in other assets	(34,068)	(34,497)
Increase (decrease) in accounts payable	4,397	(67,727)
(Decrease) increase in other liabilities	(72,924)	109,761
<b>Net Cash Provided By Operating Activities</b>	<b>1,537,453</b>	930,125
<b>Cash Flows From Investing Activities</b>		
Purchase of property and equipment	(197,218)	(243,180)
Net proceeds from sale of property	-	2,934,000
<b>Net Cash (Used In) Provided By Investing Activities</b>	<b>(197,218)</b>	2,690,820
<b>Cash Flows From Financing Activities</b>		
Distributions to unit holders	(1,057,084)	(1,618,660)
Payment on prior mortgage	-	(25,687,191)
Proceeds from mortgage refinancing	-	23,225,000
Repayments of notes payable	(382,568)	(91,758)
Debt issuance costs	-	(693,798)
<b>Net Cash Used In Financing Activities</b>	<b>(1,439,652)</b>	(4,866,407)
<b>Net (Decrease) Increase In Cash</b>	<b>(99,417)</b>	(1,245,462)
<b>Cash, at beginning of year</b>	<b>7,469,961</b>	8,715,423
<b>Cash, at end of year</b>	<b>\$ 7,370,544</b>	\$ 7,469,961

*See accompanying notes to financial statements.*

# Uniprop Manufactured Housing Communities Income Fund II (a Michigan limited partnership)

## Notes to Financial Statements

### 1. Summary of Accounting Policies

#### *Organization and Business*

*Uniprop Manufactured Housing Communities Income Fund II, a Michigan Limited Partnership (the "Partnership") acquired, maintains, operates and will ultimately dispose of income producing residential real properties consisting of seven manufactured housing communities (the "properties") at December 31, 2009, and 2008, located in Florida, Michigan, Nevada and Minnesota. The Partnership was organized and formed under the laws of the State of Michigan on November 7, 1986. The general partner is Genesis Associates Limited Partnership.*

*In accordance with its Prospectus dated December 1986, the Partnership sold 3,303,387 units of beneficial assignment of limited partnership interest ("Units") for \$66,068,000. The Partnership purchased nine properties for an aggregate purchase price of approximately \$58,000,000. Three of the properties costing approximately \$16,008,000 were previously owned by entities which were affiliates of the general partner. One property was sold in 2007 and one was sold in 2008 leaving a total of seven properties on December 31, 2009.*

#### *Use of Estimates*

*The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of (1) assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the financial statements, and (2) revenues and expenses during the reporting period. Actual results could differ from these estimates.*

#### *Fair Values of Financial Instruments*

The carrying amounts of cash, accounts payable and notes payable approximate their fair values.

# **Unipro Manufacturing Housing Communities Income Fund II (a Michigan limited partnership)**

## **Notes to Financial Statements**

### ***Property and Equipment***

Property and equipment are stated at cost. Depreciation is provided using the straight-line method over a period of thirty years except for furniture and equipment which is depreciated over a period ranging from three to ten years.

Accumulated depreciation on continuing properties for tax purposes was \$29,675,000 and \$28,197,000 as of December 31, 2009 and 2008, respectively.

Long-lived assets such as property and equipment are evaluated for impairment when events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable through the estimated undiscounted future cash flows from the use of these assets. When any such impairment exists, the related assets will be written down to fair value.

### **Manufactured Homes and Improvements**

Manufactured homes and improvements are stated at the lower of cost or market and represent manufactured homes held for sale.

### ***Financing Costs***

As a result of the refinance of the mortgage note payable during 2008, costs to obtain the financing (see Note 2) have been capitalized and are being amortized over the 25-year term of the related mortgage note payable. Previously deferred financing costs were written off.

Accumulated amortization on continuing properties was \$27,752 and \$13,876 as of December 31, 2009 and 2008, respectively.

### ***Revenue Recognition***

Rental income attributable to leases is recorded when due from the lessees. Revenue from the sale of manufactured homes is recognized upon transfer of title at the closing of the sale transaction.

### ***Other Revenue***

# Unipro Manufacturing Housing Communities Income Fund II (a Michigan limited partnership)

## Notes to Financial Statements

Other revenue consists of interest income, rental late fees, utility charges and miscellaneous income. Income from utility charges is recognized based upon actual monthly usage.

### *Income Taxes*

Federal income tax regulations provide that any taxes on income of a partnership are payable by the partners as individuals. Therefore, no provision for such taxes has been made at the partnership level.

