

EQUITY LIFESTYLE PROPERTIES INC

Form 10-Q

August 09, 2007

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

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

For the quarterly period ended June 30, 2007

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)

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 a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

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

24,346,356 shares of Common Stock as of July 28, 2007.

Equity LifeStyle Properties, Inc.
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Equity LifeStyle Properties, Inc.
Consolidated Balance Sheets
As of June 30, 2007 and December 31, 2006
(amounts in thousands)

	June 30, 2007 (unaudited)	December 31, 2006
Assets		
Investment in real estate:		
Land	\$ 534,162	\$ 531,302
Land improvements	1,685,016	1,664,964
Buildings and other depreciable property	145,964	141,194
	2,365,142	2,337,460
Accumulated depreciation	(467,071)	(435,809)
Net investment in real estate	1,898,071	1,901,651
Cash and cash equivalents	696	1,605
Notes receivable	15,823	22,045
Investment in joint ventures	14,755	14,718
Rents receivable, net	1,512	1,294
Deferred financing costs, net	13,344	14,799
Inventory	69,517	70,091
Escrow deposits and other assets	32,514	29,628
Total Assets	\$2,046,232	\$ 2,055,831
Liabilities and Stockholders Equity		
Liabilities:		
Mortgage notes payable and other loans	\$1,583,968	\$ 1,586,012
Unsecured lines of credit	98,600	131,200
Accrued payroll and other operating expenses	35,043	30,936
Accrued interest payable	9,050	9,066
Rents received in advance and security deposits	37,090	36,454
Distributions payable	4,526	2,251
Total Liabilities	1,768,277	1,795,919
Commitments and contingencies		
Minority interest Common OP Units and other	15,700	12,794
Minority interest Perpetual Preferred OP Units	200,000	200,000
Stockholders Equity:		
Preferred stock, \$.01 par value 10,000,000 shares authorized; none issued		
Common stock, \$.01 par value 100,000,000 shares authorized; 24,344,817 and 23,928,652 shares issued and outstanding for June 30, 2007 and December 31, 2006, respectively	236	229
Paid-in capital	309,117	304,483
Distributions in excess of accumulated earnings	(247,098)	(257,594)

Total Stockholders Equity	62,255	47,118
Total Liabilities and Stockholders Equity	\$2,046,232	\$ 2,055,831

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

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Equity LifeStyle Properties, Inc.
Consolidated Statements of Operations
For the Quarters and Six Months Ended June 30, 2007 and 2006
(amounts in thousands, except per share data)
(unaudited)

	Quarters Ended		Six Months Ended	
	June 30,		June 30,	
	2007	2006	2007	2006
Property Operations:				
Community base rental income	\$ 59,025	\$ 56,409	\$ 117,824	\$ 111,740
Resort base rental income	22,058	19,899	53,779	46,647
Utility and other income	9,178	7,768	19,278	15,906
Property operating revenues	90,261	84,076	190,881	174,293
Property operating and maintenance	31,240	29,470	62,429	57,104
Real estate taxes	7,251	6,749	14,609	13,342
Property management	4,706	4,374	9,364	9,225
Property operating expenses (exclusive of depreciation shown separately below)	43,197	40,593	86,402	79,671
Income from property operations	47,064	43,483	104,479	94,622
Home Sales Operations:				
Gross revenues from inventory home sales	9,177	18,068	18,284	30,000
Cost of inventory home sales	(8,130)	(15,793)	(16,247)	(26,104)
Gross profit from inventory home sales	1,047	2,275	2,037	3,896
Brokered resale revenues, net	450	618	943	1,275
Home selling expenses	(1,749)	(2,441)	(4,000)	(4,914)
Ancillary services revenues, net	(116)	200	1,424	2,006
(Loss) Income from home sales operations and other	(368)	652	404	2,263
Other Income (Expenses):				
Interest income	425	553	962	839
Income from other investments, net	5,118	4,779	10,084	9,282
General and administrative	(3,680)	(3,578)	(7,351)	(6,801)
Rent control initiatives	(999)	(204)	(1,435)	(298)
Interest and related amortization	(25,685)	(26,232)	(51,478)	(50,828)
Depreciation on corporate assets	(111)	(100)	(221)	(210)
Depreciation on real estate assets	(15,707)	(15,080)	(31,331)	(29,433)
Total other expenses, net	(40,639)	(39,862)	(80,770)	(77,449)
Income before minority interests, equity in income of unconsolidated joint ventures and discontinued operations	6,057	4,273	24,113	19,436

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Income allocated to Common OP Units	(390)	(327)	(3,366)	(2,903)
Income allocated to Perpetual Preferred OP Units	(4,039)	(4,038)	(8,070)	(8,068)
Equity in (loss) income of unconsolidated joint ventures	(9)	1,339	1,310	2,643
Income from continuing operations	1,619	1,247	13,987	11,108
Discontinued Operations:				
Discontinued operations	18	178	138	467
Depreciation on discontinued operations		(21)		(42)
(Loss) Gain on sale from discontinued real estate		(192)	4,586	(192)
Income (Loss) allocated to Common OP Units from discontinued operations	(3)	7	(917)	(49)
Income (Loss) from discontinued operations	15	(28)	3,807	184
Net income available for Common Shares	\$ 1,634	\$ 1,219	\$ 17,794	\$ 11,292

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

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Equity LifeStyle Properties, Inc.
Consolidated Statements of Operations (Continued)
For the Quarters and Six Months Ended June 30, 2007 and 2006
(amounts in thousands, except per share data)
(unaudited)

	Quarters Ended		Six Months Ended	
	June 30,		June 30,	
	2007	2006	2007	2006
Earnings per Common Share Basic:				
Income from continuing operations	\$ 0.07	\$ 0.05	\$ 0.58	\$ 0.47
Income from discontinued operations	0.00	0.00	0.16	0.01
Net income available for Common Shares	\$ 0.07	\$ 0.05	\$ 0.74	\$ 0.48
Earnings per Common Share Fully Diluted:				
Income from continuing operations	\$ 0.07	\$ 0.05	\$ 0.57	\$ 0.46
Income from discontinued operations	0.00	0.00	0.16	0.01
Net income available for Common Shares	\$ 0.07	\$ 0.05	\$ 0.73	\$ 0.47
Distributions declared per Common Share outstanding	\$ 0.15	\$ 0.075	\$ 0.30	\$ 0.15
Weighted average Common Shares outstanding basic	24,133	23,384	24,023	23,358
Weighted average Common Shares outstanding fully diluted	30,431	30,205	30,403	30,197

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 Six Months Ended June 30, 2007 and 2006
(amounts in thousands)
(unaudited)

	June 30, 2007	June 30, 2006
Cash Flows From Operating Activities:		
Net income	\$ 17,794	\$ 11,292
Adjustments to reconcile net income to cash provided by operating activities:		
Income allocated to minority interests	12,353	11,020
(Gain) loss on sale of discontinued real estate	(4,586)	192
Depreciation expense	32,286	30,693
Amortization expense	1,454	1,415
Debt premium amortization	(809)	(696)
Equity in income of unconsolidated joint ventures	(2,045)	(3,651)
Distributions from unconsolidated joint ventures	3,395	2,287
Accrued long term incentive plan compensation	91	
Amortization of stock-related compensation	2,116	1,517
Decrease in provision for uncollectible rents receivable	(10)	(6)
Increase in provision for inventory reserve	62	
Changes in assets and liabilities:		
Rents receivable	(241)	(168)
Inventory	(909)	(11,090)
Escrow deposits and other assets	(2,390)	(3,123)
Accrued payroll and other operating expenses	7,468	7,820
Rents received in advance and security deposits	312	2,218
Net cash provided by operating activities	66,341	49,720
Cash Flows From Investing Activities:		
Acquisition of real estate	(7,158)	(19,931)
Disposition of real estate	7,725	
Joint Ventures:		
Investments in	(2,417)	(865)
Distributions from	114	1,647
Net repayment (borrowings) of notes receivable	6,222	(11,172)
Improvements:		
Corporate	(356)	(178)
Rental properties	(7,625)	(6,366)
Site development costs	(6,804)	(9,813)
Net cash used in investing activities	(10,299)	(46,678)
Cash Flows From Financing Activities:		
Net proceeds from stock options and employee stock purchase plan	2,892	1,572
Distributions to Common Stockholders, Common OP Unitholders, and Perpetual Preferred OP Unitholders	(14,871)	(11,020)

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Lines of credit:		
Proceeds	55,000	94,200
Repayments	(87,600)	(83,900)
Principal repayments on disposition	(1,992)	
Principal repayments	(10,308)	(8,041)
New financing proceeds		5,617
Debt issuance costs	(72)	(1,135)
Net cash used in financing activities	(56,951)	(2,707)
Net (decrease) increase in cash and cash equivalents	(909)	335
Cash and cash equivalents, beginning of year	1,605	610
Cash and cash equivalents, end of period	\$ 696	\$ 945

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

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Equity LifeStyle Properties, Inc.
Consolidated Statements of Cash Flows (continued)
For the Six Months Ended June 30, 2007 and 2006
(amounts in thousands)
(unaudited)

	June 30, 2007	June 30, 2006
Supplemental Information:		
Cash paid during the period for interest	\$50,875	\$49,064
Non-cash investing and financing activities:		
Real estate acquisition and disposition		
Mortgage debt assumed and financed on acquisition of real estate	\$ 7,437	\$72,998
Seller financing on Mid-Atlantic portfolio transaction	\$	\$ (3,425)
Mezzanine and joint venture investments applied to real estate acquisition	\$ 182	\$32,118
Other assets and liabilities, net, acquired on acquisition of real estate	\$	\$ 4,583
Financing fees incurred on acquisition of real estate	\$	\$ (809)
Proceeds from loan to pay insurance premiums	\$ 4,300	\$ 3,638

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

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

Definition of Terms:

Equity LifeStyle Properties, Inc., a Maryland corporation, together with MHC Operating Limited Partnership (the Operating Partnership) and other consolidated subsidiaries (Subsidiaries), are referred to herein as the Company, EL, we, us, and our. Capitalized terms used but not defined herein are as defined in the Company's Annual Report on Form 10-K (2006 Form 10-K) for the year ended December 31, 2006.

