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EQUITY LIFESTYLE PROPERTIES INC

Form 10-K/A

March 31, 2005

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-K/A

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

For the Fiscal Year Ended December 31, 2004

or

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

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)

Securities registered pursuant to Section 12(b) of the Act:

Common Stock, \$.01 Par Value  
(Title of Class)

The New York Stock Exchange  
(Name of exchange on which  
registered)

Securities registered pursuant to Section 12(g) of the Act: None

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 is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes  No

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Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K/A or any amendment to this Form 10-K/A. [ ]

The aggregate market value of voting stock held by nonaffiliates was approximately \$699.2 million as of March 11, 2005 based upon the closing price of \$34.80 on such date using beneficial ownership of stock rules adopted pursuant to Section 13 of the Securities Exchange Act of 1934 to exclude voting stock owned by Directors and Officers, some of whom may not be held to be affiliates upon judicial determination.

At March 11, 2005, 23,172,094 shares of the Registrant's Common Stock were outstanding.

### DOCUMENTS INCORPORATED BY REFERENCE:

Part III incorporates by reference the Registrant's Proxy Statement relating to the Annual Meeting of Stockholders to be held on May 10, 2005.

EQUITY LIFESTYLE PROPERTIES, INC.

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### EXPLANATORY NOTE

This amendment on Form 10-K/A is being filed with respect to our Annual Report on Form 10-K for the fiscal year ended December 31, 2004, filed with the Securities and Exchange Commission on March 29, 2005. This Amendment No. 1 includes a signed audit opinion from our independent auditors and a signed Exhibit 23 -- Consent of Independent Registered Public Accounting Firm required by Item 601 of Regulation S-K. These documents previously appeared in our Form 10-K unsigned. This amendment does not contain updates to reflect any events occurring after the original March 29, 2005 filing of our Annual Report on Form 10-K for the fiscal year ended December 31, 2004.

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#### ITEM 6. SELECTED FINANCIAL DATA

The following table sets forth selected financial and operating information on a historical basis. The historical operating data for the four years ended December 31, 2003 have been derived from the historical financial statements of the Company; however, they have been restated to reflect adjustments that are further explained in Note 2 of the Notes to Consolidated Financial Statements

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contained in this Form 10-K/A. The following information should be read in conjunction with all of the financial statements and notes thereto included elsewhere in this Form 10-K/A.

EQUITY LIFESTYLE PROPERTIES, INC.  
CONSOLIDATED HISTORICAL FINANCIAL INFORMATION  
(Amounts in thousands, except for per share and property data)

	(1) YEARS ENDED DECEMBER		
	2004	2003 (Restated)	2002 (Restated)
<b>PROPERTY OPERATIONS:</b>			
Community base rental income .....	\$ 210,790	\$ 196,919	\$ 194,640
Resort base rental income .....	54,845	11,780	9,146
Utility and other income .....	24,893	20,150	19,684
	290,528	228,849	223,470
Property operating revenues .....			
Property operating and maintenance .....	94,955	64,996	62,843
Real estate taxes .....	23,679	18,917	17,827
Property management .....	12,852	9,373	9,292
	131,486	93,286	89,962
Property operating expenses (exclusive of depreciation shown separately below) .....			
Income from property operations .....	159,042	135,563	133,508
<b>HOME SALES OPERATIONS:</b>			
Gross revenues from inventory home sales .....	47,636	36,606	33,537
Cost of inventory home sales .....	(41,833)	(31,767)	(27,183)
	5,803	4,839	6,354
Gross profit from inventory home sales .....			
Brokered resale revenues, net .....	2,186	1,724	1,592
Home selling expenses .....	(8,708)	(7,360)	(7,664)
Ancillary services revenues, net .....	2,782	216	522
	2,063	(581)	804
Income (loss) from home sales operations & other .....			
<b>OTHER INCOME (EXPENSES):</b>			
Interest income .....	1,391	1,695	967
Equity in income of affiliates .....	--	--	--
Income from other investments (2) .....	3,475	956	316
General and administrative .....	(9,243)	(8,060)	(8,192)
Rent control initiatives .....	(2,412)	(2,352)	(5,698)
Interest and related amortization (3) .....	(91,922)	(58,402)	(50,729)
Depreciation on corporate assets .....	(1,657)	(1,240)	(1,277)
Depreciation on real estate assets and other costs .....	(48,862)	(37,265)	(34,826)
	(149,230)	(104,668)	(99,439)
Total other income (expenses) .....			
Income before minority interests, equity in income of unconsolidated joint ventures, loss on extinguishment of debt, gain on sale of property and discontinued operations .....	11,875	30,314	34,873

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(Income) allocated to Common OP Units .....	(936)	(3,860)	(4,708)
(Income) allocated to Perpetual Preferred OP Units	(11,284)	(11,252)	(11,252)
Equity in income of unconsolidated joint ventures .....	3,739	340	235
Income before loss on extinguishment of debt, gain on sale of properties and other, and discontinued operations .....	3,394	15,542	19,148
Loss on the extinguishment of debt .....	--	--	--
Gain on sale of properties and other .....	638	--	--
Income from continuing operations .....	4,032	15,542	19,148
DISCONTINUED OPERATIONS:			
Discontinued Operations .....	26	1,043	3,287
Depreciation on discontinued operations .....	(32)	(135)	(484)
Gain on sale of discontinued properties and other ..	--	10,826	13,014
Minority interests on discontinued operations .....	--	(2,144)	(3,078)
Income (loss) from discontinued operations....	(6)	9,590	12,739
NET INCOME AVAILABLE FOR COMMON SHARES .....	\$ 4,026	\$ 25,132	\$ 31,887

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EQUITY LIFESTYLE PROPERTIES, INC.  
CONSOLIDATED HISTORICAL FINANCIAL INFORMATION  
(continued)

(Amounts in thousands, except for per share and property data)

	(1) AS OF		
	2004	2003 (Restated)	(Re
EARNINGS PER COMMON SHARE - BASIC:			
Income from continuing operations .....	\$ 0.18	\$ 0.71	\$
Income from discontinued operations .....	\$ 0.00	\$ 0.43	\$
Net income available for Common Shares .....	\$ 0.18	\$ 1.14	\$
EARNINGS PER COMMON SHARE - FULLY DILUTED:			
Income from continuing operations .....	\$ 0.17	\$ 0.69	\$
Income from discontinued operations .....	\$ 0.00	\$ 0.42	\$
Net income available for Common Shares .....	\$ 0.17	\$ 1.11	\$
Distributions declared per Common Share outstanding (3) .....	\$ 0.05	\$ 9.485	\$
Weighted average Common Shares outstanding - basic .....	22,849	22,077	
Weighted average Common OP Units outstanding .....	6,067	5,342	
Weighted average Common Shares outstanding - fully diluted ...	29,465	28,002	

BALANCE SHEET DATA:

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Real estate, before accumulated depreciation (4) .....	\$2,035,790	\$1,309,705	\$1,
Total assets .....	1,886,289	1,463,507	1,
Total mortgages and loans (3) .....	1,653,051	1,076,183	
Minority interests .....	134,771	124,634	
Stockholders' equity (3) .....	31,844	(2,528)	

OTHER DATA:

Funds from operations (5) .....	\$ 54,448	\$ 58,479	\$
Net cash flow:			
Operating activities .....	\$ 46,733	\$ 75,163	\$
Investing activities .....	\$ (366,654)	\$ (598)	\$
Financing activities .....	\$ (514)	\$ 243,905	\$
 Total Properties (at end of period) .....	 275	 142	
Total sites (at end of period) .....	101,231	52,349	

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

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

- (2) On November 10, 2004, we acquired KTTI Holding Company, Inc., owner of 57 Properties and approximately 3,000 acres of vacant land, for \$160 million ("Thousand Trails Transaction"). These Properties are leased to Thousand Trails, the largest operator of membership-based campgrounds in the United States. The Company has provided a long-term lease of the real estate (excluding the vacant land) to Thousand Trails, which will continue to operate the Properties for the benefit of its approximately 108,000 members nationwide. The Properties are located in 16 states (primarily in the western and southern United States) and British Columbia, and contain 17,911 sites. The lease will generate \$16 million in rental income to the Company on an absolute triple net basis, subject to annual escalations of 3.25%. As of December 31, 2004, approximately \$2.3 million represents income for November 10, 2004 through December 31, 2004.

EQUITY LIFESTYLE PROPERTIES, INC.  
CONSOLIDATED HISTORICAL FINANCIAL INFORMATION  
(continued)

- (3) On October 17, 2003, we closed 49 mortgage loans collateralized by 51 Properties (the "Recap") providing total proceeds of approximately \$501 million at a weighted average interest rate of 5.84% and with a weighted average maturity of approximately 9 years. Approximately \$170 million of the proceeds were used to repay amounts outstanding on the Company's line of credit and term loan. Approximately \$225 million was used to pay a special distribution of \$8.00 per share on January 16, 2004. The remaining funds were used for investment purposes in 2004. The Recap resulted in increased interest and amortization expense and the special distribution resulted in decreased stockholder's equity.

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

- (4) We believe that the book value of the Properties, which reflects the historical costs of such real estate assets less accumulated depreciation, is less than the current market value of the Properties.
- (5) Funds from Operations ("FFO") is a non-GAAP financial measure. The Company believes that FFO, as defined by the Board of Governors of the National Association of Real Estate Investment Trusts ("NAREIT"), to be an appropriate measure of performance for an equity REIT. While FFO is a relevant and widely used measure of operating performance for equity REITs, it does not represent cash flow from operations or net income as defined by GAAP, and it should not be considered as an alternative to these indicators in evaluating liquidity or operating performance.

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

### ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENTS SCHEDULES

1. Financial Statements

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

2. Financial Statement Schedules

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

3. Exhibits:

- 2(a) Admission Agreement between Equity Financial and Management Co.,  
Manufactured Home Communities, Inc. and MHC Operating Partnership.
- 3.1(g) Amended and Restated Articles of Incorporation of Manufactured Home  
Communities, Inc. effective May 21, 1999.
- 3.2(n) Articles of Amendment of Articles of Incorporation of Manufactured  
Home Communities, Inc., effective May 13, 2003.
- 3.3(m) Articles of Amendment to Articles of Incorporation of Manufactured  
Home Communities, Inc., effective November 16, 2004.
- 3.4(n) Amended Bylaws of Manufactured Home Communities, Inc. dated  
December 31, 2003.
- 4 Not applicable
- 9 Not applicable
- 10.1(a) Agreement of Limited Partnership of MHC Financing Limited  
Partnership
- 10.2(b) Agreement of Limited Partnership of MHC Lending Limited Partnership
- 10.3(c) Agreement of Limited Partnership of MHC-Bay Indies Financing  
Limited Partnership
- 10.4(c) Agreement of Limited Partnership of MHC-De Anza Financing Limited  
Partnership
- 10.5(d) Second Amended and Restated MHC Operating Limited Partnership  
Agreement of Limited Partnership, dated March 15, 1996
- 10.6(f) Agreement of Limited Partnership of MHC Financing Limited  
Partnership Two
- 10.7(a) Revolving Credit Note made by Realty Systems, Inc. to Equity  
Financial and Management Co.
- 10.8(a) Assignment to MHC Operating Limited Partnership of Revolving Credit  
Note made by Realty Systems, Inc. to Equity Financial and  
Management Co.

