

EQUITY LIFESTYLE PROPERTIES INC

Form 10-Q

May 05, 2011

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q**

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

For the quarterly period ended March 31, 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)

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 Smaller reporting company
(Do not check if a 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:

31,209,453 shares of Common Stock as of May 3, 2011.

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

	March 31,	December
	2011	31,
	(unaudited)	2010
Assets		
Investment in real estate:		
Land	\$ 544,464	\$ 544,462
Land improvements	1,762,709	1,762,122
Buildings and other depreciable property	288,163	278,403
	2,595,336	2,584,987
Accumulated depreciation	(718,974)	(700,665)
Net investment in real estate	1,876,362	1,884,322
Cash and cash equivalents	43,137	12,659
Short-term investments	49,269	52,266
Notes receivable, net	24,629	25,726
Investment in joint ventures	8,509	8,446
Rent and other customer receivables, net	428	419
Deferred financing costs, net	10,096	10,688
Inventory	3,265	3,177
Deferred commission expense	15,898	14,898
Escrow deposits and other assets	35,269	35,794
Total Assets	\$ 2,066,862	\$ 2,048,395
Liabilities and Equity		
Liabilities:		
Mortgage notes payable	\$ 1,407,176	\$ 1,412,919
Unsecured lines of credit		
Accrued payroll and other operating expenses	55,631	52,782
Deferred revenue upfront payments from right-to-use contracts	46,845	44,349
Deferred revenue right-to-use annual payments	18,684	12,642
Accrued interest payable	7,189	7,174
Rents and other customer payments received in advance and security deposits	48,283	47,738
Distributions payable	13,316	10,633
Total Liabilities	1,597,124	1,588,237
Commitments and contingencies		
Non-controlling interests Perpetual Preferred OP Units		200,000

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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 March 31, 2011 and none issued and outstanding as of December 31, 2010, at liquidation value	200,000	
Equity:		
Stockholders' Equity:		
Common stock, \$.01 par value 100,000,000 shares authorized; 31,196,318 and 30,972,353 shares issued and outstanding for March 31, 2011 and December 31, 2010, respectively	311	310
Paid-in capital	465,959	463,722
Distributions in excess of accumulated earnings	(229,740)	(237,002)
Total Stockholders' Equity	236,530	227,030
Non-controlling interests - Common OP Units	33,208	33,128
Total Equity	269,738	260,158
Total Liabilities and Equity	\$ 2,066,862	\$ 2,048,395

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

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Equity LifeStyle Properties, Inc.
Consolidated Statements of Operations
For the Quarters Ended March 31, 2011 and 2010
(amounts in thousands, except share and per share data)
(unaudited)

	Quarters Ended	
	March 31,	
	2011	2010
Revenues:		
Community base rental income	\$ 66,183	\$ 64,422
Resort base rental income	36,468	36,945
Right-to-use annual payments	12,012	12,185
Right-to-use contracts current period, gross	3,853	4,937
Right-to-use contracts, deferred, net of prior period amortization	(2,496)	(3,948)
Utility and other income	13,062	12,889
Gross revenues from home sales	1,357	1,047
Brokered resale revenues, net	253	239
Ancillary services revenues, net	1,025	1,063
Interest income	1,039	1,192
Income from other investments, net	699	1,177
 Total revenues	 133,455	 132,148
Expenses:		
Property operating and maintenance	44,311	43,454
Real estate taxes	8,057	8,314
Sales and marketing, gross	2,256	3,263
Sales and marketing, deferred commissions, net	(1,000)	(1,412)
Property management	8,463	8,740
Depreciation on real estate and other costs	17,227	16,923
Cost of home sales	1,419	1,159
Home selling expenses	477	477
General and administrative	5,647	5,676
Rent control initiatives	112	714
Depreciation on corporate assets	249	210
Interest and related amortization	21,389	23,767
 Total expenses	 108,607	 111,285
 Income before equity in income of unconsolidated joint ventures	 24,848	 20,863
 Equity in income of unconsolidated joint ventures	 784	 841
 Consolidated income from continuing operations	 25,632	 21,704
 Discontinued Operations:		
Discontinued operations		

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Loss from discontinued real estate		(177)	
Loss from discontinued operations		(177)	
Consolidated net income	25,632	21,527	
Income allocated to non-controlling interests	Common OP Units	(2,621)	(2,432)
Income allocated to non-controlling interests	Perpetual Preferred OP Units	(2,801)	(4,031)
Redeemable Perpetual Preferred Stock Dividends		(1,250)	
Net income available for Common Shares	\$ 18,960	\$ 15,064	

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

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Equity LifeStyle Properties, Inc.
Consolidated Statements of Operations (Continued)
For the Quarters Ended March 31, 2011 and 2010
(amounts in thousands, except share and per share data)
(unaudited)

	Quarters Ended March 31,	
	2011	2010
Earnings per Common Share Basic:		
Income from continuing operations	\$ 0.61	\$ 0.50
Loss from discontinued operations		
Net income available for Common Shares	\$ 0.61	\$ 0.50
Earnings per Common Share Fully Diluted:		
Income from continuing operations	\$ 0.61	\$ 0.49
Loss from discontinued operations		
Net income available for Common Shares	\$ 0.61	\$ 0.49
Distributions declared per Common Share outstanding	\$ 0.375	\$ 0.30
Weighted average Common Shares outstanding basic	30,996	30,304
Weighted average Common Shares outstanding fully diluted	35,609	35,500

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

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Equity LifeStyle Properties, Inc.
Consolidated Statements of Changes in Equity
For the Quarter Ended March 31, 2011
(amounts in thousands)
(unaudited)