Presentation:

These unaudited Consolidated Financial Statements have been prepared pursuant to the Securities and Exchange Commission (SEC) rules and regulations and should be read in conjunction with the financial statements and notes thereto included in the 2006 Form 10-K. The following Notes to Consolidated Financial Statements highlight significant changes to the Notes included in the 2006 Form 10-K and present interim disclosures as required by the SEC. The accompanying Consolidated Financial Statements reflect, in the opinion of management, all adjustments necessary for a fair presentation of the interim financial statements. All such adjustments are of a normal and recurring nature. Revenues are subject to seasonal fluctuations and as such quarterly interim results may not be indicative of full year results.

Note 1 Summary of Significant Accounting Policies

(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. The Company also consolidates entities in which it has a controlling direct or indirect voting interest. All inter-company transactions have been eliminated in consolidation. 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).

The Company has applied Financial Accounting Standards Board (FASB) Interpretation No. 46R, Consolidation of Variable Interest Entities (FIN 46R) an interpretation of Accounting Research Bulletin No. 51, Consolidated Financial Statements (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 has also applied Emerging Issues Task Force Issue No. 04-5 Investor's Accounting for an Investment in Limited Partnership When the Investor Is the Sole General Partner and the Limited Partners Have Certain Rights (EITF 04-5), which determines whether a general partner or the general partners as a group control a limited partnership or similar entity and therefore should consolidate the entity. The Company will apply FIN 46R and EITF 04-5 to all types of entity ownership (general and limited partnerships and corporate interests).

The Company applies the equity method of accounting to entities in which the Company does not have a controlling direct or indirect voting interest or is not considered the primary beneficiary, but can exercise influence over the entity with respect to its operations and major decisions. The cost method is applied when both (i) the investment is minimal (typically less than 5%) and (ii) the Company's investment is passive.

(b) Use of Estimates

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

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EQUITY LIFESTYLE PROPERTIES, INC.

Notes to Consolidated Financial Statements

Note 1 Summary of Significant Accounting Policies (continued)

(c) Markets

The Company manages all its operations on a property-by-property basis. Since each Property has similar economic and operational characteristics, the Company has one reportable segment, which is the operation of land lease Properties. The distribution of the Properties throughout the United States reflects our belief that geographic diversification helps insulate the portfolio from regional economic influences. The Company intends to target new acquisitions in or near markets where the Properties are located and will also consider acquisitions of Properties outside such markets.

(d) Inventory

Inventory primarily consists of new and used Site Set homes and 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. Inventory is recorded net of an inventory reserve of \$642,000 and \$580,000 as of June 30, 2007 and December 31, 2006, respectively. Resale revenues are stated net of commissions paid to employees of \$491,000 and \$703,000 for the six months ended June 30, 2007 and 2006, 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 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 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 the asset's estimated useful life.

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

For Properties to be disposed of, an impairment loss is recognized when the fair value of the Property, less the estimated cost to sell, is less than the carrying amount of the Property measured at the time the Company has a commitment to sell the Property and/or is actively marketing the Property for sale. A Property to be disposed of is reported at the lower of its carrying amount or its estimated fair value, less costs to sell. Subsequent to the date that a Property is held for disposition, depreciation expense is not recorded. The Company accounts for its Properties held for disposition in accordance with the 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 have been classified as discontinued operations in all periods presented.

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

Note 1 Summary of Significant Accounting Policies (continued)

(f) Cash and Cash Equivalents

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

(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.

(i) Income from Other Investments, net

Income from other investments, net primarily includes revenue relating to the Company's ground leases with Privileged Access L.P. (*Privileged Access*). The ground leases with *Privileged Access* for approximately 24,100 sites at 81 of the Company's Properties are accounted for in accordance with Statement of Financial Accounting Standards No. 13, Accounting for Leases. The Company recognized income related to these ground leases of approximately \$5.0 million and \$9.9 million for the quarter and six months ended June 30, 2007, respectively.

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EQUITY LIFESTYLE PROPERTIES, INC.
Notes to Consolidated Financial Statements

Note 1 Summary of Significant Accounting Policies (continued)*(j) Insurance Claims*

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

Approximately 70 Florida Properties suffered damage from the four hurricanes that struck the state during August and September 2004. As of July 28, 2007, the Company estimates its total claim to be \$20.1 million of which, approximately \$18.9 million of claims, including business interruption, have been submitted to our insurance companies for reimbursement. Through June 30, 2007, the Company has made total expenditures of approximately \$15.1 million and may incur additional expenditures to complete the work necessary to restore our Properties to their pre-hurricanes condition. The Company has reserved approximately \$2.0 million related to these expenditures (\$0.7 million in 2005 and \$1.3 million in 2004). Approximately \$6.3 million of these expenditures have been capitalized per the Company's capitalization policy through June 30, 2007.

Approximately 33 Properties located in southern Florida were impacted by Hurricane Wilma in October 2005. As of July 28, 2007, approximately \$4.4 million of claims have been submitted to our insurance company for reimbursement. Through June 30, 2007, the Company has made total expenditures of approximately \$2.5 million and may incur additional costs in the future. Through June 30, 2007, \$1.6 million has been charged to operations (\$0.3 million in 2006 and \$1.3 million in 2005) and \$0.6 million was capitalized to fixed assets.

The Company has received proceeds from insurance carriers of approximately \$5.6 million through June 30, 2007. Approximately \$1.5 million is included in other assets as a receivable from insurance providers as of June 30, 2007 and December 31, 2006, respectively.

On June 22, 2007, the Company filed a lawsuit related to some of the unpaid claims against certain insurance carriers and its insurance broker. See Note 10 Commitments and Contingencies for further discussion of this lawsuit.

(k) Deferred Financing Costs

Deferred financing costs include fees and costs incurred to obtain long-term financing. The costs are being amortized over the terms of the respective loans on a level yield basis. Unamortized deferred financing fees are written-off when debt is retired before the maturity date. Upon amendment of the line of credit, unamortized deferred financing fees are accounted for in accordance with EITF No. 98-14, Debtor's Accounting for Changes in Line-of-Credit or Revolving-Debt Arrangements. Accumulated amortization for such costs was \$10.7 million and \$9.4 million at June 30, 2007 and December 31, 2006, respectively.

(l) Recent Accounting Pronouncements

In June 2006, FASB issued Interpretation No. 48, Accounting for Uncertainty in Income Taxes, an interpretation of FAS 109, Accounting for Income Taxes (FIN 48), to create a single model to address accounting for uncertainty in tax positions. FIN 48 clarifies the accounting for income taxes, by prescribing a minimum recognition threshold a tax position is required to meet before being recognized in the financial statements. FIN 48 also provides guidance on derecognition, measurement, classification, interest and penalties, accounting in interim periods, disclosure and transition. FIN 48 is effective for fiscal years beginning after December 15, 2006. As required, the Company adopted FIN 48 as of January 1, 2007. The adoption of FIN 48 did not have any significant impact on the Company's financial position and results of operations.

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EQUITY LIFESTYLE PROPERTIES, INC.
Notes to Consolidated Financial Statements

Note 2 Earnings Per Common Share

Earnings per common share are based on the weighted average number of common shares outstanding during each year. 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 period 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 common share for the quarters and six months ended June 30, 2007 and June 30, 2006 (amounts in thousands):

	Quarters Ended		Six Months Ended	
	June 30,		June 30,	
	2007	2006	2007	2006
Numerators:				
Income from Continuing Operations:				
Income from continuing operations basic	\$ 1,619	\$ 1,247	\$ 13,987	\$ 11,108
Amounts allocated to dilutive securities	390	327	3,366	2,903
Income from continuing operations fully diluted	\$ 2,009	\$ 1,574	\$ 17,353	\$ 14,011
Income (Loss) from Discontinued Operations:				
Income (Loss) from discontinued operations basic	\$ 15	\$ (28)	\$ 3,807	\$ 184
Amounts allocated to dilutive securities	3	(7)	917	49
Income (Loss) from discontinued operations fully diluted	\$ 18	\$ (35)	\$ 4,724	\$ 233
Net Income Available for Common Shares Fully Diluted:				
Net income available for Common Shares basic	\$ 1,634	\$ 1,219	\$ 17,794	\$ 11,292
Amounts allocated to dilutive securities	393	320	4,283	2,952
Net income available for Common Shares fully diluted	\$ 2,027	\$ 1,539	\$ 22,077	\$ 14,244
Denominator:				
Weighted average Common Shares outstanding basic	24,133	23,384	24,023	23,358
Effect of dilutive securities:				
Redemption of Common OP Units for Common Shares	5,838	6,201	5,904	6,204
Employee stock options and restricted shares	460	620	476	635
Weighted average Common Shares outstanding fully diluted	30,431	30,205	30,403	30,197

Note 3 Common Stock and Other Equity Related Transactions

On July 13, 2007, the Company paid a \$0.15 per share distribution for the quarter ended June 30, 2007 to stockholders of record on June 29, 2007. On April 13, 2007, the Company paid a \$0.15 per share distribution for the

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quarter ended March 31, 2007 to stockholders of record on March 30, 2007. On June 29, 2007 and March 30, 2007, the Operating Partnership paid distributions of 8.0625% per annum on the \$150 million Series D 8% Units and 7.95% per annum on the \$50 million of Series F 7.95% Units.

