

SUN COMMUNITIES INC  
Form DEF 14A  
May 16, 2014

UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549  
SCHEDULE 14A  
INFORMATION REQUIRED IN PROXY STATEMENT  
SCHEDULE 14A INFORMATION  
Proxy Statement Pursuant to Section 14(a) of the Securities  
Exchange Act of 1934  
Filed by the Registrant   
Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary proxy statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive proxy statement
- Definitive additional materials
- Soliciting material under § 240.14a-12

Sun Communities, Inc.  
Name of Registrant as Specified in its Charter

N/A  
Name of Person(s) Filing Proxy Statement if other than the Registrant:

Payment of filing fee (check the appropriate box):  
 No fee required.

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SUN COMMUNITIES, INC.

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

To Be Held On July 22, 2014

You are cordially invited to attend the 2014 Annual Meeting of Shareholders (the "Annual Meeting") of Sun Communities, Inc. The Annual Meeting will be held on Tuesday, July 22, 2014, at 11:00 a.m., local time at 27777 Franklin Road, Suite 100, Southfield, MI 48034. At the Annual Meeting, common shareholders of record at the close of business on May 9, 2014 (the "Record Date") will be asked to:

1. Elect seven directors to serve until our 2015 annual meeting of shareholders or until their successors shall have been duly elected and qualified;
2. Ratify the selection of Grant Thornton LLP as our independent registered public accounting firm for 2014;
3. Conduct a non-binding advisory vote on executive compensation; and
4. Consider any other business properly brought before the Annual Meeting.

The attached Proxy Statement contains details of the proposals to be voted on at the Annual Meeting. We encourage you to read the Proxy Statement carefully.

Only common shareholders of record at the close of business on the Record Date are entitled to notice of, and to vote at, the Annual Meeting or any adjournments.

Your vote is important to us. Please vote as promptly as possible by using the internet, telephone or by signing, dating and returning the proxy card mailed to those who receive paper copies of this Proxy Statement.

**IMPORTANT NOTICE REGARDING AVAILABILITY OF PROXY MATERIALS FOR ANNUAL MEETING OF SHAREHOLDERS TO BE HELD ON JULY 22, 2014.**

This proxy statement and our Annual Report to shareholders are available at [www.proxyvote.com](http://www.proxyvote.com).

May 16, 2014

By Order of the Board of Directors  
KAREN J. DEARING  
Secretary

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SUN COMMUNITIES, INC.  
PROXY STATEMENT

INTRODUCTION

This Proxy Statement contains information related to the 2014 Annual Meeting of Shareholders (the "Annual Meeting") of Sun Communities, Inc. (the "Company"), which will be held on Tuesday, July 22, 2014, at 11:00 a.m. local time at 27777 Franklin Road, Suite 100, Southfield, MI 48034. On or about May 16, 2014, we began mailing a notice containing instructions on how to access these proxy materials to all shareholders of record at the close of business on May 9, 2014 (the "Record Date").

QUESTIONS AND ANSWERS ABOUT THE ANNUAL MEETING

What is the Purpose of the Annual Meeting?

At the Annual Meeting, shareholders will vote on the following proposals (the "Proposals"):

- Proposal No. 1 — Elect seven directors to serve until our 2015 annual meeting of shareholders or until their successors shall have been duly elected and qualified;
- Proposal No. 2 — Ratification of the selection of Grant Thornton LLP as our independent registered public accounting firm for 2013; and
- Proposal No. 3 — Non-binding advisory vote on executive compensation.

In addition, shareholders shall consider any other business properly brought before the Annual Meeting.

We have sent these proxy materials to you because our Board of Directors (the "Board") is requesting that you allow your shares of our common stock ("Common Stock") to be represented at the Annual Meeting by the proxies named in the enclosed proxy card. This Proxy Statement contains information that we are required to provide you under the rules of the Securities and Exchange Commission ("SEC") and that is designed to assist you in voting your shares of Common Stock.

Who is Entitled to Vote?

You will be entitled to vote your shares of Common Stock on the Proposals if you held your shares of Common Stock at the close of business on the Record Date. As of the Record Date, a total of 41,022,842 shares of Common Stock were outstanding and entitled to vote held by 228 holders of record. Shares cannot be voted at the Annual Meeting unless the holder is present in person or represented by proxy. Each share of Common Stock entitles its holder to cast one vote for each matter to be voted upon.

What is Required to Hold the Annual Meeting?

The presence at the Annual Meeting, in person or by proxy, of the holders of a majority of the shares of Common Stock outstanding and entitled to vote on the Record Date will constitute a quorum permitting business to be conducted at the Annual Meeting. If you have returned valid proxy instructions or you attend the Annual Meeting and vote in person, your shares of Common Stock will be counted for purposes of determining whether there is a quorum, even if you abstain from voting on any or all matters introduced at the Annual Meeting. If there is not a quorum at the Annual Meeting, the shareholders entitled to vote at the Annual Meeting, whether present in person or represented by proxy, will only have the power to adjourn the Annual Meeting until such time as there is a quorum. The Annual Meeting may be reconvened without notice to the shareholders, other than an announcement at the prior adjournment of the Annual Meeting, within 120 days after the Record Date, and a quorum must be present at such reconvened

Annual Meeting.

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## How do I Vote?

Your vote is important. Shareholders have a choice of voting over the Internet, by telephone or by using a traditional proxy card.

To vote by Internet, go to [www.proxyvote.com](http://www.proxyvote.com) and follow the instructions there. You will need the 12 digit number included on your proxy card, voter instruction form or notice.

- To vote by telephone, shareholders should dial the phone number listed on their voter instruction form and follow the instructions. You will need the 12 digit number included on the voter instruction form or notice.

If you received a notice and wish to vote by traditional proxy card, you can receive a full set of materials at no charge through one of the following methods:

(i) by internet: [www.proxyvote.com](http://www.proxyvote.com);

(ii) by phone: (800) 579-1639; or

(iii) by email: [sendmaterial@proxyvote.com](mailto:sendmaterial@proxyvote.com) (your email should contain the 12 digit number in the subject line included on the voter instruction form or notice).

The deadline for voting by phone or electronically is 11:59 p.m., Eastern Time, on July 21, 2014.

If you complete your proxy via the internet, telephone or properly sign and return you proxy card, your shares will be voted as you direct. You may specify whether your shares should be voted: (1) for all, some or none of the nominees for director, (2) for or against Proposal No. 2 and (3) for or against Proposal No. 3.

We encourage you to provide voting instructions to your brokerage firm by returning a completed proxy. This ensures your shares will be voted at the meeting according to your instructions. You should receive directions from your brokerage firm about how to submit your proxy to them at the time you receive notice of this Proxy Statement.

## Can I Change or Revoke My Proxy?

Yes, you may change your proxy at any time before the Annual Meeting by timely delivery of a properly executed, later-dated proxy or by voting in person at the Annual Meeting. You may also revoke your proxy by filing with our Secretary, any time prior to the time set for commencement of the Annual Meeting, a written notice of revocation bearing a later date than the proxy. However, attendance (without further action) at the Annual Meeting will not by itself constitute revocation or change of a previously granted proxy.

## What are the Board's Recommendations?

If no instructions are indicated on your valid proxy, the representatives holding your proxy will vote in accordance with the recommendations of the Board. The Board unanimously recommends a vote:

- FOR the election of each of the nominees for director;
- FOR the ratification of the selection of Grant Thornton LLP as our independent registered public accounting firm for 2014; and
- FOR the non-binding approval of the executive compensation as disclosed in this Proxy Statement.

With respect to any other matter that properly comes before the Annual Meeting or any adjournment or postponement thereof, the representatives holding proxies will vote in their own discretion.

How Can I Receive a Proxy Statement and Annual Report?

Our Proxy Statement and our Annual Report on Form 10-K for the year ended December 31, 2013, as filed with the SEC on February 20, 2014, is available electronically via the Internet at [www.proxyvote.com](http://www.proxyvote.com). In addition, we will provide without charge to each person to whom this Proxy Statement is delivered, upon written or verbal request, a copy of this Proxy Statement and our Annual Report on Form 10-K for the year ended December 31, 2013, which contains our audited financial statements. Written



or telephone requests should be directed to us at 27777 Franklin Road, Suite 200, Southfield, Michigan 48034. Our telephone number is (248) 208-2500.

If you received a notice and wish to vote by traditional proxy card, you can receive a full set of materials at no charge through one of the following methods:

(i) by internet: [www.proxyvote.com](http://www.proxyvote.com);

(ii) by phone: (800) 579-1639; or

(iii) by email: [sendmaterial@proxyvote.com](mailto:sendmaterial@proxyvote.com) (your email should contain the 12 digit number in the subject line included on the voter instruction form or notice).

#### What Vote is Needed to Approve Each Proposal?

Following are the votes needed in order for each Proposal to be approved at the Annual Meeting. For all Proposals a quorum must be present at the Annual Meeting.

Proposal No. 1: The affirmative vote by a majority of all the votes cast in person or by proxy at the Annual Meeting is necessary for the election of seven directors to serve until our 2015 annual meeting of shareholders, or until their successors shall have been duly elected and qualified.

Proposal No. 2: The affirmative vote by a majority of all the votes cast in person or by proxy at the Annual Meeting is required for the ratification of the selection of Grant Thornton LLP as our independent registered public accounting firm for 2014.

Proposal No. 3: The affirmative vote by a majority of all the votes cast in person or by proxy at the Annual Meeting is required for the non-binding approval of the executive compensation of our named executive officers as disclosed in this Proxy Statement.

We will treat abstentions as shares that are present and entitled to vote for purposes of determining the presence or absence of a quorum. Abstentions do not constitute a vote "for" or "against" any matter being voted on at the Annual Meeting and will not be counted as "votes cast." Therefore, abstentions will have no effect on any of the proposals. Broker "non-votes," or proxies from brokers or nominees indicating that such broker or nominee has not received instructions from the beneficial owner or other entity entitled to vote such shares on a particular matter with respect to which such broker or nominee does not have discretionary voting power, will be treated in the same manner as abstentions for purposes of the Annual Meeting. If you are a beneficial owner whose shares of Common Stock are held of record by a broker, your broker has discretionary voting authority under New York Stock Exchange ("NYSE") rules to vote your shares on Proposal No. 2 even if the broker does not receive voting instructions from you. However, under NYSE rules, your broker does not have discretionary authority to vote on Proposal No. 1 or Proposal No. 3 without instructions from you, in which case a broker "non-vote" will occur and your shares of Common Stock will not be voted on these matters.

#### How is My Vote Counted?

If the proxy in the form enclosed is duly executed, dated and returned, and it has not been revoked in accordance with the instructions enclosed, the shares of Common Stock represented by the proxy will be voted by Gary A. Shiffman and Karen J. Dearing, the Board's proxy agents for the Annual Meeting, in the manner specified in the proxy. If no specification is made, the Common Stock will be voted "for" the election of the seven nominees for the Board, "for" the ratification of the selection of Grant Thornton LLP as our independent registered public accounting firm for 2014, "for"

the executive compensation as disclosed in this Proxy Statement, and at the discretion of Gary A. Shiffman and Karen J. Dearing, the Board's designated representatives for the Annual Meeting, with respect to such other business as may properly come before the Annual Meeting or any adjournment or postponement of the Annual Meeting. It is not anticipated that any matters other than those set forth in this Proxy Statement will be presented at the Annual Meeting. If other matters are presented, proxies will be voted in accordance with the discretion of the proxy holders. In addition, no shareholder proposals or nominations were received on a timely basis, so no such matters may be brought to a vote at the Annual Meeting.

Who is Soliciting My Proxy?

This solicitation of proxies is made by and on behalf of our Board. Proxies may be solicited by personal interview, telephone, facsimile or email or by our directors, officers and employees. Arrangements may also be made with brokerage houses or other custodians, nominees and fiduciaries to forward solicitation material to the beneficial owners of Common Stock held of record by such persons, and we may reimburse them for reasonable out-of-pocket expenses incurred in forwarding the material. We anticipate fees and expenses for these parties will not exceed \$1,000. The costs of all proxy solicitation will be borne by us.