	Common Stock	Paid-in Capital	Distributions in Excess of Accumulated Earnings	Non-controlling interests - Common OP Units	Total Equity
Balance, December 31, 2010	\$310	\$ 463,722	\$(237,002)	\$ 33,128	\$260,158
Conversion of OP Units to common stock	1	923		(924)	
Issuance of common stock through exercise of options		23			23
Issuance of common stock through employee stock purchase plan		204			204
Compensation expenses related to stock options and restricted stock		1,244			1,244
Repurchase of common stock or Common OP Units		(157)			(157)
Net income			18,960	2,621	21,581
Distributions			(11,698)	(1,617)	(13,315)
Balance, March 31, 2011	\$311	\$ 465,959	\$(229,740)	\$ 33,208	\$269,738

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

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Equity LifeStyle Properties, Inc.
Consolidated Statements of Cash Flows
For the Quarters Ended March 31, 2011 and 2010
(amounts in thousands)
(unaudited)

	March 31, 2011	March 31, 2010
Cash Flows From Operating Activities:		
Consolidated net income	\$ 25,632	\$ 21,527
Adjustments to reconcile net income to net cash provided by operating activities:		
Loss on discontinued real estate and other		177
Depreciation expense	18,653	18,175
Amortization expense	1,077	814
Debt premium amortization	8	4
Equity in income of unconsolidated joint ventures	(1,090)	(1,147)
Distributions from unconsolidated joint ventures	647	564
Amortization of stock-related compensation	1,244	1,044
Revenue recognized from right-to-use contract sales	(1,357)	(989)
Commission expense recognized related to right-to-use contracts	436	296
Accrued long term incentive plan compensation	272	
Increase in provision for uncollectible rents receivable	376	61
Changes in assets and liabilities:		
Notes receivable activity, net	47	9
Rent and other customer receivables, net	(384)	8
Inventory	648	600
Deferred commission expense	(1,436)	(1,708)
Escrow deposits and other assets	41	(1,141)
Accrued payroll and other operating expenses	2,665	2,015
Deferred revenue upfront payments from right-to-use contracts	3,853	4,937
Deferred revenue right-to-use annual payments	6,042	6,650
Rents received in advance and security deposits	544	(80)
Net cash provided by operating activities	57,918	51,816
Cash Flows From Investing Activities:		
Net tax-deferred exchange withdrawal		786
Proceeds from short-term investments	2,997	
Net repayment of notes receivable	866	481
Capital improvements	(10,939)	(7,788)
Net cash used in investing activities	(7,076)	(6,521)
Cash Flows From Financing Activities:		
Net proceeds from stock options and employee stock purchase plan	227	314
Distributions to Common Stockholders, Common OP Unitholders, Perpetual Preferred OP Unitholders and Redeemable Perpetual Preferred Stockholders	(14,683)	(14,632)
Stock repurchase and Unit redemption	(157)	(366)
Acquisition of non-controlling interests		(1,453)

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Principal payments and mortgage debt payoff	(5,751)	(13,516)
New financing proceeds		11,950
Debt issuance costs		(413)
Net cash used in financing activities	(20,364)	(18,116)
Net increase in cash and cash equivalents	30,478	27,179
Cash and cash equivalents, beginning of period	12,659	145,128
Cash and cash equivalents, end of period	\$ 43,137	\$ 172,307

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 Quarters Ended March 31, 2011 and 2010
(amounts in thousands)
(unaudited)

	March 31, 2011	March 31, 2010
Supplemental Information:		
Cash paid during the period for interest	\$ 20,811	\$ 23,184
Non-cash activities (increase/(decrease)):		
Manufactured homes acquired with dealer financing		1,011
Dealer financing		(1,011)
Capital improvements	183	222
Net repayment of notes receivable	(183)	(222)
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, the Codification Sub-Topic 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 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 Property has similar economic and operational characteristics, the Company has one reportable segment, which is the operation of land lease Properties. The distribution of the Properties throughout the United States reflects 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, which is effective for acquisitions on or after January 1, 2009, 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 acquired and structural and land improvements (including site development), a ten-year estimated life for building upgrades and a five-year estimated life for furniture, fixtures and equipment. 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.

The values of above-and below-market leases are amortized and recorded as either an increase (in the case of below-market leases) or a decrease (in the case of above-market leases) to rental income over the remaining term of the associated lease. The value associated with in-place leases is amortized over the expected term, which includes an estimated probability of lease renewal. Expenditures for ordinary maintenance and repairs are expensed to operations as incurred and significant renovations and improvements that improve the asset and extend the useful life of the asset are capitalized 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 investments 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 difference between the estimated fair value and the carrying amount of the asset.

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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 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 March 31, 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 \$2.0 million and \$1.6 million as of March 31, 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 March 31, 2011 and December 31, 2010 include approximately \$3.0 million of restricted cash.

(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 will mature on or prior to May 31, 2011.

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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.

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 Codification Topic *Loans and Debt Securities Acquired with Deteriorated Credit Quality* (FASB ASC 310-30). The fair value of these *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 was recorded for these *Contracts Receivable* as of the transaction date. Through March 31, 2011, the credit performance of these *Contracts Receivable* 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 *Contracts Receivable* as of March 31, 2011 and 2010 was \$2.9 million and \$7.4 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*.

(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.

