

EQUITY LIFESTYLE PROPERTIES INC

Form 10-Q

November 08, 2011

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2011

.. **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission file number: 1-11718

EQUITY LIFESTYLE PROPERTIES, INC.

(Exact Name of Registrant as Specified in Its Charter)

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Maryland (State or Other Jurisdiction of Incorporation or Organization)	36-3857664 (I.R.S. Employer Identification No.)
Two North Riverside Plaza, Suite 800, Chicago, Illinois (Address of Principal Executive Offices)	60606 (Zip Code)
(312) 279-1400 (Registrant's Telephone Number, Including Area Code)	

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

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

40,797,433 shares of Common Stock as of November 4, 2011.

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Equity LifeStyle Properties, Inc.

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Table of Contents**Equity LifeStyle Properties, Inc.****Consolidated Balance Sheets****As of September 30, 2011 and December 31, 2010****(amounts in thousands, except share and per share data)**

	September 30, 2011 (unaudited)	December 31, 2010
Assets		
Investment in real estate:		
Land	\$ 894,152	\$ 544,462
Land improvements	2,371,758	1,762,122
Buildings and other depreciable property	421,427	278,403
	3,687,337	2,584,987
Accumulated depreciation	(771,105)	(700,665)
Net investment in real estate	2,916,232	1,884,322
Cash and cash equivalents	212,796	12,659
Short-term investments		52,266
Notes receivable, net	58,069	25,726
Investment in joint ventures	8,238	8,446
Rent and other customer receivables, net	671	419
Deferred financing costs, net	20,448	10,688
Inventory	3,143	3,177
Deferred commission expense	18,393	14,898
Escrow deposits and other assets	54,815	35,794
Total Assets	\$ 3,292,805	\$ 2,048,395
Liabilities and Equity		
Liabilities:		
Mortgage notes payable	\$ 1,893,298	\$ 1,412,919
Term loan	200,000	
Unsecured lines of credit		
Accrued payroll and other operating expenses	76,384	52,782
Deferred revenue - upfront payments from right-to-use contracts	53,117	44,349
Deferred revenue - right-to-use annual payments	12,314	12,642
Accrued interest payable	9,208	7,174
Rents and other customer payments received in advance and security deposits	47,369	47,738
Distributions payable	16,722	10,633
Total Liabilities	2,308,412	1,588,237
Commitments and contingencies		
Non-controlling interests - Perpetual Preferred OP Units		200,000
8.034% Series A Cumulative Redeemable Perpetual Preferred Stock, \$0.01 par value per share, 10,000,000 shares authorized, 8,000,000 issued and outstanding as of September 30, 2011 and none issued and outstanding as of December 31, 2010, at liquidation value	200,000	
Series B Subordinated Non-Voting Cumulative Redeemable Preferred Stock, \$0.01 par value per share, 1,740,000 shares authorized, 1,242,462 issued and outstanding as of September 30, 2011 and none	84,234	

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authorized, issued and outstanding as of December 31, 2010

Equity:

Stockholders' Equity:

Common stock, \$0.01 par value 100,000,000 shares authorized; 39,240,264 and 30,972,353 shares issued and outstanding as of September 30, 2011 and December 31, 2010, respectively	393	310
Paid-in capital	892,316	463,722
Distributions in excess of accumulated earnings	(254,455)	(237,002)
Accumulated other comprehensive loss	(2,893)	
Total Stockholders' Equity	635,361	227,030
Non-controlling interests - Common OP Units	64,798	33,128
Total Equity	700,159	260,158
Total Liabilities and Equity	\$ 3,292,805	\$ 2,048,395

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

Table of Contents**Equity LifeStyle Properties, Inc.****Consolidated Statements of Operations****For the Three Months and Nine Months Ended September 30, 2011 and 2010****(amounts in thousands, except share and per share data)****(unaudited)**

	Three Months Ended		Nine Months Ended	
	September 30,	September 30,	September 30,	September 30,
	2011	2010	2011	2010
Revenues:				
Community base rental income	\$ 87,149	\$ 65,043	\$ 219,740	\$ 194,066
Resort base rental income	36,139	35,991	101,858	101,440
Right-to-use annual payments	12,444	12,554	37,019	37,628
Right-to-use contracts current period, gross	4,386	4,552	13,096	15,170
Right-to-use contracts, deferred, net of prior period amortization	(2,858)	(3,330)	(8,768)	(11,829)
Utility and other income	14,498	12,490	40,044	37,297
Gross revenues from home sales	1,636	1,765	4,281	4,759
Brokered resale revenues, net	141	237	608	718
Ancillary services revenues, net	1,134	1,262	2,261	2,458
Interest income	2,328	1,048	4,379	3,237
Income from other investments, net	4,394	2,583	6,242	5,244
Total revenues	161,391	134,195	420,760	390,188
Expenses:				
Property operating and maintenance	56,451	51,495	148,417	141,947
Real estate taxes	10,304	7,938	26,522	24,578
Sales and marketing, gross	2,950	3,052	8,289	9,900
Sales and marketing, deferred commissions, net	(1,148)	(1,274)	(3,495)	(4,343)
Property management	9,201	8,373	25,857	24,906
Depreciation on real estate and other costs	21,689	17,096	56,201	50,959
Amortization of in-place leases	10,759		10,759	
Cost of home sales	1,552	1,431	4,020	4,318
Home selling expenses	356	456	1,239	1,388
General and administrative	6,412	5,818	18,070	17,042
Transaction costs	15,216		17,333	
Rent control initiatives	211	106	799	1,119
Depreciation on corporate assets	256	246	759	835
Interest and related amortization	26,084	22,465	68,931	69,221
Total expenses	160,293	117,202	383,701	341,870
Income before equity in income of unconsolidated joint ventures	1,098	16,993	37,059	48,318
Equity in income of unconsolidated joint ventures	257	314	1,582	1,714
Consolidated income from continuing operations	1,355	17,307	38,641	50,032
Discontinued Operations:				
Loss from discontinued operations				(231)
Consolidated net income	1,355	17,307	38,641	49,801

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Loss (income) allocated to non-controlling interests - Common OP Units	289	(1,722)	(3,121)	(5,083)
Income allocated to non-controlling interests - Perpetual Preferred OP Units		(4,031)	(2,801)	(12,101)
Series A Redeemable Perpetual Preferred Stock Dividends	(4,031)		(9,319)	
Series B Redeemable Preferred Stock Dividends	(466)		(466)	
Net (loss) income available for Common Shares	\$ (2,853)	\$ 11,554	\$ 22,934	\$ 32,617

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

Table of Contents**Equity LifeStyle Properties, Inc.****Consolidated Statements of Operations (Continued)****For the Three Months and Nine Months Ended September 30, 2011 and 2010****(amounts in thousands, except share and per share data)****(unaudited)**

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Earnings per Common Share Basic:				
(Loss) income from continuing operations available for Common Shares	\$ (0.07)	\$ 0.38	\$ 0.67	\$ 1.08
Loss from discontinued operations				(0.01)
Net (loss) income available for Common Shares	\$ (0.07)	\$ 0.38	\$ 0.67	\$ 1.07
Earnings per Common Share Fully Diluted:				
(Loss) income from continuing operations available for Common Shares	\$ (0.07)	\$ 0.37	\$ 0.67	\$ 1.07
Loss from discontinued operations				(0.01)
Net (loss) income available for Common Shares	\$ (0.07)	\$ 0.37	\$ 0.67	\$ 1.06
Distributions declared per Common Share outstanding	\$ 0.375	\$ 0.30	\$ 1.125	\$ 0.90
Weighted average Common Shares outstanding basic	38,346	30,620	34,017	30,447
Weighted average Common Shares outstanding fully diluted ^{a)}	43,602	35,530	38,858	35,491

- a) During the three months ended September 30, 2011, the Company reported a net loss available for common shares. As a result of the net loss, the Company's unvested restricted stock, common OP Units and Series B Preferred Stock were anti-dilutive, and therefore earnings per common share-fully diluted is computed in the same manner as earnings per share-basic.

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

Table of Contents**Equity LifeStyle Properties, Inc.****Consolidated Statements of Changes in Equity****For the Nine Months Ended September 30, 2011****(amounts in thousands)****(unaudited)**

	Common Stock	Paid-in Capital	Distributions in Excess of Accumulated Earnings	Non-controlling interests Common OP Units	Accumulated Other Comprehensive Loss	Total Equity
Balance, December 31, 2010	\$ 310	\$ 463,722	\$ (237,002)	\$ 33,128	\$	\$ 260,158
Conversion of OP Units to common stock	3	3,974		(3,977)		
Issuance of common stock through exercise of options	3	2,265				2,268
Issuance of common stock through employee stock purchase plan		682				682
Compensation expenses related to stock options and restricted stock		4,708				4,708
Repurchase of common stock or Common OP Units		(216)				(216)
Adjustment for Common OP Unitholders in the Operating Partnership		(37,300)		37,300		
Common stock offering	60	343,989				344,049
Common stock issued for Acquisition	17	110,492				110,509
Adjustment for fair market value of swap					(2,893)	(2,893)
Net income			22,935	3,121		26,056
Distributions			(40,388)	(4,774)		(45,162)
Balance, September 30, 2011	\$ 393	\$ 892,316	\$ (254,455)	\$ 64,798	\$ (2,893)	\$ 700,159

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

Table of Contents**Equity LifeStyle Properties, Inc.****Consolidated Statements of Cash Flows****For the Nine Months Ended September 30, 2011 and 2010****(amounts in thousands)****(unaudited)**

	September 30, 2011	September 30, 2010
Cash Flows From Operating Activities:		
Consolidated net income	\$ 38,641	\$ 49,801
Adjustments to reconcile net income to net cash provided by operating activities:		
Loss on discontinued real estate and other		231
Depreciation expense	60,879	54,798
Amortization of in-place leases	10,759	
Amortization of loan costs	3,614	2,532
Debt premium amortization	(441)	5
Equity in income of unconsolidated joint ventures	(2,502)	(2,627)
Distributions from unconsolidated joint ventures	1,633	2,635
Amortization of stock-related compensation	4,708	3,957
Revenue recognized from right-to-use contract upfront payments	(4,328)	(3,341)
Commission expense recognized related to right-to-use contracts	1,413	1,020
Accrued long term incentive plan compensation	816	453
Increase in provision for uncollectible rents receivable	993	539
Changes in assets and liabilities:		
Notes receivable activity, net	(712)	186
Rent and other customer receivables, net	(1,245)	(647)
Inventory	2,323	2,704
Deferred commission expense	(4,908)	(5,363)
Escrow deposits and other assets	(20,607)	5,153
Accrued payroll and other operating expenses	20,827	10,604
Deferred revenue - upfront payments from right-to-use contracts	13,096	15,170
Deferred revenue - right-to-use annual payments	(327)	655
Rents received in advance and security deposits	(4,341)	(3,806)
Net cash provided by operating activities	120,291	134,659
Cash Flows From Investing Activities:		
Real estate acquisition	(513,475)	
Notes receivable acquisition	(30,207)	
Net tax-deferred exchange withdrawal		786
Proceeds from redemption of matured short-term investments	52,266	
Net (borrowings) repayment of notes receivable	(1,785)	1,198
Capital improvements	(41,396)	(32,165)
Net cash used in investing activities	(534,597)	(30,181)
Cash Flows From Financing Activities:		
Net proceeds from stock options and employee stock purchase plan	2,950	1,788
Net proceeds from issuance of Common Stock	344,049	
	(51,660)	(43,936)

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Distributions to Common Stockholders, Common OP Unitholders, Perpetual Preferred OP Unitholders and Preferred Stockholders

Stock repurchase and Unit redemption	(216)	(399)
Acquisition of non-controlling interests		(1,478)
Principal payments and mortgage debt payoff	(68,762)	(199,267)
New mortgage notes payable financing proceeds	200,000	76,615
Term loan financing proceeds	200,000	
Debt issuance costs	(11,918)	(1,510)
Net cash provided by (used in) financing activities	614,443	(168,187)
Net increase (decrease) in cash and cash equivalents	200,137	(63,709)
Cash and cash equivalents, beginning of period	12,659	145,128
Cash and cash equivalents, end of period	\$ 212,796	\$ 81,419

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

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Equity LifeStyle Properties, Inc.
Consolidated Statements of Cash Flows (continued)
For the Nine Months Ended September 30, 2011 and 2010
(amounts in thousands)
(unaudited)

	September 30, 2011	September 30, 2010
Supplemental Information:		
Cash paid during the period for interest	\$ 68,806	\$ 66,442
Non-cash activities (increase/(decrease)):		
Manufactured homes acquired with dealer financing	\$ 830	\$ 3,674
Dealer financing	\$ 830	\$ 3,674
Capital improvements	\$ 361	\$ 624
Net repayments of notes receivable	\$ 361	\$ 624
Series A Cumulative Redeemable Perpetual Preferred Stock	\$ 200,000	\$
Perpetual Preferred OP Units conversion	\$ (200,000)	\$
Acquisitions:		
Escrow deposits and other assets	\$	\$ (10)
Notes receivable, net	\$	\$ (2,355)
Investment in real estate	\$ 548,785	\$ 2,365
Common Stock issued	\$ 110,589	\$
Series B Subordinated Non-Voting Cumulative Redeemable Preferred Stock Issued	\$ 84,234	\$
Mortgage notes payable	\$ 348,754	\$
Accrued interest payable	\$ 39	\$
Rents and other customer payments received in advance and security deposits	\$ 3,972	\$
Accrued payroll and other operating expenses	\$ 1,197	\$
Dispositions:		
Other assets and liabilities, net	\$	\$ (97)
Investment in real estate	\$	\$ (3,531)
Mortgage notes payable assumed by purchaser	\$	\$ (3,628)

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

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Equity LifeStyle Properties, Inc.

Notes to Consolidated Financial Statements

Definition of Terms

Equity LifeStyle Properties, Inc., a Maryland corporation, together with MHC Operating Limited Partnership (the Operating Partnership) and other consolidated subsidiaries (Subsidiaries), are referred to herein as the Company and ELS. Capitalized terms used but not defined herein are as defined in the Company's Annual Report on Form 10-K (2010 Form 10-K) for the year ended December 31, 2010.

Presentation

These unaudited Consolidated Financial Statements have been prepared pursuant to the Securities and Exchange Commission (SEC) rules and regulations and should be read in conjunction with the financial statements and notes thereto included in the 2010 Form 10-K. The following Notes to Consolidated Financial Statements highlight significant changes to the Notes included in the 2010 Form 10-K and present interim disclosures as required by the SEC. The accompanying Consolidated Financial Statements reflect, in the opinion of management, all adjustments necessary for a fair presentation of the interim financial statements. All such adjustments are of a normal and recurring nature. Revenues are subject to seasonal fluctuations and as such quarterly interim results may not be indicative of full year results.

Note 1 Summary of Significant Accounting Policies

The Company follows accounting standards set by the Financial Accounting Standards Board, commonly referred to as the FASB. The FASB sets generally accepted accounting principles (GAAP) that the Company follows to ensure that the Company consistently reports its financial condition, results of operations and cash flows. References to GAAP issued by the FASB in these footnotes are to the FASB Accounting Standards Codification (the Codification).

(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 it is the primary beneficiary. The Company also consolidates entities in which it has a controlling direct or indirect voting interest. All inter-company transactions have been eliminated in consolidation. For business combinations for which the acquisition date is on or after January 1, 2009, the purchase price of Properties is accounted for in accordance with the Codification Topic Business Combinations (FASB ASC 805).

The Company has applied the Codification Sub-Topic Variable Interest Entities (FASB ASC 810-10-15). The objective of FASB ASC 810-10-15 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. Prior to January 1, 2010, a company that held a variable interest in an entity was required to consolidate such entity if the company absorbed a majority of the entity's expected losses or received a majority of the entity's expected residual returns if they occur, or both (i.e., the primary beneficiary). The Company also applied the Codification Sub-Topic Control of Partnerships and Similar Entities (FASB ASC 810-20), which determines whether a general partner or the general partners as a group controls a limited partnership or similar entity and therefore should consolidate the entity. Beginning January 1, 2010, FASB ASC 810-10-15 adopted amendments to the variable interest consolidation model described above. The requirement to consolidate a VIE as revised in this amendment is based on the qualitative analysis considerations for primary beneficiary determination which requires a company consolidate an entity determined to be a VIE if it has both of the following characteristics: (1) the power to direct the principal activities of the entity and (2) the obligation to absorb losses of the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE. The Company applies FASB ASC 810-10-15 and FASB ASC 810-20 to all types of entity ownership (general and limited partnerships and corporate interests).

The Company applies the equity method of accounting to entities in which the Company does not have a controlling direct or indirect voting interest or for variable interest entities where it is not considered the primary beneficiary, 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.

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Equity LifeStyle Properties, Inc.

Notes to Consolidated Financial Statements

Note 1 Summary of Significant Accounting Policies (continued)

(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. All property and site counts are unaudited.