Our principal executive offices are located at 27777 Franklin Road, Suite 200, Southfield, Michigan 48034.

## BOARD OF DIRECTORS AND CORPORATE GOVERNANCE

### Board of Directors and Committees

Pursuant to our Amended and Restated Articles of Incorporation, each of our directors serves for a one-year term or until his or her successor is duly elected and qualified. Our current directors are Stephanie W. Bergeron, Brian M. Hermelin, Paul D. Lapidés, Clunet R. Lewis, Robert H. Naftaly, Ronald L. Piasecki, Gary A. Shiffman and Arthur A. Weiss. The terms of each of our directors expires at the Annual Meeting or until such director's successor is duly elected and qualified or until the earlier resignation or removal of such director.

Pursuant to the Board's age-based retirement policy, Mr. Naftaly has decided to retire, but will continue to serve on the Board of Directors until the date of the Annual Meeting. All of the other incumbent directors are nominees for re-election at the Annual Meeting. Because no one has been nominated to be elected at the Annual Meeting to serve as a director with respect to the Board seat currently held by Mr. Naftaly, that seat will be vacant immediately after the Annual Meeting. After the Annual Meeting, the Board, as permitted by our bylaws, may by resolution reduce the size of the Board to seven directors. Alternatively, the Board may elect a director to fill the vacancy upon identification of a qualified candidate. If the Board elects a director to fill the vacancy, that director will serve until the annual meeting of shareholders to be held in 2015 or until such director's successor is elected and qualified or until the earlier resignation or removal of such director.

The Board meets quarterly, or more often as necessary. The Board met five times during 2013 and took various actions pursuant to resolutions adopted by unanimous written consent. All directors attended at least 75% of the meetings of the Board and each committee on which they served. Except for Messrs. Paul D. Lapidés and Ronald L. Piasecki, all of our board members attended the 2013 annual meeting.

Effective January 1, 2014, the Board increased the number of members of the Board from seven to eight as permitted under our bylaws and appointed Mr. Hermelin to serve as a director of the Company until our 2014 annual shareholders meeting and until his successor is elected and qualifies. In addition, Mr. Hermelin has been appointed to the Audit Committee and Executive Committee of the Board, and has been designated as an audit committee financial expert.

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

The Audit Committee operates pursuant to a fourth amended and restated charter that was approved by the Board in April 2013, and is reviewed annually. It is available under the "Investors-Officers and Directors" section of our website at [www.suncommunities.com](http://www.suncommunities.com). The Audit Committee, among other functions, (i) has the sole authority to appoint, retain, terminate and determine the compensation of our independent accountants, (ii) reviews with our independent accountants the scope and results of the audit engagement, (iii) approves professional services provided by our independent accountants, (iv) reviews the independence of our independent accountants, and (v) directs and controls our internal audit functions. The current members of the Audit Committee are Messrs. Robert H. Naftaly, Clunet R.

Lewis (Chairman), Brian M. Hermelin and Ms. Stephanie W. Bergeron, all of whom are “independent” as that term is defined in the rules of the SEC and applicable rules of the NYSE. Pursuant to the Board's age-based retirement policy, Mr. Naftaly has decided to retire as of the Annual Meeting. The Audit Committee held four formal meetings during the year ended December 31, 2013. The Board has determined that each member of the Audit Committee is an “audit committee financial expert”, as defined by SEC rules.

The Compensation Committee operates pursuant to a charter that was approved by the Board in March 2004. A copy of the Compensation Committee Charter is available under the “Investors-Officers and Directors” section of our website at [www.suncommunities.com](http://www.suncommunities.com). The Compensation Committee, among other functions, (i) reviews and approves corporate goals and objectives relevant to the compensation of the Chief Executive Officer and such other executive officers as may be designated by the Chief Executive Officer, evaluates the performance of such officers in light of such goals and objectives, and determines and approves the compensation of such officers based on these evaluations, (ii) approves the compensation of our other executive officers, (iii) recommends to the Board for approval the compensation of the non-employee directors and (iv) oversees our incentive-

compensation plans and equity-based plans. The current members of the Compensation Committee are Messrs. Robert H. Naftaly (Chairman), Clunet R. Lewis and Paul D. Lapidés, all of whom are independent directors under the NYSE rules. Pursuant to the Board's age-based retirement policy, Mr. Naftaly has decided to retire as of the Annual Meeting. At or before the Annual Meeting, the Board will appoint an additional director to the Compensation Committee and will appoint a new Chairman of the Compensation Committee. During the year ended December 31, 2013, the Compensation Committee held two formal meetings and took various actions by unanimous written consent (see "Report of the Compensation Committee on Executive Compensation").

The Nominating and Corporate Governance Committee (the "NCG Committee") operates pursuant to a charter that was approved by the Board in March 2004. A copy of the NCG Committee Charter is available under the "Investors-Officers and Directors" section of our website at [www.suncommunities.com](http://www.suncommunities.com). The NCG Committee, among other functions, is responsible for (i) identifying individuals qualified to become Board members, consistent with criteria approved by the Board, (ii) recommending that the Board select the committee-recommended nominees for election at each annual meeting of shareholders, (iii) developing and recommending to the Board a set of corporate governance guidelines applicable to us, and (iv) periodically reviewing such guidelines and recommending any changes, and overseeing the evaluation of the Board. The current members of the NCG Committee are Messrs. Paul D. Lapidés (Chairman), Clunet R. Lewis and Ronald L. Piasecki, all of whom are independent under the NYSE rules. The NCG Committee held one formal meeting during the year ended December 31, 2013. The NCG Committee considers diversity and skills in identifying nominees for service on our Board. Regarding diversity, the NCG Committee considers the entirety of the board and a wide range of economic, social and ethnic backgrounds and does not nominate representational directors from any specific group.

The Executive Committee operates pursuant to a charter that was approved by the Board in January 2014. The Executive Committee was established to generally manage our day-to-day business and affairs between regular Board meetings. The Executive Committee has specific authority to approve any and all acquisitions and/or financings (including refinancings of existing debt) by us or our subsidiaries up to a maximum purchase price or loan amount of \$50 million per transaction. In no event may the Executive Committee, without the prior approval of the Board acting as a whole: (i) recommend to the shareholders an amendment to our charter; (ii) amend our bylaws; (iii) adopt an agreement of merger or consolidation; (iv) recommend to the shareholders the sale, lease or exchange of all or substantially all of our property and assets; (v) recommend to the shareholders our dissolution or a revocation of a dissolution; (vi) fill vacancies on the Board; (vii) fix compensation of the directors for serving on the Board or on a committee of the Board; (viii) declare distributions or authorize the issuance of our stock; (ix) approve or take any action with respect to any related party transaction involving us; or (x) take any other action which is forbidden by our bylaws or charter. All actions taken by the Executive Committee must be promptly reported to the Board as a whole and are subject to ratification, revision and alteration by the Board, except that no rights of third persons created in reliance on authorized acts of the Executive Committee can be affected by any such revision or alteration. The current members of the Executive Committee are Messrs. Gary A. Shiffman, Arthur A. Weiss and Brian M. Hermelin. The Executive Committee did not hold any formal meetings during the year ended December 31, 2013.

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

Communications with the Board

If you wish to communicate with any of the directors of the Board or the Board as a group, you may do so by writing to them at [Name(s) of Director(s)/Board of Directors of Sun Communities, Inc.], c/o Compliance Officer, Sun Communities, Inc., 27777 Franklin Road, Suite 200, Southfield, MI 48034.

If you wish to contact the Audit Committee to report complaints or concerns regarding accounting, internal accounting controls or auditing matters, you may do so by writing to Chairman of the Audit Committee of Sun Communities, Inc., c/o Compliance Officer, Sun Communities, Inc., 27777 Franklin Road, Suite 200, Southfield, MI 48034. You are welcome to make any such report anonymously but we prefer that you identify yourself so that we may contact you for additional information if necessary or appropriate.

If you wish to communicate with our non-management directors as a group, you may do so by writing to Non-Management Directors of Sun Communities, Inc., c/o Compliance Officer, Sun Communities, Inc., 27777 Franklin Road, Suite 200, Southfield, MI 48034.

We recommend that all correspondence be sent via certified U.S. mail, return receipt requested. All correspondence received by the Compliance Officer will be forwarded by the Compliance Officer promptly to the addressee(s).

#### Board Leadership Structure and Independence of Non-Employee Directors

The Board and the Nominating and Corporate Governance Committee assess and revise our leadership structure from time to time. The Board does not have a fixed policy regarding the separation of the offices of Chairman and Chief Executive Officer and believes that it should maintain the flexibility to select the Chairman and its Board leadership structure, from time to time, based on the criteria that it deems to be in the best interests of the company and its shareholders. Gary A. Shiffman currently serves as our Chairman of the Board and Chief Executive Officer. The Board believes that combining the Chairman and Chief Executive Officer positions is the right corporate governance structure for us at this time because it most effectively utilizes Mr. Shiffman's extensive experience and knowledge regarding the company and the manufactured home industry and provides for the most efficient leadership of our Board and company. The Board believes that Mr. Shiffman, rather than an independent director, is in the best position, as Chairman and Chief Executive Officer, to lead Board discussions regarding our business and strategy and to help the Board respond quickly and effectively to the many business challenges affecting the company. The Board also believes that this structure is preferable because it allows one person to speak for and lead the company and the Board and that splitting the roles of Chairman and Chief Executive Officer may cause the company's leadership to be less effective.

Although the Board believes that it is more effective to have one person serve as our Chairman and Chief Executive Officer at this time, it also recognizes the importance of strong independent leadership on the Board. Accordingly, in addition to maintaining a significant majority of independent directors (as described below) and independent Board committees, the Board appoints a Lead Independent Director on an annual basis to serve for a term of one year. Mr. Clunet R. Lewis is currently serving as Lead Independent Director. The Lead Independent Director calls and presides at the executive sessions of our independent directors, acts as a liaison between our management team and the Board and is responsible for identifying, analyzing and making recommendations to the Board with respect to certain strategic and extraordinary matters. The Board believes that its Lead Independent Director structure including the duties and responsibilities described above provides the same independent leadership, oversight, and benefits for the company and the Board that would be provided by an independent Chairman.

The NYSE rules require that a majority of the Board consist of members who are independent. There are different measures of director independence— independence under NYSE rules, under Section 16 of the Exchange Act and under Section 162(m) of the Code. The Board has reviewed information about each of our non-employee directors and determined that Ms. Stephanie W. Bergeron and Messrs. Brian M. Hermelin, Paul D. Lapidés, Clunet R. Lewis, Robert H. Naftaly, and Ronald L. Piasecki are independent directors. The independent directors meet on a regular basis in executive sessions without management participation. In 2013, the executive sessions occurred after some of the regularly scheduled meetings of the entire Board and may occur at such other times as the independent directors deem appropriate or necessary.

#### Consideration of Director Nominees

##### Board Membership Criteria

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



nominee for a position on the Board:

• The candidate must have experience at a strategic or policymaking level in a business, government, non-profit or academic organization of high standing;

• The candidate must be highly accomplished in his or her field, with superior credentials and recognition;

• The candidate must be well regarded in the community and must have a long-term reputation for high ethical and moral standards;

• The candidate must have sufficient time and availability to devote to our affairs, particularly in light of the number of boards on which the nominee may serve; and

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- The candidate's principal business or occupation must not be such as to place the candidate in competition with us or conflict with the discharge of a director's responsibilities to us or to our shareholders.

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

• A majority of the Board of Directors shall be "independent" as defined by the NYSE rules;

• Each of its Audit, Compensation and NCG Committees shall be comprised entirely of independent directors; and

• At least one member of the Audit Committee shall have such experience, education and qualifications necessary to qualify as an "audit committee financial expert" as defined by the rules of the SEC.

