



ORIGINAL

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May 6, 2005

Via Hand Delivery

COMMISSION
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Blanca S. Bayo, Director
Division of Commission Clerk and
Administrative Services
Florida Public Service Commission
2540 Shumard Oak Boulevard
Betty Easley Building, Room 110
Tallahassee, FL 32399-0850

Re: Application for Transfer of Majority Organizational Control of NHC Utilities, Inc., Holder of Certificate No. 573-W in Charlotte County

Dear Ms. Bayo:

Enclosed for filing in this docket are the original and twelve copies of the Application for Transfer of Majority Organizational Control of NHC Utilities, Inc., Holder of Certificate No. 573-W in Charlotte County. Please note that the application contains three (3) copies of Exhibit "D", the proposed revised water tariff sheet No. 3.0, and three copies of Exhibit "B," containing consolidated financial statements.

Please contact me if you have any questions.

Sincerely,

Kathryn G.W. Cowdery
Attorney

*Original Tariff forwarded
Enclosures to ECR*
RECEIVED & FILED

EPSC-BUREAU OF RECORDS
RUDEN, McCLOSKEY, SMITH, SCHUSTER & RUSSELL, P.A. EPSC-COMMISSION CLERK

DOCUMENT NUMBER-DATE
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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for Transfer of Majority)
Organizational Control of NHC Utilities, Inc.,)
Holder of Certificate No. 573-W in)
Charlotte County, FL)

Docket No. 050313-WU

APPLICATION FOR TRANSFER OF MAJORITY ORGANIZATIONAL CONTROL OF
NHC UTILITIES, INC., HOLDER OF CERTIFICATE NO. 573-W
IN CHARLOTTE COUNTY

NHC Utilities, Inc. (the "Utility"), by and through its undersigned attorneys, hereby files this Application for Transfer of Majority Organizational Control of NHC Utilities, Inc., Holder of Certificate No. 573-W, in Charlotte County ("Application"), and in support thereof states:

1. LEMB L.P., a Delaware limited partnership ("LEMB") owns 100% of the outstanding shares of capital stock of the Utility. Pursuant to a contribution and assignment agreement dated as of February 17, 2004, EMB/NHC, L.L.C. ("Transferor"), a Delaware limited liability company, contributed (directly or indirectly) all of the outstanding general and limited partnership interests of LEMB to MHC-Encore Holdings, L.P. ("Transferee"), a Delaware limited partnership. The transfer of majority organizational control of LEMB was part of a much larger transaction involving the purchase and sale of 28 manufactured home community and recreational vehicle resort properties in Florida, California and Texas. Attached as Exhibit "A" is a copy of the Agreement as to Transfer of Florida Public Service Commission Certificated Utility between Transferor and Transferee in which the parties recognize and acknowledge that the transfer of the Utility is contingent upon and subject to FPSC approval.

2. Due to the above transaction, majority organizational control of the Utility and its parent LEMB has changed from Transferor:

EMB/NHC, L.L.C.
6991 East Camelback Road, #B-360
Scottsdale, Arizona 85251-24451

DOCUMENT NUMBER-DATE

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to Transferee:

MHC-Encore Holdings, L.P.
c/o Equity LifeStyle Properties, Inc.
Two North Riverside Plaza, Suite 800
Chicago, Illinois 60606

3. The address of the physical location of the utility facilities is:

NHC Utilities, Inc.
3737 El Jobean Road (SR 776)
Port Charlotte, Florida 33953-5699

4. The name and address of the authorized representative of Transferee and the person to receive a copy of all papers, pleadings, and filings in this case is:

Kathryn G.W. Cowdery, Esq.
Ruden, McClosky, Smith, Schuster & Russell, P.A.
215 South Monroe Street, Suite 815
Tallahassee, Florida 32301
Telephone: (850) 412-2000
Facsimile: (850) 224-2032
e-mail: Kathryn.Cowdery@ruden.com

5. The names and addresses of the entities which own an interest in the Utility are:

a. LEMB, with an address at c/o Equity LifeStyle Properties, Inc., Two N. Riverside Plaza, Suite 800, Chicago, Illinois 60606, is the 100% owner of the Utility.

b. Transferee, with an address at c/o Equity LifeStyle Properties, Inc., Two N. Riverside Plaza, Suite 800, Chicago, Illinois 60606, is indirectly and directly the 100% owner of LEMB.

c. MHC Operating Limited Partnership ("MHCOLP"), an Illinois limited partnership, is indirectly and directly the 100% owner of Transferee, with an address at c/o Equity LifeStyle Properties, Inc., Two N. Riverside Plaza, Suite 800, Chicago, Illinois 60606.

d. MHC Trust, a Maryland real estate investment trust (“MHC Trust”), with an address at c/o Equity LifeStyle Properties, Inc., Two N. Riverside Plaza, Suite 800, Chicago, Illinois 60606, is the general partner and approximately 80% owner of MHCOLP.

e. Equity Lifestyle Properties, Inc., a Maryland corporation (“ELS”), with an address at Two N. Riverside Plaza, Suite 800, Chicago, Illinois 60606, is the owner of 100% of the voting stock of MHC Trust.

6. MHCOLP is the 100% member of Liquid Assets, L.L.C., a Delaware limited liability company, which is the 100% member of the following limited liability company utilities located in Florida:

a. BE Utility Systems, L.L.C. d/b/a Buccaneer Water Service, holder of Florida Public Service Commission (“PSC”) Certificate No. 366-W in Lee County.

b. COL Utility Systems, L.L.C., an exempt water and wastewater utility located in Lake County.

c. CC Utility Systems, L.L.C. d/b/a Coral Cay Water & Sewer Company, holder of PSC Certificate Nos. 481-W and 417-S in Broward County.

d. CW Utility Systems, L.L.C, exempt water and wastewater utility located in Hillsborough County.

e. HV Utility Systems, L.L.C., holder of PSC Certificate No. 285-S in Pasco County.

7. The Utility purchases water from Charlotte County Utilities and does not own or operate treatment facilities.

8. Rate base was last set by the PSC by Order No. PSC-98-0024-FOF-WU, issued

on January 5, 1998, in transfer Docket No. 970762-WU, in the amount of \$302,627 as of December 31, 1996, which for transfer purposes reflected the net book value of the system being transferred. The rate base calculation in Docket No. 970762-WU was used solely to establish the net book value of the system being transferred, and did not include the normal ratemaking adjustments for working capital or used and useful factors. No acquisition adjustment is requested herein.

9. The transfer is in the public interest because the Utility customers will receive quality service through the Utility's use of accounting, operations and engineering, and legal firms with experience in Florida regulatory requirements. The Utility is committed to providing safe and reliable water service to its customers.

10. The Utility has the financial ability to provide service. Through its subsidiary entities, MHCLOP will provide funding to the Utility as needed. See Exhibit "B" hereto, ELS's Form 10-K filed March 28, 2005 for the year ended December 31, 2004, containing the consolidated financial statements of ELS, the corporate parent of MHCOLP. MHCOLP will provide the financial stability required to maintain the utility system in accordance with PSC standards and environmental regulations. The Utility will continue to fulfill all of its commitments, obligations and representations with regard to utility matters. The books and records of the Utility shall continue to be maintained in Florida, in compliance with Fla. Admin. Code R. 25-30.115(1).

11. After reasonable investigation, the system being acquired appears to be in satisfactory condition and is operating in full compliance with all applicable standards, regulations, and pending administrative orders of the Florida Department of Environmental Protection ("DEP").

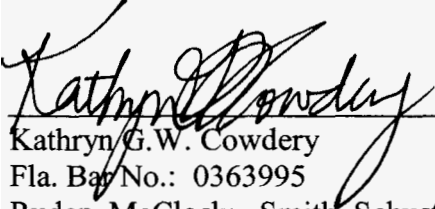
12. The location of the original water certificate No. 573-W is unknown to Transferee. A copy of water certificate No. 573-W was located, and for information purposes is attached hereto as Exhibit "C."

13. The affidavit required by Secs. 367.045(1)(e) and (2)(f), Fla. Stat., shall be filed no later than 15 days after the date of filing this Application, as required by Fla. Admin. Code. R. 25-30.030(8).

14. Because there is no name change associated with this transaction, the only proposed change is to tariff sheet No. 3.0, an original and two copies of which are attached hereto as Exhibit "D."

WHEREFORE, Transferee requests that the Florida Public Service Commission approve this Application for Transfer of Majority Organizational Control of NHC Utilities, Inc., Holder of Certificate No. 573-W in Charlotte County.

DATED this 6th day of May, 2005.



Kathryn G.W. Cowdery
Fla. Bar No.: 0363995
Ruden, McClosky, Smith, Schuster
& Russell, P.A.
215 S. Monroe St., Suite 815
Tallahassee, Florida 32301
(850) 412-2000

Attorneys for NHC Utilities, Inc.

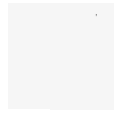


EXHIBIT A

AGREEMENT AS TO TRANSFER OF
FLORIDA PUBLIC SERVICE COMMISSION CERTIFICATED UTILITY

This AGREEMENT AS TO TRANSFER OF FLORIDA PUBLIC SERVICE COMMISSION CERTIFICATED UTILITY (“Utility Transfer Agreement”), is dated as of April 28, 2005, by and among EMB/NHC, LLC, a Delaware limited liability company (“Transferor”), and MHC-Encore Holdings, L.P., a Delaware limited partnership (“Transferee”).

WITNESSETH:

A. WHEREAS, pursuant to that certain Contribution and Assignment Agreement dated as of February 17, 2004, Transferor contributed all of the outstanding general and limited partnership interests of LEMB L.P., a Delaware limited partnership (“LEMB”), to Transferee or its affiliate;

B. WHEREAS, LEMB owns 100% of the outstanding shares of capital stock of NHC Utilities, Inc. (the “Utility”), a Florida Public Service Commission (“FPSC”) certificated water utility holding water certificate No. 573-W (the “Certificate”);

C. WHEREAS, Section 367.071(1), Fla. Stat. (2004), specifies that no utility shall sell, assign, or transfer its certificate of authorization, facilities or any portion thereof, or majority organizational control (hereinafter referred to as a “Transfer”), without determination and approval of the FPSC that said Transfer is in the public interest and that the buyer, assignee, or transferee will fulfill the commitments, obligations, and representations of the utility; but that a Transfer may occur prior to FPSC approval if said Transfer is made contingent upon FPSC approval;

D. WHEREAS, the majority organizational control of the Utility, including the Certificate and facilities of the Utility, will Transfer to Transferee upon FPSC approval; and

E. WHEREAS, Transferor and Transferee intend that, prior to FPSC approval, the Transfer of the Utility shall be consistent with the provisions of Section 367.071(1), Fla. Stat. (2004);

NOW, THEREFORE, in consideration of the mutual covenants and undertakings contained herein, subject to and on the terms and conditions herein set forth, and in recognition of the requirements of Section 367.071(1), Fla. Stat. (2004), and the authority of the FPSC, Transferor and Transferee hereby agree as follows:

1. Transferor and Transferee recognize and acknowledge that the Transfer of the Utility is contingent upon and subject to FPSC approval.

2. This Utility Transfer Agreement has no effect upon the consummation of any transactions between Transferor and Transferee, except and solely as it pertains to the Transfer of the Utility and as set forth herein.

IN WITNESS WHEREOF, this Utility Transfer Agreement has been signed by a duly authorized officer and on behalf of each of Transferor and Transferee as of the date first written above.

TRANSFEROR:

EMB/NHC, LLC, a Delaware limited liability company

By: 
Name: David A. Napp
Title: Manager

TRANSFeree:

MHC – Encore Holdings, L.P., a Delaware limited partnership

By: MHC – Encore Master Partnership GP, L.L.C., a Delaware limited liability company, its General Partner

By: MHC Operating Limited Partnership, an Illinois limited partnership, its sole Member

By: MHC Trust, a Maryland real estate investment trust, its General Partner


By: 
Name: David W. Fell
Title: Vice President, Associate General Counsel, Assistant Secretary

EXHIBIT B

EQUITY LIFESTYLE PROPERTIES, INC.

Two North Riverside Plaza, Suite 800
Chicago, Illinois 60606

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS To Be Held On May 10, 2005

You are cordially invited to attend the 2005 Annual Meeting of Stockholders (the "Meeting") of EQUITY LIFESTYLE PROPERTIES, INC., a Maryland corporation (the "Company"), to be held at Twenty North Wacker Drive, Sixth Floor, Chicago, Illinois, on Tuesday, May 10, 2005, at 10:00 a.m. Central time. At the Meeting, we will consider and take action on the following matters:

- (1) Election of eight directors to the Company's Board of Directors (the "Board"); and
- (2) Any other business as may properly come before the Meeting or any adjournment or postponement thereof.

The Board recommends that you vote "for" each of the nominees for the Board.

Only stockholders of record at the close of business on March 11, 2005 will be entitled to vote at the Meeting or any adjournment or postponement thereof.

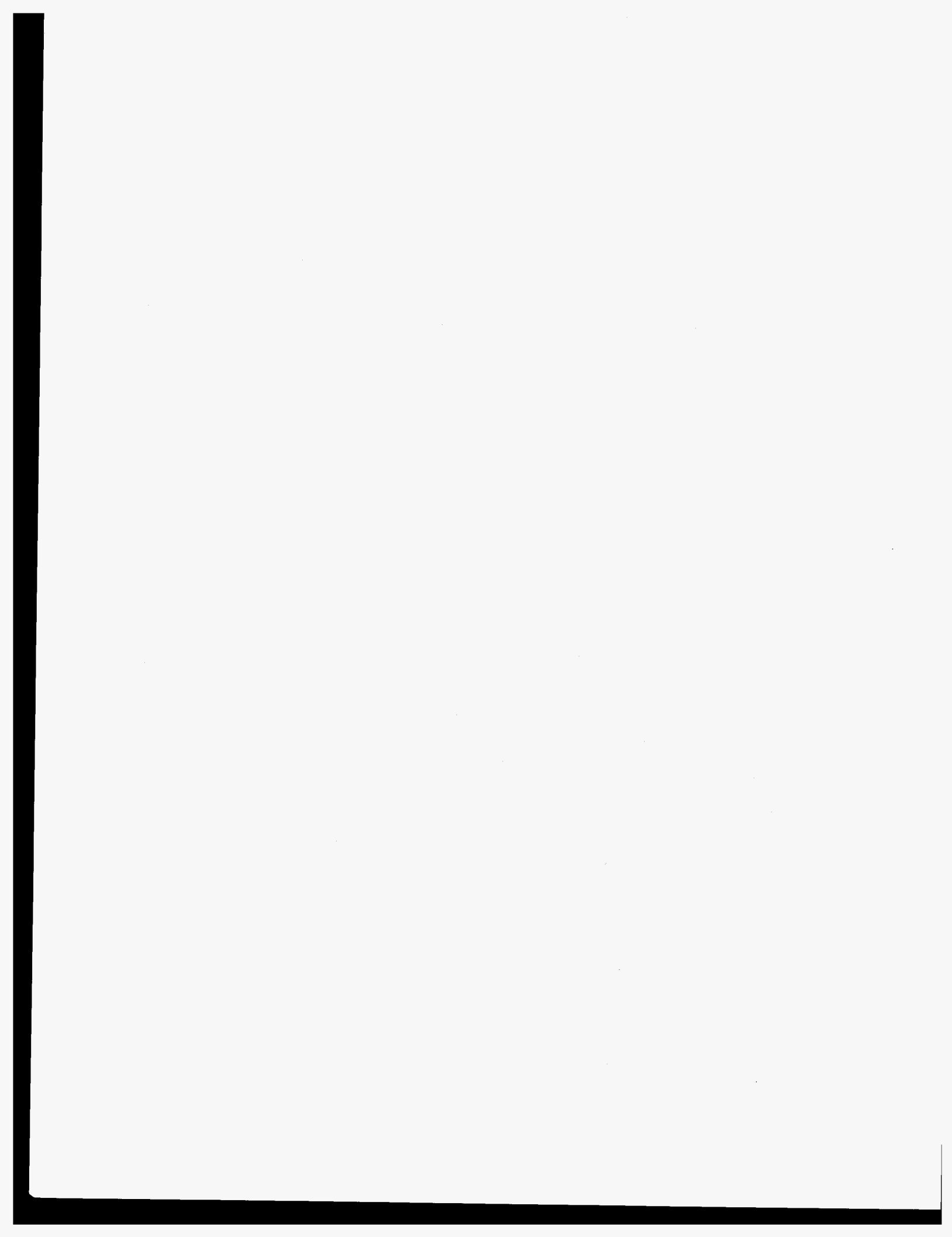
YOUR VOTE IS VERY IMPORTANT. WHETHER OR NOT YOU EXPECT TO BE PRESENT AT THE MEETING IN PERSON, PLEASE SIGN AND DATE THE ENCLOSED PROXY AND RETURN IT AS SOON AS POSSIBLE IN THE ENCLOSED ENVELOPE.

By Order of the Board of Directors



Ellen Kelleher
*Executive Vice President, General Counsel
and Secretary*

April 6, 2005



EQUITY LIFESTYLE PROPERTIES, INC.

Two North Riverside Plaza, Suite 800
Chicago, Illinois 60606

PROXY STATEMENT

INTRODUCTION

This Proxy Statement is furnished in connection with the solicitation by the Board of Directors (the "Board") of Equity LifeStyle Properties, Inc., a Maryland corporation (the "Company"), of proxies to be voted at the Annual Meeting of Stockholders of the Company to be held on Tuesday, May 10, 2005 (the "Meeting"), and any adjournment or postponement thereof. The Company will pay the cost of soliciting these proxies. The Company will reimburse brokerage firms and other persons representing beneficial owners of shares for their expenses in forwarding solicitation materials to such beneficial owners. The Company may conduct further solicitation personally, by telephone or by facsimile through its employees, officers and directors, none of whom will receive additional compensation for assisting with the solicitation. Brokers and other nominees who held of record stock of the Company on March 11, 2005 (the "Record Date"), the record date for determining stockholders entitled to notice of and to vote at the Meeting, will be asked to contact the beneficial owners of the shares which they hold.

This Proxy Statement and accompanying proxy are being mailed to stockholders commencing on or about April 8, 2005. The proxy, if properly executed and returned, will be voted according to your instructions, but it may be revoked at any time before it is exercised by giving notice of revocation in writing to the Secretary of the Company, by voting in person at the Meeting or by submitting a subsequently dated proxy to the Secretary of the Company at or prior to the Meeting. The mere presence at the Meeting of a stockholder who has granted a proxy shall not itself revoke the proxy. Shares held in street name may be voted in person only if the stockholder obtains a signed proxy from the record holder giving the stockholder the right to vote.

2004 ANNUAL REPORT

Stockholders are concurrently being furnished a copy of the Company's 2004 Annual Report (the "Annual Report") and information required pursuant to Rule 14a-3 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), which is included as Appendix B hereto. Additional copies of the Annual Report and of this Proxy Statement may be obtained from the Company's website at <http://www.mhchomes.com> or by contacting Ellen Kelleher, Executive Vice President, General Counsel and Secretary of the Company, at Two North Riverside Plaza, Suite 800, Chicago, Illinois 60606, 312-279-1400; copies will be furnished promptly at no additional expense.

VOTING

Only stockholders of record at the close of business on the Record Date will be entitled to vote at the Meeting. On the Record Date, 23,172,094 shares of the Company's common stock, par value \$.01 per share ("Common Stock"), were outstanding. Each share of Common Stock outstanding on the Record Date entitles the holder thereof to one vote upon each matter to be voted upon at the Meeting. The presence in person or by proxy of stockholders entitled to cast a majority of all the votes entitled to be cast at the Meeting shall constitute a quorum. Shares represented by proxies that reflect abstentions and broker non-votes are counted for purposes of determining the presence or absence of a quorum for the transaction of business. The affirmative vote of a plurality of all votes cast at the

Meeting, if a quorum is present, is sufficient to elect each nominated director to the Board. An abstention as to any particular matter when passage requires the vote of a plurality or a majority of the votes entitled to be cast at the Meeting, however, does not constitute a vote "for" or "against" and will be disregarded in calculating the votes cast as to such matter. "Broker non-votes" (i.e., where a broker or nominee submits a proxy specifically indicating the lack of discretionary authority to vote on a matter) will be treated in the same manner as abstentions.

If there is not a quorum at the Meeting, the stockholders entitled to vote at the Meeting, whether present in person or represented by proxy, shall only have the power to adjourn the Meeting until such time as there is a quorum. The Meeting may be reconvened without notice to the stockholders, other than an announcement at the prior adjournment of the Meeting, within 120 days after the Record Date, and a quorum must be present at such reconvened Meeting.

If a proxy in the form enclosed is duly executed, dated and returned, and it has not been revoked in accordance with the instructions set forth therein, the shares of Common Stock represented thereby will be voted by Samuel Zell and Thomas P. Heneghan, the Board's proxy agents for the Meeting, in accordance with the specifications made thereon by the stockholder. If no such specifications are made, such proxy will be voted (i) for the election of all of the current director nominees to the Board, and (ii) at the discretion of Mr. Zell and Mr. Heneghan with respect to such other business as may properly come before the Meeting or any adjournment or postponement thereof.

PROPOSAL NO. 1
ELECTION OF DIRECTORS

The Board currently consists of eight members. The Company's charter (the "Charter") currently provides that all director nominees will be elected for one-year terms at each Annual Meeting of Stockholders. Biographical information for each of the director nominees is set forth below under the caption "Management."

Each nominee has consented to be named in this Proxy Statement and to serve if elected. All nominees are currently directors. In the event that any nominee should become unable to serve as a director (which is not anticipated), the persons designated as representatives will cast votes for the remaining nominees and for such other person or persons as the Board may recommend.

THE BOARD RECOMMENDS A VOTE "FOR" EACH OF THE NOMINEES NAMED BELOW. PROXIES SOLICITED BY THE BOARD WILL BE VOTED "FOR" THE NOMINEES UNLESS INSTRUCTIONS TO WITHHOLD SUCH VOTE OR TO THE CONTRARY ARE GIVEN.

MANAGEMENT

Executive Officers and Directors

The following table sets forth certain information with respect to the executive officers and directors of the Company.

<u>Name</u>	<u>Age</u>	<u>Position</u>
Samuel Zell	63	Chairman of the Board
Howard Walker	65	Vice Chairman of the Board
Thomas P. Heneghan	41	President, Chief Executive Officer and Director
Roger A. Maynard	47	Chief Operating Officer
Ellen Kelleher	44	Executive Vice President, General Counsel and Secretary
Michael B. Berman	47	Vice President, Chief Financial Officer and Treasurer
Donald S. Chisholm	70	Director
Thomas E. Dobrowski	61	Director
Joe B. McAdams	61	Director
Sheli Z. Rosenberg	63	Director
Gary L. Waterman	63	Director

The following is a biographical summary of the experience of the executive officers and directors of the Company. For information concerning membership as of the date of this Proxy Statement on committees of the Board, see "Committees of the Board; Meetings" below.

Samuel Zell has been Chairman of the Board of the Company since March 1995 and was Chief Executive Officer of the Company from March 1995 to August 1996. Mr. Zell was Co-Chairman of the Board of the Company from its formation until March 1995. Mr. Zell was a director of Mobile Home Communities, Inc., the former manager of the Company's manufactured home communities, from 1983 until its dissolution in 1993. Mr. Zell has served as chairman of the board of Equity Group Investments, L.L.C. ("EGI"), a private investment company, since 1999. Mr. Zell has been a trustee and chairman of the board of trustees of Equity Office Properties Trust ("Equity Office"), an equity real estate investment trust ("REIT") primarily focused on office buildings, since October 1996, and was its chief executive officer from April 2002 to April 2003, and its president from April 2002 to November 2002. For more than the past five years, Mr. Zell has served as chairman of the board of Anixter International, Inc. ("Anixter"), a global distributor of structured cabling systems; as chairman of the board of Equity Residential, an equity REIT that owns and operates multi-family residential properties; and as chairman of the board of Capital Trust, Inc., a specialized finance company ("Capital Trust"). Mr. Zell has been the chairman of the board of Rewards Network, Inc. (previously known as iDine Rewards Network, Inc.), an administrator of loyalty-based consumer reward programs, since 2002.

Howard Walker has been Vice-Chairman of the Board of the Company since May 2003 and Chairman of the Board's Executive Committee since January 2004. Mr. Walker has been a director of the Company since November 1997. Mr. Walker was Chief Executive Officer of the Company from December 1997 to December 2003. Mr. Walker was President of the Company from September 1997 to May 2000, and President of Realty Systems, Inc., an affiliate of the Company, from March 1995 to April 2000. Mr. Walker was a Vice President of the Company from January 1995 to March 1995. Mr. Walker is a director of Infohealth, Inc., a privately held company that provides information system services to the health care industry.

Thomas P. Heneghan has been President and Chief Executive Officer of the Company since January 2004. Mr. Heneghan has been a director of the Company since March 2004. Mr. Heneghan is a member of the Company's management committee (the "Management Committee"), which was created in 1995 and is comprised of the Company's senior executive officers. Mr. Heneghan was President and Chief Operating Officer of the Company from May 2000 to December 2003. Mr. Heneghan was

Executive Vice President, Chief Financial Officer and Treasurer of the Company from April 1997 to May 2000, and Vice President, Chief Financial Officer and Treasurer of the Company from February 1995 to March 1997.

Roger A. Maynard has been Chief Operating Officer of the Company since January 2004. Mr. Maynard is also a member of the Management Committee. Mr. Maynard was Senior Vice President for national operations of the Company from January 2003 to December 2003. Mr. Maynard was Senior Regional Vice President for the Company's Eastern division from September 2001 to December 2002, and Senior Regional Vice President for the Company's Southeastern region from January 2000 to September 2001. Mr. Maynard was Regional Vice President for the Company's Southeastern region from June 1998 to December 1999, and Regional Vice President for the Company's Northeastern region from October 1997 to June 1998.

Ellen Kelleher has been Executive Vice President and General Counsel of the Company since March 1997, and has been Secretary of the Company since May 2000. Ms. Kelleher is also a member of the Management Committee. Ms. Kelleher was Senior Vice President, General Counsel and Assistant Secretary of the Company from March 1994 to March 1997. Ms. Kelleher is a director of Financial Management Advisors, a private money management company.

Michael B. Berman has been Vice President, Chief Financial Officer and Treasurer of the Company since September 2003. Mr. Berman is also a member of the Management Committee. In 2003, Mr. Berman was an associate professor at New York University Real Estate Institute. Mr. Berman was a managing director in the Investment Banking department at Merrill Lynch & Co. from 1995 to 2002.

Donald S. Chisholm has been a director of the Company since March 1993. Mr. Chisholm is president of Vernon Development Co., the developer of a 650-acre golf course community, and of Ann Arbor Associates Inc., a real estate development and management company, both for more than five years.

Thomas E. Dobrowski has been a director of the Company since March 1993. Mr. Dobrowski has been the managing director of real estate and alternative investments of General Motors Investment Management Corporation since December 1994. Mr. Dobrowski is a director of Capital Trust. Mr. Dobrowski is also a trustee of Equity Office.

Joe B. McAdams has been a director of the Company since January 2004. From July 1991 to December 2003, Mr. McAdams was president and chief executive officer of Affinity Group, Inc. ("AGI"), a leading provider of products and services to the recreational vehicle market. Mr. McAdams is a director of AGI, Liberty Publishing Company, a publisher of approximately 100 daily newspapers as well as 200 alternate publications, and Vestcom, Inc., a leading provider of business and marketing communications.

Sheli Z. Rosenberg has been a director of the Company since August 1996. In 2002, Mrs. Rosenberg was appointed the Lead Director of the Company. Mrs. Rosenberg was vice chairman of EGI from January 2000 through December 2003. Mrs. Rosenberg was president of Equity Group Investments, Inc. ("EGI, Inc."), an investment company, from November 1994 to December 1999, and chief executive officer of EGI, Inc. from November 1994 to December 1998. Mrs. Rosenberg was a principal of the law firm of Rosenberg & Liebenritt from 1980 to September 1997. Mrs. Rosenberg is a director of CVS Corporation, an owner and operator of drug stores; Cendant Corporation, a travel related, real estate related and direct marketing consumer and business services company; and Ventas, Inc., an owner of real estate in the health care field. Mrs. Rosenberg is a trustee of Equity Office and Equity Residential.

Gary L. Waterman has been a director of the Company since March 1993. Since 1989, Mr. Waterman has been president of Waterman Limited, a real estate services and investment company that he founded. Mr. Waterman is a director and member of the compensation committee of Java Trading Company, a wholesale coffee roasting company.

The Board has determined that, other than Mr. Walker and Mr. Heneghan, each director nominee qualifies as an “independent” director in accordance with the rules of The New York Stock Exchange (the “NYSE”) and the director independence guidelines established by the Board as part of its Guidelines on Corporate Governance.

Stockholder Communications with the Board

Any stockholder or other interested party who has a concern or inquiry regarding the conduct of the Company may communicate directly with the Board or the non-management directors by contacting the Lead Director, who will receive all such communications on behalf of the Board or the non-management directors (as applicable). Communications may be confidential or anonymous, and may be submitted in writing to the Lead Director, c/o Secretary, Equity LifeStyle Properties, Inc., Two North Riverside Plaza, Suite 800, Chicago, Illinois 60606. All written communications will be received and processed by the Secretary of the Company and all substantive communications will be referred to the Lead Director. All such communications will be reviewed and, if necessary, investigated and/or addressed by the Lead Director and the status of such communications will be reported to the Board or the non-management directors (as applicable) on a quarterly basis. The Lead Director may direct special treatment, including the retention of outside advisors or counsel, for any such concern or inquiry.

Although each director is strongly encouraged to attend each Annual Meeting of Stockholders, the Board has no formal policy with respect to such attendance. Each of the eight directors in office as of the date of the 2004 Annual Meeting of Stockholders was in attendance at such meeting.

Non-Management Directors Executive Sessions

Executive sessions of the Company’s non-management directors are scheduled in connection with regularly scheduled meetings of the Board and may be held without management present at such other times as requested by the non-management directors. The presiding director at these executive sessions is the Lead Director.

Committees of the Board; Meetings

Meetings: During the year ended December 31, 2004, the Board held five meetings and took six actions by unanimous written consent. Each of the directors attended 75% or more of the total number of the meetings of the Board and of its committees on which he or she served.

Executive Committee: The Executive Committee of the Board is comprised of Messrs. Zell, Walker and Chisholm. The Executive Committee has the authority, within certain parameters set by the Board, to authorize the acquisition, disposition and financing of investments for the Company (including the issuance of additional limited partnership interests of MHC Operating Limited Partnership (“OP Units”)) and to authorize contracts and agreements, including those related to the borrowing of money by the Company, and generally exercise all other powers of the Board except as prohibited by law. During the year ended December 31, 2004, the Executive Committee held one meeting and took ten actions by unanimous written consent.

Compensation, Nominating and Corporate Governance Committee: The Compensation, Nominating and Corporate Governance Committee of the Board (the “Compensation Committee”) is composed of Messrs. Chisholm and Waterman and Mrs. Rosenberg. The Board has determined that each of the Compensation Committee members is an “independent” director within the meaning set forth in the NYSE listing standards. The Compensation Committee determines compensation for the Company’s executive officers and exercises all powers of the Board in connection with compensation matters, including incentive compensation and benefit plans. The Compensation Committee also has the authority to grant stock options, stock appreciation rights and restricted stock awards in accordance with the Company’s 1992 Stock Option and Stock Award Plan, as amended and restated (the “Plan”), to the management of the Company and its subsidiaries, other employees and consul-

tants. In addition, the Compensation Committee identifies and recommends qualified individuals to become Board members, develops and recommends the Guidelines on Corporate Governance applicable to the Company and recommends to the Board director nominees for each committee of the Board. During the year ended December 31, 2004, the Compensation Committee held five meetings and took two actions by unanimous written consent.

Audit Committee: The Audit Committee of the Board is composed of Messrs. Dobrowski and McAdams and Mrs. Rosenberg. The Board has determined that each of the Audit Committee members is an “independent” director within the meaning set forth in the NYSE listing standards and Rule 10A-3 of the Exchange Act. The Board has also determined that Mr. McAdams is an “audit committee financial expert” as such term is defined by the Securities and Exchange Commission (the “SEC”) in Item 401(h) of Regulation S-K. The Audit Committee is governed by the Audit Committee Charter attached as Appendix A to this Proxy Statement. The Audit Committee makes recommendations concerning the engagement of independent public accountants, reviews with the Company’s independent public accountants the plans for and results of the audit engagement, approves professional services provided by the Company’s independent public accountants, reviews the independence of the Company’s independent public accountants, considers the range of audit and non-audit fees and reviews the adequacy of the Company’s internal accounting controls. During the year ended December 31, 2004, the Audit Committee held five meetings and took no actions by unanimous written consent.

Board Member Nominations

Board member nominations are governed by the Compensation, Nominating and Corporate Governance Committee Charter. The Compensation Committee will consider nominees recommended by stockholders. If you wish to recommend a person whom you consider qualified to serve on the Board, you must give written notice to the Secretary of the Company in accordance with the requirements described in “Stockholder Proposals.” This notice must contain (i) as to each nominee, all information that would be required to be disclosed in a proxy statement with respect to the election of directors pursuant to the Exchange Act, (ii) the name and address of the stockholder giving the notice, (iii) the number of shares of common stock owned beneficially and of record by such stockholder, and (iv) the written consent of each nominee to serve as a director if so elected. The Compensation Committee will consider and evaluate persons recommended by stockholders in the same manner as potential nominees identified by the Board and/or the Compensation Committee.

The Compensation Committee identifies nominees for director from various sources. In assessing potential director nominees, the Compensation Committee considers the character, background and professional experience of candidates. All nominees should possess good judgment and an inquiring and independent mind. Familiarity with the issues affecting the Company is among the relevant criteria. All director nominees must possess a reputation for the highest personal and professional ethics, integrity and values. The Compensation Committee will also carefully consider any potential conflicts of interest. Nominees must also be willing and able to devote sufficient time and effort to carrying out the duties and responsibilities of a director effectively, and should be committed to serving on the Board for an extended period of time.

Corporate Governance

The Board regularly re-evaluates the Company’s corporate governance policies and benchmarks those policies against rules and regulations of governmental authorities, the best practices of other public companies and suggestions received from various authorities. The Board has adopted the Company’s Guidelines on Corporate Governance. The Company has also adopted a Business Ethics and Conduct Policy, which applies to all directors, officers and employees of the Company.

The Guidelines on Corporate Governance, the Business Ethics and Conduct Policy and the charters of the Audit Committee and the Compensation Committee are each available on the

Company's website at <http://www.mhchomes.com>, and a copy of same may be obtained free of charge by sending a written request to Equity LifeStyle Properties, Inc., Attn: Investor Relations Department, Two North Riverside Plaza, Suite 800, Chicago, Illinois 60606 or by contacting the Company's Investor Relations Department at investor_relations@mhchomes.com.

EXECUTIVE COMPENSATION

The following table shows information with respect to the annual compensation for services rendered to the Company for the fiscal years ended December 31, 2004, December 31, 2003 and December 31, 2002 by the Company's Chief Executive Officer and those persons who were, at December 31, 2004, the next three most highly compensated executive officers of the Company.

SUMMARY COMPENSATION TABLE

Name and Principal Position (as of 12/31/04)	Year	Annual Compensation		Long-Term Compensation Awards		All Other Compensation (\$)(4)
		Salary (\$)	Bonus (\$)(1)	Restricted Common Stock Awards (\$)(2)(3)	Securities Underlying Options Granted(#)	
Thomas P. Heneghan	2004	275,400	471,875	1,472,000	0	12,300
President, Chief Executive	2003	270,000	0	0	0	8,000
Officer, Director and	2002	270,000	175,000	560,700	0	10,000
Member of Management Committee(5)						
Ellen Kelleher	2004	257,040	361,000	920,000	0	12,300
Executive Vice President,	2003	252,000	150,000	0	0	8,000
General Counsel, Secretary	2002	252,000	195,910	490,613	0	10,000
and Member of Management Committee						
Roger A. Maynard	2004	257,040	361,000	1,104,000	0	12,300
Chief Operating Officer and	2003	175,000	150,000	0	0	8,000
Member of Management	2002	175,000	100,000	0	0	10,000
Committee(6)						
Michael B. Berman	2004	257,040	361,000	920,000	0	12,300
Vice President, Chief	2003	61,062	50,000	0	0	0
Financial Officer, Treasurer	2002	—	—	—	—	—
and Member of Management Committee(7)						

(1) Under the Plan, an officer who receives a bonus receives 50% of the bonus in cash and 50% of the bonus in the form of a stock award. Under the Plan, the officer may request, subject to approval by the Compensation Committee, to receive more or less than 50% of the bonus in the form of a stock award. To the extent that an officer receives up to 50% of the bonus as a stock award, the stock award is calculated using the fair market value of a share of Common Stock as of the date the bonus is paid or (for 2002) as of the date the bonus is declared. If more than 50% of the bonus is to be paid as a stock award, the additional stock award is calculated using the most recent purchase price for a share of Common Stock under the Company's Non-Qualified Employee Stock Purchase Plan ("ESPP") or the price that would be used under the ESPP for the offering period then in progress if the period ended the day the bonus was paid, which is less than the fair market value of a share of Common Stock on the day the bonus is paid. The bonus amount reflected for Ms. Kelleher for 2002 includes the discount on shares of Common Stock with respect to the election she made to receive more than 50% of the bonus as a stock award.

- (2) The total number and value of shares of Common Stock (“Restricted Common Stock”) awarded pursuant to restricted stock grants (“Restricted Common Stock Awards”) in various years, and held by each named executive officer as of December 31, 2004, were as follows:

	<u>Number of Shares</u>	<u>Value(\$)</u>
Thomas P. Heneghan	40,667	1,453,845
Ellen Kelleher	26,667	953,345
Roger A. Maynard	24,000	858,000
Michael B. Berman	16,667	595,845

All holders of Restricted Common Stock receive any dividends paid on such shares.

- (3) The number of shares of Restricted Common Stock granted to each named executive officer effective January 5, 2004 pursuant to the 1997 Program, as described below under “Compensation Committee Report on Executive Compensation”, was as follows (each of these awards is subject to a vesting schedule, with one-third of the award vesting on December 10, 2004; one-third vesting on December 10, 2005; and the remainder vesting on December 10, 2006):

Thomas P. Heneghan	40,000
Ellen Kelleher	25,000
Roger A. Maynard	30,000
Michael B. Berman	25,000

- (4) Includes employer matching contributions and profit sharing contributions pursuant to The MHC Advantage Retirement Savings Plan.
- (5) Mr. Heneghan became President and Chief Executive Officer as of January 1, 2004, and became a director in March 2004.
- (6) Mr. Maynard became Chief Operating Officer and a member of the Management Committee as of January 1, 2004.
- (7) Mr. Berman became Vice President, Chief Financial Officer and Treasurer and a member of the Management Committee as of September 30, 2003.

OPTION GRANTS IN LAST FISCAL YEAR

There were no option grants in fiscal year 2004 to any of the executive officers named in the Summary Compensation Table, except that Mr. Heneghan received a grant of options to purchase 10,000 shares of Common Stock for his service as a director during 2004.