(c) Markets

The Company manages all of its operations on a property-by-property basis. Since each of the Company's properties (Properties) 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 the Company's belief that geographic diversification helps insulate the portfolio from regional economic influences. The Company intends to target new acquisitions in or near markets where the Properties are located and will also consider acquisitions of Properties outside such markets.

(d) Real Estate

In accordance with FASB ASC 805, the Company recognizes all the assets acquired and all the liabilities assumed in a transaction at the acquisition-date fair value. The Company also expenses transaction costs as they are incurred. Certain purchase price adjustments may be made within one year following any acquisition and applied retroactively to the date of acquisition.

In making estimates of fair values for purposes of allocating purchase price, the Company utilizes 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. The Company also considers information obtained about each Property as a result of its 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. The Company generally uses a 30-year estimated life for buildings and structural and land improvements acquired (including site development), a ten-year estimated life for building upgrades, a five-year estimated life for furniture, fixtures and equipment and a one-year life for acquired in-place leases. New rental units are generally depreciated using a 20-year estimated life from each model year down to a salvage value of 40% of the original costs. Used rental units are generally depreciated based on the estimated life of the unit with no estimated salvage value.

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.

The Company periodically evaluates its long-lived assets, including its investments in real estate, for impairment indicators. The Company's 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 the Company to conclude that impairment indicators exist and an impairment loss is warranted.

For long-lived assets to be held and used, including the Company's investment in rental units, if an impairment indicator exists, the Company compares the expected future undiscounted cash flows for the long-lived asset against the carrying amount of that asset. If the sum of the estimated undiscounted cash flows is less than the carrying amount of the asset, the Company would record an impairment loss for the amount of

the estimated fair value in excess of the carrying amount, if any, of the asset.

Table of Contents**Equity LifeStyle Properties, Inc.****Notes to Consolidated Financial Statements****Note 1 Summary of Significant Accounting Policies (continued)**

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 made the decision to dispose of the Property, 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 the Codification Sub-Topic Impairment or Disposal of Long Lived Assets (FASB ASC 360-10-35). Accordingly, the results of operations for all assets sold or held for sale have been classified as discontinued operations in all periods presented.

(e) Identified Intangibles and Goodwill

The Company records acquired intangible assets at their estimated fair value separate and apart from goodwill. The Company amortizes identified intangible assets and liabilities that are determined to have finite lives over the period the assets and liabilities are expected to contribute directly or indirectly to the future cash flows of the property or business acquired. Intangible assets subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized if the carrying amount of an intangible asset is not recoverable and its carrying amount exceeds its estimated fair value.

The excess of the cost of an acquired entity over the net of the amounts assigned to assets acquired (including identified intangible assets) and liabilities assumed is recorded as goodwill. Goodwill is not amortized but is tested for impairment at a level of reporting referred to as a reporting unit on an annual basis, or more frequently if events or changes in circumstances indicate that the asset might be impaired.

As of September 30, 2011 and December 31, 2010, the carrying amounts of identified intangible assets and goodwill, a component of Escrow deposits and other assets on the Company's consolidated balance sheets, were approximately \$15.9 million, comprised of approximately \$8.1 million of identified intangible assets and approximately \$7.8 million of goodwill. Accumulated amortization of identified intangible assets was approximately \$3.0 million and \$1.6 million as of September 30, 2011 and December 31, 2010, respectively.

Estimated amortization of identified intangible assets for each of the next five years are as follows (amounts in thousands):

Year ending December 31,	Amount
2011	\$ 1,892
2012	\$ 1,792
2013	\$ 432
2014	\$ 349
2015	\$ 349

(f) Cash and Cash Equivalents

The Company considers all demand and money market accounts and certificates of deposit with a maturity date, when purchased, of three months or less to be cash equivalents. The cash and cash equivalents as of September 30, 2011 and December 31, 2010 include approximately \$4.1 million and \$3.0 million, respectively, of restricted cash.

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(g) Short-term Investments

The Company's short-term investments consist of U.S. Treasury Bills with maturity dates in excess of three months which are treated as held-to-maturity and are carried at the amortized cost. All U.S. Treasury Bills held as of December 31, 2010 matured and were redeemed during the nine months ended September 30, 2011.

Table of Contents**Equity LifeStyle Properties, Inc.****Notes to Consolidated Financial Statements****Note 1 Summary of Significant Accounting Policies (continued)***(h) Notes Receivable*

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

During the three months ended September 30, 2011, the Company purchased approximately 1,700 Chattel Loans that were recorded at fair value at the time of acquisition of approximately \$30.2 million under the Codification Topic Loans and Debt Securities Acquired with Deteriorated Credit Quality (FASB ASC 310-30). (See Note 13 in the Notes to Consolidated Financial Statements contained in this Form 10-Q for a detailed description of our recent acquisition.) The fair value is a preliminary estimate and may be adjusted within one-year of the Acquisition in accordance with FASB ASC 805. The fair value of these Chattel Loans includes an estimate of losses that are expected to be incurred over the estimated remaining lives of the receivables, and therefore no allowance for losses was recorded for these Chattel Loans as of the transaction date. The face value of the Chattel Loans at the time of acquisition was approximately \$82.1 million and the variance between the face amount and fair value is due to a number of factors including customer delinquency status, FICO scores, original down payment amount and below market stated interest rates. In estimating its cash flows from these Chattel Loans, the Company is currently assuming an annual default rate of 10% per annum for the first eight years of ownership and a 25% recovery rate on repossessions which results in a current estimated average interest rate on the carrying amount of approximately 17% per annum. Through September 30, 2011, the credit performance of these Chattel Loans has generally been consistent with the assumptions used in determining its initial fair value, and the Company's original expectations regarding the amounts and timing of future cash flows has not changed. The carrying amount of these Chattel Loans as of September 30, 2011 was approximately \$29.3 million. A probable decrease in management's expectation of future cash collections related to these Chattel Loans could result in the need to record an allowance for credit losses in the future. A significant and probable increase in expected cash flows would generally result in an increase in interest income recognized over the remaining life of the underlying pool of Chattel Loans. Due to the size of the Chattel Loan pool and maturity dates ranging up to 29 years, future credit losses or changes to interest income could be significant.

The Company also provides financing for nonrefundable upfront payments on entering or upgrades of right-to-use contracts (Contracts Receivable). Based upon historical collection rates and current economic trends, when an up-front payment is financed, a reserve is established for a portion of the Contracts Receivable balance estimated to be uncollectible. The reserve and the rate at which the Company provides for losses on its Contracts Receivable could be increased or decreased in the future based on its actual collection experience. (See Note 6 in the Notes to Consolidated Financial Statements contained in this Form 10-Q.)

On August 14, 2008, the Company purchased Contracts Receivable that were recorded at fair value at the time of acquisition of approximately \$19.6 million under the FASB ASC 310-30. The fair value of these Contracts Receivable included an estimate of losses that were expected to be incurred over the estimated life of the Contracts Receivable, and therefore no allowance for losses was recorded for these Contracts Receivable as of the transaction date. Through September 30, 2011, the credit performance of these Contracts Receivable has been better than the assumptions used in determining its initial fair value, and the Company has recently updated its expectations regarding the amounts and timing of future cash flows. The carrying amount of these Contracts Receivable as of September 30, 2011 and December 31, 2010 was approximately \$1.9 million and \$4.1 million, respectively. A probable decrease in management's expectation of future cash collections related to these Contracts Receivable could result in the need to record an allowance for credit losses in the future. A significant and probable increase in expected cash flows would generally result in an increase in interest income recognized over the remaining life of the underlying pool of Contracts Receivable.

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Equity LifeStyle Properties, Inc.

Notes to Consolidated Financial Statements

Note 1 Summary of Significant Accounting Policies (continued)

(i) 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. (See Note 5 in the Notes to Consolidated Financial Statements contained in this Form 10-Q.)

(j) Insurance Claims

The Properties are covered against losses caused by various events including fire, flood, property damage, earthquake, windstorm and business interruption by insurance policies containing various deductible requirements and coverage limits. Recoverable costs are classified in other assets as incurred. Insurance proceeds are applied against the asset when received. Recoverable 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 once the value of the impaired asset has been determined. Insurance proceeds relating to the capital costs are recorded as income in the period they are received.

Approximately 70 Florida Properties suffered damage from five hurricanes that struck the state during 2004 and 2005. The Company estimates its total claim to be approximately \$21.0 million and has made claims for full recovery of these amounts, subject to deductibles.

The Company has received proceeds from insurance carriers of approximately \$14.7 million through September 30, 2011 from the claims related to the 2004 and 2005 hurricanes. The proceeds were accounted for in accordance with the Codification Topic Contingencies (FASB ASC 450). During each of the nine months ended September 30, 2011 and 2010, approximately \$2.6 million and \$0.3 million, respectively, had been recognized as a gain on insurance recovery, which is net of approximately \$0.9 million and \$0.2 million, respectively, of contingent legal fees and included in income from other investments, net.

On June 22, 2007, the Company filed a lawsuit related to some of the unpaid claims against certain insurance carriers and its insurance broker. (See Note 12 in the Notes to Consolidated Financial Statements contained in this Form 10-Q for further discussion of this lawsuit.)

(k) Derivative Instruments and Hedging Activities

Codification Topic Derivatives and Hedging (FASB ASC 815), provides the disclosure requirements for derivatives and hedging activities with the intent to provide users of financial statements with an enhanced understanding of: (a) how and why an entity uses derivative instruments, (b) how the entity accounts for derivative instruments and related hedged items, and (c) how derivative instruments and related hedged items affect an entity's financial position, financial performance and cash flows. Further, qualitative disclosures are required that explain the Company's objectives and strategies for using derivatives, as well as quantitative disclosures about the fair value of and gains and losses on derivative instruments, and disclosures about credit-risk-related contingent features in derivative instruments.

As required by FASB ASC 815, the Company records all derivatives on the balance sheet at fair value. The Company's objective in utilizing interest rate derivatives is to add stability to its interest expense and to manage its exposure to interest rate movements. To accomplish this objective, the Company primarily uses interest rate swaps as part of its interest rate risk management strategy. Interest rate swaps designated as cash flow hedges involve the receipt of variable amounts from a counterparty in exchange for the Company making fixed-rate payments over the life of the agreements without exchange of the underlying notional amount.

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Equity LifeStyle Properties, Inc.

Notes to Consolidated Financial Statements

Note 1 Summary of Significant Accounting Policies (continued)

The effective portion of changes in the fair value of derivatives designated and that qualify as cash flow hedges are recorded on the Consolidated Balance Sheets in accumulated other comprehensive loss and is subsequently reclassified into earnings on the Consolidated Statements of Operations in the period that the hedged forecasted transaction affects earnings. The ineffective portion of the change in fair value of the derivative is recognized directly in earnings. (See Note 8 in the Notes to Consolidated Financial Statements contained in this Form 10-Q.)

(l) Fair Value of Financial Instruments

The Company's financial instruments include short-term investments, notes receivable, accounts receivable, accounts payable, other accrued expenses, interest rate swaps and mortgage notes payable.

Codification Topic Fair Value Measurements and Disclosures (FASB ASC 820) establishes a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The three levels are defined as follows:

Level 1 Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

At December 31, 2010, the Company's investments in U.S. Treasury Bills included in short-term investments of approximately \$52.3 million, were classified as held-to-maturity and were measured using unadjusted quoted market prices (Level 1). At September 30, 2011, the Company's cash flow hedges of interest rate risk included in accrued payroll and other operating expenses, were measured using quoted prices and observable inputs from similar assets and liabilities (Level 2). The fair values of the Company's remaining financial instruments approximate their carrying or contract values. The Company considers its own credit risk as well as the credit risk of its counterparties when evaluating the fair value of its derivatives. Any adjustments resulting from credit risk are recorded as a change in fair value of derivatives and amortization in the current period Consolidated Statements of Operations.

(m) Deferred Financing Costs, net

Deferred financing costs, net, 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, which approximates straight line. Unamortized deferred financing fees are written-off when debt is retired before the maturity date. Upon amendment of the line of credit or refinancing of mortgage debt, unamortized deferred financing fees are accounted for in accordance with, Codification Sub-Topic Modifications and Extinguishments (FASB ASC 470-50-40). Accumulated amortization for such costs was approximately \$13.8 million and \$12.6 million at September 30, 2011 and December 31, 2010, respectively.

(n) 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. The Company will reserve for receivables when it believes the ultimate collection is less than probable. The Company's provision for uncollectible rents receivable was approximately \$3.9 million and \$3.0 million as of September 30, 2011 and December 31, 2010, respectively.

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Equity LifeStyle Properties, Inc.

Notes to Consolidated Financial Statements

Note 1 Summary of Significant Accounting Policies (continued)

The Company accounts for the entry of right-to-use contracts in accordance with the Codification Topic Revenue Recognition (FASB ASC 605). A right-to-use contract gives the customer the right to a set schedule of usage at a specified group of Properties. Customers may choose to upgrade their contracts to increase their usage and the number of Properties they may access. A contract requires the customer to make annual payments during the term of the contract and may require an upfront nonrefundable payment. The stated term of a right-to-use contract is at least one year and the customer may renew his contract by continuing to make the annual payments. The Company will recognize the upfront non-refundable payments over the estimated customer life which, based on historical attrition rates, the Company has estimated to be from one to 31 years. For example, the Company has currently estimated that 7.9% of customers who enter a new right-to-use contract will terminate their contract after five years. Therefore, the upfront nonrefundable payments from 7.9% of the contracts entered in any particular period are amortized on a straight-line basis over a period of five years as five years is the estimated customer life for 7.9% of the Company's customers who enter a contract. The historical attrition rates for upgrade contracts are lower than for new contracts, and therefore, the nonrefundable upfront payments for upgrade contracts are amortized at a different rate than for new contracts. The decision to recognize this revenue in accordance with FASB ASC 605 was made after corresponding during September and October 2008 with the Office of the Chief Accountant at the SEC.

Right-to-use annual payments by customers under the terms of the right-to-use contracts are recognized ratably over a one-year period.

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.

(o) Preferred Stock

On March 4, 2011, the Company, on behalf of selling stockholders, closed on a public offering of 8,000,000 shares of 8.034% Series A Cumulative Redeemable Perpetual Preferred Stock (the Series A Preferred Stock), par value \$0.01 per share, liquidation preference of \$25.00 per share, at a price of \$24.75 per share. The selling stockholders received the Series A Preferred Stock in exchange for \$200 million of previously issued series D and series F Perpetual Preferred OP Units. The Company did not receive any proceeds from the offering. The Company has the option at anytime to redeem the Series A Preferred Stock at a redemption price of \$25.00 per share, plus accumulated and unpaid dividends.

During the quarter ended September 30, 2011, the Company issued 1,242,462 shares of Series B Subordinated Non-Voting Cumulative Preferred Stock (the Series B Preferred Stock), par value \$0.01 per share. On October 3, 2011, the Company issued 497,538 shares of Series B Preferred Stock. No additional shares of Series B Preferred Stock will be issued in connection with the Acquisition. The Series B Preferred Stock was issued to partially fund the Acquisition (as defined herein) which is discussed in detail in Note 13 in the Notes to the Consolidated Financial Statements contained in this Form 10-Q.

The Company accounts for the Preferred Stock in accordance with the Codification Topic Distinguishing Liabilities from Equity SEC Materials (FASB ASC 480-10-S99). Holders of the Series A Preferred Stock and Series B Preferred Stock have certain preference rights with respect to the common stock. Based on the Company's analysis, the Series A Preferred Stock and Series B Preferred Stock has been classified as redeemable interests outside of permanent equity in the mezzanine section as a result of certain registration requirements or other terms.

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Equity LifeStyle Properties, Inc.

Notes to Consolidated Financial Statements

Note 1 Summary of Significant Accounting Policies (continued)

(p) Recent Accounting Pronouncements

In December 2010, FASB issued Accounting Standards Update (ASU) No. 2010-29, Business Combinations (Topic 805): Disclosure of Supplementary Pro Forma Information for Business Combinations. This ASU specifies that when financial statements are presented, the revenue and earnings of the combined entity should be disclosed as though the business combination that occurred during the current year had occurred as of the beginning of the comparable prior annual reporting period only. ASU No. 2010-29 is effective for business combinations with acquisition dates on or after January 1, 2011. The adoption of this update increased the required disclosures for the Company's Notes to Consolidated Financial Statements by requiring the Company to disclose pro forma information. (See Note 13 in the Notes to Consolidated Financial Statements contained in this Form 10-Q.)

In December 2010, the FASB issued ASU No. 2010-28, Intangibles-Goodwill and Other (Topic 350): When to Perform Step 2 of the Goodwill Impairment Test for Reporting Units with Zero or Negative Carrying Amounts. This ASU requires that reporting units with zero or negative carrying amounts perform Step 2 of the goodwill impairment test if it is more likely than not that a goodwill impairment exists. ASU No. 2010-28 is effective for the Company beginning with this interim period. The adoption of this update did not have an impact on the Company's consolidated financial statements.