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EQUITY LIFESTYLE PROPERTIES, INC.
Notes to Consolidated Financial Statements

Note 4 Investment in Real Estate

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

<i>Properties Held for Long Term</i>	June 30, 2007	December 31, 2006
Investment in real estate:		
Land	\$ 529,645	\$ 525,969
Land improvements	1,664,720	1,642,234
Buildings and other depreciable property	144,815	140,042
	2,339,180	2,308,245
Accumulated depreciation	(457,717)	(426,215)
Net investment in real estate	\$ 1,881,463	\$ 1,882,030
<i>Properties Held for Sale</i>	June 30, 2007	December 31, 2006
Investment in real estate:		
Land	\$ 4,517	\$ 5,333
Land improvements	20,296	22,730
Buildings and other depreciable property	1,149	1,152
	25,962	29,215
Accumulated depreciation	(9,354)	(9,594)
Net investment in real estate	\$ 16,608	\$ 19,621

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, furniture, fixtures and equipment.

On June 27, 2007, the Company purchased the remaining 75% interest in a Diversified Investments joint venture Property known as Winter Garden, which is a 350-site resort Property on approximately 27 acres in Winter Garden, Florida. The gross purchase price was approximately \$10.9 million, and we assumed a second mortgage loan of approximately \$4.0 million with an interest rate of 4.3% per annum, maturing in September 2008. The remainder of the acquisition price, net of a credit for our existing 25% interest, was funded with proceeds from the Company's line of credit and a withdrawal of approximately \$3.7 million from the tax-deferred exchange account established as a result of the sale of Lazy Lakes discussed below.

On January 29, 2007, the Company acquired the remaining 75% interest in a Diversified Investments joint venture Property known as Mesa Verde, which is a 345-site resort Property on approximately 28 acres in Yuma, Arizona. The gross purchase price was approximately \$5.9 million and includes \$0.3 million in prepaid rent. We assumed a first mortgage loan of approximately \$3.5 million with an interest rate of 4.94% per annum, maturing in 2008. The remainder of the acquisition price, net of a credit for our existing 25% interest, was funded with a withdrawal from the tax-deferred account established as a result of the sale of Lazy Lakes discussed below.

On January 10, 2007, the Company sold Lazy Lakes, a 100-site resort Property in the Florida Keys for proceeds of approximately \$7.7 million and a gain on sale of approximately \$4.6 million. The proceeds were deposited in a

tax-deferred exchange account and were subsequently used for the acquisition of Winter Garden discussed above.

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EQUITY LIFESTYLE PROPERTIES, INC.
Notes to Consolidated Financial Statements

Note 4 Investment in Real Estate (continued)

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

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

As of June 30, 2007, the Company had four Properties designated as held for disposition pursuant to SFAS No. 144. The Company determined that these Properties no longer met its investment criteria. As such, the results from operations of these four Properties, two Properties sold in April 2006 and one Property sold in January 2007 are classified as income from discontinued operations. The Properties classified as held for disposition as of June 30, 2007 are listed in the table below.

Property	Location	Sites
Casa Village	Billings, MT	490
Creekside	Wyoming, MI	165
Del Rey	Albuquerque, NM	407
Holiday Village	Sioux City, IA	519

On July 6, 2007, the Company sold Del Rey for proceeds of approximately \$13 million. The remaining three Properties held for disposition were in various stages of negotiations and the Company expects to sell these Properties for proceeds greater than their net book value.

The following table summarizes the combined results of operations of the four Properties held for sale and three previously sold Properties for the quarters and six months ended June 30, 2007 and 2006, respectively (amounts in thousands).

	Quarters Ended		Six Months Ended	
	June 30,		June 30,	
	2007	2006	2007	2006
Rental income	\$ 780	\$ 967	\$ 1,616	2,242
Utility and other income	72	82	137	196
Property operating revenues	852	1,049	1,753	2,438
Property operating expenses	(570)	(616)	(1,120)	(1,462)
Income from property operations	282	433	633	976
(Loss) income from home sales operations	(31)	10	(28)	18
Interest and Amortization	(233)	(265)	(467)	(527)
Depreciation		(21)		(42)
Total other expenses	(233)	(286)	(467)	(569)
(Loss) gain on sale of property		(192)	4,586	(192)

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Minority interest	(3)	7	(917)	(49)
Net income (loss) from discontinued operations	\$ 15	\$ (28)	\$ 3,807	\$ 184

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Note 5 Investment in Joint Ventures

The Company recorded approximately \$1.3 million and \$2.6 million of net income from joint ventures, net of approximately \$0.7 million and \$1.0 million of depreciation expense for the six months ended June 30, 2007 and 2006, respectively. The Company received approximately \$3.5 million and \$3.9 million in distributions from such joint ventures for the six months ended June 30, 2007 and 2006, respectively. Approximately \$3.4 million and \$2.3 million of such distributions were classified as a return on capital and were included in operating activities on the Consolidated Statements of Cash Flows for the six months ended June 30, 2007 and 2006, respectively. The remaining distributions were classified as return of capital and classified as investing activities on the Consolidated Statements of Cash Flows. Approximately \$2.0 million and \$0.5 million of the distributions received in the six months ended June 30, 2007 and 2006, respectively, exceeded the Company's basis in its joint venture and as such were recorded in income from unconsolidated joint ventures.

The following table summarizes the Company's investments in unconsolidated joint ventures (with the number of Properties shown parenthetically as of June 30, 2007 and December 31, 2006, respectively):

Investment	Location	Number of Sites	Economic Interest (a)	Investment as of June 30, 2007 (in thousands)	Investment as of Dec. 31, 2006 (in thousands)
Meadows Investments	Various (2,2)	1,027	50%	\$ 79	\$ 660
Lakeshore Investments	Florida (2,2)	342	90%	20	65
Other Investments	Various (11,13)(b)	4,904	25%	4,038	5,373
Maine Portfolio	Maine (3,3)	495	60%	10,618	8,620
		6,768		\$ 14,755	\$ 14,718

(a) The percentages shown approximate the Company's economic interest as of June 30, 2007. The Company's legal ownership interest may differ.

(b) The Company purchased the remaining interest in two Diversified Investments in January 2007 and June 2007 (see Note 4 Investment in Real Estate).

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Note 5 Investment in Joint Ventures (continued)***Unconsolidated Real Estate Joint Venture Financial Information***

The following tables present combined summarized financial information of the unconsolidated real estate joint ventures (amounts in thousands).

Balance Sheets

	June 30, 2007	As of December 31, 2006
Assets		
Real estate, net	\$ 117,868	\$ 101,180
Other assets	9,677	9,063
Total assets	\$ 127,545	\$ 110,243
Liabilities & Equity		
Mortgage debt & other loans	\$ 112,382	\$ 90,724
Other liabilities	11,810	10,108
Partners equity	3,353	9,411
Total liabilities and equity	\$ 127,545	\$ 110,243

Statements of Operations

	Quarters Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Rentals	\$ 5,074	\$ 4,882	\$ 9,846	\$ 10,710
Other Income	901	1,353	2,320	3,321
Total Revenues	5,975	6,235	12,166	14,031
Operating Expenses	3,278	3,340	6,540	7,830
Interest	1,407	1,441	2,971	3,587
Other (Income) & Expenses	(6,348)	(4,257)	(8,303)	(3,855)
Depreciation & Amortization	1,170	1,702	2,365	4,164
Total (Income) Expenses	(493)	2,226	3,573	11,726
Net Income	\$ 6,468	\$ 4,009	\$ 8,593	\$ 2,305

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EQUITY LIFESTYLE PROPERTIES, INC.
Notes to Consolidated Financial Statements

Note 6 Notes Receivable

As of June 30, 2007 and December 31, 2006, the Company had approximately \$15.8 million and \$22.0 million in notes receivable, respectively. As of June 30, 2007, the Company has approximately \$10.4 million in Chattel Loans receivable, which yield interest at a per annum average rate of approximately 9.4%, have a weighted average term remaining of approximately 9 years, require monthly principal and interest payments and are collateralized by homes at certain of the Properties. These notes are recorded net of allowances of \$110,000 as of June 30, 2007 and December 31, 2006. During the six months ended June 30, 2007, approximately \$0.6 million was repaid and an additional \$1.7 million was loaned to homeowners. As of June 30, 2007 and December 31, 2006, the Company had approximately \$0.4 million in notes which bear interest at a per annum rate of prime plus 0.5% and mature on December 31, 2011. The notes are collateralized with a combination of common OP Units and partnership interests in certain joint ventures.

As of December 31, 2006, we had a note receivable from Privileged Access of approximately \$12.3 million. During the quarter ended March 31, 2007, we received a principal repayment of \$7.3 million and have a remaining note receivable balance of \$5.0 million as of June 30, 2007, earning interest at LIBOR plus 5.75% per annum. The note receivable is subordinate to a \$5.0 million loan that Privileged Access obtained from a bank at the same time the note was refinanced. Both loans mature in 2010.