#### Consideration of Shareholder Nominated Directors

The NCG Committee's current policy is to review and consider any director candidates who have been recommended by shareholders in compliance with the procedures established from time to time by the NCG Committee. All shareholder recommendations for director candidates must be submitted in writing to our Secretary at Sun Communities, Inc., 27777 Franklin Road, Suite 200, Southfield, MI 48034, who will forward all recommendations to the NCG Committee. All shareholder recommendations for director candidates for election at our 2015 annual meeting of shareholders must be submitted to our Secretary not earlier than the 120<sup>th</sup> day and not later than the 90<sup>th</sup> day prior to the first anniversary of the Annual Meeting provided, however, that if the 2015 annual meeting is more than 30 days earlier or later than the first anniversary of the Annual Meeting, notice by the shareholder must be delivered not earlier than the 120<sup>th</sup> day and not later than the 90<sup>th</sup> day prior to the date of the 2015 annual meeting or, if the first public announcement of the date of the 2015 annual meeting is less than 100 days prior to the date of the 2015 annual meeting, the tenth day following the day on which public announcement of the date of the 2015 annual meeting is first made by us. All shareholder recommendations for director candidates must include the following information:

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

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

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

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

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

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

#### Identifying and Evaluating Nominees

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

## Incumbent Directors and Nominees

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

Name	Age	Office
Gary A. Shiffman	60	Chairman, Chief Executive Officer, Director and Nominee
Stephanie W. Bergeron	60	Director and Nominee
Brian M. Hermelin	49	Director and Nominee
Paul D. Lapidés	59	Director and Nominee
Clunet R. Lewis	67	Director and Nominee
Robert H. Naftaly*	76	Director
Ronald L. Piasecki	75	Director and Nominee
Arthur A. Weiss	65	Director and Nominee

\* Pursuant to the Board's age-based retirement policy, Mr. Naftaly has decided to retire and therefore is not a nominee for election at the Annual Meeting.

Gary A. Shiffman is our Chairman and Chief Executive Officer and has been an executive officer since our inception. He is a member of our Executive Committee. He has been actively involved in the management, acquisition, construction and development of manufactured housing ("MH") communities and has developed an extensive network of industry relationships over the past twenty years. He has overseen the acquisition, rezoning, development and marketing of numerous manufactured home expansion projects, as well as other types of income producing real estate. Additionally, Mr. Shiffman has significant direct holdings in various real estate asset classes, which include office, multi-family, industrial, residential and retail. Mr. Shiffman is an executive officer and a director of SHS and all of our other corporate subsidiaries. Mr. Shiffman is also a director of Origen Financial, Inc. ("Origen").

Stephanie W. Bergeron has been a director since May 2007. She is currently a member of our Audit Committee. Ms. Bergeron, a registered public accountant, also serves as the President and Chief Executive Officer of Walsh College. Additionally, Ms. Bergeron serves as President and Chief Executive Officer of Bluepoint Partners, LLC, a firm providing financial consulting services. From December 1998 to December 2003, Ms. Bergeron served as Vice President and Treasurer and then Senior Vice President-Corporate Financial Operations of The Goodyear Tire & Rubber Company ("Goodyear"). Prior to joining Goodyear, Ms. Bergeron was a Vice President and Assistant Treasurer of DaimlerChrysler Corporation. She has also served on Audit Committees of several publicly traded companies (including as chairman) and a number of not for profit organizations. During her business career, Ms. Bergeron directed staff responsible for accounting, treasury, investor relations and tax matters. Crain's Detroit Business named Bergeron one of its "Most Influential Women" in 1997 and in 2007.

Brian M. Hermelin was appointed, effective January 1, 2014, to serve as a director of the Company until the 2014 annual meeting of shareholders and until his successor is elected and qualifies. He is a member of our Audit Committee and Executive Committee. Mr. Hermelin is the Co-Founder and Managing Partner since 2007 of Rockbridge Growth Equity LLC, a private equity investment firm focusing on companies in the business services, financial services, sports, media and entertainment, and consumer direct marketing industries. He is also a co-founder and General Partner of Detroit Venture Partners, LLC, a venture capital firm based in Detroit, Michigan. From December 2000 to May 2011, Mr. Hermelin served as Chairman and Chief Executive Officer of Active Aero Group/USA Jet Airlines Inc., an air charter and logistics firm that also operates an air charter service for freight and passenger air transport. In addition, he is the chair of the Audit Committee of Rock Ohio Caesars LLC.

Paul D. Lapidès has been a director since December 1993. He is currently the chairman of our NCG Committee and a member of our Compensation Committee. Mr. Lapidès is Director of the Corporate Governance Center in the Michael J. Coles College of Business at Kennesaw State University, where he is a professor of management and entrepreneurship. Mr. Lapidès is a director of OnBoard, Inc., and a member of the advisory boards of the Newman Real Estate Institute at Baruch College and the National Association of Corporate Directors. Mr. Lapidès has extensive knowledge and experience in the areas of real estate and corporate governance. Mr. Lapidès, a certified public accountant, has been involved in real-estate related activities including the management of a \$3.0 billion national portfolio of income-producing real estate. As a published author or co-author of more than 100 articles and twelve books, Mr. Lapidès is considered a well-respected authority in management and corporate governance related issues.

Clunet R. Lewis has been a director since December 1993. He is currently the chairman of our Audit Committee, a member of our Compensation Committee and our NCG Committee, and he serves as the Lead Independent Director. Mr. Lewis has also chaired Special Committees of our Independent Directors formed to review and evaluate strategic alternatives. Mr. Lewis is a retired commercial lawyer. While in private practice, Mr. Lewis specialized in mergers and acquisitions, debt financings, issuances

of equity and debt securities, and corporate governance and control issues. Mr. Lewis has also served as Board Member, General Counsel, Chief Financial Officer, President, and Managing Director of other public and private companies.

Robert H. Naftaly has been a director since October 2006. Pursuant to the Board's age-based retirement policy, Mr. Naftaly has decided to retire as of the Annual Meeting. He is currently the chairman of our Compensation Committee and a member of our Audit Committee. Mr. Naftaly is retired as President and Chief Executive Officer of PPOM, an independent operating subsidiary of Blue Cross Blue Shield of Michigan ("BCBSM") and as Executive Vice President and Chief Operating Officer of BCBSM. Previously, Mr. Naftaly served as Vice President and General Auditor of Detroit Edison Company and was the Director of the Department of Management and Budget for the State of Michigan. He was a managing partner and founder of Geller, Naftaly, Herbach & Shapiro, a certified public accounting firm. In addition, Mr. Naftaly has served as a director of Meadowbrook Insurance Group, Inc. (NYSE:MIG) since 2002 where he is currently the Chairman of the Compensation Committee and a member of the Capital Strategy and Acquisition Committee. Mr. Naftaly previously served as a director of Walsh College, a non-profit institution that offers business and technology degrees and programs and since November 2013 has been a director emeritus of Walsh College. Mr. Naftaly also serves as a director and the chair of the Audit Committee at Talmer Bancorp, Inc. (NASDAQ: TLMR). Mr. Naftaly, a certified public accountant, draws upon a wide experience of board membership and leadership experiences. Mr. Naftaly was appointed by Governor Jennifer Granholm, as Chairperson, State Tax Commission of the State of Michigan in 2002. Mr. Naftaly is a member of the American Institute of Certified Public Accountants and the Michigan Association of Certified Public Accountants. In 2002, he received the Distinguished Achievement Award from the Michigan Association of Certified Public Accountants.

Ronald L. Piasecki has been a director since May 1996, upon completion of our acquisition of twenty-five MH communities (the "Aspen Properties") owned by affiliates of Aspen Enterprises, Ltd. ("Aspen"). He is currently a member of our NCG Committee. Mr. Piasecki was a director of Aspen Properties, which he co-founded in 1974. From 1974 until its sale to us in 1996, Mr. Piasecki was the managing partner in charge of property financing, legal and accounting relationships, resident relations, lobbying and syndication and sale of registered private equity limited partnership and participating mortgage interests. Prior to our acquisition, Aspen was one of the largest privately-held developers and owners of manufactured housing communities in the U.S. Mr. Piasecki has been involved in real estate development and management since 1968 when he began working in the tax department of the then accounting firm of Lybrand, Ross Brothers and Montgomery in Detroit. Mr. Piasecki then practiced law, specializing in real estate development, syndication and management, until 1980 when he became a full time partner in Aspen. Mr. Piasecki is currently engaged in the financing, development and management of real estate properties.

Arthur A. Weiss has been a director since October 1996. He is a member of our Executive Committee. Since 1976, Mr. Weiss has practiced law with the law firm of Jaffe, Raitt, Heuer & Weiss, Professional Corporation, which represents us in various matters. Mr. Weiss is currently Chairman of the firm and a shareholder of Jaffe, Raitt, Heuer & Weiss, Professional Corporation. Mr. Weiss practices law in the area of business planning, taxation, estate planning and real estate law. Mr. Weiss is a director of several closely-held companies in the real estate industry, steel industry and technology industry and currently serves as a director of Talmer Bancorp, Inc. (NASDAQ: TLMR). Mr. Weiss is also a director and officer of a number of closely held public and private nonprofit corporations, which include the Detroit Symphony Orchestra, where he is on the executive committee, and serves as a treasurer and board member. Mr. Weiss received a MBA in finance and a post graduate LLM degree from New York University in taxation. In addition to being an author and frequent lecturer in the Detroit area, Mr. Weiss previously was an Adjunct Professor of Law at Wayne State University. Mr. Weiss was previously recognized as one of the nation's Top 100 Attorneys by Worth magazine and has been chosen over the last 10 years as one of the Super Lawyers.

In addition to each director's qualifications, experience and skills outlined in their biographical data above and the minimum Board qualifications set forth above, our NCG Committee looked for certain attributes in each director nominee and based on these attributes, and the mix of attributes of the other incumbent directors, determined that each

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

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

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

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



## Director Compensation Tables

Directors who are also employees receive no additional compensation for their services as directors. During 2013, we paid directors that are not our employees the following annual fees:

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

The following tables provide compensation information for each member of the Board for the year ended on December 31, 2013.

Name	Fees Earned Paid in Cash	February 2013 Restricted Stock Award <sup>(1)</sup>	Total
Stephanie W. Bergeron	\$90,000	\$82,242	\$172,242
Paul D. Lapides	\$75,000	\$82,242	\$157,242
Clunet R. Lewis	\$102,500	\$82,242	\$184,742
Robert H. Naftaly	\$100,000	\$82,242	\$182,242
Ronald L. Piasecki	\$65,000	\$82,242	\$147,242
Arthur A. Weiss	\$65,000	\$82,242	\$147,242
Brian M. Hermelin <sup>(2)</sup>	\$—	\$—	\$—

This column represents the aggregate grant date fair value computed in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718, Compensation - Stock Compensation (“FASB

<sup>(1)</sup> ASC Topic 718”). For additional information on the valuation assumptions with respect to these grants, refer to Note 11 to our financial statements for the year ended December 31, 2013 included in our Annual Report on Form 10-K.

<sup>(2)</sup> Mr. Hermelin was appointed effective January 1, 2014.

Name	February 2013 Restricted Stock Award <sup>(1)</sup>	Aggregate number of options and restricted stock outstanding at December 31, 2013
Stephanie W. Bergeron	\$82,242	10,900
Paul D. Lapides	\$82,242	14,400
Clunet R. Lewis	\$82,242	10,900
Robert H. Naftaly	\$82,242	6,400
Ronald L. Piasecki	\$82,242	7,900
Arthur A. Weiss	\$82,242	6,400
Brian M. Hermelin <sup>(2)</sup>	\$—	—

This column represents the aggregate grant date fair value computed in accordance with FASB ASC Topic 718.

<sup>(1)</sup> For additional information on the valuation assumptions with respect to these grants, refer to Note 11 of our financial statements for the year ended December 31, 2013 included in our Annual Report on Form 10-K.