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**EQUITY LIFESTYLE PROPERTIES, INC.
Notes to Consolidated Financial Statements**

Note 1 Summary of Significant Accounting Policies (continued)

The Company has received proceeds from insurance carriers of approximately \$11.2 million through March 31, 2011. The proceeds were accounted for in accordance with the Codification Topic Contingencies (FASB ASC 450). During the quarter ended March 31, 2010, approximately \$0.4 million had been recognized as a gain on insurance recovery, which is net of approximately \$0.2 million 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) Fair Value of Financial Instruments

The Company's financial instruments include short-term investments, notes receivable, accounts receivable, accounts payable, other accrued expenses, 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 March 31, 2011 and December 31, 2010, the Company's investments in U.S. Treasury Bills of, approximately \$49.3 million and \$52.3 million, respectively, were classified as held-to-maturity and were measured using unadjusted quoted market prices (Level 1). The fair values of the Company's remaining financial instruments approximate their carrying or contract values.

(l) 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 \$13.2 million and \$12.6 million at March 31, 2011 and December 31, 2010, respectively.

(m) 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 \$3.4 million and \$3.0 million as of March 31, 2011 and December 31, 2010, respectively.

Table of Contents**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.

(n) Cumulative Redeemable Perpetual 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 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 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 accounts for the Preferred Stock in accordance with the Codification Topic Consolidation (FASB ASC 810). The Company has the option to redeem the Preferred Stock at a redemption price of \$25.00 per share, plus accumulated and unpaid dividends. Holders of the Preferred Stock have preference rights with respect to liquidation and distributions over the common stock. Based on the Company's analysis, the Preferred Stock has been classified as redeemable interests outside of permanent equity in the mezzanine section.

(o) 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 2010-29 is effective for business combinations with acquisition dates on or after January 1, 2011. The adoption of this update did not have an impact on the Company's consolidated financial statements.

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 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 financial condition or results of operations.

(p) 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.

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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 has been excluded from the basic earnings per share calculation. The conversion of an OP Unit to a share of common stock has no material effect on earnings per common share.

The following table sets forth the computation of basic and diluted earnings per common share for the quarters ended March 31, 2011 and 2010 (amounts in thousands):

	Quarters Ended March	
	31,	
	2011	2010
Numerators:		
Income from Continuing Operations:		
Income from continuing operations basic	\$ 18,960	\$ 15,216
Amounts allocated to dilutive securities	2,621	2,457
Income from continuing operations fully diluted	\$ 21,581	\$ 17,673
Income from Discontinued Operations:		
Loss from discontinued operations basic	\$	\$ (152)
Amounts allocated to dilutive securities		(25)
Loss from discontinued operations fully diluted	\$	\$ (177)
Net Income Available for Common Shares Fully Diluted:		
Net income available for Common Shares basic	\$ 18,960	\$ 15,064
Amounts allocated to dilutive securities	2,621	2,432
Net income available for Common Shares fully diluted	\$ 21,581	\$ 17,496
Denominator:		
Weighted average Common Shares outstanding basic	30,996	30,304
Effect of dilutive securities:		
Redemption of Common OP Units for Common Shares	4,334	4,912
Employee stock options and restricted shares	279	284
Weighted average Common Shares outstanding fully diluted	35,609	35,500
Earnings per Common Share Basic:		
Income from continuing operations	\$ 0.61	\$ 0.50
Loss from discontinued operations		

Net income available for Common Shares	\$ 0.61	\$ 0.50
Earnings per Common Share Fully Diluted:		
Income from continuing operations	\$ 0.61	\$ 0.49
Loss from discontinued operations		
Net income available for Common Shares	\$ 0.61	\$ 0.49

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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 the 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 Preferred Stock in exchange for \$200 million of previously issued series D and series F Perpetual Preferred OP Units. Holders of the Preferred Stock have preference rights with respect to liquidation and distributions over the common stock. The Company has the option to redeem the 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 April 8, 2011, the Company paid a \$0.375 per share distribution for the quarter ended March 31, 2011 to common stockholders of record on March 25, 2011. On March 31, 2011, the Company paid a \$0.156217 per share distribution on the Company's Preferred Stock, to 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 Preferred Stock.

Note 4 Investment in Real Estate

Investment in real estate is comprised of (amounts in thousands):

	March 31, 2011	As of December 31, 2010
<i>Properties Held for Long Term</i>		
Investment in real estate:		
Land	\$ 544,464	\$ 544,462
Land improvements	1,762,709	1,762,122
Buildings and other depreciable property	288,163	278,403
	2,595,336	2,584,987
Accumulated depreciation	(718,974)	(700,665)
Net investment in real estate	\$ 1,876,362	\$ 1,884,322

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

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 March 31, 2011, the Company had no Properties designated as held for disposition pursuant to FASB ASC 360-10-35. One property held for disposition as of December 31, 2009, Creekside, a 165-site all-age manufactured home community located in Wyoming, Michigan was disposed of in January 2010.

Note 5 Investment in Joint Ventures

The Company recorded approximately \$0.8 million of equity in income from unconsolidated joint ventures, net of approximately \$0.3 million of depreciation expense for each of the quarters ended March 31, 2011 and 2010. The

Company received approximately \$0.6 million in distributions from such joint ventures for each of the quarters ended March 31, 2011 and 2010. Approximately \$0.6 million of such distributions were classified as a return on capital and were included in operating activities on the Consolidated Statements of Cash Flows for each of the quarters ended March 31, 2011 and 2010. Approximately \$0.1 million of the distributions received in the quarter ended March 31, 2010 exceeded the Company's basis in its joint venture and as such were recorded in income from unconsolidated joint ventures.