In May 2011, the FASB issued ASU No. 2011-04, Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs. This ASU is intended to eliminate differences between U.S. GAAP and IFRS for fair value measurement and reporting. ASU No. 2011-04 is effective for the Company beginning the first quarter of 2012. The Company has not yet determined the impact, if any, that the adoption of ASU 2011-04 will have on its consolidated financial statements and disclosures.

In June 2011, the FASB issued ASU No. 2011-05 Comprehensive Income (Topic 220): Presentation of Comprehensive Income. ASU No. 2011-05 amends current guidance found in FASB ASC 220, Comprehensive Income. ASU No. 2011-05 requires entities to present comprehensive income in either: (i) one continuous financial statement or (ii) two separate but consecutive statements that display net income and the components of other comprehensive income. Totals and individual components of both net income and other comprehensive income must be included in either presentation. ASU No. 2011-05 is effective for the Company beginning with the first quarter of 2012. The Company plans to add the additional disclosures upon adoption and do not expect those disclosures to be material.

(q) Reclassifications

Certain 2010 amounts have been reclassified to conform to the 2011 presentation. This reclassification had no material effect on the consolidated balance sheets or statements of operations of the Company.

Table of Contents**Equity LifeStyle Properties, Inc.****Notes to Consolidated Financial Statements****Note 2 Earnings Per Common Share**

Earnings per common share are based on the weighted average number of common shares outstanding during each year. Codification Topic Earnings Per Share (FASB ASC 260) 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 exclude any dilutive effects of options, warrants and convertible securities. The conversion of OP Units and the redemption of any Series B Preferred Stock have been excluded from the basic earnings per share calculation. The conversion of an OP Unit or the redemption of a share of Series B Preferred Stock for a share of common stock has no material effect on earnings per common share on a fully diluted basis.

The following table sets forth the computation of basic and diluted earnings per common share for the three and nine months ended September 30, 2011 and 2010 (amounts in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Numerators:				
Income from Continuing Operations:				
Income from continuing operations basic	\$ 1,355	\$ 17,307	\$ 38,641	\$ 49,801
Amounts allocated to dilutive securities	177	1,722	3,587	5,115
Income from continuing operations fully diluted	\$ 1,532	\$ 19,029	\$ 42,228	\$ 54,916
Income from Discontinued Operations:				
Loss from discontinued operations basic	\$	\$	\$	\$ (199)
Amounts allocated to dilutive securities				(32)
Loss from discontinued operations fully diluted	\$	\$	\$	\$ (231)
Net Income Available for Common Shares Fully Diluted:				
Net (loss) income available for Common Shares basic	\$ (2,853)	\$ 11,554	\$ 22,934	\$ 32,617
Amounts allocated to dilutive securities	177	1,722	3,587	5,083
Net (loss) income available for Common Shares fully diluted	\$ (2,676)	\$ 13,276	\$ 26,521	\$ 37,700
Denominator:				
Weighted average Common Shares outstanding basic	38,346	30,620	34,017	30,447
Effect of dilutive securities:				
Redemption of Common OP Units for Common Shares	4,286	4,640	4,311	4,792
Redemption of Series B Preferred Stock	598		202	
Employee stock options and restricted shares	372	270	328	252
Weighted average Common Shares outstanding fully diluted	43,602	35,530	38,858	35,491
Earnings per Common Share Basic:				
(Loss) income from continuing operations available for Common Shares	\$ (0.07)	\$ 0.38	\$ 0.67	\$ 1.08
Loss from discontinued operations				(0.01)

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Net (loss) income available for Common Shares	\$ (0.07)	\$ 0.38	\$ 0.67	\$ 1.07
Earnings per Common Share Fully Diluted:				
(Loss) income from continuing operations available for Common Shares	\$ (0.07)	\$ 0.37	\$ 0.67	\$ 1.07
Loss from discontinued operations				(0.01)
Net (loss) income available for Common Shares ^(a)	\$ (0.07)	\$ 0.37	\$ 0.67	\$ 1.06

- a) During the three months ended September 30, 2011, the Company reported a net loss available to common shares. As a result of the net loss, the Company's unvested restricted stock, common OP Units and Series B Preferred Stock were anti-dilutive, and therefore earnings per common share-fully diluted is computed in the same manner as earnings per common share-basic.

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Equity LifeStyle Properties, Inc.

Notes to Consolidated Financial Statements

Note 3 Common Stock and Other Equity Related Transactions

On March 4, 2011, the Company, on behalf of selling stockholders, closed on a public offering of 8,000,000 shares of Series A Preferred Stock, par value \$0.01 per share, liquidation preference of \$25.00 per share, at a price of \$24.75 per share. The selling stockholders received the Series A Preferred Stock in exchange for \$200 million of previously issued series D and series F Perpetual Preferred OP Units. Holders of the Series A Preferred Stock have preference rights with respect to liquidation and distributions over the common stock. The Company has the option at any time to redeem the Series A Preferred Stock at a redemption price of \$25.00 per share, plus accumulated and unpaid dividends. The Company did not receive any proceeds from the offering.

On June 7, 2011, the Company issued approximately 6.0 million shares of common stock in an equity offering for approximately \$344.0 million in proceeds, net of offering costs. The proceeds are being used to partially fund the Acquisition discussed in detail in Note 13 in the Notes to Consolidated Financial Statements contained in this Form 10-Q.

During the three months ended September 30, 2011, the Company issued 1,708,276 shares of common stock and 1,242,462 shares of Series B Preferred Stock. On October 3, 2011, the Company issued 497,538 shares of Series B Preferred Stock. No additional shares of Series B Preferred Stock will be issued in connection with the Acquisition. All of the shares were issued to partially fund the Acquisition which is discussed in detail in Note 13 in the Notes to the Consolidated Financial Statements contained in this Form 10-Q.

On October 14, 2011, the Company paid a \$0.375 per share distribution for the three months ended September 30, 2011 to common stockholders of record on September 30, 2011. On July 8, 2011, the Company paid a \$0.375 per share distribution for the three months ended June 30, 2011 to common stockholders of record on June 24, 2011. On April 8, 2011, the Company paid a \$0.375 per share distribution for the three months ended March 31, 2011 to common stockholders of record on March 25, 2011.

On September 30, 2011, the Company paid a \$0.502125 per share distribution on the Company's Series A Preferred Stock to Series A preferred stockholders of record on September 9, 2011. On June 30, 2011, the Company paid a \$0.502125 per share distribution on the Company's Series A Preferred Stock, to Series A preferred stockholders of record on June 10, 2011. On March 31, 2011, the Company paid a \$0.156217 per share distribution on the Company's Series A Preferred Stock, to Series A preferred stockholders of record on March 21, 2011. On March 31, 2011, the Company paid pro-rata distributions of 8.0625% per annum on the \$150 million Series D 8% Units and 7.95% per annum on the \$50 million of Series F 7.95% Units which were exchanged on March 4, 2011 for the Series A Preferred Stock.

On October 14, 2011, the Company paid a \$0.375 per share distribution on the Company's Series B Preferred Stock, to Series B preferred stockholders of record on September 30, 2011.

Note 4 Investment in Real Estate

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

All acquisitions have been accounted for utilizing the acquisition method of accounting and, accordingly, the results of operations of acquired assets are included in the statements of operations from the dates of acquisition. Certain purchase price adjustments may be made within one year following the acquisitions.

During the three months ended September 30, 2011, the Company closed on 58 of the Acquisition Properties and certain Home Related Assets (as defined herein) associated with such 58 Acquisition Properties for a stated purchase price of approximately \$1,047.0 million. The Company's gross investment in real estate increased by approximately \$1,062.0 million, or the estimated fair value of the 58 Acquisition Properties, as a result of these Acquisition Properties. The total fair value and the allocation to land and depreciable property is a preliminary estimate and may be adjusted within one-year of the Acquisition in accordance with FASB ASC 805. (See Note 13 in the Notes to Consolidated Financial Statements contained in this Form 10-Q for a detailed description of our recent Acquisition.)

Table of Contents**Equity LifeStyle Properties, Inc.****Notes to Consolidated Financial Statements****Note 4 Investment in Real Estate (continued)**

The Company actively seeks to acquire additional Properties and currently is 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 the Company's due diligence review.

As of September 30, 2011, the Company had no Properties designated as held for disposition pursuant to FASB ASC 360-10-35.

Note 5 Investment in Joint Ventures

The Company recorded approximately \$1.6 million and \$1.7 million of equity in income from unconsolidated joint ventures, net of approximately \$0.9 million of depreciation expense for each of the nine months ended September 30, 2011 and 2010. The Company received approximately \$1.6 million and \$2.6 million in distributions from such joint ventures and which were classified as a return on capital and were included in operating activities on the Consolidated Statements of Cash Flows for the nine months ended September 30, 2011 and 2010, respectively. Approximately \$0.1 million and \$0.3 million of the distributions received in the nine months ended September 30, 2011 and 2010, respectively, exceeded the Company's basis in its joint venture and as such were recorded in equity in income from unconsolidated joint ventures.

The following table summarizes the Company's investments in unconsolidated joint ventures (with the number of Properties shown parenthetically as of September 30, 2011 and December 31, 2010, respectively with dollar amounts in thousands):

Investment	Location	Number of Sites	Economic Interest (1)	Investment as of		JV Income for the	
				September 30, 2011	December 31, 2010	Nine Months Ended September 30, 2011	September 30, 2010
Meadows Investments	Various (2,2)	1,027	50%	\$ 433	\$ 276	\$ 685	\$ 823
Lakeshore Investments	Florida (2,2)	342	65%	139	115	196	174
Voyager	Arizona (1,1)	1,706	50%(2)	7,666	8,055	701	717
		3,075		\$ 8,238	\$ 8,446	\$ 1,582	\$ 1,714

(1) The percentages shown approximate the Company's economic interest as of September 30, 2011. The Company's legal ownership interest may differ.

(2) Voyager joint venture primarily consists of a 50% interest in Voyager RV Resort and a 25% interest in the utility plant servicing the Property.

Note 6 Notes Receivable

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As of September 30, 2011 and December 31, 2010, the Company had approximately \$58.1 million and \$25.7 million in notes receivable, respectively. As of September 30, 2011 and December 31, 2010, the Company had approximately \$38.1 million and \$8.9 million, respectively, in Chattel Loans receivable, require monthly principal and interest payments and are collateralized by homes at certain of the Properties. As of September 30, 2011, the Chattel Loans receivable yielded interest at a stated per annum average rate of approximately 7.8% and had an average term remaining of approximately 15 years. These notes are recorded net of allowances of approximately \$0.4 million as of both September 30, 2011 and December 31, 2010. During the nine months ended September 30, 2011 and year ended December 31, 2010, approximately \$0.2 million and \$0.8 million, respectively, was repaid and an additional \$1.3 million and \$0.4 million, respectively, was loaned to customers. During the three months ended September 30, 2011, the Company acquired approximately \$30.2 million of Chattel Loans in connection with the Acquisition. (See Note 1(h) in the Notes to Consolidated Financial Statements contained in this Form 10-Q for discussion on the Company's accounting policy with respect to these recently acquired Chattel Loans.)

As of September 30, 2011 and December 31, 2010, the Company had approximately \$16.1 million and \$16.7 million, respectively, of Contracts Receivable, including allowances of approximately \$0.9 million and \$1.4 million, respectively. These Contracts Receivable represent loans to customers who have entered right-to-use contracts. The Contracts Receivable yield interest at a stated per annum average rate of 16.1%, have a weighted average term remaining of approximately four years and require monthly payments of principal and interest. During the nine months ended September 30, 2011 and year

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Equity LifeStyle Properties, Inc.

Notes to Consolidated Financial Statements

Note 6 Notes Receivable (continued)

ended December 31, 2010, approximately \$5.6 million and \$8.6 million, respectively, was repaid and an additional \$4.7 million and \$7.9 million, respectively, was loaned to customers.

On April 6, 2011, the Company closed on a \$3.8 million note receivable with a stated interest rate of 15.0% per annum to the owner of Lakeland RV. Lakeland RV is a 700-site RV property located in Milton, Wisconsin. The note requires interest only payments of 9.0% and matures on May 1, 2016. The Company also holds a right of first refusal to match any offer received on Lakeland RV during the time the note is outstanding.

Note 7 Long-Term Borrowings

Mortgage Notes Payable

As of September 30, 2011 and December 31, 2010, the Company had outstanding mortgage indebtedness on Properties held for long term of approximately \$1,893 million and \$1,413 million, respectively. The weighted average interest rate on this mortgage indebtedness for the nine months ended September 30, 2011 was approximately 5.8% per annum. The debt bears interest at rates of 5.0% to 8.5% per annum and matures on various dates ranging from 2013 to 2021. The debt encumbered a total of 160 and 129 of the Company's Properties as of September 30, 2011 and December 31, 2010, respectively, and the carrying value of such Properties was approximately \$2,261 million and \$1,508 million, respectively, as of such dates.

During the nine months ended September 30, 2011, the Company paid off nine maturing mortgages totaling approximately \$52.5 million, with a weighted average interest rate of 7.04% per annum.

During the three months ended September 30, 2011, the Company closed on approximately \$200 million of financing on 20 manufactured home communities and three resort properties with a weighted average interest rate of 5.02% per annum, maturing in 2021. The Company also assumed approximately \$349 million of mortgage debt which includes a fair value adjustment of approximately \$21 million secured by 18 Acquisition Properties (as defined herein) with stated interest rates ranging from 4.65% to 7.31% per annum, maturing in various years ranging from 2013 to 2020. The fair value of the assumed mortgage debt is a preliminary estimate and may be adjusted within one-year of the Acquisition in accordance with FASB ASC 805.

Term Loan

On July 1, 2011, the Company closed on a \$200.0 million Term Loan that matures on June 30, 2017 and has a one-year extension option, an interest rate of LIBOR plus 1.85% to 2.80% per annum and, subject to certain conditions, may be prepaid at any time without premium or penalty after July 1, 2014. Prior to July 1, 2014, a prepayment penalty of 2% of the amount prepaid would be owed. The spread over LIBOR is variable based on leverage throughout the loan. The Term Loan contains an arrangement fee of approximately \$0.5 million, an upfront fee of approximately \$1.3 million and an annual administrative agency fee of \$20,000 as well as customary representations, warranties and negative and affirmative covenants and provides for acceleration of principal and payment of all other amounts payable thereunder upon the occurrence of certain events of default. In connection with the Term Loan, the Company also entered into a three-year LIBOR Swap Agreement (the "Swap") allowing the Company to trade its variable interest rate for a fixed interest rate on the Term Loan. The Swap fixes the underlying LIBOR rate on the Term Loan at 1.11% per annum for the first three years and based on anticipated leverage at the completion of the Acquisition, the Company's spread over LIBOR is expected to be 2.15% resulting in an initial estimated all-in interest rate of 3.26% per annum. The proceeds were used to partially fund the Acquisition discussed in detail in Note 13 in the Notes to the Consolidated Financial Statements Contained in this Form 10Q. (See Note 8 in the Notes to Consolidated Financial Statements contained in this Form 10-Q for further information on the accounting of the Swap.)

Table of Contents**Equity LifeStyle Properties, Inc.****Notes to Consolidated Financial Statements****Note 7 Long-Term Borrowings (continued)***Unsecured Line of Credit*

As of December 31, 2010, the Company's unsecured Line of Credit (LOC) had an availability of \$100 million of which no amounts were outstanding and which was scheduled to mature on June 29, 2011.

On May 19, 2011, the Company amended its LOC to increase its borrowing capacity under the LOC from \$100 million to a maximum borrowing capacity of \$380 million and to extend the maturity date to September 18, 2015. The LOC accrues interest at an annual rate equal to the applicable LIBOR rate plus 1.65% to 2.50% and contains a 0.30% to 0.40% facility fee as well as certain other customary negative and affirmative covenants. The Company has an eight-month extension option under the LOC, subject to payment by it of certain administrative fees and the satisfaction of certain other enumerated conditions. The spread over LIBOR and the facility fee pricing are variable based on leverage throughout the term of the LOC. The Company incurred commitment and arrangement fees of approximately \$3.6 million to enter into the amended LOC.

As of September 30, 2011, the Company's LOC had an availability of \$380 million of which no amounts were outstanding.

Note 8 Derivative Instruments and Hedging Activities*Cash Flow Hedges of Interest Rate Risk*

In June 2011, the Company entered into a \$200 million notional swap to hedge the variable cash flows associated with forecasted issuance of debt. (See Note 7 in the Notes to the Consolidated Financial Statements contained in this Form 10-Q for information about the Term Loan related to the \$200 million notional swap.) No gain or loss was recognized in the Consolidated Statements of Operations related to hedge ineffectiveness or to amounts excluded from effectiveness testing on the Company's cash flow hedge during the three and nine months ended September 30, 2011.