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- 10.9(a) Loan and Security Agreement between Realty Systems, Inc. and MHC Operating Limited Partnership
- 10.10(e) Form of Manufactured Home Communities, Inc. 1997 Non-Qualified Employee Stock Purchase Plan.
- 10.11(i) Manufactured Home Communities, Inc. 1992 Stock Option and Stock Award Plan.
- 10.12(g) \$265,000,000 Mortgage Note dated December 12, 1997
- 10.13(h) \$110,000,000 Amended, Restated and Consolidated Promissory Note (DeAnza Mortgage) dated June 28, 2000
- 10.14(h) \$15,750,000 Promissory Note Secured by Leasehold Deed of Trust (Date Palm Mortgage) dated July 13, 2000
- 10.15(j) \$50,000,000 Promissory Note secured by Leasehold Deeds of Trust (Stagecoach Mortgage) dated December 2, 2001.
- 10.16(k) Loan Agreement dated October 17, 2003 between MHC Sunrise Heights, L.L.C., as Borrower, and Bank of America, N.A., as Lender.
- 10.16.1(k) Schedule identifying substantially identical agreements to Exhibit No. 10.16.
- 10.17(k) Form of Loan Agreement dated October 17, 2003 between MHC Countryside L.L.C., as Borrower, and Bank of America, N.A., as Lender.
- 10.17.1(k) Schedule identifying substantially identical agreements to Exhibit No. 10.17.
- 10.18(k) Form of Loan Agreement dated October 17, 2003 between MHC Creekside L.L.C., as Borrower, and Bank of America, N.A., as Lender.
- 10.18.1(k) Schedule identifying substantially identical agreements to Exhibit No. 10.18.
- 10.19(k) Form of Loan Agreement dated October 17, 2003 between MHC Golf Vista Estates L.L.C., as Borrowers, and Bank of America, N.A., as Lender.
- 10.19.1(k) Schedule identifying substantially identical agreements to Exhibit No. 10.19.
- 10.20(l) Agreement of Plan of Merger (Thousand Trails), dated August 2, 2004
- 10.21(l) Amendment No. 1 to Agreement of Plan of Merger (Thousand Trails), dated September 30, 2004

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### ITEM 15. EXHIBITS AND FINANCIAL STATEMENTS SCHEDULES (CONTINUED)

- 10.22(l) Amendment No. 2 to Agreement of Plan of Merger (Thousand Trails),

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dated November 9, 2004

- 10.23(1) Thousand Trails Lease Agreement, dated November 10, 2004
- 10.24(1) \$120 million Term Loan Agreement dated November 10, 2004
- 10.25(1) Fifth Amended and Restated Credit Agreement (\$110 million Revolving Facility) dated November 10, 2004
- 10.26(1) First Amended and Restated Loan Agreement dated November 10, 2004
- 11 Not applicable
- 12(n) Computation of Ratio of Earnings to Fixed Charges
- 13 Not applicable
- 14(n) Manufactured Home Communities, Inc. Business Ethics and Conduct Policy, dated March 2004
- 15 Not applicable
- 16 Not applicable
- 17 Not applicable
- 18 Not applicable
- 19 Not applicable
- 20 Not applicable
- 21(n) Subsidiaries of the registrant
- 22 Not applicable
- 23(o) Consent of Independent Auditors
- 24.1(n) Power of Attorney for Joseph B. McAdams dated March 1, 2005
- 24.2(n) Power of Attorney for Howard Walker dated February 28, 2005
- 24.3(n) Power of Attorney for Thomas E. Dobrowski dated March 1, 2005
- 24.4(n) Power of Attorney for Gary Waterman dated March 1, 2005
- 24.5(n) Power of Attorney for Donald S. Chisholm dated March 1, 2005
- 24.6(n) Power of Attorney for Sheli Z. Rosenberg dated March 1, 2005
- 25 Not applicable
- 26 Not applicable
- 31.1(o) Certification of Chief Financial Officer Pursuant To Section 302 of the Sarbanes-Oxley Act Of 2002
- 31.2(o) Certification of Chief Executive Officer Pursuant To Section 302 of the Sarbanes-Oxley Act Of 2002
- 32.1(o) Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350

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

The following documents are incorporated herein by reference.

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

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### SIGNATURES

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

EQUITY LIFESTYLE PROPERTIES, INC.,

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a Maryland corporation

Date: March 31, 2005

By: /s/ Thomas P. Heneghan

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Thomas P. Heneghan  
President and Chief Executive Officer  
(Principal Executive Officer)

Date: March 31, 2005

By: /s/ Michael B. Berman

-----  
Michael B. Berman  
Vice President, Treasurer  
and Chief Financial Officer  
(Principal Financial Officer  
and Principal Accounting Officer)

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INDEX TO FINANCIAL STATEMENTS

EQUITY LIFESTYLE PROPERTIES, INC.

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

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Report of Independent Registered Public Accounting Firm on Internal Control

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### Over Financial Reporting

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

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

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

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

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

A material weakness is a control deficiency, or combination of control deficiencies, that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected. The following material weakness has been identified and included in management's assessment. As described in the notes to the Company's 2004 financial statements, Equity Lifestyle Properties restated previously issued financial statements to correct for errors related to the improper capitalization of certain costs associated with changing rent control restrictions. In connection with its assessment of internal control over financial reporting as of December 31, 2004, management determined that Equity Lifestyle Properties' procedures and controls over the interpretation and

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implementation of generally accepted accounting principles as they relate to the capitalization of these costs were inadequate, and concluded that this deficiency represented a material weakness in internal control over financial reporting. This material weakness was considered in determining the nature, timing, and extent of audit tests applied in our audit of the financial statements as of December 31, 2004 and 2003 and for each of the three years in the period ended December 31, 2004, and this report does not affect our report dated March 24, 2005 on those financial statements.

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

ERNST & YOUNG LLP  
Chicago, Illinois  
March 24, 2005

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Report of Independent Registered Public Accounting Firm

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

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

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

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

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

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

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

ERNST & YOUNG LLP

Chicago, Illinois

March 24, 2005

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EQUITY LIFESTYLE PROPERTIES, INC.  
CONSOLIDATED BALANCE SHEETS  
AS OF DECEMBER 31, 2004 AND 2003  
(AMOUNTS IN THOUSANDS)

	DECEMBER 31, 2004	DECEMBER 31, 2003 (Restated)
	-----	-----
<b>ASSETS</b>		
Investment in real estate:		
Land .....	\$ 470,587	\$ 282,803
Land improvements .....	1,438,923	905,785
Buildings and other depreciable property .....	126,280	121,117
	2,035,790	1,309,705
Accumulated depreciation .....	(322,867)	(272,497)
	1,712,923	1,037,208
Cash and cash equivalents .....	5,305	325,740
Notes receivable .....	13,290	11,551
Investment in joint ventures .....	43,583	10,770
Rents receivable, net .....	1,469	2,385
Deferred financing costs, net .....	16,162	14,164
Inventory .....	50,654	31,604
Prepaid expenses and other assets .....	42,903	30,085
	\$1,886,289	\$1,463,507
	=====	=====

LIABILITIES AND STOCKHOLDERS' EQUITY

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Liabilities:		
Mortgage notes payable .....	\$1,417,251	\$1,076,183
Unsecured line of credit .....	115,800	--
Unsecured term loan .....	120,000	--
Accounts payable and accrued expenses .....	36,146	27,928
Accrued interest payable .....	8,894	5,978
Rents received in advance and security deposits .....	21,135	6,616
Distributions payable .....	448	224,696
	-----	-----
TOTAL LIABILITIES .....	1,719,674	1,341,401
Commitments and contingencies		
Minority interest - Common OP Units and other .....	9,771	(366)
Minority interest - Perpetual Preferred OP Units .....	125,000	125,000
STOCKHOLDERS' EQUITY:		
Preferred stock, \$.01 par value		
10,000,000 shares authorized; none issued .....	--	--
Common stock, \$.01 par value		
50,000,000 shares authorized; 22,937,192 and 22,563,348		
shares issued and outstanding for 2004 and 2003, respectively	224	222
Paid-in capital .....	294,304	263,066
Deferred compensation .....	(166)	(494)
Distributions in excess of accumulated earnings .....	(262,518)	(265,322)
	-----	-----
Total stockholders' equity (deficit) .....	31,844	(2,528)
	-----	-----
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY .....	\$1,886,289	\$1,463,507
	=====	=====

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 YEARS ENDED DECEMBER 31, 2004, 2003 AND 2002  
(AMOUNTS IN THOUSANDS, EXCEPT PER SHARE DATA)

	2004	2003 (Restated)	2002 (Restated)
	-----	-----	-----
PROPERTY OPERATIONS:			
Community base rental income .....	\$ 210,790	\$ 196,919	\$194,640
Resort base rental income .....	54,845	11,780	9,146
Utility and other income .....	24,893	20,150	19,684
	-----	-----	-----
Property operating revenues .....	290,528	228,849	223,470
Property operating and maintenance .....	94,955	64,996	62,843
Real estate taxes .....	23,679	18,917	17,827
Property management .....	12,852	9,373	9,292
	-----	-----	-----
Property operating expenses (exclusive of depreciation shown separately below) .....	131,486	93,286	89,962
	-----	-----	-----
Income from property operations .....	159,042	135,563	133,508



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	-----	-----	-----
EARNINGS PER COMMON SHARE - BASIC:			
Income from continuing operations .....	\$ 0.18	\$ 0.71	\$ 0.89
Income from discontinued operations .....	\$ 0.00	\$ 0.43	\$ 0.59
	=====	=====	=====
Net income available for Common Shares .....	\$ 0.18	\$ 1.14	\$ 1.48
	=====	=====	=====
EARNINGS PER COMMON SHARE - FULLY DILUTED:			
Income from continuing operations .....	\$ 0.17	\$ 0.69	\$ 0.87
	=====	=====	=====
Income from discontinued operations .....	\$ 0.00	\$ 0.42	\$ 0.57
	=====	=====	=====
Net income available for Common Shares .....	\$ 0.17	\$ 1.11	\$ 1.44
	=====	=====	=====
Distributions declared per Common Share outstanding .....	\$ 0.05	\$ 9.485	\$ 1.90
	=====	=====	=====
Tax status of Common Shares distributions paid during the year:			
Ordinary income .....	\$ 1.05	\$ 0.68	\$ 1.50
	=====	=====	=====
Long-term capital gain .....	\$ 4.82	\$ 0.57	\$ --
	=====	=====	=====
Unrecaptured section 1250 gain .....	\$ 2.17	\$ 0.16	\$ --
	=====	=====	=====
Return of capital .....	\$ --	\$ 0.55	\$ 0.37
	=====	=====	=====
Weighted average Common Shares outstanding - basic .....	22,849	22,077	21,617
	=====	=====	=====
Weighted average Common Shares outstanding - fully diluted ...	29,465	28,002	27,632
	=====	=====	=====

EQUITY LIFESTYLE PROPERTIES, INC.  
CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2004, 2003 AND 2002  
(AMOUNTS IN THOUSANDS)

	2004	2003 (Restated)	2002 (Restat)
	-----	-----	-----
Net income available for Common Shares.....	\$4,026	\$25,132	\$31,88
Net unrealized holding gains (losses) on derivative instruments.....	--	4,498	(4,98
	-----	-----	-----
Net other comprehensive income available for Common Shares....	\$4,026	\$29,630	\$26,90
	=====	=====	=====

The accompanying notes are an integral part of the financial statements

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EQUITY LIFESTYLE PROPERTIES, INC.  
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2004, 2003 AND 2002

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(AMOUNTS IN THOUSANDS)