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EQUITY LIFESTYLE PROPERTIES, INC.
Notes to Consolidated Financial Statements

Note 5 Investment in Joint Ventures (continued)

The following table summarizes the Company's investments in unconsolidated joint ventures (with the number of Properties shown parenthetically as of March 31, 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 Quarters Ended	
				March 31, 2011	December 31, 2010	March 31, 2011	March 31, 2010
Meadows	Various (2,2)	1,027	50%	\$ 121	\$ 276	\$ 235	\$ 302
Lakeshore	Florida (2,2)	342	65%	124	115	74	46
Voyager	Arizona (1,1)	1,706	50% ⁽²⁾	8,264	8,055	475	493
		3,075		\$ 8,509	\$ 8,446	\$ 784	\$ 841

(1) The percentages shown approximate the Company's economic interest as of March 31, 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

As of March 31, 2011 and December 31, 2010, the Company had approximately \$24.6 million and \$25.7 million in notes receivable, respectively. As of March 31, 2011 and December 31, 2010, the Company had approximately \$8.4 million and \$8.9 million, respectively, in Chattel Loans receivable, which yield interest at a per annum average rate of approximately 8.8%, have an average term remaining of approximately 12 years, require monthly principal and interest payments and are collateralized by homes at certain of the Properties. These notes are recorded net of allowances of approximately \$0.4 million as of March 31, 2011 and December 31, 2010. During the quarter ended March 31, 2011 and year ended December 31, 2010, approximately \$0.2 million and \$0.8 million, respectively, was repaid and an additional \$0.1 million and \$0.4 million, respectively, was loaned to customers.

As of March 31, 2011 and December 31, 2010, the Company had approximately \$16.0 million and \$16.7 million, respectively, of Contracts Receivables, including allowances of approximately \$0.9 million and \$1.4 million, respectively. These Contracts Receivables represent loans to customers who have entered right-to-use contracts. The Contracts Receivable yield interest at a stated per annum average rate of 16.2%, have a weighted average term remaining of approximately four years and require monthly payments of principal and interest. During the quarter ended March 31, 2011 and year ended December 31, 2010, approximately \$2.1 million and \$8.6 million, respectively, was repaid and an additional \$1.3 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

As of March 31, 2011 and December 31, 2010, the Company had outstanding mortgage indebtedness on Properties held for long term of approximately \$1,407 million and \$1,413 million, respectively. The weighted average interest rate on this mortgage indebtedness for the quarter ended March 31, 2011 was approximately 6.1% per annum. The debt bears interest at rates of 5.0% to 8.5% per annum and matures on various dates ranging from 2011 to 2020. The

debt encumbered a total of 129 of the Company's Properties as of both March 31, 2011 and December 31, 2010 and the carrying value of such Properties was approximately \$1,484 million and \$1,508 million, respectively, as of such dates.

As of March 31, 2011 and December 31, 2010, the Company's unsecured line of credit had an availability of \$100 million of which no amounts were outstanding. The Company's unsecured Line of Credit (LOC) with a maximum borrowing capacity of \$100 million bears interest at a per annum rate of LIBOR plus a maximum of 1.20% per annum, has a 0.15% facility fee, and matures on June 29, 2011.

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EQUITY LIFESTYLE PROPERTIES, INC.
Notes to Consolidated Financial Statements

Note 8 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 sales revenue.

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

	Quarters Ended	
	March 31,	
	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	3,853	4,937
Deferred revenue recognized	(1,357)	(989)
Net increase in deferred revenue	2,496	3,948
Deferred revenue entry of right-to-use contracts, as of March 31,	\$ 46,845	\$ 33,441
Deferred commission expense, as of January 1,	\$ 14,898	\$ 9,373
Costs deferred	1,436	1,708
Commission expense recognized	(436)	(296)
Net increase in deferred commission expense	1,000	1,412
Deferred commission expense, March 31,	\$ 15,898	\$ 10,785

Note 9 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 quarters ended March 31, 2011 and 2010, was approximately \$1.2 million and \$1.0 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 quarter ended March 31, 2011, Options for 1,000 shares of common stock were exercised for proceeds of approximately \$23,000.

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.

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.

Note 10 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).

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EQUITY LIFESTYLE PROPERTIES, INC.
Notes to Consolidated Financial Statements

Note 10 Long-Term Cash Incentive Plan (continued)

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 March 31, 2011 and December 31, 2010, the Company had accrued compensation expense of approximately \$1.0 million and \$0.7 million, respectively, for the 2010 LTIP including approximately \$0.3 million and \$0.7 million in the quarter ended March 31, 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 11 Transactions with Related Parties**Privileged Access**

On August 14, 2008, the Company closed on the PA Transaction by acquiring substantially all of the assets and assuming certain liabilities of Privileged Access for an unsecured note payable of \$2.0 million which was paid off during the year ended December 31, 2009. Prior to the purchase, Privileged Access had a 12-year lease with the Company for 82 Properties that terminated upon closing. At closing, cash was deposited into an escrow account for liabilities that Privileged Access has retained. The balance in the escrow account as of March 31, 2011 was approximately \$0.2 million

Mr. McAdams, the Company's President from January 1, 2008 to January 31, 2011, owns 100% of Privileged Access. Effective February 1, 2011, Mr. McAdams became president of a subsidiary of the Company involved in ancillary activities and relinquished his role as President of the Company. The Company entered into an employment agreement effective as of January 1, 2008 (the Employment Agreement) with Mr. McAdams which provided for an initial term of three years and the Employment Agreement expired on December 31, 2010. Mr. McAdams is also subject to a non-compete clause and to mitigate potential conflicts of interest shall have no authority, on behalf of the Company and its affiliates, to enter into any agreement with any entity controlling, controlled by or affiliated with Privileged Access. Prior to forming Privileged Access, Mr. McAdams was a member of the Company's Board of Directors from January 2004 to October 2005. Simultaneous with his appointment as president of Equity LifeStyle Properties, Inc., Mr. McAdams resigned as Privileged Access's Chairman, President and CEO. However, he was on the board of PATT Holding Company, LLC (PATT), a subsidiary of Privileged Access, until the entity was dissolved in 2008.