Amounts reported in accumulated other comprehensive loss on the Consolidated Balance Sheet related to derivatives will be reclassified to interest expense as interest payments are made on the Company's variable-rate debt. During the next twelve months, the Company estimates that an additional \$1.4 million will be reclassified as an increase to interest expense.

Disclosure of Fair Values of Derivative Instruments on the Balance Sheet

The table below presents the fair value of the Company's derivative financial instruments as well as their classification on the Company's Consolidated Balance Sheet as of September 30, 2011 (amounts in thousands).

As of September 30, 2011 Balance Sheet		
	Location	Fair Value
Interest Rate Swap	Accrued payroll and other operating expenses	\$ 2,893

Table of Contents**Equity LifeStyle Properties, Inc.****Notes to Consolidated Financial Statements****Note 8 Derivative Instruments and Hedging Activities (continued)***Tabular Disclosure of the Effect of Derivative Instruments on the Income Statement*

The tables below present the effect of the Company's derivative financial instruments on the Consolidated Statements of Operations for the three and nine months ended September 30, 2011.

Three Months ended September 30, 2011:

Derivatives in	Amount of loss recognized in OCI on derivative (effective portion)	Location of loss reclassified from accumulated OCI into income (effective portion)	Amount of loss reclassified from accumulated OCI into income (effective portion)	Location of loss recognized in income on derivative (ineffective portion)	Amount of loss recognized in income on derivative (ineffective portion)
Cash Flow Hedging Relationships					
Interest Rate Swap	\$ 3,030	Interest Expense	\$ 473	Other Expense	\$

Nine Months ended September 30, 2011:

Derivatives in	Amount of loss recognized in OCI on derivative (effective portion)	Location of loss reclassified from accumulated OCI into income (effective portion)	Amount of loss reclassified from accumulated OCI into income (effective portion)	Location of loss recognized in income on derivative (ineffective portion)	Amount of loss recognized in income on derivative (ineffective portion)
Cash Flow Hedging Relationships					
Interest Rate Swap	\$ 3,366	Interest Expense	\$ 473	Other Expense	\$

As of September 30, 2011, the fair value of the derivative in a net liability position, which includes accrued interest and any adjustment for nonperformance risk related to this derivative agreement was \$3.0 million. The Company determined no adjustment was necessary for nonperformance risk on its derivative obligation. As of September 30, 2011, the Company has not posted any collateral related to this agreement.

Table of Contents**Equity LifeStyle Properties, Inc.****Notes to Consolidated Financial Statements****Note 9 Deferred Revenue-entry of right-to-use contracts and Deferred Commission Expense**

Upfront payments received upon the entry of right-to-use contracts are recognized in accordance with FASB ASC 605. The Company will recognize the upfront non-refundable payments over the estimated customer life, which, based on historical attrition rates, the Company has estimated to be between one to 31 years. The commissions paid on the entry of right-to-use contracts will be deferred and amortized over the same period as the related revenue.

Components of the change in deferred revenue-entry of right-to-use contracts and deferred commission expense are as follows (amounts in thousands):

	Nine Months Ended	
	September 30,	
	2011	2010
Deferred revenue entry of right-to-use contracts, as of January 1,	\$ 44,349	\$ 29,493
Deferral of new right-to-use contracts	13,096	15,170
Deferred revenue recognized	(4,328)	(3,341)
Net increase in deferred revenue	8,768	11,829
Deferred revenue entry of right-to-use contracts, as of September 30,	\$ 53,117	\$ 41,322
Deferred commission expense, as of January 1,	\$ 14,898	\$ 9,373
Costs deferred	4,908	5,363
Commission expense recognized	(1,413)	(1,020)
Net increase in deferred commission expense	3,495	4,343
Deferred commission expense, September 30,	\$ 18,393	\$ 13,716

Note 10 Stock Option Plan and Stock Grants

The Company accounts for its stock-based compensation in accordance with the Codification Topic Compensation Stock Compensation (FASB ASC 718).

Stock-based compensation expense, reported in General and administrative on the Consolidated Statements of Operations, for the nine months ended September 30, 2011 and 2010, was approximately \$4.7 million and \$4.0 million, respectively.

Pursuant to the Stock Option Plan as discussed in Note 13 to the 2010 Form 10-K, certain officers, directors, employees and consultants have been offered the opportunity to acquire shares of common stock of the Company through stock options (Options). During the nine months ended September 30, 2011 and 2010, Options for 72,384 and 26,000 shares, respectively, of common stock were exercised for proceeds of approximately \$2.3 million and \$1.0 million, respectively.

On January 31, 2011, the Company awarded Restricted Stock Grants for 31,000 shares of common stock at a fair market value of approximately \$1.8 million to certain members of the Board of Directors for services rendered in 2010. One-third of the shares of restricted common stock covered by these awards vests on each of December 31, 2011, December 31, 2012, and December 31, 2013.

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On February 1, 2011, the Company awarded Restricted Stock Grants for 72,665 shares of common stock to certain members of senior management of the Company. These Restricted Stock Grants will vest on December 31, 2011. The fair market value of these Restricted Stock Grants was approximately \$4.2 million as of the date of grant and is recorded as a compensation expense and paid in capital over the vesting period.

On May 11, 2011, the Company awarded Restricted Stock Grants for 16,000 shares of common stock at a fair market value of approximately \$0.9 million to the Board of Directors. One-third of the shares of restricted common stock covered by these awards vests on each of November 11, 2011, May 11, 2012, and May 11, 2013.

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Equity LifeStyle Properties, Inc.

Notes to Consolidated Financial Statements

Note 11 Long-Term Cash Incentive Plan

On May 11, 2010, the Company's Board of Directors approved a Long-Term Cash Incentive Plan (the 2010 LTIP) to provide a long-term cash bonus opportunity to certain members of the Company's management. Such Board approval was upon recommendation by the Company's Compensation, Nominating and Corporate Governance Committee (the Committee).

The total cumulative payment for all participants (the Eligible Payment) is based upon certain performance conditions being met.

The Committee has responsibility for administering the 2010 LTIP and may use its reasonable discretion to adjust the performance criteria or Eligible Payments to take into account the impact of any major or unforeseen transaction or events. The 2010 LTIP includes 32 participants. The Company's executive officers are not participants in the 2010 LTIP. The Eligible Payment will be paid in cash upon completion of the Company's annual audit for the 2012 fiscal year and upon satisfaction of the vesting conditions as outlined in the 2010 LTIP and, including employer costs, is currently estimated to be approximately \$2.9 million. As of September 30, 2011 and December 31, 2010, the Company had accrued compensation expense of approximately \$1.5 million and \$0.7 million, respectively, for the 2010 LTIP including approximately \$0.8 million and \$0.7 million in the nine months ended September 30, 2011 and year ended December 31, 2010.

The Company is accounting for the LTIPs in accordance with FASB ASC 718. The amount accrued for the 2010 LTIP reflects the Committee's evaluation of the 2010 LTIP based on forecasts and other information presented to the Committee and are subject to performance in line with forecasts and final evaluation and determination by the Committee. There can be no assurances that the Company's estimates of the probable outcome will be representative of the actual outcome.

Note 12 Commitments and Contingencies

California Rent Control Litigation

City of San Rafael

The Company sued the City of San Rafael in federal court, challenging its rent control ordinance (the Ordinance) on constitutional grounds. The Company believes the litigation was settled by the City's agreement to amend the ordinance to permit adjustments to market rent upon turnover. The City subsequently rejected the settlement agreement. The Court refused to enforce the settlement agreement, and submitted to a jury the claim that it had been breached. In October 2002, a jury found no breach of the settlement agreement.

The Company's constitutional claims against the City were tried in a bench trial during April 2007. On April 17, 2009, the Court issued its Order for Entry of Judgment in the Company's favor (the April 2009 Order). On June 10, 2009, the Court ordered the City to pay the Company net fees and costs of approximately \$2.1 million. On June 30, 2009, as anticipated by the April 2009 Order, the Court entered final judgment that gradually phased out the City's site rent regulation scheme that the Court found unconstitutional. Pursuant to the final judgment, existing residents of the Company's Property in San Rafael will be able to continue to pay site rent as if the Ordinance were to remain in effect for a period of ten years, enforcement of the Ordinance was immediately enjoined with respect to new residents of the Property, and the Ordinance will expire entirely ten years from the June 30, 2009 date of judgment.

The City and residents' association (which intervened in the case) appealed, and the Company cross-appealed. The briefing schedule for the appeal has been set to conclude on December 5, 2011.

City of Santee

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 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

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annual adjustments between the invalid ordinance(s) and the prior ordinance and to adjust its base rents to reflect what the Company could have charged had the prior

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Equity LifeStyle Properties, Inc.

Notes to Consolidated Financial Statements

Note 12 Commitments and Contingencies (continued)

ordinance been continually in effect. The City of Santee appealed the judgment. The City and the tenant association also each sued the Company in separate actions alleging that the rent adjustments pursuant to the judgment violated the prior ordinance (Case Nos. GIE 020887 and GIE 020524), sought to rescind the rent adjustments, and sought refunds of amounts paid, and penalties and damages in these separate actions. As a result of further proceedings and a series of appeals and remands, the Company was required to and did release the additional rents to the tenant association's counsel for disbursement to the tenants, and the Company has ceased collecting the disputed rent amounts.

The tenant association continued to seek damages, penalties and fees in their separate action based on the same claims the City made on the tenants' behalf in the City's case. The Company moved for judgment on the pleadings in the tenant association's case on the ground that the tenant association's case is moot in light of the result in the City's case. On November 6, 2008, the Court granted the Company's motion for judgment on the pleadings without leave to amend. The tenant association appealed. In June 2010, the Court of Appeal remanded the case for further proceedings, ruling that (i) the mootness finding was not correct when entered but could be reasserted after the amounts held in escrow have been disbursed to the residents; (ii) there is no basis for the tenant association's punitive damage claim or its claim under the California Mobile Home Residency Law; and (iii) the trial court should consider certain of the tenant association's other claims. On remand, the Court has entered a schedule for the remainder of the case, including a hearing date of November 18, 2011 for the parties' cross-motions for summary judgment, and a trial call date of January 6, 2012.

In addition, the Company sued the City of Santee in federal court alleging all three of the ordinances are unconstitutional under the Fifth and Fourteenth Amendments to the United States Constitution. On October 13, 2010, the District Court: (1) dismissed the Company's claims without prejudice on the ground that they were not ripe because the Company had not filed and received from the City a final decision on a rent increase petition, and (2) found that those claims are not foreclosed by any of the state court rulings. On November 10, 2010, the Company filed a notice of appeal from the District Court's ruling dismissing the Company's claims. On April 20, 2011, the appeal was voluntarily dismissed pursuant to stipulation of the parties. In order to ripen its claims, the Company filed a rent increase petition with the City. At a hearing held on October 6, 2011, the City's Manufactured Home Fair Practices Commission voted to deny that petition, and on October 27, 2011, entered written findings denying it. The Company intends to pursue further adjudication of its rights in federal court.

Colony Park

On December 1, 2006, a group of tenants at the Company's Colony Park Property in Ceres, California filed a complaint in the California Superior Court for Stanislaus County alleging that the Company had failed to properly maintain the Property and had improperly reduced the services provided to the tenants, among other allegations. The Company answered the complaint by denying all material allegations and filed a counterclaim for declaratory relief and damages. The case proceeded in Superior Court because the Company's motion to compel arbitration was denied and the denial was upheld on appeal. Trial of the case began on July 27, 2010. After just over three months of trial in which the plaintiffs asked the jury to award a total of approximately \$6.8 million in damages, the jury rendered verdicts awarding a total of less than \$44,000 to six out of the 72 plaintiffs, and awarding nothing to the other 66 plaintiffs. The plaintiff's who were awarded nothing filed a motion for a new trial or alternatively for judgment notwithstanding the jury's verdict, which the Court denied on February 14, 2011. All but 3 of the 66 plaintiffs to whom the jury awarded nothing have appealed, and the appeal is in the briefing stage.

The Company filed a memorandum of costs that seeks a costs award of approximately \$0.2 million, and has filed a motion that seeks an attorneys' fees award of approximately \$2.1 million. Despite the jury's verdict awarding less than \$44,000 to only 6 plaintiffs, the plaintiffs have filed a memorandum of costs that seeks a costs award of approximately \$56,000, and has filed a motion that seeks an attorneys' fees award of approximately \$0.8 million. The Company has vigorously opposed any award of costs or attorneys' fees to any of the plaintiffs. Hearings on the parties' respective requests for awards of costs and attorneys' fees were held on June 9, 2011 and October 17, 2011. Those requests remain pending, and the Court has indicated it will issue a written decision ruling on those requests.

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Equity LifeStyle Properties, Inc.

Notes to Consolidated Financial Statements

Note 12 Commitments and Contingencies (continued)

California Hawaiian

On April 30, 2009, a group of tenants at the Company's California Hawaiian Property in San Jose, California filed a complaint in the California Superior Court for Santa Clara County alleging that the Company has failed to properly maintain the Property and has improperly reduced the services provided to the tenants, among other allegations. The Company moved

to compel arbitration and stay the proceedings, to dismiss the case, and to strike portions of the complaint. By order dated October 8, 2009, the Court granted the Company's motion to compel arbitration and stayed the court proceedings pending the outcome of the arbitration. The plaintiffs filed with the Court of Appeal a petition for a writ seeking to overturn the trial court's arbitration and stay orders. On May 10, 2011, the Court of Appeal granted the petition and ordered the trial court to vacate its order compelling arbitration and to restore the matter to its litigation calendar for further proceedings. On May 24, 2011, the Company filed a petition for rehearing requesting the Court of Appeal to reconsider its May 10, 2011 decision. On June 8, 2011, the Court of Appeal denied the petition for rehearing. On June 16, 2011, the Company filed with the California Supreme Court a petition for review of the Court of Appeal's decision. On August 17, 2011, the California Supreme Court denied the petition for review. The Company believes that the allegations in the complaint are without merit, and intends to vigorously defend the litigation.

Hurricane Claim Litigation

On June 22, 2007, the Company filed suit in the Circuit Court of Cook County, Illinois (Case No. 07CH16548), against its insurance carriers, Hartford Fire Insurance Company, Essex Insurance Company, Lexington Insurance Company and Westchester Surplus Lines Insurance Company, regarding a coverage dispute arising from losses suffered by the Company as a result of hurricanes that occurred in Florida in 2004 and 2005. The Company also brought claims against Aon Risk Services, Inc. of Illinois (Aon), the Company's former insurance broker, regarding the procurement of appropriate insurance coverage for the Company. The Company is seeking declaratory relief establishing the coverage obligations of its carriers, as well as a judgment for breach of contract, breach of the covenant of good faith and fair dealing, unfair settlement practices and, as to Aon, for failure to provide ordinary care in the selling and procuring of insurance. The claims involved in this action are approximately \$11 million.

In response to motions to dismiss, the trial court dismissed: (1) the requests for declaratory relief as being duplicative of the claims for breach of contract and (2) certain of the breach of contract claims as being not ripe until the limits of underlying insurance policies have been exhausted. On or about January 28, 2008, the Company filed its Second Amended Complaint (SAC), which the insurers answered. In response to the court's dismissal of the SAC's claims against Aon, the Company ultimately filed, on February 2, 2009, a new Count VIII against Aon alleging a claim for breach of contract, which Aon answered. In January 2010, the parties engaged in a settlement mediation, which did not result in a settlement. In June 2010, the Company filed motions for partial summary judgment against the insurance companies seeking a finding that our hurricane debris cleanup costs are within the extra expense coverage of our excess insurance policies. On December 13, 2010, the Court granted the motion. Discovery is proceeding with respect to various remaining issues, including the amounts of the debris cleanup costs the Company is entitled to collect pursuant to the Court's order granting the Company partial summary judgment.

The Company has entered settlements of its claims with certain of the insurers and also received additional payments from certain of the insurers since filing the lawsuit, collectively totaling approximately \$7.4 million.

California and Washington Wage Claim Class Actions

On October 16, 2008, the Company was served with a class action lawsuit in California state court filed by a single named plaintiff. The suit alleges that, at the time of the PA Transaction, the Company and other named defendants willfully failed to pay former California employees of Privileged Access and its affiliates (PA) who became employees of the Company all of the wages they earned during their employment with PA, including accrued vacation time. The suit also alleges that the Company improperly stripped those employees of their seniority. The suit asserts claims for alleged violation of the California Labor Code; alleged violation of the California Business & Professions Code and for alleged unfair

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business practices; alleged breach of contract; alleged breach of the duty of good faith and fair dealing; and for alleged unjust enrichment. The original complaint sought, among other relief, compensatory and statutory damages; restitution; pre-judgment and post-judgment interest; attorney's fees, expenses and costs; penalties; and exemplary and punitive damages.

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Equity LifeStyle Properties, Inc.