## **2. Note Payable**

In 1998, the Partnership entered into a \$30,000,000 note payable agreement. The note was payable in monthly installments of \$188,878, including interest at 6.37%. The note was secured by mortgages on the Partnership's Ardmor Village, Camelot Manor, Dutch Hills, El Adobe, Stonegate Manor, Sunshine Village and West Valley properties. The Partnership used the proceeds from the note to refinance the Partnership's outstanding indebtedness of \$30,045,000, which was incurred in a 1993 mortgage transaction.

During 2008, the Partnership refinanced the mortgage note payable and executed new notes payable to StanCorp Mortgage Investors, LLC in the aggregate amount of \$23,225,000 secured by the seven remaining properties of the Partnership. To pay off the prior mortgage balance of \$25,277,523 and the costs of refinancing, the Partnership transferred \$2,735,555 from cash reserves. The mortgages are payable in monthly installments of interest and principal through September 2033. Interest on these notes is accrued at a fixed rate of 6.625% for five years, at which time, the rate will reset to the lender's then prevailing market rate. As of December 31, 2009, the balance on these notes was \$22,750,674. In connection with the new mortgage debt, the Partnership incurred \$693,798 in financing costs as a result of the refinancing which are being amortized over the life of the mortgage of 25 years. This included a 1% refinance fee of \$232,250 paid to Unipro AM LLC, a related party. In addition, the Partnership recognized additional interest expense of \$418,083 related to the write off of previously unamortized financing costs in 2008.

# **Uniprop Manufactured Housing Communities Income Fund II (a Michigan limited partnership)**

## **Notes to Financial Statements**

Future maturities on the note payable for the next five years and thereafter are as follows: 2010 - \$408,698; 2011 - \$436,612; 2012 - \$466,432; 2013 - \$498,289; 2014 - \$532,321 and thereafter - \$20,408,322.

At December 31, 2009 and 2008, "Other Assets" included cash of approximately \$299,000 and \$242,000, respectively, in an escrow account for property taxes, insurance, and capital improvements, as required by the Partnership's note payable agreement. The cash is restricted from operating use.

# Unipro Manufacturing Housing Communities Income Fund II (a Michigan limited partnership)

## Notes to Financial Statements

### 3. Related Party Transactions

#### Management Agreement

The Partnership has an agreement with an affiliate of the general partner to manage the properties owned by the Partnership. The management agreement is automatically renewable annually, but may be terminated by either party upon sixty days written notice. The property management fee is the lesser of 5% of annual gross receipts from the properties managed, or the amount which would be payable to an unaffiliated third party for comparable services.

Certain employees of affiliates of the General Partner were paid an aggregate of \$283,624 during 2009 to perform partnership management, and investor relation services for the Partnership. Unipro Homes, Inc., a related entity, received commissions totaling \$29,491 in 2009 for certain services provided as a broker/dealer of manufactured homes for the properties. Unipro Homes, Inc. represented the properties in the sale of new and pre-owned homes to property residents.

#### *Fees and Expenses*

During the years ended December 31, 2009 and 2008, Unipro AM LLC, an affiliate earned property management fees from continuing operations of \$387,000, and \$380,000, respectively, as permitted in the Agreement of Limited Partnership. These fees are included with "Administrative" expenses in the respective statements of income. The Partnership was owed \$9,700 and \$9,100 by the affiliate at December 31, 2009 and 2008, respectively, for previously overpaid fees.

#### Contingent Purchase Price

A general partner of Genesis Associates Limited Partnership has an interest in the sellers of two of the properties acquired by the Partnership and is entitled to share in a contingent purchase price that will not exceed \$2,054,000. Additional amounts to be paid, if any, will depend upon the results of the Partnership's operations and the amounts received upon the sale, financing or other disposition of the related properties, and are not determinable at this time. The Partnership does not anticipate any such amount

# Unipro Manufacturing Housing Communities Income Fund II (a Michigan limited partnership)

## Notes to Financial Statements

will become payable during the next fiscal year.