Note 7 Long-Term Borrowings

In connection with the acquisition of Mesa Verde, during the first quarter of 2007, the Company assumed \$3.5 million in mortgage debt bearing interest at 4.94% per annum and maturing in May 2008. In connection with the acquisition of Winter Garden, during the second quarter of 2007, the Company assumed \$4.0 million in mortgage debt bearing interest at 4.3% per annum and maturing in September 2008. In addition, the Company repaid approximately \$1.9 million in mortgage debt financing in connection with the sale of Lazy Lakes. Refer to Note 4 Investment in Real Estate for acquisition and disposition activity.

As of June 30, 2007 and December 31, 2006, the Company had outstanding mortgage indebtedness on Properties held for long term investment of approximately \$1,569 million, and approximately \$15.0 million and \$17.0 million of mortgage indebtedness, on Properties held for sale as of June 30, 2007 and December 31, 2006, respectively. The weighted average interest rate, including amortization expense, on long-term borrowings for the six months ending June 30, 2007 and the year ending December 31, 2006, was approximately 6.1% per annum. The debt bears interest at rates of 4.94% to 10.00% per annum and matures on various dates ranging from 2007 to 2016, with one additional loan maturing in 2027. Included in our debt balance are three capital leases with an imputed interest rate of 13.1% per annum. The debt encumbered a total of 165 and 164 of the Company's Properties as of June 30, 2007 and December 31, 2006, respectively, and the carrying value of such Properties was approximately \$1,773 million and \$1,746 million, respectively, as of such dates.

As of June 30, 2007 and December 31, 2006, the Company had \$176.4 million and \$143.8 million, respectively, available to be drawn on its \$275 million lines of credit. The weighted average interest rate for the six months ending June 30, 2007 and the year ending December 31, 2006 was 6.83% and 6.25% per annum, respectively.

Note 8 Stock-Based Compensation

The Company accounts for its stock-based compensation in accordance with Statement of Financial Accounting Standards No. 123(R), Share Based Payment (SFAS 123(R)), which was adopted on July 1, 2005.

Stock-based compensation expense was approximately \$2.1 million and \$1.5 million for the six months ended June 30, 2007 and 2006, respectively.

Pursuant to the Stock Option Plan as discussed in Note 12 to the 2006 Form 10-K, certain officers, directors, employees and consultants have been offered the opportunity to acquire shares of common stock of the Company through stock options (Options). During the six months ended June 30, 2007, Options for 132,788 shares of common stock were exercised for gross proceeds of approximately \$2.3 million.

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

Note 8 Stock-Based Compensation (continued)

On January 31, 2007, the Company awarded restricted stock grants for 8,000 shares of common stock at a fair market value of approximately \$442,000, and awarded Options to purchase 115,000 shares of common stock with an exercise price of \$55.23 per share to certain members of the Board of Directors for services rendered in 2006. One-third of the Options to purchase common stock and the shares of restricted common stock covered by these awards vests on each of December 31, 2007, December 31, 2008, and December 31, 2009.

On May 15, 2007, the Company awarded restricted stock grants for 10,000 shares of common stock at a fair market value of approximately \$542,000, and awarded Options to purchase 30,000 shares of common stock with an exercise price of \$54.20 per share to members of the Board of Directors for services rendered in 2007. One-third of the Options to purchase common stock vest on the date six months after the grant date, one-third vest on the first anniversary of the grant date and one-third vest on the second anniversary of the grant date.

Note 9 Long-Term Cash Incentive Plan

On May 15, 2007, the Company's Board of Directors approved a Long-Term Cash Incentive Plan (the Plan) to provide a long-term cash bonus opportunity to certain members of the Company's management and executive officers. The total cumulative payment for all participants (the Eligible Payment) is based upon certain performance conditions being met. Such performance conditions include the Company's Compound Annual Funds From Operations Per Share Growth Rate over the three-year period ending December 31, 2009, which is further adjusted upward or downward based on the Company's Total Return compared to a selected peer group. The Company accounts for the Plan in accordance with SFAS 123(R). As of June 30, 2007, the Company had accrued compensation expense of approximately \$91,000 related to the Plan.

Note 10 Commitments and Contingencies

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. Regulations in California allow tenants to sell their homes for a premium representing the value of the future discounted rent-controlled rents. In the Company's view, such regulation results in a transfer of the value of the Company's stockholders' land, which would otherwise be reflected in market rents, to tenants upon the sales of their homes in the form of an inflated purchase price that cannot be attributed to the value of the home being sold. As a result, in the Company's view, the Company loses the value of its asset and the selling tenant leaves the Property with a windfall premium. The Company has discovered through the litigation process that certain municipalities considered condemning the Company's Properties at values well below the value of the underlying land. In the Company's view, a failure to articulate market rents for sites governed by restrictive rent control would put the Company at risk for condemnation or eminent domain proceedings based on artificially reduced rents. Such a physical taking, should it occur, could represent substantial lost value to stockholders. The Company is cognizant of the need for affordable housing in the jurisdictions, but asserts that restrictive rent regulation 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 may be in excess of \$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.

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Notes to Consolidated Financial Statements****Note 10 Commitments and Contingencies (continued)**

The Company has filed two lawsuits in federal court against the City of San Rafael, challenging its rent control ordinance on constitutional grounds. The Company believes that one of those lawsuits was settled by the City agreeing to amend the ordinance to permit adjustments to market rent upon turnover. The City subsequently rejected the settlement agreement. The Court initially found the settlement agreement was binding on the City, but then reconsidered and determined to submit the claim of breach of the settlement agreement to a jury. In October 2002, the first case against the City went to trial, based on both breach of the settlement agreement and the constitutional claims. A jury found no breach of the settlement agreement; the Company then filed motions asking the Court to rule in its favor on that claim, notwithstanding the jury verdict. The Court postponed decision on those motions and on the constitutional claims, pending a ruling on some property rights issues by the United States Supreme Court.

The Company also had pending a claim seeking a declaration that the Company could close the Property and convert it to another use which claim was not tried in 2002. The United States Supreme Court issued the property rights rulings in 2005 and subsequently on January 27, 2006, the Court hearing the San Rafael cases issued a ruling that granted the Company's motion for leave to amend to assert alternative takings theories in light of the United States Supreme Court's decisions. The Court's ruling also denied the Company's post trial motions related to the settlement agreement and dismissed the park closure claim without prejudice to the Company's ability to reassert such claim in the future. As a result, the Company has filed a new complaint challenging the City's ordinance as violating the takings clause and substantive due process. The City of San Rafael filed a motion to dismiss the amended complaint. On December 5, 2006, the Court denied portions of the City's motion to dismiss that had sought to eliminate certain of the Company's taking claims and substantive due process claims. The Company's claims against the City were tried in a bench trial during April 2007. Post-trial briefing occurred during May 2007. On July 26, 2007, the United States District Court for the Northern District of California issued Preliminary Findings of Facts and Legal Standards, Preliminary Conclusions of Law and Request for Further Briefing (Preliminary Findings) in this matter. The Company has filed the Preliminary Findings on Form 8-K on August 2, 2007.

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 believed had been agreed to by the CMHOA in a settlement agreement. The CMHOA continued to seek damages from the Company in this matter. The Company reached a settlement with the CMHOA in this matter which allows the Company to recover \$3.72 of the requested monthly pass-through and does not provide for the payment of any damages to the CMHOA. Both the CMHOA and the Company brought motions to recover their respective attorneys' fees in the matter, which motions were heard by the Court in January 2007. On January 12, 2007, the Court granted CMHOA's motion for attorneys' fees in the amount of \$347,000 and denied the Company's motion for attorneys' fees. These fees have been fully accrued by the Company as of December 31, 2006. The Company has appealed both decisions. 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.

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EQUITY LIFESTYLE PROPERTIES, INC.
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Note 10 Commitments and Contingencies (continued)

Similarly, in June 2003, the Company won a judgment against the City of Santee in California Superior Court (case no. 777094). The effect of the judgment was to invalidate, on state law grounds, two (2) rent control ordinances the City of Santee had enforced against the Company and other property owners. However, the Court allowed the City to continue to enforce a rent control ordinance that predated the two invalid ordinances (the prior ordinance). As a result of the judgment the Company was entitled to collect a one-time rent increase based upon the difference in annual adjustments between the invalid ordinance(s) and the prior ordinances and to adjust its base rents to reflect what the Company could have charged had the prior ordinance been continually in effect. The City of Santee appealed the judgment. The court of appeal and California Supreme Court refused to stay enforcement of these rent adjustments pending appeal. After the City was unable to obtain a stay, the City and the tenant association each sued the Company in separate actions alleging the rent adjustments pursuant to the judgment violate the prior ordinance (Case Nos. GIE 020887 and GIE 020524). They seek to rescind the rent adjustments, refunds of amounts paid, and penalties and damages in these separate actions. On January 25, 2005, the California Court of Appeal reversed the judgment in part and affirmed it in part with a remand. The Court of Appeal affirmed that one ordinance was unlawfully adopted and therefore void and that the second ordinance contained unconstitutional provisions. However, the Court ruled the City had the authority to cure the issues with the first ordinance retroactively and that the City could sever the unconstitutional provisions in the second ordinance. 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, consistent with the fact that the Company was economically impacted by the fact that the ordinances contained unconstitutional provisions that have not been severed and also consistent with the Company's position that it is entitled to market rent and not merely a higher amount of regulated rent. In the remand action, the City of Santee filed a motion seeking restitution of amounts collected by the Company following the judgment which motion was denied. The Company intends to vigorously pursue its damages in the remand action and to vigorously defend the two new lawsuits. Opening arguments in this matter are currently scheduled to be given in August 2007 with the Court to thereafter determine when evidence will be presented.