Notes to Consolidated Financial Statements

Note 12 Commitments and Contingencies (continued)

The complaint did not specify a dollar amount sought. The Court granted in part without leave to amend and in part with leave to amend the Company's motions seeking dismissal of the plaintiff's original complaint and various amended complaints. Discovery is proceeding on the remaining claims in the third amended complaint. On February 15, 2011, the Court granted plaintiff's motion for class certification. On June 22, 2011, the Court determined the content of the class notice. The Company will vigorously defend the lawsuit.

On December 16, 2008, the Company was served with a class action lawsuit in Washington state court filed by a single named plaintiff, represented by the same counsel as the plaintiff in the California class action. The complaint asserts on behalf of a putative class of Washington employees of PA who became employees of the Company substantially similar allegations as are alleged in the California class action. The Company moved to dismiss the complaint. On April 3, 2009, the court dismissed: (1) the first cause of action, which alleged a claim under the Washington Labor Code for failure to pay accrued vacation time; (2) the second cause of action, which alleged a claim under the Washington Labor Code for unpaid wages on termination; (3) the third cause of action, which alleged a claim under the Washington Labor Code for payment of wages less than entitled; and (4) the fourth cause of action, which alleged a claim under the Washington Consumer Protection Act. The court did not dismiss the fifth cause of action for breach of contract, the sixth cause of action for breach of the duty of good faith and fair dealing; or the seventh cause of action for unjust enrichment. On May 22, 2009, the Company filed a motion for summary judgment on the causes of action not previously dismissed, which was denied. With leave of court, the plaintiff filed an amended complaint, the material allegations of which the Company denied in an answer filed on September 11, 2009. On July 30, 2010, the named plaintiff died as a result of an unrelated accident. Plaintiff's counsel may attempt to substitute a new named plaintiff. The Company will vigorously defend the lawsuit.

Membership Class Action

On July 29, 2011, the Company was served with a class action lawsuit in California state court filed by a two named plaintiffs, who are husband and wife. Among other allegations, the suit alleges that the plaintiffs purchased a membership in the Company's Thousand Trails network of campgrounds and paid annual dues; that they were unable to make a reservation to utilize one of the campgrounds because, they were told, their membership did not permit them to utilize that particular campground; that the Company failed to comply with the written disclosure requirements of various states' membership camping statutes; that the Company misrepresented that it provides a money back guaranty; and that the Company misrepresented that the campgrounds or portions of the campgrounds would be limited to use by members.

Allegedly on behalf of between 100,000 and 200,000 putative class members, the suit asserts claims for alleged violation of: (1) the California Civil Code §§ 1812.300, et seq.; (2) the Arizona Revised Statutes §§ 32-2198, et seq.; (3) Chapter 222 of the Texas Property Code; (4) Florida Code §§ 509.001, et seq.; (5) Chapter 119B of the Nevada Administrative Code; (6) Business & Professions Code §§ 17200, et seq., (7) Business & Professions Code §§ 17500; (8) Fraud - Intentional Misrepresentation and False Promise; (9) Fraud - Omission; (10) Negligent Misrepresentation; and (11) Unjust Enrichment. The complaint seeks, among other relief, rescission of the membership agreements and refund of the member dues of plaintiffs and all others who purchased a membership from or paid membership dues to the Company since July 21, 2007; general and special compensatory damages; reasonable attorneys' fees, costs and expenses of suit; punitive and exemplary damages; a permanent injunction against the complained of conduct; and pre-judgment interest.

On August 19, 2011, the Company filed an answer generally denying the allegations of the complaint, and asserting affirmative defenses. On August 23, 2011, the Company removed the case from the California state court to the federal district court in San Jose. The Company will vigorously defend the lawsuit.

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Equity LifeStyle Properties, Inc.

Notes to Consolidated Financial Statements

Note 12 Commitments and Contingencies (continued)

Other

The Company is involved in various other legal and regulatory proceedings arising in the ordinary course of business. Such proceedings include, but are not limited to, notices, consent decrees information requests, and, additional permit requirements and other similar enforcement actions by governmental agencies relating to the Company's water and wastewater treatment plants and other waste treatment facilities. 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.

Note 13 Acquisitions

On May 31, 2011, the Company's operating partnership entered into purchase and other agreements (the Purchase Agreements) to acquire a portfolio of 75 manufactured home communities and one RV resort (the Acquisition Properties) containing 31,167 sites on approximately 6,500 acres located in 16 states (primarily located in Florida and the northeastern region of the United States) and certain manufactured homes and loans secured by manufactured homes located at the Acquisition Properties which the Company refers to as the Home Related Assets and collectively with the Acquisition Properties, as the Acquisition Portfolio, for a stated purchase price of \$1.43 billion (the Acquisition). Closing costs associated with the Acquisition of approximately \$17.3 million were incurred during the nine months ended September 30, 2011.

During the three months ended September 30, 2011, the Company closed on 58 of the Acquisition Properties and certain Home Related Assets associated with such 58 Acquisition Properties for a stated purchase price of approximately \$1,047 million. The Company funded the purchase price of this closing with (i) the issuance of 1,708,276 shares of its common stock, to the seller with an aggregate stated value of approximately \$99 million, (ii) the issuance of 1,242,462 shares of Series B Preferred Stock to the seller with an aggregate stated value of approximately \$72 million, (iii) the assumption of approximately \$328 million of mortgage debt secured by 18 Acquisition Properties, (iv) approximately \$200 million of cash from the Term Loan the Company closed on July 1, 2011 and (v) approximately \$348 million in cash primarily from the net proceeds of the June 2011 common stock offering.

During October 2011, the Company closed on 10 of the remaining Acquisition Properties. (See Note 14 in the Notes to the Consolidated Financial Statements contained in this Form 10-Q for details regarding these closings.) The Company expects to close on seven of the remaining Acquisition Properties on or before November 30, 2011. The terms of the Purchase Agreement provided for a July 1, 2011 closing with respect to the Clinton Acquisition Property and as a result of underwriting issues related to the property, the Company and seller agreed that the Company's acquisition of the Clinton property would be deemed terminated, but also agreed that the Company may reinstate the acquisition of the Clinton property at any time on or prior to December 31, 2011. The Company is continuing to perform due diligence on the Clinton property and therefore, the Company is unable to provide a current estimate of a closing date for the Clinton property.

Table of Contents**Equity LifeStyle Properties, Inc.****Notes to Consolidated Financial Statements****Note 13 Acquisitions (continued)**

The Company is in the process of allocating the purchase price and has engaged a third-party to assist with its allocation for the Acquisition. The following table summarizes the preliminary estimated fair value of the assets acquired and liabilities assumed in the Acquisition, which we determined using level two and level three inputs (amounts in thousands). The fair value is a preliminary estimate and may be adjusted within one-year of the Acquisition in accordance with FASB ASC 805. The table includes the Company's estimated fair value for the entire Acquisition, which is not currently complete and is not limited to the portion of the Acquisition completed during the three months ended September 30, 2011.

Assets	
Land	\$ 478,000
Manufactured homes	26,000
In-place leases	75,000
Depreciable property	873,000
Net investment in real estate	1,452,000
Notes receivable, net	42,000
Other assets	9,000
Total Assets	\$ 1,503,000
Liabilities	
Mortgage notes payable	\$ 549,000
Accrued payroll and other operating expenses	2,000
Rents and other customer payments received in advance and security deposits	5,000
Total Liabilities	\$ 556,000

The following unaudited pro forma results of operations assumes that the Acquisition and related debt and equity issuances had occurred on January 1, 2010. The unaudited pro forma results of operations is based upon historical financial statements. The unaudited pro forma results do not purport to represent what the actual results of operations of the Company would have been, nor do they purport to predict the results of operations of future periods.

Unaudited Pro Forma Results of Operations⁽¹⁾

(amounts in thousands, except per share data)

	Three Months Ended		Nine Months Ended	
	September 30, 2011	September 30, 2010	September 30, 2011	September 30, 2010
Total revenues	\$ 177,413	\$173,569	\$ 517,024	\$ 508,377
Net income available for Common Shares	\$ 22,742	\$(3,889)	\$ 65,528	\$ (14,197)
Earnings per Common Share Basic	\$ 0.59	\$(0.10)	\$ 1.86	\$ (0.37)
	\$ 0.56	\$(0.10)	\$ 1.80	\$ (0.37)

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Earnings per Common Share Fully
Diluted⁽²⁾

1. The following expenses, except for f. below, are not reflected in the Unaudited Pro Forma Results of Operations as they are either short-term in nature or are not reflective of the historical results of the Company or the seller:
 - a. For the Acquisition Properties the Company has closed on, the Company entered into a property management agreement with the seller for a fee of four percent of property revenues beginning on July 1, 2011 and ending on September 30, 2011.
 - b. The Company entered into a loan servicing agreement, effective July 1, 2011, with respect to the Chattel Loans the Company is acquiring in the Acquisition. The loan servicing fee was \$55,000 per month and expired on September 30, 2011.
 - c. The Company has estimated that its annual incremental property management expenses associated with the Acquisition are approximately \$5.5 million.
 - d. The Company has estimated that its annual incremental general and administrative expenses associated with the Acquisition, including Chattel Loan servicing, are approximately \$1.6 million.
 - e. Transaction costs related to the Acquisition are not expected to have a continuing impact and therefore have been excluded from these pro forma results.
 - f. For the three and nine months ended September 30, 2010, the Company has estimated the amortization expense of an intangible asset for in-place leases to be approximately \$19.0 million and \$57.0 million, respectively. The estimate useful life for acquired in-place leases is one year.
2. For the three and nine months ended September 30, 2010, both the Company's weighted average approximately 4.9 million common OP Units (which were dilutive to the Company's historical operations) and the issuance of 1,740,000 shares of Series B Preferred Stock were anti-dilutive, and therefore both were excluded from the computation of the Pro Forma Earnings per Common Share Fully Diluted.

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Equity LifeStyle Properties, Inc.
Notes to Consolidated Financial Statements

Note 14 Subsequent Events

During October 2011, the Company closed on 10 of the Acquisition Properties and certain Home Related Assets associated with such 10 Acquisition Properties for a stated purchase price of approximately \$267 million. The Company funded the purchase price of these closings with (i) the issuance of 497,538 shares of Series B Preferred Stock to the seller with an aggregate stated value of approximately \$29 million, (ii) the assumption of approximately \$132 million of mortgage debt secured by the 10 Acquisition Properties and (iii) approximately \$106 million in cash. The cash was primarily obtained from the \$200 million of financings originated during the three months ended September 30, 2011 (See Note 8 in the Notes to the Consolidated Financial Statements contained in this Form 10-Q for details regarding these financings).

On October 24, 2011, the Company, on behalf of a selling stockholder, closed on a public offering of 3,162,069 shares of common stock. The 3,162,069 shares of common stock sold included 1,453,793 shares of common stock issued by the Company upon redemption of 1,453,793 shares of Series B Preferred Stock, par value \$0.01 per share. The Company did not receive any proceeds from the offering.

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Overview

The Company is a self-administered, self-managed, real estate investment trust (REIT) with headquarters in Chicago, Illinois. The Company is a fully integrated owner and operator of lifestyle-oriented properties (Properties). The Company leases individual developed areas (sites) with access to utilities for placement of factory built homes, cottages, cabins or recreational vehicles (RVs). Customers may lease individual sites or purchase right-to-use contracts providing the customer access to specific Properties for limited stays. 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 September 30, 2011, the Company owned or had an ownership interest in a portfolio of 365 Properties located throughout the United States and Canada containing 134,005 residential sites. These Properties are located in 32 states and British Columbia, with the number of Properties in each state or province shown parenthetically, as follows: Florida (111), California (48), Arizona (41), Michigan (15), Texas (15), Washington (15), Pennsylvania (13), Colorado (10), Oregon (9), North Carolina (8), Delaware (7), Nevada (7), Virginia (7), New York (6), Indiana (5), Maine (5), Massachusetts (5), Wisconsin (5), Illinois (4), Minnesota (4), New Jersey (4), South Carolina (3), Utah (3), Idaho (2), New Hampshire (2), North Dakota (2), Ohio (2), Tennessee (2), Alabama (1), Connecticut (1), Kentucky (1) Maryland (1) and British Columbia (1).

This report includes certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. When used, words such as anticipate, expect, believe, project, intend, may be and will be and similar words or phrases, or the negative thereof, unless context requires otherwise, are intended to identify forward-looking statements and may include, without limitation, information regarding the Company's expectations, goals or intentions regarding the future, statements regarding the anticipated closings of the remainder of the pending Acquisition and the expected effect of the Acquisition on the Company. These forward-looking statements are subject to numerous assumptions, risks and uncertainties, including, but not limited to:

the Company's ability to control costs, real estate market conditions, the actual rate of decline in customers, the actual use of sites by customers and its success in acquiring new customers at its Properties (including those that it may acquire);

the Company's ability to maintain historical rental rates and occupancy with respect to Properties currently owned or that the Company may acquire;

the Company's assumptions about rental and home sales markets;

in the age-qualified Properties, home sales results could be impacted by the ability of potential homebuyers to sell their existing residences as well as by financial, credit and capital markets volatility;

results from home sales and occupancy will continue to be impacted by local economic conditions, lack of affordable manufactured home financing and competition from alternative housing options including site-built single-family housing;

impact of government intervention to stabilize site-built single family housing and not manufactured housing;

the completion of the remainder of the Acquisition and future acquisitions, if any, and timing and effective integration with respect thereto and the Company's estimates regarding the future performance of the Acquisition Properties;

unanticipated costs or unforeseen liabilities associated with the Acquisition;

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ability to obtain financing or refinance existing debt on favorable terms or at all;

the effect of interest rates;

the dilutive effects of issuing additional securities;

the effect of accounting for the entry of contracts with customers representing a right-to-use the Properties under the Codification Topic *Revenue Recognition*; and

other risks indicated from time to time in the Company's filings with the Securities and Exchange Commission.

These forward-looking statements are based on management's present expectations and beliefs about future events. As with any projection or forecast, these statements are inherently susceptible to uncertainty and changes in circumstances. The Company is under no obligation to, and expressly disclaims any obligation to, update or alter its forward-looking statements whether as a result of such changes, new information, subsequent events or otherwise.

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The following chart lists the Properties acquired, invested in, or sold since January 1, 2010 through September 30, 2011.

Property	Transaction Date	Sites
Total Sites as of January 1, 2010		110,575
Property or Portfolio (# of Properties in parentheses):		
Acquisitions:		
Desert Vista (1)	April 21, 2010	125
St. George (1)	April 21, 2010	123
Tall Chief (1)	April 21, 2010	180
Valley Vista (1)	April 21, 2010	145
Acquisition Properties (35)	July 1, 2011	12,057
Acquisition Properties (16)	August 1, 2011	7,826
Acquisition Properties (7)	September 1, 2011	3,114
Expansion Site Development and other:		
Sites added (reconfigured) in 2010		19
Sites added (reconfigured) in 2011		6
Dispositions:		
Creekside (1)	January 10, 2010	(165)
Total Sites as of September 30, 2011		134,005

Since January 1, 2010, the gross investment in real estate has increased from \$2,538 million to \$3,685 million as of September 30, 2011.

Table of Contents**Outlook**

Occupancy in the Company's Properties as well as its ability to increase rental rates directly affects revenues. The Company's revenue streams are predominantly derived from customers renting its sites on a long-term basis. Revenues are subject to seasonal fluctuations and as such quarterly interim results may not be indicative of full fiscal year results.

The Company has approximately 88,000 annual sites, approximately 8,900 seasonal sites, which are leased to customers generally for three to six months, and approximately 9,700 transient sites, occupied by customers who lease sites on a short-term basis. The revenue from seasonal and transient sites is generally higher during the first and third quarters. The Company expects to service over 100,000 customers at its transient sites and the Company considers this revenue stream to be its most volatile. It is subject to weather conditions, gas prices, and other factors affecting the marginal RV customer's vacation and travel preferences. Finally, the Company has approximately 24,300 sites designated as right-to-use sites which are primarily utilized to service the approximately 106,000 customers who have entered into right-to-use contracts. The Company also has interests in Properties containing approximately 3,100 sites for which revenue is classified as Equity in income from unconsolidated joint ventures in the Consolidated Statements of Operations.

	Total Sites as of September 30, 2011 (rounded to 000's)
Community sites	67,200
Resort sites:	
Annual	20,800
Seasonal	8,900
Transient	9,700
Right-to-use ⁽¹⁾	24,300
Joint Ventures ⁽²⁾	3,100
	134,000

(1) Includes approximately 3,300 sites rented on an annual basis.

(2) Joint venture income is included in Equity in income of unconsolidated joint ventures.

A significant portion of the Company's rental agreements on community sites are directly or indirectly tied to published CPI statistics that are issued from June through September each year. The Company currently expects its 2012 Core community base rental income to increase approximately 2.3% as compared to 2011.

The Company believes that the disruption in the site-built housing market is contributing to the low new home sales volumes it is experiencing as potential customers are not able to sell their existing site-built homes. Customers have also become more price sensitive which is reflected in an increase in used home sale volumes.