Corporate headquarters

The Company leases office space from Two North Riverside Plaza Joint Venture Limited Partnership, an entity affiliated with Mr. Zell, the Company's Chairman of the Board. Payments made in accordance with the lease agreement to this entity amounted to approximately \$0.3 million, \$0.0 million, and \$0.4 million for the quarters ended March 31, 2011, 2010, and 2009, respectively. No payments were made during the quarter ended March 31, 2010 as the landlord provided six months free rent in connection with a new lease for the office space that commenced December 1, 2009.

Other

In January 2009, the Company entered into a consulting agreement with the son of Mr. Howard Walker, to provide assistance with the Company's internet web marketing strategy. Mr. Walker is Vice-Chairman of the Company's Board

of Directors. The consulting agreement was for a term of six months at a total cost of no more than \$48,000 and expired on June 30, 2009.

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**EQUITY LIFESTYLE PROPERTIES, INC.
Notes to Consolidated Financial Statements**

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 October 24, 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 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 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 (3) the trial court should consider certain of the tenant association s other claims. On remand, at the trial court s suggestion, the parties agreed to a trial of the remanded issues based on stipulated written facts. A draft of the parties proposed stipulated written facts was submitted to the trial court on April 22, 2011.

Table of Contents**EQUITY LIFESTYLE PROPERTIES, INC.
Notes to Consolidated Financial Statements****Note 12 Commitments and Contingencies (continued)**

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. The Company has filed a rent increase petition with the City in order to ripen its claims, and 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. The Company has 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 intends to vigorously oppose any award of costs or attorneys' fees to the plaintiffs. A hearing on the parties' respective requests for awards of costs and attorney's has been set for June 9, 2011.

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 which has been fully briefed and was orally argued on February 22, 2011. 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.

Table of Contents**EQUITY LIFESTYLE PROPERTIES, INC.
Notes to Consolidated Financial Statements****Note 12 Commitments and Contingencies (continued)**

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 have 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.

Since filing the lawsuit, as of March 31, 2011, the Company has received additional payments from Essex Insurance Company, Lexington Insurance Company, and Westchester Surplus Lines Insurance Company, of approximately \$3.7 million. In January 2008 the Company entered a settlement with Hartford Fire Insurance Company pursuant to which Hartford paid the Company the remaining disputed limits of Hartford's insurance policy, in the amount of approximately \$0.5 million, and the Company dismissed and released Hartford from additional claims for interest and bad faith claims handling.

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 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. 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. A hearing on the content of the class notice has been set for June 1, 2011. 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 of the breach of the duty of good faith and fair dealing; and 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.

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**EQUITY LIFESTYLE PROPERTIES, INC.
Notes to Consolidated Financial Statements**

Note 12 Commitments and Contingencies (continued)

Gulf View in Punta Gorda

In 2004, the Company acquired ownership of various property owning entities, including an entity owning a property called Gulf View, in Punta Gorda, Florida. Gulf View continues to be held in a special purpose entity. At the time of acquisition of the entity owning Gulf View, it was financed with a non-recourse loan secured by Gulf View that was cross-collateralized with a non-recourse loan secured by another property whose ownership entity was not acquired. At the time of acquisition, the Operating Partnership guaranteed certain obligations relating to exceptions from the non-recourse nature of the loans. The approximate outstanding amount of the loan secured by Gulf View is \$1.4 million and of the crossed loan secured by the other property is \$5.3 million. Both of the loans mature on June 1, 2011. Should the owner of the cross-collateralized property default on the \$5.3 million loan, the special purpose entity owning Gulf View and the Operating Partnership may be impacted to the extent of their obligations.

Other

The Company is involved in various other legal proceedings arising in the ordinary course of business. Such proceedings include, but are not limited to, notices, consent decrees, 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.

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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 March 31, 2011, the Company owned or had an ownership interest in a portfolio of 307 Properties located throughout the United States and Canada containing 111,004 residential sites. These Properties are located in 27 states and British Columbia, with the number of Properties in each state or province shown parenthetically, as follows: Florida (86), California (48), Arizona (37), Texas (15), Washington (15), Pennsylvania (12), Colorado (10), Oregon (9), North Carolina (8), Delaware (7), Nevada (6), New York (6), Virginia (6), Wisconsin (5), Indiana (5), Maine (5), Illinois (4), Massachusetts (3), New Jersey (3), South Carolina (3), Utah (3), Michigan (2), New Hampshire (2), Ohio (2), Tennessee (2), Alabama (1), Kentucky (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 similar words or phrases, or the negative thereof, unless the context requires otherwise, are intended to identify forward-looking statements. 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 recently acquired);

- 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 future acquisitions, if any, and timing with respect thereto and the effective integration of any such acquisition;

- 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.

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
Expansion Site Development and other:		
Sites added (reconfigured) in 2010		19
Sites added (reconfigured) in 2011		2
Dispositions:		
Creekside (1)	January 10, 2010	(165)
Total Sites as of March 31, 2011		111,004

Since January 1, 2010, the gross investment in real estate has increased from \$2,538 million to \$2,595 million as of March 31, 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 65,000 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 own 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 March 31, 2011 (rounded to 000s)
Community sites	44,200
Resort sites:	
Annual	20,800
Seasonal	8,900
Transient	9,700
Right-to-use ⁽¹⁾	24,300
Joint Ventures ⁽²⁾	3,100
	111,000

(1) Includes approximately 3,100 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 2011 Core community base rental income to increase approximately 2.7% as compared to 2010.

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 March 31, 2011, occupied manufactured home rentals increased to 2,631 or 190.1%, 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.