In addition, the Company has sued the City of Santee in federal court alleging all three of the ordinances are unconstitutional under the Fifth and Fourteenth Amendments to the United States Constitution. 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 appealed the decision, and on May 3, 2007 the United States Court of Appeals for the Ninth Circuit affirmed the District Court's decision on procedural grounds. The Company intends to continue to pursue an adjudication of its rights on the merits in Federal Court through claims that are not subject to such procedural defenses.

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 upheld the standard that a regulation must substantially advance a legitimate state purpose in order to be constitutionally viable under the Fifth Amendment. On May 24, 2005 the United States Supreme Court reversed the Ninth Circuit Court of Appeal in an opinion that clarified the standard of review for regulatory takings brought under the Fifth Amendment. The Supreme Court held that the heightened scrutiny applied by the Ninth Circuit is not the applicable standard in a regulatory takings analysis, but is an appropriate factor for determining if a due process violation has occurred. The Court further clarified that regulatory takings would be determined in significant part by an analysis of the economic impact of the regulation. The Company believes that the severity of the economic impact on its Properties caused by rent control will enable it to continue to challenge the rent regulations under the Fifth Amendment and the due process clause.

As a result of the Company's efforts to achieve a level of regulatory fairness in California, a commercial lending company, 21st Mortgage Corporation, a Delaware corporation, sued MHC Financing Limited Partnership. Such lawsuit asserts that certain rent increases implemented by the partnership pursuant to the rights afforded to the

property owners under the City of San Jose's rent control ordinance were invalid or unlawful. 21 Mortgage has asserted that it should benefit from the vacancy control provisions of the City's ordinance as if 21 Mortgage were a

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**EQUITY LIFESTYLE PROPERTIES, INC.
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Note 10 Commitments and Contingencies (continued)

homeowner and contrary to the ordinance's provision that rents may be increased without restriction upon termination of the homeowners' tenancy. In each of the disputed cases, the Company believes it had terminated the tenancy of the homeowner (21st Mortgage's borrower) through the legal process. The Court, in granting 21 Mortgage's motion for summary judgment, has indicated that 21st Mortgage may be a homeowner within the meaning of the ordinance. The Company does not believe that 21st Mortgage can show that it has ever applied for tenancy, entered into a rental agreement or been accepted as a homeowner in the communities. Moreover, California Civil Code Section 798.21 specifically exempts non-principal residents from the benefits of rent control. The Company intends to continue vigorously defending this matter.

Dispute with Las Gallinas Valley Sanitary District

In November 2004, the Company received a Compliance Order (the Compliance Order) from the Las Gallinas Valley Sanitary District (the District), relating to the Company's Contempo Marin Property in San Rafael, California. The Compliance Order directed the Company to submit and implement a plan to bring the Property's domestic wastewater discharges into compliance with the applicable District ordinance (the Ordinance), and to ensure continued compliance with the Ordinance in the future.

Without admitting any violation of the Ordinance, the Company promptly engaged a consultant to review the Property's sewage collection system and prepare a compliance plan to be submitted to the District. The District approved the compliance plan in January 2005, and the Company promptly took all necessary actions to implement same.

Thereafter, the Company received a letter dated June 2, 2005 from the District's attorney (the June 2 Letter), acknowledging that the Company has taken measures to bring the Property's private sanitary system into compliance with the Ordinance, but claiming that prior discharges from the Property had damaged the District's sewers and pump stations in the amount of approximately \$368,000. The letter threatened legal action if necessary to recover the cost of repairing such damage. By letter dated June 23, 2005, counsel for the Company denied the District's claims set forth in the June 2 Letter.

On July 1, 2005, the District filed a Complaint for Enforcement of Sanitation Ordinance, Damages, Penalties and Injunctive Relief in the California Superior Court for Marin County, and on August 17, 2005, the District filed its First Amended Complaint (the Complaint). On September 26, 2005, the Company filed its Answer to the Complaint, denying each and every allegation of the Complaint and further denying that the District is entitled to any of the relief requested therein.

The District subsequently issued a Notice of Violation dated December 12, 2005 (the NOV), alleging additional violations of the Ordinance. By letter dated December 23, 2005, the Company denied the allegations in the NOV.

The Company settled this matter in May 2007 by agreeing to make certain improvements to the operation of the Property's sanitary collection system and without the payment of any monetary damages to the District.

Countryside at Vero Beach

The Company previously received letters dated June 17, 2002 and August 26, 2002 from Indian River County (County), claiming that the Company owed sewer impact fees in the amount of approximately \$518,000 with respect to the Property known as Countryside at Vero Beach, located in Vero Beach, Florida, purportedly under the terms of an agreement between the County and a prior owner of the Property. In response, the Company advised the County that these fees are no longer due and owing as a result of a 1996 settlement agreement between the County and the prior owner of the Property, providing for the payment of \$150,000 to the County to discharge any further obligation for the payment of impact or connection fees for sewer service at the Property. The Company paid this settlement amount (with interest) to the County in connection with the Company's acquisition of the Property.

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**EQUITY LIFESTYLE PROPERTIES, INC.
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Note 10 Commitments and Contingencies (continued)

In February 2006, the Company was served with a complaint filed by the County in Indian River County Circuit Court, requesting a judgment declaring a lien against the Property for allegedly unpaid impact fees, and foreclosing said lien. On March 30, 2006, the Company served its answer and affirmative defenses, and the case is now in the discovery stage. The Company will vigorously defend the lawsuit.

On January 12, 2006, the Company was served with a complaint filed in Indian River County Circuit Court on behalf of a purported class of homeowners at Countryside at Vero Beach. The complaint includes counts for alleged violations of the Florida Mobile Home Act and the Florida Deceptive and Unfair Trade Practices Act, and claims that the Company required homeowners to pay water and sewer impact fees, either to the Company or to the County, as a condition of initial or continued occupancy in the Park, without properly disclosing the fees in advance and notwithstanding the Company's position that all such fees were fully paid in connection with the settlement agreement described above. On February 8, 2006, the Company served its motion to dismiss the complaint. In May 2007, the Court granted the Company's motion to dismiss, but also allowed the plaintiff to amend their complaint. The Company will vigorously defend the lawsuit.

Colony Park

On December 1, 2006, a group of tenants at the Company's Colony Park Property in Ceres, California filed a complaint in the California Superior Court for Stanislaus County, alleging that the Company has failed to properly maintain the Property and has improperly reduced the services provided to the tenants, among other allegations. On March 2, 2007, the Company filed a demurrer to the complaint, along with a motion to strike portions of the complaint (motion to strike) and a motion to compel arbitration and stay action (motion to compel). After a hearing on March 28, 2007, the Court issued a ruling on April 5, 2007, which overruled the demurrer, took the motion to compel under submission, and granted the motion to strike in part and denied it in part. The Court subsequently issued a ruling on April 6, 2007, denying the motion to compel. On April 11, 2007, the plaintiff tenant group filed their first amended complaint in the case. The Company believes that the allegations in the complaint are without merit, and intends to vigorously defend the lawsuit.

California's Department of Housing and Community Development (HCD) issued a Notice of Violation dated August 21, 2006 regarding the sewer system at Colony Park. The notice ordered the Company to replace the Property's sewer system or show justification from a third party explaining why the sewer system does not need to be replaced. The Company has provided such third party report to HCD and believes that the sewer system does not need to be replaced. Based upon information provided by the Company to HCD to date, HCD has indicated that it agrees that the entire system does not need to be replaced.

Hurricane Claim Litigation

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

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**EQUITY LIFESTYLE PROPERTIES, INC.
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Note 10 Commitments and Contingencies (continued)

Brennan Beach

The Company has learned that the Law Enforcement Division of the New York Department of Environmental Compliance (DEC) is investigating certain allegations relating primarily to the operation of the onsite wastewater distribution plant at Brennan Beach, which is located in Pulaski, New York. No formal notices have been issued to the Company asserting specific violations and the Company is cooperating with the DEC investigation.

Other

The Company is involved in various other legal proceedings arising in the ordinary course of business. Such proceedings include, but are not limited to, notices, consent decrees and other similar enforcement actions by governmental agencies relating to the Company's water and wastewater treatment plants. Additionally, in the ordinary course of business, the Company's operations are subject to audit by various taxing authorities. Management believes that all proceedings herein described or referred to, taken together, are not expected to have a material adverse impact on the Company. In addition, to the extent any such proceedings or audits relate to newly acquired Properties, the Company considers any potential indemnification obligations of sellers in favor of the Company.