In this environment, the Company believes that customer demand for rentals, which do not require a down payment, is high. The Company is adapting to this by renting its vacant new homes. This may represent an attractive source of occupancy if the Company can convert renters to new homebuyers in the future. The Company is also focusing on smaller, more energy efficient and more affordable homes in its manufactured home Properties.

The Company's manufactured home rental operations have been increasing since 2007. As of September 30, 2011, occupied manufactured home rentals increased to 3,956 or 336.2%, from 907 for the year ended December 31, 2007. Net operating income from rental operations increased to approximately \$14.5 million for the year ended December 31, 2010 from approximately \$5.9 million for the year ended December 31, 2007. The Company believes that, unlike the home sales business, at this time it competes effectively with other types of rentals (i.e. apartments). To address the capital requirements of the home rental operations, the Company is in discussions with capital providers and manufacturers on rental home ownership structures that would attract capital.

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In the Company's resort Properties, the Company continues to work on extending customer stays. The Company has had success lengthening customer stays.

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In the spring of 2010, the Company introduced low-cost membership products that focus on the installed base of almost eight million RV owners. Such products may include right-to-use contracts that entitle the purchaser to use certain properties. The new products, called a Zone Park Pass (ZPP), can include one to four zones of the United States and require annual payments of \$499. This replaces high cost products that were typically entered into at Properties after tours and lengthy sales presentations.

A single zone ZPP requires no upfront payment while ZPPs including additional zones require modest upfront payments. The Company entered into approximately 6,300 ZPP s during the nine months ended September 30, 2011. The ZPPs are contributing to a reduction in the net attrition of the customers who enter right-to-use contracts.

The Company also offers upgrades to existing holders of right-to-use contracts. The upgrade contracts are currently distinguishable from new contracts or ZPPs that a customer would enter into by (1) increased length of consecutive stay by 50% (i.e. up to 21 days); (2) ability to make earlier advance reservations; (3) discounts on rental units and (4) access to additional Properties, which may include discounts at non-membership RV Properties. Each upgrade contract requires a nonrefundable upfront payment, which may be financed by the Company.

2011 Acquisition Disclosure

On May 31, 2011, the Company s operating partnership entered into purchase and other agreements (the Purchase Agreements) to acquire a portfolio of 75 manufactured home communities and one RV resort (the Acquisition Properties) containing 31,167 sites on approximately 6,500 acres located in 16 states (primarily located in Florida and the northeastern region of the United States) and certain manufactured homes and loans secured by manufactured homes located at the Acquisition Properties which the Company refers to as the Home Related Assets and collectively with the Acquisition Properties, as the Acquisition Portfolio, for a stated purchase price of \$1.43 billion (the Acquisition). Total closing costs associated with the Acquisition are expected to be approximately \$22 million of which approximately \$17.3 million were incurred during the nine months ended September 30, 2011.

The purchase price of the Acquisition will be funded through:

the net proceeds of approximately \$344.0 million from the Company s June 2011 public offering of 6,037,500 shares of common stock;

the assumption by the Company of fixed-rate, non-recourse mortgage indebtedness secured by 34 of the Acquisition Properties which is subject to lender approval of which approximately \$460.0 million was assumed between August 1 and October 31, 2011 and approximately \$55.0 million is expected to be assumed during November 2011;

the Company s issuance to the seller of: (i) 1,708,276 shares of the Company s common stock, and (ii) 1,740,000 shares of Series B Subordinated Non-Voting Cumulative Preferred Stock par value \$0.01 per share (the Series B Preferred Stock) which in the Purchase Agreements have a stipulated aggregate value of \$200.0 million;

\$200.0 million of mortgage notes payable through two 10-year secured financings the Company entered into during the three months ended September 30, 2011 with a weighted average interest rate of approximately 5.02% per annum (see Note 7 in the Notes to the Consolidated Financial Statements contained in this Form 10-Q for a description of the notes.); and

a \$200.0 million senior unsecured term loan (the Term Loan) entered into on July 1, 2011 that matures on June 30, 2017 and has a one-year extension option, an interest rate of LIBOR plus 1.85% to 2.80% per annum and, subject to certain conditions, may be prepaid at any time without premium or penalty after July 1, 2014 (see Note 7 in the Notes to the Consolidated Financial Statements contained in this Form 10-Q for a description of the Term Loan.)

After completing the Acquisition in its entirety the Company expects to own 383 Properties containing approximately 142,200 sites as compared to 307 Properties containing approximately 111,000 sites on December 31, 2010. As of November 4, 2011, the Company has closed on a total of 68 Acquisition Properties containing 27,907 sites located in 16 states for a stated purchase price of approximately \$1,314 million. The purchase price in connection with the closing of the 68 Acquisition Properties was funded with: (i) the issuance of 1,708,276 shares of the Company s

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common stock to the seller with an aggregate stated value of \$99 million, (ii) the issuance of 1,740,000 shares of Series B Preferred Stock to the seller with an aggregate stated value of \$101 million, (iii) the assumption of approximately \$460 million of mortgage debt secured by xx Acquisition Properties, (iv) approximately \$200 million of proceeds from the July 1, 2011 Term Loan closing, (v) approximately \$100 million of proceeds from the August 9, 2011 closing of a mortgage note payable,

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(vi) approximately \$100 million from the September 15, 2011 closing of a mortgage note payable and (vii) approximately \$254 million in cash primarily from the proceeds of our June 2011 common stock offering. The Company's acquisition of seven of the remaining Acquisition Properties is expected to occur on or before November 30, 2011 and assumption of the indebtedness thereon is subject to receipt of loan servicer consents. The terms of the Purchase Agreement provided for a July 1, 2011 closing for the Clinton Acquisition Property and as a result of underwriting issues related to the property, the Company and seller agreed that the Company's acquisition of the Clinton property would be deemed terminated, but also agreed that the Company may reinstate the acquisition of the Clinton property at any time on or prior to December 31, 2011. The Company is continuing to perform due diligence on the Clinton property and therefore, the Company is unable to provide a current estimate of a closing date for the Clinton property. The Acquisition is also subject to other customary closing conditions. Accordingly, no assurances can be given that the remainder of the Acquisition will be completed in its entirety in accordance with the anticipated timing or at all. (See Note 13 in the Notes to the Consolidated Financial Statements contained in this Form 10-Q.)

Critical Accounting Policies and Estimates

Refer to the 2010 Form 10-K for a discussion of the Company's critical accounting policies, which includes impairment of real estate assets and investments, investments in unconsolidated joint ventures, and accounting for stock compensation. With the exception of the following, there have been no changes to these policies during the nine months September 30, 2011.

Preferred Stock

On March 4, 2011, the Company, on behalf of selling stockholders, closed on a public offering of 8,000,000 shares of 8.034% Series A Cumulative Redeemable Perpetual Preferred Stock (the Series A Preferred Stock), par value \$0.01 per share, liquidation preference of \$25.00 per share, at a price of \$24.75 per share. The selling stockholders received the Series A Preferred Stock in exchange for \$200 million of previously issued series D and series F Perpetual Preferred OP Units. The Company did not receive any proceeds from the offering. The Company has the option at anytime to redeem the Series A Preferred Stock at a redemption price of \$25.00 per share plus accumulated and unpaid dividends.

During the three months ended September 30, 2011, the Company issued 1,242,462 shares of Series B Subordinated Non-Voting Cumulative Preferred Stock (the Series B Preferred Stock), par value \$0.01 per share. On October 3, 2011, the Company issued 497,538 shares of Series B Preferred Stock. No additional shares of Series B Preferred Stock will be issued in connection with the Acquisition. The Series B Preferred Stock was issued to partially fund the Acquisition which is discussed in detail in Note 13 in the Notes to the Consolidated Financial Statements contained in this Form 10-Q.

The Company accounts for the Preferred Stock in accordance with the Codification Topic Distinguishing Liabilities from Equity SEC Materials (FASB ASC 480-10-S99). Holders of the Series A Preferred Stock and Series B Preferred Stock have certain preference rights with respect to the common stock. Based on the Company's analysis, the Series A Preferred Stock and Series B Preferred Stock has been classified as redeemable interests outside of permanent equity in the mezzanine section as a result of certain registration requirements or other terms.

Derivative Instruments and Hedging Activities

Codification Topic Derivatives and Hedging (FASB ASC 815), provides the disclosure requirements for derivatives and hedging activities with the intent to provide users of financial statements with an enhanced understanding of: (a) how and why an entity uses derivative instruments, (b) how the entity accounts for derivative instruments and related hedged items, and (c) how derivative instruments and related hedged items affect an entity's financial position, financial performance and cash flows. Further, qualitative disclosures are required that explain the Company's objectives and strategies for using derivatives, as well as quantitative disclosures about the fair value of and gains and losses on derivative instruments, and disclosures about credit-risk-related contingent features in derivative instruments.

As required by FASB ASC 815, the Company records all derivatives on the Consolidated Balance Sheets at fair value. The Company's objective in utilizing interest rate derivatives is to add stability to its interest expense and to manage its exposure to interest rate movements. To accomplish this objective, the Company primarily uses interest rate swaps as part of its interest rate risk management strategy. Interest rate swaps designated as cash flow hedges involve the receipt of variable amounts from a counterparty in exchange for the Company making fixed-rate payments over the life of the agreements without exchange of the underlying notional amount.

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The effective portion of changes in the fair value of derivatives designated and that qualify as cash flow hedges are recorded on the Consolidated Balance Sheets in accumulated other comprehensive loss and is subsequently reclassified into earnings on the Consolidated Statements of Operations in the period that the hedged transaction affects earnings. The ineffective portion of the change in fair value of the derivative is recognized directly in earnings. (See Note 8 in the Notes to Consolidated Financial Statements contained in this Form 10-Q.)

Notes Receivable

The Company accounts for purchases of Chattel Loans and Contracts Receivable under the Codification Topic Loans and Debt Securities Acquired with Deteriorated Credit Quality (FASB ASC 310-30). The fair value of these Chattel Loans and Contracts Receivable includes an estimate of losses that are expected to be incurred over the estimated remaining lives of the receivables, and therefore no allowance for losses is recorded as of the transaction date. A probable decrease in management's expectation of future cash collections related to these purchased receivables could result in the need to record an allowance for credit losses in the future. A significant and probable increase in expected cash flows would generally result in an increase in interest income recognized over the remaining life of the underlying pool of purchased receivables. Due to the size of the recently purchased Chattel Loan pool and maturity dates ranging up to 29 years, future credit losses or changes to interest income could be significant. (See Notes 1(h) and 6 in the Notes to Consolidated Financial Statements contained in this Form 10-Q.)

Results of Operations

The results of operations for the one Property sold during 2010 have been classified as income from discontinued operations, pursuant to FASB ASC 360-10-35.

Table of Contents**Comparison of the Three Months Ended September 30, 2011 to the Three Months Ended September 30, 2010*****Income from Property Operations***

The following table summarizes certain financial and statistical data for the Property Operations for all Properties owned and operated for the same period in both years (Core Portfolio) and the Total Portfolio for the three months ended September 30, 2011 and 2010 (amounts in thousands). The Core Portfolio may change from time-to-time depending on acquisitions, dispositions and significant transactions or unique situations. The Core Portfolio in this Form 10-Q includes all Properties acquired prior to December 31, 2009 and which have been owned and operated by the Company continuously since January 1, 2010. Core growth percentages exclude the impact of GAAP deferrals of up-front payments from right-to-use contracts entered and related commissions.

	Core Portfolio				Total Portfolio			
	2011	2010	Increase/ (Decrease)	% Change	2011	2010	Increase/ (Decrease)	% Change
Community base rental income	\$ 66,825	\$ 65,031	\$ 1,794	2.8%	\$ 87,149	\$ 65,043	\$ 22,106	34.0%
Resort base rental income	35,991	35,838	153	0.4%	36,139	35,991	148	0.4%
Right-to-use annual payments	12,444	12,554	(110)	(0.9%)	12,444	12,554	(110)	(0.9%)
Right-to-use contracts current period, gross	4,386	4,552	(166)	(3.6%)	4,386	4,552	(166)	(3.6%)
Utility and other income	12,745	12,465	280	2.2%	14,498	12,490	2,008	16.1%
Property operating revenues, excluding deferrals .	132,391	130,440	1,951	1.5%	154,616	130,630	23,986	18.4%
Property operating and maintenance	50,660	51,262	(602)	(1.2%)	56,451	51,495	4,956	9.6%
Real estate taxes	8,215	7,912	303	3.8%	10,304	7,938	2,366	29.8%
Sales and marketing, gross	2,948	3,052	(104)	(3.4%)	2,950	3,052	(102)	(3.3%)
Property operating expenses, excluding deferrals and Property management	61,823	62,226	(403)	(0.6%)	69,705	62,485	7,220	11.6%
Income from property operations, excluding deferrals and Property management	70,568	68,214	2,354	3.5%	84,911	68,145	16,766	24.6%
Property management	8,309	8,406	(97)	(1.2%)	9,201	8,373	828	9.9%
Income from property operations, excluding deferrals	\$ 62,259	\$ 59,808	\$ 2,451	4.1%	\$ 75,710	\$ 59,772	\$ 15,938	26.7%

The 1.5% increase in the Core Portfolio property operating revenues includes the following changes (i) a 2.1% increase in rates in community base rental income and a 0.7% increase in occupancy, (ii) a 0.4% increase in revenues in core resort base income, as described in table below, and (iii) a decrease of 3.6% in right-to-use contracts.

Resort base rental income is comprised of the following (amounts in thousands):

	Core Portfolio				Total Portfolio			
	2011	2010	Increase/ (Decrease)	% Change	2011	2010	Increase/ (Decrease)	% Change
Annual	\$ 21,023	\$ 20,176	\$ 847	4.2%	\$ 21,040	\$ 20,176	\$ 864	4.3%

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Seasonal	2,434	2,351	83	3.5%	2,495	2,359	136	5.8%
Transient	12,534	13,311	(777)	(5.8%)	12,604	13,456	(852)	(6.3%)
Resort base rental income .	\$ 35,991	\$ 35,838	\$ 153	0.4%	\$ 36,139	\$ 35,991	\$ 148	0.4%

The 0.6% decrease in property operating expenses in the Core Portfolio, excluding property management, reflects (i) a 1.2% decrease in property operating and maintenance expenses (ii) a 3.8% increase in property taxes and (iii) a 3.4% decrease in sales and marketing expenses. Total Portfolio property management expenses increased primarily due to costs paid to the seller of the Acquisition Properties to manage the Acquisition Properties acquired during the three months ended September 30, 2011.

The increase in Total Portfolio income from property operations is primarily due to the acquisition of 58 Acquisition Properties during the three months ended September 30, 2011 (See Note 13 in the Notes to the Consolidated Financial Statements contained in this Form 10-Q for details regarding these closings.)

A number of the Company's locations on the east coast of the United States were closed during the weekend of August 27 due to power outages and other weather related issues caused by Hurricane Irene and a few properties remained closed over the Labor Day holiday weekend. As a result of Hurricane Irene, the Company's income from Core property operations was approximately \$0.6 million less than expected due to the costs associated with the clean-up of flood damage and other items such as wind blown debris, falling trees and tree branches as well as reduced transient RV income due to property closures.

Table of Contents**Home Sales Operations**

The following table summarizes certain financial and statistical data for the Home Sales Operations for the three months ended September 30, 2011 and 2010 (amounts in thousands, except home sales volumes).

	2011	2010	Variance	% Change
Gross revenues from new home sales	\$ 517	\$ 1,030	\$ (513)	(49.8%)
Cost of new home sales	(450)	(989)	539	(54.5%)
Gross profit from new home sales	67	41	26	63.4%
Gross revenues from used home sales	1,119	735	384	52.2%
Cost of used home sales	(1,102)	(442)	(660)	149.3%
Gross profit from used home sales	17	293	(276)	(94.2%)
Brokered resale revenues, net	141	237	(96)	(40.5%)
Home selling expenses	(356)	(456)	100	(21.9%)
Ancillary services revenues, net	1,134	1,262	(128)	(10.1%)
Income from home sales operations and other	\$ 1,003	\$ 1,377	\$ (374)	(27.2%)
Home sales volumes				
New home sales ⁽¹⁾	13	22	(9)	(40.9%)
Used home sales ⁽²⁾	240	209	31	14.8%
Brokered home resales	177	147	30	20.4%

(1) Includes three and four third party home sales during each of the three months ending September 30, 2011 and 2010, respectively.

(2) Includes eight third party home sales during the three months ending September 30, 2010.

Rental Operations

The following table summarizes certain financial and statistical data for manufactured home Rental Operations for the three months ended September 30, 2011 and 2010 (amounts in thousands, except rental unit volumes). Except as otherwise noted, the amounts below are included in Ancillary services revenue, net in the Home Sales Operations table in previous section.