AGGREGATED OPTION EXERCISES IN LAST FISCAL YEAR AND FISCAL YEAR-END OPTION VALUES

<u>Name</u>	<u>Shares Acquired on Exercise (#)</u>	<u>Value Realized(\$)</u>	<u>Number of Unexercised Options at FY-End(#) Exercisable/ Unexercisable</u>	<u>Value of Unexercised In-the-Money Options at FY-End(\$) Exercisable/ Unexercisable</u>
Thomas P. Heneghan	0	0	3,333/6,667	14,065/28,135
Ellen Kelleher	0	0	0/0	0/0
Roger A. Maynard	0	0	0/0	0/0
Michael B. Berman	0	0	0/0	0/0

DIRECTOR COMPENSATION

The Company paid each of its non-employee directors an annual fee of \$30,000 in 2004. In addition, directors who serve on the Executive Committee, Audit Committee or Compensation Committee receive an additional \$1,000 per annum for each committee on which they serve. Committee chairs receive an additional \$500 per annum. Directors who are employees of the Company are not paid any directors' fees. The Company reimburses the directors for travel expenses incurred in connection with their activities on behalf of the Company. On the date of the first Board meeting after each Annual Meeting of Stockholders, each director then in office will receive at the director's election either an annual grant of options to purchase 10,000 shares of Common Stock at the then-current market price or an annual grant of 2,000 shares of Restricted Common Stock. One-third of the options to purchase Common Stock and the shares of Restricted Common Stock covered by these awards vest on the date 6 months after the grant date, one-third vest on the first anniversary of the grant date and one-third vest on the second anniversary of the grant date. In January 2005, Mr. Zell was awarded options to purchase 100,000 shares of Common Stock, for services rendered as Chairman of the Board during 2004; Mrs. Rosenberg was awarded options to purchase 25,000 shares of Common Stock, which she elected to receive as 5,000 shares of Restricted Common Stock, for services rendered as Lead Director during 2004; Mr. Walker was awarded options to purchase 15,000 shares of Common Stock, which he elected to receive as 3,000 shares of Restricted Common Stock, for services rendered as Vice Chairman of the Board during 2004; and Mr. McAdams was awarded options to purchase 15,000 shares of Common Stock, which he elected to receive as 3,000 shares of Restricted Common Stock, for services rendered as Audit Committee Financial Expert and Audit Committee Chair during 2004. One-third of the options to purchase Common Stock and the shares of Restricted Common Stock covered by these awards vests on each of December 31, 2005, December 31, 2006 and December 31, 2007.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

The Compensation Committee members for 2004 were Messrs. Chisholm and Waterman and Mrs. Rosenberg. No Compensation Committee interlocking relationships existed in 2004. For a description of certain transactions with Board members or their affiliates, see "Certain Relationships and Related Transactions."

COMPENSATION COMMITTEE REPORT ON EXECUTIVE COMPENSATION

The Compensation Committee determines the compensation of the Company's officers, including those named in the Summary Compensation Table, and guides the Company's overall philosophy towards compensation of its employees. The Compensation Committee believes that the compensation of the Company's Chief Executive Officer and all of the Company's officers should be both competitive and based on individual and Company performance.

The Company's executive salary structure is reviewed annually by the Compensation Committee using the SNL Executive Compensation Review for REITs ("SNL Survey") for guidance. In addition, the entire Company's salary structure is reviewed annually. Where salary information is unavailable for a particular position, other positions having similar responsibilities either within the Company or in companies of comparable size are used. Salary increases are based upon overall Company performance and upon each officer's (including the Chief Executive Officer's) performance and contribution to the Company's performance.

The Company's compensation policy takes into account a review of local and national peer group salary surveys focusing primarily on the SNL Survey. The SNL Survey contains detailed compensation and performance data on publicly traded REITs. The Compensation Committee believes the SNL Survey provides comparable salary data for the Company. The Compensation Committee believes that the Company's compensation levels compare favorably to the Company's peer groups described in the

surveys and targets median to high total compensation levels for the Company's officers. This is not the same peer group that is used in the Performance Graph on page 13. In addition, during 2004 the Compensation Committee engaged the services of Towers Perrin to review and advise the Compensation Committee on executive compensation.

The Compensation Committee believes that attracting and retaining highly qualified executives is accomplished by providing competitive base salaries and meaningful incentives, both short-term and long-term, intended to reward performance and retain experienced management. During the fiscal year ended December 31, 2004, there were three major components of executive compensation: base salary, bonus and long-term incentives in the form of Restricted Common Stock Awards. The Compensation Committee has deliberately kept base salaries at levels which may compare less favorably with comparable positions in other companies. This allows the Compensation Committee to reward officers' performance through bonuses and long-term incentives such as Restricted Common Stock Awards. Further short-term and mid-term incentives for officers are accomplished through the Company's bonus plan. The bonus plan involves the Company and the officer jointly setting goals for such officer at the beginning of each year.

Benchmarks for determining base salary and bonus amounts during 2004 included successful completion and integration of pending acquisitions, maintenance of core portfolio occupancy, sales volumes and profitability of the sales operation. Each performance measure carried equal weight.

In 2004, the Company's core business continued to deliver solid operating performance. The Company successfully deployed \$100 million earmarked from the recapitalization completed in 2003 for identified acquisitions. In addition, during 2004, management successfully targeted and closed other transactions exceeding \$300 million. During this period of growth, the existing business continued to operate in line with expectations. Because of the success of the acquisition initiatives, the Compensation Committee awarded an additional special award bonus ("Special Award") of \$300,000 for the Chief Executive Officer and \$200,000 for each of the Chief Financial Officer, Chief Operating Officer and General Counsel.

To provide long-term incentives for officers and to retain qualified officers, the Company has created performance and tenure-based Restricted Common Stock Award programs. The vesting of Restricted Common Stock Awards is subject to acceleration in the case of death, disability and involuntary termination not for cause or change of control of the Company. The Compensation Committee recognizes that the interests of stockholders are best served by giving key employees the opportunity to participate in the appreciation of the Company's Common Stock.

In December 2001, the Compensation Committee created the 2004 Long Term Restricted Stock Plan (the "2004 Program"), which provided for shares of Restricted Common Stock to be granted on January 5, 2004 to individuals who were employed by the Company on November 15, 2001 and on January 5, 2004 and who hold the respective titles of Chief Executive Officer, Chief Operating Officer, General Counsel and Chief Financial Officer, as well as certain other titles on such grant date. Shares granted on January 5, 2004 are subject to a further three year vesting schedule, with one-third vesting December 10, 2004, one-third vesting December 10, 2005 and one-third vesting December 10, 2006, with vesting based on an individual's tenure in such titled positions. In connection with the hiring of Mr. Berman, Chief Financial Officer of the Company, in September 2003, the Compensation Committee waived the requirement that Mr. Berman hold such title on the grant date in order to be eligible to receive a grant of Restricted Common Stock under the 2004 Program; as a result, Mr. Berman received such a grant on January 5, 2004. On January 5, 2004, Mr. Heneghan was granted 40,000 shares under the 2004 Program; Mr. Berman was granted 25,000 shares under the 2004 Program; Mr. Maynard was granted 30,000 shares under the 2004 Program; and Ms. Kelleher was granted 25,000 shares under the 2004 Program.

During 2004, Mr. Heneghan, who served as the Chief Executive Officer of the Company, received a base annual salary of \$275,400 and a cash bonus excluding the Special Award discussed above of \$171,875. In establishing Mr. Heneghan's base annual salary for 2005, the Compensation Committee

considered Mr. Heneghan's individual performance and the performance of the Company in 2004. The Compensation Committee also recognized that under Mr. Heneghan's leadership of the Company, the Company successfully recapitalized and deployed the proceeds of the recapitalization. In establishing Mr. Heneghan's 2004 bonus, the Compensation Committee reviewed Mr. Heneghan's performance against established goals set by the Compensation Committee for both the Company and Mr. Heneghan individually. In 2004, Mr. Heneghan was eligible to receive a bonus of up to 100% of his base annual salary; however, Mr. Heneghan and the other members of senior management received only a portion of the bonus related to sales profitability and did not receive the bonus related to occupancy. The Compensation Committee further determined that Mr. Heneghan's base salary and bonus were appropriate in relation to market data and the base salaries of other Chief Executive Officers within the Company's industry and within publicly traded companies of similar size.

No options were granted to employees of the Company during 2004 (except for Mr. Heneghan's grant as a director).

The Compensation Committee believes that the compensation program properly rewards the Company's officers for achieving improvements in the Company's performance and serving the interests of its stockholders.

The Company may or may not structure compensation arrangements to satisfy the requirements for performance-based compensation under Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code").

Respectfully submitted,

Sheli Z. Rosenberg, Chair
Donald S. Chisholm
Gary L. Waterman

March 31, 2005

AUDIT COMMITTEE REPORT

The Audit Committee oversees the Company's financial reporting process on behalf of the Board. Management has the primary responsibility for the financial reporting process, including the system of internal controls, and for the preparation of consolidated financial statements in accordance with generally accepted accounting principles. The Audit Committee is governed by a written charter approved by the Board. In accordance with this charter, the Audit Committee oversees the accounting, auditing and financial reporting practices of the Company. In fulfilling its oversight responsibilities, the Audit Committee reviewed the audited financial statements in the Company's Annual Report on Form 10-K for the year ended December 31, 2004 (the "Form 10-K"), with management, including a discussion of the quality, not just the acceptability, of the accounting principles, the reasonableness of significant judgments, and the clarity of disclosures in the financial statements. The Audit Committee also has reviewed and discussed with management, the internal auditors and the outside auditor both management's report and the outside auditor's report and attestation on internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act of 2002.

The Audit Committee reviewed with the Company's independent accountants, who are responsible for expressing an opinion on the conformity of those audited financial statements with generally accepted accounting principles, their judgments as to the quality, not just the acceptability, of the Company's accounting principles and such other matters as are required to be discussed with the Audit Committee under generally accepted auditing standards. In addition, the Audit Committee has discussed with the independent accountants the matters required to be discussed by SAS 61 (Codification of Statements on Auditing Standards) and the accountants' independence from the Company and management, including the matters in the written disclosure and the letter required by

Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees), and considered the compatibility of non-audit services provided to the Company by the independent accountants with the accountants' independence.

The Audit Committee discussed with the Company's independent accountants the overall scope and plans for their audit. The Audit Committee met with the independent accountants, with and without management present, to discuss the results of their examinations, their evaluation of the Company's internal controls and the overall quality of the Company's financial reporting.

In reliance on the reviews and discussions referred to above, the Audit Committee recommended to the Board (and the Board has approved) that the audited financial statements be included in the Form 10-K for filing with the SEC.

Respectfully submitted,

Joe B. McAdams, Chair
Thomas E. Dobrowski
Sheli Z. Rosenberg

March 31, 2005

Audit and Non-Audit Fees

Audit Fees. The aggregate fees billed (or expected to be billed) for fiscal years 2004 and 2003 for professional services rendered by the independent accountants for the audit of the Company's financial statements, the audit of internal controls relating to Section 404 of the Sarbanes-Oxley Act and for the reviews by the independent accountants of the financial statements included in the Company's Forms 10-Q were \$608,000 and \$261,750, respectively.

Audit-Related Fees. The aggregate fees billed (or expected to be billed) for fiscal years 2004 and 2003 for assurance and related services by the independent accountants that are reasonably related to the performance of the audit or review of the Company's financial statements that are not reported as "Audit Fees" above were \$152,000 and \$26,200, respectively. These fees consist primarily of fees for services provided to assist the Company with attest services related to audits of subsidiaries and benefit plans.

Tax Fees. The aggregate fees billed (or expected to be billed) for fiscal years 2004 and 2003 for professional services rendered by the independent accountants for tax compliance, tax advice and tax planning were \$14,500 and \$10,000, respectively. These fees consist primarily of fees for services provided to assist the Company with tax return preparation and review and corporate tax compliance services.

All Other Fees. There were no other fees in fiscal years 2004 and 2003.

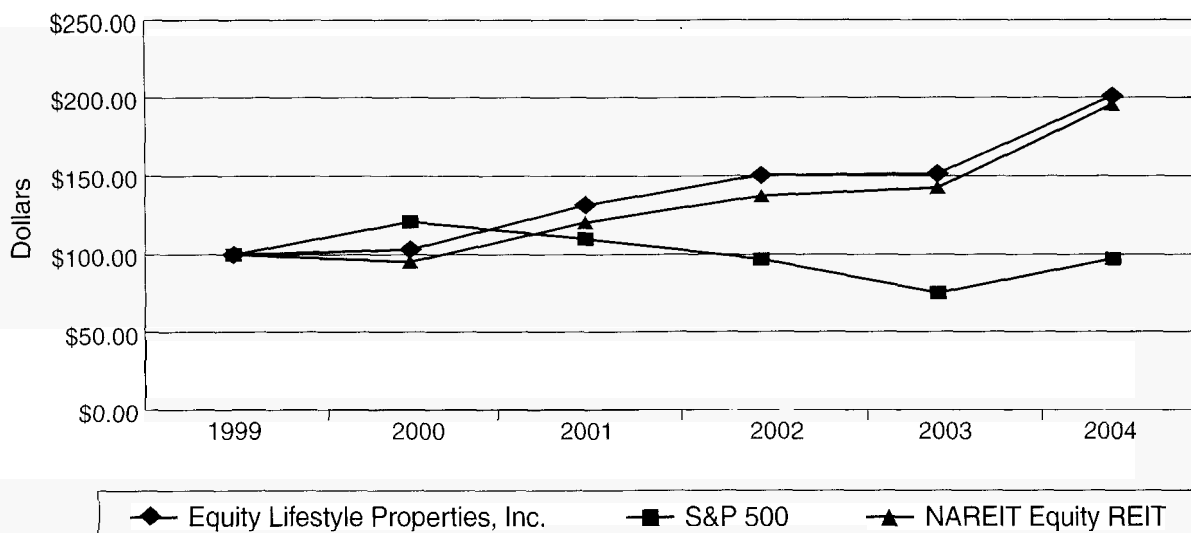
Auditor Independence. The Audit Committee has determined that the independent accountants' provision of the non-audit services described above is compatible with maintaining the independent accountants' independence.

Policy on Pre-Approval. The Company and the Audit Committee are committed to ensuring the independence of the independent auditors of the Company, both in fact and in appearance. In this regard, the Audit Committee has established a pre-approval policy in accordance with the applicable rules of the SEC.

PERFORMANCE GRAPH

The following performance graph compares total stockholders' return on the Common Stock since December 31, 1999 with the Standard and Poors ("S&P") 500 Stock Index and the index of equity REITs prepared by the National Association of Real Estate Investment Trusts ("NAREIT"). The Common Stock price performance graph assumes that an investment of \$100 was made on December 31, 1999 in the Common Stock and in each of the two indexes and further assumes the reinvestment of all dividends. Equity REITs are defined as those REITs which derive more than 75% of their income from equity investments in real estate assets. The NAREIT equity index includes all tax qualified REITs listed on the NYSE, the American Stock Exchange or the NASDAQ Stock Market. Common Stock price performance presented for the period from December 31, 1999 through December 31, 2004 is not necessarily indicative of future results.

**Comparison of 5 Year Cumulative Total Return
Assumes Initial Investment of \$100
December 2004**



		1999	2000	2001	2002	2003	2004
Company	Return %		3.30	27.37	14.36	0.65	32.67
	Cumulative \$	\$100.00	\$103.30	\$131.58	\$150.47	\$151.45	\$200.92
S&P 500	Return %		21.05	-9.10	-11.88	-22.10	28.69
	Cumulative \$	\$100.00	\$121.05	\$110.02	\$ 96.95	\$ 75.52	\$ 97.19
NAREIT Equity	Return %		-4.62	26.37	13.89	3.81	37.14
	Cumulative \$	\$100.00	\$ 95.38	\$120.53	\$137.27	\$142.50	\$195.43

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS

The following table sets forth information as of the Record Date (except as noted), with respect to each person who is known by the Company's management to be the beneficial owner of more than 5% of the outstanding shares of Common Stock.

<u>Name and Business Address of Beneficial Owner</u>	<u>Amount and Nature of Beneficial Ownership (1)</u>	<u>Percentage of Class</u>
Samuel Zell and entities affiliated with Samuel Zell and Ann Lurie and entities affiliated with Ann Lurie(2)	3,748,678	14.4%
Two North Riverside Plaza Chicago, Illinois 60606		
FMR Corp.(3)	3,157,055	13.6%
82 Devonshire Street Boston, Massachusetts 02109		
General Motors Employees Global Group Pension Trust(4)	2,271,198	9.8%
c/o General Motors Investment Management Corporation 767 Fifth Avenue New York, New York 10153		
Mac-Per-Wolf(5)	2,004,844	8.7%
310 S. Michigan Avenue Suite 2600 Chicago, Illinois 60604		
Morgan Stanley(6)	1,923,859	8.3%
1585 Broadway New York, New York 10036		

- (1) MHC Operating Limited Partnership (the "Operating Partnership") is the entity through which the Company conducts substantially all of its operations. The limited partners of the Operating Partnership own units of limited partnership interest ("OP Units") which are convertible into an equivalent number of shares of Common Stock. In accordance with SEC regulations governing the determination of beneficial ownership of securities, the percentage of Common Stock beneficially owned by a person assumes that all OP Units held by the person are exchanged for Common Stock, that none of the OP Units held by other persons are so exchanged, that all options exercisable within 60 days of the Record Date to acquire Common Stock held by the person are exercised and that no options to acquire Common Stock held by other persons are exercised.

- (2) Includes Common Stock, OP Units which are exchangeable for Common Stock, and options to purchase Common Stock which are currently exercisable or exercisable within 60 days of the Record Date owned as follows:

	<u>Common Stock</u>	<u>OP Units</u>	<u>Options</u>
Samuel Zell	97,091	—	666,666
Samuel Zell Revocable Trust	10,551	—	—
Helen Zell Revocable Trust	2,000		
Samstock/SZRT, L.L.C.	294,133	13,641	—
Samstock/ZGPI, L.L.C.	6,003	—	—
Samstock, L.L.C.	446,000	601,665	—
Samstock/ZFT, L.L.C.	8,887	187,278	—
Samstock/Alpha, L.L.C.	8,887	—	—
EGI Holdings, Inc.	—	579,873	—
Donald S. Chisholm Trust	7,000	—	—
Anda Partnership	—	233,694	—
LFT Partnership	—	5,436	—
EGIL Investments, Inc.	—	579,873	—
TOTALS:	<u>880,552</u>	<u>2,201,460</u>	<u>666,666</u>

Mr. Zell does not have a pecuniary interest in 2,000 shares of Common Stock reported above held by the Helen Zell Revocable Trust, the trustee of which is Helen Zell, Mr. Zell's spouse. Mr. Zell also does not have a pecuniary interest in 7,000 shares of Common Stock reported above held by the Donald S. Chisholm Trust, the trustee of which is Mr. Zell.

The number in the table includes 469,777 shares of Common Stock and 2,187,819 OP Units in which Mr. Zell has a pecuniary interest but with respect to which he does not have voting or dispositive power. 469,777 shares of Common Stock and 1,368,816 OP Units are indirectly owned by trusts established for the benefit of Mr. Zell and his family, the trustee of which is Chai Trust Company, L.L.C. ("Chai Trust"). Mr. Zell is not an officer or director of Chai Trust and does not have voting or dispositive power with respect to such Common Stock or OP Units. Additionally, 819,003 OP Units are held by EGIL Investments, Inc. ("EGIL"), Anda Partnership and LFT Partnership. Under a shareholders' agreement dated December 31, 1999, trusts established for the benefit of the family of Ann and Robert Lurie have the power to vote and to dispose of the OP Units beneficially owned by EGIL. In addition, Ann Lurie and Mark Slezak each share the power to vote or to direct the vote and share the power to dispose or to direct the disposition of OP Units held by Anda Partnership and LFT Partnership, and Mr. Zell does not have a pecuniary interest in the OP Units held thereby. Mr. Zell disclaims beneficial ownership of such 469,777 shares of Common Stock and 2,187,819 OP Units, except to the extent of his pecuniary interest therein.

- (3) Pursuant to a Schedule 13G/A filed with the SEC for calendar year 2004, Fidelity Management & Research Company, a wholly-owned subsidiary of FMR Corp. ("FMR") and an investment advisor registered under Section 203 of the Investment Advisors Act of 1940 ("Investment Act"), is the beneficial owner of 3,157,055 shares of Common Stock as a result of acting as investment advisor to various investment companies under the Investment Act. The ownership of one investment company, Growth & Income Fund ("G&I"), amounted to 1,466,000 shares or 6.3% of the Common Stock outstanding. G&I has its principal office at 82 Devonshire Street, Boston, Massachusetts 02109. Fidelity Management Trust Company, a wholly-owned subsidiary of FMR, is the beneficial owner of 266,933 shares of Common Stock as a result of serving as investment manager of certain institutional accounts. Edward C. Johnson 3d, Abigail P. Johnson and other members of the

Johnson family may be deemed, under the Investment Company Act of 1940, to form a controlling group with respect to FMR.

- (4) The shares of Common Stock reported herein are held of record by State Street Bank & Trust Company, acting as trustee (the "Trustee") for the General Motors Employees Global Group Pension Trust (the "GM Trust Fund"), a trust formed under and for the benefit of certain employee benefit plans of General Motors Corporation ("GM") and its subsidiaries and a former GM affiliate and its subsidiaries. These shares may be deemed to be owned beneficially by General Motors Investment Management Corporation ("GMIMC"), a wholly owned subsidiary of GM. GMIMC's principal business is providing investment advice and investment management services with respect to the assets of certain employee benefit plans of GM and its subsidiaries and former affiliates. The Trustee may vote and dispose of the shares held by the GM Trust Fund only pursuant to the direction of GMIMC personnel, and accordingly beneficial ownership of the shares by the Trustee is disclaimed.
- (5) Pursuant to a Schedule 13G filed with the SEC for calendar year 2004, Mac-Per-Wolf Company ("MPW") is the beneficial owner of 2,004,844 shares of Common Stock. Perkins, Wolf, McDonnell and Company, LLC ("PWM") is a subsidiary of MPW and is an investment advisor under Section 203 of the Investment Act. PWM provides investment advice to the Janus Small Cap Value Fund, which is the beneficial owner of 1,250,000 shares of Common Stock.
- (6) Pursuant to a Schedule 13G/A filed with the SEC for calendar year 2004, Morgan Stanley and its wholly-owned subsidiary, Morgan Stanley Investment Management Inc. ("MSIM"), are the beneficial owners of 1,943,859 shares of Common Stock, including shares owned through accounts managed by them on a discretionary basis. MSIM has sole voting and dispositive power over 1,280,620 shares of Common Stock. Morgan Stanley has sole voting and dispositive power over 1,401,557 shares of Common Stock and shared voting and dispositive power over 1,522 shares of Common Stock.

SECURITY OWNERSHIP OF MANAGEMENT

The following table sets forth, as of the Record Date, certain information with respect to the Common Stock that may be deemed to be beneficially owned by each director of the Company, by the executive officers named in the Summary Compensation Table and by all such directors and executive officers as a group. The address for each of the directors and executive officers is c/o Equity LifeStyle Properties, Inc., Two North Riverside Plaza, Suite 800, Chicago, Illinois 60606. Unless otherwise indicated, each person has sole investment and voting power, or shares such power with his or her spouse, with respect to the shares set forth in the following table.

Name of Beneficial Holder	Shares of Common Stock (1)	Shares Upon Exercise of Options (2)	Total	Percentage of Class (3)
Michael B. Berman	45,195	—	45,195	*
Donald S. Chisholm (4)	83,886	20,000	103,886	*
Thomas E. Dobrowski (5)	—	63,332	63,332	*
Thomas P. Heneghan	306,800	6,666	313,466	1.4%
Ellen Kelleher	264,215	—	264,215	1.1%
Roger A. Maynard	41,922	—	41,992	*
Joe B. McAdams	5,000	—	5,000	*
Sheli Z. Rosenberg (6)	184,860	110,000	294,860	1.3%
Howard Walker	245,127	—	245,127	1.1%
Gary L. Waterman	73,388	20,000	93,388	*
Samuel Zell (4)	3,082,012	666,666	3,748,678	16.1%
All directors and executive officers as a group (11 persons) including the above- named persons	<u>4,332,405</u>	<u>886,664</u>	<u>5,219,069</u>	<u>20.0%</u>

* Less than 1%

- (1) The shares of Common Stock beneficially owned includes OP Units that can be exchanged for an equivalent number of shares of Common Stock.
- (2) The amounts shown in this column reflect shares of Common Stock subject to options which are currently exercisable or exercisable within 60 days of the Record Date.
- (3) In accordance with SEC regulations governing the determination of beneficial ownership of securities, the percentage of Common Stock beneficially owned by a person assumes that all OP Units held by the person are exchanged for Common Stock, that none of the OP Units held by other persons are so exchanged, that all options exercisable within 60 days of the Record Date to acquire Common Stock held by the person are exercised and that no options to acquire Common Stock held by other persons are exercised.
- (4) Mr. Zell does not have a pecuniary interest in 2,000 shares of Common Stock reported above held by the Helen Zell Revocable Trust, the trustee of which is Helen Zell, Mr. Zell's spouse. Mr. Zell also does not have a pecuniary interest in 7,000 shares of Common Stock reported above held by the Donald S. Chisholm Trust, the trustee of which is Mr. Zell.

The number in the table includes 469,777 shares of Common Stock and 2,187,819 OP Units in which Mr. Zell has a pecuniary interest but with respect to which he does not have voting or dispositive power. 469,777 shares of Common Stock and 1,368,816 OP Units are indirectly owned by trusts established for the benefit of Mr. Zell and his family, the trustee of which is Chai Trust Company, L.L.C. ("Chai Trust"). Mr. Zell is not an officer or director of Chai Trust and does not have voting or dispositive power with respect to such Common Stock or OP Units. Additionally, 819,003 OP Units are held by EGIL Investments, Inc. ("EGIL"), Anda Partnership and LFT Partnership. Under a shareholders' agreement dated December 31, 1999, trusts established for the

benefit of the family of Ann and Robert Lurie have the power to vote and to dispose of the OP Units beneficially owned by EGIL. In addition, Ann Lurie and Mark Slezak each share the power to vote or to direct the vote and share the power to dispose or to direct the disposition of OP Units held by Anda Partnership and LFT Partnership, and Mr. Zell does not have a pecuniary interest in the OP Units held thereby. Mr. Zell disclaims beneficial ownership of such 469,777 shares of Common Stock and 2,187,819 OP Units, except to the extent of his pecuniary interest therein.

- (5) The securities of the Company of which Mr. Dobrowski is named as beneficial holder in the foregoing table are held by Mr. Dobrowski as nominee for certain pension trusts. Accordingly, he has no personal interest in such securities.
- (6) Includes 11,530 OP Units beneficially owned by Mrs. Rosenberg which are exchangeable into 11,530 shares of Common Stock. Also includes 75,196 shares of Common Stock beneficially owned by Mrs. Rosenberg's spouse, as to which Mrs. Rosenberg disclaims beneficial ownership.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The Company occupies office space owned by an affiliate of EGI, an entity controlled by Mr. Zell, at Two North Riverside Plaza, Chicago, Illinois 60606. Amounts incurred for this office space totaled approximately \$412,000 for the year ended December 31, 2004. The amount due to this affiliate at December 31, 2004 was \$0.00.

The independent members of the Board have reviewed and approved the rates charged by the EGI affiliate in connection with the lease of the Company's office space.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Exchange Act ("Section 16(a)") requires the Company's executive officers and directors, and persons who own more than 10% of its Common Stock, to file reports of ownership and changes of ownership with the SEC and the NYSE. Executive officers, directors and greater than 10% stockholders are required by SEC regulations to furnish the Company with copies of all Section 16(a) forms they file.

Based solely on the Company's review of the copies of those forms received by the Company, or written representations from executive officers and directors that no Forms 5 were required to be filed for the fiscal year ended December 31, 2004, all appropriate Section 16(a) forms were filed in a timely manner, except as described below:

Mr. Chisholm exercised options for 10,000 shares of Common Stock on August 5, 2004. A Form 4 inadvertently was not filed when due by August 7, 2004 but was filed on February 22, 2005.

INDEPENDENT ACCOUNTANTS

Ernst & Young LLP ("E&Y") served as the Company's independent accountants for the fiscal year ended December 31, 2004. There have been no disagreements between the Company and its independent accountants relating to accounting procedures, financial statement disclosures or related items. Representatives of E&Y are expected to be available at the Meeting and will have an opportunity to make a statement if they so desire and will be available to respond to appropriate questions.

STOCKHOLDER PROPOSALS

Under regulations adopted by the SEC, stockholder proposals intended to be presented at the 2006 Meeting must be received by the Secretary of the Company no later than December 9, 2005, in

order to be considered for inclusion in the Company's proxy statement and on the proxy card that will be solicited by the Board in connection with the 2006 Meeting.

In addition, if a stockholder desires to bring business before an Annual Meeting of Stockholders which is not the subject of a proposal for inclusion in the Company's proxy materials, the stockholder must follow the advance notice procedures outlined in the Company's Bylaws. The Company's Bylaws provide that in order for a stockholder to nominate a candidate for election as a director at a meeting or propose business for consideration at such meeting, notice must generally be given to the Secretary of the Company no more than 90 days nor less than 60 days prior to the first anniversary of the preceding year's meeting. The Meeting is scheduled for May 10, 2005. Therefore, if a stockholder desires to present a proposal for the 2006 Meeting without seeking to include the proposal in the Company's proxy materials, the Company must receive notice of the proposal no earlier than February 9, 2006 and no later than March 11, 2006. The fact that the Company may not insist upon compliance with these requirements should not be construed as a waiver by the Company of its right to do so at any time in the future. The Company reserves the right to reject, rule out of order or take other appropriate action with respect to any proposal that does not comply with these and other applicable requirements.

OTHER MATTERS

The Board is not aware of any business which will be presented at the Meeting other than those matters set forth in the accompanying Notice of Annual Meeting of Stockholders. If any other matters are properly presented at the 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.

By Order of the Board of Directors



Ellen Kelleher
*Executive Vice President, General Counsel
and Secretary*

April 6, 2005
Chicago, Illinois

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EQUITY LIFESTYLE PROPERTIES, INC.
AUDIT COMMITTEE CHARTER

Organization

Pursuant to the By-Laws of Equity LifeStyle Properties, Inc. (the “Company”), a Committee of the Directors to be known as the “Audit Committee” (the “Committee”) has been established. The Committee shall be members of, and appointed by, the Board of Directors (the “Board”) of the Company and shall comprise at least three Directors, each of whom are independent of management and the Company. Members of the Committee shall be considered independent as long as they do not accept any consulting, advisory, or other compensatory fee from the Company and are not an affiliated person of the Company and its subsidiaries, and meet the independence requirements of the New York Stock Exchange listing standards. All Committee members shall be financially literate, and at least one member shall be a “financial expert”, as defined by regulations of the Securities and Exchange Commission (“SEC”). This Charter governs the operations of the Committee. The Committee shall review and reassess this Charter at least annually and obtain approval of the Board.

The Board shall appoint the Committee Chairperson. The time and place of meetings of the Committee shall be determined by the members thereof provided that (1) a quorum for meetings shall be at least two members, present in person or by telephone; (2) unless otherwise agreed, the Committee shall meet at least quarterly; and (3) notice of the time and place of every meeting shall be given in writing or by facsimile communication to each member of the Committee, and the external and internal auditors of the Company. Independent Directors who are not members of the Committee are welcome to attend and participate in the Committee’s discussions unless otherwise specified by the Chair.

Purpose

The Committee shall provide assistance to the Board in fulfilling their oversight responsibility to the shareholders, potential shareholders, the investment community and others relating to:

- the integrity of the Company’s financial statements;
- the Company’s compliance with legal and regulatory requirements;
- the independent auditor’s qualifications and independence; and
- the performance of the Company’s internal audit function and independent auditors.

In addition, the Committee will prepare the report required by SEC rules to be included in the Company’s annual proxy statement.

In discharging its oversight role, the Committee is empowered to investigate any matter brought to its attention with full access to all books, records, facilities, and personnel of the Company and the authority to engage independent counsel and other advisers as it determines necessary to carry out its duties. The Company shall provide for appropriate funding, as determined by the Committee, for payment of compensation to any advisers retained by the Committee.

Duties and Responsibilities

The primary responsibility of the Committee is to oversee the Company’s financial reporting process on behalf of the Board and report the results of their activities to the Board. While the Committee has the duties and responsibilities set forth in this Charter, it is not the duty of the Committee to plan or conduct audits or to determine that the Company’s financial statements are complete and accurate and are in accordance with generally accepted accounting principles. Manage-

ment is responsible for the preparation, presentation, and integrity of the Company's financial statements and for the appropriateness of the accounting principles and reporting policies that are used by the Company. The independent auditors are responsible for auditing the Company's financial statements and for reviewing the Company's unaudited interim financial statements.

In carrying out its responsibilities, the Committee believes its policies and procedures should remain flexible, in order to best react to changing conditions and to ensure to the Directors and shareholders that the corporate accounting and reporting practices of the Company are in accordance with all requirements and are of the highest quality. The following shall be the principal duties and responsibilities of the Committee:

- The Committee shall be directly responsible for the appointment and termination, compensation, and oversight of the work of the independent auditors, including resolution of disagreements between management and the auditors regarding financial reporting. The Committee shall pre-approve all audit and non-audit services provided by the independent auditors and shall not engage the independent auditors to perform the specific non-audit services proscribed by law or regulation. The Committee may delegate pre-approval authority to a member of the Committee. The decisions of any Committee member to whom pre-approval authority is delegated must be presented to the full Committee at its next scheduled meeting.
- At least annually, obtain and review a report by the independent auditors describing:
 - (i) The independent audit firm's internal quality control procedures.
 - (ii) Any material issues raised by the most recent internal quality control review, or peer review, of the independent audit firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the independent audit firm, and any steps taken to deal with any such issues.
 - (iii) All relationships between the independent auditors and the Company (to assess the auditors' independence).
- Set clear hiring policies for employees or former employees of the independent auditors that meet the SEC regulations and NYSE listing standards.
- Discuss with the internal auditors and the independent auditors the overall scope and plans for their respective audits, including the adequacy of staffing and compensation. Also, the Committee shall discuss with management, the internal auditors, and the independent auditors the adequacy and effectiveness of the accounting and financial controls, including the Company's policies and procedures to assess, monitor, and manage business risk, and legal and ethical compliance programs.
- Meet separately periodically with management, the internal auditors, and the independent auditors to discuss issues and concerns warranting Committee attention. The Committee shall provide sufficient opportunity for the internal auditors and the independent auditors to meet privately with the members of the Committee. The Committee shall review with the independent auditor any audit problems or difficulties and management's response.
- Receive regular reports from the independent auditors on critical policies and practices of the Company, and all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management.
- Review management's assertion on its assessment of the effectiveness of internal controls as of the end of the most recent fiscal year and the independent auditors' report on management's assertion.
- Review and discuss earnings press releases, as well as financial information and earnings guidance provided to analysts and rating agencies.

- Review the interim financial statements and disclosures under Management's Discussion and Analysis of Financial Condition and Results of Operations with management and the independent auditors prior to the filing of the Company's Quarterly Report on Form 10-Q. Also, discuss the results of the quarterly review and any other matters required to be communicated to the Committee by the independent auditors under generally accepted auditing standards.
- Review with management and the independent auditors the financial statements and disclosures under Management's Discussion and Analysis of Financial Condition and Results of Operations to be included in the Company's Form 10-K, including their judgment about the quality, not just the acceptability, of accounting principles, the reasonableness of significant judgments, and the clarity of the disclosures in the financial statements. Also, discuss the results of the annual audit and any other matters required to be communicated to the Committee by the independent auditors under generally accepted auditing standards.
- Establish procedures for the receipt, retention, and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters, and the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.
- Receive corporate attorney's reports of evidence of a material violation of securities laws or breaches of fiduciary duty. The Committee will have the responsibility of inquiring into the evidence, and, if necessary, formulate an appropriate response to the outside reporting attorney.
- Perform an evaluation of the Committee's performance at least annually to determine whether it is functioning effectively.
- Each member of the Committee shall, in the performance of his or her duties, be fully justified and protected with regard to any act or failure to act (1) in reliance in good faith upon the books of account or other records of the Company, upon an opinion of counsel or upon reports made to the Company by any of its officers or employees or by the independent auditors or (2) in the exercise of his or her business judgment.
- Ensure that minutes of the Committee are kept and retained as records of the Company.

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INFORMATION REQUIRED PURSUANT
TO RULE 14a-3 UNDER THE SECURITIES EXCHANGE ACT OF 1934

EQUITY LIFESTYLE PROPERTIES, INC.

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PART I

Item 1. *Business*

Equity Lifestyle Properties, Inc.

General

Equity Lifestyle Properties, Inc., a Maryland corporation, together with MHC Operating Limited Partnership (the "Operating Partnership") and other consolidated subsidiaries ("Subsidiaries"), is referred to herein as the "Company", "ELS", "we", "us", and "our". The Company is a fully integrated owner and operator of resort and retirement oriented properties ("Properties"). The Company leases individual developed areas ("sites" or "pads") with access to utilities for placement of factory built homes or recreational vehicles. The Company was formed to continue the property operations, business objectives and acquisition strategies of an entity that had owned and operated Properties since 1969. As of December 31, 2004, we owned or had an ownership interest in a portfolio of 275 Properties located throughout the United States containing 101,231 residential sites. These Properties are located in 25 states and British Columbia (with the number of Properties in each state shown parenthetically) — Florida (84), California (46), Arizona (35), Texas (15), Washington (13), Colorado (10), Oregon (9), Delaware (7), Indiana (7), Pennsylvania (7), Nevada (6), North Carolina (6), Wisconsin (5), Virginia (4), Illinois (3), Iowa (2), Michigan (2), New Jersey (2), Ohio (2), South Carolina (2), Tennessee (2), Utah (2), Montana (1), New Mexico (1), New York (1), and British Columbia (1).

Properties are designed and improved for several home options of various sizes and designs that are produced off-site, installed and set ("Site Set"). These homes can range from 400 to over 2,000 square feet. The smallest of these are referred to as "Resort Cottages". Properties may also have pads that can accommodate a variety of recreational vehicles ("RVs"). Properties generally contain centralized entrances, paved streets, curbs and gutters and parkways. In addition, Properties often provide a clubhouse for social activities and recreation and other amenities, which may include restaurants, swimming pools, golf courses, lawn bowling, shuffleboard courts, tennis courts, laundry facilities and cable television service. In some cases, utilities are provided or arranged for by us; otherwise, the customer contracts for the utility directly. Some Properties provide water and sewer service through municipal or regulated utilities, while others provide these services to customers from on-site facilities. Properties generally are designed to attract retirees, empty-nesters, vacationers and second home owners; however, certain of the Properties focus on affordable housing for families. We focus on owning Properties in or near large metropolitan markets and retirement and vacation destinations.

On November 10, 2004, we acquired KTTI Holding Company, Inc., owner of 57 Properties and approximately 3,000 acres of vacant land, for \$160 million. These Properties are leased to Thousand Trails Operations Holding Company, L.P. ("Thousand Trails"), the largest operator of membership-based campgrounds in the United States. The Company has provided a long-term lease of the real estate (excluding the vacant land) to Thousand Trails, which will continue to operate the Properties for the benefit of over 100,000 members nationwide. These Properties are located in 16 states (primarily in the western and southern United States) and British Columbia, and contain 17,911 sites. The lease will generate \$16 million in annual rental income to the Company on an absolute triple net basis, subject to annual escalations of 3.25%.

Employee and Organizational Structure

We have approximately 1,500 full-time, part-time and seasonal employees dedicated to carrying out our operating philosophy and strategies of value enhancement and service to our customers. The operations of each Property are coordinated by an on-site team of employees that typically includes a manager or two-person management team, clerical and maintenance workers, each of whom works to provide maintenance and care of the Properties. Direct supervision of on-site management is the

responsibility of our regional vice presidents and regional and district managers. These individuals have significant experience in addressing the needs of customers and in finding or creating innovative approaches to maximize value and increase cash flow from property operations. Complementing this field management staff are approximately 70 corporate employees who assist on-site management in all property functions.

Formation of the Company

We originally incorporated as Manufactured Home Communities, Inc. in Maryland in December 1992 and completed an initial public offering in March 1993. On November 16, 2004, we changed our name to Equity Lifestyle Properties, Inc.