<sup>(2)</sup> Mr. Hermelin was appointed effective January 1, 2014.

In February 2014, each of our non-employee directors was granted 2,000 shares of restricted stock as provided for in the First Amended and Restated 2004 Non-Employee Director Option Plan. All of the shares will vest on February 12, 2017.

PROPOSAL NO. 1

ELECTION OF DIRECTORS

The first matter to be considered at the Annual Meeting will be the election of seven directors. Our current directors are:

Stephanie W. Bergeron;  
Brian M. Hermelin;  
Paul D. Lapidès;  
Clunet R. Lewis;  
Robert H. Naftaly;  
Ronald L. Piasecki;  
Gary A. Shiffman; and  
Arthur A. Weiss.

The term of each of our directors expires at the Annual Meeting, or until his or her successor is duly elected and qualified or until the earlier resignation or removal of such director.

Pursuant to the Board's age-based retirement policy, Mr. Naftaly has decided to retire, but he will continue to serve on the Board of Directors until the date of the Annual Meeting. Following the recommendation of the NCG Committee, the Board of Directors has nominated each of the following incumbent directors for election at the Annual Meeting:

Stephanie W. Bergeron;  
Brian M. Hermelin;  
Paul D. Lapidès;  
Clunet R. Lewis;  
Ronald L. Piasecki  
Gary A. Shiffman; and  
Arthur A. Weiss.

Each director elected at the Annual Meeting will serve for a term commencing on the date of the Annual Meeting and continuing until our 2015 annual meeting of shareholders or until his or her successor is duly elected and qualified or until the earlier resignation or removal of such director.

Because no one has been nominated to be elected at the Annual Meeting to serve as a director with respect to the Board seat currently held by Mr. Naftaly, that seat will be vacant immediately after the Annual Meeting. After the Annual Meeting, the Board, as permitted by our bylaws, may by resolution reduce the size of the Board to seven directors. Alternatively, the Board may elect a director to fill the vacancy upon identification of a qualified candidate. If the Board elects a director to fill the vacancy, that director will serve until the annual meeting of shareholders to be held in 2015 or until such director's successor is elected and qualified or until the earlier resignation or removal of such director.

In the absence of directions to the contrary, proxies will be voted in favor of the election of the seven nominees named above.

Vote Required

A majority of the votes cast in person or by proxy at the Annual Meeting is required for the election of directors. Abstentions will not be counted in determining which nominees received a majority of votes cast since abstentions do not represent votes cast for or against a candidate. Brokers are not empowered to vote on the election of directors without instruction from the beneficial owner of the shares and thus broker non-votes likely will result. Because broker non-votes are not considered votes cast for or against a candidate, they will not be counted in determining which nominees receive a majority of votes cast. Although we know of no reason why any nominee would not be able to serve, if any nominee should become unavailable for election, the persons named as proxies will vote your shares of common stock to approve the election of any substitute nominee proposed by the Board.

#### Board Recommendation

The Board unanimously recommends that you vote "FOR" each of the seven nominees named above.

## PROPOSAL NO. 2

## RATIFICATION OF SELECTION OF GRANT THORNTON LLP

The third proposal to be considered at the Annual Meeting will be the ratification of the selection of Grant Thornton LLP as our independent registered public accounting firm. The Audit Committee has selected and appointed Grant Thornton LLP as our independent registered public accounting firm to audit its consolidated financial statements for the year ending December 31, 2014. Grant Thornton LLP has audited our consolidated financial statements since 2003. Although ratification by shareholders is not required by law or by our bylaws, the Audit Committee believes that submission of its selection to shareholders is a matter of good corporate governance. Even if the appointment is ratified, the Audit Committee, in its discretion, may select a different independent registered public accounting firm at any time if the Audit Committee believes that such a change would be in our best interests and our shareholders. If our shareholders do not ratify the appointment of Grant Thornton, the Audit Committee will take that fact into consideration, together with such other factors it deems relevant, in determining its next selection of independent auditors.

It is anticipated that a representative of Grant Thornton LLP will attend the Annual Meeting, will have an opportunity to make a statement if he or she desires to do so and will be available to respond to appropriate questions.

## Auditor Fees

Aggregate fees for professional services rendered by Grant Thornton, LLP, our independent auditors, for the years ended December 31, 2013 and 2012 were as follows:

Category	December 31, 2013	December 31, 2012
Audit Fees: For professional services rendered for the audit of our financial statements, the audit of internal controls relating to Section 404 of the Sarbanes-Oxley Act, the reviews of the quarterly financial statements and consents	\$ 569,376	\$ 734,170
Audit-Related Fees: For professional services rendered for accounting assistance with new accounting standards and potential transactions and other SEC related matters	\$ 123,204	\$ 7,019
Tax Fees	\$—	\$—
All Other Fees	\$—	\$—

## Auditor Fees Policy

The Audit Committee has a policy concerning the pre-approval of audit and non-audit services to be provided by our independent auditors. The policy requires that all services provided by the independent auditors to us, including audit services, audit-related services, tax services and other services, must be pre-approved by the Audit Committee. In some cases, pre-approval is provided by the full Audit Committee for up to a year, and relates to a particular category or group of services and is subject to a particular budget. In other cases, specific pre-approval is required. All of the services provided by our independent auditor in 2013 and 2012 including services related to audit, audit-related fees, tax fees and all other fees described above, were approved by the Audit Committee under its pre-approval policies.

## Vote Required

A majority of the votes cast in person or by proxy at the Annual Meeting is required to ratify the selection of Grant Thornton LLP. Abstentions will not be counted as votes cast for this proposal and do not represent votes cast for or against the ratification of the selection of Grant Thornton LLP. In the absence of your voting instructions, your broker

or nominee may vote your shares for this proposal in its discretion.

**Board Recommendation**

The Board unanimously recommends that you vote “FOR” the ratification of the selection of Grant Thornton LLP as our independent registered public accounting firm for 2014.

## REPORT OF THE AUDIT COMMITTEE

The Board maintains an Audit Committee comprised of four of our directors. The directors who serve on the Audit Committee are all “independent” for purposes of the NYSE listing standards. The Audit Committee held four formal meetings and several informal meetings during the 2013 fiscal year.

In accordance with its written charter, the Audit Committee assists the Board with fulfilling its oversight responsibility regarding quality and integrity of our accounting, auditing and financial reporting practices. In discharging its oversight responsibilities regarding the audit process, the Audit Committee:

reviewed and discussed the audited financial statements with management and Grant Thornton, LLP, our independent auditors, for the fiscal year ended December 31, 2013;

discussed with the independent auditors the matters required to be discussed by Statement on Auditing Standards No. 61 (Codification of Statements on Auditing Standards), as amended, as adopted by the Public Company Accounting Oversight Board; and

received and reviewed the written disclosures and the letter from the independent auditors required by the Independence Standards Board’s Standard No. 1 (Independence Discussions with Audit Committees), and discussed with the independent auditors any relationships that may impact their objectivity and independence.

Based upon the review and discussions referred to above, the Audit Committee recommended to the Board that the audited financial statements included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2013 be filed with the SEC.

The Audit Committee has considered and determined that the level of fees of Grant Thornton LLP for provision of services other than the audit services is compatible with maintaining the auditor’s independence.

Respectfully Submitted,  
Members of the Audit Committee:  
Clunet R. Lewis (Chairman)  
Stephanie W. Bergeron  
Brian M. Hermelin  
Robert H. Naftaly

## MANAGEMENT AND EXECUTIVE COMPENSATION

## Executive Officers

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

Name	Age	Office
Gary A. Shiffman	60	Chairman and Chief Executive Officer
John B. McLaren	43	President and Chief Operating Officer
Karen J. Dearing	49	Executive Vice President, Treasurer, Chief Financial Officer and Secretary
Jonathan M. Colman	58	Executive Vice President

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

John B. McLaren has been in the manufactured housing industry since 1995. He has served as our President since February 2014 and as our Chief Operating Officer since February 2008. From February 2008 to February 2014, he served as an Executive Vice President of the Company. From August 2005 to February 2008, he was Senior Vice President of SHS with overall responsibility for homes sales and leasing. Prior to that, Mr. McLaren was a Regional Vice President for Apartment Investment & Management Company (“AIMCO”), a Real Estate Investment Trust engaged in leasing apartments. Prior to AIMCO, Mr. McLaren spent approximately three years as Vice President of Leasing & Service for SHS with responsibility for developing and leading our Rental Program.

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

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

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





## Compensation Discussion and Analysis

### Compensation Committee Composition and Charter

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

- consults with executive management in developing a compensation philosophy;

- reviews and approves the goals and objectives relevant to the compensation of the Chief Executive Officer and other executive officers ensuring those goals are aligned with our short and long-term objectives;

- reviews and approves salary, annual and long-term incentive compensation performance objectives and payments for the executive officers;

- evaluates the performance of the executives in light of the goals and objectives of our executive compensation plans and establishes future compensation levels based upon this evaluation;

- reviews and approves grants and awards to the executive officers and other participants under our equity based compensation plans; and

- reviews and approves any employment agreements and severance agreements to be made with any existing or prospective executive officer.

The Compensation Committee has the authority to retain and terminate independent, third-party compensation consultants and to obtain independent advice and assistance from internal and external legal, accounting and other advisors. The Compensation Committee did not engage a compensation consultant firm for 2013 compensation year. Each member of the Compensation Committee is independent under NYSE rules. A copy of the Compensation Committee Charter is available under the “Investors-Officers and Directors” section of our website at [www.suncommunities.com](http://www.suncommunities.com).

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

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

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

## Compensation Philosophy and Objectives

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

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

- attract, retain and reward executives who have the motivation, experience and skills necessary to lead us effectively and encourage them to make career commitments to us;

- base executive compensation levels on our overall financial and operational performance and the individual contribution of an executive officer to our success;

- create a link between the performance of our stock and executive compensation; and

- position executive compensation levels to be competitive with other similarly situated public companies including the real estate industry in general and manufactured housing REITs in particular.

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

## Role of Executive Officers in Compensation Decisions

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

## Compensation Components and Processes

In order to implement our executive compensation philosophy, the Compensation Committee exercises its independent discretion in reviewing and approving the executive compensation program as a whole, as well as specific compensation levels for each executive officer. Final aggregate compensation determinations for each fiscal year are generally made after the end of the fiscal year, after financial statements for such year become available. At that time, the Compensation Committee determines the annual incentive award, if any, for the past year's performance, sets base salaries for those executive officers whose base salaries are not bound by employment agreements for the following fiscal year and makes awards of equity-based compensation, if any. Prior to the engagement of FPL in late 2010, the Compensation Committee did not formally benchmark executive compensation but did, on occasion, review

salary and compensation information for companies with comparable market capitalization, number of employees and business sectors as published in the National Association of Real Estate Investment Trusts Compensation Survey (the "NAREIT Survey") and various other compensation studies and surveys. The Compensation Committee used this information to gain a general understanding of current compensation practices and guidelines and did not tie its compensation decisions to any particular target or level of compensation noted in the NAREIT Survey or other surveys. The Compensation Committee considers (a) internal equity among executive officers, (b) market data for the positions held by these executives, (c) each executive's duties, responsibilities, and experience level, (d) each executive's performance and contribution to our success, and (e) cost to us when determining levels of compensation.

The Compensation Committee also considered the results of the advisory vote by shareholders on executive compensation, or the "say-on-pay" proposal, presented to shareholders at our July 23, 2013 annual meeting of shareholders. As reported in our Form 8-K, filed with the SEC on July 29, 2013, approximately 98% of the shares that voted on the say-on-pay proposal approved our

2012 executive compensation. Based on the votes from our 2013 annual meeting of shareholders, we will continue to offer an annual non-binding advisory vote on the executive compensation. Accordingly, the Compensation Committee made no direct changes to the Company's executive compensation program as a result of the say-on-pay vote and our executive compensation program for the year ended December 31, 2013 continued to focus on the factors and objectives described above.