	2011	2010	Variance	% Change
Manufactured homes:				
New Home	\$ 3,293	\$ 2,123	\$ 1,170	55.1%
Used Home	5,192	3,026	2,166	71.6%
Rental operations revenue ⁽¹⁾	8,485	5,149	3,336	64.8%
Rental operations expense	(1,417)	(608)	(809)	133.1%
Depreciation	(1,236)	(732)	(504)	68.9%
Income from rental operations	\$ 5,832	\$ 3,809	\$ 2,023	53.1%
Net basis in new manufactured home rental units	\$ 71,000	\$ 54,536	\$ 16,464	30.2%
Net basis in used manufactured home rental units	\$ 47,397	\$ 19,692	\$ 27,705	140.7%
Number of occupied rentals new, end of period	1,204	695	509	73.2%

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Number of occupied rentals	used, end of period	2,752	1,581	1,171	74.1%
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- (1) Approximately \$6.2 million and \$4.0 million for the three months ended September 30, 2011 and 2010, respectively, are included in Community base rental income in the Income from Property Operations table. The increase in income from rental operations and depreciation expense is primarily due to the increase in the number of rental units including units purchased in the Acquisition.

Table of Contents**Other Income and Expenses**

The following table summarizes other income and expenses for the three months ended September 30, 2011 and 2010 (amounts in thousands).

	2011	2010	Variance	% Change
Depreciation on real estate and other costs	\$ (21,689)	\$ (17,096)	\$ (4,593)	26.9%
Amortization of in-place leases	(10,759)		(10,759)	100.0%
Interest income	2,328	1,048	1,280	122.1%
Income from other investments, net	4,394	2,583	1,811	70.1%
General and administrative	(6,412)	(5,818)	(594)	10.2%
Transaction costs	(15,216)		(15,216)	100.0%
Rent control initiatives	(211)	(106)	(105)	99.1%
Depreciation on corporate assets	(256)	(246)	(10)	4.1%
Interest and related amortization	(26,084)	(22,465)	(3,619)	16.1%
Total other expenses, net	\$ (73,905)	\$ (42,100)	\$ (31,805)	75.5%

Depreciation on real estate and other costs and amortization of in-place leases increased primarily due to the closing of 58 Acquisition Properties during the three months ended September 30, 2011. Income from other investments, net increased primarily due to insurance proceeds received in the three months ended September 30, 2011 of approximately \$2.2 million, net of legal expenses. General and administrative increased primarily due to increased payroll costs. Transaction costs consist of legal and due diligence costs incurred related to the Acquisition (See Note 13 in the Notes to Consolidated Financial Statements contained in this Form 10-Q). Interest expense has increased primarily due to the assumption of approximately \$329.0 million of mortgage debt secured by 18 Acquisition Properties, the \$200.0 million Term Loan originated July 1, 2011, and the origination of \$200.0 million secured debt during the three months ended September 30, 2011.

Comparison of the Nine Months Ended September 30, 2011 to the Nine Months Ended September 30, 2010**Income from Property Operations**

The following table summarizes certain financial and statistical data for the Property Operations for the Core Portfolio and the Total Portfolio for the nine months ended September 30, 2011 and 2010 (amounts in thousands).

	Core Portfolio				Total Portfolio			
	2011	2010	Increase/ (Decrease)	% Change	2011	2010	Increase/ (Decrease)	% Change
Community base rental income	\$ 199,395	\$ 194,019	\$ 5,376	2.8%	\$ 219,740	\$ 194,066	\$ 25,674	13.2%
Resort base rental income	101,507	101,285	222	0.2%	101,858	101,440	418	0.4%
Right-to-use annual payments	36,947	37,628	(681)	(1.8%)	37,019	37,628	(609)	(1.6%)
Right-to-use contracts current period, gross	13,096	15,170	(2,074)	(13.7%)	13,096	15,170	(2,074)	(13.7%)
Utility and other income	38,224	37,267	957	2.6%	40,044	37,297	2,747	7.4%
Property operating revenues, excluding deferrals .	389,169	385,369	3,800	1.0%	411,757	385,601	26,156	6.8%
Property operating and maintenance	141,979	141,642	337	0.2%	148,417	141,947	6,470	4.6%
Real estate taxes	24,392	24,528	(136)	(0.6%)	26,522	24,578	1,944	7.9%
Sales and marketing, gross	8,287	9,900	(1,613)	(16.3%)	8,289	9,900	(1,611)	(16.3%)
Property operating expenses, excluding deferrals and Property management	174,658	176,070	(1,412)	(0.8%)	183,228	176,425	6,803	3.9%

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Income from property operations, excluding deferrals and Property management	214,511	209,299	5,212	2.5%	228,529	209,176	19,353	9.3%
Property management	24,942	24,936	6	0.0%	25,857	24,906	951	3.8%
Income from property operations, excluding deferrals	\$ 189,569	\$ 184,363	\$ 5,206	2.8%	\$ 202,672	\$ 184,270	\$ 18,402	10.0%

The 1.0% increase in Core Portfolio property operating revenues, includes the following changes (i) a 2.2% increase in rates in community base rental income and a 0.6% increase in occupancy, (ii) a 0.2% increase in revenues in core resort base income, as described in table below, and (iii) a decrease of 13.7% in right-to-use contracts. The reduction in entry of right-to-use contracts is due to the Company's introduction of low-cost membership products in the spring of 2010 and the phase-out of memberships with higher initial upfront payments. Most of the right-to-use contract revenue in 2011 is from upgrades of existing memberships.

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Resort base rental income is comprised of the following (amounts in thousands):

	Core Portfolio				Total Portfolio			
	2011	2010	Increase/ (Decrease)	% Change	2011	2010	Increase/ (Decrease)	% Change
Annual	\$ 61,993	\$ 59,449	\$ 2,544	4.3%	\$ 62,035	\$ 59,451	\$ 2,584	4.3%
Seasonal	16,545	17,433	(888)	(5.1%)	16,661	17,440	(779)	(4.5%)
Transient	22,969	24,403	(1,434)	(5.9%)	23,162	24,549	(1,387)	(5.6%)
Resort base rental income .	\$ 101,507	\$ 101,285	\$ 222	0.2%	\$ 101,858	\$ 101,440	\$ 418	0.4%

The 0.8% decrease in property operating expenses in the Core Portfolio, excluding property management, reflects (i) a 0.2% increase in property operating and maintenance expenses, (ii) a 0.6% decrease in property taxes and (iii) a 16.3% decrease in sales and marketing expenses. Sales and marketing expenses are all related to the costs incurred for the entry or upgrade of right-to-use contracts. The decrease in sales and marketing expenses is due to reduced commissions as a result of reduced high-cost right-to-use contracts activity. The Total Portfolio property management expenses increased primarily due to costs paid to the seller of the Acquisition Properties to manage the Acquisition Properties acquired during the nine months ended September 30, 2011.

The increase in Total Portfolio income from property operations is primarily due to the acquisition of 58 Acquisition Properties (See Note 13 in the Notes to the Consolidated Financial Statements contained in the Form 10-Q for details regarding these closings.)

Home Sales Operations

The following table summarizes certain financial and statistical data for the Home Sales Operations for the nine months ended September 30, 2011 and 2010 (amounts in thousands, except for home sales volumes).

	2011	2010	Variance	% Change
Gross revenues from new home sales	\$ 1,666	\$ 2,111	\$ (445)	(21.1%)
Cost of new home sales	(1,624)	(1,993)	369	(18.5%)
Gross profit from new home sales	42	118	(76)	(64.4%)
Gross revenues from used home sales	2,615	2,648	(33)	(1.2%)
Cost of used home sales	(2,396)	(2,325)	(71)	3.1%
Gross profit from used home sales	219	323	(104)	(32.2%)
Brokered resale revenues, net	608	718	(110)	(15.3%)
Home selling expenses	(1,239)	(1,388)	149	(10.7%)
Ancillary services revenues, net	2,261	2,458	(197)	(8.0%)
Income from home sales operations and other	\$ 1,891	\$ 2,229	\$ (338)	(15.2%)
Home sales volumes				
New home sales ⁽¹⁾	40	62	(22)	(35.5%)
Used home sales ⁽²⁾	603	577	26	4.5%
Brokered home resales	549	525	24	4.6%

(1) Includes three and 13 third party home sales for the nine months ending September 30, 2011 and 2010, respectively.

(2) Includes one and 10 third party home sales for the nine months ending September 30, 2011 and 2010, respectively.

Table of Contents**Rental Operations**

The following table summarizes certain financial and statistical data for manufactured home Rental Operations for the nine months ended September 30, 2011 and 2010 (amounts in thousands, except for rental unit volumes). Except as otherwise noted, the amounts below are included in ancillary services revenue, net in the Home Sales Operations table in previous section.

	2011	2010	Variance	% Change
Manufactured homes:				
New Home	\$ 8,765	\$ 5,804	\$ 2,961	51.0%
Used Home	12,485	8,533	3,952	46.3%
Rental operations revenue ⁽¹⁾	21,250	14,337	6,913	48.2%
Rental operations expense	(3,085)	(2,012)	(1,073)	53.3%
Depreciation	(3,032)	(2,022)	(1,010)	50.0%
Income from rental operations	\$ 15,133	\$ 10,303	\$ 4,830	46.9%
Net basis in new manufactured home rental units	\$ 71,000	\$ 54,536	\$ 16,464	30.2%
Net basis in used manufactured home rental units	\$ 47,397	\$ 19,692	\$ 27,705	140.7%
Number of occupied rentals new, end of period	1,204	695	509	73.2%
Number of occupied rentals used, end of period	2,752	1,581	1,171	74.1%

- (1) Approximately \$16.0 million and \$8.7 million for the quarters ended September 30, 2011 and 2010, respectively, are included in Community base rental income in the Income from Property Operations table.

In the ordinary course of business, the Company acquires used homes from customers through purchase, lien sale or abandonment. In a vibrant new home sale market older homes may be removed from sites and replaced with new homes. In other cases, due to the nature of tenancy rights afforded to purchasers, used homes are rented in order to control the site either in the condition received or after warranted rehabilitation. The increase in income from rental operations is primarily due to the increase in the number of rental units.

Other Income and Expenses

The following table summarizes other income and expenses for the nine months ended September 30, 2011 and 2010 (amounts in thousands).

	2011	2010	Variance	% Change
Depreciation on real estate and other costs	\$ (56,201)	\$ (50,959)	\$ (5,242)	10.3%
Amortization of in-place leases	(10,759)		(10,759)	100.0%
Interest income	4,379	3,237	1,142	35.3%
Income from other investments, net	6,242	5,244	998	19.0%
General and administrative	(18,070)	(17,042)	(1,028)	6.0%
Transaction costs	(17,333)		(17,333)	100.0%
Rent control initiatives	(799)	(1,119)	320	(28.6%)
Depreciation on corporate assets	(759)	(835)	76	(9.1%)
Interest and related amortization	(68,931)	(69,221)	290	(0.4%)
Total other expenses, net	\$ (162,231)	\$ (130,695)	\$ (31,536)	24.1%

Depreciation on real estate and other costs and amortization of in-place leases increased primarily due to the closing of 58 Acquisition Properties during the three months ended September 30, 2011. Income from other investments, net increased primarily due to incremental insurance proceeds received in the nine months ended September 30, 2011 of approximately \$2.3 million, net of legal expenses. General and

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administrative increased primarily due to increased payroll costs. Transaction costs consist of legal and due diligence costs incurred related to the Acquisition (See Note 13 in the Notes to Consolidated Financial Statements contained in this Form 10-Q). Rent control initiatives are lower due to decreased activity in the San Rafael legal appeal (see Note 12 in the Notes to Consolidated Financial Statements contained in this Form 10-Q).

Table of Contents**Liquidity and Capital Resources****Liquidity**

As of September 30, 2011, the Company had approximately \$212.8 million in cash and cash equivalents and \$380.0 million available on its LOC. Most of the cash balance at September 30, 2011 will be used for the October and November Acquisition closings. The Company expects to meet its short-term liquidity requirements, including its distributions, generally through its working capital, net cash provided by operating activities and availability under the existing lines of credit. The Company expects to meet certain long-term liquidity requirements such as scheduled debt maturities, property acquisitions and capital improvements by use of its current cash balance, long-term collateralized and uncollateralized borrowings including borrowings under its existing line of credit and the issuance of debt securities or additional equity securities in the Company, in addition to net cash provided by operating activities.

From 2008 to 2010, the Company received financing proceeds from Fannie Mae secured by mortgages on individual manufactured home Properties. The terms of the Fannie Mae financings were relatively attractive as compared to those available from other potential lenders. If financing proceeds are no longer available from Fannie Mae for any reason or if Fannie Mae terms are no longer attractive, it may adversely affect cash flow and the Company's ability to service debt and make distributions to stockholders. In addition, Fannie Mae will not provide financing on resort Properties and there is generally more limited availability for resort Property financing from private lenders.

The table below summarizes cash flow activity for the nine months ended September 30, 2011 and 2010 (amounts in thousands).

	For the Nine Months Ended	
	September 30,	
	2011	2010
Net cash provided by operating activities	\$ 120,291	\$ 134,659
Net cash used in investing activities	(534,597)	(30,181)
Net cash provided by (used in) financing activities	614,443	(168,187)
Net increase (decrease) in cash and cash equivalents	\$ 200,137	\$ (63,709)

Operating Activities

Net cash provided by operating activities decreased \$14.4 million for the nine months ended September 30, 2011, as compared to the net cash provided by operating activities for the nine months ended September 30, 2010. The decrease in cash provided by operating activities is primarily due to a \$11.1 million increase in consolidated income from continuing operations and an increase in amortization expense, offset by an increase in escrow deposits and other assets.

Investing Activities

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

Real Estate Acquisition

During the three months ended September 30, 2011, the Company closed on 58 of the Acquisition Properties and certain Home Related Assets associated with such 58 Acquisition Properties for a stated purchase price of approximately \$1,047 million. The Company funded the purchase price of this closing with (i) the issuance of 1,708,276 shares of its common stock, to the seller with an aggregate stated value of approximately \$99 million, (ii) the issuance of 1,242,462 shares of Series B Preferred Stock to the seller with an aggregate stated value of approximately \$72 million, (iii) the assumption of approximately \$328 million of mortgage debt secured by 18 Acquisition Properties (iv) approximately \$200 million of cash from an unsecured term loan the Company closed on July 1, 2011 and (v) approximately \$348 million in cash primarily from net proceeds of the June 2011 common stock offering. (See Note 13 in the Notes to Consolidated Financial Statements contained in this Form 10-Q for a description of our recent acquisitions.)

Notes Receivable Activity

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The notes receivable activity during the nine months ended September 30, 2011 of \$1.8 million in cash outflow reflects net repayments of \$1.1 million from the Company's Chattel Loans, net repayments of \$0.9 million from the Company's Contract Receivable and lending of \$3.8 million to Lakeland RV. (See Note 6 in the Notes to Consolidated Financial Statements contained in this Form 10-Q.)

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The notes receivable activity during the nine months ended September 30, 2010 of \$1.2 million in cash inflow primarily reflects net repayments of \$0.3 million from the Company's Chattel Loans and net repayments of \$0.8 million from the Company's Contracts Receivable.

Capital Improvements

The table below summarizes capital improvements activity for the nine months ended September 30, 2011 and 2010 (amounts in thousands).

	For the Nine Months	
	Ended	
	September 30, ⁽¹⁾	
	2011	2010
Recurring Cap Ex ⁽²⁾	\$ 14,995	\$ 18,590
Development ⁽³⁾	1,185	1,563
New home investments	18,609	1,369
Used home investments	6,058	11,072
Total Property	40,847	31,225
Corporate ⁽⁴⁾	549	940
Total Capital improvements	\$ 41,396	\$ 32,165

- (1) Excludes noncash activity of approximately \$0.8 million and \$3.7 million for new homes purchased with dealer financing and approximately \$0.4 million and \$0.6 million of repossessions for the nine months ended September 30, 2011 and 2010, respectively.
- (2) Recurring capital expenditures (Recurring CapEx) are primarily comprised of common area improvements, furniture, and mechanical improvements.
- (3) Development primarily represents costs to improve and upgrade Property infrastructure or amenities.
- (4) 2010 amount includes approximately \$0.7 million, which was reimbursed by the Company's landlord as a tenant allowance.

Financing Activities*Financing, Refinancing and Early Debt Retirement**2011 Activity*

During the nine months ended September 30, 2011, the Company paid off nine maturing mortgages totaling approximately \$52.5 million, with a weighted average interest rate of 7.04% per annum.

During the three months ended September 30, 2011, the Company closed on approximately \$200 million financing on 20 manufactured home communities and three resort properties with a weighted average interest rate of 5.02% per annum, maturing in 2021. The Company also assumed approximately \$349 million of mortgage debt, which includes a fair market value adjustment of approximately \$21 million, secured by 18 Acquisition Properties with a stated interest rates ranging from 4.65% to 7.31% per annum, maturing in various years from 2013 to 2020.