We believe that we have qualified for taxation as a real estate investment trust ("REIT") for federal income tax purposes since our taxable year ended December 31, 1993. We plan to continue to meet the requirements for taxation as a REIT. Many of these requirements, however, are highly technical and complex. We cannot, therefore, guarantee that we have qualified or will qualify in the future as a REIT. The determination that we are a REIT requires an analysis of various factual matters that may not be totally within our control and we cannot provide any assurance that the Internal Revenue Service ("IRS") will agree with our analysis. For example, to qualify as a REIT, at least 95% of our gross income must come from sources that are itemized in the REIT tax laws. We are also required to distribute to stockholders at least 90% of our REIT taxable income excluding capital gains. The fact that we hold our assets through MHC Operating Limited Partnership and its subsidiaries further complicates the application of the REIT requirements. Even a technical or inadvertent mistake could jeopardize our REIT status. Furthermore, Congress and the IRS might make changes to the tax laws and regulations, and the courts might issue new rulings that make it more difficult, or impossible, for us to remain qualified as a REIT. We do not believe, however, that any pending or proposed tax law changes would jeopardize our REIT status.

If we fail to qualify as a REIT, we would be subject to federal income tax at regular corporate rates. Also, unless the IRS granted us relief under certain statutory provisions, we would remain disqualified as a REIT for four years following the year we first failed to qualify. Even if the Company qualifies for taxation as a REIT, the Company is subject to certain state and local taxes on its income and property and Federal income and excise taxes on its undistributed income.

The operations of the Company are conducted primarily through the Operating Partnership. The Company contributed the proceeds from its initial public offering and subsequent offerings to the Operating Partnership for a general partnership interest. In 2004, the general partnership interest was contributed to MHC Trust (see Note 5 of the Notes to Consolidated Financial Statements contained in this Form 10-K). The financial results of the Operating Partnership and the Subsidiaries are consolidated in the Company's consolidated financial statements. In addition, since certain activities, if performed by the Company, may not be qualifying REIT activities under the Internal Revenue Code of 1986, as amended (the "Code"), the Company has formed taxable REIT subsidiaries as defined in the Code to engage in such activities.

Several Properties acquired during 2004 are wholly owned by taxable REIT subsidiaries of the Company. In addition, Realty Systems, Inc. ("RSI") is a wholly owned taxable REIT subsidiary of the Company that, doing business as Carefree Sales, is engaged in the business of purchasing, selling and leasing site set homes that are located in Properties owned and managed by the Company. Carefree Sales also provides brokerage services to residents at such Properties. Typically, residents move from a Property but do not relocate their homes. Carefree Sales may provide brokerage services, in competition with other local brokers, by seeking buyers for the site set homes. Carefree Sales also leases inventory homes to prospective residents with the expectation that the tenant eventually will purchase the home. Subsidiaries of RSI also lease from the Operating Partnership certain real property within or adjacent to certain Properties consisting of golf courses, pro shops, stores and restaurants.

Business Objectives and Operating Strategies

Our strategy seeks to maximize both current income and long-term growth in income. We focus on Properties that have strong cash flow and we expect to hold such Properties for long-term investment and capital appreciation. In determining cash flow potential, we evaluate our ability to attract and retain high quality customers in our Properties who take pride in the Property and in their home. These business objectives and their implementation are determined by our Board of Directors and may be changed at any time. Our investment, operating and financing approach includes:

- Providing consistently high levels of services and amenities in attractive surroundings to foster a strong sense of community and pride of home ownership;
- Efficiently managing the Properties to increase operating margins by controlling expenses, increasing occupancy and maintaining competitive market rents;
- Increasing income and property values by continuing the strategic expansion and, where appropriate, renovation of the Properties;
- Utilizing management information systems to evaluate potential acquisitions, identify and track competing Properties and monitor customer satisfaction;
- Selectively acquiring Properties that have potential for long-term cash flow growth and to create property concentrations in and around major metropolitan areas and retirement or vacation destinations to capitalize on operating synergies and incremental efficiencies; and
- Managing our debt balances such that we maintain financial flexibility, minimize exposure to interest rate fluctuations, and maintain an appropriate degree of leverage to maximize return on capital.

Our strategy is to own and operate the highest quality Properties in sought-after locations near urban areas, retirement and vacation destinations across the United States. We focus on creating an attractive residential environment by providing a well-maintained, comfortable Property with a variety of organized recreational and social activities and superior amenities as well as offering a multitude of lifestyle housing choices. In addition, we regularly conduct evaluations of the cost of housing in the marketplaces in which our Properties are located and survey rental rates of competing Properties. From time to time we also conduct satisfaction surveys of our customers to determine the factors they consider most important in choosing a Property.

Acquisitions and Dispositions

Over the last nine years our portfolio of Properties has grown significantly. We owned or had an interest in 40 Properties with approximately 12,000 sites in 1996. Today we have 275 Properties with over 100,000 sites. We continually review the Properties in our portfolio to ensure that they fit our business objectives. Between 1999 and 2003, we sold 26 Properties, and we redeployed capital to markets we believe had greater long-term potential. In 2004, we purchased or acquired interests in 135 Properties containing approximately 50,000 sites. We believe that opportunities for Property acquisitions are still available. Increasing acceptability of and demand for a lifestyle that includes Site Set homes and RVs as well as continued constraints on development of new Properties continue to add to their attractiveness as an investment. We believe we have a competitive advantage in the acquisition of additional Properties due to our experienced management, significant presence in major real estate markets and substantial capital resources. We are actively seeking to acquire additional Properties and are engaged in various stages of negotiations relating to the possible acquisition of a number of Properties.

We anticipate that newly acquired Properties will be located in the United States, although we may consider other geographic locations provided they meet our acquisition criteria. We utilize market information systems to identify and evaluate acquisition opportunities, including a market database to review the primary economic indicators of the various locations in which we expect to

expand our operations. Acquisitions will be financed from the most appropriate sources of capital, which may include undistributed funds from operations, issuance of additional equity securities, sales of investments, collateralized and uncollateralized borrowings and issuance of debt securities. In addition, the Operating Partnership may issue units of limited partnership interest (“OP Units”) to finance acquisitions. We believe that an ownership structure that includes the Operating Partnership will permit us to acquire additional Properties in transactions that may defer all or a portion of the sellers’ tax consequences.

When evaluating potential acquisitions, we consider such factors as:

- The replacement cost of the Property,
- The geographic area and type of Property,
- The location, construction quality, condition and design of the Property,
- The current and projected cash flow of the Property and the ability to increase cash flow,
- The potential for capital appreciation of the Property,
- The terms of tenant leases, including the potential for rent increases,
- The potential for economic growth and the tax and regulatory environment of the community in which the Property is located,
- The potential for expansion of the physical layout of the Property and the number of sites and/or pads,
- The occupancy and demand by customers for Properties of a similar type in the vicinity and the customers’ profile,
- The prospects for liquidity through sale, financing or refinancing of the Property, and
- The competition from existing Properties and the potential for the construction of new Properties in the area.

When evaluating potential dispositions, we consider such factors as:

- The ability to sell the Property at a price that we believe will provide an appropriate return for our stockholders,
- Our desire to exit certain non-core markets and recycle the capital into core markets, and
- Whether the Property meets our current investment criteria.

When investing capital we consider all potential uses of the capital including returning capital to our stockholders. As a result, during 1999 and 2000 we implemented our stock repurchase program, and our Board of Directors continues to review the conditions under which we will repurchase our stock. These conditions include, but are not limited to, market price, balance sheet flexibility, other opportunities and capital requirements. On January 16, 2004 we paid a special dividend of \$8.00 per share using proceeds from a recapitalization (see Item 7 — Management’s Discussion and Analysis of Financial Condition and Results of Operations — Financing Activities).

Property Expansions

Several of our Properties have available land for expanding the number of sites available to be utilized by our customers. Development of these sites (“Expansion Sites”) is predicated by local market conditions and permitted by zoning and other applicable laws. When justified, development of Expansion Sites allows us to leverage existing facilities and amenities to increase the income generated from the Properties. Where appropriate, facilities and amenities may be upgraded or added to certain Properties to make those Properties more attractive in their markets. Our acquisition philosophy has included the desire to own Properties with potential Expansion Site development, and we have been

successful in acquiring a number of such Properties. Examples of these Properties include the 1993 acquisition of The Heritage with potential development of approximately 288 Expansion Sites, the 1994 acquisition of Bulow Plantation with potential development of approximately 725 Expansion Sites, the 1997 acquisition of Golf Vista Estates with potential development of approximately 88 Expansion Sites, the 1999 acquisition of Coquina Crossing with potential development of approximately 300 Expansion Sites, and the 2001 acquisitions of Grand Island and The Lakes at Countrywood with combined potential development of approximately 224 Expansion Sites. In 2004 we acquired several Properties with potential Expansion Sites, including O'Connell's with approximately 350 Expansion Sites, Monte Vista with 418 Expansion Sites and Viewpoint with 566 Expansion Sites. In addition, included in the purchase of the Thousand Trails Properties are 3,000 acres available for expansion.

Approximately 40 of our Properties have expansion potential. In 2005, we expect to commence development of approximately 750 Expansion Sites within five of these Properties. As of December 31, 2004, we had approximately 815 Expansion Sites available for occupancy in 26 of the Properties. We filled 112 Expansion Sites in 2004 and expect to fill an additional 150 Expansion Sites in 2005.

Leases

At our Properties, a typical lease entered into between the customer and the Company for the rental of a site is for a month-to-month or year-to-year term, renewable upon the consent of both parties or, in some instances, as provided by statute. These leases are cancelable, depending on applicable law, for non-payment of rent, violation of Property rules and regulations or other specified defaults. Non-cancelable long-term leases, with remaining terms ranging up to ten years, are in effect at certain sites within 37 of the Properties. Some of these leases are subject to rental rate increases based on the Consumer Price Index ("CPI"), in some instances taking into consideration certain floors and ceilings and allowing for pass-throughs of certain items such as real estate taxes, utility expenses and capital expenditures. Generally, market rate adjustments are made on an annual basis. At resort-oriented Properties, many annual and seasonal customers generally prepay for their stay. Many resort customers will also leave deposits to reserve a site for the following year.

Regulations and Insurance

General. Our Properties are subject to various laws, ordinances and regulations, including regulations relating to recreational facilities such as swimming pools, clubhouses and other common areas. We believe that each Property has the necessary permits and approvals to operate.

Rent Control Legislation. At certain of our Properties, state and local rent control laws, principally in California, limit our ability to increase rents and to recover increases in operating expenses and the costs of capital improvements. Enactment of such laws has been considered from time to time in other jurisdictions. We presently expect to continue to maintain Properties, and may purchase additional Properties, in markets that are either subject to rent control or in which rent-limiting legislation exists or may be enacted. For example, Florida has enacted a law that generally provides that rental increases must be reasonable. Also, certain jurisdictions in California in which we own Properties limit rent increases to changes in the CPI or some percentage thereof. As part of our effort to realize the value of our Properties subject to restrictive regulation, we have initiated lawsuits against several municipalities imposing such regulation in an attempt to balance the interests of our stockholders with the interests of our customers (see Item 3 — Legal Proceedings).

Insurance. We believe that the Properties are covered by adequate fire, flood, property, earthquake and business interruption insurance (where appropriate) provided by reputable companies and with commercially reasonable deductibles and limits. Due to the lack of available commercially reasonable coverage, we are self-insured for terrorist incidents, except at certain Properties where terrorist insurance coverage is required by debt covenants. We believe our insurance coverage is adequate based on our assessment of the risks to be insured, the probability of loss and the relative cost of available coverage. We have obtained insurance insuring good title to the Properties in an

aggregate amount that we believe to be adequate. Approximately 70 Florida Properties suffered damage from the four hurricanes that struck Florida during August and September 2004. As of December 31, 2004, total expenditures approximated \$7 million. Approximately \$1 million has been charged to operations as non-recoverable. The remaining portion is included in other assets as a receivable from insurance providers. The Company expects to incur additional expenditures to complete the work necessary to restore these Properties to their pre-hurricanes condition. As of February 18, 2005, approximately \$6 million of these claims have been submitted for reimbursement.

INDUSTRY

We believe that modern properties similar to ours provide an opportunity for increased cash flows and appreciation in value. These may be achieved through increases in occupancy rates and rents, as well as expense controls, expansion of existing Properties and opportunistic acquisitions, for the following reasons:

- **Barriers to Entry:** We believe that the supply of new properties will be constrained due to barriers to entry. The most significant barrier has been the difficulty of securing zoning from local authorities. This has been the result of (i) the public's historically poor perception of manufactured housing, and (ii) the fact that properties generate less tax revenue because the homes are treated as personal property (a benefit to the homeowner) rather than real property. Another factor that creates substantial barriers to entry is the length of time between investment in a property's development and the attainment of stabilized occupancy and the generation of revenues. The initial development of the infrastructure may take up to two or three years. Once a property is ready for occupancy, it may be difficult to attract customers to an empty property. Substantial occupancy levels may take several years to achieve.
- **Industry Consolidation:** According to various industry reports, there are approximately 65,000 properties in the United States, and approximately 6.0% or approximately 4,000 of the properties have more than 200 sites and would be considered investment-grade. We believe that this relatively high degree of fragmentation provides us, as a national organization with experienced management and substantial financial resources, the opportunity to purchase additional properties.
- **Customer Base:** We believe that properties tend to achieve and maintain a stable rate of occupancy due to the following factors: (i) customers typically own their own homes, (ii) properties tend to foster a sense of community as a result of amenities such as clubhouses and recreational and social activities, (iii) since moving a Site Set home from one property to another involves substantial cost and effort, customers often sell their home in-place (similar to site-built residential housing) with no interruption of rental payments to us.
- **Lifestyle Choice:** According to the Recreational Vehicle Industry Association nearly 1 in 12 United States vehicle-owning households owns an RV. The 80 million people born from 1945 to 1964 or "baby boomers" make up the fastest growing segment of this market. We believe that this population segment, seeking an active lifestyle, will provide opportunities for future cash flow growth for the Company. Current RV owners, once finished with the more active RV lifestyle, will seek more permanent retirement or vacation establishments. The Site Set housing choice has become an increasingly popular housing alternative for retirement, second-home, and "empty-nest" living. According to a Fannie Mae survey, the baby-boom generation will constitute 18% of the U.S. population within the next 30 years and more than 32 million people will reach age 55 within the next ten years. Among those individuals who are nearing retirement (age 40 to 54), approximately 33% plan on moving upon retirement.

We believe that the housing choices in our properties are especially attractive to such individuals throughout this lifestyle cycle. Our Properties offer an appealing amenity package,

close proximity to local services, social activities, low maintenance and a secure environment. In fact, many of our Properties allow for this cycle to occur within a single Property.

- **Construction Quality:** Since 1976, all factory built housing has been required to meet stringent Federal standards, resulting in significant increases in quality. The Department of Housing and Urban Development's ("HUD") standards for Site Set housing construction quality are the only Federally regulated standards governing housing quality of any type in the United States. Site Set homes produced since 1976 have received a "red and silver" government seal certifying that they were built in compliance with the Federal code. The code regulates Site Set home design and construction, strength and durability, fire resistance and energy efficiency, and the installation and performance of heating, plumbing, air conditioning, thermal and electrical systems. In newer homes, top grade lumber and dry wall materials are common. Also, manufacturers are required to follow the same fire codes as builders of site-built structures. In addition, although Resort Cottages do not come under the same regulation, many of the manufacturers of Site Set homes also produce Resort Cottages with many of the same quality standards.
- **Comparability to Site-Built Homes:** The Site Set housing industry has experienced a trend towards multi-section homes. Many modern Site Set homes are longer (up to 80 feet, compared to 50 feet in the 1960's) and wider than earlier models. Many such homes have vaulted ceilings, fireplaces and as many as four bedrooms, and closely resemble single-family ranch style site-built homes.
- **Second Home Demographics:** According to the National Association of Realtors ("NAR"), sales of second homes have risen almost 54.5% since 1989. There were approximately 9.2 million second homes owned in 2003 and approximately 6% of all home sales each year are second homes. The NAR study found that 48% of people who own a second home own either a cabin or Site Set home. Approximately 76% of vacation home owners prefer to be near an ocean, river or lake; 38% close to mountains or other natural attractions, and 37% in a specific vacation area. In looking ahead NAR believes that baby boomers are still in their peak earning years, and the leading edge of their generation is approaching retirement. As they continue to have the financial wherewithal to purchase second homes as a vacation property, investment opportunity, or perhaps as a retirement retreat, those baby boomers will continue to drive the market for second-homes. It is likely that over the next decade we will continue to see historically high levels of second home sales.

Available Information

We file reports electronically with the Securities and Exchange Commission ("SEC"). The public may read and copy any materials we file with the SEC at the SEC's Public Reference Room at 450 Fifth Street, NW, Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet site that contains reports, proxy information and statements, and other information regarding issuers that file electronically with the SEC at <http://www.sec.gov>. We maintain an Internet site with information about the Company and hyperlinks to our filings with the SEC at <http://www.mhchomes.com>. Requests for copies of our filings with the SEC and other investor inquiries should be directed to:

Investor Relations Department
Equity Lifestyle Properties, Inc.
Two North Riverside Plaza
Chicago, Illinois 60606
Phone: 1-800-247-5279
e-mail: investor_relations@mhchomes.com

Item 2. *Properties*

General

Our Properties provide attractive amenities and common facilities that create a comfortable and attractive home for our customers, with most offering a clubhouse, a swimming pool, laundry facilities and cable television service. Many also offer additional amenities such as sauna/whirlpool spas, golf courses, tennis, shuffleboard and basketball courts, exercise rooms and various social activities such as concerts. Since most of our customers generally rent our sites on a long-term basis, it is their responsibility to maintain their homes and the surrounding area. It is our role to ensure that customers comply with our Property policies and to provide maintenance of the common areas, facilities and amenities. We hold periodic meetings with our Property management personnel for training and implementation of our strategies. The Properties historically have had, and we believe they will continue to have, low turnover and high occupancy rates.

Property Portfolio

As of December 31, 2004, we owned or had an ownership interest in a portfolio of 275 Properties located throughout the United States containing 101,231 residential sites.

The distribution of our Properties throughout the United States reflects our belief that geographic diversification helps insulate the portfolio from regional economic influences. We intend to target new acquisitions in or near markets where our Properties are located and will also consider acquisitions of Properties outside such markets. Refer to Note 3(c) of the Notes to Consolidated Financial Statements contained in this Form 10-K.

Bay Indies located in Venice, Florida and Westwinds located in San Jose, California each accounted for approximately 2.6% of our total property operating revenues for the year ended December 31, 2004.

The following table sets forth certain information relating to the Properties we owned as of December 31, 2004, categorized by our major markets (excluding the Thousand Trails Properties and Properties owned through joint ventures).

Property	Location City, State		Total Number of Sites as of 12/31/04	Total Number of Annual Sites as of 12/31/04	Annual Site Occupancy as of 12/31/04	Annual Site Occupancy as of 12/31/03(d)	Annual Rent as of 12/31/04	Annual Rent as of 12/31/03(d)
Florida								
East Coast:								
Breezy Hill RV	Pompano Beach	FL	762	430	100.0%	—	\$ 5,031	—
Bulow RV	Flagler Beach	FL	352	122	100.0%	—	\$ 3,169	—
Bulow Plantation	Flagler Beach	FL	276	276	97.8%	97.8%	\$ 4,200	\$3,948
Carefree Cove	Ft. Lauderdale	FL (a)	164	164	92.1%	—	\$ 5,520	—
Carriage Cove	Daytona Beach	FL	418	418	92.8%	94.3%	\$ 4,824	\$4,716
Coquina Crossing	St Augustine	FL	450	450	89.1%(b)	97.2%(b)	\$ 4,308	\$4,092
Coral Cay	Margate	FL	819	819	89.5%	89.4%	\$ 5,532	\$5,460
Countryside	Vero Beach	FL	646	646	92.0%	98.0%	\$ 4,272	\$4,092
Heritage Plantation	Vero Beach	FL	436	436	88.5%	94.3%	\$ 4,608	\$4,416
Highland Wood RV	Pompano Beach	FL	148	69	100.0%	—	\$ 3,823	—
Holiday Village	Vero Beach	FL	128	128	48.4%	68.8%	\$ 3,852	\$3,756
Holiday Village	Ormond Beach	FL	301	301	87.4%	88.0%	\$ 4,116	\$4,068
Indian Oaks	Rockledge	FL	208	208	100.0%	99.5%	\$ 3,456	\$3,288
Lakewood Village	Melbourne	FL	349	349	87.7%	92.8%	\$ 4,800	\$4,728
Lazy Lakes	Sugar Loaf	FL (a)	100	26	100.0%	—	\$ 5,871	—
Lighthouse Pointe	Port Orange	FL	433	433	88.0%	89.1%	\$ 4,188	\$3,984

Property	Location City, State		Total Number of Sites as of 12/31/04	Total Number of Annual Sites 12/31/04	Annual Site Occupancy as of 12/31/04	Annual Site Occupancy as of 12/31/03(d)	Annual Rent as of 12/31/04	Annual Rent as of 12/31/03(d)
Maralago Cay	Lantana	FL	602	602	93.5%	92.7%	\$ 5,520	\$5,292
Park City West	Ft. Lauderdale	FL (a)	363	363	99.7%		\$ 4,260	
Pickwick	Port Orange	FL	432	432	99.8%	99.8%	\$ 4,260	\$4,176
Sunshine Holiday	Ft. Lauderdale	FL (a)	269	269	100.0%		\$ 4,908	—
Sunshine Holiday RV	Ft. Lauderdale	FL (a)	149	123	100.0%	—	\$ 4,514	
Sunshine Holiday	Ormond Beach	FL (a)	349	30	100.0%		\$ 3,403	
Sunshine Key	Big Pine Key	FL (a)	409	0			—	
Sunshine Travel	Vero Beach	FL (a)	300	170	100.0%		\$ 3,009	—
The Meadows	Palm Beach Gardens	FL	379	379	88.7%	85.5%	\$ 4,848	\$4,632
Central:								
Coachwood Colony	Leesburg	FL (a)	202	202	96.5%	—	\$ 2,976	—
Grand Island	Grand Island	FL	307	307	66.1%	68.7%	\$ 3,864	\$3,744
Lake Magic — Encore	Clermont	FL (a)	471	59	100.0%	—	\$ 2,933	—
Mid-Florida Lakes	Leesburg	FL	1,226	1,226	82.5%	84.4%	\$ 4,584	\$4,548
Oak Bend	Ocala	FL	262	262	87.8%	87.4%	\$ 3,768	\$3,672
Sherwood Forest	Kissimmee	FL	754	754	94.8%	96.0%	\$ 4,464	\$4,260
Villas at Spanish Oaks	Ocala	FL	459	459	87.1%	87.1%	\$ 4,104	\$4,008
Sherwood Forest RV	Kissimmee	FL	512	152	100.0%	—	\$ 4,542	—
Southernaire	Mt. Dora	FL (a)	108	108	94.4%	—	\$ 3,420	—
Southern Palms	Eustis	FL	950	406	100.0%	—	\$ 2,755	—
Tropical Palms	Kissimmee	FL (a)	541	0	—	—	—	—
Gulf Coast (Tampa/Naples):								
Barrington Hills	Hudson	FL (a)	392	264	100.0%	—	\$ 2,138	—
Bay Indies	Venice	FL	1,309	1,309	96.7%	96.3%	\$ 5,232	\$4,656
Bay Lake Estates	Nokomis	FL	228	228	96.1%	94.7%	\$ 5,244	\$5,124
Buccaneer	N. Ft. Myers	FL	971	971	96.9%	98.1%	\$ 4,584	\$4,416
Country Place	New Port Richey	FL	515	515	99.8%	99.6%	\$ 3,408	\$3,336
Crystal Isles	Crystal River	FL (a)	260	13	100.0%	—	\$ 2,072	—
Down Yonder	Largo	FL	362	362	97.0%	98.6%	\$ 5,088	\$4,836
East Bay Oaks	Largo	FL	328	328	95.7%	94.2%	\$ 4,884	\$4,740
Eldorado Village	Largo	FL	227	227	95.6%	91.6%	\$ 4,908	\$4,824
Fort Myers Beach Resort	Fort Myers	FL (a)	306	103	100.0%	—	\$ 4,344	—
Glen Ellen	Clearwater	FL	106	106	86.8%	85.8%	\$ 4,320	\$3,936
Gulf Air Resort	Fort Myers	FL (a)	246	163	100.0%	—	\$ 3,819	—
Gulf View	Punta Gorda	FL (a)	206	36	100.0%	—	\$ 3,500	—
Hacienda Village	New Port Richey	FL	505	505	96.8%	96.6%	\$ 4,080	\$3,840
Harbor Lakes	Port Charlotte	FL (a)	528	252	100.0%	—	\$ 3,395	—
Harbor View	New Port Richey	FL	471	471	99.6%	98.9%	\$ 2,736	\$2,676
Hillcrest	Clearwater	FL	279	279	79.6%	79.6%	\$ 4,596	\$4,296
Holiday Ranch	Largo	FL	150	150	88.0%	88.7%	\$ 4,536	\$4,440
Lake Fairways	N. Ft. Myers	FL	896	896	99.8%	99.6%	\$ 4,872	\$4,668
Lake Haven	Dunedin	FL	379	379	81.5%	83.6%	\$ 5,304	\$4,968
Lakes at Countrywood	Plant City	FL	424	424	91.7%	93.4%	\$ 3,264	\$3,156
Manatee	Bradenton	FL (a)	415	230	100.0%	—	\$ 3,332	—
Meadows at Countrywood	Plant City	FL	799	799	91.5%(b)	98.4%(b)	\$ 3,768	\$3,660
Oaks at Countrywood	Plant City	FL	168	168	70.2%	72.0%	\$ 3,324	\$3,300
Pasco	Lutz	FL (a)	255	157	100.0%	—	\$ 2,992	—

Property	Location City, State		Total Number of Sites as of 12/31/04	Total Number of Annual Sites 12/31/04	Annual Site Occupancy as of 12/31/04	Annual Site Occupancy as of 12/31/03(d)	Annual Rent as of 12/31/04	Annual Rent as of 12/31/03(d)
Pine Lakes	N. Ft. Myers	FL	584	584	100.0%	100.0%	\$ 5,820	\$5,580
Pioneer Village	N. Ft. Myers	FL (a)	733	398	100.0%		\$ 3,175	—
Royal Coachman	Nokomis	FL (a)	546	389	100.0%		\$ 4,677	—
Silk Oak	Clearwater	FL	180	180	85.0%	87.2%	\$ 4,596	\$4,404
Silver Dollar	Odessa	FL (a)	385	366	100.0%	—	\$ 3,496	—
Terra Ceia	Palmetto	FL (a)	203	145	100.0%	—	\$ 2,533	—
The Heritage	N. Ft. Myers	FL	455	455	95.4%	91.2%	\$ 4,224	\$4,008
Toby's	Arcadia	FL	379	289	100.0%		\$ 1,831	—
Topics	Spring Hill	FL (a)	230	159	100.0%		\$ 2,259	—
Vacation Village	Largo	FL (a)	293	192	100.0%		\$ 3,461	—
Windmill Manor	Bradenton	FL	292	292	94.2%	93.8%	\$ 4,716	\$4,584
Windmill Village	N. Ft. Myers	FL	491	491	93.3%	95.5%	\$ 4,056	\$3,948
Winds of St. Armands No	Sarasota	FL	471	471	95.5%	95.8%	\$ 4,788	\$4,476
Winds of St. Armands So	Sarasota	FL	306	306	99.7%	99.7%	\$ 4,728	\$4,632
Sixth Avenue	Zephyrhills	FL (a)	134	134	93.3%		\$ 2,436	—
Shangri La	Largo	FL (a)	160	160	93.1%	—	\$ 4,428	—
Total Florida Market			<u>31,601</u>	<u>25,924</u>	<u>93.7%</u>	<u>93.2%</u>	<u>\$ 4,297</u>	<u>\$4,343</u>

California

Northern California:

California Hawaiian	San Jose	CA	418	418	97.4%	98.1%	\$ 8,628	\$8,376
Colony Park	Ceres	CA	186	186	94.1%	93.0%	\$ 5,112	\$4,632
Concord Cascade	Pacheco	CA	283	283	98.2%	99.3%	\$ 6,924	\$6,792
Contempo Marin	San Rafael	CA	396	396	98.5%	98.7%	\$ 7,884	\$7,812
Coralwood	Modesto	CA	194	194	99.5%	99.0%	\$ 6,180	\$5,484
Four Seasons	Fresno	CA	242	242	84.7%	76.9%	\$ 3,492	\$3,324
Laguna Lake	San Luis Obispo	CA	290	290	98.6%	99.7%	\$ 4,848	\$4,536
Monte del Lago	Castroville	CA	310	310	98.4%	97.7%	\$ 7,608	\$7,008
Quail Meadows	Riverbank	CA	146	146	98.6%	100.0%	\$ 5,688	\$4,968
Royal Oaks	Visalia	CA	149	149	82.6%	81.9%	\$ 3,816	\$3,588
DeAnza Santa Cruz	Santa Cruz	CA	198	198	96.5%	98.5%	\$ 8,124	\$6,864
Sea Oaks	Los Osos	CA	125	125	97.6%	96.8%	\$ 5,364	\$5,076
Sunshadow	San Jose	CA	121	121	97.5%	100.0%	\$ 8,268	\$7,944
Tahoe Valley	Lake Tahoe	CA (a)	413	0	—		—	—
Westwinds (4 Properties)	San Jose	CA	723	723	96.1%	98.5%	\$ 9,420	\$9,024
Village of the Four Seasons	San Jose	CA (a)	271	271	98.5%		\$ 8,148	—

Southern California:

Date Palm Country Club	Cathedral City	CA	538	538	96.5%	94.2%	\$ 8,916	\$8,640
Date Palm RV	Cathedral City	CA	140	0	—	—	—	—
Lampighter	Spring Valley	CA	270	270	99.3%	98.5%	\$10,824	\$8,556
Meadowbrook	Santee	CA	338	338	98.2%	97.6%	\$ 8,412	\$7,632
Pacific Dunes Ranch	Oceana	CA (a)	215	3	—	—	—	—
Rancho Mesa	El Cajon	CA	158	158	95.6%	99.4%	\$ 8,424	\$7,428
Rancho Valley	El Cajon	CA	140	140	100.0%	100.0%	\$10,092	\$8,496
Royal Holiday	Hemet	CA	179	179	60.3%	64.2%	\$ 3,876	\$3,672
Santiago Estates	Sylmar	CA	300	300	99.0%	98.7%	\$ 8,580	\$8,136

Property	Location City, State		Total Number of Sites as of 12/31/04	Total Number of Annual Sites 12/31/04	Annual Site Occupancy as of 12/31/04	Annual Site Occupancy as of 12/31/03(d)	Annual Rent as of 12/31/04	Annual Rent as of 12/31/03(d)
Las Palmas	Rialto	CA (a)	136	136	100.0%	—	\$ 4,440	—
Parque La Quinta	Rialto	CA (a)	166	166	99.4%	—	\$ 4,452	—
Total California Market			<u>7,045</u>	<u>6,280</u>	<u>95.8%</u>	<u>95.6%</u>	<u>\$ 7,494</u>	<u>\$7,096</u>
Arizona								
Apollo Village	Phoenix	AZ	236	236	78.8%	80.9%	\$ 5,100	\$4,992
Araby	Yuma	AZ	337	274	100.0%	—	\$ 2,446	—
The Highlands	Mesa	AZ	273	273	89.4%	85.3%	\$ 6,240	\$5,976
Cactus Gardens	Yuma	AZ (a)	430	269	100.0%	—	\$ 1,767	—
Carefree Manor	Phoenix	AZ	128	128	72.7%	76.6%	\$ 4,332	\$4,260
Casa del Sol #1	Peoria	AZ	245	245	78.4%	77.6%	\$ 5,904	\$5,748
Casa del Sol #2	Glendale	AZ	239	239	74.5%	77.4%	\$ 6,204	\$6,024
Casa del Sol #3	Glendale	AZ	236	236	80.9%	85.6%	\$ 6,336	\$6,000
Central Park	Phoenix	AZ	293	293	84.6%	88.1%	\$ 5,124	\$5,112
Countryside	Apache	AZ	560	260	100.0%	—	\$ 2,706	—
Desert Paradise	Yuma	AZ (a)	260	85	100.0%	—	\$ 1,789	—
Desert Skies	Phoenix	AZ	164	164	93.3%	91.5%	\$ 4,464	\$4,236
Fairview Manor	Tucson	AZ (c)	235	235	80.0%	82.6%	\$ 4,288	\$4,296
Foothill	Yuma	AZ	180	72	100.0%	—	\$ 1,956	—
Golden Sun	Apache Junction	AZ	329	190	100.0%	—	\$ 2,758	—
Hacienda de Valencia	Mesa	AZ	364	364	75.3%	74.7%	\$ 5,040	\$4,944
Monte Vista	Mesa	AZ (a)	832	752	100.0%	—	\$ 5,144	—
Palm Shadows	Glendale	AZ	294	294	78.6%	80.6%	\$ 4,860	\$4,716
Paradise	Sun City	AZ (a)	950	815	100.0%	—	\$ 3,377	—
Sedona Shadows	Sedona	AZ	197	197	97.5%	93.4%	\$ 5,148	\$4,692
Suni Sands	Yuma	AZ (a)	336	176	100.0%	—	\$ 2,097	—
Sunrise Heights	Phoenix	AZ	199	199	73.4%	79.9%	\$ 5,064	\$4,908
The Mark	Mesa	AZ	410	410	55.1%	61.0%	\$ 4,992	\$4,920
The Meadows	Tempe	AZ (a)	391	391	75.4%	74.4%	\$ 5,820	\$5,568
Viewpoint	Mesa	AZ	1,928	1,470	100.0%	—	\$ 4,068	—
Whispering Palms	Phoenix	AZ	116	116	91.4%	90.5%	\$ 3,792	\$3,792
Total Arizona Market			<u>10,162</u>	<u>8,383</u>	<u>89.5%</u>	<u>79.6%</u>	<u>\$ 4,390</u>	<u>\$5,110</u>
Colorado								
Bear Creek	Sheridan	CO	122	122	95.1%	95.1%	\$ 5,892	\$5,652
Cimarron	Broomfield	CO	327	327	91.7%	93.9%	\$ 5,796	\$5,568
Golden Terrace	Golden	CO	265	265	88.7%	91.7%	\$ 6,360	\$6,144
Golden Terrace South	Golden	CO	80	80	80.0%	85.0%	\$ 6,144	\$6,036
Golden Terrace South RV	Golden	CO(a)	80	0	—	—	—	—
Golden Terrace West	Golden	CO	316	316	88.3%	93.4%	\$ 6,204	\$6,120
Hillcrest Village	Aurora	CO	601	601	79.9%	88.6%	\$ 6,096	\$5,880
Holiday Hills	Denver	CO	735	735	87.8%	92.3%	\$ 5,880	\$5,808
Holiday Village	Co. Springs	CO	240	240	86.3%	90.4%	\$ 6,108	\$5,928
Pueblo Grande	Pueblo	CO	251	251	93.6%	94.4%	\$ 3,840	\$3,732
Woodland Hills	Denver	CO	434	434	82.7%	88.0%	\$ 5,496	\$5,472
Total Colorado Market			<u>3,451</u>	<u>3,371</u>	<u>86.6%</u>	<u>87.7%</u>	<u>\$ 5,800</u>	<u>\$5,664</u>

Property	Location City, State		Total Number of Sites as of 12/31/04	Total Number of Annual Sites 12/31/04	Annual Site Occupancy as of 12/31/04	Annual Site Occupancy as of 12/31/03 (d)	Annual Rent as of 12/31/04	Annual Rent as of 12/31/03 (d)
Northeast								
Aspen Meadows	Rehoboth	DE	200	200	99.0%	99.5%	\$ 4,284	\$3,456
Camelot Meadows	Rehoboth	DE	302	302	98.3%	99.0%	\$ 3,948	\$3,480
Mariners Cove	Millsboro	DE	376	376	93.1%	91.2%	\$ 5,844	\$5,088
McNicol	Rehoboth	DE	93	93	100.0%	98.9%	\$ 3,816	\$3,516
Sweetbriar	Rehoboth	DE	146	146	96.6%	94.5%	\$ 3,924	\$2,952
Waterford	Bear	DE	731	731	94.5%	95.3%	\$ 5,196	\$5,076
Whispering Pines	Lewes	DE	392	392	87.8%	87.2%	\$ 3,816	\$3,780
Goose Creek	Newport	NC (a)	598	553	100.0%	—	\$ 2,802	—
Twin Lakes	Chocowinity	NC (a)	400	315	100.0%	—	\$ 1,967	—
Waterway	Cedar Point	NC (a)	336	327	100.0%	—	\$ 2,656	—
Greenwood Village	Manorville	NY	512	512	100.0%	99.2%	\$ 5,460	\$5,136
Green Acres	Breinigsville	PA	595	595	93.8%	93.8%	\$ 5,616	\$5,424
Spring Gulch	New Holland	PA (a)	420	60	100.0%		\$ 3,543	—
Meadows of Chantilly	Chantilly	VA	500	500	88.8%	88.8%	\$ 7,836	\$7,248
Total Northeast Market			5,601	5,102	95.7%	94.1%	\$ 4,660	\$4,961
Midwest								
Five Seasons	Cedar Rapids	IA	390	390	73.1%	73.1%	\$ 3,408	\$3,312
Holiday Village	Sioux City	IA	519	519	57.6%	65.7%	\$ 3,108	\$2,904
Golf Vista Estates	Monee	IL	408	408	97.5%	95.9%	\$ 5,748	\$5,292
O'Connell's	Amboy	IL (a)	668	336	100.0%	—	\$ 2,099	—
Willow Lake Estates	Elgin	IL	617	617	83.3%	90.1%	\$ 8,604	\$8,328
Forest Oaks	Chesterton	IN	227	227	63.9%	71.8%	\$ 4,428	\$3,960
Lakeside	New Carlisle	IN (a)	95	65	100.0%	—	\$ 2,413	—
Oak Tree Village	Portage	IN	361	361	80.9%	86.7%	\$ 4,296	\$4,104
Windsong	Indianapolis	IN	268	268	51.5%	57.8%	\$ 3,972	\$3,840
Creekside	Wyoming	MI	165	165	81.2%	87.3%	\$ 4,957	\$4,884
Caledonia	Caledonia	WI (a)	247	0				
Fremont	Fremont	WI (a)	325	0				
Yukon Trails	Lyndon Station	WI (a)	214	0				
Total Midwest Market			4,504	3,356	77.6%	79.5%	\$ 4,730	\$4,843
Nevada, Utah, New Mexico								
Del Rey	Albuquerque	NM	407	407	59.2%	67.1%	\$ 4,524	\$4,488
Bonanza	Las Vegas	NV	353	353	63.7%	68.0%	\$ 6,108	\$5,808
Boulder Cascade	Las Vegas	NV	299	299	76.9%	76.9%	\$ 5,556	\$5,352
Cabana	Las Vegas	NV	263	263	95.4%	93.5%	\$ 5,520	\$5,364
Flamingo West	Las Vegas	NV	258	258	99.6%	94.6%	\$ 6,132	\$5,532
Villa Borega	Las Vegas	NV	293	293	83.3%	82.9%	\$ 5,688	\$5,448
All Seasons	Salt Lake City	UT	121	121	89.3%	93.4%	\$ 4,620	\$4,440
Westwood Village	Farr West	UT	314	314	93.6%	95.2%	\$ 3,576	\$3,360
Total Nevada, Utah, New Mexico Market			2,308	2,308	80.1%	81.8%	\$ 5,217	\$4,984
Northwest								
Casa Village	Billings	MT	490	490	85.5%	85.9%	\$ 3,648	\$3,648
Falcon Wood Village	Eugene	OR	183	183	88.5%	90.7%	\$ 4,968	\$4,836

Property	Location City, State		Total Number of Sites as of 12/31/04	Total Number of Annual Sites 12/31/04	Annual Site Occupancy as of 12/31/04	Annual Site Occupancy as of 12/31/03(d)	Annual Rent as of 12/31/04	Annual Rent as of 12/31/03(d)
Mt. Hood	Welches	OR	436	52	100.0%	—	\$ 3,858	—
Quail Hollow	Fairview	OR	137	137	92.7%	92.7%	\$ 6,300	\$6,084
Shadowbrook	Clackamas	OR	156	156	95.5%	94.2%	\$ 6,324	\$6,156
Kloshe Illahee	Federal Way	WA	<u>258</u>	<u>258</u>	<u>96.1%</u>	<u>97.7%</u>	<u>\$ 7,548</u>	<u>\$7,188</u>
Total Northwest Market			<u>1,660</u>	<u>1,276</u>	<u>90.7%</u>	<u>90.9%</u>	<u>\$ 5,246</u>	<u>\$5,164</u>
Texas								
Country Sunshine	Weslaco	TX (a)	390	211	100.0%	—	\$ 2,223	—
Fun n Sun RV Park	San Benito	TX	1,435	606	100.0%	—	\$ 2,507	—
Lakewood	Harlingen	TX (a)	301	112	100.0%	—	\$ 1,622	—
Paradise Park RV Resort	Harlingen	TX (a)	563	331	100.0%	—	\$ 2,422	—
Paradise South	Mercedes	TX (a)	493	174	100.0%	—	\$ 1,732	—
Southern Comfort	Weslaco	TX (a)	403	340	100.0%	—	\$ 2,251	—
Sunshine RV	Harlingen	TX (a)	1,027	418	100.0%	—	\$ 3,009	—
Tropic Winds	Harlingen	TX	<u>531</u>	<u>33</u>	<u>100.0%</u>	<u>—</u>	<u>\$ 2,921</u>	<u>—</u>
Total Texas Market			<u>5,143</u>	<u>2,225</u>	<u>100.0%</u>	<u>—</u>	<u>\$ 2,424</u>	<u>—</u>
Grand Total All Markets			<u>71,475</u>	<u>58,225</u>	<u>91.8%</u>	<u>90.5%</u>	<u>\$ 4,784</u>	<u>\$5,027</u>

(a) Represents Properties acquired in 2004.