	2004	2003 (Restated)
	-----	-----
PREFERRED STOCK, \$.01 PAR VALUE	\$ --	\$ --
	=====	=====
COMMON STOCK, \$.01 PAR VALUE		
Balance, beginning of year .....	\$ 222	\$ 218
Issuance of Common Stock through restricted stock grants .....	--	--
Exercise of options .....	2	4
	-----	-----
Balance, end of year .....	\$ 224	\$ 222
	=====	=====
PAID - IN CAPITAL		
Balance, beginning of year .....	\$ 263,066	\$ 256,394
Issuance of Common Stock for employee notes .....	--	--
Conversion of OP Units to Common Stock .....	155	343
Issuance of Common Stock through exercise of options .....	3,058	6,323
Issuance of Common Stock through restricted stock grants .....	--	--
Issuance of Common Stock through employee stock purchase plan .....	2,735	3,254
Compensation expense related to stock options and restricted stock ...	2,571	611
Transition adjustment - FAS 123 .....	--	(1,047)
Adjustment for Common OP Unitholders in the Operating Partnership .....	22,719	(2,812)
	-----	-----
Balance, end of year .....	\$ 294,304	\$ 263,066
	=====	=====
DEFERRED COMPENSATION		
Balance, beginning of year .....	\$ (494)	\$ (3,069)
Issuance of Common Stock through restricted stock grants .....	--	--
Transition adjustment - FAS 123 .....	--	1,047
Recognition of deferred compensation expense .....	328	1,528
	-----	-----
Balance, end of year .....	\$ (166)	\$ (494)
	=====	=====
EMPLOYEE NOTES		
Balance, beginning of year .....	\$ --	\$ (2,713)
Principal payments .....	--	2,713
	-----	-----
Balance, end of year .....	\$ --	\$ --
	=====	=====
DISTRIBUTIONS IN EXCESS OF ACCUMULATED COMPREHENSIVE EARNINGS		
Balance, beginning of year .....	\$(265,322)	\$ (79,655)
Net income .....	4,026	25,132
Other comprehensive income:		
Unrealized holding (losses) gains on derivative instruments .....	--	4,498
	-----	-----
Comprehensive income .....	4,026	29,630
	-----	-----
Distributions .....	(1,222)	215,297
	-----	-----
Balance, end of year .....	\$(262,518)	\$ (265,322)

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 YEARS ENDED DECEMBER 31, 2004, 2003 AND 2002  
 (AMOUNTS IN THOUSANDS)

	2004
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Net income .....	\$ 4,026
Adjustments to reconcile net income to cash provided by operating activities:	
Income allocated to minority interests .....	12,220
Gain on sale of Properties and other .....	(638)
Depreciation expense .....	51,703
Amortization expense .....	2,203
Debt premium amortization expense .....	(1,317)
Equity in income of affiliates and joint ventures .....	(4,969)
Amortization of deferred compensation and other .....	2,899
Increase in provision for uncollectable rents receivable .....	1,182
Changes in assets and liabilities:	
Change in rents receivable .....	281
Change in inventory .....	(17,855)
Change in prepaid expenses and other assets .....	(9,772)
Change in accounts payable and accrued expenses .....	5,963
Change in rents received in advance and security deposits .....	807
Net cash provided by operating activities .....	46,733
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Acquisition of rental properties .....	(310,893)
Proceeds from dispositions of assets .....	671
Distributions from (investment in) joint ventures and other .....	(27,642)
Proceeds from restructuring of College Heights venture, net .....	--
Purchase of RSI .....	--
Cash received in acquisition of RSI .....	--
Collections (funding) of notes receivable .....	(1,708)
Improvements:	
Improvements - corporate .....	(444)
Improvements - rental properties .....	(13,663)
Site development costs .....	(12,975)
Net cash (used in) investing activities .....	(366,654)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Net proceeds from stock options and employee stock purchase plan .....	6,221
Distributions to Common Stockholders, Common OP Unitholders and Perpetual Preferred OP Unitholders .....	(237,074)
Collection of principal payments on employee notes .....	--

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Line of credit:	
Proceeds .....	135,800
Repayments .....	(20,000)
Acquisition Financing .....	124,300
Repayment of term loan .....	--
Refinancing - net proceeds (repayments) .....	3,288
Principal payments .....	(8,848)
Debt issuance costs .....	(4,201)
	-----
Net cash provided by (used in) financing activities .....	(514)
	-----
Net increase (decrease) in cash and cash equivalents .....	(320,435)
Cash and cash equivalents, beginning of year .....	325,740
	-----
Cash and cash equivalents, end of year .....	\$ 5,305
	=====
SUPPLEMENTAL INFORMATION	
Cash paid during the year for interest .....	\$ 88,883
	=====

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

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### EQUITY LIFESTYLE PROPERTIES INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### NOTE 1 - ORGANIZATION OF THE COMPANY AND BASIS OF PRESENTATION

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

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

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its income and property and Federal income and excise taxes on its undistributed income.

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

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

The limited partners of the Operating Partnership (the "Common OP Unitholders") receive an allocation of net income which is based on their respective ownership percentage of the Operating Partnership which is shown on the Consolidated Financial Statements as Minority Interests - Common OP Units. As of December 31, 2004, the Minority Interests - Common OP Units represented 6,340,805 units of limited partnership interest ("OP Units") which are convertible into an equivalent number of shares of the Company's common stock. The issuance of additional shares of common stock or common OP Units changes the respective ownership of the Operating Partnership for both the Minority Interests and the Company.

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### EQUITY LIFESTYLE PROPERTIES INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### NOTE 2 - RESTATEMENT OF FINANCIAL STATEMENTS

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

Following is a summary of the effects of these changes on the Company's Consolidated Balance Sheets as of December 31, 2003, 2002 and 2001 and the

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Company's Consolidated Statements of Operations for the years ended December 31, 2003, 2002 and 2001 (amounts in thousands):

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

Consolidated Statements of Operations			
Year ended December 31, 2003	As Previously Reported	Adjustments	As Restated
Rent control initiatives.....	\$ --	\$ (2,352)	\$ (2,352)
Income allocated to Common OP Units.....	(4,330)	470	(3,860)
Net income available for Common Shares.....	27,014	(1,882)	25,132
Earnings per Common Share - Basic.....	1.22	(.08)	1.14
Earnings per Common Share - Fully Diluted...	1.20	(.09)	1.11
Year ended December 31, 2002			
Rent control initiatives.....	\$ --	\$ (5,698)	\$ (5,698)
Income allocated to Common OP Units.....	(5,848)	1,140	(4,708)
Net income available for Common Shares.....	36,445	(4,558)	31,887

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Earnings per Common Share - Basic.....	1.69	(.21)	1.48
Earnings per Common Share - Fully Diluted...	1.64	(.20)	1.44

Year ended December 31, 2001  
-----

Rent control initiatives.....	\$ --	\$(2,358)	\$(2,358)
Income allocated to Common OP Units.....	(7,688)	472	(7,216)
Net income available for Common Shares.....	32,083	(1,886)	30,197
Earnings per Common Share - Basic.....	1.53	(.09)	1.44
Earnings per Common Share - Fully Diluted...	1.49	(.09)	1.40

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### EQUITY LIFESTYLE PROPERTIES INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### (a) Basis of Consolidation

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

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

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

##### (b) Use of Estimates

The preparation of financial statements in conformity with accounting

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

### (c) Segments

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

MAJOR MARKET	NUMBER OF PROPERTIES	TOTAL SITES	PERCENT OF TOTAL SITES	PERCENT OF TOTAL PROPERTY OPERATING REVENUES
-----	-----	-----	-----	-----
Florida	77	32,451	36.3%	43.5%
California	44	12,865	14.4%	18.2%
Arizona	27	10,514	11.8%	10.4%
Texas	15	7,200	8.0%	2.3%
Washington	13	3,076	3.4%	0.6%
Other	71	23,280	26.1%	25.0%
	---	---	---	---
Total	247	89,386	100.0%	100.0%
	===	=====	=====	=====

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### EQUITY LIFESTYLE PROPERTIES, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### (d) Inventory

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

##### (e) Real Estate

In accordance with SFAS No. 141, we allocate the purchase price of Properties we acquire to net tangible and identified intangible assets

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acquired based on their fair values. In making estimates of fair values for purposes of allocating purchase price, we utilize a number of sources, including independent appraisals that may be available in connection with the acquisition or financing of the respective property and other market data. We also consider information obtained about each property as a result of our due diligence, marketing and leasing activities in estimating the fair value of the tangible and intangible assets acquired.

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

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

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

### (f) Cash and Cash Equivalents

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

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EQUITY LIFESTYLE PROPERTIES, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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### (g) Notes Receivable

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

### (h) Investments in Joint Ventures

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

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

### (i) Insurance Claims

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

### (j) Fair Value of Financial Instruments

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

### (k) Deferred Financing Costs

Deferred financing costs include fees and costs incurred to obtain long-term financing. The costs are being amortized over the terms of the respective loans on a level yield basis. Unamortized deferred financing fees are written-off when debt is retired before the maturity date. Upon

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amendment of the Line of Credit, unamortized deferred financing fees are accounted for in accordance with EITF No. 98-14, "Debtor's Accounting for Changes in Line-of-Credit or Revolving-Debt Arrangements." Accumulated amortization for such costs was \$4.9 million and \$2.7 million at December 31, 2004 and 2003, respectively.

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### EQUITY LIFESTYLE PROPERTIES, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### (l) Revenue Recognition

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

##### (m) Minority Interests

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

##### (n) Income Taxes

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

##### (o) Derivative Instruments and Hedging Activities

We recognize all derivatives on the balance sheet at fair value. Derivatives that are not hedges must be adjusted to fair value through income. If the derivative is a hedge, depending on the nature of the hedge, changes in the fair value of derivatives will either be offset against the

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change in fair value of the hedged assets, liabilities or firm commitments through earnings or recognized in other comprehensive income until the hedged item is recognized in earnings.

(p) Reclassifications

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

(q) Stock Compensation

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

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EQUITY LIFESTYLE PROPERTIES, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4 - EARNINGS PER COMMON SHARE

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

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

	YEARS ENDED DECEMBER 31,		
	2004	2003 (Restated)	2002 (Restated)
<b>NUMERATORS:</b>			
INCOME FROM CONTINUING OPERATIONS:			
Income from continuing operations - basic .....	\$ 4,032	\$15,542	\$19,1
Amounts allocated to dilutive securities .....	936	3,860	4,7
	\$ 4,968	\$19,402	\$23,8
	=====	=====	=====
INCOME FROM DISCONTINUED OPERATIONS:			
Income from discontinued operations - basic .....	\$ (6)	\$ 9,590	\$12,7

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Amounts allocated to dilutive securities .....	--	2,144	3,0
	-----	-----	-----
Income from discontinued operations - fully diluted .....	\$ (6)	\$11,734	\$15,8
	=====	=====	=====
NET INCOME AVAILABLE FOR COMMON SHARES:			
Net income available for Common Shares - basic .....	\$ 4,026	\$25,132	\$31,8
Amounts allocated to dilutive securities .....	936	6,004	7,7
	-----	-----	-----
Net income available for Common Shares - fully diluted	\$ 4,962	\$31,136	\$39,6
	=====	=====	=====
DENOMINATOR:			
Weighted average Common Shares			
outstanding - basic .....	22,849	22,077	21,6
Effect of dilutive securities:			
Redemption of Common OP Units for Common Shares .....	6,067	5,342	5,4
Employee stock options and restricted shares .....	549	583	6
	-----	-----	-----
Weighted average Common Shares			
outstanding - fully diluted .....	29,465	28,002	27,6
	=====	=====	=====

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EQUITY LIFESTYLE PROPERTIES, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5 - COMMON STOCK AND OTHER EQUITY RELATED TRANSACTIONS

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

	2004	2003	20
	-----	-----	-----
Shares outstanding at January 1, .....	22,563,348	22,093,240	21,56
Common Stock issued through conversion of OP Units .....	95,769	47,540	6
Common Stock issued through exercise of options .....	196,834	302,526	28
Common Stock issued through stock grants .....	--	35,000	10
Common Stock issued through Employee Stock Purchase Plan ...	81,241	85,042	7
Common Stock repurchased and retired .....	--	--	
	-----	-----	-----
Shares outstanding at December 31, .....	22,937,192	22,563,348	22,09
	=====	=====	=====

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

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

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million of POP Units. Distributions on the POP Units are paid quarterly on the last calendar day of each quarter.