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

Overview

The Company is a fully-integrated owner and operator of lifestyle-oriented properties (Properties). The Company leases individual developed areas (sites) with access to utilities for placement of factory built homes, cottages, cabins or recreational vehicles (RVs). The Company was formed to continue the property operations, business objectives and acquisition strategies of an entity that had owned and operated Properties since 1969. As of June 30, 2007, the Company owned or had an ownership interest in a portfolio of 310 Properties located throughout the United States and Canada containing 112,865 residential sites. These Properties are located in 30 states and British Columbia (with the number of Properties in each state or province shown parenthetically): Florida (86), California (47), Arizona (35), Texas (15), Pennsylvania (13), Washington (13), Colorado (10), Oregon (9), Delaware (7), North Carolina (8), Nevada (6), Wisconsin (6), Indiana (5), Maine (6), New York (5), Virginia (8), Illinois (4), Michigan (3), South Carolina (3), Massachusetts (4), New Jersey (4), Ohio (2), Tennessee (2), Utah (2), Alabama (1), Iowa (1), Kentucky (1), Montana (1), New Hampshire (1), New Mexico (1), and British Columbia (1).

This report includes certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. When used, words such as anticipate, expect, believe, project, intend, may be and will similar words or phrases, or the negative thereof, unless the context requires otherwise, are intended to identify forward-looking statements. These forward-looking statements are subject to numerous assumptions, risks and uncertainties, including, but not limited to:

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

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

our ability to maintain rental rates and occupancy with respect to properties currently owned or pending acquisitions;

our assumptions about rental and home sales markets;

the completion of pending acquisitions and timing with respect thereto;

the effect of interest rates; and

other risks indicated from time to time in our filings with the Securities and Exchange Commission.

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

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The following chart lists the Properties acquired, invested in, or sold since January 1, 2006.

Property	Transaction Date	Sites
Total Sites as of January 1, 2006		106,337
Property or Portfolio (# of Properties in parentheses):		
Thousand Trails (2)	April 14, 2006	624
Mid-Atlantic Portfolio (7)	April 25, 2006	1,594
Tranquil Timbers (1)	June 13, 2006	270
Outdoor World Portfolio (15)	December 15, 2006	3,962
Joint Ventures:		
Morgan Portfolio (5)	Various, 2006	1,134
Expansion Site Development and other:		
Sites added (reconfigured) in 2006		134
Sites added (reconfigured) in 2007		9
Dispositions:		
Indian Wells (Joint Venture)	April 18, 2006	(350)
Forest Oaks	April 25, 2006	(227)
Windsong	April 25, 2006	(268)
Blazing Star (Joint Venture)	June 29, 2006	(254)
Lazy Lakes	January 10, 2007	(100)
Total Sites as of June 30, 2007		112,865

Since December 31, 2005, the gross investment in real estate has increased from \$2,153 million to \$2,365 million as of June 30, 2007.

Table of Contents**Outlook**

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

We have approximately 64,800 annual sites, approximately 8,300 seasonal sites, which are leased to customers generally for three to six months, and approximately 8,900 transient sites, occupied by customers who lease sites on a short-term basis. We expect to service over 100,000 customers with these transient sites. However, we consider this revenue stream to be our most volatile. It is subject to weather conditions, gas prices, and other factors affecting the marginal RV customer's vacation and travel preferences. Finally, we have approximately 24,100 membership sites for which we currently receive ground rent of approximately \$21.1 million annually. This rent is classified in Income from other investments, net in the Consolidated Statements of Operations. We also have interests in Properties containing approximately 6,800 sites for which revenue is classified as Equity in income from unconsolidated joint ventures in the Consolidated Statements of Operations.

	Total Sites as of June 30, 2007 (rounded to 000s)	Total Sites as of December 31, 2006 (rounded to 000s)
Community sites (1)	45,700	45,700
Resort sites (2):		
Annual	19,100	18,900
Seasonal	8,300	8,000
Transient	8,900	8,800
Membership (3)	24,100	24,100
Joint Ventures (4)	6,800	7,500
	112,900	113,000

(1) Includes 1,581 sites from discontinued operations of which 407 sites sold in July 2007.

(2) Total sites as of December 31, 2006 includes 100 sites from discontinued operations, subsequently sold in January 2007.

(3)

All sites are currently leased to Privileged Access.

- (4) Joint Venture income is included in Equity in income of unconsolidated joint ventures.

Supplemental Property Disclosure

We provide the following disclosures with respect to certain assets:

Monte Vista Monte Vista is a lifestyle-oriented resort Property located in Mesa, Arizona containing approximately 56 acres of vacant land. We have obtained approval to develop 275 manufactured home and 240 RV sites on this land. In connection with evaluating the development of Monte Vista, we evaluated selling the land and subsequently decided to list 26 acres of the land for sale. We have received several offers on all or a portion of the 26 listed acres and are currently considering offers for approximately \$10.4 million. No assurances can be given that any sale transaction will materialize. With respect to the land not listed for sale, we intend to develop additional RV sites and may consider other alternative uses for the land or sale of the acreage. We anticipate that we will proceed with the development if we determine that any offers or the terms thereof are unacceptable.

Bulow Plantation Bulow Plantation is a 628-site mixed lifestyle-oriented resort Property and manufactured home community located in Flagler Beach, Florida which contains approximately 180 acres of adjacent vacant land. We have obtained approval from Flagler County for an additional manufactured home community development of approximately 700 sites on this land. In connection with evaluating the possible development and based on inquiries from single-family home developers, we evaluated a sale of the land. Subsequently, we listed the land for sale for a purchase price of \$28 million. We anticipate that we will proceed with the development if we determine that any offers or the terms thereof are unacceptable. ELS recently obtained an

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amendment to the Board of Flagler County Commissioners resolution approving the planned unit development classification of the Property to clarify that park models may be installed and set forth standards for the installation of park models. The outcome of this amendment request may impact the plans for the future development.

Holiday Village, Florida Holiday Village is a 128-site manufactured home community located in Vero Beach, Florida, on approximately 20 acres of land. As a result of the 2004 hurricanes, this Property is less than 50% occupied. The residents have been notified that the Property was listed for sale for a purchase price of \$6 million.

Privileged Access

Privileged Access is leasing sites at certain of our Properties for the purpose of offering flexible use products. These products may include the sale of timeshare or fractional interests in resort homes or cottages and membership and vacation-club products. Leasing our sites to Privileged Access allows us to participate in these products and activities while achieving long-term rental of our sites. We expect to lease additional sites to Privileged Access for this purpose at other Properties in the future.

As of June 30, 2007, we are leasing approximately 24,100 sites at 81 membership campground resort Properties to Privileged Access or its subsidiaries. The Properties being leased are as follows:

Thousand Trails Portfolio This portfolio contains 59 Properties and 18,535 sites, which were leased to Privileged Access on April 14, 2006 for approximately 14 years. The current annual lease payment is approximately \$17.9 million and is subject to annual CPI escalations.

Mid-Atlantic Portfolio This portfolio contains seven Properties and 1,594 sites, which were leased to Privileged Access on April 25, 2006. The lease expires on August 31, 2007 and currently has an annual lease payment of \$0.7 million. The Company expects to extend the term of this lease on a month-by-month basis.

Outdoor World Portfolio This portfolio contains 15 Properties and 3,962 sites, which were leased to Privileged Access on December 15, 2006. This lease was renewed on June 1, 2007, and was extended until January 15, 2020 to be co-terminus with the lease for the Thousand Trails portfolio. The annual lease payment was increased to \$2.5 million from \$1.0 million. The lease now allows Privileged Access to offer a limited number of upgraded memberships to existing Thousand Trails members, which would allow access to the 15 Outdoor World resorts.

We expect to continue this type of leasing activity with Privileged Access, as well as exploring other products and services. One example of such a lease is a one-year lease with Privileged Access for 130 sites at Tropical Palms, a Property located near Orlando, Florida, for an annual rate of approximately \$1.3 million. Privileged Access intends to sell fractional interests in some resort homes at this Property.

On April 14, 2006, we loaned Privileged Access approximately \$12.3 million at a per annum interest rate of prime plus 1.5%, maturing in one year and secured by Thousand Trails membership sales contract receivables. In March 2007, we received a principal repayment of \$7.3 million and have a remaining note receivable balance of \$5.0 million as of June 30, 2007, earning interest at LIBOR plus 5.75% per annum. Our note receivable is subordinate to a \$5.0 million loan that Privileged Access obtained from a bank at the time our loan was partially repaid. Both loans mature in 2010.

Table of Contents**Critical Accounting Policies and Estimates**

Refer to the 2006 Form 10-K for a discussion of our critical accounting policies, which includes impairment of real estate assets and investments, investments in unconsolidated joint ventures, and accounting for stock compensation. During the six months ended June 30, 2007, there were no changes to these policies.

Results of Operations

The results of operations for the four Properties designated as held for disposition as of June 30, 2007 pursuant to SFAS No. 144, two Properties sold in April of 2006 and one Property sold in January of 2007 have been classified as income from discontinued operations. See Note 4 of the Notes to the Consolidated Financial Statements for summarized information for these Properties.

Comparison of the Quarter Ended June 30, 2007 to the Quarter Ended June 30, 2006

The following table summarizes certain financial and statistical data for the Property Operations for all Properties owned throughout both periods (Core Portfolio) and the Total Portfolio for the quarters ended June 30, 2007 and 2006 (amounts in thousands).