(b) The process of filling Expansion Sites at these Properties is ongoing. A decrease in occupancy may reflect development of additional Expansion Sites.

(c) Decrease due to unbundling of utilities

(d) Annual rent for 2003 Resort Cottage and RV sites excluded.

Item 3. *Legal Proceedings*

DeAnza Santa Cruz

The customers of DeAnza Santa Cruz Mobile Estates, a Property located in Santa Cruz, California, brought several actions opposing fees and charges in connection with water service at the Property. As a result of one action, the Company rebated approximately \$36,000 to the customers. The DeAnza Santa Cruz Homeowners Association (“HOA”) then proceeded to a jury trial alleging these “overcharges” entitled them to an award of punitive damages. In January 1999, a jury awarded the HOA \$6.0 million in punitive damages. On December 21, 2001 the California Court of Appeal for the Sixth District reversed the \$6.0 million punitive damage award, the related award of attorneys’ fees, and, as a result, all post-judgment interest thereon, on the basis that punitive damages are not available as a remedy for a statutory violation of the California Mobilehome Residency Law (“MRL”). The decision of the appellate court left the HOA, the plaintiff in this matter, with the right to seek a new trial in which it must prove its entitlement to either the statutory penalty and attorneys’ fees available under the MRL or punitive damages based on causes of action for fraud, misrepresentation or other tort. In order to resolve this matter, the Company accrued for and agreed to pay \$201,000 to the HOA. This payment resolved the punitive damages claim. The HOA’s attorney made a motion asking for an award of attorneys’ fees and costs in the amount of approximately \$1.5 million as a result of this resolution of the litigation. On April 2, 2003 the court awarded attorney’s fees to the HOA’s attorney in the amount of \$593,000 and court costs of approximately \$20,000. The Company appealed this award. On July 13, 2004, the California Court of Appeal affirmed the award of attorney’s fees in favor of the HOA’s attorney.

Other California Rent Control Litigation

As part of the Company's effort to realize the value of its Properties subject to rent control, the Company has initiated lawsuits against several municipalities in California. The Company's goal is to achieve a level of regulatory fairness in California's rent control jurisdictions, and in particular those jurisdictions that prohibit increasing rents to market upon turnover. This regulatory feature, called vacancy control, allows tenants to sell their homes for a premium representing the value of the future discounted rent-controlled rents. In the Company's view, such regulation results in a transfer of the value of the Company's stockholders' land, which would otherwise be reflected in market rents, to tenants upon the sales of their homes in the form of an inflated purchase price that cannot be attributed to the value of the home being sold. As a result, in the Company's view, the Company loses the value of its asset and the selling tenant leaves the Property with a windfall premium. The Company has discovered through the litigation process that certain municipalities considered condemning the Company's Properties at values well below the value of the underlying land. In the Company's view, a failure to articulate market rents for sites governed by restrictive rent control would put the Company at risk for condemnation or eminent domain proceedings based on artificially reduced rents. Such a physical taking, should it occur, could represent substantial lost value to stockholders. The Company is cognizant of the need for affordable housing in the jurisdictions, but asserts that restrictive rent regulation with vacancy control does not promote this purpose because the benefits of such regulation are fully capitalized into the prices of the homes sold. The Company estimates that the annual rent subsidy to tenants in these jurisdictions is approximately \$15 million. In a more well balanced regulatory environment, the Company would receive market rents that would eliminate the subsidy and homes would trade at or near their intrinsic value.

In connection with such efforts, the Company announced it has entered into a settlement agreement with the City of Santa Cruz, California and that, pursuant to the settlement agreement, the City amended its rent control ordinance to exempt the Company's Property from rent control as long as the Company offers a long term lease which gives the Company the ability to increase rents to market upon turnover and bases annual rent increases on the CPI. The settlement agreement benefits the Company's stockholders by allowing them to receive the value of their investment in this Property through vacancy decontrol while preserving annual CPI based rent increases in this age restricted Property.

The Company has filed two lawsuits in Federal court against the City of San Rafael, challenging its rent control ordinance on constitutional grounds. The Company believes that one of those lawsuits was settled by the City agreeing to amend the ordinance to permit adjustments to market rent upon turnover. The City subsequently rejected the settlement agreement. The Court initially found the settlement agreement was binding on the City, but then reconsidered and determined to submit the claim of breach of the settlement agreement to a jury. In October 2002, the first case against the City went to trial, based on both breach of the settlement agreement and the constitutional claims. A jury found no breach of the settlement agreement; the Company then filed motions asking the Court to rule in its favor on that claim, notwithstanding the jury verdict. The Court has postponed decision on those motions and on the constitutional claims, pending a ruling on some property rights issues by the United States Supreme Court. In the event that the Court does not rule in favor of the Company on either the settlement agreement or the constitutional claims, then the Company has pending claims seeking a declaration that it can close the Property and convert it to another use.

The Company's efforts to achieve a balanced regulatory environment incentivize tenant groups to file lawsuits against the Company seeking large damage awards. The homeowners association at Contempo Marin ("CMHOA"), a 396 site Property in San Rafael, California, sued the Company in December 2000 over a prior settlement agreement on a capital expenditure pass-through after the Company sued the City of San Rafael in October 2000 alleging its rent control ordinance is unconstitutional. In the Contempo Marin case, the CMHOA prevailed on a motion for summary judgment on an issue that permits the Company to collect only \$3.72 out of a monthly pass-through amount of \$7.50 that the Company believes had been agreed to by the CMHOA in a settlement

agreement. On May 23, 2004, the California Court of Appeal affirmed the trial court's order dismissing the Company's claims against the City of San Rafael. The trial court has set a trial date in the second quarter of 2005 on the CMHOA's remaining claims for damages. The Company intends to vigorously defend this matter. The Company believes that such lawsuits will be a consequence of the Company's efforts to change rent control since tenant groups actively desire to preserve the premium value of their homes in addition to the discounted rents provided by rent control. The Company has determined that its efforts to rebalance the regulatory environment despite the risk of litigation from tenant groups are necessary not only because of the \$15 million annual subsidy to tenants, but also because of the condemnation risk.

Similarly, in June 2003, the Company won a judgment against the City of Santee in California Superior Court (case no. 777094). The effect of the judgment was to invalidate, on state law grounds, two (2) rent control ordinances the City of Santee had enforced against the Company and other property owners. However, the Court allowed the City to continue to enforce a rent control ordinance that predated the two invalid ordinances (the "prior ordinance"). As a result of the judgment the Company was entitled to collect a one-time rent increase based upon the difference in annual adjustments between the invalid ordinance(s) and the prior ordinances and to adjust its base rents to reflect what the Company could have charged had the prior ordinance been continually in effect. The City of Santee appealed the judgment. The court of appeal and California Supreme Court refused to stay enforcement of these rent adjustments pending appeal. After the City was unable to obtain a stay, the City and the tenant association each sued the Company in separate actions alleging the rent adjustments pursuant to the judgment violate the prior ordinance (Case Nos. GIE 020887 and GIE 020524). They seek to rescind the rent adjustments, refunds of amounts paid, and penalties and damages in these separate actions. On January 25, 2005, the California Court of Appeal reversed the judgment in part and affirmed it in part with a remand. The Court of Appeal affirmed that one ordinance was unlawfully adopted and therefore void and that the second ordinance contained unconstitutional provisions. However, the Court ruled the City had the authority to cure the issues with the first ordinance retroactively. On remand the trial court is directed to decide the issue of damages to the Company which the Company believes is consistent with the Company receiving the economic benefit of invalidating one of the ordinances and also consistent with the Company's position that it is entitled to market rent and not merely a higher amount of regulated rent. The Company will petition the Supreme Court of California for review of certain aspects of this decision. The Company intends to vigorously defend the two new lawsuits. In addition, the Company has sued the City of Santee in Federal court alleging all three of the ordinances are unconstitutional under the Fifth Amendment to the United States Constitution because they fail to substantially advance a legitimate state interest. Thus, it is the Company's position that the ordinances are subject to invalidation as a matter of law in the Federal court action. Separately, the Federal District Court granted the City's Motion for Summary Judgment in the Company's Federal Court lawsuit. This decision was based not on the merits, but on procedural grounds, including that the Company's claims were moot given its success in the state court case. The Company intends to appeal this ruling and believes the outcome will be affected by the cases currently before the Ninth Circuit and United States Supreme Court.

Moreover, in July 2004, the Ninth Circuit Court of Appeal decided the case of Cashman vs. City of Cotati, a Property owner's challenge to the City's rent control ordinance, and stated that a rent control ordinance that does not on its face provide for a mechanism to prevent the capture of a premium is unconstitutional, as a matter of law, absent sufficient externalities rendering a premium unavailable. This reasoning supports the legal position the Company has put forth in its opposition to rent control in general and vacancy control in particular. The City of Cotati has petitioned the Ninth Circuit for rehearing and that petition is pending. In addition, in October 2004, the United States Supreme Court granted certiorari in State of Hawaii vs. Chevron USA, Inc., a Ninth Circuit Court of Appeal case that upholds the standard that a regulation must substantially advance a legitimate state purpose in order to be constitutionally viable. The case was argued before the United States Supreme Court on February 22, 2005. The ultimate outcome of these cases will guide the Company's continued efforts to realize

the value of its Properties which are subject to rent control and the Company's efforts to achieve a level of regulatory fairness in rent control jurisdictions.

Other

The Company is involved in various other legal proceedings arising in the ordinary course of business. Additionally, in the ordinary course of business, the Company's operations are subject to audit by various taxing authorities. Management believes that all proceedings herein described or referred to, taken together, are not expected to have a material adverse impact on the Company. In addition, to the extent any such proceedings or audits relate to newly acquired Properties, the Company considers any potential indemnification obligations of sellers in favor of the Company.

Item 4. *Submission of Matters to a Vote of Security Holders*

We did not submit any matter to a vote of security holders during the three months ended December 31, 2004.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

The following table sets forth, for the period indicated, the high and low sale prices for the Company's common stock as reported by The New York Stock Exchange under the trading symbol ELS.

	<u>Close</u>	<u>High</u>	<u>Low</u>	<u>Distributions Declared</u>	<u>Return of Capital GAAP Basis (a)</u>
2004					
1st Quarter	\$35.30	\$37.90	\$28.94	\$0.0125	\$0.00
2nd Quarter	33.19	35.35	28.49	0.0125	0.00
3rd Quarter	33.24	34.34	31.10	0.0125	0.05
4th Quarter	35.75	36.52	32.88	0.0125	0.01
2003					
1st Quarter	\$29.60	\$30.86	\$27.40	\$0.4950	\$0.17
2nd Quarter	35.11	35.80	29.56	0.4950	0.00
3rd Quarter	39.18	39.80	35.11	0.4950	0.29
4th Quarter	37.65	41.92	36.70	8.0000 (b)	8.03

- (a) Represents distributions per share in excess of net income per share-basic on generally accepted accounting principles in the United States ("GAAP") basis and is not the same as return of capital on a tax basis.
- (b) On December 12, 2003, we declared a one-time special distribution of \$8.00 per share payable to stockholders of record on January 8, 2004. We used proceeds from the \$501 million borrowing in October 2003 to pay the special distribution on January 16, 2004. The special cash dividend was reflected on stockholders' 2004 1099-DIV issued in January 2005.

The number of beneficial holders of the Company's common stock at December 31, 2004 was approximately 5,455.

Issuer Purchases of Equity Securities

None.

Item 6. Selected Financial Data

The following table sets forth selected financial and operating information on a historical basis. The historical operating data for the four years ended December 31, 2003 have been derived from the historical financial statements of the Company; however, they have been restated to reflect adjustments that are further explained in Note 2 of the Notes to Consolidated Financial Statements contained in this Form 10-K. The following information should be read in conjunction with all of the financial statements and notes thereto included elsewhere in this Form 10-K.

Equity Lifestyle Properties, Inc.
Consolidated Historical Financial Information

	(1) Years Ended December 31,				
	2004	2003 (Restated)	2002 (Restated)	2001 (Restated)	2000
	(Amounts in thousands, except for per share and property data)				
Property Operations:					
Community base rental income.....	\$ 210,790	\$ 196,919	\$ 194,640	\$ 190,982	\$ 185,023
Resort base rental income	54,845	11,780	9,146	5,748	7,414
Utility and other income	24,893	20,150	19,684	20,381	19,357
Property operating revenues	290,528	228,849	223,470	217,111	211,794
Property operating and maintenance	94,955	64,996	62,843	60,807	57,973
Real estate taxes	23,679	18,917	17,827	16,882	16,407
Property management	12,852	9,373	9,292	8,984	8,690
Property operating expenses (exclusive of depreciation shown separately below)	131,486	93,286	89,962	86,673	83,070
Income from property operations ..	159,042	135,563	133,508	130,438	128,724
Home Sales Operations:					
Gross revenues from inventory home sales	47,636	36,606	33,537	—	—
Cost of inventory home sales	(41,833)	(31,767)	(27,183)	—	—
Gross profit from inventory home sales	5,803	4,839	6,354	—	—
Brokered resale revenues, net	2,186	1,724	1,592	—	—
Home selling expenses	(8,708)	(7,360)	(7,664)	—	—
Ancillary services revenues, net	2,782	216	522	—	—
Income (loss) from home sales operations & other	2,063	(581)	804	—	—
Other Income (Expenses):					
Interest income	1,391	1,695	967	639	1,009
Equity in income of affiliates	—	—	—	1,811	2,408
Income from other investments(2)	3,475	956	316	383	150
General and administrative	(9,243)	(8,060)	(8,192)	(6,687)	(6,423)
Rent control initiatives	(2,412)	(2,352)	(5,698)	(2,358)	—
Interest and related amortization(3)	(91,922)	(58,402)	(50,729)	(51,305)	(53,280)
Depreciation on corporate assets	(1,657)	(1,240)	(1,277)	(1,243)	(1,139)
Depreciation on real estate assets and other costs	(48,862)	(37,265)	(34,826)	(33,540)	(33,201)
Total other income (expenses)	(149,230)	(104,668)	(99,439)	(92,300)	(90,476)

Consolidated Historical Financial Information (Continued)

	(1) Years Ended December 31,				
	2004	2003 (Restated)	2002 (Restated)	2001 (Restated)	2000
	(Amounts in thousands, except for per share and property data)				
Income before minority interests, equity in income of unconsolidated joint ventures, loss on extinguishment of debt, gain on sale of property and discontinued operations	\$ 11,875	\$ 30,314	\$ 34,873	\$ 38,138	\$ 38,248
(Income) allocated to Common OP Units ..	(936)	(3,860)	(4,708)	(7,216)	(7,968)
(Income) allocated to Perpetual Preferred OP Units	(11,284)	(11,252)	(11,252)	(11,252)	(11,252)
Equity in income of unconsolidated joint ventures	3,739	340	235	282	8
Income before loss on extinguishment of debt, gain on sale of properties and other, and discontinued operations	3,394	15,542	19,148	19,952	19,036
Loss on the extinguishment of debt	—	—	—	—	(1,041)
Gain on sale of properties and other	638	—	—	8,168	12,053
Income from continuing operations ..	4,032	15,542	19,148	28,120	30,048
Discontinued Operations:					
Discontinued Operations	26	1,043	3,287	3,203	3,090
Depreciation on discontinued operations ...	(32)	(135)	(484)	(605)	(698)
Gain on sale of discontinued properties and other	—	10,826	13,014	—	—
Minority interests on discontinued operations	—	(2,144)	(3,078)	(521)	(495)
Income (loss) from discontinued operations	(6)	9,590	12,739	2,077	1,897
Net income available for Common Shares	\$ 4,026	\$ 25,132	\$ 31,887	\$ 30,197	\$ 31,945
Earnings per Common Share — Basic:					
Income from continuing operations	\$ 0.18	\$ 0.71	\$ 0.89	\$ 1.34	\$ 1.40
Income from discontinued operations	\$ 0.00	\$ 0.43	\$ 0.59	\$ 0.10	\$ 0.09
Net income available for Common Shares ..	\$ 0.18	\$ 1.14	\$ 1.48	\$ 1.44	\$ 1.49
Earnings per Common Share — Fully Diluted:					
Income from continuing operations	\$ 0.17	\$ 0.69	\$ 0.87	\$ 1.31	\$ 1.37
Income from discontinued operations	\$ 0.00	\$ 0.42	\$ 0.57	\$ 0.09	\$ 0.10
Net income available for Common Shares ..	\$ 0.17	\$ 1.11	\$ 1.44	\$ 1.40	\$ 1.47
Distributions declared per Common Share outstanding(3)	\$ 0.05	\$ 9.485	\$ 1.90	\$ 1.78	\$ 1.66
Weighted average Common Shares outstanding — basic	22,849	22,077	21,617	21,036	21,469
Weighted average Common OP Units outstanding	6,067	5,342	5,403	5,466	5,592
Weighted average Common Shares outstanding — fully diluted	29,465	28,002	27,632	27,010	27,408

Consolidated Historical Financial Information (Continued)

	(1) Years Ended December 31,				
	2004	2003 (Restated)	2002 (Restated)	2001 (Restated)	2000
(Amounts in thousands, except for per share and property data)					
Balance Sheet Data:					
Real estate, before accumulated depreciation(4)	\$2,035,790	\$1,309,705	\$1,296,007	\$1,238,138	\$1,218,176
Total assets	1,886,289	1,463,507	1,154,794	1,099,447	1,104,304
Total mortgages and loans(3)	1,653,051	1,076,183	760,233	708,857	719,684
Minority interests	134,771	124,634	166,889	170,675	171,271
Stockholders' equity(3)	31,844	(2,528)	171,175	173,264	168,095
Other Data:					
Funds from operations(5)	\$ 54,448	\$ 58,479	\$ 62,695	\$ 64,599	\$ 63,807
Net cash flow:					
Operating activities	\$ 46,733	\$ 75,163	\$ 80,176	\$ 80,708	\$ 68,001
Investing activities	\$ (366,654)	\$ (598)	\$ (72,973)	\$ (23,067)	\$ 23,102
Financing activities	\$ (514)	\$ 243,905	\$ (1,287)	\$ (59,134)	\$ (94,932)
Total Properties (at end of period)	275	142	142	149	154
Total sites (at end of period)	101.231	52.349	51.582	50.663	51.304

- (1) See the Consolidated Financial Statements of the Company included elsewhere herein. Certain 2003, 2002, 2001, and 2000 amounts have been reclassified to conform to the 2004 financial presentation. Such reclassifications have no effect on the operations or equity as originally presented.

Net Income for the years ended December 31, 2003, 2002 and 2001 have been restated (see Note 2 of the Notes to Consolidated Financial Statements contained in this Form 10-K) to reflect a change in the Company's accounting policy with regards to its rent control initiatives. The Company received a comment letter from the SEC with regard to prior filings. These issues were outlined in our press release dated March 4, 2005. The issues have been resolved and resulted in this restatement.

- (2) On November 10, 2004, we acquired KTTI Holding Company, Inc., owner of 57 Properties and approximately 3,000 acres of vacant land, for \$160 million ("Thousand Trails Transaction"). These Properties are leased to Thousand Trails, the largest operator of membership-based campgrounds in the United States. The Company has provided a long-term lease of the real estate (excluding the vacant land) to Thousand Trails, which will continue to operate the Properties for the benefit of its approximately 108,000 members nationwide. The Properties are located in 16 states (primarily in the western and southern United States) and British Columbia, and contain 17,911 sites. The lease will generate \$16 million in rental income to the Company on an absolute triple net basis, subject to annual escalations of 3.25%. As of December 31, 2004, approximately \$2.3 million represents income for November 10, 2004 through December 31, 2004.
- (3) On October 17, 2003, we closed 49 mortgage loans collateralized by 51 Properties (the "Recap") providing total proceeds of approximately \$501 million at a weighted average interest rate of 5.84% and with a weighted average maturity of approximately 9 years. Approximately \$170 million of the proceeds were used to repay amounts outstanding on the Company's line of credit and term loan. Approximately \$225 million was used to pay a special distribution of \$8.00 per share on January 16, 2004. The remaining funds were used for investment purposes in 2004. The Recap resulted in increased interest and amortization expense and the special distribution resulted in decreased stockholder's equity.

In connection with the \$501 million borrowing and subsequent special distribution, on February 27, 2004, the Company contributed all of its assets to MHC Trust, a newly formed Maryland real estate investment trust, including the Company's entire partnership interest in the Operating Partnership. This restructuring resulted in a step-up in the Company's tax basis in its assets, generating future depreciation deductions, which in turn will reduce the Company's future distribution requirements. This provides the Company with greater financial flexibility and greater growth potential (see Note 5 of the Notes to Consolidated Financial Statements contained in this Form 10-K).

- (4) We believe that the book value of the Properties, which reflects the historical costs of such real estate assets less accumulated depreciation, is less than the current market value of the Properties.
- (5) Funds from Operations ("FFO") is a non-GAAP financial measure. The Company believes that FFO, as defined by the Board of Governors of the National Association of Real Estate Investment Trusts ("NAREIT"), to be an appropriate measure of performance for an equity REIT. While FFO is a relevant and widely used measure of operating performance for equity REITs, it does not represent cash flow from operations or net income as defined by GAAP, and it should not be considered as an alternative to these indicators in evaluating liquidity or operating performance. FFO is defined as net income, computed in accordance with GAAP, excluding gains or losses from sales of Properties, plus real estate related depreciation and amortization, and after adjustments for unconsolidated partnerships and joint ventures. Adjustments for unconsolidated partnerships and joint ventures are calculated to reflect FFO on the same basis. The Company believes that FFO is helpful to investors as one of several measures of the performance of an equity REIT. The Company further believes that by excluding the effect of depreciation, amortization and gains or losses from sales of real estate, all of which are based on historical costs and which may be of limited relevance in evaluating current performance, FFO can facilitate comparisons of operating performance between periods and among other equity REITs. Investors should review FFO, along with GAAP net income and cash flow from operating activities, investing activities and financing activities, when evaluating an equity REIT's operating performance. The Company computes FFO in accordance with standards established by NAREIT, which may not be comparable to FFO reported by other REITs that do not define the term in accordance with the current NAREIT definition or that interpret the current NAREIT definition differently than we do. Investors should review FFO, along with GAAP net income and cash flow from operating activities, investing activities and financing activities, when evaluating an equity REIT's operating performance. FFO does not represent cash generated from operating activities in accordance with GAAP, nor does it represent cash available to pay distributions and should not be considered as an alternative to net income, determined in accordance with GAAP, as an indication of our financial performance, or to cash flow from operating activities, determined in accordance with GAAP, as a measure of our liquidity, nor is it indicative of funds available to fund our cash needs, including our ability to make cash distributions.

Item 7. *Management's Discussion and Analysis of Financial Condition and Results of Operations*

The following discussion should be read in conjunction with "Selected Financial Data" and the historical Consolidated Financial Statements and Notes thereto appearing elsewhere in this Form 10-K. The following discussion may contain certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 which reflect management's current views with respect to future events and financial performance. Such forward-looking statements are subject to certain risks and uncertainties, including, but not limited to, the effects of future events on the Company's financial performance; the adverse impact of external factors such as inflation and consumer confidence; interest rates; and the risks associated with real estate ownership.

2004 Accomplishments

- Invested in 135 Properties with approximately 50,000 sites.
- Increased presence in Florida and Arizona markets.
- Increased home sales volumes and profitability.
- Changed our name from Manufactured Home Communities, Inc. to Equity Lifestyle Properties, Inc., symbolizing our focus on lifestyle-oriented customers.
- Developed relationships with leading brand names such as Encore and Thousand Trails, creating a larger customer resource base.

Overview and Outlook

Occupancy in our Properties as well as our ability to increase rental rates directly affect revenues. Our revenue streams are predominantly derived from customers renting our sites on a long-term basis.

We have approximately 58,200 annual sites with average annual revenue of approximately \$4,400 per site. We have 7,200 seasonal sites, which are leased to customers generally for 3 to 6 months, for which we expect to collect rent in the range of \$1,700 to \$1,800. We also have 6,000 transient sites, occupied by customers who lease on a short-term basis, for which we expect to collect annual rent in the range of \$2,000 to \$2,100. We expect to service 60,000 customers with these sites. There is significant demand for these sites. However, we consider this revenue stream to be our most volatile. It is subject to weather conditions, gas prices, and other factors affecting the marginal RV customer's vacation and travel preferences. Finally, we have approximately 17,900 Thousand Trails sites for which we receive ground rent of \$16 million annually. This rent is classified in Other Income in the Consolidated Statements of Operations. We have interests in Properties owning approximately 11,800 sites for which revenue is classified as Equity in Income from Unconsolidated Joint Ventures in the Consolidated Statements of Operations.

Property Acquisitions, Joint Ventures and Dispositions

The following chart lists the Properties or portfolios acquired, invested in, or sold since January 1, 2003:

<u>Property</u>	<u>Transaction Date</u>	<u>Sites</u>
Total Sites as of January 1, 2003		52,349
Property or Portfolio (# of Properties in parentheses):		
Toby's	December 3, 2003	379
Araby Acres	December 15, 2003	337
Foothill Village	December 15, 2003	180
O'Connell's	January 15, 2004	668
Spring Gulch	January 30, 2004	420
Paradise	February 3, 2004	950
Twin Lakes	February 18, 2004	400
Lakeside	February 19, 2004	95
Diversified Portfolio(10)	February 5, 2004	2,567
NHC Portfolio(28)	February 17, 2004	11,311
Viewpoint	May 3, 2004	1,928
Cactus Gardens	May 12, 2004	430
Monte Vista	May 13, 2004	832
GE Portfolio(5)	May 14, 2004	1,155
Yukon Trails	September 8, 2004	214
Caledonia	November 4, 2004	247
Thousand Trails (57)	November 10, 2004	17,911
Fremont	December 30, 2004	325
Joint Ventures:		
Lake Myers	December 18, 2003	425
Pine Haven	January 21, 2004	625
Twin Mills	January 27, 2004	501
Indian Wells	February 17, 2004	350
Plymouth Rock	February 10, 2004	609
Mesa Verde	May 18, 2004	345
Winter Garden	May 18, 2004	350
Arrowhead	August 20, 2004	377
Sun Valley	September 10, 2004	265
Appalachian	October 26, 2004	357
Robin Hill	November 5, 2004	270
Round Top	December 22, 2004	319
Mezzanine Investments(11)	February 3, 2004	5,054
Dispositions:		
Independence Hill	June 6, 2003	(203)
Brook Gardens	June 6, 2003	(424)
Pheasant Ridge	June 30, 2003	(101)
Lake Placid	May 28, 2004	(408)
Manatee (Joint Venture)	September 1, 2004	(290)
Expansion Site Development and Other:		
Sites added (reconfigured) in 2003		(35)
Sites added (reconfigured) in 2004		147
Total Sites as of December 31, 2004		<u>101,231</u>

Restatement of Financial Statements

During 2004, the Company changed the way it accounted for costs incurred in pursuing certain rent control initiatives. As a result, the Company has restated its Consolidated Financial Statements for the years ended December 31, 2003, 2002 and 2001 to expense the costs of the initiatives in the year in which they were incurred because the previous method of accounting for the costs was determined to be incorrect. The Company had historically classified these costs, primarily legal, in other assets. To the extent the Company's efforts to effectively change the use and operations of the Properties were successful, the Company capitalized the costs to land improvements as an increase in the established value of the revised project and depreciated them over 30 years. To the extent these efforts were not successful, the costs would have been expensed.

See Note 2 to the Consolidated Financial Statements of this report for a summary of the effects of these changes on the Company's consolidated balance sheets as of December 31, 2003, 2002 and 2001 and consolidated statements of operations for the years ended December 31, 2003, 2002 and 2001. The accompanying Management's Discussion and Analysis gives effect to these corrections. The significance of the increase in expenses due to this change is not necessarily determinable in future periods and depend on future rulings of the United States Supreme Court.

Critical Accounting Policies and Estimates

Our consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP"), which require us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and the related disclosures. We believe that the following critical accounting policies, among others, affect our more significant judgments and estimates used in the preparation of our consolidated financial statements.

In accordance with the Statement of Financial Accounting Standards No. 141 ("SFAS No. 141"), we allocate the purchase price of Properties we acquire to net tangible and identified intangible assets acquired based on their fair values. In making estimates of fair values for purposes of allocating purchase price, we utilize a number of sources, including independent appraisals that may be available in connection with the acquisition or financing of the respective property and other market data. We also consider information obtained about each property as a result of our due diligence, marketing and leasing activities in estimating the fair value of the tangible and intangible assets acquired.

We periodically evaluate our long-lived assets, including our investments in real estate, for impairment indicators. Our judgments regarding the existence of impairment indicators are based on factors such as operational performance, market conditions and legal factors. Future events could occur which would cause us to conclude that impairment indicators exist and an impairment loss is warranted.

Real estate is recorded at cost less accumulated depreciation. Depreciation is computed on the straight-line basis over the estimated useful lives of the assets. We use a 30-year estimated life for buildings acquired and structural and land improvements, a ten-to-fifteen-year estimated life for building upgrades and a three-to-seven-year estimated life for furniture, fixtures and equipment. Expenditures for ordinary maintenance and repairs are expensed to operations as incurred and significant renovations and improvements that improve the asset and extend the useful life of the asset are capitalized over their estimated useful life. However, the useful lives, salvage value, and customary depreciation method used for land improvements and other significant assets may significantly and materially overstate the depreciation of the underlying assets and therefore understate the net income of the Company.

In December 2003, the Financial Accounting Standards Board ("FASB") issued Interpretation No. 46R, Consolidation of Variable Interest Entities ("FIN 46R") — an interpretation of ARB 51. The objective of FIN 46R is to provide guidance on how to identify a variable interest entity ("VIE") and determine when the assets, liabilities, non-controlling interests, and results of operations of a VIE need

to be included in a company's consolidated financial statements. A company that holds variable interests in an entity will need to consolidate such entity if the company absorbs a majority of the entity's expected losses or receives a majority of the entity's expected residual returns if they occur, or both (i.e., the primary beneficiary). The Company will apply FIN 46R to all types of entity ownership (general and limited partnerships and corporate interests).

The Company will re-evaluate and apply the provisions of FIN 46R to existing entities if certain events occur which warrant re-evaluation of such entities. In addition, the Company will apply the provisions of FIN 46R to all new entities in the future. The Company also consolidates entities in which it has a controlling direct or indirect voting interest. The equity method of accounting is applied to entities in which the Company does not have a controlling direct or indirect voting interest, but can exercise influence over the entity with respect to its operations and major decisions. The cost method is applied when (i) the investment is minimal (typically less than 5%) and (ii) the Company's investment is passive.

In applying the provisions of FIN 46R, the Company determined that its \$29.7 million investment in preferred equity interests (the "Mezzanine Investment") in six entities controlled by Diversified Investments, Inc. ("Diversified") (see Liquidity and Capital Resources — Investing Activities) is a VIE; however, the Company concluded that it is not the primary beneficiary. As such, the adoption of this pronouncement had no effect on the Company's financial statements.

The valuation of financial instruments under Statement of Financial Accounting Standards No. 107, "Disclosures About Fair Value of Financial Instruments" ("SFAS No. 107") and Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS No. 133") requires us to make estimates and judgments that affect the fair value of the instruments. Where possible, we base the fair values of our financial instruments, including our derivative instruments, on listed market prices and third party quotes. Where these are not available, we base our estimates on other factors relevant to the financial instrument.

Prior to January 1, 2003 we accounted for our stock compensation in accordance with APB No. 25, "Accounting for Stock Issued to Employees", based upon the intrinsic value method. This method results in no compensation expense for options issued with an exercise price equal to or exceeding the market value of the common stock on the date of grant. Effective January 1, 2003, we elected to account for our stock-based compensation in accordance with SFAS No. 123 and its amendment ("SFAS No. 148"), "Accounting for Stock Based Compensation", which will result in compensation expense being recorded based on the fair value of the stock options and other equity awards issued. SFAS No. 148 provides three possible transition methods for changing to the fair value method. We have elected to use the modified-prospective method. This method requires that we recognize stock-based employee compensation cost from the beginning of the fiscal year in which the recognition provisions are first applied as if the fair value method had been used to account for all employee awards granted, or settled, in fiscal years beginning after December 15, 1994. The following table illustrates the effect on net income and earnings per share as if the fair value method was applied to all outstanding and unvested awards in each period presented (amounts in thousands, except per share data):

Property Operating Expenses

The 4.4% increase in property operating and maintenance expense for the Core Portfolio is due primarily to increases in payroll expense, administrative expense, repair and maintenance expense. The 5.4% increase in Core Portfolio real estate taxes is generally due to higher property assessments on certain Properties. Property management expense for the Core Portfolio, which reflects costs of managing the Properties and is estimated based on a percentage of Property operating revenues, increased by 1.2% due to increases in payroll costs and computer expenses, but remains at approximately 4% of revenue. Total Portfolio operating expenses increased due to our current year acquisitions.

Home Sales Operations

The following table summarizes certain financial and statistical data for the Home Sales Operations for the years ended December 31, 2004 and 2003.

	<u>Home Sales Operations</u>			
	<u>2004</u>	<u>2003</u>	<u>Variance</u>	<u>% Change</u>
	<u>(Dollars in thousands)</u>			
Gross revenues from new home sales	\$ 43,470	\$ 33,512	\$ 9,958	29.7%
Cost of new home sales	<u>(38,216)</u>	<u>(29,064)</u>	<u>(9,152)</u>	<u>31.5%</u>
Gross profit from new home sales	5,254	4,448	806	18.1%
Gross revenues from used home sales	4,166	3,094	1,072	34.6%
Cost of used home sales	<u>(3,617)</u>	<u>(2,703)</u>	<u>(914)</u>	<u>33.8%</u>
Gross profit from used home sales	549	391	158	40.4%
Brokered resale revenues, net	2,186	1,724	462	26.8%
Home selling expenses	<u>(8,708)</u>	<u>(7,360)</u>	<u>(1,348)</u>	<u>18.3%</u>
Ancillary services revenues, net	<u>2,782</u>	<u>216</u>	<u>2,566</u>	<u>1,188.0%</u>
Income from home sales operations	<u>\$ 2,063</u>	<u>\$ (581)</u>	<u>\$ 2,644</u>	<u>455.1%</u>
Home sales volumes:				
New home sales	517	458	59	12.9%
Used home sales	362	189	173	91.5%
Brokered home resales	1,424	1,102	322	29.2%

New home sales gross profit reflects a 12.9% increase in sales volume combined with an increase in average selling price of approximately \$11,000 per home or approximately 15% due to higher quality of homes. Used home sales gross profit reflects an increase in gross margin on used home sales and an increase in volume. Brokered resale revenues reflects increased resale volumes. The 18.3% increase in home selling expenses primarily reflects increases in insurance cost and other expenses. The increase in ancillary service revenue relates primarily to income from property amenities at our newly acquired Properties.

Other Income and Expenses

The increase in other expenses reflects an increase in interest expense resulting from the Recap borrowing in October 2003 (see Note 10 of the Notes to Consolidated Financial Statements contained in this Form 10-K) and additional debt assumed in the 2004 acquisitions, an increase in depreciation on real estate assets related to the 2004 acquisitions, and increased general and administrative expense due to increased payroll. This is partially offset by income from other investments that includes \$2.3 million of lease income from the Thousand Trails ground lease entered into on November 10, 2004.

Equity in Income of Unconsolidated Joint Ventures

During 2004, we invested in preferred equity interests, the Mezzanine Investment, in six entities containing 11 Properties and 5,054 sites. Our average return on the Mezzanine Investment accrues at a rate of 10% per annum. We also invested in 11 separate joint ventures (see Liquidity and Capital Resources — Investing Activities). These investments contributed to the increase in equity in income from unconsolidated joint ventures.

Comparison of Year Ended December 31, 2003 to Year Ended December 31, 2002

Since December 31, 2001, the gross investment in real estate increased from \$1,238 million to \$1,310 million as of December 31, 2003, due primarily to the aforementioned acquisitions and dispositions of Properties during the period. The total number of sites owned or controlled increased from 50,663 as of December 31, 2001 to 51,715 as of December 31, 2003.

The following table summarizes certain financial and statistical data for the Property Operations for the Core Portfolio and the Total Portfolio for the years ended December 31, 2003 and 2002.

	Core Portfolio				Total Portfolio			
	2003	2002	Increase/ (Decrease)	% Change	2003	2002	Increase/ (Decrease)	% Change
	(Dollars in thousands)							
Community base rental income...	\$191,655	\$185,766	\$5,889	3.2%	\$196,919	\$194,640	\$ 2,279	1.2%
Resort base rental income	256	154	102	66.2%	11,780	9,146	2,634	28.8%
Utility and other income	18,764	18,458	306	1.7%	20,150	19,684	466	2.4%
Property operating revenues ...	210,675	204,378	6,297	3.1%	228,849	223,470	5,379	2.4%
Property operating and maintenance	56,535	54,510	2,025	3.7%	64,996	62,843	2,153	3.4%
Real estate taxes	17,278	16,338	940	5.8%	18,917	17,827	1,090	6.1%
Property management	8,629	8,498	131	1.5%	9,373	9,292	81	0.9%
Property operating expenses ...	82,442	79,346	3,096	3.9%	93,286	89,962	3,324	3.7%
Income from property operations	<u>\$128,233</u>	<u>\$125,032</u>	<u>\$3,201</u>	<u>2.6%</u>	<u>\$135,563</u>	<u>\$133,508</u>	<u>\$ 2,055</u>	<u>1.5%</u>
Site and Occupancy Information(1):								
Average total sites	41,570	41,578	(8)	0.0%	43,134	43,627	(493)	(1.1)%
Average occupied sites	37,893	38,594	(701)	(1.8)%	39,363	40,467	(1,104)	(2.7)%
Occupancy %	91.2%	92.8%	(1.6)%	(1.7)%	91.3%	92.8%	(1.5)%	(1.6)%
Monthly base rent per site	\$ 421.49	\$ 401.11	\$20.38	5.1%	\$ 416.89	\$ 400.82	\$ 16.07	4.0%
Total sites								
As of December 31,	41,580	41,590	(10)	0.0%	43,143	43,178	(35)	(0.1)%
Total occupied sites								
As of December 31,	37,479	38,346	(867)	(2.3)%	38,946	39,736	(790)	(2.0)%

(1) Site and occupancy information excludes Resort Cottage and RV sites, Properties owned through unconsolidated joint ventures and the sites of Properties acquired or sold during 2002 and 2003.