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

Annual incentive awards are cash bonuses that motivate the executive officers to maximize our annual operating and financial performance and reward participants based on annual performance. The Compensation Committee annually reviews the performance measures for determining award levels which include individual performance, our performance against budget and growth in FFO and CNOI, in each case as measured against targets established by the Compensation Committee. A definition of FFO and NOI is included under the heading "Supplemental Measures" in Item 7 of our Annual Report on Form 10-K, and CNOI is described further below. The Compensation Committee, in its sole discretion, may make adjustments to the NAREIT definition of FFO in determining FFO performance targets and achievement. The specific performance measures of the 2013 annual incentive award plan are further enumerated below.

Long-term equity incentive awards are provided to the executive officers in order to increase their personal stake in our success and motivate them to enhance our long-term value while better aligning their interests with those of other shareholders. Equity awards are generally awarded in the form of restricted stock although stock options are utilized from time to time. The value of the restricted shares awarded is the price of a share of our stock as of the close of business on the grant date. On an annual basis the Compensation Committee reviews and approves the equity incentives to be issued to each of the executive officers for the prior year's performance. There is no established target for long-term equity incentive awards for any of the executive officers either as a dollar value or percentage of their total compensation. Rather, the Compensation Committee reviews this component of each executive officer's total compensation on an annual basis. As such, during the year ended December 31, 2013, the Compensation Committee awarded 290,000, 15,000, 3,000 and 15,000 shares of restricted stock to Messrs. Shiffman, McLaren, Colman and Ms. Dearing, respectively. In February 2014, a grant of 8,000 shares of restricted stock was awarded to Mr. Colman. Restricted stock awards generally begin to vest after three to four years from the date of grant and then vest over the following four to five years. Our executive officers (as well as our employees that receive restricted stock awards) receive distributions on the restricted stock awards that have been granted to date, including restricted stock awards that have not vested.

#### Employment Agreements

##### Gary A. Shiffman

In June 2013, we entered into an employment agreement with Gary A. Shiffman, under which he serves as our Chief Executive Officer. He also served as our President until February 2014. We and Mr. Shiffman entered into a prior employment agreement in 2005, which expired on December 31, 2011 and was automatically renewed for a one-year term in both 2012 and 2013. This agreement supersedes the 2005 employment agreement. Mr. Shiffman's employment agreement has an initial term ending June 20, 2018 and will be automatically renewed for successive one year terms thereafter unless either party timely terminates the agreement. Pursuant to this employment agreement, Mr. Shiffman is paid an annual base salary of \$671,000, which will be increased by an annual cost of living adjustment on January 1 of each year of the term, beginning in 2014. In addition to his base salary, we may pay Mr. Shiffman annual incentive compensation in an amount up to 100% of his then current base salary, as follows: (i) if, in the sole discretion of the

Compensation Committee of our Board, Mr. Shiffman fulfills his annual individual goals and objectives as approved by the Compensation Committee, he will receive incentive compensation in the amount of 25% of his then current base salary; (ii) if, in the sole discretion of the Compensation Committee, the Company achieves the FFO and financial budget objectives approved by our Board at the beginning of the applicable year, Mr. Shiffman will receive incentive compensation in the amount of 50% of his then current base salary; and (iii) the remaining 25% of the incentive compensation may be awarded to Mr. Shiffman in the sole discretion of the Compensation Committee for extraordinary performance during the applicable year. Incentive compensation paid or payable to Mr. Shiffman under the employment agreement shall not be deemed to be fully earned and vested, and must be repaid to the extent such incentive compensation becomes subject to clawback pursuant to the provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act, any rules promulgated thereunder or the rules and regulations of the New York Stock Exchange. The non-competition clauses of Mr. Shiffman's employment agreement preclude him from engaging, directly or indirectly: (a) in the real estate business or any other business competitive with our business during the period he is employed by us; and (b) in the manufactured housing community business or any other business competitive with our business for a period of 18 months following the period he is employed by us. However, Mr. Shiffman's employment agreement does allow

him to make passive investments relating to real estate in general. See "Change in Control and Severance Agreements" for a description of the terms of Mr. Shiffman's employment agreement relating to change in control and severance payments.

In connection with the execution of the employment agreement, and pursuant to a restricted stock award agreement, we also issued Mr. Shiffman 250,000 restricted shares of our common stock.

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

Karen J. Dearing

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

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

John B. McLaren

On March 7, 2011 but effective as of the Effective Date, we entered into an employment agreement with John B. McLaren pursuant to which Mr. McLaren serves as our Chief Operating Officer. Since February 2014, he has also served as our President. Prior to that, he was our Executive Vice President. Mr. McLaren's employment agreement is for an initial term commencing on the Effective Date and ending on December 31, 2015. The employment agreement is automatically renewable for successive one year terms thereafter unless either party timely terminates the agreement. Pursuant to the employment agreement, Mr. McLaren is paid an annual base salary of \$345,000 in the first



year, \$375,000 in the second year, \$400,000 in the third year, and \$425,000 thereafter, subject to adjustments in accordance with the annual cost of living. Upon signing the employment agreement, Mr. McLaren was paid a one-time signing bonus of \$150,000. In addition to his base salary and in accordance with the terms of his employment agreement and sole discretion of the Compensation Committee, Mr. McLaren is eligible for annual incentive compensation of up to 50% of his base salary if certain annual individual and/or Company performance criteria, as established by the Compensation Committee in its sole discretion, are met and up to 50% of his base salary at the sole discretion of the Compensation Committee. The clawback clause of Mr. McLaren's employment agreement deems that the bonus payment or any other incentive compensation is not deemed fully earned and vested, and Mr. McLaren shall reimburse us if previously paid, to the extent such incentive compensation becomes subject to clawback pursuant to the provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act or NYSE rules. The non-competition clauses of Mr. McLaren's employment agreement preclude him from engaging, directly or indirectly, in the development, ownership, leasing, management, financing, or sales of manufactured housing communities or manufactured homes anywhere in the continental United States or Canada during the period he is employed by us and for a period of up to twenty four months following the period he is employed by us; provided, however, that if Mr. McLaren is terminated without "cause" the period of non-competition shall be reduced to twelve months following the period he is employed by us. Notwithstanding, Mr. McLaren's employment agreement does allow him to make passive investments in publicly-traded

entities engaged in our business during the period he is employed by us. See “Change in Control and Severance Payments” for a description of the terms of Mr. McLaren's employment agreement relating to change of control and severance payments.

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

### 2013 Compensation

The base salaries for the named executive officers for the year ended December 31, 2013, were paid in accordance with existing employment agreements or arrangements.

For 2013, the Compensation Committee established the following targets for the executive officers in relation to annual incentive awards. The achievement of such targets was used to determine a portion of the executive's annual incentive award. As indicated in each executive's employment agreement, the payment of any or all of the incentive compensation, whether or not set targets are achieved, is in the sole discretion of the Compensation Committee. The structure of the bonus plans for Mr. Shiffman and Ms. Dearing are set forth in the tables below:

CEO Bonus Plan		% of Salary			Maximum Discretionary Award (2)	Total Bonus Awarded
Item	Allocation of Base Salary	30% Met	60% Exceed	100% Excel		
Achievement of individual goals	\$167,778	\$50,333	\$100,667	\$167,778	\$—	\$167,778
Company achievement of FFO <sup>(1)</sup>	335,555	\$100,667	\$201,333	\$335,555	\$—	—
Compensation Committee Discretion <sup>(2)</sup>	167,778	\$—	\$—	\$—	\$167,778	167,778
<b>Total</b>	<b>\$671,111</b>					<b>\$335,556</b>

CFO Bonus Plan		% of Salary			Maximum Discretionary Award (2)	Total Bonus Awarded
Item	Allocation of Base Salary	30% Met	60% Exceed	100% Excel		
Achievement of individual goals	\$88,245	\$26,474	\$52,947	\$88,245	\$—	\$88,245
Company achievement of FFO <sup>(1)</sup>	176,490	\$52,947	\$105,894	\$176,490	\$—	—
Compensation Committee Discretion <sup>(2)</sup>	88,245	\$—	\$—	\$—	\$88,245	88,245
<b>Total</b>	<b>\$352,980</b>					<b>\$176,490</b>

<sup>(1)</sup> See Target Level Table below for achievement ranges.

<sup>(2)</sup> The Compensation Committee has the discretion to award the CEO and CFO a cash bonus in any amount up to a maximum of 25% of their base salary.

The individual goals for Mr. Shiffman were focused on strategic leadership of the organization and communication of our mission and values, implementation of systems and processes that assure physical, financial and human resources of our organization, providing strategic planning and guidance for growth through acquisitions and expansions and opportunistically accessing capital markets to fund growth and strengthen the balance sheet. The individual goals for Ms. Dearing were focused on evaluation and implementation of strategies associated with our capital requirements and structure including debt and equity transactions, effectively leading our accounting, tax and information technology departments, and creating and communicating along with the other executive officers, our strategic vision. The Compensation Committee determined that for fiscal year 2013 both Mr. Shiffman and Ms. Dearing “excelled” in

the achievement of their individual goals and as such, achieved annual incentive awards of \$167,778 and \$88,245, respectively, for the achievement of this target.

Based on the results achieved in 2013, including significant community acquisitions, financing transactions and diligent management of the Company's balance sheet, the Compensation Committee, elected to exercise its sole discretion to award Mr. Shiffman and Ms. Dearing additional discretionary amounts of \$167,778 and \$88,245, respectively, bringing their total annual incentive bonuses to \$335,556 and \$176,490, respectively.

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

Achievement Level	Target Ranges		Revenue Producing Sites ("RPS")
	FFO	CNOI <sup>(2)</sup>	
Met	\$3.19 - \$3.23	\$221,068,057	> 1,623
Exceed	\$3.24 - \$3.27	\$222,173,397	> 1,673
Excel	\$3.27 or greater	\$223,278,738	> 1,723

Result Achievement Level	Company Results		
	Revised FFO <sup>(1)</sup>	CNOI <sup>(2)</sup>	Revenue Producing Sites ("RPS")
	\$3.16	\$219,673,284	1,885
	Not Achieved	Not Achieved	Excel

<sup>(1)</sup> The reconciliation for Revised FFO as deemed by the Compensation Committee is below.

<sup>(2)</sup> CNOI is comprised of NOI/Gross Profit excluding any Gross Profit (Loss) on fixed asset home sales.

The following table provides information regarding the Compensation Committee's calculation of Revised FFO (shown as diluted per share):

	Year Ended December 31, 2013
Funds from operations (FFO)	\$3.11
Acquisition related costs	0.11
Adjustment to reflect certain items including unbudgeted acquisitions and financing events	(0.06)
Revised FFO as deemed by the Compensation Committee	\$3.16

Targets for FFO achievement were developed from the Company's budget including community acquisitions and common stock offerings completed through March 31, 2013. Adjustments were made to remove the operating results of properties acquired after March 31, 2013 including the assumed interest charge associated with the purchase price of the communities, as well as certain financing charges related to unbudgeted financing transactions.

We achieved Revised FFO/share of \$3.16 as adjusted by the Compensation Committee and as such Messrs. Shiffman and McLaren and Ms. Dearing did not receive an incentive payout with respect to this target.

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

COO Bonus Plan Item	Allocation of Base Salary	% of Salary			Maximum Discretionary Award (2)	Total Bonus Awarded
		30% Minimum	60% Target	100% Maximum		
CNOI <sup>(1)</sup>	\$100,000	\$30,000	\$60,000	\$100,000	\$—	\$—
Company achievement of FFO	80,000	\$24,000	\$48,000	\$80,000	\$—	—
Achievement of Revenue Producing Sites ("RPS")	20,000	\$6,000	\$12,000	\$20,000	\$—	20,000
Compensation Committee Discretion (2)	200,000				\$200,000	180,000
Total	\$400,000					\$200,000

(1) See Target Ranges Table above for achievement ranges and definition of CNOI.