	Core Portfolio				Total Portfolio			
	2007	2006	Increase / (Decrease)	% Change	2007	2006	Increase / (Decrease)	% Change
Community base rental income	\$ 58,022	\$ 55,424	\$ 2,598	4.7%	\$ 59,025	\$ 56,409	\$ 2,616	4.6%
Resort base rental income	19,258	18,092	1,166	6.4%	22,058	19,899	2,159	10.8%
Utility and other income	8,774	7,452	1,322	17.7%	9,178	7,768	1,410	18.2%
Property operating revenues	86,054	80,968	5,086	6.3%	90,261	84,076	6,185	7.4%
Property operating and maintenance	29,117	28,295	822	2.9%	31,240	29,470	1,770	6.0%
Real estate taxes	6,948	6,494	454	7.0%	7,251	6,749	502	7.4%
Property management	4,471	4,235	236	5.6%	4,706	4,374	332	7.6%
Property operating expenses	40,536	39,024	1,512	3.9%	43,197	40,593	2,604	6.4%
Income from property operations	\$ 45,518	\$ 41,944	\$ 3,574	8.5%	\$ 47,064	\$ 43,483	\$ 3,581	8.2%

Property Operating Revenues

The 6.3% increase in the Core Portfolio property operating revenues reflects: (i) a 4.1% increase in rates in our community base rental income combined with a 0.6% increase in occupancy, (ii) a 6.4% increase in revenues for our resort base income, and (iii) an increase in utility income due to increased pass-throughs at certain Properties. Total Portfolio Property operating revenues increased due to rate increases and our 2006 acquisitions.

Property Operating Expenses

The 3.9% increase in property operating expenses in the Core Portfolio reflects a 2.9% increase in property operating and maintenance expense due primarily to increases in utilities. The increase in real estate taxes in the Core Portfolio is generally due to higher property assessments on certain Properties. Our Total Portfolio property operating expenses increased due to higher utility expenses, tax assessments and our 2006 acquisitions. Core Portfolio and Total

Portfolio property management expense increased due to increased payroll costs.

Table of Contents**Home Sales Operations**

The following table summarizes certain financial and statistical data for the Home Sales Operations for the quarters ended June 30, 2007 and 2006 (dollars in thousands).

	2007	2006	Variance	% Change
Gross revenues from new home sales	\$ 8,527	\$ 17,351	\$ (8,824)	(50.9%)
Cost of new home sales	(7,355)	(15,045)	7,690	51.1%
Gross profit from new home sales	1,172	2,306	(1,134)	(49.2%)
Gross revenues from used home sales	650	717	(67)	(9.3%)
Cost of used home sales	(775)	(748)	(27)	(3.6%)
Gross loss from used home sales	(125)	(31)	(94)	(303.2%)
Brokered resale revenues, net	450	618	(168)	(27.2%)
Home selling expenses	(1,749)	(2,441)	692	28.3%
Ancillary services revenues, net	(116)	200	(316)	(158.0%)
(Loss) Income from home sales operations	\$ (368)	\$ 652	\$ (1,020)	(156.4%)

Home sales volumes

New home sales (1)	115	208	(93)	(44.7%)
Used home sales (2)	81	104	(23)	(22.1%)
Brokered home resales	268	377	(109)	(28.9%)

(1) Includes third party home sales of 13 and 15 for the periods ending June 30, 2007 and 2006, respectively.

(2) Includes third party home sales of three and two for the periods ending June 30, 2007 and 2006, respectively.

New home sales gross profit decreased due to lower sales volumes. Used home sales gross profit decreased due to lower gross margins combined with lower sales volumes. Brokered resale revenues decreased due to lower resale volumes. Home selling expenses decreased as a result of lower sales volumes and decreased advertising costs.

Ancillary services revenues decreased as a result of the lower home sale processing fees and a decline in net home rental income resulting from higher expenses to repair and maintain rental units.

Table of Contents**Other Income and Expenses**

The following table summarizes other income and expenses for the quarters ended June 30, 2007 and 2006, (amounts in thousands).

	2007	2006	Variance	% Change
Interest income	\$ 425	\$ 553	\$ (128)	(23.1%)
Income from other investments, net	5,118	4,779	339	7.1%
General and administrative	(3,680)	(3,578)	(102)	(2.9%)
Rent control initiatives	(999)	(204)	(795)	(389.7%)
Interest and related amortization	(25,685)	(26,232)	547	2.1%
Depreciation on corporate assets	(111)	(100)	(11)	(11.0%)
Depreciation on real estate assets	(15,707)	(15,080)	(627)	(4.2%)
Total other expenses, net	\$ (40,639)	\$ (39,862)	\$ (777)	(1.9%)

Interest income decreased primarily due to a \$7.3 million principal repayment received in the first quarter of 2007 on our Privileged Access note. Income from other investments, net increased due to the previously discussed increase in ground lease activity with Privileged Access. General and administrative expense increased due to higher deferred compensation costs partially offset by decreased legal costs. Rent control initiatives increased primarily as a result of activity regarding the Contempo Marin trial (see Note 10 – Commitments and Contingencies). Interest and related amortization decreased due a lower amount outstanding on our lines of credit partially offset by slightly unfavorable interest rates in 2007. Depreciation expense increased primarily due to the 2006 acquisitions.

Equity in Income of Unconsolidated Joint Ventures

During the quarter ended June 30, 2007, equity in income of unconsolidated joint ventures decreased primarily due to certain 2006 joint venture distributions exceeding cost basis and as such were recorded to income from unconsolidated joint ventures, the acquisition of the remaining interests of several joint ventures and a gain on sale of approximately \$1.0 million recorded in April, 2006 resulting from the sale of Indian Wells a Property owned by one of our joint venture interests.

Table of Contents**Comparison of the Six Months Ended June 30, 2007 to the Six Months Ended June 30, 2006**

The following table summarizes certain financial and statistical data for the Property Operations for all Properties owned throughout both periods (Core Portfolio) and the Total Portfolio for the six months ended June 30, 2007 and 2006 (amounts in thousands).

	Core Portfolio				Total Portfolio			
	2007	2006	Increase / (Decrease)	% Change	2007	2006	Increase / (Decrease)	% Change
Community base rental income	\$ 115,826	\$ 110,645	\$ 5,181	4.7%	\$ 117,824	\$ 111,740	\$ 6,084	5.4%
Resort base rental income	47,304	44,612	2,692	6.0%	53,779	46,647	7,132	15.3%
Utility and other income	18,152	15,583	2,569	16.5%	19,278	15,906	3,372	21.2%
Property operating revenues	181,282	170,840	10,442	6.1%	190,881	174,293	16,588	9.5%
Property operating and maintenance	58,324	55,783	2,541	4.6%	62,429	7,104	5,325	9.3%
Real estate taxes	14,008	13,062	946	7.2%	14,609	13,342	1,267	9.5%
Property management	8,897	9,034	(137)	(1.5%)	9,364	9,225	139	1.5%
Property operating expenses	81,229	77,879	3,350	4.3%	86,402	79,671	6,731	8.4%
Income from property operations	\$ 100,053	\$ 92,961	\$ 7,092	7.6%	\$ 104,479	\$ 94,622	\$ 9,857	10.4%

Property Operating Revenues

The 6.1% increase in the Core Portfolio property operating revenues reflects: (i) a 4.2% increase in rates in our community base rental income combined with a 0.5% increase in occupancy, (ii) a 6.0% increase in revenues for our resort base income, and (iii) an increase in utility income due to increased pass-throughs at certain Properties. Total Portfolio Property operating revenues increased due to rate increases and our 2006 acquisitions.

Property Operating Expenses

The 4.3% increase in property operating expenses in the Core Portfolio reflects a 4.6% increase in property operating and maintenance expense due primarily to increases in utilities. The increase in real estate taxes in the Core Portfolio is generally due to higher property assessments on certain Properties. Our Total Portfolio property operating expenses increased due to higher utility expenses, tax assessments and our 2006 acquisitions. Total Portfolio property management expense increased slightly due to increased payroll costs. Core Portfolio property management decreased slightly in the quarter, however, results for the year ended December 31, 2007 are expected to be higher than for the year ended December 31, 2006.

Table of Contents**Home Sales Operations**

The following table summarizes certain financial and statistical data for the Home Sales Operations for the six months ended June 30, 2007 and 2006 (dollars in thousands).

	2007	2006	Variance	% Change
Gross revenues from new home sales	\$ 17,026	\$ 28,688	\$ (11,662)	(40.7%)
Cost of new home sales	(14,877)	(24,931)	10,054	40.3%
Gross profit from new home sales	2,149	3,757	(1,608)	(42.8%)
Gross revenues from used home sales	1,258	1,312	(54)	(4.1%)
Cost of used home sales	(1,370)	(1,173)	(197)	(16.8%)
Gross (loss) profit from used home sales	(112)	139	(251)	(180.6%)
Brokered resale revenues, net	943	1,275	(332)	(26.0%)
Home selling expenses	(4,000)	(4,914)	914	18.6%
Ancillary services revenues, net	1,424	2,006	(582)	(29.0%)
Income from home sales operations	\$ 404	\$ 2,263	\$ (1,859)	(82.1%)

Home sales volumes

New home sales (1)	233	354	(121)	(34.2%)
Used home sales (2)	155	180	(25)	(13.9%)
Brokered home resales	567	744	(177)	(23.8%)

(1) Includes third party home sales of 23 and 29 for the periods ending June 30, 2007 and 2006, respectively.

(2) Includes third party home sales of five and two for the periods ending June 30, 2007 and 2006, respectively.

New home sales gross profit reflects a decrease in sales volumes. Used home sales gross profit decreased mainly due to lower gross margins. Brokered resale revenues reflect decreased resale volumes. Home selling expenses decreased as a result of lower volumes and a reduction in advertising. Ancillary services revenues decreased primarily

due to poor weather impacting our golf operations and increases in repair and maintenance, and payroll costs for many of the ancillary services.