Property Operating Revenues

The 3.2% increase in Community base rental income for the Core Portfolio reflects a 5.1% increase in monthly base rent per site combined with a 1.9% decrease in average occupied sites. The increase in utility and other income for the Core Portfolio is due primarily to increases in utility income, which resulted from higher expenses for these items.

year ended December 31, 2003 from \$80.2 million in 2002. This was primarily due to an increase in working capital.

Investing Activities

Net cash used in investing activities reflects the impact of the following investing activities:

Acquisitions

During the year ended December 31, 2004, we acquired 111 Properties (see Note 6 of the Notes to Consolidated Financial Statements contained in this Form 10-K). The combined investment in real estate for these 111 Properties was approximately \$703 million and was funded with monies held in short-term investments, debt assumed of \$352 million which includes a mark-to-market adjustment of \$10.4 million, new financing of \$124 million, and borrowings from our Line of Credit. Included in the above as previously described are 57 Properties purchased as part of the Thousand Trails Transaction; the income related to this transaction is classified as income from other investments on the Consolidated Statements of Operations.

We assumed inventory of approximately \$1.2 million, other assets of \$4.9 million, rents received in advance of approximately \$13.6 million and other liabilities of approximately \$5.8 million in connection with the 2004 acquisitions. The Company also issued common OP units for value of approximately \$32.2 million.

During 2003, we acquired three Properties at a purchase price of \$11.8 million. The acquisitions were funded with monies held in short-term investments and debt assumed of \$4.6 million. The acquisitions included the assumption of liabilities of approximately \$0.7 million. Also during 2003, we acquired a parcel of land adjacent to one of our Properties for approximately \$0.1 million.

During 2002, we acquired eleven Properties at a purchase price of \$101.6 million. The acquisitions were funded with borrowings on our Line of Credit and the assumption of \$47.9 million of mortgage debt, which includes a \$3.0 million mark-to-market adjustment. In addition, we purchased adjacent land and land improvements for several Properties for approximately \$0.6 million.

Dispositions

During the year ended December 31, 2004, we sold one Property located in Lake Placid, Florida for a selling price of \$3.4 million, with net proceeds of \$0.8 million received in July 2004. No gain or loss on disposition was recognized in the period. The operating results have been reflected in discontinued operations. In addition, we sold approximately 1.4 acres of land in Montana for a gain and net proceeds of \$0.6 million.

During 2003, we sold three Properties for proceeds of \$27.1 million and a gain of \$10.8 million. Proceeds from the sales were used to repay amounts on our Line of Credit.

During 2002, we effectively sold 17 Properties as part of a restructuring of the College Heights Venture (hereinafter defined). In addition, we sold Camelot Acres, a 319 site Property in Burnsville, Minnesota, for approximately \$14.2 million.

Investments in and Advances to Joint Ventures

On February 3, 2004, the Company invested approximately \$29.7 million in preferred equity interests (the "Mezzanine Investment") in six entities controlled by Diversified Investments, Inc. ("Diversified"). These entities own in the aggregate 11 Properties, containing 5,054 sites. Approximately \$11.7 million of the Mezzanine Investment accrues at a per annum average rate of 10%, with a minimum pay rate of 6.5%, payable quarterly, and approximately \$17.9 million of the Mezzanine Investment accrues at a per annum average rate of 11%, with a minimum pay rate of 7%, payable quarterly. To the extent the minimum pay rates on the respective Mezzanine Investments are not

achieved, the accrual rates increase to 12% and 13% per annum, respectively. The Company can acquire these Properties in the future at capitalization rates of between 8% and 8.5%, beginning in 2006. In addition, the Company has invested approximately \$1.4 million in the Diversified entities managing these 11 Properties, which is included in prepaid expenses and other assets on the Company's Consolidated Balance Sheet as of December 31, 2004.

During the year ended December 31, 2004, the Company invested approximately \$4.1 million in 11 joint ventures. The Company can acquire these Properties in the future at capitalization rates of between 8% and 8.5%, beginning in 2006.

In addition, the Company recorded approximately \$3.7 million, \$0.3 million and \$0.2 million of net income from joint ventures (net of depreciation) in the years ended December 31, 2004, 2003 and 2002 respectively, and received approximately \$5.2 million, \$0.8 million and \$0.6 million in distributions from such joint ventures for the year ended December 31, 2004, 2003 and 2002 respectively. Included in such distributions for the year ended December 31, 2004 is \$2.5 million return of capital, of which \$0.5 million exceeded the Company's basis and thus was recorded in income from unconsolidated joint ventures and other.

Other Investments

Effective September 1, 2002, the Company restructured its investment in the College Heights Joint Venture. The Venture included 18 Properties with 3,581 sites. The results of operations of the College Heights Joint Venture prior to restructuring were included with the results of the Company due to the Company's voting equity interest and control over the Venture. Pursuant to the restructuring, the Company sold its general partnership interest, sold all of the Company's voting equity interest and reduced the Company's total investment in the College Heights Joint Venture. As consideration for the sale, the Company retained sole ownership of Down Yonder, a 361 site Property in Clearwater, Florida, received cash of approximately \$5.2 million and retained preferred limited partnership interests of approximately \$10.3 million, recorded net of a \$2.4 million reserve included in other assets. Income of approximately \$0.9 million, \$1.0 million and \$0.2 million has been recorded in income from other investments for the years ended December 31, 2004, 2003 and 2002 respectively.

Capital improvements

Capital expenditures for improvements are identified by the Company as recurring capital expenditures ("Recurring CapEx"), site development costs and corporate costs. Recurring CapEx was approximately \$13.7 million, \$11.9 million and \$13.4 million for the years ended December 31, 2004, 2003 and 2002 respectively. Site development costs were approximately \$13.0 million, \$9.0 million and \$10.4 million for the years ended December 31, 2004, 2003 and 2002 respectively, and represent costs to develop expansion sites at certain of the Company's Properties and costs for improvements to sites when a smaller used home is replaced with a larger new home. Corporate costs such as computer hardware, office furniture and office improvements were \$0.4 million, \$0.1 million and \$0.7 million for the years ended December 31, 2004, 2003 and 2002 respectively.

Financing Activities

Net cash used in financing activities reflects the impact of the following:

Equity Transactions

In order to qualify as a REIT for federal income tax purposes, the Company must distribute 90% or more of its taxable income (excluding capital gains) to its stockholders. The following distributions have been declared and paid to common stockholders and minority interests since January 1, 2002.

<u>Distribution Amount Per Share</u>	<u>For the Quarter Ending</u>	<u>Stockholder Record Date</u>	<u>Payment Date</u>
\$0.4750	March 31, 2002	March 29, 2002	April 12, 2002
\$0.4750	June 30, 2002	June 28, 2002	July 12, 2002
\$0.4750	September 30, 2002	September 27, 2002	October 11, 2002
\$0.4750	December 31, 2002	December 27, 2002	January 10, 2003
\$0.4950	March 31, 2003	March 28, 2003	April 11, 2003
\$0.4950	June 30, 2003	June 27, 2003	July 11, 2003
\$0.4950	September 30, 2003	September 26, 2003	October 10, 2003
\$8.00	December 31, 2003	January 8, 2004	January 16, 2004
\$0.0125	March 31, 2004	March 26, 2004	April 9, 2004
\$0.0125	June 30, 2004	June 25, 2004	July 9, 2004
\$0.0125	September 30, 2004	September 24, 2004	October 8, 2004
\$0.0125	December 31, 2004	December 31, 2004	January 14, 2005

On December 12, 2003, we declared a one-time special distribution of \$8.00 per share payable to stockholders of record on January 8, 2004. We used proceeds from the \$501 million Recap in October 2003 to pay the special distribution on January 16, 2004. The special cash dividend is reflected on stockholders' 2004 1099-DIV issued in January 2005.

In connection with the \$501 million Recap and subsequent special distribution, on February 27, 2004, the Company contributed all of its assets to MHC Trust, a newly formed Maryland real estate investment trust, including the Company's entire partnership interest in the Operating Partnership. The Company determined that a taxable transaction in connection with the special distribution to stockholders would be in the Company's best interests. This was accomplished by the contribution of the Company's interest in the Operating Partnership to MHC Trust in exchange for all the common and preferred stock of MHC Trust. Due to the Company's tax basis in its interest in the Operating Partnership, the Company recognized \$180 million of taxable income as a result of its contribution, as opposed to a nontaxable reduction of the Company's tax basis in its interest in the Operating Partnership. This restructuring resulted in a step-up in the Company's tax basis in its assets, generating future depreciation deductions, which in turn will reduce the Company's future distribution requirements. This provides the Company with greater financial flexibility and greater growth potential. The Company intends to continue to qualify as a REIT under the Code, with its assets consisting of interests in MHC Trust. MHC Trust, in turn, also intends to qualify as a real estate investment trust under the Code and will continue to be the general partner of the Operating Partnership. On May 1, 2004, in connection with the restructuring, MHC Trust sold cumulative preferred stock to a limited number of unaffiliated investors.

During the twelve months ended December 31, 2004, in connection with 2004 acquisitions the Company issued 1.2 million common OP Units valued at \$36.7 million of which approximately \$28.7 million has been classified as paid-in capital. On December 21, 2004 we redeemed 126,765 common OP Units for approximately \$4.5 million of which approximately \$3.5 million has been classified as paid-in capital.

The Operating Partnership paid distributions of 9.0% per annum on the \$125 million of Series D Cumulative Redeemable Perpetual Preferred Units ("Preferred Units"). Distributions on the Preferred Units were paid quarterly on the last calendar day of each quarter beginning September 30, 1999. The Company expects to continue to make regular quarterly distributions and has set its 2005 distribution to common stockholders at \$0.10 per share per annum.

Mortgages and Credit Facilities

We have two unsecured lines of credit of \$110 million and \$50 million which bear interest at a per annum rate of London Interbank Offered Rate ("LIBOR") plus 1.65%. Throughout the year ended December 31, 2004, the Company borrowed \$135.8 million and paid down \$20 million on its line of credit. On November 10, 2004, in connection with the Thousand Trails Transaction, we secured a \$120 million three-year term loan at LIBOR plus 1.75%. In December 2004, we fixed \$180 million of this variable debt for one year with a weighted average per annum interest rate of 4.7%.

During the twelve months ended December 31, 2004, the Company assumed mortgage and other debt of approximately \$157 million, which was recorded at fair market value with the related premium being amortized over the life of the loan using the effective interest rate. The Company borrowed an additional \$194 million of mortgage debt for other acquisitions. The mortgages bear interest at weighted average rates ranging from 5.14% to 5.81% per annum, and mature at various dates through November 1, 2027.

In 2003, the Company initiated the Recap as a result of its belief in the stability of its cash flow from property operations and the attractive financing terms available to borrowers such as the Company in the secured debt markets. In conducting its evaluation of the use of proceeds from the Recap, the Company's Board of Directors believed that to the extent no attractive alternative use was available, a distribution to stockholders should occur. In late 2003, the Company identified acquisition targets which would use approximately \$100 million of the \$325 million in net proceeds resulting from the Recap. In December 2003, the Company's Board of Directors declared a distribution of approximately \$225 million (\$8 per share). During 2004, the Company identified additional acquisitions and has funded such acquisitions primarily with secured and unsecured borrowings.

The Recap and subsequent borrowings in connection with acquisitions have significantly increased the Company's outstanding debt. The interest and principal payments required under these debt agreements materially increase the Company's future contractual payment obligations. As of December 31, 2004, the outstanding debt balance was \$1,653 million. In future years, the Company expects to pay annual interest and principal amortization under current obligations of approximately \$114 million (not including the impact of scheduled maturities) compared to \$57 million in 2003. In light of these increased cash flow requirements, the Company has reduced its annual dividend to common stockholders from approximately \$44 million in 2003 to approximately \$1 million in 2004. In addition, the Company expects its cash from operations to increase significantly in 2005 compared to 2003 due to the cash generated by newly-acquired Properties. To the extent cash flow from the Properties does not meet the Company's expectations, the Company's Board of Directors increases the annual dividend significantly, or the Company is required to make significant unexpected capital improvements or other payments, the Company's financial flexibility and ability to meet scheduled obligations could be negatively impacted. With respect to maturing debt, the Company has staggered the maturities of our long-term mortgage debt over an average of approximately 6 years, with no more than \$330 million in principal maturities coming due in any single year. The Company believes that it will be able to refinance its maturing debt obligations on a secured or unsecured basis; however, to the extent the Company is unable to refinance its debt as it matures, it believes that it will be able to repay such maturing debt from asset sales and/or the proceeds from equity issuances. With respect to any refinancing of maturing debt, the Company's future cash flow requirements could be impacted by significant changes in interest rates or other debt terms, including required amortization payments.

In October 2003, we unwound an interest rate swap (“2001 Swap”) agreement at a cost of approximately \$3 million, which is included in interest and related amortization in 2003 in the accompanying Consolidated Statements of Operations. The 2001 swap effectively fixed LIBOR on \$100 million of our floating rate debt at approximately 3.7% per annum for the period October 2001 through August 2004. The terms of the 2001 Swap required monthly settlements on the same dates interest payments were due on the debt. In accordance with SFAS No. 133, the 2001 Swap was reflected at market value.

On April 17, 2003, we entered into an agreement to refinance and increase the “Bay Indies Mortgage”, a \$44.5 million note, from approximately \$21.9 million to \$45 million. Under the new agreement, the Bay Indies Mortgage bears interest at 5.69% per annum, amortizes over 25 years and matures April 17, 2013. The net proceeds were used to pay down the Company’s Line of Credit in April 2003. Also during the year ended December 31, 2003, mortgage notes payable on four other Properties were repaid totaling approximately \$23.5 million using proceeds from borrowings on the Company’s Line of Credit.

During the year ended December 31, 2002, as part of the purchase of RSI, in a non-cash transaction, we assumed a \$12.5 million note payable (“Conseco Financing Note”), collateralized by our home inventory. The Conseco Financing Note was repaid at a discount during 2002 using proceeds from our Line of Credit. In addition, we repaid a maturing mortgage note in the amount of \$1.1 million and \$2.1 million of other unsecured notes payable using proceeds from our Line of Credit.

Certain of the Company’s mortgage and credit agreements contain covenants and restrictions including restrictions as to the ratio of secured or unsecured debt versus encumbered or unencumbered assets, the ratio of fixed charges-to-earnings before interest, taxes, depreciation and amortization (“EBITDA”), limitations on certain holdings and other restrictions.

As of December 31, 2004, we were subject to certain contractual payment obligations as described in the table below (dollars in thousands):

<u>Contractual Obligations</u>	<u>Total</u>	<u>2005</u>	<u>2006(2)</u>	<u>2007(3)</u>	<u>2008</u>	<u>2009</u>	<u>Thereafter</u>
Long Term Borrowings(1) . . .	\$1,643,672	\$18,742	\$169,770	\$432,350	\$203,903	\$70,558	\$748,349
Weighted average interest rates	6.10%	—	4.36%	6.43%	5.55%	6.58%	6.20%

(1) Balance excludes net premiums and discounts of \$9.4 million.

(2) Includes Line of Credit repayment in 2006 of \$115,800. We have an option to extend this maturity for one year to 2007.

(3) Includes a Term Loan repayment in 2007 of \$105,600. We have an option to extend this maturity for two successive years to 2009.

Included in the above table are certain capital lease obligations totaling approximately \$7.0 million. These agreements expire June 2009 and are paid semi-annually.

In addition, the Company leases land under non-cancelable operating leases at certain of the Properties expiring in various years from 2022 to 2032 with terms which include minimum rent to be paid throughout the year plus additional rents calculated as a percentage of gross revenues. For the twelve months ended December 31, 2004 and 2003, ground lease expense was approximately \$1.6 million and \$1.6 million respectively. Minimum future rental payments under the ground leases are approximately \$1.6 million for each of the next five years and approximately \$23.5 million thereafter.

Funds From Operations

Funds from Operations (“FFO”) is a non-GAAP financial measure. We believe FFO, as defined by the Board of Governors of the National Association of Real Estate Investment Trusts (“NAREIT”), to be an appropriate measure of performance for an equity REIT. While FFO is a relevant and widely

used measure of operating performance for equity REITs, it does not represent cash flow from operations or net income as defined by GAAP, and it should not be considered as an alternative to these indicators in evaluating liquidity or operating performance.

FFO is defined as net income, computed in accordance with GAAP, excluding gains or losses from sales of Properties, plus real estate related depreciation and amortization, and after adjustments for unconsolidated partnerships and joint ventures. Adjustments for unconsolidated partnerships and joint ventures are calculated to reflect FFO on the same basis. We believe that FFO is helpful to investors as one of several measures of the performance of an equity REIT. We further believe that by excluding the effect of depreciation, amortization and gains or losses from sales of real estate, all of which are based on historical costs and which may be of limited relevance in evaluating current performance, FFO can facilitate comparisons of operating performance between periods and among other equity REITs. Investors should review FFO, along with GAAP net income and cash flow from operating activities, investing activities and financing activities, when evaluating an equity REIT's operating performance. We compute FFO in accordance with standards established by NAREIT, which may not be comparable to FFO reported by other REITs that do not define the term in accordance with the current NAREIT definition or that interpret the current NAREIT definition differently than we do. FFO does not represent cash generated from operating activities in accordance with GAAP, nor does it represent cash available to pay distributions and should not be considered as an alternative to net income, determined in accordance with GAAP, as an indication of our financial performance, or to cash flow from operating activities, determined in accordance with GAAP, as a measure of our liquidity, nor is it indicative of funds available to fund our cash needs, including our ability to make cash distributions.

The following table presents a calculation of FFO for the years ended December 31, 2004, 2003 and 2002 (amounts in thousands):

	<u>2004</u>	<u>2003</u> <u>(Restated)</u>	<u>2002</u> <u>(Restated)</u>
Computation of funds from operations:			
Net income available for Common Shares	\$ 4,026	\$ 25,132	\$ 31,887
Income allocated to Common OP Units	936	6,004	7,786
Depreciation on real estate assets and other costs	48,862	37,265	34,826
Depreciation expense included in discontinued operations	32	135	484
Depreciation expense included in equity in income from joint ventures	1,230	769	726
Gain on sale of Properties and other	<u>(638)</u>	<u>(10,826)</u>	<u>(13,014)</u>
Funds from operations available for Common Shares	<u>\$54,448</u>	<u>\$ 58,479</u>	<u>\$ 62,695</u>
Weighted average Common Shares outstanding — fully diluted	<u>29,465</u>	<u>28,002</u>	<u>27,632</u>

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Market risk is the risk of loss from adverse changes in market prices and interest rates. Our earnings, cash flows and fair values relevant to financial instruments are dependent on prevailing market interest rates. The primary market risk we face is long-term indebtedness, which bears interest at fixed and variable rates. The fair value of our long-term debt obligations is affected by changes in market interest rates. At December 31, 2004, approximately 97% or approximately \$1.6 billion of our outstanding debt had fixed interest rates, which minimizes the market risk until the debt matures. For each increase in interest rates of 1% (or 100 basis points), the fair value of the total outstanding debt would decrease by approximately \$93.1 million. For each decrease in interest rates of 1% (or 100 basis points), the fair value of the total outstanding debt would decrease by approximately \$98.8 million.

At December 31, 2004, approximately 3% or approximately \$56 million of our outstanding debt was short-term and at variable rates. Earnings are affected by increases and decreases in market interest rates on this debt. For each increase/decrease in interest rates of 1% (or 100 basis points), our earnings and cash flows would increase/decrease by approximately \$538,000 annually.

Item 8. *Financial Statements and Supplementary Data*

See Index to Consolidated Financial Statements on page F-1 of this Form 10-K.

Item 9. *Changes In and Disagreements with Accountants on Accounting and Financial Disclosure*

None.

Item 9A. *Controls and Procedures*

Evaluation of Disclosure Controls and Procedures

The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, maintain a system of disclosure controls and procedures, designed to provide reasonable assurance that information the Company is required to disclose in the reports that the Company files under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission rules and forms.

As mentioned in the Form 8-K filed on March 4, 2005, the Company received a comment letter from the SEC staff raising questions regarding how the Company accounted for costs incurred in pursuing certain rent control initiatives. Management discussed this issue with its independent auditors and the Company's Audit Committee of the Board of Directors ("Audit Committee"). Based on such discussions management has changed its accounting policy to expense such costs in the year incurred and restated prior period financial statements as discussed in Note 2 to the financial statements because the previous method of accounting for these costs has been determined to be incorrect.

The Company's rent control initiatives date back prior to 2001. During 2001, given a significant expansion of the rent control initiatives, the accounting for such costs was closely analyzed by management and discussed with our independent auditors. The initiatives involved efforts of the Company to realize the value of certain of its Properties subject to rent control, as more fully discussed in Note 17. The initiatives included efforts to remove the operations of certain Properties from existing rent regulation or to ultimately close the Properties if the existing rent regulation remained.

At that time the Company concluded that removal of the existing rent regulation or Property closures would constitute a "formal plan" and that such plan represented a "change in use" under Statement of Financial Accounting Standards No. 67 "Accounting for Costs and Initial Rental Operations of Real Estate Projects" ("SFAS No. 67") and costs were capitalized on that basis. These financial statements were audited by our independent auditors and the auditors provided unqualified opinions in prior periods.

After the discussions among the Company, its Audit Committee and its independent auditors in March 2005, the term "change in use" was no longer interpreted to cover a change in regulation. In addition, as part of its initiative, the Company was not willing to commit to close the Properties and would accept other outcomes that allowed the Company to realize the value of its Properties short of park closure (which is a "change in use"). As a result the Company determined that it was not committed to a "formal plan" that reflected a "change of use" under SFAS No. 67.

The Company's management with the participation of the Chief Executive Officer and the Chief Financial Officer has evaluated the effectiveness of the Company's disclosure controls and procedures as of December 31, 2004 in light of this restatement. Based on that evaluation, the Company's Chief

Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were not effective at the reasonable assurance level as of December 31, 2004. However, based on this evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that, as of such date, the controls over the accounting policy regarding the capitalization of costs incurred in pursuing rent control initiatives is the only area in which the disclosure controls and procedures were not operating effectively at the reasonable assurance level.

Prior to receipt of SEC comments the issue of the capitalization of costs incurred in pursuing rent control initiatives was identified by the Company as an accounting issue. While the Company concluded its disclosure controls and procedures were not operating effectively as of December 31, 2004, management believes 1) it closely analyzed the application of SFAS No. 67 to its situation and this issue was discussed with its Audit Committee and it was considered by its independent auditors in prior audits, 2) there was no authoritative literature existing with respect to this issue that was not considered by the Company or its Audit Committee, and 3) until the comments were received from the SEC staff and subsequent discussion with its independent auditors, the application of SFAS No. 67 and the Company's interpretation of "formal plan" and "change in use" were believed to be appropriate. Lastly, the Company believes its disclosure regarding these transactions and costs was highlighted in its disclosure and taken in total during the relevant periods provided users with meaningful and useful information on which to base investment decisions.

Changes in Internal Control Over Financial Reporting

To remediate the material weakness in the Company's internal control over financial reporting, subsequent to year end the Company has implemented additional review procedures over the selection and monitoring of the application and interpretation of accounting principles affecting the costs incurred in pursuing rent control initiatives.

There were no material changes to the Company's internal changes over financial reporting during the fourth quarter.

Report of Management on Internal Control Over Financial Reporting

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under Securities Exchange Act of 1934. The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2004. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework.

In performing this assessment, management reviewed the Company's accounting for costs incurred in pursuing rent control initiatives. As a result of this review, management concluded that the Company's controls over the application and interpretation of accounting principles affecting the capitalization of these costs were incorrect, and, as a result, management has determined that expenses were understated over the last several years. The Audit Committee and the Board of Directors and management determined to restate certain of the Company's previously issued financial statements to reflect the correct costs incurred in pursuing rent control initiatives, as explained in Note 2 to the consolidated financial statements.

Management evaluated the effects of this restatement on the Company's assessment of its internal control over financial reporting and concluded that the control deficiency relating to the implementation and interpretation of GAAP as they relate to the capitalization of costs in pursuing rent control initiatives represented a material weakness. As a result of this material weakness, management has concluded that, as of December 31, 2004, the Company's internal control over financial reporting was not effective based on the criteria set forth by COSO in Internal Control-Integrated Framework. A material weakness in internal control over financial reporting is a control deficiency (within the meaning of the Public Company Accounting Oversight Board ("PCAOB") Auditing Standard No. 2), or combination of control deficiencies, that results in there being more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected. PCAOB Auditing Standard No. 2 identifies a number of circumstances that, because of their likely significant negative effect on internal control over financial reporting, are to be regarded as at least significant deficiencies as well as strong indicators that a material weakness exists, including the restatement of previously issued financial statements to reflect the correction of a misstatement.

The Company's independent registered public accounting firm has issued an attestation report on management's assessment of the Company's internal control over financial reporting. That report appears on page F-2 of the Consolidated Financial Statements.

Item 9B. *Other Information*

None.

PART III

Item 10. *Directors and Executive Officers of the Registrant*

The information required to be set forth herein pursuant to Item 401 and Item 405 of Regulation S-K is contained under the captions “Election of Directors,” “Election of Directors — Committees of the Board; Meetings” and “Section 16(a) Beneficial Ownership Reporting Compliance” in the Company’s definitive proxy statement for the Company’s 2005 Annual Meeting of Stockholders to be held on May 10, 2005 (the “2005 Proxy Statement”) and such information is incorporated herein by reference.

In addition, the information required to be set forth herein pursuant to Item 406 of Regulation S-K is contained under the caption “Election of Directors — Corporate Governance” in the 2005 Proxy Statement regarding the Company’s written Guidelines on Corporate Governance and the Company’s Business Ethics and Conduct Policy is incorporated herein by reference.

Items 11, 12, 13 and 14. *Executive Compensation, Security Ownership of Certain Beneficial Owners and Management, Certain Relationships and Related Transactions and Principal Accountant Fees and Services*

The information required by Item 11, Item 12, Item 13 and Item 14 will be contained in the 2005 Proxy Statement, and thus this Part has been omitted in accordance with General Instruction G(3) to Form 10-K.

PART IV

Item 15. *Exhibits and Financial Statements Schedules*

1. Financial Statements

See Index to Financial Statements and Schedules on page F-1 of this Form 10-K.

2. Financial Statement Schedules

See Index to Financial Statements and Schedules on page F-1 of this Form 10-K.

3. Exhibits:

- 2(a) Admission Agreement between Equity Financial and Management Co., Manufactured Home Communities, Inc. and MHC Operating Partnership.
- 3.1(g) Amended and Restated Articles of Incorporation of Manufactured Home Communities, Inc. effective May 21, 1999.
- 3.2(n) Articles of Amendment of Articles of Incorporation of Manufactured Home Communities, Inc., effective May 13, 2003.
- 3.3(m) Articles of Amendment to Articles of Incorporation of Manufactured Home Communities, Inc., effective November 16, 2004.
- 3.4(n) Amended Bylaws of Manufactured Home Communities, Inc. dated December 31, 2003.
- 4 Not applicable
- 9 Not applicable
- 10.1(a) Agreement of Limited Partnership of MHC Financing Limited Partnership
- 10.2(b) Agreement of Limited Partnership of MHC Lending Limited Partnership
- 10.3(c) Agreement of Limited Partnership of MHC-Bay Indies Financing Limited Partnership
- 10.4(c) Agreement of Limited Partnership of MHC-De Anza Financing Limited Partnership
- 10.5(d) Second Amended and Restated MHC Operating Limited Partnership Agreement of Limited Partnership, dated March 15, 1996
- 10.6(f) Agreement of Limited Partnership of MHC Financing Limited Partnership Two
- 10.7(a) Revolving Credit Note made by Realty Systems, Inc. to Equity Financial and Management Co.
- 10.8(a) Assignment to MHC Operating Limited Partnership of Revolving Credit Note made by Realty Systems, Inc. to Equity Financial and Management Co.
- 10.9(a) Loan and Security Agreement between Realty Systems, Inc. and MHC Operating Limited Partnership
- 10.10(e) Form of Manufactured Home Communities, Inc. 1997 Non-Qualified Employee Stock Purchase Plan.
- 10.11(i) Manufactured Home Communities, Inc. 1992 Stock Option and Stock Award Plan.
- 10.12(g) \$265,000,000 Mortgage Note dated December 12, 1997
- 10.13(h) \$110,000,000 Amended, Restated and Consolidated Promissory Note (DeAnza Mortgage) dated June 28, 2000
- 10.14(h) \$15,750,000 Promissory Note Secured by Leasehold Deed of Trust (Date Palm Mortgage) dated July 13, 2000
- 10.15(j) \$50,000,000 Promissory Note secured by Leasehold Deeds of Trust (Stagecoach Mortgage) dated December 2, 2001.
- 10.16(k) Loan Agreement dated October 17, 2003 between MHC Sunrise Heights, L.L.C., as Borrower, and Bank of America, N.A., as Lender.
- 10.16.1(k) Schedule identifying substantially identical agreements to Exhibit No. 10.16.
- 10.17(k) Form of Loan Agreement dated October 17, 2003 between MHC Countryside L.L.C., as Borrower, and Bank of America, N.A., as Lender.

- 10.17.1(k) Schedule identifying substantially identical agreements to Exhibit No. 10.17.
- 10.18(k) Form of Loan Agreement dated October 17, 2003 between MHC Creekside L.L.C., as Borrower, and Bank of America, N.A., as Lender.
- 10.18.1(k) Schedule identifying substantially identical agreements to Exhibit No. 10.18.
- 10.19(k) Form of Loan Agreement dated October 17, 2003 between MHC Golf Vista Estates L.L.C., as Borrowers, and Bank of America, N.A., as Lender.
- 10.19.1(k) Schedule identifying substantially identical agreements to Exhibit No. 10.19.
- 10.20(l) Agreement of Plan of Merger (Thousand Trails), dated August 2, 2004
- 10.21(l) Amendment No. 1 to Agreement of Plan of Merger (Thousand Trails), dated September 30, 2004
- 10.22(l) Amendment No. 2 to Agreement of Plan of Merger (Thousand Trails), dated November 9, 2004
- 10.23(l) Thousand Trails Lease Agreement, dated November 10, 2004
- 10.24(l) \$120 million Term Loan Agreement dated November 10, 2004
- 10.25(l) Fifth Amended and Restated Credit Agreement (\$110 million Revolving Facility) dated November 10, 2004
- 10.26(l) First Amended and Restated Loan Agreement dated November 10, 2004
- 11 Not applicable
- 12(n) Computation of Ratio of Earnings to Fixed Charges
- 13 Not applicable
- 14(n) Manufactured Home Communities, Inc. Business Ethics and Conduct Policy, dated March 2004
- 15 Not applicable
- 16 Not applicable
- 17 Not applicable
- 18 Not applicable
- 19 Not applicable
- 20 Not applicable
- 21(n) Subsidiaries of the registrant
- 22 Not applicable
- 23(n) Consent of Independent Auditors
- 24.1(n) Power of Attorney for Joseph B. McAdams dated March 1, 2005
- 24.2(n) Power of Attorney for Howard Walker dated February 28, 2005
- 24.3(n) Power of Attorney for Thomas E. Dobrowski dated March 1, 2005
- 24.4(n) Power of Attorney for Gary Waterman dated March 1, 2005
- 24.5(n) Power of Attorney for Donald S. Chisholm dated March 1, 2005
- 24.6(n) Power of Attorney for Sheli Z. Rosenberg dated March 1, 2005
- 25 Not applicable
- 26 Not applicable
- 31.1(n) Certification of Chief Financial Officer Pursuant To Section 302 of the Sarbanes-Oxley Act Of 2002
- 31.2(n) Certification of Chief Executive Officer Pursuant To Section 302 of the Sarbanes-Oxley Act Of 2002
- 32.1(n) Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350
- 32.2(n) Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350

The following documents are incorporated herein by reference.

- (a) Included as an exhibit to the Company's Form S-11 Registration Statement, File No. 33-55994.
- (b) Included as an exhibit to the Company's Report on Form 10-K dated December 31, 1993.
- (c) Included as an exhibit to the Company's Report on Form 10-K dated December 31, 1994.
- (d) Included as an exhibit to the Company's Report on Form 10-Q for the quarter ended June 30, 1996.
- (e) Included as Exhibit A to the Company's definitive Proxy Statement dated March 28, 1997, relating to Annual Meeting of Stockholders held on May 13, 1997.
- (f) Included as an exhibit to the Company's Report on Form 10-K dated December 31, 1997.
- (g) Included as an exhibit to the Company's Form S-3 Registration Statement, filed November 12, 1999 (SEC File No. 333-90813).
- (h) Included as an exhibit to the Company's Report on Form 10-K dated December 31, 2000.
- (i) Included as Appendix A to the Company's Definitive Proxy Statement dated March 30, 2001
- (j) Included as an exhibit to the Company's Report on Form 10-K dated December 31, 2002.
- (k) Included as an exhibit to the Company's Report on Form 10-K dated December 31, 2003
- (l) Included as an exhibit to the Company's Report on Form 8-K dated November 16, 2004
- (m) Included as an exhibit to the Company's Report on Form 8-K dated November 22, 2004
- (n) Filed herewith.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

EQUITY LIFESTYLE PROPERTIES, INC.,a
Maryland corporation

Date: March 28, 2005

By: /s/ Thomas P. Heneghan
Thomas P. Heneghan
President and Chief Executive Officer
(Principal Executive Officer)

Date: March 28, 2005

By: /s/ Michael B. Berman
Michael B. Berman
Vice President, Treasurer
and Chief Executive Officer
(Principal Financial Officer
and Principal Accounting Officer)

Equity Lifestyle Properties, Inc. — Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

<u>Name</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Thomas P. Heneghan</u> Thomas P. Heneghan	President, Chief Executive Officer and Director *Attorney-in-Fact	March 28, 2005
<u>/s/ Michael B. Berman</u> Michael B. Berman	Vice President, Treasurer and Chief Financial Officer *Attorney-in-Fact	March 28, 2005
<u>/s/ Samuel Zell</u> Samuel Zell	Chairman of the Board	March 28, 2005
<u>*Sheli Z. Rosenberg</u> Sheli Z. Rosenberg	Director	March 28, 2005
<u>*Donald S. Chisholm</u> Donald S. Chisholm	Director	March 28, 2005
<u>*Thomas E. Dobrowski</u> Thomas E. Dobrowski	Director	March 28, 2005
<u>*Howard Walker</u> Howard Walker	Vice-Chairman of the Board	March 28, 2005
<u>*Joseph B. McAdams</u> Joseph B. McAdams	Director	March 28, 2005
<u>*Gary Waterman</u> Gary Waterman	Director	March 28, 2005

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EQUITY LIFESTYLE PROPERTIES, INC.**

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Certain schedules have been omitted as they are not applicable to the Company.

Report of Independent Registered Public Accounting Firm on Internal Control Over Financial Reporting

The Board of Directors and Stockholders of Equity Lifestyle Properties, Inc

We have audited management's assessment, included in the accompanying Report of Management on Internal Control over Financial Reporting, that Equity Lifestyle Properties, Inc. (Equity Lifestyle Properties) did not maintain effective internal control over financial reporting as of December 31, 2004, because of the effect of a material weakness due to inadequate controls over the capitalization of certain costs, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Equity Lifestyle Properties' management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of Equity Lifestyle Properties' internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of Equity Lifestyle Properties; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of Equity Lifestyle Properties are being made only in accordance with authorizations of management and directors of Equity Lifestyle Properties; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of Equity Lifestyle Properties' assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

A material weakness is a control deficiency, or combination of control deficiencies, that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected. The following material weakness has been identified and included in management's assessment. As described in the notes to the Company's 2004 financial statements, Equity Lifestyle Properties restated previously issued financial statements to correct for errors related to the improper capitalization of certain costs associated with changing rent control restrictions. In connection with its assessment of internal control over financial reporting as of December 31, 2004, management determined that Equity Lifestyle Properties' procedures and controls over the interpretation and implementation of generally accepted accounting principles as they relate to the capitalization of these costs were inadequate, and concluded that this deficiency represented a material weakness in internal control over financial reporting. This material weakness was considered in determining the nature, timing, and extent of audit tests applied in our audit of the financial statements as of December 31, 2004

and 2003 and for each of the three years in the period ended December 31, 2004, and this report does not affect our report dated March 24, 2005 on those financial statements.

In our opinion, management's assessment that Equity Lifestyle Properties, Inc. did not maintain effective internal control over financial reporting as of December 31, 2004, is fairly stated, in all material respects, based on the COSO control criteria. Also, in our opinion, because of the effect of the material weakness described above on the achievement of the objectives of the control criteria, Equity Lifestyle Properties, Inc. has not maintained effective internal control over financial reporting as of December 31, 2004, based on the COSO control criteria.

ERNST & YOUNG LLP

Chicago, Illinois
March 24, 2005

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of Equity Lifestyle Properties, Inc.

We have audited the accompanying consolidated balance sheets of Equity Lifestyle Properties, Inc. ("Equity Lifestyle Properties", formerly known as Manufactured Home Communities, Inc.) as of December 31, 2004 and 2003, and the related consolidated statements of operations, other comprehensive income, changes in stockholders' equity and cash flows for each of the three years in the period ended December 31, 2004. Our audits also included the financial statement schedules listed in the Index at Item 15(1) and (2). These financial statements and the schedules are the responsibility of Equity Lifestyle Properties' management. Our responsibility is to express an opinion on these financial statements and the schedules based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Equity Lifestyle Properties at December 31, 2004 and 2003, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2004, in conformity with accounting principles generally accepted in the United States. Also, in our opinion, the related financial statement schedules, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

As discussed in Note 2 to the consolidated financial statements, the Company has restated its financial statements as of December 31, 2003 and for each of the two years in the period then ended relating to expense recognition for certain costs.

As discussed in Note 3 to the consolidated financial statements, in 2003 Equity Lifestyle Properties changed its method of accounting for stock-based employee compensation.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of Equity Lifestyle Properties internal control over financial reporting as of December 31, 2004, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 24, 2005 expressed an unqualified opinion on management's assessment of the effectiveness of internal control over financial reporting and an adverse opinion on the effectiveness of internal control over financial reporting.