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

DISTRIBUTION AMOUNT PER SHARE -----	FOR THE QUARTER ENDING -----	SHAREHOLDER RECORD DATE -----	PAYMENT DATE -----
\$0.4750	March 31, 2002	March 29, 2002	April 12, 2002
\$0.4750	June 30, 2002	June 28, 2002	July 12, 2002
\$0.4750	September 30, 2002	September 27, 2002	October 11, 2002
\$0.4750	December 31, 2002	December 27, 2002	January 10, 2003
\$0.4950	March 31, 2003	March 28, 2003	April 11, 2003
\$0.4950	June 30, 2003	June 27, 2003	July 11, 2003
\$0.4950	September 30, 2003	September 26, 2003	October 10, 2003
\$8.00	December 31, 2003	January 8, 2004	January 16, 2004
\$0.0125	March 31, 2004	March 26, 2004	April 9, 2004
\$0.0125	June 30, 2004	June 25, 2004	July 9, 2004
\$0.0125	September 30, 2004	September 24, 2004	October 8, 2004
\$0.0125	December 31, 2004	December 31, 2004	January 14, 2005

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

In connection with the \$501 million borrowing and subsequent special distribution, on February 27, 2004, the Company contributed all of its assets to MHC Trust, a newly formed Maryland real estate investment trust, including the Company's entire partnership interest in Operating Partnership. The Company determined that a taxable transaction in connection with the special distribution to stockholders would be in the Company's best interests. This was accomplished by the contribution of the Company's interest in the Operating Partnership to MHC Trust in exchange for all the common and preferred stock of MHC Trust. Due to the Company's tax basis in its interest in the Operating Partnership, the Company

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EQUITY LIFESTYLE PROPERTIES, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5 - COMMON STOCK AND OTHER EQUITY RELATED TRANSACTIONS (CONTINUED)

recognized \$180 million of taxable income as a result of its contribution, as opposed to a nontaxable reduction of the Company's tax basis in its interest in the Operating Partnership. This restructuring resulted in a step-up in the Company's tax basis in its assets, generating future depreciation deductions, which in turn will reduce the Company's future distribution requirements. The Company intends to continue to qualify as a REIT under the Code, with its assets consisting of interests in MHC Trust. MHC Trust, in turn, intends to also qualify as a real estate investment trust under the Code and will be the general partner of the Operating Partnership. On May 1, 2004, in connection with the

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restructuring, MHC Trust sold cumulative preferred stock to a limited number of unaffiliated investors.

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

### NOTE 6- INVESTMENT IN REAL ESTATE

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

All acquisitions have been accounted for utilizing the purchase method of accounting and, accordingly, the results of operations of acquired assets are included in the statements of operations from the dates of acquisition. We acquired all of these Properties from unaffiliated third parties. During the three years ended December 31, 2004, the Company acquired the following Properties (amounts in millions, except site information):

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

CLOSING DATE	PROPERTY	LOCATION	TOTAL SITES	REAL ESTATE	D
-----	-----	-----	-----	-----	-----
ACQUISITIONS:					
January 15, 2004	O'Connell's	Amboy, IL	668	\$ 6.6	\$
January 30, 2004	Spring Gulch	New Holland, PA	420	6.4	
February 3, 2004	Paradise	Mesa, AZ	950	25.7	
February 18, 2004	Twin Lakes	Chocowinity, NC	400	5.2	
February 19, 2004	Lakeside	New Carlisle, IN	95	1.7	
February 5, 2004	Diversified Portfolio	Various	2,567	64.0	
February 17, 2004	NHC Portfolio (a)	Various	11,311	235.0	1
May 3, 2004	Viewpoint	Mesa, AZ	1,928	81.3	
May 12, 2004	Cactus Gardens	Yuma, AZ	430	7.9	
May 13, 2004	Monte Vista	Mesa, AZ	832	45.8	
May 14, 2004	GE Portfolio	Various	1,155	52.9	
September 8, 2004	Yukon Trails	Lyndon Station, WI	214	2.2	
November 10, 2004	Thousand Trail Portfolio (b)	Various	17,911	161.8	1
November 4, 2004	Caledonia	Caledonia, WI	247	1.5	
December 30, 2004	Fremont	Fremont, WI	325	5.7	

- a) On February 17, 2004, the Company acquired 93% of PAMI entities' interests in 28 Properties. On July 1, 2004, the Company acquired the remaining minority interest of the PAMI entities for a combination of \$1.0 million in cash and common OP units. On December 20, 2004, the

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Company redeemed the common OP Units for \$4.5 million.

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## EQUITY LIFESTYLE PROPERTIES, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 6 - INVESTMENT IN REAL ESTATE (CONTINUED)

- b) On November 10, 2004 the Company provided a long-term lease of the real estate to Thousand Trails, which will continue to operate the Properties for its members. The lease will generate \$16 million of income to the Company on an absolute triple net basis subject to annual escalations of 3.25%. The initial term of the lease is 15 years, with two five-year renewal options.

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

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

CLOSING DATE	PROPERTY	LOCATION	TOTAL SITES	REAL ESTATE	DEBT	NET EQUITY
-----	-----	-----	-----	-----	-----	-----
ACQUISITIONS:						
December 3, 2003	Toby's	Arcadia, FL	379	\$4.3	\$ --	\$4.3
December 15, 2003	Araby Acres	Yuma, AZ	337	5.7	3.2	2.5
December 15, 2003	Foothill	Yuma, AZ	180	1.8	1.4	0.4

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

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

CLOSING DATE	PROPERTY	LOCATION	TOTAL SITES	REAL ESTATE	DEBT
-----	-----	-----	-----	-----	-----
ACQUISITIONS:					
March 12, 2002	Mt. Hood Village	Welches, OR	450	\$ 7.2	\$ --
July 10, 2002	Harbor View Village	New Port Richey, FL	471	15.5	8.1
July 31, 2002	Golden Sun	Apache Junction, AZ	329	6.3	3.1
July 31, 2002	Countryside	Apache Junction, AZ	560	7.5	--

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July 31, 2002	Holiday Village	Ormond Beach, FL	301	10.4	7.1
July 31, 2002	Breezy Hill	Pompano Beach, FL	762	20.5	10.5
August 14, 2002	Highland Woods	Pompano Beach, FL	148	3.9	2.5
August 7, 2002	Tropic Winds	Harlingen, TX	531	4.9	--
October 1, 2002	Silk Oak Lodge	Clearwater, FL	180	6.2	3.9
December 18, 2002	Hacienda Village	New Port Richey, FL	519	16.8	10.2
December 31, 2002	Glen Ellen	Clearwater, FL	117	2.4	2.5

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

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

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

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EQUITY LIFESTYLE PROPERTIES, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6 - INVESTMENT IN REAL ESTATE (CONTINUED)

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

DATE DISPOSED	PROPERTY	LOCATION	TOTAL SITES	DISPOSITION PRICE	GAIN ON SALE
-----	-----	-----	-----	-----	-----
				(\$ millions)	(\$ millions)
June 6, 2003	Independence Hill	Morgantown, WV	203	\$ 3.9	\$2.8
June 6, 2003	Brook Gardens	Hamburg, NY	424	17.8	4.1
June 30, 2003	Pheasant Ridge	Mount Airy, MD	101	5.4	3.9

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

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

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Pro Forma Information (unaudited):	FOR THE YEARS ENDED DECEMBER 31,	
	-----	
	2004	2003
	-----	-----
Property operating revenues .....	\$307,477	\$297,845
	=====	=====
Income from continuing operations .....	\$ 7,088	\$ 20,381
	=====	=====
Net income available for Common Shares .....	\$ 7,114	\$ 30,166
	=====	=====
Earnings per Common Share - Basic:		
Income from continuing operations .....	\$ 0.31	\$ 0.92
Net income available for Common Shares....	\$ 0.31	\$ 1.36
Earnings per Common Share - Fully Diluted:		
Income from continuing operations .....	\$ 0.30	\$ 0.92
Net income available for Common Shares ...	\$ 0.30	\$ 1.34

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

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EQUITY LIFESTYLE PROPERTIES, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7 - INVESTMENT IN JOINT VENTURES

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

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

The Company recorded approximately \$3.7 million, \$0.3 million, and \$0.2 million of income from joint ventures, net of \$1.2 million, \$0.8 million and \$0.7 million depreciation, in the years ended December 31, 2004, 2003 and 2002, respectively; and received approximately \$5.2 million, \$0.8 million and \$0.6 million in distributions from joint ventures in the years ended December 31, 2004, 2003, and 2002 respectively. Due to the Company's inability to control the joint ventures, the Company accounts for its investment in the joint ventures

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using the equity method of accounting.

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

PROPERTY -----	LOCATION -----	NUMBER OF SITES -----	ECONOMIC INTEREST (A) -----	INVESTMENT AS OF DEC. 31, 2004 ----- (in thousands)	INVESTMENT DEC. 31 ----- (in thou
Trails West	Tucson, AZ	503	50%	\$ 1,731	\$ 1,
Plantation	Calimesa, CA	385	50%	3,032	2,
Manatee	Bradenton, FL	--	90%	--	
Home	Hallandale, FL	136	90%	--	1,
Villa del Sol	Sarasota, FL	207	90%	630	
Voyager	Tucson, AZ	767	25%	3,010	4,
Mezzanine Investments	Various	5,054	--	31,207	
Indian Wells	Indio, CA	350	30%	271	
Diversified Investments	Various	4,443	25%	3,702	
		-----		-----	-----
		11,845		\$43,583	\$10,
		=====		=====	=====

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

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EQUITY LIFESTYLE PROPERTIES, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7 - INVESTMENT IN JOINT VENTURES (CONTINUED)

UNCONSOLIDATED REAL ESTATE JOINT VENTURE FINANCIAL INFORMATION

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

BALANCE SHEETS AS OF DECEMBER 31,

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

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STATEMENT OF OPERATIONS

FOR THE YEARS ENDED DECEMBER 31,

	2004	2003
	----- (in thousands)	----- (in thousands)
Rentals	\$ 27,941	\$ 9,632
Other Income	5,390	2,241
<b>TOTAL REVENUES</b>	<b>33,331</b>	<b>11,873</b>
<b>EXPENSES</b>		
Operating expenses	\$ 16,454	\$ 6,709
Interest	7,558	2,852
Other Income & Expenses	2,672	203
Depreciation & Amortization	10,165	676
<b>TOTAL EXPENSES</b>	<b>36,849</b>	<b>10,440</b>
<b>NET (LOSS) INCOME</b>	<b>(\$ 3,518)</b>	<b>\$ 1,433</b>
	=====	=====

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EQUITY LIFESTYLE PROPERTIES, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8 - NOTES RECEIVABLE

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

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

NOTE 9 - EMPLOYEE NOTES RECEIVABLE

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

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### NOTE 10 - LONG-TERM BORROWINGS

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

#### MORTGAGE DEBT OUTSTANDING

- Approximately \$499.2 million of mortgage debt (the Recap) consisting of 49 loans collateralized by 51 Properties beneficially owned by separate legal entities that are Subsidiaries of the Company, which we closed on October 17, 2003. Of this Mortgage Debt, \$166.1 million bears interest at 5.35% per annum and matures November 1, 2008; \$80.6 million bears interest at 5.72% per annum and matures November 1, 2010; \$79.1 million bears interest at 6.02% per annum and matures November 1, 2013; and \$173.4 million bears interest at 6.33% per annum and matures November 1, 2015. The Mortgage Debt amortizes over 30 years.
- A \$265.0 million mortgage note (the "\$265 Million Mortgage") collateralized by 28 Properties beneficially owned by MHC Financing Limited Partnership. The \$265 Million Mortgage has a maturity date of January 2, 2028 and bears interest at 7.015% per annum. There is no principal amortization until February 1, 2008, after which principal and interest are to be paid from available cash flow and the interest rate will be reset at a rate equal to the then 10-year U.S. Treasury obligations plus 2.0%. The \$265 Million Mortgage is presented net of a settled hedge of \$3.0 million (net of accumulated amortization of \$466,969), which is being amortized into interest expense over the life of the loan.
- A \$90.5 million mortgage note (the "DeAnza Mortgage") collateralized by 6 Properties beneficially owned by MHC-DeAnza Financing Limited Partnership. The DeAnza Mortgage bears interest at a rate of 7.82% per annum, amortizes beginning August 1, 2000 over 30 years and matures July 1, 2010.
- A \$48.4 million mortgage note (the "Stagecoach Mortgage") collateralized by 7 Properties beneficially owned by MHC Stagecoach L.L.C. The Stagecoach Mortgage bears interest at a rate of 6.98% per annum, amortizes beginning September 1, 2001 over 10 years and matures September 1, 2011.