(2) The Compensation Committee has the discretion to award the COO a cash bonus in any amount up to a maximum of 50% of his base salary.

Combined net operating income for this purpose may not be the same as net operating income as disclosed in our financial statements included in our Annual Report on Form 10-K as certain items that are not under Mr. McLaren's control or that are recorded solely for GAAP financial purposes are excluded from the computation of combined net operating income. Mr. McLaren achieved the maximum award for the achievement of revenue producing sites and did not achieve an annual incentive award for CNOI or FFO. The Compensation Committee, in its sole discretion, elected to award Mr. McLaren a discretionary bonus of

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\$180,000 due to his significant efforts with respect to our core portfolio, acquired communities and leadership of the operations, sales and human resource departments.

For Jonathan M. Colman:

Mr. Colman's annual incentive award is determined in the sole discretion of the CEO and recommended to the Compensation Committee after review of his overall responsibilities, his individual performance during the year, the annual incentives of the other executive officers and his overall compensation. For the fiscal year 2013, the CEO recommended and the Compensation Committee approved an annual incentive award of \$265,000 related to his work on the acquisition of the 15 communities completed in 2013.

#### Tax and Accounting Implications

##### Deductibility of Executive Compensation

Section 162(m) of the Code limits the deductibility on our tax return of compensation over \$1.0 million to any of our named executive officers. We believe that, because we qualify as a REIT under the Code and therefore are not subject to federal income taxes on our income to the extent distributed, the payment of compensation that does not satisfy the requirements of section 162(m) has not and will not generally affect our net income. However, to the extent that compensation does not qualify for deduction of section 162(m), a larger portion of shareholder distributions may be subject to federal income taxation as dividend income rather than return of capital. We do not believe that section 162(m) has materially affected or will materially affect the taxability of shareholder distributions, although no assurance can be given in this regard due to the variety of factors that affect the tax position of each shareholder. For these reasons, section 162(m) is not a significant factor in the Compensation Committee's compensation policy and practices. In 2013, we did not pay any compensation to any of our named executive officers that was subject to section 162(m).

##### 409A Considerations

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

##### Risks Arising from Compensation Policies and Practices

Our senior management has assessed the enterprise-wide risks facing us and processes and procedures to mitigate such risks. In connection with such enterprise risk process, our compensation programs, including program features that could potentially encourage excessive or impudent risk taking, did not rise to levels of risk exposure that senior management determined would require an elevated level of monitoring. Following this review, our management, Compensation Committee and full Board of Directors affirmatively determined that there were no risks arising from the compensation policies and practices that are reasonably likely to have a material adverse effect on us.

## Summary Compensation Table

The following table includes information concerning compensation for our named executive officers for the fiscal year ended December 31, 2013:

Name and Principal Position	Year	Salary	Bonus <sup>(1)</sup>	Stock Awards <sup>(2)</sup>	All Other Compensation <sup>(3)</sup>	Total
Gary A. Shiffman, Chairman, Chief Executive Officer, and President <sup>(4)</sup>	2013	\$671,111	\$335,556	\$13,717,600	\$49,249	\$14,773,516
	2012	\$657,500	\$315,000	\$769,200	\$59,666	\$1,801,366
	2011	\$637,385	\$637,385	\$1,882,000	\$47,571	\$3,204,341
Karen J. Dearing, Executive Vice President, Treasurer, Chief Financial Officer and Secretary	2013	\$352,980	\$176,490	\$685,350	\$3,753	\$1,218,573
	2012	\$345,720	\$135,000	\$204,000	\$5,502	\$690,222
	2011	\$335,000	\$402,925	\$834,575	\$5,145	\$1,577,645
John B. McLaren, Executive Vice President and Chief Operating Officer <sup>(4)</sup>	2013	\$400,000	\$200,000	\$685,350	\$3,691	\$1,289,041
	2012	\$375,000	\$150,000	\$408,000	\$5,279	\$938,279
	2011	\$345,000	\$381,150	\$1,113,925	\$5,194	\$1,845,269
Jonathan M. Colman, Executive Vice President <sup>(5)</sup>	2013	\$75,000	\$265,000	\$137,070	\$2,759	\$479,829
	2012	\$195,388	\$175,000	\$—	\$2,982	\$373,370
	2011	\$191,521	\$75,000	\$—	\$2,210	\$268,731

See “2013 Compensation” above for additional information regarding annual incentive payments awarded in 2013.

Although the annual incentive payments were earned for 2013, 2012 and 2011 such payments were made in 2014,

- (1) 2013 and 2012, respectively. The amount included in 2013 for Mr. Colman is acquisition related incentive compensation of which \$135,000 was earned for 2013, but paid in 2014. The bonus in 2011 for Ms. Dearing and Mr. McLaren includes the \$150,000 signing bonus as provided for in their respective employment agreements.

This column represents the aggregate grant date fair value computed in accordance with FASB ASC Topic 718.

- (2) For additional information on the valuation assumptions with respect to these grants, refer to Note 11 of our financial statements for the year ended December 31, 2013 included in our Annual Report on Form 10-K.

Includes matching contributions to our 401(k) plan of \$3,253, \$3,412, \$2,480 and \$3,251 for each of Messrs. Shiffman, McLaren, Colman and Ms. Dearing, respectively; for the year ended December 31, 2013.

Includes matching contributions to our 401(k) plan of \$5,000, \$5,000, \$2,703 and \$5,000 for each of Messrs. Shiffman, McLaren, Colman and Ms. Dearing, respectively, for the year ended December 31, 2012.

- (3) Includes matching contributions to our 401(k) plan of \$3,862, \$4,900, \$1,916 and \$4,851 for each of Messrs. Shiffman, McLaren, Colman and Ms. Dearing, respectively, for the year ended December 31, 2011. Also includes premiums for life insurance and accidental death and disability insurance in the amount of \$279 for each of Messrs. Shiffman, McLaren, Colman and Ms. Dearing for the year ended December 31, 2013; \$279 for each of Messrs. Shiffman, McLaren, Colman and Ms. Dearing for the year ended December 31, 2012; and \$294 for each of Messrs. Shiffman, McLaren and Colman and Ms. Dearing for the year ended December 31, 2011. Includes perquisites for sporting events valued in the amounts of \$2,717 and \$223 for Mr. Shiffman and Ms. Dearing, respectively, for the year ended December 31, 2013. Includes perquisites for sporting events valued in the amounts of \$8,637 and \$223 for Mr. Shiffman and Ms. Dearing, respectively, for the year ended December 31, 2012. Includes perquisites for sporting events valued in the amounts of \$3,415 for Mr. Shiffman for the year ended December 31, 2011. Includes \$43,000, \$45,750 and \$40,000 paid to Mr. Shiffman by Origen Financial, Inc. for service on its Board of Directors for the years ended December 31, 2013, 2012 and 2011, respectively.

(4) Mr. McLaren was appointed to replace Mr. Shiffman as President of the Company in February 2014.

(5) Item 11 of the Company's Form 10-K for the year ended December 31, 2013 inadvertently listed Mr. Colman's salary for 2013 as \$87,328 and indicated that Mr. Colman was paid an acquisition related incentive bonus of \$135,000 for 2013. As described above, Mr. Colman's salary for 2013 was \$75,000 and he was paid acquisition related incentive bonuses totaling \$265,000 for 2013.



## Grants of Plan Based Awards

We made the following grants of restricted shares of our common stock to certain named executive officers in 2013. The shares granted on June 20, 2013 to Mr. Shiffman in connection with his employment agreement vest 35% on June 20, 2016, 35% on June 20, 2017, 20% on June 20, 2018 and 5% on each of June 20, 2019 and June 20, 2020. The shares granted on February 15, 2013 to Messrs. McLaren and Colman and Ms. Dearing vest 20% on February 15, 2017, 30% on February 15, 2018, 35% on February 15, 2019, 10% on February 15, 2020 and five percent on February 15, 2021. One-third of the shares granted on February 15, 2013 to Mr. Shiffman vest on each of February 15, 2017, 2018 and 2019.

Name	Grant Date	All Other Stock Awards: Number of Shares of Stocks or Units (#)	Grant Date Fair Value of Stock Option Awards <sup>(1)</sup>
Gary A. Shiffman	2/15/2013	40,000	\$1,827,600
	6/20/2013	250,000	\$11,890,000
		290,000	\$13,717,600
Karen J. Dearing	2/15/2013	15,000	\$685,350
John B. McLaren	2/15/2013	15,000	\$685,350
Jonathan M. Colman	2/15/2013	3,000	\$137,070

<sup>(1)</sup> Pursuant to SEC rules, this column represents the total fair market value of restricted stock awards, in accordance with FASB ASC Topic 718.

## Outstanding Equity Awards at Fiscal Year-End

The following table provides certain information with respect to the value of all restricted share awards previously granted our named executive officers. None of the named executive officers hold any unexercised options.

## Outstanding Equity Awards at Fiscal Year-End as of December 31, 2013

Name	Share Awards <sup>(1)</sup>	
	Number of Shares or Units of Stock that Have Not Vested	Market Value of Shares or Units of Stock that Have Not Vested <sup>(2)</sup>
Gary A. Shiffman	3,502	\$ 149,325 <sup>(3)</sup>
	1,000	\$ 42,640 <sup>(4)</sup>
	40,000	\$ 1,705,600 <sup>(6)</sup>
	50,000	\$ 2,132,000 <sup>(8)</sup>
	20,000	\$ 852,800 <sup>(10)</sup>
	40,000	\$ 1,705,600 <sup>(11)</sup>
Karen J. Dearing	250,000	\$ 10,660,000 <sup>(13)</sup>
	350	\$ 14,924 <sup>(4)</sup>
	3,000	\$ 127,920 <sup>(5)</sup>
	6,667	\$ 284,281 <sup>(6)</sup>
	7,500	\$ 319,800 <sup>(7)</sup>
	10,000	\$ 426,400 <sup>(8)</sup>
	5,000	\$ 213,200 <sup>(9)</sup>
15,000	\$ 639,600 <sup>(12)</sup>	
John B. McLaren	3,000	\$ 127,920 <sup>(5)</sup>
	6,667	\$ 284,281 <sup>(6)</sup>
	12,500	\$ 533,000 <sup>(7)</sup>
	7,500	\$ 319,800 <sup>(8)</sup>
	10,000	\$ 426,400 <sup>(9)</sup>
Jonathan M. Colman	15,000	\$ 639,600 <sup>(12)</sup>
	500	\$ 21,320 <sup>(4)</sup>
	3,000	\$ 127,920 <sup>(12)</sup>

<sup>(1)</sup> All share awards begin to vest after either the third or fourth anniversary of the date of grant.

<sup>(2)</sup> Value based on \$42.64, the closing price of our common stock on NYSE on December 31, 2013.

<sup>(3)</sup> Shares will vest on July 15, 2014.

<sup>(4)</sup> Shares vested on May 10, 2014.

<sup>(5)</sup> 2,000 shares vested on February 5, 2014 and the remaining 1,000 shares will vest in two equal installments on February 5, 2015 and February 5, 2018.

- (6) The shares will vest in equal installments on July 30, 2014 and July 31, 2015.
- (7) One-third of the shares will vest on each of January 1, 2015, January 1, 2016 and January 1, 2017.
- (8) One-third of the shares vest on each of May 6, 2015, May 6, 2016 and May 6, 2017.
- (9) Twenty percent of the shares vest on February 20, 2016, 30% of the shares vest on February 20, 2017, 35% of the shares vest on February 20, 2018, 10% of the shares vest on February 20, 2019 and 5% of the shares vest on February 20, 2020.
- (10) One-third of the shares vest on each of December 14, 2016, December 14, 2017 and December 14, 2018.