ERNST & YOUNG LLP

Chicago, Illinois
March 24, 2005

Equity Lifestyle Properties, Inc.
Consolidated Balance Sheets
As of December 31, 2004 and 2003

	December 31, 2004	December 31, 2003 <u>(Restated)</u>
(Amounts in thousands)		
ASSETS		
Investment in real estate:		
Land	\$ 470,587	\$ 282,803
Land improvements	1,438,923	905,785
Buildings and other depreciable property	<u>126,280</u>	<u>121,117</u>
	2,035,790	1,309,705
Accumulated depreciation	<u>(322,867)</u>	<u>(272,497)</u>
Net investment in real estate	1,712,923	1,037,208
Cash and cash equivalents	5,305	325,740
Notes receivable	13,290	11,551
Investment in joint ventures	43,583	10,770
Rents receivable, net	1,469	2,385
Deferred financing costs, net	16,162	14,164
Inventory	50,654	31,604
Prepaid expenses and other assets	<u>42,903</u>	<u>30,085</u>
Total Assets	<u>\$1,886,289</u>	<u>\$1,463,507</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Mortgage notes payable	\$1,417,251	\$1,076,183
Unsecured line of credit	115,800	—
Unsecured term loan	120,000	—
Accounts payable and accrued expenses	36,146	27,928
Accrued interest payable	8,894	5,978
Rents received in advance and security deposits	21,135	6,616
Distributions payable	<u>448</u>	<u>224,696</u>
Total Liabilities	1,719,674	1,341,401
Commitments and contingencies		
Minority interest — Common OP Units and other	9,771	(366)
Minority interest — Perpetual Preferred OP Units	125,000	125,000
Stockholders' Equity:		
Preferred stock, \$.01 par value 10,000,000 shares authorized; none issued		—
Common stock, \$.01 par value 50,000,000 shares authorized; 22,937,192 and 22,563,348 shares issued and outstanding for 2004 and 2003, respectively	224	222
Paid-in capital	294,304	263,066
Deferred compensation	(166)	(494)
Distributions in excess of accumulated earnings	<u>(262,518)</u>	<u>(265,322)</u>
Total stockholders' equity (deficit)	<u>31,844</u>	<u>(2,528)</u>
Total liabilities and stockholders' equity	<u>\$1,886,289</u>	<u>\$1,463,507</u>

The accompanying notes are an integral part of the financial statements

Equity Lifestyle Properties, Inc.
Consolidated Statements of Operations
For the Years Ended December 31, 2004, 2003 and 2002

	<u>2004</u>	<u>2003</u> (Restated)	<u>2002</u> (Restated)
	(Amounts in thousands, except per share data)		
Property Operations:			
Community base rental income	\$210,790	\$196,919	\$194,640
Resort base rental income	54,845	11,780	9,146
Utility and other income	24,893	20,150	19,684
Property operating revenues	<u>290,528</u>	<u>228,849</u>	<u>223,470</u>
Property operating and maintenance	94,955	64,996	62,843
Real estate taxes	23,679	18,917	17,827
Property management	<u>12,852</u>	<u>9,373</u>	<u>9,292</u>
Property operating expenses (exclusive of depreciation shown separately below)	<u>131,486</u>	<u>93,286</u>	<u>89,962</u>
Income from property operations	159,042	135,563	133,508
Home Sales Operations:			
Gross revenues from inventory home sales	47,636	36,606	33,537
Cost of inventory home sales	<u>(41,833)</u>	<u>(31,767)</u>	<u>(27,183)</u>
Gross profit from inventory home sales	5,803	4,839	6,354
Brokered resale revenues, net	2,186	1,724	1,592
Home selling expenses	(8,708)	(7,360)	(7,664)
Ancillary services revenues, net	<u>2,782</u>	<u>216</u>	<u>522</u>
Income (loss) from home sales operations & other	2,063	(581)	804
Other Income (Expenses):			
Interest income	1,391	1,695	967
Income from other investments	3,475	956	316
General and administrative	(9,243)	(8,060)	(8,192)
Rent control initiatives	(2,412)	(2,352)	(5,698)
Interest and related amortization	(91,922)	(58,402)	(50,729)
Depreciation on corporate assets	(1,657)	(1,240)	(1,277)
Depreciation on real estate assets and other costs	<u>(48,862)</u>	<u>(37,265)</u>	<u>(34,826)</u>
Total other income (expenses)	(149,230)	(104,668)	(99,439)
Income before minority interests, equity in income of unconsolidated joint ventures, gain on sale of properties and other and discontinued operations ...	11,875	30,314	34,873
Income allocated to Common OP Units	(936)	(3,860)	(4,708)
Income allocated to Perpetual Preferred OP Units	(11,284)	(11,252)	(11,252)
Equity in income of unconsolidated joint ventures	<u>3,739</u>	<u>340</u>	<u>235</u>
Income before gain on sale of properties and other and discontinued operations	<u>3,394</u>	<u>15,542</u>	<u>19,148</u>
Gain on sale of properties and other	638	—	—
Income from continuing operations	<u>4,032</u>	<u>15,542</u>	<u>19,148</u>
Discontinued Operations:			
Discontinued operations	26	1,043	3,287
Depreciation on discontinued operations	(32)	(135)	(484)
Gain on sale of properties and other	—	10,826	13,014
Minority interests on discontinued operations	—	(2,144)	(3,078)
Income (loss) from discontinued operations	<u>(6)</u>	<u>9,590</u>	<u>12,739</u>
Net income available for Common Shares	<u>\$ 4,026</u>	<u>\$ 25,132</u>	<u>\$ 31,887</u>

The accompanying notes are an integral part of the financial statements

Equity Lifestyle Properties, Inc.
Consolidated Statements of Operations
For the Years Ended December 31, 2004, 2003 and 2002

	<u>2004</u>	<u>2003</u> <u>(Restated)</u>	<u>2002</u> <u>(Restated)</u>
	(Amounts in thousands, except per share data)		
Earnings per Common Share — Basic:			
Income from continuing operations	<u>\$ 0.18</u>	<u>\$ 0.71</u>	<u>\$ 0.89</u>
Income from discontinued operations	<u>\$ 0.00</u>	<u>\$ 0.43</u>	<u>\$ 0.59</u>
Net income available for Common Shares	<u>\$ 0.18</u>	<u>\$ 1.14</u>	<u>\$ 1.48</u>
Earnings per Common Share — Fully Diluted:			
Income from continuing operations	<u>\$ 0.17</u>	<u>\$ 0.69</u>	<u>\$ 0.87</u>
Income from discontinued operations	<u>\$ 0.00</u>	<u>\$ 0.42</u>	<u>\$ 0.57</u>
Net income available for Common Shares	<u>\$ 0.17</u>	<u>\$ 1.11</u>	<u>\$ 1.44</u>
Distributions declared per Common Share outstanding	<u>\$ 0.05</u>	<u>\$9.485</u>	<u>\$ 1.90</u>
Tax status of Common Shares distributions paid during the year:			
Ordinary income	<u>\$ 1.05</u>	<u>\$ 0.68</u>	<u>\$ 1.50</u>
Long-term capital gain	<u>\$ 4.82</u>	<u>\$ 0.57</u>	<u>\$ —</u>
Unrecaptured section 1250 gain	<u>\$ 2.17</u>	<u>\$ 0.16</u>	<u>\$ —</u>
Return of capital	<u>\$ —</u>	<u>\$ 0.55</u>	<u>\$ 0.37</u>
Weighted average Common Shares outstanding — basic	<u>22,849</u>	<u>22,077</u>	<u>21,617</u>
Weighted average Common Shares outstanding — fully diluted	<u>29,465</u>	<u>28,002</u>	<u>27,632</u>

Equity Lifestyle Properties, Inc.
Consolidated Statements of Other Comprehensive Income
For the Years Ended December 31, 2004, 2003 and 2002

	<u>2004</u>	<u>2003</u> <u>(Restated)</u>	<u>2002</u> <u>(Restated)</u>
	(Amounts in thousands)		
Net income available for Common Shares	\$4,026	\$25,132	\$31,887
Net unrealized holding gains (losses) on derivative instruments	<u>—</u>	<u>4,498</u>	<u>(4,987)</u>
Net other comprehensive income available for Common Shares	<u>\$4,026</u>	<u>\$29,630</u>	<u>\$26,900</u>

The accompanying notes are an integral part of the financial statements

Equity Lifestyle Properties, Inc.
Consolidated Statement of Changes In Stockholders' Equity
For The Years Ended December 31, 2004, 2003 and 2003

	<u>2004</u>	<u>2003</u> <u>(Restated)</u>	<u>2002</u> <u>(Restated)</u>
	(Amounts in thousands)		
Preferred stock, \$.01 par value	\$ —	\$ —	\$ —
Common Stock, \$.01 par value			
Balance, beginning of year	\$ 222	\$ 218	\$ 215
Issuance of Common Stock through restricted stock grants	—	—	1
Exercise of options	<u>2</u>	<u>4</u>	<u>2</u>
Balance, end of year	<u>\$ 224</u>	<u>\$ 222</u>	<u>\$ 218</u>
Paid — in capital			
Balance, beginning of year	\$ 263,066	\$ 256,394	\$245,827
Issuance of Common Stock for employee notes	—	—	—
Conversion of OP Units to Common Stock	155	343	227
Issuance of Common Stock through exercise of options ...	3,058	6,323	5,782
Issuance of Common Stock through restricted stock grants	—	—	2,709
Issuance of Common Stock through employee stock purchase plan	2,735	3,254	2,512
Compensation expense related to stock options and restricted stock	2,571	611	—
Transition adjustment — FAS 123	—	(1,047)	—
Adjustment for Common OP Unitholders in the Operating Partnership	<u>22,719</u>	<u>(2,812)</u>	<u>(663)</u>
Balance, end of year	<u>\$ 294,304</u>	<u>\$ 263,066</u>	<u>\$256,394</u>
Deferred compensation			
Balance, beginning of year	\$ (494)	\$ (3,069)	\$ (4,062)
Issuance of Common Stock through restricted stock grants	—	—	(2,709)
Transition adjustment — FAS 123	—	1,047	—
Recognition of deferred compensation expense	<u>328</u>	<u>1,528</u>	<u>3,702</u>
Balance, end of year	<u>\$ (166)</u>	<u>\$ (494)</u>	<u>\$ (3,069)</u>
Employee notes			
Balance, beginning of year	\$ —	\$ (2,713)	\$ (3,841)
Principal payments	—	<u>2,713</u>	<u>1,128</u>
Balance, end of year	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (2,713)</u>
Distributions in excess of accumulated comprehensive earnings			
Balance, beginning of year	\$(265,322)	\$ (79,655)	\$(64,875)
Net income	4,026	25,132	31,887
Other comprehensive income:			
Unrealized holding (losses) gains on derivative instruments	—	<u>4,498</u>	<u>(4,987)</u>
Comprehensive income	<u>4,026</u>	<u>29,630</u>	<u>26,900</u>
Distributions	<u>(1,222)</u>	<u>(215,297)</u>	<u>(41,680)</u>
Balance, end of year	<u>\$(262,518)</u>	<u>\$(265,322)</u>	<u>\$(79,655)</u>

The accompanying notes are an integral part of the financial statements

Equity Lifestyle Properties, Inc.
 Consolidated Statements of Cash Flows
 For the years ended December 31, 2004, 2003 and 2002

	2004	2003 (Restated)	2002 (Restated)
(Amounts in thousands)			
Cash Flows From Operating Activities			
Net income	\$ 4,026	\$ 25,132	\$ 31,887
Adjustments to reconcile net income to cash provided by operating activities:			
Income allocated to minority interests	12,220	17,256	19,038
Gain on sale of Properties and other	(638)	(10,826)	(13,014)
Depreciation expense	51,703	39,403	37,094
Amortization expense	2,203	5,031	963
Debt premium amortization expense	(1,317)	—	—
Equity in income of affiliates and joint ventures	(4,969)	(1,042)	(957)
Amortization of deferred compensation and other	2,899	2,139	3,930
Increase in provision for uncollectable rents receivable	1,182	821	941
Changes in assets and liabilities:			
Change in rents receivable	281	(1,469)	(1,186)
Change in inventory	(17,855)	1,846	1,887
Change in prepaid expenses and other assets	(9,772)	(43)	(2,113)
Change in accounts payable and accrued expenses	5,963	(3,055)	1,471
Change in rents received in advance and security deposits	807	(30)	235
Net cash provided by operating activities	<u>46,733</u>	<u>75,163</u>	<u>80,176</u>
Cash Flows From Investing Activities			
Acquisition of rental properties	(310,893)	(6,836)	(56,531)
Proceeds from dispositions of assets	671	27,170	14,171
Distributions from (investment in) joint ventures and other	(27,642)	1,535	(7,149)
Proceeds from restructuring of College Heights joint venture, net	—	—	4,647
Purchase of RSJ	—	—	(675)
Cash received in acquisition of RSJ	—	—	839
Collections (funding) of notes receivable	(1,708)	(1,507)	(3,784)
Improvements:			
Improvements — corporate	(444)	(72)	(681)
Improvements — rental properties	(13,663)	(11,912)	(13,377)
Site development costs	(12,975)	(8,976)	(10,433)
Net cash (used in) investing activities	<u>(366,654)</u>	<u>(598)</u>	<u>(72,973)</u>
Cash Flows From Financing Activities			
Net proceeds from stock options and employee stock purchase plan	6,221	9,581	8,296
Distributions to Common Stockholders, Common OP Unitholders and Perpetual Preferred OP Unitholders	(237,074)	(65,687)	(58,314)
Collection of principal payments on employee notes	—	2,713	1,128
Line of credit:			
Proceeds	135,800	53,000	82,000
Repayments	(20,000)	(137,750)	(13,500)
Acquisition Financing	124,300	—	—
Repayment of term loan	—	(100,000)	—
Refinancing — net proceeds (repayments)	3,288	501,057	(16,096)
Principal payments	(8,848)	(4,844)	(4,217)
Debt issuance costs	(4,201)	(14,165)	(584)
Net cash provided by (used in) financing activities	<u>(514)</u>	<u>243,905</u>	<u>(1,287)</u>
Net increase (decrease) in cash and cash equivalents	(320,435)	318,470	5,916
Cash and cash equivalents, beginning of year	325,740	7,270	1,354
Cash and cash equivalents, end of year	<u>\$ 5,305</u>	<u>\$ 325,740</u>	<u>\$ 7,270</u>
Supplemental Information			
Cash paid during the year for interest	<u>\$ 88,883</u>	<u>\$ 52,396</u>	<u>\$ 46,097</u>

The accompanying notes are an integral part of the financial statements

Equity Lifestyle Properties, Inc.
Notes to Consolidated Financial Statements

Note 1 — Organization of the Company and Basis of Presentation

Equity Lifestyle Properties, Inc. (formerly Manufactured Home Communities, Inc.), together with MHC Operating Limited Partnership (the “Operating Partnership”) and other consolidated subsidiaries (“Subsidiaries”), are referred to herein as the “Company”, “ELS”, “we”, “us”, and “our”. We believe that we have qualified for taxation as a real estate investment trust (“REIT”) for federal income tax purposes since our taxable year ended December 31, 1993. We plan to continue to meet the requirements for taxation as a REIT. Many of these requirements, however, are highly technical and complex. We cannot, therefore, guarantee that we have qualified or will qualify in the future as a REIT. The determination that we are a REIT requires an analysis of various factual matters that may not be totally within our control and we cannot provide any assurance that the Internal Revenue Service (“IRS”) will agree with our analysis. For example, to qualify as a REIT, at least 95% of our gross income must come from sources that are itemized in the REIT tax laws. We are also required to distribute to stockholders at least 90% of our REIT taxable income excluding capital gains. The fact that we hold our assets through the Operating Partnership and its subsidiaries further complicates the application of the REIT requirements. Even a technical or inadvertent mistake could jeopardize our REIT status. Furthermore, Congress and the IRS might make changes to the tax laws and regulations, and the courts might issue new rulings that make it more difficult, or impossible, for us to remain qualified as a REIT. We do not believe, however, that any pending or proposed tax law changes would jeopardize our REIT status.

If we fail to qualify as a REIT, we would be subject to federal income tax at regular corporate rates. Also, unless the IRS granted us relief under certain statutory provisions, we would remain disqualified as a REIT for four years following the year we first failed to qualify. Even if the Company qualifies for taxation as a REIT, the Company is subject to certain state and local taxes on its income and property and Federal income and excise taxes on its undistributed income.

The operations of the Company are conducted primarily through the Operating Partnership. The Company contributed the proceeds from its initial public offering and subsequent offerings to the Operating Partnership for a general partnership interest. In 2004, the general partnership interest was contributed to MHC Trust (see Note 5). The financial results of the Operating Partnership and the Subsidiaries are consolidated in the Company’s consolidated financial statements. In addition, since certain activities, if performed by the Company, may not be qualifying REIT activities under the Internal Revenue Code of 1986, as amended (the “Code”), the Company has formed taxable REIT subsidiaries as defined in the Code to engage in such activities.

Several Properties acquired during 2004 are wholly owned by taxable REIT subsidiaries of the Company. In addition, Realty Systems, Inc. (“RSI”) is a wholly owned taxable REIT subsidiary of the Company that, doing business as Carefree Sales, is engaged in the business of purchasing, selling and leasing homes that are located in Properties owned and managed by the Company. Carefree Sales also provides brokerage services to customers at such Properties. Typically, customers move from a Property but do not relocate their homes. Carefree Sales may provide brokerage services, in competition with other local brokers, by seeking buyers for the homes. Carefree Sales also leases inventory homes to prospective customers with the expectation that the tenant eventually will purchase the home. Subsidiaries of RSI also lease from the Operating Partnership certain real property within or adjacent to certain Properties consisting of golf courses, pro shops, stores and restaurants.

The limited partners of the Operating Partnership (the “Common OP Unitholders”) receive an allocation of net income which is based on their respective ownership percentage of the Operating Partnership which is shown on the Consolidated Financial Statements as Minority Interests — Common OP Units. As of December 31, 2004, the Minority Interests — Common OP Units represented 6,340,805 units of limited partnership interest (“OP Units”) which are convertible into an equivalent

Equity Lifestyle Properties, Inc.

Notes to Consolidated Financial Statements — (Continued)

number of shares of the Company's common stock. The issuance of additional shares of common stock or common OP Units changes the respective ownership of the Operating Partnership for both the Minority Interests and the Company.

Note 2 — Restatement of Financial Statements

During 2004, the Company changed the way it accounted for costs incurred in pursuing certain rent control initiatives. As a result, the Company has restated its Consolidated Financial Statements for the years ended December 31, 2003, 2002 and 2001 to expense the costs of the initiatives in the year in which they were incurred because the previous method of accounting for the costs was determined to be incorrect. The Company had historically classified these costs, primarily legal, in other assets. To the extent the Company's efforts to effectively change the use and operations of the Properties were successful, the Company capitalized the costs to land improvements as an increase in the established value of the revised project and depreciated them over 30 years. To the extent these efforts were not successful, the costs would have been expensed.

Following is a summary of the effects of these changes on the Company's Consolidated Balance Sheets as of December 31, 2003, 2002 and 2001 and the Company's Consolidated Statements of Operations for the years ended December 31, 2003, 2002 and 2001 (amounts in thousands):

<u>As of December 31, 2003</u>	Consolidated Balance Sheet		
	<u>As Previously Reported</u>	<u>Adjustments</u>	<u>As Restated</u>
Land improvements	\$911,176	\$(5,391)	\$905,785
Prepaid expenses and other assets	35,102	(5,017)	30,085
Minority interest — Common OP Units and other	1,716	(2,082)	(366)
Total stockholders' equity (deficit)	5,798	(8,326)	(2,528)
<u>As of December 31, 2002</u>			
Land improvements	\$893,839	\$ —	\$893,839
Prepaid expenses and other assets	35,884	(8,056)	27,828
Minority interest — Common OP Units and other	43,501	(1,612)	41,889
Total stockholders' equity (deficit)	177,619	(6,444)	171,175
<u>As of December 31, 2001</u>			
Land improvements	\$855,296	\$ —	\$855,296
Prepaid expenses and other assets	18,612	(2,358)	16,254
Minority interest — Common OP Units and other	46,147	(472)	45,675
Total stockholders' equity (deficit)	175,150	(1,886)	173,264

Equity Lifestyle Properties, Inc.
Notes to Consolidated Financial Statements — (Continued)

<u>Year ended December 31, 2003</u>	<u>Consolidated Statements of Operations</u>		
	<u>As Previously Reported</u>	<u>Adjustments</u>	<u>As Restated</u>
Rent control initiatives	\$ —	\$(2,352)	\$(2,352)
Income allocated to Common OP Units	(4,330)	470	(3,860)
Net income available for Common Shares . . .	27,014	(1,882)	25,132
Earnings (loss) per Common Share — Basic . . .	1.22	(0.08)	1.14
Earnings (loss) per Common Share — Fully Diluted	1.20	(0.09)	1.11
 <u>Year ended December 31, 2002</u>			
Rent control initiatives	\$ —	\$(5,698)	\$ (5,698)
Income allocated to Common OP Units	(5,848)	1,140	(4,708)
Net income available for Common Shares . . .	36,445	(4,558)	31,887
Earnings (loss) per Common Share — Basic . . .	1.69	(0.21)	1.48
Earnings (loss) per Common Share — Fully Diluted	1.64	(0.20)	1.44
 <u>Year ended December 31, 2001</u>			
Rent control initiatives	\$ —	\$(2,358)	\$ (2,358)
Income allocated to Common OP Units	(7,688)	472	(7,216)
Net income available for Common Shares . . .	32,083	(1,886)	30,197
Earnings (loss) per Common Share — Basic . . .	1.53	(0.09)	1.44
Earnings (loss) per Common Share — Fully Diluted	1.49	(0.09)	1.40

Note 3 — Summary of Significant Accounting Policies

(a) Basis of Consolidation

The Company consolidates its majority-owned subsidiaries in which it has the ability to control the operations of the subsidiaries and all variable interest entities with respect to which the Company is the primary beneficiary. All inter-company transactions have been eliminated in consolidation. The Company's acquisitions were all accounted for as purchases in accordance with Statement of Financial Accounting Standards No. 141, "Business Combinations" ("SFAS No. 141").

In December 2003, the Financial Accounting Standards Board ("FASB") issued Interpretation No. 46R, Consolidation of Variable Interest Entities ("FIN 46R") — an interpretation of ARB 51. The objective of FIN 46R is to provide guidance on how to identify a variable interest entity ("VIE") and determine when the assets, liabilities, non-controlling interests, and results of operations of a VIE need to be included in a company's consolidated financial statements. A company that holds variable interests in an entity will need to consolidate such entity if the company absorbs a majority of the entity's expected losses or receives a majority of the entity's expected residual returns if they occur, or both (i.e., the primary beneficiary). The Company will apply FIN 46R to all types of entity ownership (general and limited partnerships and corporate interests).

The Company will re-evaluate and apply the provisions of FIN 46R to existing entities if certain events occur which warrant re-evaluation of such entities. In addition, the Company will apply the

Equity Lifestyle Properties, Inc.

Notes to Consolidated Financial Statements — (Continued)

provisions of FIN 46R to all new entities in the future. The Company also consolidates entities in which it has a controlling direct or indirect voting interest. The equity method of accounting is applied to entities in which the Company does not have a controlling direct or indirect voting interest, but can exercise influence over the entity with respect to its operations and major decisions. The cost method is applied when (i) the investment is minimal (typically less than 5%) and (ii) the Company's investment is passive.

(b) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(c) Segments

We manage all our operations on a property-by-property basis. Since each Property has similar economic and operational characteristics the Company has one reportable segment, which is the operation of land lease Properties. The distribution of the Properties throughout the United States reflects our belief that geographic diversification helps insulate the portfolio from regional economic influences. We intend to target new acquisitions in or near markets where the Properties are located and will also consider acquisitions of Properties outside such markets. The following table identifies our five largest markets by number of sites and provides information regarding our Properties (excludes Properties owned through Joint Ventures).

<u>Major Market</u>	<u>Number of Properties</u>	<u>Total Sites</u>	<u>Percent of Total Sites</u>	<u>Percent of Total Property Operating Revenues</u>
Florida.....	77	32,451	36.3%	43.5%
California	44	12,865	14.4%	18.2%
Arizona	27	10,514	11.8%	10.4%
Texas	15	7,200	8.0%	2.3%
Washington	13	3,076	3.4%	0.6%
Other.....	<u>71</u>	<u>23,280</u>	<u>26.1%</u>	<u>25.0%</u>
Total	247	<u>89,386</u>	<u>100.0%</u>	<u>100.0%</u>

(d) Inventory

Inventory consists of new and used Site Set homes, is stated at the lower of cost or market after consideration of the N.A.D.A. (National Automobile Dealers Association) Manufactured Housing Appraisal Guide and the current market value of each home included in the home inventory. Inventory sales revenues and resale revenues are recognized when the home sale is closed. Resale revenues are stated net of commissions paid to employees of \$1,163,000 and \$893,000 for the years ended December 31, 2004 and 2003, respectively.

Equity Lifestyle Properties, Inc.

Notes to Consolidated Financial Statements — (Continued)

(e) Real Estate

In accordance with SFAS No. 141, we allocate the purchase price of Properties we acquire to net tangible and identified intangible assets acquired based on their fair values. In making estimates of fair values for purposes of allocating purchase price, we utilize a number of sources, including independent appraisals that may be available in connection with the acquisition or financing of the respective property and other market data. We also consider information obtained about each property as a result of our due diligence, marketing and leasing activities in estimating the fair value of the tangible and intangible assets acquired.

Real estate is recorded at cost less accumulated depreciation. Depreciation is computed on the straight-line basis over the estimated useful lives of the assets. We use a 30-year estimated life for buildings acquired and structural and land improvements, a ten-to-fifteen-year estimated life for building upgrades and a three-to-seven-year estimated life for furniture, fixtures and equipment. The values of the above and below market leases are amortized and recorded as either an increase (in the case of below market leases) or a decrease (in the case of above market leases) to rental income over the remaining term of the associated lease. The value associated with in-place leases is amortized over the expected term, which includes an estimated probability of lease renewal. Expenditures for ordinary maintenance and repairs are expensed to operations as incurred, and significant renovations and improvements that improve the asset and extend the useful life of the asset are capitalized and then expensed over their estimated useful life. However the useful lives, salvage value, and customary depreciation method used for land improvements and other significant assets may significantly and materially overstate the depreciation of the underlying assets and therefore understate the net income of the Company.

We evaluate our Properties for impairment when conditions exist which may indicate that it is probable that the sum of expected future cash flows (undiscounted) from a Property over the anticipated holding period is less than its carrying value. Upon determination that a permanent impairment has occurred, the applicable Property is reduced to fair value.

For Properties to be disposed of, an impairment loss is recognized when the fair value of the property, less the estimated cost to sell, is less than the carrying amount of the property measured at the time the Company has a commitment to sell the property and/or is actively marketing the property for sale. A property to be disposed of is reported at the lower of its carrying amount or its estimated fair value, less costs to sell. Subsequent to the date that a property is held for disposition, depreciation expense is not recorded. The Company accounts for its Properties held for disposition in accordance with Statement of Financial Accounting Standards No. 144 ("SFAS No. 144"), "Accounting for the Impairment or Disposal of Long-Lived Assets". Accordingly, the results of operations for all assets sold or held for sale after January 1, 2003 have been classified as discontinued operations in all periods presented.

(f) Cash and Cash Equivalents

We consider all demand and money market accounts and certificates of deposit with a maturity, when purchased, of three months or less to be cash equivalents.

Equity Lifestyle Properties, Inc.

Notes to Consolidated Financial Statements — (Continued)

(g) Notes Receivable

Notes receivable generally are stated at their outstanding unpaid principal balances net of any deferred fees or costs on originated loans, or unamortized discounts or premiums net of a valuation allowance. Interest income is accrued on the unpaid principal balance. Discounts or premiums are amortized to income using the interest method. In certain cases we finance the sales of homes to our customers (referred to as "Chattel Loans") which loans are secured by the homes. The valuation allowance for the Chattel Loans is calculated based on a comparison of the outstanding principal balance of each note compared to the N.A.D.A. value and the current market value of the underlying manufactured home collateral.

(h) Investments in Joint Ventures

Investments in joint ventures in which the Company does not have a controlling direct or indirect voting interest, but can exercise significant influence over the entity with respect to its operations and major decisions, are accounted for using the equity method of accounting whereby the cost of an investment is adjusted for the Company's share of the equity in net income or loss from the date of acquisition and reduced by distributions received. The income or loss of each entity is allocated in accordance with the provisions of the applicable operating agreements. The allocation provisions in these agreements may differ from the ownership interests held by each investor. Differences between the carrying amount of the Company's investment in the respective entities and the Company's share of the underlying equity of such unconsolidated entities are amortized over the respective lives of the underlying assets, as applicable.

In applying the provisions of FIN 46R (see Basis of Consolidation, above), the Company determined that its Mezzanine Investment is a VIE; however, the Company concluded that it is not the primary beneficiary. As such, the adoption of this pronouncement had no effect on the Company's financial statements.

(i) Insurance Claims

The Properties are covered against fire, flood, property, earthquake, wind storm and business interruption by insurance policies containing various deductible requirements and coverage limits. Recoverable costs are classified in other assets as incurred. Proceeds are applied against the asset when received. Costs relating to capital items are treated in accordance with the Company's capitalization policy. The book value of the original capital item is written off in the replacement period. Insurance proceeds relating to the capital costs will be recorded as income in the period they are received.

(j) Fair Value of Financial Instruments

The Company's financial instruments include short-term investments, notes receivable, accounts receivable, accounts payable, other accrued expenses, mortgage notes payable and interest rate hedge arrangements. The fair values of all financial instruments, including notes receivable, were not materially different from their carrying values at December 31, 2004 and 2003.

(k) Deferred Financing Costs

Deferred financing costs include fees and costs incurred to obtain long-term financing. The costs are being amortized over the terms of the respective loans on a level yield basis. Unamortized deferred financing fees are written-off when debt is retired before the maturity date. Upon amendment of the Line of Credit, unamortized deferred financing fees are accounted for in accordance with EITF No. 98-14, "Debtor's Accounting for Changes in Line-of-Credit or Revolving-Debt Arrangements."

Equity Lifestyle Properties, Inc.

Notes to Consolidated Financial Statements — (Continued)

Accumulated amortization for such costs was \$4.9 million and \$2.7 million at December 31, 2004 and 2003, respectively.

(l) Revenue Recognition

The Company accounts for leases with its customers as operating leases. Rental income is recognized over the term of the respective lease or the length of a customer's stay, the majority of which are for a term of not greater than one year. We will reserve for receivables when we believe the ultimate collection is less than probable. Our provision for uncollectable rents receivable was approximately \$1.0 million as of December 31, 2004 and \$0.8 million as of December 31, 2003. Income from home sales is recognized when the earnings process is complete. The earnings process is complete when the home has been delivered, the purchaser has accepted the home and title has transferred.

(m) Minority Interests

Net income is allocated to Common OP Unitholders based on their respective ownership percentage of the Operating Partnership. An ownership percentage is represented by dividing the number of Common OP Units held by the Common OP Unitholders (6,340,805 and 5,312,387 at December 31, 2004 and 2003, respectively) by OP Units and shares of Common Stock outstanding. Issuance of additional shares of Common Stock or Common OP Units changes the percentage ownership of both the Minority Interests and the Company. Due in part to the exchange rights (which provide for the conversion of Common OP Units into shares of Common Stock on a one-for-one basis), such transactions and the proceeds there from are treated as capital transactions and result in an allocation between stockholders' equity and Minority Interests to account for the change in the respective percentage ownership of the underlying equity of the Operating Partnership.

(n) Income Taxes

Due to the structure of the Company as a REIT, the results of operations contain no provision for Federal income taxes. However, the Company may be subject to certain state and local income, excise or franchise taxes. We paid state and local taxes of approximately \$88,000, \$56,000 and \$20,000 during the years ended December 31, 2004, 2003 and 2002, respectively. In addition, taxable income from non-REIT activities managed through taxable REIT subsidiaries is subject to federal, state and local income taxes. As of December 31, 2004, net investment in real estate and notes receivable had a Federal tax basis of approximately \$1,386 million and \$13.3 million, respectively.

(o) Derivative Instruments and Hedging Activities

We recognize all derivatives on the balance sheet at fair value. Derivatives that are not hedges must be adjusted to fair value through income. If the derivative is a hedge, depending on the nature of the hedge, changes in the fair value of derivatives will either be offset against the change in fair value of the hedged assets, liabilities or firm commitments through earnings or recognized in other comprehensive income until the hedged item is recognized in earnings.

(p) Reclassifications

Certain 2003 and 2002 amounts have been reclassified to conform to the 2004 financial presentation. Such reclassifications have no effect on the operations or equity as originally presented.

Equity Lifestyle Properties, Inc.

Notes to Consolidated Financial Statements — (Continued)

(q) Stock Compensation

Prior to January 1, 2003, we accounted for our stock compensation in accordance with APB No. 25, "Accounting for Stock Issued to Employees", based upon the intrinsic value method. This method results in no compensation expense for options issued with an exercise price equal to or exceeding the market value of the Common Stock on the date of grant. Effective January 1, 2003, we elected to account for our stock compensation in accordance with SFAS No. 123 and its amendment (SFAS No. 148), "Accounting for Stock Based Compensation", which resulted in compensation expense being recorded based on the fair value of the stock options and other equity awards issued (see Note 14).

Note 4 — Earnings Per Common Share

Earnings per common share are based on the weighted average number of common shares outstanding during each year. Statement of Financial Accounting Standards No. 128, "Earnings Per Share" ("SFAS No. 128") defines the calculation of basic and fully diluted earnings per share. Basic and fully diluted earnings per share are based on the weighted average shares outstanding during each year and basic earnings per share excludes any dilutive effects of options, warrants and convertible securities. The conversion of OP Units has been excluded from the basic earnings per share calculation. The conversion of an OP Unit to a share of Common Stock has no material effect on earnings per common share.

Equity Lifestyle Properties, Inc.

Notes to Consolidated Financial Statements — (Continued)

The following table sets forth the computation of basic and diluted earnings per share for the years ended December 31, 2004, 2003 and 2002 (amounts in thousands):

	Years Ended December 31,		
	2004	2003 (Restated)	2002 (Restated)
Numerators:			
Income from Continuing Operations:			
Income from continuing operations — basic	\$ 4,032	\$15,542	\$19,148
Amounts allocated to dilutive securities	<u>936</u>	<u>3,860</u>	<u>4,708</u>
Income from continuing operations — fully diluted	<u>\$ 4,968</u>	<u>\$19,402</u>	<u>\$23,856</u>
Income from Discontinued Operations:			
Income from discontinued operations — basic	\$ (6)	\$ 9,590	\$12,739
Amounts allocated to dilutive securities	<u>—</u>	<u>2,144</u>	<u>3,078</u>
Income from discontinued operations — fully diluted	<u>\$ (6)</u>	<u>\$11,734</u>	<u>\$15,817</u>
Net Income Available for Common Shares:			
Net income available for Common Shares — basic	\$ 4,026	\$25,132	\$31,887
Amounts allocated to dilutive securities	<u>936</u>	<u>6,004</u>	<u>7,786</u>
Net income available for Common Shares — fully diluted	<u>\$ 4,962</u>	<u>\$31,136</u>	<u>\$39,673</u>
Denominator:			
Weighted average Common Shares outstanding — basic	22,849	22,077	21,617
Effect of dilutive securities:			
Redemption of Common OP Units for Common Shares	6,067	5,342	5,403
Employee stock options and restricted shares	<u>549</u>	<u>583</u>	<u>612</u>
Weighted average Common Shares outstanding — fully diluted	<u>29,465</u>	<u>28,002</u>	<u>27,632</u>

Equity Lifestyle Properties, Inc.

Notes to Consolidated Financial Statements — (Continued)

Note 5 — Common Stock and Other Equity Related Transactions

The following table presents the changes in the Company's outstanding Common Stock for the years ended December 31, 2004, 2003 and 2002 (excluding OP Units of 6,340,805, 5,312,387 and 5,359,927 outstanding at December 31, 2004, 2003 and 2002, respectively):

	<u>2004</u>	<u>2003</u>	<u>2002</u>
Shares outstanding at January 1,	22,563,348	22,093,240	21,562,343
Common Stock issued through conversion of OP Units	95,769	47,540	66,447
Common Stock issued through exercise of options ..	196,834	302,526	282,959
Common Stock issued through stock grants	—	35,000	108,341
Common Stock issued through Employee Stock Purchase Plan	81,241	85,042	73,150
Common Stock repurchased and retired	<u>—</u>	<u>—</u>	<u>—</u>
Shares outstanding at December 31,	<u>22,937,192</u>	<u>22,563,348</u>	<u>22,093,240</u>

As of December 31, 2004 and 2003, the Company's percentage ownership of the Operating Partnership was approximately 78.5% and 80%, respectively. The remaining approximately 21.5% and 20%, respectively, is owned by the Common OP Unitholders.

On September 30, 1999, the Operating Partnership completed a \$125 million private placement of 9.0% Series D Cumulative Perpetual Preferred Units ("POP Units") with two institutional investors. The POP Units, which are callable by the Company after five years, have no stated maturity or mandatory redemption. The Operating Partnership pays distributions of 9.0% per annum on the \$125 million of POP Units. Distributions on the POP Units are paid quarterly on the last calendar day of each quarter.

The following distributions have been declared and paid to common stockholders and Minority Interests since January 1, 2002:

<u>Distribution Amount Per Share</u>	<u>For the Quarter Ending</u>	<u>Shareholder Record Date</u>	<u>Payment Date</u>
\$0.4750	March 31, 2002	March 29, 2002	April 12, 2002
\$0.4750	June 30, 2002	June 28, 2002	July 12, 2002
\$0.4750	September 30, 2002	September 27, 2002	October 11, 2002
\$0.4750	December 31, 2002	December 27, 2002	January 10, 2003
\$0.4950	March 31, 2003	March 28, 2003	April 11, 2003
\$0.4950	June 30, 2003	June 27, 2003	July 11, 2003
\$0.4950	September 30, 2003	September 26, 2003	October 10, 2003
\$8.00	December 31, 2003	January 8, 2004	January 16, 2004
\$0.0125	March 31, 2004	March 26, 2004	April 9, 2004
\$0.0125	June 30, 2004	June 25, 2004	July 9, 2004
\$0.0125	September 30, 2004	September 24, 2004	October 8, 2004
\$0.0125	December 31, 2004	December 31, 2004	January 14, 2005

On December 12, 2003, we declared a one-time special distribution of \$8.00 per share payable to stockholders of record on January 8, 2004. We used proceeds from the \$501 million borrowing in

Equity Lifestyle Properties, Inc.

Notes to Consolidated Financial Statements — (Continued)

October 2003 to pay the special distribution on January 16, 2004. The special cash dividend was reflected on stockholders' 2004 1099-DIV issued in January 2005.

In connection with the \$501 million borrowing and subsequent special distribution, on February 27, 2004, the Company contributed all of its assets to MHC Trust, a newly formed Maryland real estate investment trust, including the Company's entire partnership interest in Operating Partnership. The Company determined that a taxable transaction in connection with the special distribution to stockholders would be in the Company's best interests. This was accomplished by the contribution of the Company's interest in the Operating Partnership to MHC Trust in exchange for all the common and preferred stock of MHC Trust. Due to the Company's tax basis in its interest in the Operating Partnership, the Company recognized \$180 million of taxable income as a result of its contribution, as opposed to a nontaxable reduction of the Company's tax basis in its interest in the Operating Partnership. This restructuring resulted in a step-up in the Company's tax basis in its assets, generating future depreciation deductions, which in turn will reduce the Company's future distribution requirements. The Company intends to continue to qualify as a REIT under the Code, with its assets consisting of interests in MHC Trust. MHC Trust, in turn, intends to also qualify as a real estate investment trust under the Code and will be the general partner of the Operating Partnership. On May 1, 2004, in connection with the restructuring, MHC Trust sold cumulative preferred stock to a limited number of unaffiliated investors.

The Company adopted, effective July 1, 1997, the 1997 Non-Qualified Employee Stock Purchase Plan ("ESPP"). Pursuant to the ESPP, certain employees and directors of the Company may each annually acquire up to \$250,000 of Common Stock of the Company. The aggregate number of shares of Common Stock available under the ESPP shall not exceed 1,000,000, subject to adjustment by the Company's Board of Directors. The Common Stock may be purchased monthly at a price equal to 85% of the lesser of: (a) the closing price for a share of Common Stock on the last day of the offering period; and (b) the closing price for a share of Common Stock on the first day of the offering period. Shares of Common Stock issued through the ESPP for the years ended December 31, 2004, 2003 and 2002 were 80,955, 82,943 and 71,107, respectively.

Note 6 — Investment in Real Estate

Land improvements consist primarily of improvements such as grading, landscaping and infrastructure items such as streets, sidewalks or water mains. Depreciable property consists of permanent buildings in the Properties such as clubhouses, laundry facilities, maintenance storage facilities, and furniture, fixtures and equipment.

All acquisitions have been accounted for utilizing the purchase method of accounting and, accordingly, the results of operations of acquired assets are included in the statements of operations from the dates of acquisition. We acquired all of these Properties from unaffiliated third parties.

Equity Lifestyle Properties, Inc.