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#### EQUITY LIFESTYLE PROPERTIES, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 10 - LONG-TERM BORROWINGS (CONTINUED)

- A \$43.7 million mortgage note (the "Bay Indies Mortgage") collateralized by one Property beneficially owned by MHC Bay Indies, L.L.C. The Bay Indies Mortgage bears interest at a rate of 5.69% per annum, amortizes beginning April 17, 2003 over 25 years and matures May 1, 2013.
- A \$15.2 million mortgage note (the "Date Palm Mortgage") collateralized by one Property beneficially owned by MHC Date Palm,

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L.L.C. The Date Palm Mortgage bears interest at a rate of 7.96% per annum, amortizes beginning August 1, 2000 over 30 years and matures July 1, 2010

- Approximately \$457.9 million of mortgage debt on 71 other Properties, which was recorded at fair market value with the related discount or premium being amortized over the life of the loan using the effective interest rate method. Scheduled maturities for the outstanding indebtedness are at various dates through November 1, 2027, and fixed interest rates range from 5.16% to 8.55% per annum. Included in this debt, the Company has a \$2.4 million loan recorded to account for a direct financing lease entered into in May 1997. Approximately \$157 million of debt was assumed in the acquisition of 28 Properties during the twelve months ended December 31, 2004.

### UNSECURED TERM LOAN OUTSTANDING

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

### UNSECURED LINES OF CREDIT OUTSTANDING

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

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

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

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

EQUITY LIFESTYLE PROPERTIES, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 11 - LEASE AGREEMENTS

The leases entered into between the customer and the Company for the rental of a site are generally month-to-month or for a period of one to ten years, renewable upon the consent of the parties or, in some instances, as provided by statute. Non-cancelable long-term leases are in effect at certain sites within approximately 37 of the Properties. Rental rate increases at these Properties are primarily a function of increases in the Consumer Price Index, taking into consideration certain floors and ceilings. Additionally, periodic market rate adjustments are made as deemed appropriate. Future minimum rents are scheduled to be received under non-cancelable tenant leases at December 31, 2004 as follows (amounts in thousands):

YEAR	AMOUNT
----	-----
2005	\$ 50,916
2006	52,062
2007	43,537
2008	31,983
2009	19,106
Thereafter	44,149
	-----
Total	\$241,753
	=====

NOTE 12 - GROUND LEASES

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

NOTE 13 - TRANSACTIONS WITH RELATED PARTIES

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

Certain related entities, affiliated with Mr. Zell, have provided services to the Company. These entities include, but are not limited to, The Riverside Agency, Inc. which provided insurance brokerage services and Two North Riverside Plaza Joint Venture Limited Partnership from which the Company leases office space. Fees paid to these entities amounted to approximately \$412,000, \$404,000 and \$645,000 for the years December 31, 2004, 2003 and 2002, respectively. Amounts due to these entities were approximately \$0 and \$32,000 as of December

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31, 2004 and 2003, respectively. During 2003, we paid \$25,000 to J. Green & Co., L.L.C. for services provided by Mr. Berman, the Company's current Chief Financial Officer, prior to his employment by the Company.

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

### NOTE 14 - STOCK OPTION PLAN AND STOCK GRANTS

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

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### EQUITY LIFESTYLE PROPERTIES, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 14 - STOCK OPTION PLAN AND STOCK GRANTS (CONTINUED)

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

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

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

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

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

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EQUITY LIFESTYLE PROPERTIES, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 14- STOCK OPTION PLAN AND STOCK GRANTS (CONTINUED)

Restricted Stock Grants

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

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their vesting.

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

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

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

### Stock Options

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

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

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### EQUITY LIFESTYLE PROPERTIES, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### NOTE 14 - STOCK OPTION PLAN AND STOCK GRANTS (CONTINUED)

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

	SHARES SUBJECT TO OPTIONS -----	WEIGHTED AVERAGE EXERCISE PRICE PER SHARE -----
Balance at December 31, 2001	1,828,348	23.44

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Options granted	20,000	33.55
Options exercised	(282,959)	20.48
Options canceled	(49,492)	24.94
	-----	
Balance at December 31, 2002	1,515,897	24.08
Options granted	20,000	32.67
Options exercised	(302,526)	21.06
Options canceled	(9,437)	25.60
	-----	
Balance at December 31, 2003	1,223,934	24.95
Options granted	1,212,367	17.28
Options exercised	(195,737)	15.47
Options canceled	(1,194,568)	25.04
	-----	
Balance at December 31, 2004	1,045,996	17.74
	=====	

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

RANGE OF EXERCISE PRICES	OPTIONS OUTSTANDING			OPTIONS EXERCISABLE	
	OPTIONS	WEIGHTED AVERAGE OUTSTANDING CONTRACTUAL LIFE (IN YEARS)	WEIGHTED AVERAGE EXERCISE PRICE	OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE
\$7.62 to \$14.00	169,467	1.6	\$11.88	169,467	\$11.88
\$15.69 to \$18.99	680,475	4.4	\$17.38	680,475	\$17.38
\$22.65 to \$31.53	196,054	7.4	\$24.06	176,052	\$23.47
	-----	---	---	-----	-----
	1,045,996	4.5	\$17.74	1,025,994	\$17.51
	=====	===	=====	=====	=====

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

NOTE 15 - PREFERRED STOCK

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

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### NOTE 16 - SAVINGS PLAN

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

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

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

### NOTE 17 - COMMITMENTS AND CONTINGENCIES

#### DEANZA SANTA CRUZ

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

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California Court of Appeal affirmed the award of attorney's fees in favor of the HOA's attorney.

### OTHER CALIFORNIA RENT CONTROL LITIGATION

As part of the Company's effort to realize the value of its Properties subject to rent control, the Company has initiated lawsuits against several municipalities in California. The Company's goal is to achieve a level of regulatory fairness in California's rent control jurisdictions, and in particular those jurisdictions that prohibit increasing rents to market upon turnover. This regulatory feature, called vacancy control, allows tenants to sell their homes for a premium representing the value of the future discounted rent-controlled rents. In the Company's view, such regulation results in a transfer of the value of the Company's stockholders' land, which would otherwise be reflected in market rents, to tenants upon the sales of their

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### EQUITY LIFESTYLE PROPERTIES, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### NOTE 17 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

homes in the form of an inflated purchase price that cannot be attributed to the value of the home being sold. As a result, in the Company's view, the Company loses the value of its asset and the selling tenant leaves the Property with a windfall premium. The Company has discovered through the litigation process that certain municipalities considered condemning the Company's Properties at values well below the value of the underlying land. In the Company's view, a failure to articulate market rents for sites governed by restrictive rent control would put the Company at risk for condemnation or eminent domain proceedings based on artificially reduced rents. Such a physical taking, should it occur, could represent substantial lost value to stockholders. The Company is cognizant of the need for affordable housing in the jurisdictions, but asserts that restrictive rent regulation with vacancy control does not promote this purpose because the benefits of such regulation are fully capitalized into the prices of the homes sold. The Company estimates that the annual rent subsidy to tenants in these jurisdictions is approximately \$15 million. In a more well balanced regulatory environment, the Company would receive market rents that would eliminate the subsidy and homes would trade at or near their intrinsic value.

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

The Company has filed two lawsuits in Federal court against the City of San Rafael, challenging its rent control ordinance on constitutional grounds. The Company believes that one of those lawsuits was settled by the City agreeing to amend the ordinance to permit adjustments to market rent upon turnover. The City subsequently rejected the settlement agreement. The Court initially found the settlement agreement was binding on the City, but then reconsidered and determined to submit the claim of breach of the settlement agreement to a jury. In October 2002, the first case against the City went to trial, based on both breach of the settlement agreement and the constitutional claims. A jury found

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no breach of the settlement agreement; the Company then filed motions asking the Court to rule in its favor on that claim, notwithstanding the jury verdict. The Court has postponed decision on those motions and on the constitutional claims, pending a ruling on some property rights issues by the United States Supreme Court. In the event that the Court does not rule in favor of the Company on either the settlement agreement or the constitutional claims, then the Company has pending claims seeking a declaration that it can close the Property and convert it to another use.

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

Similarly, in June 2003, the Company won a judgment against the City of Santee in California Superior Court (case no. 777094). The effect of the judgment was to invalidate, on state law grounds, two (2) rent control ordinances the City of Santee had enforced against the Company and other property owners. However, the Court allowed the City to continue to enforce a rent control ordinance that predated the two invalid ordinances (the "prior ordinance"). As a result of the judgment the Company was entitled to collect a one-time rent increase based upon the difference in annual adjustments between the invalid ordinance(s) and the prior ordinances and to adjust its base rents to reflect what the Company could have charged had the prior ordinance been continually in effect. The City of Santee appealed the judgment. The court of appeal and California Supreme Court refused to stay enforcement of these rent adjustments pending appeal. After the City was unable to obtain a

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### EQUITY LIFESTYLE PROPERTIES, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### NOTE 17 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

stay, the City and the tenant association each sued the Company in separate actions alleging the rent adjustments pursuant to the judgment violate the prior ordinance (Case Nos. GIE 020887 and GIE 020524). They seek to rescind the rent adjustments, refunds of amounts paid, and penalties and damages in these separate actions. On January 25, 2005, the California Court of Appeal reversed the judgment in part and affirmed it in part with a remand. The Court of Appeal affirmed that one ordinance was unlawfully adopted and therefore void and that the second ordinance contained unconstitutional provisions. However, the Court ruled the City had the authority to cure the issues with the first ordinance

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

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

### OTHER

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

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### EQUITY LIFESTYLE PROPERTIES, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### NOTE 18 - QUARTERLY FINANCIAL DATA (UNAUDITED)

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

FIRST	SECOND	THIRD
-------	--------	-------

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2004 ----	QUARTER 3/31 ----- (Restated)	QUARTER 6/30 ----- (Restated)	QUARTER 9/30 ----- (Restated)
Total revenues (a).....	\$80,320	\$86,844	\$89,425
Income from continuing operations (a).....	\$ 4,495	\$ 481	\$ (864)
Income from discontinued operations (a).....	\$ 15	\$ (21)	\$ --
Net income (loss) available to common stockholders.....	\$ 4,510	\$ 460	\$ (864)
Weighted average Common Shares outstanding - Basic.....	22,674	22,737	22,829
Weighted average Common Shares outstanding - Diluted.....	27,986	28,655	29,335
Net income (loss) per Common Share outstanding - Basic...	\$ 0.20	\$ 0.02	\$ (0.04)
Net income (loss) per Common Share outstanding - Diluted.....	\$ 0.19	\$ 0.02	\$ (0.04)

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

2003 ----	FIRST QUARTER 3/31 ----- (Restated)	SECOND QUARTER 6/30 ----- (Restated)	THIRD QUARTER 9/30 ----- (Restated)
Total revenues (a).....	\$64,569	\$66,760	\$68,760
Income from continuing operations (a).....	\$ 6,969	\$ 4,709	\$ 4,578
Income from discontinued operations (a).....	\$ 294	\$ 9,288	\$ 8
Net income (loss) available to common stockholders.....	\$ 7,263	\$13,997	\$ 4,586
Weighted average Common Shares outstanding - Basic.....	21,918	22,027	22,114
Weighted average Common Shares outstanding - Diluted.....	27,276	27,371	27,458
Net income (loss) per Common Share outstanding - Basic...	\$ 0.33	\$ 0.64	\$ 0.21
Net income (loss) per Common Share outstanding - Diluted.....	\$ 0.32	\$ 0.62	\$ 0.20

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

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SCHEDULE II  
EQUITY LIFESTYLE PROPERTIES, INC.  
VALUATION AND QUALIFYING ACCOUNTS  
DECEMBER 31, 2004

BALANCE AT BEGINNING OF PERIOD -----	ADDITIONS -----		DEDUCTIONS (1) -----
	CHARGED TO INCOME -----	CHARGED TO OTHER ACCOUNTS -----	

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For the year ended December 31, 2002:

Allowance for doubtful accounts..... \$300,000 \$ 940,565 \$ -- (\$540,565)

For the year ended December 31, 2003:

Allowance for doubtful accounts..... \$700,000 \$ 820,822 \$ -- (\$693,822)

For the year ended December 31, 2004:

Allowance for doubtful accounts..... \$827,000 \$1,182,000 (\$145,000) (\$834,000)

(1) Deductions represent tenant receivables deemed uncollectible.