- (11) One-third of the shares will vest on each of February 15, 2017, February 15, 2018 and February 15, 2019.
- (12) Twenty percent of the shares will vest on February 15, 2017, 30% of the shares will vest on February 15, 2018, 35% of the shares will vest on February 15, 2019, 10% of the shares will vest on February 15, 2020 and 5% of the shares will vest on on February 15, 2021.
- (13) Thirty-five percent of the shares will vest on June 20, 2016, 35% of the shares will vest on June 20, 2017, 20% of the shares will vest on June 20, 2018 and 5% of the shares will vest on each of June 20, 2019 and June 20, 2020.

## Option Exercises and Stock Vested During Last Fiscal Year

The following table sets forth certain information concerning shares held by our named executive officers that vested during the fiscal year ended on December 31, 2013:

Name	Stock Awards	
	Number of Shares Acquired on Vesting	Value Realized on Vesting <sup>(1)</sup>
Gary Shiffman	20,000	\$ 1,019,500
Karen J. Dearing	3,500	\$ 150,868
	3,333	\$ 169,900
John B. McLaren	3,500	\$ 150,868
	3,333	\$ 169,900

<sup>(1)</sup> Value based on the average of the high and low of the share price on the vesting date, or the next business day if the vesting date was on a weekend.

## Change in Control and Severance Payments

Under their employment agreements, we are obligated to make severance and change in control payments to Mr. Shiffman, Mr. McLaren and Ms. Dearing under certain circumstances. If any such executive is terminated without “cause” as defined in his or her employment agreement, he or she is entitled to any accrued but unpaid salary, incentive compensation and benefits through the effective date of termination. In addition, subject to the execution of a general release and continued compliance with his or her non-competition and confidentiality covenants, Mr. Shiffman is entitled to a continuation of salary for up to 18 months after termination, and each of Ms. Dearing and Mr. McLaren is entitled to a continuation of salary for up to 12 months after termination. If Mr. Shiffman’s, Mr. McLaren’s or Ms. Dearing’s employment is terminated due to death or disability, he or she or his or her successors and assigns, is entitled to any accrued but unpaid salary, incentive compensation and benefits through the effective date of termination. In addition, Mr. Shiffman, Mr. McLaren and Ms. Dearing are entitled to a continuation of salary for up to 24 months after death or disability.

If there is a change of control of the Company and any of the following events has occurred: (i) we terminate the employment of Mr. Shiffman, Mr. McLaren or Ms. Dearing within two years after the date of such change of control, (ii) the form of such change of control transaction is a sale by the Company of all or substantially all of its assets and the Company or its successor does not expressly assume the employment agreement of Mr. Shiffman, Mr. McLaren or Ms. Dearing, or (iii) in the case of Mr. Shiffman, less than two years remain under the term of his employment agreement, and in the case of Mr. McLaren or Ms. Dearing, less than 18 months remain under the term of his or her employment agreement, then we are obligated to pay Mr. Shiffman, Mr. McLaren or Ms. Dearing, as applicable, an amount equal to 2.99 times his or her then current base salary, and to continue to provide him or her health and insurance benefits for up to one year.

Under any of the foregoing events of termination or change of control, all stock options and other stock based compensation awarded to the applicable executive shall become fully vested and immediately exercisable.

The following tables describe the potential payments upon termination without cause, a termination due to death or disability or after a change of control (and associated termination of the executives) for the following named executive officers:

## Termination Without Cause

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Name	Cash Payment <sup>(1)</sup>	Acceleration of Vesting of Stock Awards <sup>(2)</sup>	Benefits <sup>(3)</sup>	Total
Gary A. Shiffman	\$1,006,667	\$17,247,965	\$—	\$18,254,632
Karen J. Dearing	\$352,980	\$2,026,125	\$—	\$2,379,105
John B. McLaren	\$400,000	\$2,331,001	\$—	\$2,731,001
Jonathan M. Colman	\$—	\$—	\$—	\$—

## Termination Due to Death or Disability

Name	Cash Payment <sup>(1)</sup>	Acceleration of Vesting of Stock Awards <sup>(2)</sup>	Benefits <sup>(3)</sup>	Total
Gary A. Shiffman	\$1,342,222	\$17,247,965	\$—	\$18,590,187
Karen J. Dearing	\$705,960	\$2,026,125	\$—	\$2,732,085
John B. McLaren	\$600,000	\$2,331,001	\$—	\$2,931,001
Jonathan M. Colman	\$—	\$149,240	\$—	\$149,240

## Change of Control

Name	Cash Payment <sup>(1)</sup>	Acceleration of Vesting of Stock Awards <sup>(2)</sup>	Benefits <sup>(3)</sup>	Total
Gary A. Shiffman	\$2,006,622	\$17,247,965	\$10,899	\$19,265,486
Karen J. Dearing	\$1,055,410	\$2,026,125	\$279	\$3,081,814
John B. McLaren	\$1,196,000	\$2,331,001	\$10,899	\$3,537,900
Jonathan M. Colman	\$—	\$149,240	\$—	\$149,240

<sup>(1)</sup> Assumes a termination on December 31, 2013 and payments based on base salary without taking into account any accrued incentive based compensation as of December 31, 2013 for each executive for the periods specified above.

<sup>(2)</sup> Calculated based on a termination as of December 31, 2013 and the fair market value of our common stock on NYSE as of December 31, 2013.

<sup>(3)</sup> Reflects continuation of health benefits, life insurance and accidental death and disability insurance for the periods specified above.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

Messrs. Robert H. Naftaly, Clunet R. Lewis and Paul D. Lapidés served as members of the Compensation Committee of our Board during 2013. None of the members of the Compensation Committee has been or will be one of our officers or employees. We do not have any interlocking relationships between our executive officers and the Compensation Committee and the executive officers and compensation committees of any other entities, nor has any such interlocking relationship existed in the past.



COMPENSATION COMMITTEE REPORT

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K with management and, based on such review and discussions, the Committee recommended to the Board that the Compensation Discussion and Analysis be included in this Proxy Statement.

Respectfully submitted,  
Members of the Compensation Committee:  
Robert H. Naftaly (Chairman)  
Paul D. Lapidès  
Clunet R. Lewis

PROPOSAL NO. 3

NON-BINDING ADVISORY VOTE ON EXECUTIVE COMPENSATION

The fourth proposal to be considered at the Annual Meeting will be a non-binding advisory vote on executive compensation. Section 14A of the Exchange Act requires us to allow shareholders an opportunity to cast a non-binding advisory vote on executive compensation as disclosed in this Proxy Statement. The following proposal, commonly known as a “say on pay” proposal, gives shareholders the opportunity to approve, reject or abstain from voting with respect to our fiscal 2013 executive compensation programs and policies and the compensation paid to our “named executive officers” listed in the Summary Compensation Table below.

“RESOLVED, that the compensation paid to our named executive officers, as disclosed pursuant to the SEC’s rules and regulations, including the Compensation Discussion and Analysis, the compensation tables and narrative discussion is, hereby approved on an advisory basis.”

As discussed in the “Compensation Discussion and Analysis” section of this Proxy Statement, the primary objectives of our executive compensation program are to attract and retain a skilled executive team to manage, lead and direct our personnel and capital to obtain the best possible economic results. The compensation of our executive officers reflects the success of our management team in attaining certain operational goals which leads to the success of the company and serves the best interests of our shareholders.

This proposal allows our shareholders to express their opinions regarding the decisions of the Compensation Committee on the prior year’s annual compensation to the named executive officers. Your non-binding advisory vote will serve as an additional tool to guide the Board and the Compensation Committee in continuing to improve the alignment of our executive compensation programs with our interests and the interests of our shareholders, and is consistent with our commitment to high standards of corporate governance.

Vote Required

Advisory approval of this say on pay proposal requires the affirmative vote of holders of a majority of all the votes cast in person or by proxy at the Annual Meeting. Abstentions will not be counted as votes cast for the say on pay proposal and do not represent votes cast for or against the advisory approval of the proposal. Brokers are not empowered to vote on the say on pay proposal without instruction from the beneficial owner of the shares and thus broker non-votes likely will result. Since broker non-votes are not considered votes cast on the say on pay proposal, they will not be counted in determining whether the say on pay proposal is approved. Because the vote on this proposal is non-binding and advisory in nature, it will not affect any compensation already paid or awarded to any named executive officer and will not be binding on or overrule any decisions by the Board; it will not create or imply any additional fiduciary duty on the part of the Board; and it will not restrict or limit the ability of shareholders to make proposals for inclusion in proxy materials related to executive compensation. To the extent there is any significant vote against our named executive officer compensation as disclosed in this Proxy Statement, the Compensation Committee will evaluate whether any actions are necessary to address the concerns of shareholders. The vote on this resolution is not intended to address any specific element of compensation; rather, the vote relates to the compensation of our named executive officers, as described in this Proxy Statement in accordance with the compensation disclosure rules of the SEC.

Board Recommendation

The Board unanimously recommends that you vote “FOR” the executive compensation of our named executive officers as disclosed in this Proxy Statement.



SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Exchange Act, requires our directors, executive officers and beneficial owners of more than 10% of our capital stock to file reports of ownership and changes of ownership with the SEC and the NYSE. Based solely on our review of the copies of such reports received by us, and written representations from certain reporting persons, we believe, that, during the year ended December 31, 2013, our directors, executive officers and beneficial owners of more than 10% of our common stock have complied with all filing requirements applicable to them. However, in May 2014, Mr. Arthur A. Weiss filed a Form 5 relating to the distribution in 2012 of 1,598 shares of common stock by a trust of which he is a co-trustee, but not a beneficial owner.

## SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth, based upon information available to us, as of May 9, 2014, the shareholdings of: (a) each person known to us to be the beneficial owner of more than five percent (5%) of our Common Stock; (b) each of our directors; (c) each named executive officer listed in the Summary Compensation Table; and (d) all of our named executive officers and directors as a group:

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Outstanding Shares <sup>(1)</sup>	
Gary A. Shiffman 27777 Franklin Road Suite 200 Southfield, Michigan 48034	2,159,898	(2) 5.2	%
John B. McLaren 27777 Franklin Road Suite 200 Southfield, Michigan 48034	57,320	*	
Karen J. Dearing 27777 Franklin Road Suite 200 Southfield, Michigan 48034	55,423	*	
Jonathan M. Colman 27777 Franklin Road Suite 200 Southfield, Michigan 48034	40,206	*	
Paul D. Lapidis 27777 Franklin Road Suite 200 Southfield, Michigan 48034	18,874	(3) *	
Clunet R. Lewis 27777 Franklin Road Suite 200 Southfield, Michigan 48034	65,176	(4) *	
Ronald L. Piasecki 27777 Franklin Road Suite 200 Southfield, Michigan 48034	82,312	(5) *	
Arthur A. Weiss 27777 Franklin Road Suite 200 Southfield, Michigan 48034	752,818	(6) 1.83	%
Robert H. Naftaly 27777 Franklin Road Suite 2500 Southfield, Michigan 48034	20,400	(7) *	
Stephanie W. Bergeron 27777 Franklin Road Suite 200 Southfield, Michigan 48034	18,400	(8) *	

Brian M. Hermelin 27777 Franklin Road Suite 200 Southfield, Michigan 48034	2,000	*	
FMR LLC and Edward C. Johnson 3d <sup>(9)</sup> 82 Devonshire Street Boston, MA 02109	5,417,384	13.21	%
The Vanguard Group, Inc. <sup>(10)</sup> 100 Vanguard Blvd. Malvern, PA 19355	4,474,075	10.91	%
Vanguard Specialized Funds - Vanguard REIT Index Fund <sup>(11)</sup> 100 Vanguard Blvd. Malvern, PA 19355	2,319,156	5.65	%
BlackRock, Inc. <sup>(12)</sup> 40 East 52nd Street New York, NY 10022	2,755,142	6.72	%
All executive officers and directors as a group (10 persons) <sup>(13)</sup>	2,677,192	6.44	%

\* Less than one percent (1%) of the outstanding shares.