Notes to Consolidated Financial Statements — (Continued)

During the three years ended December 31, 2004, the Company acquired the following Properties (amounts in millions, except site information):

1) During the year ended December 31, 2004, we acquired the following Properties:

<u>Closing Date</u>	<u>Property</u>	<u>Location</u>	<u>Total Sites</u>	<u>Real Estate</u>	<u>Debt</u>	<u>Net Equity</u>
Acquisitions:						
January 15, 2004	O'Connell's	Amboy, IL	668	\$ 6.6	\$ 5.0	\$ 1.6
January 30, 2004	Spring Gulch	New Holland, PA	420	6.4	4.8	1.6
February 3, 2004	Paradise	Mesa, AZ	950	25.7	20.0	5.7
February 18, 2004	Twin Lakes	Chocowinity, NC	400	5.2	3.8	1.4
February 19, 2004	Lakeside	New Carlisle, IN	95	1.7	—	1.7
February 5, 2004	Diversified Portfolio	Various	2,567	64.0	41.6	20.9
February 17, 2004	NHC Portfolio(a)	Various	11,311	235.0	159.0	69.0
May 3, 2004	Viewpoint	Mesa, AZ	1,928	81.3	44.0	37.3
May 12, 2004	Cactus Gardens	Yuma, AZ	430	7.9	4.9	3.0
May 13, 2004	Monte Vista	Mesa, AZ	832	45.8	23.0	22.8
May 14, 2004	GE Portfolio	Various	1,155	52.9	37.7	15.2
September 8, 2004	Yukon Trails	Lyndon Station, WI	214	2.2	—	2.2
November 10, 2004	Thousand Trails Portfolio(b)	Various	17,911	161.8	120.0	42.2
November 4, 2004	Caledonia	Caledonia, WI	247	1.5	—	1.5
December 30, 2004	Fremont	Fremont, WI	325	5.7	4.3	1.4

- a) On February 17, 2004, the Company acquired 93% of PAMI entities' interests in 28 Properties. On July 1, 2004, the Company acquired the remaining minority interest of the PAMI entities for a combination of \$1.0 million in cash and common OP units. On December 20, 2004, the Company redeemed the common OP Units for \$4.5 million.
- b) On November 10, 2004 the Company provided a long-term lease of the real estate to Thousand Trails, which will continue to operate the Properties for its members. The lease will generate \$16 million of income to the Company on an absolute triple net basis subject to annual escalations of 3.25%. The initial term of the lease is 15 years, with two five-year renewal options.

In connection with the 2004 acquisitions and not reflected in the table above the Company acquired inventory of approximately \$1.2 million, other assets of \$4.9 million, rents received in advance of approximately \$13.6 million and other liabilities of approximately \$5.8 million. The Company also issued common OP Units for value of approximately \$32.2 million. Additional equity was funded through our line of credit and funds from operations.

Equity Lifestyle Properties, Inc.

Notes to Consolidated Financial Statements — (Continued)

2) During the year ended December 31, 2003, we acquired the following Properties:

<u>Closing Date</u>	<u>Property</u>	<u>Location</u>	<u>Total Sites</u>	<u>Real Estate</u>	<u>Debt</u>	<u>Net Equity</u>
Acquisitions:						
December 3, 2003	Toby's	Arcadia, FL	379	\$4.3	\$ —	\$4.3
December 15, 2003	Araby Acres	Yuma, AZ	337	5.7	3.2	2.5
December 15, 2003	Foothill	Yuma, AZ	180	1.8	1.4	0.4

The acquisitions were funded with monies held in short-term investments. The acquisitions included the assumption of liabilities of approximately \$0.6 million. Also during 2003, we acquired a parcel of land adjacent to one of our Properties for approximately \$0.1 million.

3) During the year ended December 31, 2002, we acquired the following Properties:

<u>Closing Date</u>	<u>Property</u>	<u>Location</u>	<u>Total Sites</u>	<u>Real Estate</u>	<u>Debt</u>	<u>Net Equity</u>
Acquisitions:						
March 12, 2002	Mt. Hood Village	Welches, OR	450	\$ 7.2	\$ —	\$ 7.2
July 10, 2002	Harbor View Village	New Port Richey, FL	471	15.5	8.1	7.4
July 31, 2002	Golden Sun	Apache Junction, AZ	329	6.3	3.1	3.2
July 31, 2002	Countryside	Apache Junction, AZ	560	7.5	—	7.5
July 31, 2002	Holiday Village	Ormond Beach, FL	301	10.4	7.1	3.3
July 31, 2002	Breezy Hill	Pompano Beach, FL	762	20.5	10.5	10.0
August 14, 2002	Highland Woods	Pompano Beach, FL	148	3.9	2.5	1.4
August 7, 2002	Tropic Winds	Harlingen, TX	531	4.9	—	4.9
October 1, 2002	Silk Oak Lodge	Clearwater, FL	180	6.2	3.9	2.3
December 18, 2002	Hacienda Village	New Port Richey, FL	519	16.8	10.2	6.6
December 31, 2002	Glen Ellen	Clearwater, FL	117	2.4	2.5	.

The acquisitions were funded with borrowings on our Line of Credit and the assumption of \$47.9 million of mortgage debt, which includes a \$3.0 million discount mark-to-market adjustment. In addition, we purchased adjacent land and land improvements for several Properties for approximately \$0.6 million.

During the three years ended December 31, 2004 the Company disposed of the following Properties. The operating results have been reflected in discontinued operations.

1) During the year ended December 31, 2004, we sold one Property located in Lake Placid, Florida for a selling price of \$3.4 million, with net proceeds of \$0.8 million received in July 2004. No gain or loss on disposition was recognized in the period. In addition, we sold approximately 1.4 acres of land in Montana for a gain and net proceeds of \$0.6 million.

2) During the year ended December 31, 2003, we sold the three Properties listed in the table below. Proceeds from the sales were used to repay amounts on the Company's Line of Credit.

<u>Date Disposed</u>	<u>Property</u>	<u>Location</u>	<u>Total Sites</u>	<u>Disposition Price</u> (\$ millions)	<u>Gain on Sale</u> (\$ millions)
June 6, 2003	Independence Hill	Morgantown, WV	203	\$ 3.9	\$2.8
June 6, 2003	Brook Gardens	Hamburg, NY	424	17.8	4.1
June 30, 2003	Pheasant Ridge	Mount Airy, MD	101	5.4	3.9

Equity Lifestyle Properties, Inc.

Notes to Consolidated Financial Statements — (Continued)

3) Also during 2002, we effectively sold 17 Properties as part of a restructuring of the College Heights Joint Venture discussed hereinafter. In addition, we sold Camelot Acres, a 319 site Property in Burnsville, Minnesota, for approximately \$14.2 million.

The following table illustrates the effect on net income and earnings per share if the Company had consummated the acquisitions during the year ended December 2004 and 2003 on January 1, 2004 and 2003, respectively (amounts in thousands, except per share data):

	For the Years Ended December 31,	
	2004	2003
<u>Pro Forma Information (unaudited):</u>		
Property operating revenues	<u>\$307,477</u>	<u>\$297,845</u>
Income from continuing operations	<u>\$ 7,088</u>	<u>\$ 20,381</u>
Net income available for Common Shares	<u>\$ 7,114</u>	<u>\$ 30,166</u>
Earnings per Common Share — Basic:		
Income from continuing operations	\$ 0.31	\$ 0.92
Net income available for Common Shares	\$ 0.31	\$ 1.36
Earnings per Common Share — Fully Diluted:		
Income from continuing operations	\$ 0.30	\$ 0.92
Net income available for Common Shares	\$ 0.30	\$ 1.34

We actively seek to acquire additional Properties and currently are engaged in negotiations relating to the possible acquisition of a number of Properties. At any time these negotiations are at varying stages which may include contracts outstanding to acquire certain Properties which are subject to satisfactory completion of our due diligence review.

Note 7 — Investment in Joint Ventures

On February 3, 2004, the Company invested approximately \$29.7 million in preferred equity interests (the “Mezzanine Investment”) in six entities controlled by Diversified Investments, Inc. (“Diversified”). These entities own in the aggregate 11 Properties, containing 5,054 sites. Approximately \$11.7 million of the Mezzanine Investment accrues at a per annum average rate of 10%, with a minimum per annum pay rate of 6.5%, payable quarterly, and approximately \$17.9 million of the Mezzanine Investment accrues at a per annum average rate of 11%, with a minimum pay rate of 7%, payable quarterly. To the extent the minimum pay rates on the respective Mezzanine Investments are not achieved, the accrual rates increase to 12% and 13% per annum, respectively. The Company can acquire these Properties in the future at capitalization rates of between 8% and 8.5%, beginning in 2006. In addition, the Company has invested approximately \$1.4 million in the Diversified entities managing these 11 Properties, which is included in prepaid expenses and other assets on the Company’s Consolidated Balance Sheet as of December 31, 2004.

During the year ended December 31, 2004, the Company invested approximately \$4.1 million with Diversified in 11 separate property-owning entities. The Company can acquire these Properties in the future at capitalization rates of between 8% and 8.5%, beginning in 2006.

The Company recorded approximately \$3.7 million, \$0.3 million, and \$0.2 million of income from joint ventures, net of \$1.2 million, \$0.8 million and \$0.7 million depreciation, in the years ended December 31, 2004, 2003 and 2002, respectively; and received approximately \$5.2 million, \$0.8 million

Equity Lifestyle Properties, Inc.

Notes to Consolidated Financial Statements — (Continued)

and \$0.6 million in distributions from joint ventures in the years ended December 31, 2004, 2003, and 2002 respectively. Due to the Company's inability to control the joint ventures, the Company accounts for its investment in the joint ventures using the equity method of accounting.

The following is a summary of the Company's investments in unconsolidated joint ventures:

<u>Property</u>	<u>Location</u>	<u>Number of Sites</u>	<u>Economic Interest (a)</u>	<u>Investment as of Dec. 31, 2004</u> (In thousands)	<u>Investment as of Dec. 31, 2003</u> (in thousands)
Trails West	Tucson, AZ	503	50%	\$ 1,731	\$ 1,752
Plantation	Calimesa, CA	385	50%	3,032	2,825
Manatee	Bradenton, FL		90%		45
Home	Hallandale, FL	136	90%	—	1,082
Villa del Sol	Sarasota, FL	207	90%	630	654
Voyager	Tucson, AZ	767	25%	3,010	4,412
Mezzanine Investments	Various	5,054	—	31,207	—
Indian Wells	Indio, CA	350	30%	271	—
Diversified Investments	Various	<u>4,443</u>	25%	<u>3,702</u>	<u>—</u>
		<u>11,845</u>		<u>\$43,583</u>	<u>\$10,770</u>

(a) The percentages shown approximate the Company's economic interest. The Company's legal ownership interest may differ.

Unconsolidated Real Estate Joint Venture Financial Information

The following tables represent combined summarized financial information of the unconsolidated real estate joint ventures.

Balance Sheets as of December 31,

	<u>2004</u> (In thousands)	<u>2003</u> (In thousands)
ASSETS		
Real estate, net	\$183,480	\$49,899
Other assets	<u>22,646</u>	<u>4,723</u>
Total assets	<u>\$206,126</u>	<u>\$54,622</u>
LIABILITIES		
Mortgage debt & other loans	\$152,682	\$39,253
Other liabilities	13,485	8,393
Partner's equity	<u>39,959</u>	<u>6,976</u>
Total liabilities and equity	<u>\$206,126</u>	<u>\$54,622</u>

Equity Lifestyle Properties, Inc.

Notes to Consolidated Financial Statements — (Continued)

Statement of Operations

	For the Years Ended December 31,	
	2004 <u>(In thousands)</u>	2003 <u>(In thousands)</u>
Rentals	\$27,941	\$9,632
Other Income	<u>5,390</u>	<u>2,241</u>
Total Revenues	33,331	11,873
Expenses		
Operating expenses	\$16,454	\$6,709
Interest	7,558	2,852
Other Income & Expenses	2,672	203
Depreciation & Amortization	<u>10,165</u>	<u>676</u>
Total expenses	<u>36,849</u>	<u>10,440</u>
Net (Loss) Income	<u><u>\$(3,518)</u></u>	<u><u>\$1,433</u></u>

Note 8 — Notes Receivable

At December 31, 2004 and 2003, the Company had approximately \$13.3 million and \$11.6 million in notes receivable, respectively. On December 28, 2000, the Company, in connection with the Voyager Joint Venture, entered into an agreement to loan \$3.0 million to certain principals of Meadows Management Company. The notes are collateralized with a combination of Common OP Units and partnership interests in this and other joint ventures. The notes bear interest at prime plus 0.5% per annum, require quarterly interest only payments and mature on December 31, 2011. The outstanding balance on these notes as of December 31, 2004 is \$0.4 million.

The Company has approximately \$12.9 million in Chattel Loans receivable, which yield interest at a per annum average rate of approximately 9.0%, have an average term and amortization of 5 to 15 years, require monthly principal and interest payments and are collateralized by homes at certain of the Properties.

Note 9 — Employee Notes Receivable

As of December 31, 2004 and 2003, the Company had employee notes receivable of \$0 million. During 2003, approximately \$2.7 million of notes receivable were repaid. These notes were collateralized by shares of the Company's Common Stock and are presented as a reduction of Stockholders' Equity.

Equity Lifestyle Properties, Inc.

Notes to Consolidated Financial Statements — (Continued)

Note 10 — Long-Term Borrowings

As of December 31, 2004 and December 31, 2003, the Company had outstanding mortgage indebtedness of approximately \$1,417 million and \$1,076 million, respectively, encumbering 165 and 114 of the Company's Properties, respectively. As of December 31, 2004 and December 31, 2003, the carrying value of such Properties was approximately \$1,653 million and \$1,124 million, respectively.

Mortgage debt outstanding

- Approximately \$499.2 million of mortgage debt (the Recap) consisting of 49 loans collateralized by 51 Properties beneficially owned by separate legal entities that are Subsidiaries of the Company, which we closed on October 17, 2003. Of this Mortgage Debt, \$166.1 million bears interest at 5.35% per annum and matures November 1, 2008; \$80.6 million bears interest at 5.72% per annum and matures November 1, 2010; \$79.1 million bears interest at 6.02% per annum and matures November 1, 2013; and \$173.4 million bears interest at 6.33% per annum and matures November 1, 2015. The Mortgage Debt amortizes over 30 years.
- A \$265.0 million mortgage note (the "\$265 Million Mortgage") collateralized by 28 Properties beneficially owned by MHC Financing Limited Partnership. The \$265 Million Mortgage has a maturity date of January 2, 2028 and bears interest at 7.015% per annum. There is no principal amortization until February 1, 2008, after which principal and interest are to be paid from available cash flow and the interest rate will be reset at a rate equal to the then 10-year U.S. Treasury obligations plus 2.0%. The \$265 Million Mortgage is presented net of a settled hedge of \$3.0 million (net of accumulated amortization of \$466,969), which is being amortized into interest expense over the life of the loan.
- A \$90.5 million mortgage note (the "DeAnza Mortgage") collateralized by 6 Properties beneficially owned by MHC-DeAnza Financing Limited Partnership. The DeAnza Mortgage bears interest at a rate of 7.82% per annum, amortizes beginning August 1, 2000 over 30 years and matures July 1, 2010.
- A \$48.4 million mortgage note (the "Stagecoach Mortgage") collateralized by 7 Properties beneficially owned by MHC Stagecoach L.L.C. The Stagecoach Mortgage bears interest at a rate of 6.98% per annum, amortizes beginning September 1, 2001 over 10 years and matures September 1, 2011.
- A \$43.7 million mortgage note (the "Bay Indies Mortgage") collateralized by one Property beneficially owned by MHC Bay Indies, L.L.C. The Bay Indies Mortgage bears interest at a rate of 5.69% per annum, amortizes beginning April 17, 2003 over 25 years and matures May 1, 2013.
- A \$15.2 million mortgage note (the "Date Palm Mortgage") collateralized by one Property beneficially owned by MHC Date Palm, L.L.C. The Date Palm Mortgage bears interest at a rate of 7.96% per annum, amortizes beginning August 1, 2000 over 30 years and matures July 1, 2010.
- Approximately \$457.9 million of mortgage debt on 71 other Properties, which was recorded at fair market value with the related discount or premium being amortized over the life of the loan using the effective interest rate method. Scheduled maturities for the outstanding indebtedness are at various dates through November 1, 2027, and fixed interest rates range from 5.16% to 8.55% per annum. Included in this debt, the Company has a \$2.4 million loan recorded to account for a direct financing lease entered into in May 1997. Approximately \$157 million of debt was assumed in the acquisition of 28 Properties during the twelve months ended December 31, 2004.

Equity Lifestyle Properties, Inc.

Notes to Consolidated Financial Statements — (Continued)

Unsecured Term Loan outstanding

- The Company entered into a Term Loan agreement, pursuant to which it borrowed \$120 million, on an unsecured basis, at LIBOR plus 1.75% per annum. The loan will be due and payable on November 10, 2007, unless this initial maturity date is extended by the borrower for an additional two years upon satisfaction of certain conditions. Proceeds from this debt were used to acquire KTTI Holding Company, Inc. as part of the Thousand Trails transaction.

Unsecured Lines of Credit outstanding

- The Company entered into a \$110 million facility with a group of banks in December 2003, bearing interest at LIBOR plus 1.65% per annum that matures on August 9, 2006, which can be extended for an additional year to 2007. As of December 31, 2004, \$35.7 million was available under this facility.
- The Company entered into a \$50 million facility with Wells Fargo Bank in May 2004, bearing interest at LIBOR plus 1.65% per annum that matures on May 4, 2006, which can be extended for an additional year to 2007. As of December 31, 2004, \$8.5 million was available under this facility.

In December 2004, we fixed \$180 million of this floating rate debt for 1 year with a weighted average rate of 4.7% per annum.

Aggregate payments of principal on long-term borrowings for each of the next five years and thereafter are as follows (amounts in thousands):

<u>Year</u>	<u>Amount</u>
2005	\$ 18,742
2006	169,770
2007	432,350
2008	203,903
2009	70,558
Thereafter	748,349
Net unamortized premiums and discounts	9,379
Total	<u>\$1,653,051</u>

Note 11 — Lease Agreements

The leases entered into between the customer and the Company for the rental of a site are generally month-to-month or for a period of one to ten years, renewable upon the consent of the parties or, in some instances, as provided by statute. Non-cancelable long-term leases are in effect at certain sites within approximately 37 of the Properties. Rental rate increases at these Properties are primarily a function of increases in the Consumer Price Index, taking into consideration certain floors and ceilings. Additionally, periodic market rate adjustments are made as deemed appropriate. Future

Equity Lifestyle Properties, Inc.

Notes to Consolidated Financial Statements — (Continued)

minimum rents are scheduled to be received under non-cancelable tenant leases at December 31, 2004 as follows (amounts in thousands):

<u>Year</u>	<u>Amount</u>
2005	\$ 50,916
2006	52,062
2007	43,537
2008	31,983
2009	19,106
Thereafter	<u>44,149</u>
Total	<u>\$241,753</u>

Note 12 — Ground Leases

The Company leases land under non-cancelable operating leases at certain of the Properties expiring in various years from 2022 to 2032 with terms which require 12 equal payments per year plus additional rents calculated as a percentage of gross revenues. For the years ended December 31, 2004, 2003 and 2002, ground lease rent was approximately \$1.6 million per year. Minimum future rental payments under the ground leases are approximately \$1.6 million for each of the next five years and approximately \$23.5 million thereafter.

Note 13 — Transactions with Related Parties

Equity Group Investments, Inc. (“EGI”), an entity controlled by Mr. Samuel Zell, Chairman of the Company’s Board of Directors, and certain of its affiliates have provided services such as administrative support and investor relations. Fees paid to EGI and its affiliates amounted to approximately \$0, \$300 and \$1,000 for the years ended December 31, 2004, 2003 and 2002, respectively. There were no significant amounts due to these affiliates as of December 31, 2004 and 2003, respectively.

Certain related entities, affiliated with Mr. Zell, have provided services to the Company. These entities include, but are not limited to, The Riverside Agency, Inc. which provided insurance brokerage services and Two North Riverside Plaza Joint Venture Limited Partnership from which the Company leases office space. Fees paid to these entities amounted to approximately \$412,000, \$404,000 and \$645,000 for the years December 31, 2004, 2003 and 2002, respectively. Amounts due to these entities were approximately \$0 and \$32,000 as of December 31, 2004 and 2003, respectively. During 2003, we paid \$25,000 to J. Green & Co., L.L.C. for services provided by Mr. Berman, the Company’s current Chief Financial Officer, prior to his employment by the Company.

Related party agreements or fee arrangements are generally for a term of one year and approved by independent members of the Company’s Board of Directors.

Note 14 — Stock Option Plan and Stock Grants

The Company’s Stock Option and Stock Award Plan (the “Plan”) was adopted in December 1992 and amended and restated from time to time, most recently effective March 23, 2001. Pursuant to the Plan, officers, directors, employees and consultants of the Company are offered the opportunity (i) to acquire shares of Common Stock through the grant of stock options (“Options”), including non-qualified stock options and, for key employees, incentive stock options within the meaning of Section 422 of the Internal Revenue Code; and (ii) to be awarded shares of Common Stock (“Restricted Stock Grants”), subject to conditions and restrictions determined by the Compensation,

Equity Lifestyle Properties, Inc.

Notes to Consolidated Financial Statements — (Continued)

Nominating, and Corporate Governance Committee of the Company's Board of Directors (the "Compensation Committee"). The Compensation Committee will determine the vesting schedule, if any, of each Option and the term, which term shall not exceed ten years from the date of grant. As to the Options that have been granted through December 31, 2004 to officers, employees and consultants, generally, one-third are exercisable one year after the initial grant, one-third are exercisable two years following the date such Options were granted and the remaining one-third are exercisable three years following the date such Options were granted. A maximum of 6,000,000 shares of Common Stock are available for grant under the Plan and no more than 250,000 shares may be subject to grants to any one individual in any calendar year.

Grants under the Plan are made by the Compensation Committee, which determines the individuals eligible to receive awards, the types of awards, and the terms, conditions and restrictions applicable to any award. In addition, the terms of two specific types of awards are contemplated under the Plan:

- The first type of award is a grant of Options or Restricted Stock Grants of Common Stock made to each member of the Board at the meeting held immediately after each annual meeting of the Company's stockholders. Generally, if the director elects to receive Options, the grant will cover 10,000 shares of Common Stock at an exercise price equal to the fair market value on the date of grant. If the director elects to receive a Restricted Stock Grant of Common Stock, he or she will receive an award of 2,000 shares of Common Stock. Exercisability or vesting with respect to either type of award will be with respect to one-third of the award after six months, two-thirds of the award after one year, and the full award after two years.
- The second type of award is a grant of Common Stock in lieu of 50% of their bonus otherwise payable to individuals with a title of Vice President or above. A recipient can request that the Compensation Committee pay a greater or lesser portion of the bonus in shares of Common Stock.

Prior to 2003, we accounted for our stock compensation in accordance with APB No. 25, "Accounting for Stock Issued to Employees", based upon the intrinsic value method. This method results in no compensation expense for Options issued with an exercise price equal to or exceeding the market value of the Common Stock on the date of grant. Effective January 1, 2003, we elected to account for our stock-based compensation in accordance with SFAS No. 123 and its amendment (SFAS No. 148), "Accounting for Stock Based Compensation", which will result in compensation expense being recorded based on the fair value of the Options and other equity awards issued. SFAS No. 148 provides three possible transition methods for changing to the fair value method. We have elected to use the modified-prospective method. This method requires that we recognize stock-based employee compensation cost from the beginning of the fiscal year in which the recognition provisions are first applied as if the fair value method had been used to account for all employee awards granted, or settled in fiscal years beginning after December 15, 1994. The following table illustrates the effect on net income and earnings per share as if the fair value method was applied to all

Equity Lifestyle Properties, Inc.

Notes to Consolidated Financial Statements — (Continued)

outstanding and unvested awards in each period presented (amounts in thousands, except per share data):

	<u>2004</u>	<u>2003</u> <u>(Restated)</u>	<u>2002</u> <u>(Restated)</u>
Net income available for Common Shares as reported	\$4,026	\$25,132	\$31,887
Add: Stock-based compensation expense included in net income as reported	2,899	2,139	2,185
Deduct: Stock-based compensation expense determined under the fair value based method for all awards	<u>(2,899)</u>	<u>(2,139)</u>	<u>(2,086)</u>
Pro forma net income available for Common Shares ...	<u>\$4,026</u>	<u>\$25,132</u>	<u>\$31,986</u>
Pro forma net income per Common Share — Basic	<u>\$ 0.18</u>	<u>\$ 1.14</u>	<u>\$ 1.48</u>
Pro forma net income per Common Share — Fully Diluted	<u>\$ 0.17</u>	<u>\$ 1.11</u>	<u>\$ 1.44</u>

Restricted Stock Grants

In 2002, the Company awarded Restricted Stock Grants for 69,750 shares of Common Stock to certain members of senior management of the Company. These Restricted Stock Grants vest over three years, but may be restricted for a period of up to ten years depending upon certain performance benchmarks tied to increases in funds from operations being met. The fair market value of these Restricted Stock Grants of approximately \$2.2 million as of the date of grant was treated in 2002 as deferred compensation and amortized in accordance with their vesting.

In 2004, the Company awarded Restricted Stock Grants for 135,000 shares of Common Stock to certain members of senior management of the Company. These Restricted Stock Grants vest over three years, but may be restricted for a period of up to ten years depending upon certain performance benchmarks tied to increases in funds from operations being met. The fair market value of these Restricted Stock Grants was approximately \$5.0 million as of the date of grant and is recorded as compensation expense and paid in capital over the three year vesting period.

In 2004, 2003 and 2002, the Company awarded Restricted Stock Grants for 40,000, 35,000 and 16,000 shares of Common Stock, respectively, to directors with a fair market value of approximately \$1,386,000, \$733,000 and \$376,000 in 2004, 2003 and 2002, respectively.

The Company recognized compensation expense of approximately \$2.7, \$1.8 and \$1.5 million related to Restricted Stock Grants in 2004, 2003 and 2002 respectively. The balance of unamortized deferred compensation as of December 31, 2004 and 2003 was approximately \$0.2 and \$0.5 million, respectively.

Equity Lifestyle Properties, Inc.

Notes to Consolidated Financial Statements — (Continued)

Stock Options

The fair value of each grant is estimated on the grant date using the Black-Scholes model. The following table includes the assumptions that were made and the estimated fair values:

Assumption	2004	2003	2002 (pro forma)
Dividend yield	5.9%	5.6%	6.3%
Risk-free interest rate	4.7%	3.5%	3.5%
Expected life	10 years	5 years	5 years
Expected volatility	16%	14%	19%
Estimated Fair Value of Options Granted	\$ 57,000	\$ 40,600	\$ 37,432

In January 2004, approximately 1.2 million options were repriced in connection with the special dividend paid on January 16, 2004 (see Note 5). A summary of the Company's stock option activity, and related information for the years ended December 31, 2004, 2003 and 2002 follows:

	Shares Subject to Options	Weighted Average Exercise Price Per Share
Balance at December 31, 2001	1,828,348	23.44
Options granted	20,000	33.55
Options exercised	(282,959)	20.48
Options canceled	(49,492)	24.94
Balance at December 31, 2002	1,515,897	24.08
Options granted	20,000	32.67
Options exercised	(302,526)	21.06
Options canceled	(9,437)	25.60
Balance at December 31, 2003	1,223,934	24.95
Options granted	1,212,367	17.28
Options exercised	(195,737)	15.47
Options canceled	(1,194,568)	25.04
Balance at December 31, 2004	<u>1,045,996</u>	17.74

The following table summarizes information regarding Options outstanding at December 31, 2004:

Range of Exercise Prices	Options Outstanding			Options Exercisable	
	Options	Weighted Average Outstanding Contractual Life (in years)	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
\$7.62 to \$14.00	169,467	1.6	\$11.88	169,467	\$11.88
\$15.69 to \$18.99	680,475	4.4	\$17.38	680,475	\$17.38
\$22.65 to \$31.53	196,054	7.4	\$24.06	176,052	\$23.47
	<u>1,045,996</u>	<u>4.5</u>	<u>\$17.74</u>	<u>1,025,994</u>	<u>\$17.51</u>

Equity Lifestyle Properties, Inc.

Notes to Consolidated Financial Statements — (Continued)

As of December 31, 2004, 2003 and 2002, 1,942,025 shares, 2,119,152 shares, and 2,166,686 shares remained available for grant, respectively; of these 861,525 shares, 1,038,853 shares, and 1,073,853 shares, respectively, remained available for Restricted Stock Grants.

Note 15 — Preferred Stock

The Company's Board of Directors is authorized under the Company's charter, without further stockholder approval, to issue, from time to time, in one or more series, 10,000,000 shares of \$.01 par value preferred stock (the "Preferred Stock"), with specific rights, preferences and other attributes as the Board may determine, which may include preferences, powers and rights that are senior to the rights of holders of the Company's Common Stock. However, under certain circumstances, the issuance of preferred stock may require stockholder approval pursuant to the rules and regulations of The New York Stock Exchange. As of December 31, 2004 and 2003, no Preferred Stock was issued by the Company.

Note 16 — Savings Plan

The Company has a qualified retirement plan, with a salary deferral feature designed to qualify under Section 401 of the Code (the "401(k) Plan"), to cover its employees and those of its Subsidiaries, if any. The 401(k) Plan permits eligible employees of the Company and those of any Subsidiary to defer up to 19% of their eligible compensation on a pre-tax basis subject to certain maximum amounts. In addition, the Company will match dollar-for-dollar the participant's contribution up to 4% of the participant's eligible compensation.

In addition, amounts contributed by the Company will vest, on a prorated basis, according to the participant's vesting schedule. After five years of employment with the Company, the participants will be 100% vested for all amounts contributed by the Company. Additionally, a discretionary profit sharing component of the 401(k) Plan provides for a contribution to be made annually for each participant in an amount, if any, as determined by the Company. All employee contributions are 100% vested. The Company's contribution to the 401(k) Plan was approximately \$545,271, \$240,000, and \$248,000, for the years ended December 31, 2004, 2003, and 2002, respectively.

The Company has established a supplemental executive retirement plan (the "SERP") to provide certain officers and directors an opportunity to defer a portion of their eligible compensation in order to save for retirement and for the education of their children. The SERP is restricted to investments in Company common shares, certain marketable securities that have been specifically approved, or cash equivalents. In accordance with EITF 97-14 "Accounting for Deferred Compensation Arrangements Where Amounts Earned Are Held in a Rabbi Trust and Invested", the deferred compensation liability represented in the SERP and the securities issued to fund such deferred compensation liability are consolidated by the Company on the balance sheet. Assets held in the SERP are included in other assets and are classified as trading securities and reported at fair value, with unrealized gains and losses included in earnings. Company shares held in the SERP are classified in stockholders equity due to the inability of the Company to repurchase these shares.

Note 17 — Commitments and Contingencies

DeAnza Santa Cruz

The customers of DeAnza Santa Cruz Mobile Estates, a Property located in Santa Cruz, California, brought several actions opposing fees and charges in connection with water service at the Property. As a result of one action, the Company rebated approximately \$36,000 to the customers. The DeAnza Santa Cruz Homeowners Association ("HOA") then proceeded to a jury trial alleging these

Equity Lifestyle Properties, Inc.

Notes to Consolidated Financial Statements — (Continued)

“overcharges” entitled them to an award of punitive damages. In January 1999, a jury awarded the HOA \$6.0 million in punitive damages. On December 21, 2001 the California Court of Appeal for the Sixth District reversed the \$6.0 million punitive damage award, the related award of attorneys’ fees, and, as a result, all post-judgment interest thereon, on the basis that punitive damages are not available as a remedy for a statutory violation of the California Mobilehome Residency Law (“MRL”). The decision of the appellate court left the HOA, the plaintiff in this matter, with the right to seek a new trial in which it must prove its entitlement to either the statutory penalty and attorneys’ fees available under the MRL or punitive damages based on causes of action for fraud, misrepresentation or other tort. In order to resolve this matter, the Company accrued for and agreed to pay \$201,000 to the HOA. This payment resolved the punitive damages claim. The HOA’s attorney made a motion asking for an award of attorneys’ fees and costs in the amount of approximately \$1.5 million as a result of this resolution of the litigation. On April 2, 2003 the court awarded attorney’s fees to the HOA’s attorney in the amount of \$593,000 and court costs of approximately \$20,000. The Company appealed this award. On July 13, 2004, the California Court of Appeal affirmed the award of attorney’s fees in favor of the HOA’s attorney.

Other California Rent Control Litigation

As part of the Company’s effort to realize the value of its Properties subject to rent control, the Company has initiated lawsuits against several municipalities in California. The Company’s goal is to achieve a level of regulatory fairness in California’s rent control jurisdictions, and in particular those jurisdictions that prohibit increasing rents to market upon turnover. This regulatory feature, called vacancy control, allows tenants to sell their homes for a premium representing the value of the future discounted rent-controlled rents. In the Company’s view, such regulation results in a transfer of the value of the Company’s stockholders’ land, which would otherwise be reflected in market rents, to tenants upon the sales of their homes in the form of an inflated purchase price that cannot be attributed to the value of the home being sold. As a result, in the Company’s view, the Company loses the value of its asset and the selling tenant leaves the Property with a windfall premium. The Company has discovered through the litigation process that certain municipalities considered condemning the Company’s Properties at values well below the value of the underlying land. In the Company’s view, a failure to articulate market rents for sites governed by restrictive rent control would put the Company at risk for condemnation or eminent domain proceedings based on artificially reduced rents. Such a physical taking, should it occur, could represent substantial lost value to stockholders. The Company is cognizant of the need for affordable housing in the jurisdictions, but asserts that restrictive rent regulation with vacancy control does not promote this purpose because the benefits of such regulation are fully capitalized into the prices of the homes sold. The Company estimates that the annual rent subsidy to tenants in these jurisdictions is approximately \$15 million. In a more well balanced regulatory environment, the Company would receive market rents that would eliminate the subsidy and homes would trade at or near their intrinsic value.

In connection with such efforts, the Company announced it has entered into a settlement agreement with the City of Santa Cruz, California and that, pursuant to the settlement agreement, the City amended its rent control ordinance to exempt the Company’s Property from rent control as long as the Company offers a long term lease which gives the Company the ability to increase rents to market upon turnover and bases annual rent increases on the CPI. The settlement agreement benefits the Company’s stockholders by allowing them to receive the value of their investment in this Property through vacancy decontrol while preserving annual CPI based rent increases in this age restricted Property.

The Company has filed two lawsuits in Federal court against the City of San Rafael, challenging its rent control ordinance on constitutional grounds. The Company believes that one of those lawsuits was

Equity Lifestyle Properties, Inc.

Notes to Consolidated Financial Statements — (Continued)

settled by the City agreeing to amend the ordinance to permit adjustments to market rent upon turnover. The City subsequently rejected the settlement agreement. The Court initially found the settlement agreement was binding on the City, but then reconsidered and determined to submit the claim of breach of the settlement agreement to a jury. In October 2002, the first case against the City went to trial, based on both breach of the settlement agreement and the constitutional claims. A jury found no breach of the settlement agreement; the Company then filed motions asking the Court to rule in its favor on that claim, notwithstanding the jury verdict. The Court has postponed decision on those motions and on the constitutional claims, pending a ruling on some property rights issues by the United States Supreme Court. In the event that the Court does not rule in favor of the Company on either the settlement agreement or the constitutional claims, then the Company has pending claims seeking a declaration that it can close the Property and convert it to another use.

The Company's efforts to achieve a balanced regulatory environment incentivize tenant groups to file lawsuits against the Company seeking large damage awards. The homeowners association at Contempo Marin ("CMHOA"), a 396 site Property in San Rafael, California, sued the Company in December 2000 over a prior settlement agreement on a capital expenditure pass-through after the Company sued the City of San Rafael in October 2000 alleging its rent control ordinance is unconstitutional. In the Contempo Marin case, the CMHOA prevailed on a motion for summary judgment on an issue that permits the Company to collect only \$3.72 out of a monthly pass-through amount of \$7.50 that the Company believes had been agreed to by the CMHOA in a settlement agreement. On May 23, 2004, the California Court of Appeal affirmed the trial court's order dismissing the Company's claims against the City of San Rafael. The trial court has set a trial date in the second quarter of 2005 on the CMHOA's remaining claims for damages. The Company intends to vigorously defend this matter. The Company believes that such lawsuits will be a consequence of the Company's efforts to change rent control since tenant groups actively desire to preserve the premium value of their homes in addition to the discounted rents provided by rent control. The Company has determined that its efforts to rebalance the regulatory environment despite the risk of litigation from tenant groups are necessary not only because of the \$15 million annual subsidy to tenants, but also because of the condemnation risk.

Similarly, in June 2003, the Company won a judgment against the City of Santee in California Superior Court (case no. 777094). The effect of the judgment was to invalidate, on state law grounds, two (2) rent control ordinances the City of Santee had enforced against the Company and other property owners. However, the Court allowed the City to continue to enforce a rent control ordinance that predated the two invalid ordinances (the "prior ordinance"). As a result of the judgment the Company was entitled to collect a one-time rent increase based upon the difference in annual adjustments between the invalid ordinance(s) and the prior ordinances and to adjust its base rents to reflect what the Company could have charged had the prior ordinance been continually in effect. The City of Santee appealed the judgment. The court of appeal and California Supreme Court refused to stay enforcement of these rent adjustments pending appeal. After the City was unable to obtain a stay, the City and the tenant association each sued the Company in separate actions alleging the rent adjustments pursuant to the judgment violate the prior ordinance (Case Nos. GIE 020887 and GIE 020524). They seek to rescind the rent adjustments, refunds of amounts paid, and penalties and damages in these separate actions. On January 25, 2005, the California Court of Appeal reversed the judgment in part and affirmed it in part with a remand. The Court of Appeal affirmed that one ordinance was unlawfully adopted and therefore void and that the second ordinance contained unconstitutional provisions. However, the Court ruled the City had the authority to cure the issues with the first ordinance retroactively. On remand the trial court is directed to decide the issue of damages to the Company which the Company believes is consistent with the Company receiving the economic benefit of invalidating one of the ordinances and also consistent with the Company's

Equity Lifestyle Properties, Inc.

Notes to Consolidated Financial Statements — (Continued)

position that it is entitled to market rent and not merely a higher amount of regulated rent. The Company will petition the Supreme Court of California for review of certain aspects of this decision. The Company intends to vigorously defend the two new lawsuits. In addition, the Company has sued the City of Santee in Federal court alleging all three of the ordinances are unconstitutional under the Fifth Amendment to the United States Constitution because they fail to substantially advance a legitimate state interest. Thus, it is the Company's position that the ordinances are subject to invalidation as a matter of law in the Federal court action. Separately, the Federal District Court granted the City's Motion for Summary Judgment in the Company's Federal Court lawsuit. This decision was based not on the merits, but on procedural grounds, including that the Company's claims were moot given its success in the state court case. The Company intends to appeal this ruling and believes the outcome will be affected by the cases currently before the Ninth Circuit and United States Supreme Court.

Moreover, in July 2004, the Ninth Circuit Court of Appeal decided the case of Cashman vs. City of Cotati, a Property owner's challenge to the City's rent control ordinance, and stated that a rent control ordinance that does not on its face provide for a mechanism to prevent the capture of a premium is unconstitutional, as a matter of law, absent sufficient externalities rendering a premium unavailable. This reasoning supports the legal position the Company has put forth in its opposition to rent control in general and vacancy control in particular. The City of Cotati has petitioned the Ninth Circuit for rehearing and that petition is pending. In addition, in October 2004, the United States Supreme Court granted certiorari in State of Hawaii vs. Chevron USA, Inc., a Ninth Circuit Court of Appeal case that upholds the standard that a regulation must substantially advance a legitimate state purpose in order to be constitutionally viable. The case was argued before the United States Supreme Court on February 22, 2005. The ultimate outcome of these cases will guide the Company's continued efforts to realize the value of its Properties which are subject to rent control and the Company's efforts to achieve a level of regulatory fairness in rent control jurisdictions.