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

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

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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 ZPP s including additional zones require modest upfront payments. The Company entered into approximately 1,000 ZPP s during the quarter ended March 31, 2011. The ZPP s 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.

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 quarter ended March 31, 2011.

Cumulative Redeemable Perpetual 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 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 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 accounts for the Preferred Stock in accordance with the Codification Topic Consolidation (FASB ASC 810). The Company has the option to redeem the Preferred Stock at a redemption price of \$25.00 per share, plus accumulated and unpaid dividends. Holders of the Preferred Stock have preference rights with respect to liquidation and distributions over the common stock. Based on the Company s analysis, the Preferred Stock has been classified as redeemable interests outside of permanent equity in the mezzanine section.

Table of Contents**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. (See Note 4 in the Notes to the Consolidated Financial Statements for summarized information for these Properties.)

Comparison of the Quarter Ended March 31, 2011 to the Quarter Ended March 31, 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 quarters ended March 31, 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	\$ 66,171	\$ 64,401	\$ 1,770	2.7%	\$ 66,183	\$ 64,422	\$ 1,761	2.7%
Resort base rental income	36,353	36,945	(592)	(1.6%)	36,468	36,945	(477)	(1.3%)
Right-to-use annual payments	11,940	12,185	(245)	(2.0%)	12,012	12,185	(173)	(1.4%)
Right-to-use contracts current period, gross	3,853	4,937	(1,084)	(22.0%)	3,853	4,937	(1,084)	(22.0%)
Utility and other income	13,023	12,887	136	1.1%	13,062	12,889	173	1.3%
Property operating revenues, excluding deferrals	131,340	131,355	(15)	0.0%	131,578	131,378	200	0.2%
Property operating and maintenance	43,989	43,399	590	1.4%	44,311	43,454	857	2.0%
Real estate taxes	8,038	8,302	(264)	(3.2%)	8,057	8,314	(257)	(3.1%)
Sales and marketing, gross	2,256	3,263	(1,007)	(30.9%)	2,256	3,263	(1,007)	(30.9%)
Property operating expenses, excluding deferrals and Property management	54,283	54,964	(681)	(1.2%)	54,624	55,031	(407)	(0.7%)

Income from property operations, excluding deferrals and Property management	77,057	76,391	666	0.9%	76,954	76,347	607	0.8%
Property management	8,447	8,738	(291)	(3.3%)	8,463	8,740	(277)	(3.2%)
Income from property operations, excluding deferrals	\$ 68,610	\$ 67,653	\$ 957	1.4%	\$ 68,491	\$ 67,607	\$ 884	1.3%

The Core Portfolio property operating revenues, which were flat to 2010, include the following changes (i) a 2.3% increase in rates in community base rental income and a 0.4% increase in occupancy (ii) a 1.6% decrease in revenues in core resort base income comprised of an increase of 4.5% in annual revenues offset by a 8.2% decrease in seasonal revenues and a 9.2% decrease in transient resort revenue and (iii) a decrease of 22.0% 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.

The 1.2% decrease in property operating expenses in the Core Portfolio, excluding property management, reflects (i) a 1.4% increase in property operating and maintenance expenses (ii) a 3.2% decrease in property taxes and (iii) a 30.9% 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. Total Portfolio property management expenses primarily decreased due to one-time costs incurred in 2010 for office moves and system conversion costs.

Table of Contents**Home Sales Operations**

The following table summarizes certain financial and statistical data for the Home Sales Operations for the quarters ended March 31, 2011 and 2010 (amounts in thousands).

	2011	2010	Variance	% Change
Gross revenues from new home sales	\$ 811	\$ 424	\$ 387	91.3%
Cost of new home sales	(932)	(395)	(537)	(135.9%)
Gross (loss) profit from new home sales	(121)	29	(150)	(517.2%)
Gross revenues from used home sales	546	623	(77)	(12.4%)
Cost of used home sales	(487)	(764)	277	36.3%
Gross profit (loss) from used home sales	59	(141)	200	141.8%
Brokered resale revenues, net	253	239	14	5.9%
Home selling expenses	(477)	(477)		0.0%
Ancillary services revenues, net	1,025	1,063	(38)	(3.6%)
Income from home sales operations and other	\$ 739	\$ 713	\$ 26	3.6%

Home sales volumes

New home sales ⁽¹⁾	21	18	3	16.7%
Used home sales ⁽²⁾	153	133	20	15.0%
Brokered home resales	205	187	18	9.6%

(1) Includes seven third party home sales for the quarter ending March 31, 2010.

(2) Includes one third party home sale for the quarter ending March 31, 2010.

Income from home sales operations increased primarily as a result of increased profit on used home sales.

Rental Operations

The following table summarizes certain financial and statistical data for manufactured home Rental Operations for the quarters ended March 31, 2011 and 2010 (amounts in thousands). 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	\$ 2,590	\$ 1,799	\$ 791	44.0%
Used Home	3,535	2,751	784	28.5%
Rental operations revenue ⁽¹⁾	6,125	4,550	1,575	34.6%
Property operating and maintenance	764	584	180	30.8%
Real estate taxes	65	36	29	80.6%

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Rental operations expense	829	620	209	33.7%
Income from rental operations	5,296	3,930	1,366	34.8%
Depreciation	859	714	145	20.3%
Income from rental operations, net of depreciation	\$ 4,437	\$ 3,216	\$ 1,221	38.0%
Net investment in new manufactured home rental units	\$ 65,486	\$ 50,347	\$ 15,139	30.1%
Net investment in used manufactured home rental units	\$ 25,693	\$ 18,011	\$ 7,682	42.7%
Number of occupied rentals new, end of period	925	634	291	45.9%
Number of occupied rentals used, end of period	1,706	1,210	496	41.0%

(1) Approximately \$4.7 million and \$3.4 million for the quarters ended March 31, 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.