4. Reconciliation of Financial Statement Income and Taxable Income	<i>Year Ended December 31,</i>	<b>2009</b>	2008
Loss per the financial statements		<b>\$ (240,394)</b>	(79,347)
Loss on disposal of assets		-	(206,918)
Adjustments to depreciation for difference in methods		(452,908)	8,751
Adjustments for prepaid rent, meals and entertainment		9,783	2,250
		<b>\$ (683,519)</b>	(275,264)
		<b>Partnership's Tax Return</b>	(275,264)

#### 5. Partners' Capital

Subject to the orders of priority under certain specified conditions more fully described in the Agreement of Limited Partnership (the "Agreement") distributions of partnership funds and allocations of net income from operations are principally determined as follows:

##### Distributions

Distributable cash from operations in the Agreement (generally defined as net income plus depreciation and amortization, less mortgage amortization) is to be distributed to unit holders until they have received a 10% cumulative preferred return. After the unit holders have received their 10% cumulative preferred return, all remaining cash from operations is distributed to the general partner in the form of an incentive management interest until the total amount received by the general partner is equal to 15% of the aggregate amount of cash distributed from operations in a given year. Amounts payable to but not paid to the general partner will be accumulated and paid from future capital transactions after the unit holders have first received their 10% preferred return and

# Uniprop Manufactured Housing Communities Income Fund II (a Michigan limited partnership)

## Notes to Financial Statements

125% of their capital contributions. Thereafter, 85% of distributable cash from operations is to be paid to the unit holders and 15% to the general partner.

Annual distributable cash from operations was less than the amount required for the annual 10% preferred return to the unit holders by approximately \$4,595,000 and \$4,033,000, in 2009, and 2008, respectively. No distributions can be made to the general partner until the cumulative preferred return deficit of approximately \$50,544,000 as of December 31, 2009 has been distributed to the unit holders.

At December 31, 2009, the general partner's cumulative incentive management interest to be distributed was approximately \$12,122,000. The actual amount to be accumulated or paid in the future depends on the results of the Partnership's operations and is not currently determinable; however, no such distribution to the general partner is anticipated during fiscal year 2010.

### Allocation of Net Income

Net income is principally allocated 99% to the unit holders and 1% to the general partner until the cumulative amount of net income allocated to the unit holders equals the aggregate cumulative amount of cash distributed to the unit holders. After sufficient net income has been allocated to the unit holders to equal the amount of cash distributed to them, all the net income is to be allocated to the general partner until it equals the amount of cash distributed to it.

### 6. Supplemental Cash Flow Information

Interest paid during 2009 and 2008 was approximately \$1,521,000, and \$1,678,000, respectively.

### 7. Discontinued Operations

As described in Form 8-K dated July 28, 2008, the Partnership had entered into a Contract for Sale and Purchase of Real and Personal Property with a private buyer for the Country Roads Manufactured Housing Community located in Jacksonville, Florida. On August 7, 2008, the sale closed with a purchase price of \$3,000,000, less

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## Notes to Financial Statements

closing costs for proceeds in the amount of \$2,934,000. The Partnership recognized a gain on the sale of approximately \$881,000. The Partnership distributed approximately \$562,000 from the sale to its unit holders with the balance of the proceeds being maintained in reserve until such time as the General Partner determines the optimal use of the funds. As a result of the sale, the Partnership has classified the Country Roads community and associated financial results as “discontinued operations” in the accompanying financial statements for all years presented.

Below is a summary of the results of operations of the Country Roads property through disposition date:

<i>Year Ended December 31,</i>	2008
Rental income	\$ 254,000
Other Income	47,000
Administrative expenses	(183,000)
Property tax expense	(32,000)
Utilities expense	(47,000)
Property operations	(35,000)
Depreciation expense	(60,000)
Home sale expense	-
<b>Loss From Discontinued Operations</b>	<b>(56,000)</b>
<b>Gain on Sale of Discontinued Operations</b>	<b>881,000</b>
<b>Income From Discontinued Operations</b>	<b>\$ 825,000</b>

# Unipro Manufacturing Housing Communities Income Fund II (a Michigan limited partnership)

## Notes to Financial Statements

### 8. Interim Results (Unaudited)

The following summary represents the unaudited results of operations of the Partnership, expressed in thousands except per unit amounts, for the periods from January 1, 2008 through December 31, 2009:

2009	<i>Three Months Ended</i>			
	<i>March 31,</i>	<i>June 30,</i>	<i>September 30,</i>	<i>December 31</i>
<b>Revenues From Continuing Operations</b>	\$ 2,108	\$ 2,187	\$ 2,043	\$ 2,069
<b>(Loss) Income from Continuing Operations</b>	\$ (246)	\$ (38)	\$ 35	\$ 9
<b>(Loss) Income Per Limited Partnership Unit from Continuing Operations</b>	\$ (.07)	\$ (.02)	\$ .01	\$ .01
	<i>Three Months Ended</i>			
	<i>March 31,</i>	<i>June 30,</i>	<i>September 30,</i>	<i>December 31</i>
<b>2008</b>				
<b>Revenues From Continuing Operations</b>	\$ 2,274	\$ 2,143	\$ 2,199	\$ 2,152
<b>Income (Loss) from Continuing Operations</b>	\$ 83	\$ 95	\$ (579)	\$ (503)
<b>Income (Loss) from Discontinued Operations</b>	3	(7)	821	8
<b>Income (Loss) Per Limited Partnership Unit from Continuing Operations</b>	\$ .03	\$ .03	\$ (.18)	\$ (.15)
<b>Income Per Limited Partnership Unit from Discontinued Operations</b>	-	-	.25	-