Other

The Company is involved in various other legal proceedings arising in the ordinary course of business. Additionally, in the ordinary course of business, the Company's operations are subject to audit by various taxing authorities. Management believes that all proceedings herein described or referred to, taken together, are not expected to have a material adverse impact on the Company. In addition, to the extent any such proceedings or audits relate to newly acquired Properties, the Company considers any potential indemnification obligations of sellers in favor of the Company.

Equity Lifestyle Properties, Inc.

Notes to Consolidated Financial Statements — (Continued)

Note 18 — Quarterly Financial Data (unaudited)

The following is unaudited quarterly data for 2004 and 2003 (amounts in thousands, except for per share amounts):

<u>2004</u>	<u>First Quarter 3/31</u>	<u>Second Quarter 6/30</u>	<u>Third Quarter 9/30</u>	<u>Fourth Quarter 12/31</u>
	(Restated)	(Restated)	(Restated)	(Restated)
Total revenues(a)	\$80,320	\$86,844	\$89,425	\$96,378
Income from continuing operations(a)	\$ 4,495	\$ 481	\$ (864)	\$ (80)
Income from discontinued operations(a)	\$ 15	\$ (21)	\$ —	\$ —
Net income (loss) available to common stockholders	\$ 4,510	\$ 460	\$ (864)	\$ (80)
Weighted average Common Shares outstanding — Basic	22,674	22,737	22,829	22,906
Weighted average Common Shares outstanding — Diluted	27,986	28,655	29,335	29,360
Net income (loss) per Common Share outstanding — Basic	\$ 0.20	\$ 0.02	\$ (0.04)	\$ (0.00)
Net income (loss) per Common Share outstanding — Diluted	\$ 0.19	\$ 0.02	\$ (0.04)	\$ (0.00)

(a) Amounts may differ from previously disclosed amounts due to reclassification of discontinued operations.

<u>2003</u>	<u>First Quarter 3/31</u>	<u>Second Quarter 6/30</u>	<u>Third Quarter 9/30</u>	<u>Fourth Quarter 12/31</u>
	(Restated)	(Restated)	(Restated)	(Restated)
Total revenues(a)	\$64,569	\$66,760	\$68,760	\$71,066
Income from continuing operations(a)	\$ 6,969	\$ 4,709	\$ 4,578	\$ (714)
Income from discontinued operations(a)	\$ 294	\$ 9,288	\$ 8	\$ —
Net income (loss) available to common stockholders	\$ 7,263	\$13,997	\$ 4,586	\$ (714)
Weighted average Common Shares outstanding — Basic	21,918	22,027	22,114	22,247
Weighted average Common Shares outstanding — Diluted	27,276	27,371	27,458	27,568
Net income (loss) per Common Share outstanding — Basic	\$ 0.33	\$ 0.64	\$ 0.21	\$ (0.03)
Net income (loss) per Common Share outstanding — Diluted	\$ 0.32	\$ 0.62	\$ 0.20	\$ (0.03)

(a) Amounts may differ from previously disclosed amounts due to reclassification of discontinued operations.

Schedule II
Equity Lifestyle Properties, Inc.
Valuation and Qualification Accounts
December 31, 2004

	<u>Balance at Beginning of Period</u>	<u>Additions</u>		<u>Deductions(1)</u>	<u>Balance at End of Period</u>
		<u>Charged to Income</u>	<u>Charged to Other Accounts</u>		
For the year ended December 31, 2002:					
Allowance for doubtful accounts	\$300,000	\$ 940,565	\$ —	\$(540,565)	\$ 700,000
For the year ended December 31, 2003:					
Allowance for doubtful accounts	\$700,000	\$ 820,822	\$ —	\$(693,822)	\$ 827,000
For the year ended December 31, 2004:					
Allowance for doubtful accounts	\$827,000	\$1,182,000	\$(145,000)	\$(834,000)	\$1,030,000

(1) Deductions represent tenant receivables deemed uncollectible.

Schedule III
Equity Lifestyle Properties, Inc.
Real Estate and Accumulated Depreciation
December 31, 2004
(Amounts in thousands)

Real Estate	Location	Encumbrances	Initial Cost to Company		Costs Capitalized Subsequent to Acquisition (Improvements)		Gross Amount Carried at Close of Period 12/31/04			Accumulated Depreciation	Date of Acquisition	
			Land	Depreciable Property	Land	Depreciable Property	Land	Depreciable Property	Total			
Apollo Village	Phoenix	AZ	3,997	932	3,219	0	578	932	3,797	4,729	(1,302)	1994
Araby Acres	Yuma	AZ	3,222	1,440	4,345	0	12	1,440	4,357	5,797	(158)	2003
The Highlands at Brentwood	Mesa	AZ	10,910	1,997	6,024	0	738	1,997	6,762	8,759	(2,566)	1993
Cactus Gardens	Yuma	AZ	4,849	1,992	5,984	0	12	1,992	5,996	7,988	(102)	2004
Carefree Manor	Phoenix	AZ	3,394	706	3,040	0	222	706	3,262	3,968	(803)	1998
Casa del Sol #1	Peoria	AZ	10,629	2,215	6,467	0	1,235	2,215	7,702	9,917	(1,587)	1996
Casa del Sol #2	Glendale	AZ	9,983	2,103	6,283	0	928	2,103	7,211	9,314	(1,458)	1996
Casa del Sol #3	Glendale	AZ	11,015	2,450	7,452	0	375	2,450	7,827	10,277	(1,722)	1998
Central Park	Phoenix	AZ	5,103	1,612	3,784	0	641	1,612	4,425	6,037	(2,947)	1983
Countryside	Phoenix	AZ	3,737	2,056	6,241	0	206	2,056	6,447	8,503	(510)	2002
Desert Paradise	Yuma	AZ	1,452	666	2,011	0	4	666	2,015	2,681	(63)	2004
Desert Skies	Phoenix	AZ	5,046	792	3,126	0	296	792	3,422	4,214	(809)	1998
Fairview Manor	Tucson	AZ	5,048	1,674	4,708	0	1,113	1,674	5,821	7,495	(1,352)	1998
Foothill	Yuma	AZ	1,350	459	1,402	0	16	459	1,418	1,877	(52)	2003
Golden Sun	Scottsdale	AZ	2,976	1,678	5,049	0	48	1,678	5,097	6,775	(407)	2002
Hacienda De Valencia ..	Mesa	AZ	6,063	833	2,701	0	2,123	833	4,824	5,657	(2,475)	1984
Monte Vista	Mesa	AZ	22,844	11,402	34,355	0	157	11,402	34,512	45,914	(766)	2004
Palm Shadows	Glendale	AZ	8,471	1,400	4,218	0	391	1,400	4,609	6,009	(1,837)	1993
Paradise	Sun City	AZ	19,813	6,414	19,263	0	56	6,414	19,319	25,733	(592)	2004
Sedona Shadows	Sedona	AZ	2,465	1,096	3,431	0	538	1,096	3,969	5,065	(979)	1997
Suni Sands	Yuma	AZ	3,172	1,249	3,759	0	7	1,249	3,766	5,015	(116)	2004
Sunrise Heights	Phoenix	AZ	5,636	1,000	3,016	0	413	1,000	3,429	4,429	(1,227)	1994
The Mark	Mesa	AZ	8,826	1,354	4,660	6	846	1,360	5,506	6,866	(1,892)	1994
The Meadows	Tempe	AZ	12,436	2,613	7,887	0	1,103	2,613	8,990	11,603	(3,091)	1994
Viewpoint	Mesa	AZ	43,703	24,890	56,340	0	99	24,890	56,439	81,329	(1,096)	2004
Whispering Palms	Phoenix	AZ	3,219	670	2,141	0	182	670	2,323	2,993	(580)	1998

Real Estate	Location	Encumbrances	Initial Cost to Company		Costs Capitalized Subsequent to Acquisition (Improvements)		Gross Amount Carried at Close of Period 12/31/04			Accumulated Depreciation	Date of Acquisition	
			Land	Depreciable Property	Land	Depreciable Property	Land	Depreciable Property	Total			
California Hawaiian . . .	San Jose	CA	26,968	5,825	17,755	0	1,581	5,825	19,336	25,161	(4,884)	1997
Colony Park	Ceres	CA	5,826	890	2,837	0	319	890	3,156	4,046	(899)	1998
Concord Cascade	Pacheco	CA	5,411	985	3,016	0	1,047	985	4,063	5,048	(2,467)	1983
Contempo Marin	San Rafael	CA	25,233	4,787	16,379	0	2,376	4,787	18,755	23,542	(6,419)	1994
Coralwood	Modesto	CA	6,200	0	5,047	0	276	0	5,323	5,323	(1,350)	1997
Date Palm Country Club	Cathedral City	CA	15,194	4,138	14,064	-23	3,416	4,115	17,480	21,595	(5,722)	1994
Date Palm	Cathedral City	CA	0	0	216	0	47	0	263	263	(100)	1994
Four Seasons	Fresno	CA	0	756	2,348	0	245	756	2,593	3,349	(665)	1997
Laguna Lake	San Luis Obispo	CA	4,916	2,845	6,520	0	252	2,845	6,772	9,617	(1,693)	1998
Lamplighter	Spring Valley	CA	3,761	633	2,201	0	675	633	2,876	3,509	(1,853)	1983
Las Palmas	Rialto	CA	3,807	1,295	3,866	0	20	1,295	3,886	5,181	(76)	2004
Meadowbrook	Santee	CA	0	4,345	12,528	0	1,522	4,345	14,050	18,395	(3,073)	1998
Monte del Lago	Castroville	CA	7,673	3,150	9,469	0	1,464	3,150	10,933	14,083	(2,612)	1997
Quail Meadows	Riverbank	CA	5,280	1,155	3,469	0	293	1,155	3,762	4,917	(844)	1998
Nicholson Plaza	San Jose	CA	0	0	4,512	0	72	0	4,584	4,584	(1,126)	1997
Pacific Dunes Ranch	California Central Coast	CA	6,025	1,940	5,632	0	27	1,940	5,659	7,599	(178)	2004
Parque La Quinta	Rialto	CA	5,105	1,799	5,450	0	-45	1,799	5,405	7,204	(197)	2004
Rancho Mesa	El Cajon	CA	9,600	2,130	6,389	0	249	2,130	6,638	8,768	(1,453)	1998
Rancho Valley	El Cajon	CA	3,624	685	1,902	0	794	685	2,696	3,381	(1,633)	1983
Royal Holiday	Hemet	CA	0	778	2,643	0	374	778	3,017	3,795	(606)	1998
Royal Oaks	Visalia	CA	0	602	1,921	0	281	602	2,202	2,804	(554)	1997
DeAnza Santa Cruz	Santa Cruz	CA	6,871	2,103	7,201	0	317	2,103	7,518	15,012	(2,553)	1994
Santiago Estates	Sylmar	CA	16,205	3,562	10,767	0	769	3,562	11,536	15,098	(2,710)	1998
Sea Oaks	Los Osos	CA	0	871	2,703	0	267	871	2,970	3,841	(720)	1997
Sunshadow	San Jose	CA	0	0	5,707	0	137	0	5,844	5,844	(1,464)	1997
Tahoe Valley Campground	Lake Tahoe	CA	2,246	1,357	4,071	0	12	1,357	4,083	5,440	(124)	2004
Village of Four Seasons	San Jose	CA	15,332	5,229	15,714	0	18	5,229	15,732	20,961	(349)	2004
Westwinds (4 properties)	San Jose	CA	0	0	17,616	0	5,116	0	22,732	22,732	(5,844)	1997
Bear Creek	Sheridan	CO	4,880	1,100	3,359	0	248	1,100	3,607	4,707	(833)	1998
Cimarron	Broomfield	CO	4,541	863	2,790	0	584	863	3,374	4,237	(2,227)	1983
Golden Terrace	Golden	CO	4,246	826	2,415	0	720	826	3,135	3,961	(1,868)	1983

Real Estate	Location	Encumbrances	Initial Cost to Company		Costs Capitalized Subsequent to Acquisition (Improvements)		Gross Amount Carried at Close of Period 12/31/04			Accumulated Depreciation	Date of Acquisition	
			Land	Depreciable Property	Land	Depreciable Property	Land	Depreciable Property	Total			
Golden Terrace South ..	Golden	CO	2,400	750	2,265	0	617	750	2,882	3,632	(717)	1997
Golden Terrace West ..	Golden	CO	8,328	1,694	5,065	0	1,011	1,694	6,076	7,770	(3,399)	1986
Hillcrest Village	Aurora	CO	10,504	1,912	5,202	289	2,397	2,201	7,599	9,800	(4,843)	1983
Holiday Hills	Denver	CO	14,746	2,159	7,780	0	3,819	2,159	11,599	13,758	(7,158)	1983
Holiday Village CO ...	Co. Springs	CO	3,471	567	1,759	0	912	567	2,671	3,238	(1,583)	1983
Pueblo Grande	Pueblo	CO	1,867	241	1,069	0	432	241	1,501	1,742	(968)	1983
Woodland Hills	Denver	CO	7,390	1,928	4,408	0	2,407	1,928	6,815	8,743	(2,522)	1994
Aspen Meadows	Rehoboth Beach	DE	5,620	1,148	3,460	0	338	1,148	3,798	4,946	(894)	1998
Camelot Meadows	Rehoboth Beach	DE	7,304	527	2,058	1,251	3,719	1,778	5,777	7,555	(1,318)	1998
Mariners Cove	Millsboro	DE	16,452	990	2,971	0	3,909	990	6,880	7,870	(2,868)	1987
McNicol	Rehoboth Beach	DE	2,710	563	1,710	0	72	563	1,782	2,345	(410)	1998
Sweetbriar	Rehoboth Beach	DE	3,040	498	1,527	0	377	498	1,904	2,402	(496)	1998
Waterford Estates	Bear	DE	30,954	5,250	16,202	0	614	5,250	16,816	22,066	(3,037)	1996
Whispering Pines	Lewes	DE	9,871	1,536	4,609	0	1005	1,536	5,614	7,150	(2,844)	1998
Maralago Cay	Lantana	FL	21,600	5,325	15,420	0	3,073	5,325	18,493	23,818	(4,258)	1997
Barrington Hills	Port Richey	FL	3,220	1,145	3,437	0	0	1,145	3,437	4,582	(105)	2004
Bay Indies	Venice	FL	43,662	10,483	31,559	10	3,482	10,493	35,041	45,534	(12,148)	1994
Bay Lake Estates	Nokomis	FL	3,807	990	3,390	0	951	990	4,341	5,331	(1,455)	1994
Breezy Hill	Pompano Beach	FL	10,065	5,510	16,555	0	112	5,510	16,667	22,177	(1,294)	2002
Buccaneer	N. Ft. Myers	FL	14,140	4,207	14,410	0	1,183	4,207	15,593	19,800	(5,350)	1994
Bulow Village Resort ..	Flagler Beach	FL	0	0	228	0	56	0	284	284	(51)	2001
Bulow Village	Flagler Beach	FL	10,268	3,637	949	0	5,458	3,637	6,407	10,044	(1,391)	1994
Carefree Cove	Fort Lauderdale	FL	4,777	1,741	5,170	0	79	1,741	5,249	6,990	(119)	2004
Carriage Cove	Daytona Beach	FL	8,010	2,914	8,682	0	788	2,914	9,470	12,384	(2,292)	1998
Coachwood	Leesburg	FL	4,238	1,607	4,822	0	19	1,607	4,841	6,448	(148)	2004
Coral Cay	Margate	FL	20,874	5,890	20,211	0	3,129	5,890	23,340	29,230	(7,538)	1994
Coquina	St Augustine	FL	0	5,286	5,545	0	8,856	5,286	14,401	19,687	(1,571)	1999
Meadows at												
Countrywood	Plant City	FL	18,273	4,514	13,175	0	3,869	4,514	17,044	21,558	(3,540)	1998
Country Place	New Port Richey	FL	8,346	663	0	18	7,106	681	7,106	7,787	(2,834)	1986
Country Side North ..	Vero Beach	FL	17,328	3,711	11,133	0	1,663	3,711	12,796	16,507	(3,154)	1998
Crystal Isles	Crystal River	FL	2,832	926	2,787	0	5	926	2,792	3,718	(85)	2004
Down Yonder	Largo	FL	7,707	2,652	7,981	0	69	2,652	8,050	10,702	(631)	1998
East Bay Oaks	Largo	FL	5,493	1,240	3,322	0	563	1,240	3,885	5,125	(2,579)	1983

Real Estate	Location	Encumbrances	Initial Cost to Company		Costs Capitalized Subsequent to Acquisition (Improvements)		Gross Amount Carried at Close of Period 12/31/04			Accumulated Depreciation	Date of Acquisition
			Land	Depreciable Property	Land	Depreciable Property	Land	Depreciable Property	Total		
Eldorado Village	Largo	3,946	778	2,341	0	563	778	2,904	3,682	(1,850)	1983
Fort Myers Beach Resort	Fort Myers Beach	4,428	1,493	4,480	0	1	1,493	4,481	5,974	(137)	2004
Glen Ellen	Clearwater	2,395	627	1,882	0	26	627	1,908	2,535	(135)	2002
Grand Island	Grand Island	0	1,723	5,208	125	2,606	1,848	7,814	9,662	(868)	2001
Gulf Air Resort	Fort Myers Beach	4,021	1,609	4,830	0	13	1,609	4,843	6,452	(148)	2004
Gulf View	Punta Gorda	1,698	717	2,158	0	3	717	2,161	2,878	(66)	2004
Hacienda Village	New Port Richey	9,842	4,362	13,088	0	454	4,362	13,542	17,904	(922)	2002
Harbor Lakes	Port Charlotte	8,997	3,384	10,154	0	17	3,384	10,171	13,555	(310)	2004
Harbor View	New Port Richey	7,932	4,045	12,146	0	54	4,045	12,200	16,245	(954)	2002
Heritage Village	Vero Beach	13,520	2,403	7,259	0	690	2,403	7,949	10,352	(2,769)	1994
Highland Wood	Pompano Beach	2,358	1,043	3,130	0	10	1,043	3,140	4,183	(243)	2002
Hillcrest	Clearwater	4,236	1,278	3,928	0	750	1,278	4,678	5,956	(1,195)	1998
Holiday Ranch	Largo	3,785	925	2,866	0	227	925	3,093	4,018	(747)	1998
Holiday Village FL	Vero Beach	0	350	1,374	0	139	350	1,513	1,863	(389)	1998
Holiday Village	Ormond Beach	6,972	2,610	7,837	0	121	2,610	7,958	10,568	(621)	2002
Indian Oaks	Rockledge	4,389	1,089	3,376	0	728	1,089	4,104	5,193	(1,051)	1998
Lake Fairways	N. Ft. Myers	30,460	6,075	18,134	35	1,443	6,110	19,577	25,687	(6,537)	1994
Lake Haven	Dunedin	8,109	1,135	4,047	0	2,384	1,135	6,431	7,566	(3,292)	1983
Lake Magic	Orlando	2,818	1,595	4,793	0	45	1,595	4,838	6,433	(146)	2004
Lakewood Village	Melbourne	9,818	1,862	5,627	0	716	1,862	6,343	8,205	(2,212)	1994
Lazy Lakes	Florida Keys	2,048	816	2,449	0	3	816	2,452	3,268	(75)	2004
Lighthouse Pointe	Port Orange	12,535	2,446	7,483	23	894	2,469	8,377	10,846	(2,033)	1998
Manatee	Sarasota North	5,244	2,300	6,903	0	20	2,300	6,923	9,223	(211)	2004
Mid-Florida Lakes	Leesburg	22,639	5,997	20,635	0	5,070	5,997	25,705	31,702	(8,117)	1994
Oak Bend	Ocala	5,772	850	2,572	0	866	850	3,438	4,288	(1,243)	1993
Park City West	Fort Lauderdale	7,613	4,187	12,561	0	11	4,187	12,572	16,759	(384)	2004
Pasco	Tampa North	3,072	1,494	4,484	0	2	1,494	4,486	5,980	(137)	2004
Pickwick	Port Orange	10,280	2,803	8,870	0	490	2,803	9,360	12,163	(2,160)	1998
Pine Lakes	N. Ft. Myers	31,055	6,306	14,579	21	5,447	6,327	20,026	26,353	(6,580)	1994
Pioneer Village	N. Ft. Myers	10,379	4,116	12,353	0	39	4,116	12,392	16,508	(377)	2004
Royal Coachman	Nokomis	15,140	5,321	15,978	0	19	5,321	15,997	21,318	(488)	2004
Shangri La	Largo	4,496	1,730	5,200	0	36	1,730	5,236	6,966	(159)	2004
Sherwood Forest	Kissimmee	27,103	4,852	14,596	0	3,775	4,852	18,371	23,223	(4,055)	1998

Real Estate	Location	Encumbrances	Initial Cost to Company		Costs Capitalized Subsequent to Acquisition (Improvements)		Gross Amount Carried at Close of Period 12/31/04			Accumulated Depreciation	Date of Acquisition	
			Land	Depreciable Property	Land	Depreciable Property	Land	Depreciable Property	Total			
Sherwood Forest Resort	Kissimmee	FL	0	2,870	3,621	568	1,409	3,438	5,030	8,468	(1,101)	1998
Silk Oak	Clearwater	FL	3,771	1,670	5,028	0	65	1,670	5,093	6,763	(355)	2002
Silver Dollar	Odessa	FL	9,171	4,107	12,431	0	67	4,107	12,498	16,605	(376)	2004
Sixth Ave	Zephyrhills	FL	2,260	839	2,518	0	8	839	2,526	3,365	(91)	2004
Southernaire	Mt. Dora	FL	2,092	798	2,395	0	10	798	2,405	3,203	(74)	2004
Southern Palms	Eustis	FL	5,652	2,169	5,884	0	1,531	2,169	7,415	9,584	(1,690)	1998
Spanish Oaks	Ocala	FL	7,008	2,250	6,922	0	877	2,250	7,799	10,049	(2,834)	1993
Sunshine Key	Florida Keys	FL	16,522	5,273	15,822	0	23	5,273	15,845	21,118	(483)	2004
Sunshine Holiday	Daytona Beach	FL	6,667	2,001	6,004	0	15	2,001	6,019	8,020	(183)	2004
Sunshine Holiday RV & MHP	Fort Lauderdale	FL	8,509	3,099	9,286	0	18	3,099	9,304	12,403	(180)	2004
Sunshine Travel	Vero Beach	FL	4,404	1,603	4,813	0	31	1,603	4,844	6,447	(147)	2004
Oaks at Countrywood	Plant City	FL	1,300	1,111	2,513	-265	1,475	846	3,988	4,834	(698)	1998
Terra Ceia	Palmetto	FL	2,528	967	2,905	0	15	967	2,920	3,887	(90)	2004
The Heritage	N. Ft. Myers	FL	9,663	1,438	4,371	346	3,317	1,784	7,688	9,472	(2,475)	1993
The Lakes at Countrywood	Plant City	FL	9,712	2,377	7,085	0	862	2,377	7,947	10,324	(1,049)	2001
The Meadows, FL	Palm Beach Gardens	FL	6,049	3,229	9,870	0	1,145	3,229	11,015	14,244	(2,089)	1999
Toby's	Arcadia	FL	3,391	1,093	3,280	0	17	1,093	3,297	4,390	(120)	2003
Topics RV	Spring Hill	FL	2,235	853	2,568	0	2	853	2,570	3,423	(79)	2004
Tropical Palms	Kissimmee	FL	19,595	5,677	17,071	0	127	5,677	17,198	22,875	(500)	2004
Vacation Village	St. Petersburg	FL	2,528	1,315	3,946	0	3	1,315	3,949	5,264	(121)	2004
Windmill Manor	Bradenton	FL	7,958	2,153	6,125	0	1,137	2,153	7,262	9,415	(1,603)	1998
Windmill Village — Ft. Myers	N. Ft. Myers	FL	8,700	1,417	5,440	0	1,260	1,417	6,700	8,117	(4,379)	1983
Winds of St. Armands North (fka Windmill North)	Sarasota	FL	8,842	1,523	5,063	0	1,663	1,523	6,726	8,249	(3,936)	1983
Winds of St. Armands South (fka Windmill South)	Sarasota	FL	5,464	1,106	3,162	0	830	1,106	3,992	5,098	(2,443)	1983
Five Seasons	Cedar Rapids	IA	0	1,053	3,436	0	679	1,053	4,115	5,168	(1,222)	1998
Holiday Village, IA	Sioux City	IA	0	313	3,744	0	520	313	4,264	4,577	(2,553)	1986
Golf Vistas	Monee	IL	14,577	2,843	4,719	0	5,948	2,843	10,667	13,510	(2,126)	1997
O'Connell's	Amboy	IL	4,955	1,658	4,974	0	148	1,658	5,122	6,780	(173)	2004

Real Estate	Location	Encumbrances	Initial Cost to Company		Costs Capitalized Subsequent to Acquisition (Improvements)		Gross Amount Carried at Close of Period 12/31/04			Accumulated Depreciation	Date of Acquisition	
			Land	Depreciable Property	Land	Depreciable Property	Land	Depreciable Property	Total			
Willow Lake Estates . .	Elgin	IL	22,129	6,138	21,033	0	3,816	6,138	24,849	30,987	(8,048)	1994
Forest Oaks (fka Burns Harbor)	Chesterton	IN	0	916	2,909	0	1,740	916	4,649	5,565	(1,912)	1993
Lakeside	New Carlisle	IN	0	426	1,281	0	12	426	1,293	1,719	(40)	2004
Oak Tree Village	Portage	IN	4,476	0	0	569	3,607	569	3,607	4,176	(1,772)	1987
Windsong	Indianapolis	IN	0	1,482	4,480	0	192	1,482	4,672	6,154	(1,278)	1998
Creekside	Wyoming	MI	3,760	1,109	3,646	0	113	1,109	3,759	4,868	(896)	1998
Casa Village	Billings	MT	11,040	1,011	3,109	157	3,471	1,168	6,580	7,748	(3,130)	1983
Waterway RV Resort . .	Cedar Point	NC	6,226	2,392	7,185	0	3	2,392	7,188	9,580	(221)	2004
Goose Creek Resort . .	Newport	NC	12,491	4,612	13,848	0	814	4,612	14,662	19,274	(437)	2004
Twin Lakes	Chocowinity	NC	3,739	1,719	3,361	0	19	1,719	3,380	5,099	(105)	2004
Del Rey	Albuquerque	NM	0	1,926	5,800	0	727	1,926	6,527	8,453	(2,602)	1993
Bonanza	Las Vegas	NV	4,861	908	2,643	0	984	908	3,627	4,535	(2,238)	1983
Boulder Cascade	Las Vegas	NV	8,871	2,995	9,020	0	1,136	2,995	10,156	13,151	(2,315)	1998
Cabana	Las Vegas	NV	9,245	2,648	7,989	0	301	2,648	8,290	10,938	(2,936)	1994
Flamingo West	Las Vegas	NV	10,647	1,730	5,266	0	1,273	1,730	6,539	8,269	(2,092)	1994
Villa Borega	Las Vegas	NV	7,011	2,896	8,774	0	592	2,896	9,366	12,262	(2,266)	1997
Greenwood Village . . .	Manorville	NY	17,468	3,667	9,414	484	3,542	4,151	12,956	17,107	(2,609)	1998
Falcon Wood Village . .	Eugene	OR	5,200	1,112	3,426	0	213	1,112	3,639	4,751	(902)	1997
Quail Hollow	Fairview	OR	0	0	3,249	0	226	0	3,475	3,475	(861)	1997
Shadowbrook	Clackamas	OR	6,320	1,197	3,693	0	165	1,197	3,858	5,055	(1,004)	1997
Mt. Hood Village	Welches	OR	0	1,817	5,733	0	(302)	1,817	5,431	7,248	(564)	2002
Green Acres	Breinigsville	PA	13,908	2,680	7,479	0	2,817	2,680	10,296	12,976	(5,077)	1988
Spring Gulch	New Holland	PA	4,819	1,593	4,795	0	6	1,593	4,801	6,394	(163)	2004
Country Sunshine	Weslaco	TX	2,266	627	1,881	0	5	627	1,886	2,513	(57)	2004
Fun n Sun	San Benito	TX	0	2,533	0	417	9,828	2,950	9,828	12,778	(2,123)	1998
Lakewood	Harlingen	TX	1,227	325	979	0	2	325	981	1,306	(30)	2004
Paradise Park	Rio Grande Valley	TX	5,430	1,568	4,705	0	4	1,568	4,709	6,277	(144)	2004
Paradise South	Mercedes	TX	1,619	448	1,345	0	5	448	1,350	1,798	(41)	2004
Southern Comfort	Weslaco	TX	2,590	1,108	3,323	0	2	1,108	3,325	4,433	(102)	2004
Sunshine RV	Harlingen	TX	4,792	1,494	4,484	0	3	1,494	4,487	5,981	(137)	2004
Tropic Winds	Harlingen	TX	0	1,221	3,809	0	101	1,221	3,910	5,131	(329)	2002
All Seasons	Salt Lake City	UT	3,491	510	1,623	0	211	510	1,834	2,344	(491)	1997
Westwood Village	Farr West	UT	7,493	1,346	4,179	0	1,163	1,346	5,342	6,688	(1,369)	1997

Real Estate	Location	Encumbrances	Initial Cost to Company		Costs Capitalized Subsequent to Acquisition (Improvements)		Gross Amount Carried at Close of Period 12/31/04			Date of Acquisition	
			Land	Depreciable Property	Land	Depreciable Property	Land	Depreciable Property	Total		
											Accumulated Depreciation
Meadows of Chantilly ...	Chantilly	27,494	5,430	16,440	0	3,781	5,430	20,221	25,651	(6,764)	1994
Kloshe Illabee	Federal Way	6,084	2,408	7,286	0	277	2,408	7,563	9,971	(1,846)	1997
Caledonia	Caledonia	0	376	1,127	0	0	376	1,127	1,503	0	2004
Freemont	Freemont	4,300	1,432	4,296	0	0	1,432	4,296	5,728	0	2004
Yukon Trails	Lyndon Station	0	547	1,629	0	13	547	1,642	2,189	(10)	2004
Thousand Trails		0	48,537	113,253	0	0	48,537	113,253	161,790	(629)	2004
Realty Systems, Inc. ...		0	0	0	0	4,632	0	4,632	4,632	(2)	2002
Management Business ...		0	0	436	0	9,424	0	9,860	9,860	(10,359)	1990
		<u>1,417,251</u>	<u>\$466,556</u>	<u>\$1,361,519</u>	<u>\$4,031</u>	<u>\$263,684</u>	<u>\$470,587</u>	<u>\$1,565,203</u>	<u>\$2,035,790</u>	<u>\$(322,867)</u>	

NOTES:

- (1) For depreciable property, the Company uses a 30-year estimated life for buildings acquired and structural and land improvements, a ten-to-fifteen year estimated life for building upgrades and a three-to-seven year estimated life for furniture and fixtures.
- (2) The schedule excludes Properties in which the Company has a non-controlling joint venture interest and accounts for using the equity method of accounting.
- (3) The balance of furniture and fixtures included in the total amounts was approximately \$21.3 million as of December 31, 2004.
- (4) The aggregate cost of land and depreciable property for Federal income tax purposes was approximately \$2.0 billion, as of December 31, 2004.
- (5) All Properties were acquired, except for Country Place Village, which was constructed.

Schedule III
Equity Lifestyle Properties, Inc.
Real Estate and Accumulated Depreciation
December 31, 2004
(amounts in thousands)

The changes in total real estate for the years ended December 31, 2004, 2003 and 2002 were as follows:

	<u>2004</u>	<u>2003</u>	<u>2002</u>
Balance, beginning of year	\$1,309,705	\$1,296,007	\$1,238,138
Acquisitions (1)	702,538	12,116	107,138
Improvements	27,082	15,569	24,491
Dispositions and other	<u>(3,535)</u>	<u>(13,987)</u>	<u>(73,760)</u>
Balance, end of year	<u>\$2,035,790</u>	<u>\$1,309,705</u>	<u>\$1,296,007</u>

- (1) Acquisitions for the year ended December 31, 2004 include the non-cash assumption by the Company of \$347 million of mortgage debt.

The changes in accumulated depreciation for the years ended December 31, 2004, 2003 and 2002 were as follows:

	<u>2004</u>	<u>2003</u>	<u>2002</u>
Balance, beginning of year	\$272,497	\$238,098	\$211,878
Depreciation expense	51,703	39,409	37,188
Dispositions and other	<u>(1,333)</u>	<u>(5,010)</u>	<u>(10,968)</u>
Balance, end of year	<u>\$322,867</u>	<u>\$272,497</u>	<u>\$238,098</u>

**CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002**

I, Michael B. Berman, certify that:

1. I have reviewed this annual report on Form 10-K of Equity Lifestyle Properties, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonable likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 28, 2005

By: /s/ MICHAEL B. BERMAN
 Michael B. Berman
 Vice President, Treasurer and
 Chief Financial Officer

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002

I, Thomas P. Heneghan, certify that:

1. I have reviewed this annual report on Form 10-K of Equity Lifestyle Properties, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonable likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 28, 2005

By: /s/ THOMAS P. HENEGHAN

Thomas P. Heneghan
President and Chief Executive Officer

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350**

In connection with the accompanying Annual Report on Form 10-K of Equity Lifestyle Properties, Inc. for the year ended December 31, 2004 (the "Annual Report"), I, Michael B. Berman, Vice President, Treasurer and Chief Financial Officer of Equity Lifestyle Properties, Inc., hereby certify pursuant to 18 U.S.C. Section 1350, as adopted by Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. the Annual Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. the information contained in the Annual Report fairly presents, in all material respects, the financial condition and results of operations of Equity Lifestyle Properties, Inc.

Date: March 28, 2005

By: /s/ MICHAEL B. BERMAN

Michael B. Berman
Vice President, Treasurer and
Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to Equity Lifestyle Properties, Inc. and will be retained by Equity Lifestyle Properties, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350**

In connection with the accompanying Annual Report on Form 10-K of Equity Lifestyle Properties, Inc. for the year ended December 31, 2004 (the "Annual Report"), I, Thomas P. Heneghan, President and Chief Executive Officer of Equity Lifestyle Properties, Inc., hereby certify pursuant to 18 U.S.C. Section 1350, as adopted by Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. the Annual Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. the information contained in the Annual Report fairly presents, in all material respects, the financial condition and results of operations of Equity Lifestyle Properties, Inc.

Date: March 28, 2005

By: /s/ THOMAS P. HENEGHAN

Thomas P. Heneghan
President and Chief Executive Officer

A signed original of this written statement required by Section 906 has been provided to Equity Lifestyle Properties, Inc. and will be retained by Equity Lifestyle Properties, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

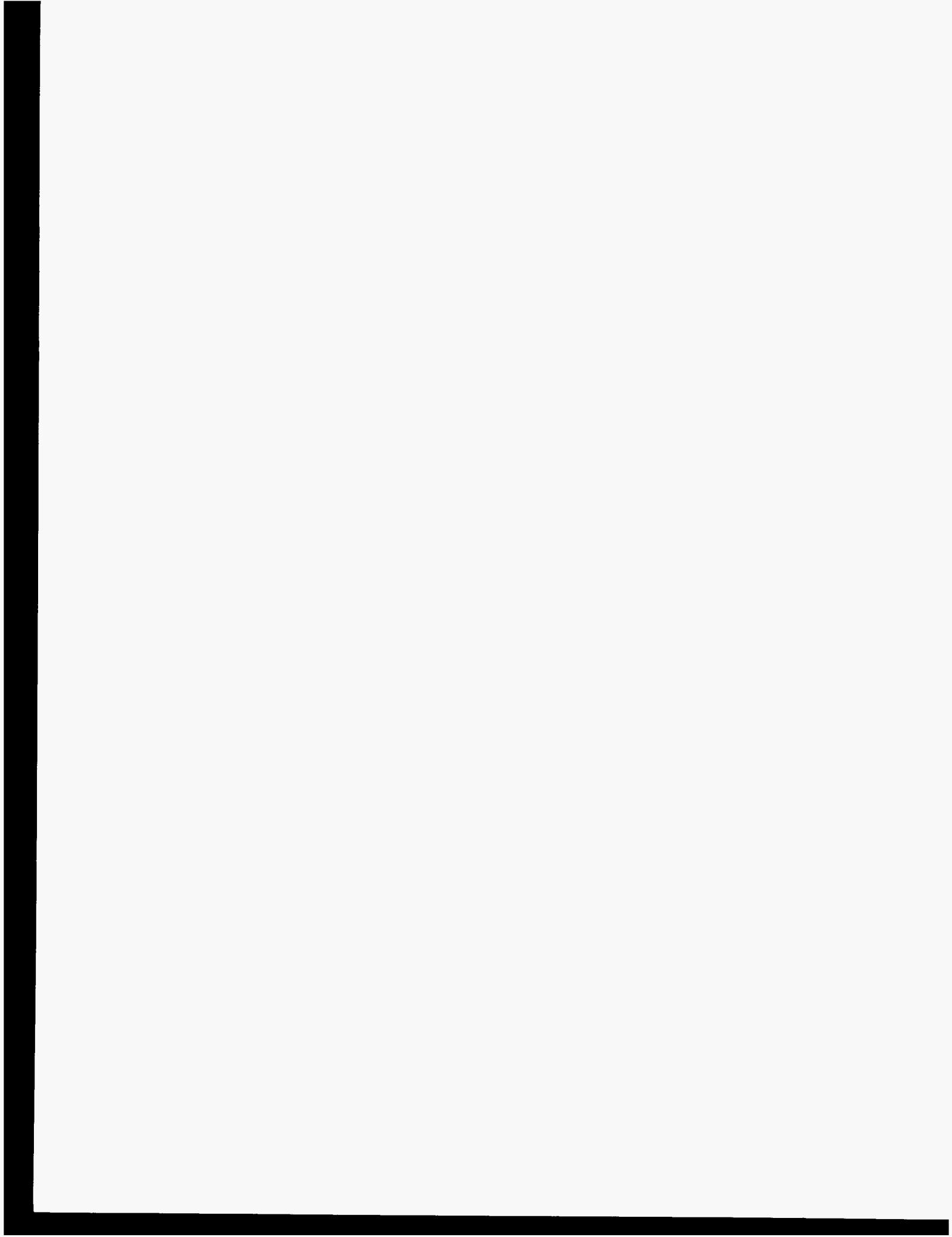


EXHIBIT C



FLORIDA

Public Service Commission

CERTIFICATE NUMBER

573 - W

Upon consideration of the record it is hereby ORDERED
that authority be and is hereby granted to
HARBOR LAKES WATER SYSTEMS, INC.

Whose principal address is
3737 El JoBean Road
Port Charlotte, Florida 33953 (Charlotte)

to provide water service in accordance with
the provisions of Chapter 367, Florida Statutes, the Rules,
Regulations and Orders of this Commission in the territory de-
scribed by the Orders of this Commission.

This Certificate shall remain in force and effect until sus-
pended, cancelled or revoked by Orders of this Commis-
sion.

ORDER	<u>PSC-95-0867-FOF-WU</u>	DOCKET	<u>941345-WU</u>
ORDER	<u>PSC-95-0867A-FOF-WU</u>	DOCKET	<u>941345-WU</u>
ORDER	_____	DOCKET	_____
ORDER	_____	DOCKET	_____

BY ORDER OF THE
FLORIDA PUBLIC SERVICE COMMISSION



Glenn S. Bayo
Director
Division of Records & Reporting

EXHIBIT D

NAME OF COMPANY NHC Utilities, Inc.

WATER TARIFF

TERRITORY SERVED

CERTIFICATE NUMBER – 573-W

COUNTY - Charlotte

COMMISSION ORDER(s) APPROVING TERRITORY SERVED -

<u>Order Number</u>	<u>Date Issued</u>	<u>Docket Number</u>	<u>Filing Type</u>
PSC-95-0867-FOF-WU	July 18, 1995	941345-WU	Grandfather
PSC-05-____-FOF-WU	____, 2005	05____-WU	Transfer of Majority Organizational Control

(Continued to Sheet No. 3.1)

Nancy Reynolds
Issuing Officer
Authorized Representative
Title