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SCHEDULE III  
EQUITY LIFESTYLE PROPERTIES, INC.  
REAL ESTATE AND ACCUMULATED DEPRECIATION  
DECEMBER 31, 2004  
(AMOUNTS IN THOUSANDS)

Real Estate	Location	Encumbrances	Initial Cost to Company		Land
			Land	Depreciable Property	
Apollo Village	Phoenix AZ	3,997	932	3,219	0
Araby Acres	Yuma AZ	3,222	1,440	4,345	0
The Highlands at Brentwood	Mesa AZ	10,910	1,997	6,024	0
Cactus Gardens	Yuma AZ	4,849	1,992	5,984	0
Carefree Manor	Phoenix AZ	3,394	706	3,040	0
Casa del Sol #1	Peoria AZ	10,629	2,215	6,467	0
Casa del Sol #2	Glendale AZ	9,983	2,103	6,283	0
Casa del Sol #3	Glendale AZ	11,015	2,450	7,452	0
Central Park	Phoenix AZ	5,103	1,612	3,784	0
Countryside	Phoenix AZ	3,737	2,056	6,241	0
Desert Paradise	Yuma AZ	1,452	666	2,011	0
Desert Skies	Phoenix AZ	5,046	792	3,126	0
Fairview Manor	Tucson AZ	5,048	1,674	4,708	0
Foothill	Yuma AZ	1,350	459	1,402	0
Golden Sun	Scottsdale AZ	2,976	1,678	5,049	0
Hacienda De Valencia	Mesa AZ	6,063	833	2,701	0
Monte Vista	Mesa AZ	22,844	11,402	34,355	0
Palm Shadows	Glendale AZ	8,471	1,400	4,218	0
Paradise	Sun City AZ	19,813	6,414	19,263	0
Sedona Shadows	Sedona AZ	2,465	1,096	3,431	0
Suni Sands	Yuma AZ	3,172	1,249	3,759	0
Sunrise Heights	Phoenix AZ	5,636	1,000	3,016	0
The Mark	Mesa AZ	8,826	1,354	4,660	6
The Meadows	Tempe AZ	12,436	2,613	7,887	0
Viewpoint	Mesa AZ	43,703	24,890	56,340	0
Whispering Palms	Phoenix AZ	3,219	670	2,141	0
California Hawaiian	San Jose CA	26,968	5,825	17,755	0
Colony Park	Ceres CA	5,826	890	2,837	0
Concord Cascade	Pacheco CA	5,411	985	3,016	0

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Contempo Marin	San Rafael	CA	25,233	4,787	16,379	0
Coralwood	Modesto	CA	6,200	0	5,047	0
Date Palm Country Club	Cathedral City	CA	15,194	4,138	14,064	-23
Date Palm	Cathedral City	CA	0	0	216	0
Four Seasons	Fresno	CA	0	756	2,348	0
Laguna Lake	San Luis Obispo	CA	4,916	2,845	6,520	0

Gross Amount Carried  
at Close of  
Period 12/31/04

Real Estate	Location		Land	Depreciable Property	Total	Accum Deprec
Apollo Village	Phoenix	AZ	932	3,797	4,729	(1,
Araby Acres	Yuma	AZ	1,440	4,357	5,797	(
The Highlands at Brentwood	Mesa	AZ	1,997	6,762	8,759	(2,
Cactus Gardens	Yuma	AZ	1,992	5,996	7,988	(
Carefree Manor	Phoenix	AZ	706	3,262	3,968	(
Casa del Sol #1	Peoria	AZ	2,215	7,702	9,917	(1,
Casa del Sol #2	Glendale	AZ	2,103	7,211	9,314	(1,
Casa del Sol #3	Glendale	AZ	2,450	7,827	10,277	(1,
Central Park	Phoenix	AZ	1,612	4,425	6,037	(2,
Countryside	Phoenix	AZ	2,056	6,447	8,503	(
Desert Paradise	Yuma	AZ	666	2,015	2,681	(
Desert Skies	Phoenix	AZ	792	3,422	4,214	(
Fairview Manor	Tucson	AZ	1,674	5,821	7,495	(1,
Foothill	Yuma	AZ	459	1,418	1,877	(
Golden Sun	Scottsdale	AZ	1,678	5,097	6,775	(
Hacienda De Valencia	Mesa	AZ	833	4,824	5,657	(2,
Monte Vista	Mesa	AZ	11,402	34,512	45,914	(
Palm Shadows	Glendale	AZ	1,400	4,609	6,009	(1,
Paradise	Sun City	AZ	6,414	19,319	25,733	(
Sedona Shadows	Sedona	AZ	1,096	3,969	5,065	(
Suni Sands	Yuma	AZ	1,249	3,766	5,015	(
Sunrise Heights	Phoenix	AZ	1,000	3,429	4,429	(1,
The Mark	Mesa	AZ	1,360	5,506	6,866	(1,
The Meadows	Tempe	AZ	2,613	8,990	11,603	(3,
Viewpoint	Mesa	AZ	24,890	56,439	81,329	(1,
Whispering Palms	Phoenix	AZ	670	2,323	2,993	(
California Hawaiian	San Jose	CA	5,825	19,336	25,161	(4,
Colony Park	Ceres	CA	890	3,156	4,046	(
Concord Cascade	Pacheco	CA	985	4,063	5,048	(2,
Contempo Marin	San Rafael	CA	4,787	18,755	23,542	(6,
Coralwood	Modesto	CA	0	5,323	5,323	(1,
Date Palm Country Club	Cathedral City	CA	4,115	17,480	21,595	(5,
Date Palm	Cathedral City	CA	0	263	263	(
Four Seasons	Fresno	CA	756	2,593	3,349	(
Laguna Lake	San Luis Obispo	CA	2,845	6,772	9,617	(1,

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SCHEDULE III  
EQUITY LIFESTYLE PROPERTIES, INC.  
REAL ESTATE AND ACCUMULATED DEPRECIATION  
DECEMBER 31, 2004

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(AMOUNTS IN THOUSANDS)

Real Estate	Location	Encumbrances	Initial Cost to Company		Land	Depreciable Property	Land	Depreciation
			Land	Property				
Lamplighter	Spring Valley CA	3,761	633	2,201		0		
Las Palmas	Rialto CA	3,807	1,295	3,866		0		
Meadowbrook	Santee CA	0	4,345	12,528		0		1,
Monte del Lago	Castroville CA	7,673	3,150	9,469		0		1,
Quail Meadows	Riverbank CA	5,280	1,155	3,469		0		
Nicholson Plaza	San Jose CA	0	0	4,512		0		
Pacific Dunes Ranch	California CA	6,025	1,940	5,632		0		
	Central Coast							
Parque La Quinta	Rialto CA	5,105	1,799	5,450		0		
Rancho Mesa	El Cajon CA	9,600	2,130	6,389		0		
Rancho Valley	El Cajon CA	3,624	685	1,902		0		
Royal Holiday	Hemet CA	0	778	2,643		0		
Royal Oaks	Visalia CA	0	602	1,921		0		
DeAnza Santa Cruz	Santa Cruz CA	6,871	2,103	7,201		0		
Santiago Estates	Sylmar CA	16,205	3,562	10,767		0		
Sea Oaks	Los Osos CA	0	871	2,703		0		
Sunshadow	San Jose CA	0	0	5,707		0		
Tahoe Valley Campground	Lake Tahoe CA	2,246	1,357	4,071		0		
Village of Four Seasons	San Jose CA	15,332	5,229	15,714		0		
Westwinds (4 properties)	San Jose CA	0	0	17,616		0		5,
Bear Creek	Sheridan CO	4,880	1,100	3,359		0		
Cimarron	Broomfield CO	4,541	863	2,790		0		
Golden Terrace	Golden CO	4,246	826	2,415		0		
Golden Terrace South	Golden CO	2,400	750	2,265		0		
Golden Terrace West	Golden CO	8,328	1,694	5,065		0		1,
Hillcrest Village	Aurora CO	10,504	1,912	5,202	289			2,
Holiday Hills	Denver CO	14,746	2,159	7,780	0			3,
Holiday Village CO	Co. Springs CO	3,471	567	1,759	0			
Pueblo Grande	Pueblo CO	1,867	241	1,069	0			
Woodland Hills	Denver CO	7,390	1,928	4,408	0			2,
Aspen Meadows	Rehoboth Beach DE	5,620	1,148	3,460	0			
Camelot Meadows	Rehoboth Beach DE	7,304	527	2,058	1,251			3,
Mariners Cove	Millsboro DE	16,452	990	2,971	0			3,
McNicol	Rehoboth Beach DE	2,710	563	1,710	0			
Sweetbriar	Rehoboth Beach DE	3,040	498	1,527	0			
Waterford Estates	Bear DE	30,954	5,250	16,202	0			
Whispering Pines	Lewes DE	9,871	1,536	4,609	0			1,

Gross Amount Carried  
at Close of  
Period 12/31/04

Real Estate	Location	Land	Depreciable Property	Total	Accumulated Depreciation	Da
Lamplighter	Spring Valley CA	633	2,876	3,509	(1,853)	
Las Palmas	Rialto CA		3,886	5,181	(76)	

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Meadowbrook	Santee	CA	4,345	14,050	18,395	(3,073)
Monte del Lago	Castroville	CA	3,150	10,933	14,083	(2,612)
Quail Meadows	Riverbank	CA	1,155	3,762	4,917	(844)
Nicholson Plaza	San Jose	CA	0	4,584	4,584	(1,126)
Pacific Dunes Ranch	California	CA	1,940	5,659	7,599	(178)
	Central Coast					
Parque La Quinta	Rialto	CA	1,799	5,405	7,204	(197)
Rancho Mesa	El Cajon	CA	2,130	6,638	8,768	(1,453)
Rancho Valley	El Cajon	CA	685	2,696	3,381	(1,633)
Royal Holiday	Hemet	CA	778	3,017	3,795	(606)
Royal Oaks	Visalia	CA	602	2,202	2,804	(554)
DeAnza Santa Cruz	Santa Cruz	CA	2,103	7,518	15,012	(2,553)
Santiago Estates	Sylmar	CA	3,562	11,536	15,098	(2,710)
Sea Oaks	Los Osos	CA	871	2,970	3,841	(720)
Sunshadow	San Jose	CA	0	5,844	5,844	(1,464)
Tahoe Valley Campground	Lake Tahoe	CA	1,357	4,083	5,440	(124)
Village of Four Seasons	San Jose	CA	5,229	15,732	20,961	(349)
Westwinds (4 properties)	San Jose	CA	0	22,732	22,732	(5,844)
Bear Creek	Sheridan	CO	1,100	3,607	4,707	(833)
Cimarron	Broomfield	CO	863	3,374	4,237	(2,227)
Golden Terrace	Golden	CO	826	3,135	3,961	(1,868)
Golden Terrace South	Golden	CO	750	2,882	3,632	(717)
Golden Terrace West	Golden	CO	1,694	6,076	7,770	(3,399)
Hillcrest Village	Aurora	CO	2,201	7,599	9,800	(4,843)
Holiday Hills	Denver	CO	2,159	11,599	13,758	(7,158)
Holiday Village CO	Co. Springs	CO	567	2,671	3,238	(1,583)
Pueblo Grande	Pueblo	CO	241	1,501	1,742	(968)
Woodland Hills	Denver	CO	1,928	6,815	8,743	(2,522)
Aspen Meadows	Rehoboth Beach	DE	1,148	3,798	4,946	(894)
Camelot Meadows	Rehoboth Beach	DE	1,778	5,777	7,555	(1,318)
Mariners Cove	Millsboro	DE	990	6,880	7,870	(2,868)
McNicol	Rehoboth Beach	DE	563	1,782	2,345	(410)
Sweetbriar	Rehoboth Beach	DE	498	1,904	2,402	(496)
Waterford Estates	Bear	DE	5,250	16,816	22,066	(3,037)
Whispering Pines	Lewes	DE	1,536	5,614	7,150	(2,844)