In accordance with SEC regulations, the percentage calculations are based on 41,022,842 shares of common stock issued and outstanding as of May 9, 2014 plus shares of common stock which may be acquired pursuant to options exercisable, common OP Units and Aspen preferred OP Units of Sun Communities Operating Limited Partnership that are indirectly convertible into common stock, within 60 days of May 9, 2014, by each individual or group listed. As of May 9, 2014, each Aspen preferred OP Unit was indirectly convertible into 0.397 shares of common stock.

- (1) Includes: (a) 394,141 Common OP Units convertible into 394,141 shares of common stock; (b) 453,841 shares of common stock owned by certain limited liability companies of which Mr. Shiffman is a member and a manager, and (c) 141,794 Common OP Units convertible into 141,794 shares of common stock owned by certain limited liability companies of which Mr. Shiffman is a member and a manager.
- (2) Includes 10,500 shares of common stock which may be acquired pursuant to options exercisable within 60 days of May 9, 2014.
- (3) Includes (a) 20,000 Common OP Units convertible into 20,000 shares of common stock, and (b) 4,000 shares of common stock which may be acquired pursuant to options exercisable within 60 days of May 9, 2014.
- (4) Includes: (a) 17,437 Common OP Units convertible into 17,437 shares of common stock, (b) 139,735 Series A-1 preferred OP Units convertible into 55,475 Common OP Units, which in turn were convertible into 55,475 shares of common stock as of May 9, 2014, and (c) 4,000 shares of common stock which may be acquired pursuant to options exercisable within 60 days of May 9, 2014.
- (5) Includes (a) 16,938 Common OP Units convertible into 16,938 shares of common stock, (b) 453,841 shares of common stock owned by certain limited liability companies of which Mr. Weiss is a manager, (c) 141,794 Common OP Units convertible into 141,794 shares of common stock owned by a limited liability company of which Mr. Weiss is a manager, and (d) 86,810 shares of common stock and 40,287 common OP Units convertible into 40,287 shares of common stock held by the Gary A. Shiffman 2012 Irrevocable Family Trust, of which Mr. Weiss is the trustee. Mr. Weiss does not have a pecuniary interest in the Gary A. Shiffman 2012 Irrevocable Family Trust or any of the limited liability companies described above and, accordingly, Mr. Weiss disclaims beneficial ownership of the 540,651 shares of common stock and the 182,081 common OP Units held by such entities.
- (6) Includes 2,500 shares of common stock which may be acquired pursuant to options exercisable within 60 days of May 9, 2014.
- (7) Includes 7,000 shares of common stock which may be acquired pursuant to options exercisable within 60 days of May 9, 2014.
- (8) According to the Schedule 13G/A for the year ended December 31, 2013 and filed with the SEC on February 14, 2014, both FMR LLC, in its capacity as a parent holding company or control person, and Edward C. Johnson 3d, the Chairman of FMR LLC, beneficially own 5,417,384 shares of our common stock.
- (9) According to the Schedule 13G/A for the year ended December 31, 2013 and filed with the SEC on February 12, 2014 The Vanguard Group, Inc., in its capacity as an investment advisor, beneficially owns 4,474,075 shares of our common stock.
- (10) According to the Schedule 13G/A for the year ended December 31, 2013 and filed with the SEC on February 4, 2014, Vanguard Specialized Funds- Vanguard REIT Index Fund, in its capacity as an investment advisor, beneficially owns 2,319,156 shares of our common stock.
- (11) According to the Schedule 13G/A for the year ended December 31, 2013 and filed with the SEC on January 30, 2014, BlackRock, Inc., in its capacity as a parent holding company or control person, beneficially owns 2,755,142 shares of our common stock.
- (12) Includes (a) 630,597 common OP Units convertible into 630,597 shares of common stock, (b) 139,735 Series A-1 preferred OP Units convertible into 55,475 common OP Units, which in turn were convertible into 55,475 shares of common stock as of May 9, 2014, and (c) 28,000 shares of common stock which may be acquired pursuant to options exercisable within 60 days of May 9, 2014.
- (13)





## SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The following table reflects information about the securities authorized for issuance under our equity compensation plans as of December 31, 2013.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column a)
	(a)	(b)	(c)
Equity compensation plans approved by shareholders	46,250	\$ 30.77	392,100
Equity compensation plans not approved by shareholders	—	—	—
Total	46,250	\$ 30.77	392,100

## CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE

### Relationship with Equity Affiliates

We have entered into the following transactions with Origen Financial Services, LLC (“OFS LLC”):

- Investment in OFS LLC. We entered into an agreement with four unrelated companies and we contributed cash of approximately \$0.6 million towards the formation of OFS LLC. OFS LLC purchased the loan origination platform of Origen. The purpose of the venture is to originate manufactured housing installment contracts for its members. We accounted for our investment in OFS LLC using the equity method of accounting which we have since suspended. As of December 31, 2013, we had an ownership interest in the OFS LLC of 22.9%, and the carrying value of our investment was zero.

Loan Origination, Sale and Purchase Agreement. OFS LLC agreed to fund loans that meet our underwriting guidelines and then transfer those loans to us pursuant to a Loan Origination, Sale and Purchase Agreement. We paid OFS LLC a fee of \$650 per loan pursuant to a Loan Origination, Sale and Purchase Agreement which totaled approximately \$0.1 million during the year ended December 31, 2013. We purchased, at par, \$7.7 million of these loans during the year ended December 31, 2013.

We have entered into the following transactions with Origen:

Investment in Origen. We own 5,000,000 shares of Origen common stock and Shiffman Origen LLC (which is owned by the Milton M. Shiffman Spouse's Marital Trust, Gary A. Shiffman (our Chairman and Chief Executive Officer), and members of Mr. Shiffman's family) owns 1,025,000 shares of Origen common stock. Gary A. Shiffman is a member of the Board of Directors of Origen and Arthur A. Weiss, our director, is a trustee of the Milton M. Shiffman Spouse's Marital Trust. We accounted for our investment in Origen using the equity method of accounting which we have since suspended. As of December 31, 2013 we had an ownership interest in Origen of approximately 19%, and the carrying value of our investment was zero.

Board Membership. Gary A. Shiffman, our Chairman and Chief Executive Officer is a board member of Origen.

### Lease of Principal Executive Offices

Gary A. Shiffman, together with certain of his family members, indirectly owns a 21% equity interest in American Center LLC, the entity from which we lease office space for our principal executive offices. Arthur A. Weiss owns a less than one percent indirect interest in American Center LLC. Under this lease agreement, we lease approximately 48,200 rentable square feet. The term of the lease is until October 31, 2016, with an option to renew for an additional five years. The base rent through October 31, 2014 is \$18.12 per square foot (gross). From November 1, 2014 to August 31, 2015, the base rent will be \$18.24 per square foot (gross) and from September 1, 2015 to October 31, 2016, the base rent will be \$17.92 per square foot (gross). As of May 2013, we also have a temporary lease through April 30, 2014 for approximately 10,500 rentable square feet with base rent equal to \$14.33 per square foot (gross). Our annual rent expense associated with the lease of our executive offices was approximately \$1.0 million for the year ended December 31, 2013 and \$0.7 million for each of the years ended December 31, 2012 and 2011. Our future annual rent expense will be approximately \$0.9 million for 2014 and 2015 and \$0.7 million for 2016. Each of Mr. Shiffman and Mr. Weiss may have a conflict of interest with respect to his obligations as our officer and/or director and his ownership interest in American Center LLC.

### Loan Funding Agreement with Talmer Bank

Each of Robert H. Naftaly and Arthur A. Weiss, who serve on our board of directors, is also a director of each of Talmer Bancorp, Inc. and its primary operating subsidiary, Talmer Bank. Each of Mr. Naftaly, Mr. Weiss and Mr. Shiffman also owns less than one percent of Talmer Bancorp, Inc.'s common stock. In January 2013, we entered into an agreement with Talmer Bank under which we could refer purchasers of homes in our communities to Talmer Bank to obtain loans to finance their home purchases. We did not receive referral fees or other cash compensation under the agreement. If Talmer Bank made loans to purchasers referred by us under the agreement, those purchasers defaulted on their loans and Talmer Bank repossessed the homes securing such loans, we agreed to purchase from Talmer Bank each such repossessed home for a price equal to 100% of the amount under each such loan, subject to certain adjustments; provided that the maximum outstanding principal amount of the loans subject to the agreement did not exceed \$10.0 million. In addition, we agreed to waive all site rent that would otherwise have been due from Talmer Bank so long as it owned any homes on which loans were made pursuant to the agreement. The agreement expired November 1, 2013 and was not extended. No transactions occurred under this agreement.

### Legal Counsel

During 2013, Jaffe, Raitt, Heuer, & Weiss, Professional Corporation acted as our general counsel and represented us in various matters. Arthur A. Weiss is the Chairman of the Board of Directors and a shareholder of such firm. We incurred legal fees and expenses owed to Jaffe, Raitt, Heuer, & Weiss of approximately \$3.2 million in the year ended December 31, 2013.

### Tax Consequences Upon Sale of Properties

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

### Policies and Procedures for Approval of Related Party Transactions

None of our executive officers or directors (or any family member or affiliate of such executive officer or director) may enter into any transaction or arrangement with us that reasonably could be expected to give rise to a conflict of interest without the prior approval of the NCG Committee. Any such transaction or arrangement must be promptly reported to the NCG Committee or the full Board. Any such disclosure provided by an executive officer or director is reviewed by the NCG Committee and approved or disapproved. In determining whether to approve such a transaction or arrangement, the NCG Committee takes into account, among other factors, whether the transaction was on terms no less favorable to us than terms generally available to third parties and the extent of the executive officer's or director's involvement in such transaction or arrangement.

The current policy was adopted and approved in 2004. All related party transactions disclosed above were approved by either the NCG Committee or the full Board.

#### SHAREHOLDER PROPOSALS FOR THE 2015 ANNUAL MEETING

In order to be considered for inclusion in our proxy statement and on the proxy card that will be solicited by the Board in connection with the 2015 annual meeting of shareholders, shareholder proposals intended to be presented at the 2015 annual meeting of shareholders must be received by our Secretary no later than January 16, 2015.

In addition, if a shareholder desires to bring business before an annual meeting of shareholders, which is not the subject of a proposal for inclusion in our proxy materials, the shareholder must follow the advance notice procedures outlined in our bylaws. These advance notice procedures are the same as the advance notice procedures for shareholder nominated directors, which are described under "Board of Directors and Corporate Governance - Consideration of Director Nominees - Consideration of Shareholder Nominated Directors" above. Our bylaws provide that: (i) with respect to an annual meeting of shareholders, nominations of individuals for election to the Board of Directors and the proposal of other business to be considered by the shareholders may be made only (a) pursuant to our notice of the meeting, (b) by or at the direction of the Board of Directors, or (c) by any shareholder who was a shareholder of record at the time of giving of notice provided for in the bylaws and at the time of the annual meeting, is entitled to vote at the meeting and has complied with the advance notice procedures set forth in the bylaws; and (ii) with respect to special meetings of shareholders, only the business specified in our notice of meeting may be brought before the meeting of shareholders, and nominations of persons for election to the Board of Directors may be made (a) pursuant to our notice of meeting, (b) by or at the direction of the Board of Directors, or (c) provided that the Board of Directors has determined that directors shall be elected at such special meeting, by any shareholder who is a shareholder of record both at the time of giving of notice provided for in the bylaws and at the time of the special meeting, is entitled to vote at the meeting and has complied with the advance notice provisions set forth in the bylaws.

**OTHER MATTERS**

The Board knows of no other matters to be presented for shareholder action at the Annual Meeting. If any other matters are properly presented at the Annual Meeting for action, it is intended that the persons named in the accompanying proxy and acting thereunder will vote in accordance with their best judgment on such matters.

Dated: May 16, 2014

By Order of the Board of Directors  
KAREN J. DEARING  
Secretary