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

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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.

Other Income and Expenses

The following table summarizes other income and expenses for the quarters ended March 31, 2011 and 2010 (amounts in thousands).

	2011	2010	Variance	% Change
Depreciation on real estate and other costs	\$ (17,227)	\$ (16,923)	\$ (304)	(1.8%)
Interest income	1,039	1,192	(153)	(12.8%)
Income from other investments, net	699	1,177	(478)	(40.6%)
General and administrative	(5,647)	(5,676)	29	0.5%
Rent control initiatives	(112)	(714)	602	84.3%
Depreciation on corporate assets	(249)	(210)	(39)	(18.6%)
Interest and related amortization	(21,389)	(23,767)	2,378	10.0%
Total other expenses, net	\$ (42,886)	\$ (44,921)	\$ 2,035	4.5%

Interest income is lower primarily due to lower notes receivable amounts outstanding. Income from other investments, net, decreased primarily due to reduced insurance proceeds of \$0.4 million. 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). Interest expense is lower primarily due to lower mortgage notes payable amounts outstanding.

Equity in Income of Unconsolidated Joint Ventures

During the quarter ended March 31, 2011, equity in income of unconsolidated joint ventures decreased primarily due to distributions included in income that exceeded the Company's basis in its joint ventures during the quarter ended March 31, 2010.

Liquidity and Capital Resources**Liquidity**

As of March 31, 2011, the Company had approximately \$43.1 million in cash and cash equivalents, \$49.3 million in U.S. Treasury Bills, and \$100.0 million available on its line of credit. 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 Company has approximately \$52 million of scheduled debt maturities in 2011 (excluding scheduled principal payments on debt maturing in 2013 and beyond) and no debt maturing in 2012. The Company expects to satisfy its 2011 maturities with its existing cash balance and the proceeds from the 2011 maturities of its short-term investments.

The table below summarizes cash flow activity for the quarters ended March 31, 2011 and 2010 (amounts in thousands).

	For the Quarters Ended March 31,	
	2011	2010
Net cash provided by operating activities	\$ 57,918	\$ 51,816
Net cash used in investing activities	(7,076)	(6,521)
Net cash used in financing activities	(20,364)	(18,116)
Net increase in cash and cash equivalents	\$ 30,478	\$ 27,179

Table of Contents**Operating Activities**

Net cash provided by operating activities increased \$6.1 million for the quarter ended March 31, 2011, as compared to the net cash provided by operating activities for the quarter ended March 31, 2010. The increase in cash provided by operating activities is primarily due to a \$3.9 million increase in consolidated income from continuing operations and a decrease in escrow deposits and other assets.

Investing Activities

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

Notes Receivable Activity

The notes receivable activity during the quarter ended March 31, 2011 of \$0.9 million in cash inflow reflects net repayments of \$0.1 million from the Company's Chattel Loans and net repayments of \$0.8 million from the Company's Contract Receivables.

The notes receivable activity during the quarter ended March 31, 2010 of \$0.5 million in cash inflow primarily reflects net repayments of \$0.5 million from the Company's Contract Receivables.

Capital Improvements

The table below summarizes capital improvements activity for the quarters ended March 31, 2011 and 2010 (amounts in thousands).

	For the Quarters Ended March 31,	
	2011	2010
Recurring Cap Ex ⁽¹⁾	\$ 2,831	\$ 3,378
New construction expansion	12	81
New construction upgrades ⁽²⁾	240	1,825
Home site development ⁽³⁾	7,581	2,065
Total Property	10,664	7,349
Corporate	275	439
Total Capital improvements	\$ 10,939	\$ 7,788

(1) Recurring capital expenditures (Recurring CapEx) are primarily comprised of common area improvements, furniture, and mechanical improvements.

(2) New construction upgrades primarily represents costs to improve and upgrade Property infrastructure or amenities.

(3) Home site development includes acquisitions of or improvements to rental units.

Financing Activities**Financing, Refinancing and Early Debt Retirement****2010 Activity**

During the quarter ended March 31, 2010, the Company closed an approximately \$12.0 million financing on one manufactured home community with an interest rate of 5.99% per annum, maturing in 2020. The Company also paid off two maturing mortgages totaling approximately \$7.1 million, with a weighted average interest rate of 8.53% per annum.

Secured Debt

As of March 31, 2011, the Company's secured long-term debt balance was approximately \$1.4 billion, with a weighted average interest rate of approximately 6.1% per annum. The debt bears interest at rates between 5.0% and

8.5% per annum and matures on various dates primarily ranging from 2011 to 2020. Excluding scheduled principal amortization, as of March 31, 2011, the Company has approximately \$52 million of long-term debt maturing in 2011 and no long-term debt maturing in 2012. The weighted average term to maturity for the long-term debt is approximately 5.2 years.

The Company expects to satisfy its secured debt maturities of approximately \$52 million occurring prior to December 31, 2011 with its existing cash balance and maturing short-term investments.

Table of Contents*Unsecured Debt*

The Company's unsecured Line of Credit (LOC) has a maximum borrowing capacity of \$100 million bears interest at a per annum rate of LIBOR plus a maximum of 1.20% per annum, has a 0.15% facility fee, and matures on June 29, 2011. The Company is currently negotiating a new line of credit with an expected availability of \$300 million.

As of March 31, 2011 and 2010, there were no amounts outstanding on the line of credit.