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SCHEDULE III  
EQUITY LIFESTYLE PROPERTIES, INC.  
REAL ESTATE AND ACCUMULATED DEPRECIATION  
DECEMBER 31, 2004  
(AMOUNTS IN THOUSANDS)

Real Estate	Location	Encumbrances	Initial Cost to Company		Land	Cap Subs Acq (Impr)
			Land	Depreciable Property		
Maralago Cay	Lantana	FL	21,600	5,325	15,420	0
Barrington Hills	Port Richey	FL	3,220	1,145	3,437	0
Bay Indies	Venice	FL	43,662	10,483	31,559	10
Bay Lake Estates	Nokomis	FL	3,807	990	3,390	0

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Breezy Hill	Pompano Beach	FL	10,065	5,510	16,555	0
Buccaneer	N. Ft. Myers	FL	14,140	4,207	14,410	0
Bulow Village Resort	Flagler Beach	FL	0	0	228	0
Bulow Village	Flagler Beach	FL	10,268	3,637	949	0
Carefree Cove	Fort Lauderdale	FL	4,777	1,741	5,170	0
Carriage Cove	Daytona Beach	FL	8,010	2,914	8,682	0
Coachwood	Leesburg	FL	4,238	1,607	4,822	0
Coral Cay	Margate	FL	20,874	5,890	20,211	0
Coquina	St Augustine	FL	0	5,286	5,545	0
Meadows at Countrywood	Plant City	FL	18,273	4,514	13,175	0
Country Place	New Port Richey	FL	8,346	663	0	18
Country Side North	Vero Beach	FL	17,328	3,711	11,133	0
Crystal Isles	Crystal River	FL	2,832	926	2,787	0
Down Yonder	Largo	FL	7,707	2,652	7,981	0
East Bay Oaks	Largo	FL	5,493	1,240	3,322	0
Eldorado Village	Largo	FL	3,946	778	2,341	0
Fort Myers Beach Resort	Fort Myers Beach	FL	4,428	1,493	4,480	0
Glen Ellen	Clearwater	FL	2,395	627	1,882	0
Grand Island	Grand Island	FL	0	1,723	5,208	125
Gulf Air Resort	Fort Myers Beach	FL	4,021	1,609	4,830	0
Gulf View	Punta Gorda	FL	1,698	717	2,158	0
Hacienda Village	New Port Richey	FL	9,842	4,362	13,088	0
Harbor Lakes	Port Charlotte	FL	8,997	3,384	10,154	0
Harbor View	New Port Richey	FL	7,932	4,045	12,146	0
Heritage Village	Vero Beach	FL	13,520	2,403	7,259	0
Highland Wood	Pompano Beach	FL	2,358	1,043	3,130	0
Hillcrest	Clearwater	FL	4,236	1,278	3,928	0
Holiday Ranch	Largo	FL	3,785	925	2,866	0
Holiday Village FL	Vero Beach	FL	0	350	1,374	0
Holiday Village	Ormond Beach	FL	6,972	2,610	7,837	0
Indian Oaks	Rockledge	FL	4,389	1,089	3,376	0
Lake Fairways	N. Ft. Myers	FL	30,460	6,075	18,134	35

Gross Amount Carried  
at Close of  
Period 12/31/04

Real Estate	Location		Land	Depreciable Property	Total	Accumulated Depreciation
Maralago Cay	Lantana	FL	5,325	18,493	23,818	(4,258)
Barrington Hills - Sunburst	Port Richey	FL	1,145	3,437	4,582	(105)
Bay Indies	Venice	FL	10,493	35,041	45,534	(12,148)
Bay Lake Estates	Nokomis	FL	990	4,341	5,331	(1,455)
Breezy Hill	Pompano Beach	FL	5,510	16,667	22,177	(1,294)
Buccaneer	N. Ft. Myers	FL	4,207	15,593	19,800	(5,350)
Bulow Village Resort	Flagler Beach	FL	0	284	284	(51)
Bulow Village	Flagler Beach	FL	3,637	6,407	10,044	(1,391)
Carefree Cove	Fort Lauderdale	FL	1,741	5,249	6,990	(119)
Carriage Cove	Daytona Beach	FL	2,914	9,470	12,384	(2,292)
Coachwood	Leesburg	FL	1,607	4,841	6,448	(148)
Coral Cay	Margate	FL	5,890	23,340	29,230	(7,538)
Coquina	St Augustine	FL	5,286	14,401	19,687	(1,571)
Meadows at Countrywood	Plant City	FL	4,514	17,044	21,558	(3,540)
Country Place	New Port Richey	FL	681	7,106	7,787	(2,834)
Country Side North	Vero Beach	FL	3,711	12,796	16,507	(3,154)
Crystal Isles - Encore	Crystal River	FL	926	2,792	3,718	(85)
Down Yonder	Largo	FL	2,652	8,050	10,702	(631)
East Bay Oaks	Largo	FL	1,240	3,885	5,125	(2,579)
Eldorado Village	Largo	FL	778	2,904	3,682	(1,850)

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Fort Myers Beach Resort	Fort Myers Beach	FL	1,493	4,481	5,974	(137)
Glen Ellen	Clearwater	FL	627	1,908	2,535	(135)
Grand Island	Grand Island	FL	1,848	7,814	9,662	(868)
Gulf Air Resort - Sunburst	Fort Myers Beach	FL	1,609	4,843	6,452	(148)
Gulf View - Encore	Punta Gorda	FL	717	2,161	2,878	(66)
Hacienda Village	New Port Richey	FL	4,362	13,542	17,904	(922)
Harbor Lakes - Encore	Port Charlotte	FL	3,384	10,171	13,555	(310)
Harbor View	New Port Richey	FL	4,045	12,200	16,245	(954)
Heritage Village	Vero Beach	FL	2,403	7,949	10,352	(2,769)
Highland Wood	Pompano Beach	FL	1,043	3,140	4,183	(243)
Hillcrest	Clearwater	FL	1,278	4,678	5,956	(1,195)
Holiday Ranch	Largo	FL	925	3,093	4,018	(747)
Holiday Village FL	Vero Beach	FL	350	1,513	1,863	(389)
Holiday Village	Ormond Beach	FL	2,610	7,958	10,568	(621)
Indian Oaks	Rockledge	FL	1,089	4,104	5,193	(1,051)
Lake Fairways	N. Ft. Myers	FL	6,110	19,577	25,687	(6,537)

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SCHEDULE III  
EQUITY LIFESTYLE PROPERTIES, INC.  
REAL ESTATE AND ACCUMULATED DEPRECIATION  
DECEMBER 31, 2004  
(AMOUNTS IN THOUSANDS)

Real Estate	Location	Encumbrances	Initial Cost to Company		Land	De
			Land	Depreciable Property		
Lake Haven	Dunedin	FL	8,109	1,135	4,047	0
Lake Magic	Orlando	FL	2,818	1,595	4,793	0
Lakewood Village	Melbourne	FL	9,818	1,862	5,627	0
Lazy Lakes	Florida Keys	FL	2,048	816	2,449	0
Lighthouse Pointe	Port Orange	FL	12,535	2,446	7,483	23
Manatee	Sarasota North	FL	5,244	2,300	6,903	0
Mid-Florida Lakes	Leesburg	FL	22,639	5,997	20,635	0
Oak Bend	Ocala	FL	5,772	850	2,572	0
Park City West	Fort Lauderdale	FL	7,613	4,187	12,561	0
Pasco	Tampa North	FL	3,072	1,494	4,484	0
Pickwick	Port Orange	FL	10,280	2,803	8,870	0
Pine Lakes	N. Ft. Myers	FL	31,055	6,306	14,579	21
Pioneer Village	N. Ft. Myers	FL	10,379	4,116	12,353	0
Royal Coachman	Nokomis	FL	15,140	5,321	15,978	0
Shangri La	Largo	FL	4,496	1,730	5,200	0
Sherwood Forest	Kissimmee	FL	27,103	4,852	14,596	0
Sherwood Forest Resort	Kissimmee	FL	0	2,870	3,621	568
Silk Oak	Clearwater	FL	3,771	1,670	5,028	0
Silver Dollar	Odessa	FL	9,171	4,107	12,431	0
Sixth Ave	Zephyrhills	FL	2,260	839	2,518	0
Southernaire	Mt. Dora	FL	2,092	798	2,395	0
Southern Palms	Eustis	FL	5,652	2,169	5,884	0

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Spanish Oaks	Ocala	FL	7,008	2,250	6,922	0
Sunshine Key	Florida Keys	FL	16,522	5,273	15,822	0
Sunshine Holiday	Daytona Beach	FL	6,667	2,001	6,004	0
Sunshine Holiday RV & MHP	Fort Lauderdale	FL	8,509	3,099	9,286	0
Sunshine Travel	Vero Beach	FL	4,404	1,603	4,813	0
Oaks at Countrywood	Plant City	FL	1,300	1,111	2,513	-265
Terra Ceia	Palmetto	FL	2,528	967	2,905	0
The Heritage	N. Ft. Myers	FL	9,663	1,438	4,371	346
The Lakes at Countrywood	Plant City	FL	9,712	2,377	7,085	0
The Meadows, FL	Palm Beach					
	Gardens	FL	6,049	3,229	9,870	0
Toby's	Arcadia	FL	3,391	1,093	3,280	0
Topics RV	Spring Hill	FL	2,235	853	2,568	0
Tropical Palms	Kissimmee	FL	19,595	5,677	17,071	0
Vacation Village	St. Petersburg	FL	2,528	1,315	3,946	0