On July 1, 2011, the Company closed on a \$200.0 million Term Loan that matures on June 30, 2017 and has a one-year extension option, an interest rate of LIBOR plus 1.85% to 2.80% per annum and, subject to certain conditions, may be prepaid at any time without premium or penalty after July 1, 2014. Prior to July 1, 2014, a prepayment penalty of 2% of the amount prepaid would be owed. The spread over LIBOR is variable based on leverage throughout the loan. The Term Loan contains an arrangement fee of approximately \$0.5 million, an upfront fee of approximately \$1.3 million and an annual administrative agency fee of \$20,000 as well as customary representations, warranties and negative and affirmative covenants and provides for acceleration of principal and payment of all other amounts payable thereunder upon the occurrence of certain events of default.

2010 Activity

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During the nine months ended September 30, 2010, the Company closed an approximately \$61.7 million financing on three manufactured home communities with a weighted average interest rate of 6.91% per annum, maturing in 2020. The Company also closed approximately \$15.0 million new financing on one resort property with a stated interest rate of 6.50% per annum, maturing in 2020. The Company also paid off 17 maturing mortgages totaling approximately \$181.8 million, with a weighted average interest rate of 7.00% per annum.

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Secured Debt

As of September 30, 2011, the Company's secured long-term debt balance was approximately \$1.9 billion, with a weighted average interest rate of approximately 5.8% per annum. The debt bears interest at rates between 5.0% and 8.5% per annum and matures on various dates primarily ranging from 2013 to 2021. The weighted average term to maturity for the long-term debt is approximately 5.7 years.

Unsecured Debt

On July 1, 2011, the Company closed on a \$200.0 million Term Loan that matures on June 30, 2017 and has a one-year extension option, an interest rate of LIBOR plus 1.85% to 2.80% per annum and, subject to certain conditions, may be prepaid at any time without premium or penalty after July 1, 2014. Prior to July 1, 2014, a prepayment penalty of 2% of the amount prepaid would be owed. The spread over LIBOR is variable based on leverage throughout the loan. The Term Loan contains an arrangement fee of approximately \$0.5 million, an upfront fee of approximately \$1.3 million and an annual administrative agency fee of \$20,000 as well as customary representations, warranties and negative and affirmative covenants and provides for acceleration of principal and payment of all other amounts payable thereunder upon the occurrence of certain events of default.

As of September 30, 2011, the Company's unsecured LOC had an availability of \$380 million of which no amounts were outstanding. The Company's unsecured LOC has a maximum borrowing capacity of \$380 million, accrues interest at an annual rate equal to the applicable LIBOR plus 1.65% to 2.50% and contains a 0.30% to 0.40% facility fee as well as certain other customary negative and affirmative covenants. The LOC matures on September 18, 2015 and has an eight-month extension option under the LOC, subject to payment by if of certain administrative fees and the satisfaction of certain other enumerated conditions. The spread over LIBOR and the facility fee pricing are variable based on leverage throughout the term of the LOC. The Company incurred commitment and arrangement fees of approximately \$3.6 million to enter into the amended LOC.

As of December 31, 2010, the Company's LOC had an availability of \$100 million of which no amounts were outstanding which had a maturity of June 29, 2011. On May 19, 2011, the Company amended its LOC as described above.

Other Loans

During the nine months ended September 30, 2011, the Company borrowed approximately \$0.8 million which is secured by individual manufactured homes. The financing provided by the dealer requires quarterly payments, bears interest at 6.0% and matures on July 16, 2016.

During the nine months ended September 30, 2010, the Company borrowed approximately \$3.7 million, which is secured by individual manufactured homes. This financing provided by the dealer requires monthly payments, bears interest at 8.5% and matures on the earlier of: 1) the date the home is sold or 2) November 20, 2016.

Table of Contents*Contractual Obligations*

As of September 30, 2011, the Company was subject to certain contractual payment obligations as described in the table below (amounts in thousands).

	Total	2011	2012	2013	2014	2015	2016	Thereafter
Long Term Borrowings ⁽¹⁾	\$ 2,073,763	\$ 6,658	\$ 27,319	\$ 139,045	\$ 210,206	\$ 547,118	\$ 168,075	\$ 975,342
Interest Expense ⁽²⁾	618,581	28,903	114,066	109,628	98,231	87,308	57,428	123,017
Total Contractual Obligations	\$ 2,692,344	\$ 35,561	\$ 141,385	\$ 248,673	\$ 308,437	\$ 634,426	\$ 225,503	\$ 1,098,359
Weighted average interest rates	5.57%	5.48%	5.48%	5.45%	5.43%	5.33%	5.24%	5.50%

(1) Balance excludes net premiums and discounts of \$19.5 million, primarily due to the fair market value adjustment of the assumption of \$349.0 million of secured debt from the Acquisition Properties. Balances include debt maturing and scheduled periodic principal payments.

(2) Amounts include interest expected to be incurred on the Company's secured debt based on obligations outstanding as of September 30, 2011.

The Company does not include Preferred Stock dividends, insurance, property taxes and cancelable contracts in the contractual obligations table above.

The Company also leases land under non-cancelable operating leases at certain of the Properties expiring in various years from 2013 to 2054, with terms which require twelve equal payments per year plus additional rents calculated as a percentage of gross revenues. Minimum future rental payments under the ground leases are approximately \$3.3 million in 2012 and 2013 and approximately \$1.9 million in 2014, 2015 and 2016 and approximately \$14.9 million thereafter. The decrease in future minimum rental payments assumes that the Company will exercise its option to acquire land at the recently acquired Colony Cove Property on January 1, 2014. The option exercise date is subject to certain assumptions and the timing of the option exercise may be before or after January 1, 2014.

With respect to maturing debt, the Company has staggered the maturities of its long-term mortgage debt over an average of approximately five years, with no more than approximately \$547 million (which is due in 2015) 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, the Company believes that it will be able to repay such maturing debt from operating cash flow, 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.

Equity Transactions*2011 Activity*

On October 14, 2011, the Company paid a \$0.375 per share distribution for the three months ended September 30, 2011 to common stockholders of record on September 30, 2011. On July 8, 2011, the Company paid a \$0.375 per share distribution for the three months ended June 30, 2011 to common stockholders of record on June 24, 2011. On April 8, 2011, the Company paid a \$0.375 per share distribution for the three months ended March 31, 2011 to common stockholders of record on March 25, 2011.

On October 14, 2011, the Company paid a \$0.375 per share distribution on the Company's Series B Preferred Stock, to Series B preferred stockholders of record September 30, 2011.

On September 30, 2011, the Company paid a \$0.502125 per share distribution on the Company's Series A Preferred Stock, to Series A preferred stockholders of record on September 9, 2011. On June 30, 2011, the Company paid a \$0.502125 per share distribution on the Company's Series

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A Preferred Stock to preferred stockholders of record on June 10, 2011. On March 31, 2011, the Company paid a \$0.156217 per share pro-rata distribution on the Company's Series A Preferred Stock to preferred stockholders of record on March 21, 2011.

On June 7, 2011, the Company issued approximately 6.0 million shares of common stock in an equity offering for approximately \$344.0 million in proceeds, net of offering costs. The proceeds were used to partially fund the Acquisition discussed in detail in Note 13 in the Notes to Consolidated Financial Statements contained in this Form 10-Q.

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On March 31, 2011, the Company paid pro-rata distributions of 8.0625% per annum on the \$150 million Series D 8% Units and 7.95% per annum on the \$50 million of Series F 7.95% Units which were exchanged on March 4, 2011 for the Series A Preferred Stock.

During the nine months ended September 30, 2011, the Company received approximately \$2.3 million in proceeds from the issuance of shares of common stock through stock option exercises and the Company's Employee Stock Purchase Plan (ESPP).

During the nine months ended September 30, 2011, the Company issued 1,708,276 shares of common stock and 1,242,462 shares of Series B Preferred Stock. On October 3, 2011, the Company issued 497,538 shares of Series B Preferred Stock. All of the shares were issued to partially fund the Acquisition discussed in detail in Note 13 in the Notes to the Consolidated Financial Statements contained in this Form 10-Q.

On October 24, 2011, the Company, on behalf of a selling stockholder, closed on a public offering of 3,162,069 shares of common stock. The 3,162,069 shares of common stock sold included 1,453,793 shares of common stock issued by the Company upon redemption of 1,453,793 shares of Series B Preferred Stock. The Company did not receive any proceeds from the offering.

2010 Activity

On February 23, 2010, the Company acquired the 6% non-controlling interests in The Meadows, a 379-site property, in Palm Beach Gardens, Florida. The gross purchase price was approximately \$1.5 million.

On September 30, 2010, June 30, 2010, and March 31, 2010, the Operating Partnership paid distributions of 8.0625% per annum on the \$150 million Series D 8% Units and 7.95% per annum on the \$50 million of Series F 7.95% Units.

On October 8, 2010, the Company paid a \$0.30 per share distribution for quarter ended September 30, 2010 to stockholders of record on September 24, 2010. On July 9, 2010, the Company paid a \$0.30 per share distribution for the quarter ended June 30, 2010 to stockholders of record on June 25, 2010. On April 9, 2010, the Company paid a \$0.30 per share distribution for the quarter ended March 31, 2010 to stockholders of record on March 26, 2010.

During the nine months ended September 30, 2010, the Company received approximately \$1.8 million in proceeds from the issuance of shares of common stock through stock option exercises and the Company's ESPP.

Inflation

Substantially all of the leases at the Properties allow for monthly or annual rent increases which provide the Company with the opportunity to achieve increases, where justified by the market, as each lease matures. Such types of leases generally minimize the risks of inflation to the Company. In addition, the Company's resort Properties are not generally subject to leases and rents are established for these sites on an annual basis. The Company's right-to-use contracts generally provide for an annual dues increase, but dues may be frozen under the terms of certain contracts if the customer is over 61 years old.

Off Balance Sheet Arrangements

As of September 30, 2011, the Company has no off balance sheet arrangements.

Table of Contents**Funds From Operations**

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), is generally 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.

The Company defines FFO as net income, computed in accordance with GAAP, excluding gains or actual or estimated 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 receives up-front non-refundable payments from the entry of right-to-use contracts. In accordance with GAAP, the upfront non-refundable payments and related commissions are deferred and amortized over the estimated customer life. Although the NAREIT definition of FFO does not address the treatment of nonrefundable right-to-use payments, the Company believes that it is appropriate to adjust for the impact of the deferral activity in its calculation of FFO. 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 actual or estimated 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. The Company believes that the adjustment to FFO for the net revenue deferral of upfront non-refundable payments and expense deferral of right-to-use contract commissions also facilitates the comparison to 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 its interpretation of 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 the Company does. 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 the Company's financial performance, or to cash flow from operating activities, determined in accordance with GAAP, as a measure of the Company's liquidity, nor is it indicative of funds available to fund its cash needs, including its ability to make cash distributions.

The following table presents a calculation of FFO for the three and nine months ended September 30, 2011 and 2010 (amounts in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Computation of funds from operations:				
Net (loss) income available for common shares	\$ (2,853)	\$ 11,554	\$ 22,934	\$ 32,617
(Loss) income allocated to common OP Units	(289)	1,722	3,121	5,083
Series B Redeemable Preferred Stock Dividends	466		466	
Right-to-use contract upfront payments, deferred, net	2,858	3,330	8,768	11,829
Right-to-use contract commissions, deferred, net	(1,148)	(1,274)	(3,495)	(4,343)
Depreciation on real estate assets and other costs	21,689	17,096	56,201	50,959
Amortization of in-place leases	10,759		10,759	
Depreciation on unconsolidated joint ventures	307	305	921	913
Loss on discontinued operations				231
Funds from operations available for common shares	\$ 31,789	\$ 32,733	\$ 99,675	\$ 97,289
Weighted average common shares outstanding fully diluted	43,602	35,530	38,858	35,491

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Item 3. Quantitative and Qualitative Disclosure of Market Risk

Market risk is the risk of loss from adverse changes in market prices and interest rates. The Company's earnings, cash flows and fair values relevant to financial instruments are dependent on prevailing market interest rates. The primary market risk the Company faces is long-term indebtedness, which bears interest at fixed and variable rates. The fair value of the Company's long-term debt obligations is affected by changes in market interest rates. At September 30, 2011, approximately 100% or approximately \$2.1 billion of the Company's 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 \$115.5 million. For each decrease in interest rates of 1% (or 100 basis points), the fair value of the total outstanding debt would increase by approximately \$122.4 million.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

The Company's management, with the participation of the Company's Chief Executive Officer (principal executive officer) and Chief Financial Officer (principal accounting and financial officer), has evaluated the effectiveness of the Company's disclosure controls and procedures as of September 30, 2011. Based on that evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective to give reasonable assurances to the timely collection, evaluation and disclosure of information relating to the Company that would potentially be subject to disclosure under the Securities and Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder as of September 30, 2011.

Notwithstanding the foregoing, a control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that it will detect or uncover failures within the Company to disclose material information otherwise required to be set forth in the Company's periodic reports.

Changes in Internal Control Over Financial Reporting

We acquired 58 Acquisition Properties during the three months ended September 30, 2011. We are in the process of integrating the operations of these Acquisition Properties with those of the Company and incorporating the internal controls and procedures of these Acquisition Properties into our internal control over financial reporting. We do not expect this acquisition to materially affect our internal control over financial reporting. The Company will report on its assessment of the combined operations within the one-year time period provided by the Sarbanes-Oxley Act of 2002 and the applicable SEC rules and regulations concerning business combinations.

Excluding the operations of the 58 Acquisition Properties, there were no material changes in the Company's internal control over financial reporting during the three months ended September 30, 2011.

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Part II Other Information

Item 1. Legal Proceedings

See Note 12 of the Consolidated Financial Statements contained herein.

Item 1A. Risk Factors

With the except of the following, there have been no material changes to the risk factors discussed in Item 1A. Risk Factors in the Company's Annual Report on Form 10-K for the year ended December 31, 2010 other than those disclosed in our Quarterly Report on Form 10-Q for the quarters ended March 31, 2011 and June 30, 2011.

There can be no assurance that the Acquisition will be consummated in its entirety in accordance with the anticipated timing or at all.

As of November 4, 2011, the Company closed on a total of 68 of the Acquisition Properties and Home Related Assets associated with such 68 properties (with an aggregate stated purchase price of approximately \$1,314 million). In order to consummate the remainder of the Acquisition, certain approvals and consents from lenders must be obtained on loans on eight of the remaining seven Acquisition Properties in a timely manner. If these approvals or consents are not received, or they are not received on terms that satisfy the conditions set forth in the Purchase Agreements, then closing on the Acquisition Properties will not be obligated, or we will not be permitted to close, on those properties. The Purchase Agreements also contain certain other closing conditions relating to some or all of the Acquisition Properties and the Home Related Assets that are part of the Acquisition, which may not be satisfied or waived. In addition, under circumstances specified in the Purchase Agreements, either party may terminate the Purchase Agreements. As a result, there can be no assurance that the Acquisition will be consummated in its entirety in accordance with the anticipated timing or at all. Furthermore, if the Acquisition is consummated in part, the composition of the Acquisition Portfolio that we acquire will change and we may not acquire the most attractive properties that are part of the anticipated Acquisition Portfolio, which would materially and adversely affect us and the benefits we expect from the Acquisition in whole. Furthermore, our pro forma financial statements will not accurately present such a partial Acquisition.

The intended benefits of the Acquisition may not be realized, which could have a negative impact on the market price of the Company's common stock after the Acquisition.

The Acquisition poses risks for our ongoing operations, including that:

senior management's attention may be diverted from the management of daily operations to the integration of the Acquisition Portfolio;

costs and expenses associated with any undisclosed or potential liabilities;

the Acquisition Portfolio may not perform as well as we anticipate; and

unforeseen difficulties may arise in integrating the Acquisition Portfolio into our portfolio.

As a result of the foregoing, the Company cannot assure you that the Acquisition will be accretive to it in the near term or at all. Furthermore, if the Company fails to realize the intended benefits of the Acquisition, the market price of its common stock could decline to the extent that the market price reflects those benefits.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. [Removed and Reserved]

Item 5. Other Information

None.

Item 6. Exhibits

31.1 Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2 Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32.1 Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350.

32.2 Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350.

101^(a) The following materials from Equity LifeStyle Properties, Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2011, formatted in XBRL (Extensible Business Reporting Language): (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Operations, (iii) Consolidated Statements of Changes in Equity, (iv) Consolidated Statements of Cash Flow, and (v) Notes to Consolidated Financial Statements, furnished herewith.

(a) Users of this data are advised that pursuant to Rule 406T of Regulation S-T, the Interactive Data Files on Exhibit 101 hereto are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for purposes of Section 18 of the Securities and Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections.

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SIGNATURES

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

EQUITY LIFESTYLE PROPERTIES, INC.

Date: November 8, 2011

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

Date: November 8, 2011

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