Other Loans

During the quarter ended March 31, 2010, the Company borrowed approximately \$1.0 million which was secured by individual manufactured homes. This financing provided by the dealer required monthly payments, bore interest at 8.5% and matured on the earlier of: 1) the date the home is sold, or 2) November 20, 2016. All amounts outstanding were paid off prior to December 31, 2010.

Contractual Obligations

As of March 31, 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)	\$ 1,407,946	\$ 68,298	\$ 22,644	\$ 122,594	\$ 200,321	\$ 531,171	\$ 82,231	\$ 380,687
Interest Expense (2)	418,662	62,014	78,892	75,620	65,323	56,623	26,658	53,532
Total Contractual Obligations	\$ 1,826,608	\$ 130,312	\$ 101,536	\$ 198,214	\$ 265,644	\$ 587,794	\$ 108,889	\$ 434,219
Weighted average interest rates	5.89%	5.84%	5.85%	5.87%	5.85%	5.58%	5.70%	6.11%

(1) Balance excludes net premiums and discounts of \$0.8 million. 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 March 31, 2011. For the Company's one variable interest obligation, it uses the 7.25% interest floor for this obligation, as it does not believe the LIBOR rate will increase above the floor prior to the loan payment.

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 \$1.9 million per year for each of the next five years and approximately \$14.4 million thereafter.

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 \$530 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 April 8, 2011, the Company paid a \$0.375 per share distribution for the quarter ended March 31, 2011 to common stockholders of record on March 25, 2011.

On March 31, 2011, the Company paid a \$0.156217 per share pro-rata distribution on the Company's 8.034% Series A Cumulative Redeemable Perpetual Preferred Stock to preferred stockholders of record on March 21, 2011.

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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 Preferred Stock.

During the quarter ended March 31, 2011, the Company received approximately \$0.2 million in proceeds from the issuance of shares of common stock through stock option exercises and the Company's Employee Stock Purchase Plan (ESPP).

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 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.

On 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.

During the quarter ended March 31, 2010, the Company received approximately \$0.3 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.

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 quarters ended March 31, 2011 and 2010 (amounts in thousands):

	Quarters Ended March 31,	
	2011	2010
Computation of funds from operations:		
Net income available for common shares	\$ 18,960	\$ 15,064
Income allocated to common OP units	2,621	2,432
Right-to-use contract upfront payments, deferred, net	2,496	3,948
Right-to-use contract commissions, deferred, net	(1,000)	(1,412)
Depreciation on real estate assets and other	17,227	16,923
Depreciation on unconsolidated joint ventures	307	305
Loss on real estate		177
Funds from operations available for common shares	\$ 40,611	\$ 37,437

Weighted average common shares outstanding	fully diluted	35,609	35,500
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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 March 31, 2011, approximately 100% or approximately \$1.4 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 \$70.9 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 \$74.7 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 March 31, 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 March 31, 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

There were no material changes in the Company's internal control over financial reporting during the quarter ended March 31, 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 exception 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.

Some Potential Losses Are Not Covered by Insurance. The Company carries comprehensive insurance coverage for losses resulting from property damage, liability claims and business interruption on all of its Properties. In addition the Company carries liability coverage for other activities not specifically related to property operations. These coverages include, but are not limited to, Directors & Officers liability, Employer Practices liability and Fiduciary liability. The Company believes that the policy specifications and coverage limits of these policies should be adequate and appropriate. There are, however, certain types of losses, such as lease and other contract claims that generally are not insured. Should an uninsured loss or a loss in excess of coverage limits occur, the Company could lose all or a portion of the capital it has invested in a Property or the anticipated future revenue from a Property. In such an event, the Company might nevertheless remain obligated for any mortgage debt or other financial obligations related to the Property.

The Company's current property and casualty insurance policies, which it plans to renew, expire on April 1, 2012. The Company has a \$100 million loss limit with respect to its all-risk property insurance program including named windstorms, which include, for example, hurricanes. This loss limit is subject to additional sub-limits as set forth in the policy form, including among others a \$25 million loss limit for an earthquake in California. Policy deductibles primarily range from a \$100,000 minimum to 5% per unit of insurance for most catastrophic events. A deductible indicates ELS maximum exposure, subject to policy sub-limits, in the event of a loss.

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

- 3.2_(b) Articles Supplementary designating Equity Lifestyle Properties, Inc.'s 8.034% Series A Cumulative Redeemable Perpetual Preferred Stock, liquidation preference \$25.00 per share, par value \$0.01 per share.
- 4.1_(b) Form of stock certificate evidencing the 8.034% Series A Cumulative Redeemable Perpetual Preferred Stock, liquidation preference \$25.00 per share, par value \$0.01 per share.
- 10.47_(a) Exchange Agreement dated March 1, 2011 by and among the Company, the Operating Partnership and the Selling Stockholders.
- 10.48_(c) 8.034% Series G Cumulative Redeemable Perpetual Preference Units Term Sheet and Joinder to the Second Amended and Restated Agreement of Limited Partnership of the Operating Partnership dated March 4, 2011.
- 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_(d) The following materials from Equity LifeStyle Properties, Inc. s Quarterly Report on Form 10-Q for the quarter ended March 31, 2011, formatted in XBRL (Extensible Business Reporting Language): (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Operations, (iii) the Consolidated Statements of Changes in Equity, (iv) the Consolidated Statements of Cash Flow, and (iv) the Notes to Consolidated Financial Statements, furnished herewith.

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- (a) Included as an exhibit to the Company's Report on Form 8-K dated March 1, 2011.
- (b) Included as an exhibit to the Company's Registration Statement on Form 8-A filed on March 4, 2011.
- (c) Included as an exhibit to the Company's Report on Form 8-K dated March 4, 2011.
- (d) 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: May 5, 2011

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

Date: May 5, 2011

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