Gross Amount Carried  
at Close of  
Period 12/31/04

Real Estate	Location		Land	Depreciable Property	Total	Accumulated Depreciation
Lake Haven	Dunedin	FL	1,135	6,431	7,566	(3,292)
Lake Magic	Orlando	FL	1,595	4,838	6,433	(146)
Lakewood Village	Melbourne	FL	1,862	6,343	8,205	(2,212)
Lazy Lakes	Florida Keys	FL	816	2,452	3,268	(75)
Lighthouse Pointe	Port Orange	FL	2,469	8,377	10,846	(2,033)
Manatee	Sarasota North	FL	2,300	6,923	9,223	(211)
Mid-Florida Lakes	Leesburg	FL	5,997	25,705	31,702	(8,117)
Oak Bend	Ocala	FL	850	3,438	4,288	(1,243)
Park City West	Fort Lauderdale	FL	4,187	12,572	16,759	(384)
Pasco	Tampa North	FL	1,494	4,486	5,980	(137)
Pickwick	Port Orange	FL	2,803	9,360	12,163	(2,160)
Pine Lakes	N. Ft. Myers	FL	6,327	20,026	26,353	(6,580)
Pioneer Village	N. Ft. Myers	FL	4,116	12,392	16,508	(377)
Royal Coachman	Nokomis	FL	5,321	15,997	21,318	(488)
Shangri La	Largo	FL	1,730	5,236	6,966	(159)
Sherwood Forest	Kissimmee	FL	4,852	18,371	23,223	(4,055)
Sherwood Forest Resort	Kissimmee	FL	3,438	5,030	8,468	(1,101)
Silk Oak	Clearwater	FL	1,670	5,093	6,763	(355)
Silver Dollar	Odessa	FL	4,107	12,498	16,605	(376)
Sixth Ave	Zephyrhills	FL	839	2,526	3,365	(91)
Southernaire	Mt. Dora	FL	798	2,405	3,203	(74)
Southern Palms	Eustis	FL	2,169	7,415	9,584	(1,690)
Spanish Oaks	Ocala	FL	2,250	7,799	10,049	(2,834)
Sunshine Key	Florida Keys	FL	5,273	15,845	21,118	(483)
Sunshine Holiday	Daytona Beach	FL	2,001	6,019	8,020	(183)
Sunshine Holiday RV & MHP	Fort Lauderdale	FL	3,099	9,304	12,403	(180)
Sunshine Travel	Vero Beach	FL	1,603	4,844	6,447	(147)
Oaks at Countrywood	Plant City	FL	846	3,988	4,834	(698)
Terra Ceia	Palmetto	FL	967	2,920	3,887	(90)
The Heritage	N. Ft. Myers	FL	1,784	7,688	9,472	(2,475)
The Lakes at Countrywood	Plant City	FL	2,377	7,947	10,324	(1,049)
The Meadows, FL	Palm Beach					
	Gardens	FL	3,229	11,015	14,244	(2,089)
Toby's	Arcadia	FL	1,093	3,297	4,390	(120)
Topics RV	Spring Hill	FL	853	2,570	3,423	(79)
Tropical Palms	Kissimmee	FL	5,677	17,198	22,875	(500)

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Vacation Village St. Petersburg FL 1,315 3,949 5,264 (121)

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SCHEDULE III  
EQUITY LIFESTYLE PROPERTIES, INC.  
REAL ESTATE AND ACCUMULATED DEPRECIATION  
DECEMBER 31, 2004  
(AMOUNTS IN THOUSANDS)

Real Estate	Location	Encumbrances	Initial Cost to Company		Land	De
			Land	Depreciable Property		
Windmill Manor	Bradenton FL	7,958	2,153	6,125	0	
Windmill Village - Ft. Myers	N. Ft. Myers FL	8,700	1,417	5,440	0	
Winds of St. Armands North (fka Windmill North)	Sarasota FL	8,842	1,523	5,063	0	
Winds of St. Armands South (fka Windmill South)	Sarasota FL	5,464	1,106	3,162	0	
Five Seasons	Cedar Rapids IA	0	1,053	3,436	0	
Holiday Village, IA	Sioux City IA	0	313	3,744	0	
Golf Vistas	Monee IL	14,577	2,843	4,719	0	
O'Connell's	Amboy IL	4,955	1,658	4,974	0	
Willow Lake Estates	Elgin IL	22,129	6,138	21,033	0	
Forest Oaks (fka BurnsHarbor)	Chesterton IN	0	916	2,909	0	
Lakeside	New Carlisle IN	0	426	1,281	0	
Oak Tree Village	Portage IN	4,476	0	0	569	
Windsong	Indianapolis IN	0	1,482	4,480	0	
Creekside	Wyoming MI	3,760	1,109	3,646	0	
Casa Village	Billings MT	11,040	1,011	3,109	157	
Waterway RV Resort	Cedar Point NC	6,226	2,392	7,185	0	
Goose Creek Resort	Newport NC	12,491	4,612	13,848	0	
Twin Lakes	Chocowinity NC	3,739	1,719	3,361	0	
Del Rey	Albuquerque NM	0	1,926	5,800	0	
Bonanza	Las Vegas NV	4,861	908	2,643	0	
Boulder Cascade	Las Vegas NV	8,871	2,995	9,020	0	
Cabana	Las Vegas NV	9,245	2,648	7,989	0	
Flamingo West	Las Vegas NV	10,647	1,730	5,266	0	
Villa Borega	Las Vegas NV	7,011	2,896	8,774	0	
Greenwood Village	Manorville NY	17,468	3,667	9,414	484	
Falcon Wood Village	Eugene OR	5,200	1,112	3,426	0	
Quail Hollow	Fairview OR	0	0	3,249	0	
Shadowbrook	Clackamas OR	6,320	1,197	3,693	0	
Mt. Hood Village	Welches OR	0	1,817	5,733	0	
Green Acres	Breinigsville PA	13,908	2,680	7,479	0	
Spring Gulch	New Holland PA	4,819	1,593	4,795	0	
Country Sunshine	Weslaco TX	2,266	627	1,881	0	
Fun n Sun	San Benito TX	0	2,533	0	417	
Lakewood	Harlingen TX	1,227	325	979	0	

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Real Estate -----	Location -----		Gross Amount Carried at Close of Period 12/31/04			Accumulated Depreciation -----
			Land -----	Depreciable Property -----	Total -----	
Windmill Manor	Bradenton	FL	2,153	7,262	9,415	(1,603)
Windmill Village - Ft. Myers	N. Ft. Myers	FL	1,417	6,700	8,117	(4,379)
Winds of St. Armands North (fka Windmill North)	Sarasota	FL	1,523	6,726	8,249	(3,936)
Winds of St. Armands South (fka Windmill South)	Sarasota	FL	1,106	3,992	5,098	(2,443)
Five Seasons	Cedar Rapids	IA	1,053	4,115	5,168	(1,222)
Holiday Village, IA	Sioux City	IA	313	4,264	4,577	(2,553)
Golf Vistas	Monee	IL	2,843	10,667	13,510	(2,126)
O'Connell's	Amboy	IL	1,658	5,122	6,780	(173)
Willow Lake Estates	Elgin	IL	6,138	24,849	30,987	(8,048)
Forest Oaks (fka Burns Harbor)	Chesterton	IN	916	4,649	5,565	(1,912)
Lakeside	New Carlisle	IN	426	1,293	1,719	(40)
Oak Tree Village	Portage	IN	569	3,607	4,176	(1,772)
Windsong	Indianapolis	IN	1,482	4,672	6,154	(1,278)
Creekside	Wyoming	MI	1,109	3,759	4,868	(896)
Casa Village	Billings	MT	1,168	6,580	7,748	(3,130)
Waterway RV Resort	Cedar Point	NC	2,392	7,188	9,580	(221)
Goose Creek Resort	Newport	NC	4,612	14,662	19,274	(437)
Twin Lakes	Chocowinity	NC	1,719	3,380	5,099	(105)
Del Rey	Albuquerque	NM	1,926	6,527	8,453	(2,602)
Bonanza	Las Vegas	NV	908	3,627	4,535	(2,238)
Boulder Cascade	Las Vegas	NV	2,995	10,156	13,151	(2,315)
Cabana	Las Vegas	NV	2,648	8,290	10,938	(2,936)
Flamingo West	Las Vegas	NV	1,730	6,539	8,269	(2,092)
Villa Borega	Las Vegas	NV	2,896	9,366	12,262	(2,266)
Greenwood Village	Manorville	NY	4,151	12,956	17,107	(2,609)
Falcon Wood Village	Eugene	OR	1,112	3,639	4,751	(902)
Quail Hollow	Fairview	OR	0	3,475	3,475	(861)
Shadowbrook	Clackamas	OR	1,197	3,858	5,055	(1,004)
Mt. Hood Village	Welches	OR	1,817	5,431	7,248	(564)
Green Acres	Breinigsville	PA	2,680	10,296	12,976	(5,077)
Spring Gulch	New Holland	PA	1,593	4,801	6,394	(163)
Country Sunshine	Weslaco	TX	627	1,886	2,513	(57)
Fun n Sun	San Benito	TX	2,950	9,828	12,778	(2,123)
Lakewood	Harlingen	TX	325	981	1,306	(30)

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SCHEDULE III  
EQUITY LIFESTYLE PROPERTIES, INC.  
REAL ESTATE AND ACCUMULATED DEPRECIATION  
DECEMBER 31, 2004  
(AMOUNTS IN THOUSANDS)

Initial Cost to  
Costs  
Subs  
Acq

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Real Estate	Location	Encumbrances	Company		(Impr)
			Land	Depreciable Property	
Paradise Park	Rio Grande Valley TX	5,430	1,568	4,705	0
Paradise South	Mercedes TX	1,619	448	1,345	0
Southern Comfort	Weslaco TX	2,590	1,108	3,323	0
Sunshine RV	Harlingen TX	4,792	1,494	4,484	0
Tropic Winds	Harlingen TX	0	1,221	3,809	0
All Seasons	Salt Lake City UT	3,491	510	1,623	0
Westwood Village	Farr West UT	7,493	1,346	4,179	0
Meadows of Chantilly	Chantilly VA	27,494	5,430	16,440	0
Kloshe Illahee	Federal Way WA	6,084	2,408	7,286	0
Caledonia	Caledonia WI	0	376	1,127	0
Freemont	Freemont WI	4,300	1,432	4,296	0
Yukon Trails	Lyndon Station WI	0	547	1,629	0
Thousand Trails		0	48,537	113,253	0
Realty Systems, Inc.		0	0	0	0
Management Business		0	0	436	0
		-----	-----	-----	-----
		1,417,251	\$466,556	\$1,361,519	\$4,031
		=====	=====	=====	=====

Gross Amount Carried  
at Close of  
Period 12/31/04

Real Estate	Location	Land	Depreciable		Accumulat Depreciati
			Property	Total	
Paradise Park	Rio Grande Valley TX	1,568	4,709	6,277	(144)
Paradise South - Encore	Mercedes TX	448	1,350	1,798	(41)
Southern Comfort	Weslaco TX	1,108	3,325	4,433	(102)
Sunshine RV - Encore	Harlingen TX	1,494	4,487	5,981	(137)
Tropic Winds	Harlingen TX	1,221	3,910	5,131	(329)
All Seasons	Salt Lake City UT	510	1,834	2,344	(491)
Westwood Village	Farr West UT	1,346	5,342	6,688	(1,369)
Meadows of Chantilly	Chantilly VA	5,430	20,221	25,651	(6,764)
Kloshe Illahee	Federal Way WA	2,408	7,563	9,971	(1,846)
Caledonia	Caledonia WI	376	1,127	1,503	0
Freemont	Freemont WI	1,432	4,296	5,728	0
Yukon Trails	Lyndon Station WI	547	1,642	2,189	(10)
Thousand Trails		48,537	113,253	161,790	(629)
Realty Systems, Inc.		0	4,632	4,632	(2)
Management Business		0	9,860	9,860	(10,359)
		-----	-----	-----	-----
		\$470,587	\$1,565,203	\$2,035,790	(\$322,867)
		=====	=====	=====	=====

NOTES:

(1) For depreciable property, the Company uses a 30-year estimated life for buildings acquired and structural and land improvements, a ten-to-fifteen year estimated life for building upgrades and a three-to-seven year estimated life for furniture and fixtures.

(2) The schedule excludes Properties in which the Company has a non-controlling

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joint venture interest and accounts for using the equity method of accounting.

- (3) The balance of furniture and fixtures included in the total amounts was approximately \$21.3 million as of December 31, 2004.
- (4) The aggregate cost of land and depreciable property for Federal income tax purposes was approximately \$2.0 billion, as of December 31, 2004.
- (5) All Properties were acquired, except for Country Place Village, which was constructed.

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SCHEDULE III  
EQUITY LIFESTYLE PROPERTIES, INC.  
REAL ESTATE AND ACCUMULATED DEPRECIATION  
DECEMBER 31, 2004  
(AMOUNTS IN THOUSANDS)

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

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

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

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

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

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