# Uniprop Manufactured Housing Communities Income Fund II (a Michigan limited partnership)

## Schedule III - Real Estate and Accumulated Depreciation December 31, 2009

<i>Column A</i>	<i>Column B</i>	<i>Column C</i>		<i>Column D</i>		<i>Column E</i>			<i>Column F</i>	<i>Column G</i>	<i>Column H</i>
<i>Description</i>	<i>Encumbrance</i>	<i>Initial Cost</i>		<i>Costs Capitalized Subsequent to Acquisition</i>		<i>Gross Amount at Which Carried at Close of Period</i>			<i>Accumulated Depreciation</i>	<i>Date Acquired</i>	<i>Life on Which Depreciation in Latest Income Statement is Computed</i>
		<i>Land</i>	<i>Buildings and Improvements</i>	<i>Land</i>	<i>Buildings and Improvements</i>	<i>Land</i>	<i>Buildings and Improvements</i>	<i>Total</i>			
Ardmor Village (Lakeville, MN)	\$ 3,037,950	\$ 1,063,253	\$ 4,253,011	\$ 4,120	\$ 1,238,944	\$ 1,067,373	\$ 5,491,955	\$ 6,559,328	\$ 3,870,274	1987	30 years
Sunshine Village (Davie, FL)	4,183,407	1,215,862	4,875,878	-	512,483	1,215,862	5,388,061	6,604,223	3,883,620	1987	30 years
Camelot Manor (Grand Rapids, MI)	1,045,852	918,949	3,681,051	-	1,163,050	918,949	4,844,101	5,763,050	3,357,657	1987	30 years
Dutch Hills (Haslett, MI)	1,419,369	839,693	3,358,771	41,526	867,820	881,219	4,226,591	5,107,810	2,950,054	1987	30 years
Stonegate Manor (Lansing, MI)	1,095,653	930,307	3,721,229	40,552	969,491	970,859	4,690,720	5,661,579	3,200,126	1987	30 years
El Adobe (Las Vegas, NV)	3,884,592	1,480,000	5,920,000	39,964	493,818	1,519,964	6,413,818	7,933,782	4,641,277	1988	30 years
West Valley (Las Vegas NV)	8,466,419	2,289,700	9,158,800	89,010	1,208,532	2,378,711	10,367,332	12,746,043	7,270,809	1988	30 years
	\$ 23,133,242	\$ 8,737,764	\$ 34,968,740	\$ 215,172	\$ 6,454,138	\$ 8,952,937	\$ 41,422,578	\$ 50,375,815	\$ 29,173,817		

# Uniprop Manufactured Housing Communities Income Fund II (a Michigan limited partnership)

## Notes to Financial Statements

### 1. Reconciliation of Land

The following table reconciles the land from January 1, 2008 to December 31, 2009:

	2009	2008
<b>Balance</b> , at January 1	\$ 8,952,937	\$ 9,627,592
Cost of land sold	-	(674,655)
<b>Balance</b> , at December 31	\$ 8,952,937	\$ 8,952,937

### 2. Reconciliation of Buildings and Improvements

The following table reconciles the buildings and improvements from January 1, 2008 to December 31, 2009:

	2009	2008
<b>Balance</b> , at January 1	\$ 41,241,255	\$ 44,496,155
Additions to buildings and improvements	181,323	218,220
Cost of assets sold	-	(3,473,120)
<b>Balance</b> , at December 31	\$ 41,422,578	\$ 41,241,255

### 3. Reconciliation of Accumulated Depreciation

The following table reconciles the accumulated depreciation from January 1, 2008 to December 31, 2009:

	2009	2008
<b>Balance</b> , at January 1	\$ 27,709,602	\$ 28,529,251
Current year depreciation expense	1,464,215	1,444,517
Accumulated depreciation on assets sold	-	(2,264,166)
<b>Balance</b> , at December 31	\$ 29,173,817	\$ 27,709,602

### 4. Tax Basis of Buildings and Improvements

The aggregate cost of buildings and improvements for federal income tax purposes is equal to the cost basis used for financial statement purposes.

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**Notes to Financial Statements**

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