Table of Contents**Other Income and Expenses**

The following table summarizes other income and expenses for the six months ended June 30, 2007 and 2006, (amounts in thousands).

	2007	2006	Variance	% Change
Interest income	\$ 962	\$ 839	\$ 123	14.7%
Income from other investments, net	10,084	9,282	802	8.6%
General and administrative	(7,351)	(6,801)	(550)	(8.1%)
Rent control initiatives	(1,435)	(298)	(1,137)	(381.5%)
Interest and related amortization	(51,478)	(50,828)	(650)	(1.3%)
Depreciation on corporate assets	(221)	(210)	(11)	(5.2%)
Depreciation on real estate assets	(31,331)	(29,433)	(1,898)	(6.4%)
Total other expenses, net	\$ (80,770)	\$ (77,449)	\$ (3,321)	(4.3%)

Interest income increased due to our Privileged Access note entered into in April 2006 and interest income from tax deferred exchange account escrow balance offset by a decrease in interest received on our Chattel Loans. Income from other investments, net increased due to the previously discussed increase in ground lease activity with Privileged Access. General and administrative expense increased due to higher deferred compensation costs offset by lower legal costs. Rent control initiatives increased primarily as a result of activity regarding the Contempo Marin trial (see Note 10 Commitments and Contingencies). Interest expense and depreciation expense increased primarily due to the 2006 acquisitions partially offset by lower lines-of-credit balances.

Equity in Income of Unconsolidated Joint Ventures

During the six months ended June 30, 2007, equity in income of unconsolidated joint ventures decreased due to the acquisition of the remaining interests of several joint ventures during 2006 and 2007, and a gain from the sale of Indian Wells, a property owned by one of our joint ventures, of approximately \$1.0 million recorded in April, 2006.

Liquidity and Capital Resources**Liquidity**

As of June 30, 2007, the Company had \$0.7 million in cash and cash equivalents and \$176.4 million available on its lines of credit. The Company expects to meet its short-term liquidity requirements, including its distributions, generally through its working capital, net cash provided by operating activities, proceeds from sale of Properties and availability under the existing lines of credit. The Company expects to meet certain long-term liquidity requirements such as scheduled debt maturities, Property acquisitions and capital improvements by long-term collateralized and uncollateralized borrowings including borrowings under its existing lines of credit the issuance of debt securities or additional equity securities in the Company, in addition to working capital. The table below summarizes cash flow activity for the six months ended June 30, 2007 and 2006 (amounts in thousands).

	For the six months ended June 30,	
	2007	2006
Cash provided by operating activities	\$ 66,341	\$ 49,720
Cash used in investing activities	(10,299)	(46,678)
Cash used in financing activities	(56,951)	(2,707)
Net (decrease) increase in cash	\$ (909)	\$ 335

Table of Contents**Operating Activities**

Net cash provided by operating activities increased \$16.6 million for the six months ended June 30, 2007. The increase reflects increased property operating income as a result of our acquisitions and a decrease in working capital requirements.

Investing Activities

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

Acquisitions***2007 Acquisitions***

On January 29, 2007, the Company acquired the remaining 75% interest in a joint venture Property known as Mesa Verde, which is a 345-site resort Property on approximately 28 acres in Yuma, Arizona. The gross purchase price was approximately \$5.9 million. We assumed a first mortgage loan of approximately \$3.5 million with an interest rate of 4.94% per annum, maturing in 2008. The remainder of the acquisition price, net of a credit for our existing 25% interest, was funded with a withdrawal from the tax-deferred exchange account established as a result of the disposition of Lazy Lakes discussed below.

On June 27, 2007, the Company purchased the remaining 75% interest in a Diversified Investments joint venture Property known as Winter Garden, which is a 350-site resort Property on approximately 27 acres in Winter Garden, Florida. The gross purchase price was approximately \$10.9 million, and we assumed a second mortgage loan of approximately \$4.0 million with an interest rate of 4.3% per annum, maturing in September 2008. The remainder of the acquisition price, net of a credit for our existing 25% interest, was funded with proceeds from the Company's lines of credit and a withdrawal of approximately \$3.7 million from the tax-deferred exchange account established as a result of the disposition of Lazy Lakes discussed below.

2006 Acquisitions

On March 22, 2006, the Company purchased the remaining interest in the Mezzanine Properties (the Mezzanine Portfolio) in which we had initially invested approximately \$30.0 million to acquire preferred equity interests during the first quarter of 2004. The Mezzanine Portfolio consists of 11 Properties containing 5,057 sites: five Properties are located in Arizona, four in Florida, and one each in North Carolina and South Carolina. The total purchase price was approximately \$105.0 million, including our existing investment in these Properties of \$32.2 million and our general partnership investment of \$1.4 million. The acquisition was funded by new debt financing of \$47.1 million and assumed debt of approximately \$25.9 million. Net working capital acquired included \$3.2 million of rents received in advance and \$0.4 million in other net payables. In connection with this acquisition we also purchased \$1.9 million of inventory.

On April 14, 2006, the Company purchased two additional Thousand Trails Properties, located in California and Florida, and certain personal property for \$10.0 million. These Properties were leased back to Privileged Access (see Privileged Access discussion above). The acquisition was funded from our lines of credit.

On April 25, 2006, the Company purchased seven lifestyle-oriented Properties which contain 1,594 sites including 950 acres of developable expansion land and are located in Florida, New York, North Carolina, South Carolina, Michigan, Kentucky and Alabama. The total purchase price of approximately \$14.3 million was funded by the exchange of two all-age Properties, located in Indiana, previously held for sale containing 495 sites, and \$5.0 million in cash. We provided short-term seller financing of \$3.4 million which was repaid in August, 2006. Net working capital acquired included \$0.6 million of rents received in advance. The acquisition was funded from our lines of credit.

On June 13, 2006, the Company purchased Tranquil Timbers, a Property located in Door County, Wisconsin, containing 270 sites for a total purchase price of \$2.8 million. The acquisition was funded from our lines of credit. Certain purchase price adjustments may be made within one year following the acquisitions.

Table of Contents***Dispositions***

On January 10, 2007, we sold Lazy Lakes, a 100-site resort Property in the Florida Keys, for proceeds of approximately \$7.7 million. The Company recognized a gain of approximately \$4.6 million. In order to potentially defer the taxable gain on the sale of Lazy Lakes, the sales proceeds, net of an eligible distribution of \$2.4 million, were deposited in a tax-deferred exchange account pending a future like-kind acquisition. As of June 30, 2007, all proceeds have been used for acquisitions.

On July 6, 2007, we sold Del Rey, a 407 site Property in Albuquerque, NM, for proceeds of approximately \$13 million. These proceeds were deposited in a tax-deferred exchange account pending future like-kind exchange acquisitions.

We currently have three family Properties held for disposition, which are in various stages of negotiations. We plan to reinvest the proceeds or reduce outstanding lines of credit with the proceeds from these dispositions.

We continue to look at acquiring additional assets and are at various stages of negotiations with respect to potential acquisitions. Funding is expected to be provided by either proceeds from potential dispositions, lines of credit draws, or other financing.

Notes Receivable Activity

During the first quarter of 2007, our \$12.3 million loan receivable from Privileged Access that was scheduled to mature in April 2007 was refinanced. We received a principal repayment of \$7.3 million and have a remaining note receivable balance of \$5.0 million as of June 30, 2007, earning interest at LIBOR plus 5.75% per annum. The note receivable is subordinate to a \$5.0 million loan that Privileged Access obtained from a bank at the same time the note was refinanced. Both loans mature in 2010. The remaining \$1.1 million in cash outflow reflects net lending activity from our Chattel Loans.

Investments in and distributions from unconsolidated joint ventures

During the six months ended June 30, 2007, the Company invested \$2.4 million in its joint ventures mainly in developing Properties at our Maine joint venture.

During the six months ended June 30, 2007, the Company received approximately \$3.5 million in distributions from our joint ventures. \$3.4 million of these distributions were classified as return on capital and were included in operating activities. The remaining distributions of approximately \$0.1 million were classified as a return of capital and were included in investing activities.

During the six months ended June 30, 2006, the Company received approximately \$3.9 million in distributions from our joint ventures including proceeds from the sale of Indian Wells a property owned by one of our joint ventures in April 2006. Approximately \$2.3 million of these distributions were classified as return on capital and were included in operating activities. The remaining \$1.6 million of these distributions were classified as a return of capital and were included in investing activities.

Capital Improvements

Capital expenditures for improvements are identified by the Company as recurring capital expenditures (Recurring CapEx), site development costs and corporate costs. Recurring CapEx was approximately \$6.4 million and \$5.4 million for the six months ended June 30, 2007 and 2006, respectively. Site development costs were approximately \$6.8 million and \$9.8 million for the six months ended June 30, 2007 and 2006, respectively, and represent costs to develop expansion sites at certain of the Company's Properties and costs for improvements to sites when a smaller used home is replaced with a larger new home. In addition, during the six months ended June 30, 2007 and 2006, we spent \$1.2 million and \$1.1 million, respectively, on capitalized Hurricane related repairs.

Table of Contents**Financing Activities***Financing, Refinancing and Early Debt Retirement**2007 Activity*

In connection with the acquisition of Mesa Verde, during the first quarter of 2007, the Company assumed \$3.5 million in mortgage debt bearing interest at 4.94% per annum and maturing in May 2008. In connection with the acquisition of Winter Garden, during the second quarter of 2007, the Company assumed \$4.0 million in mortgage debt bearing interest at 4.3% per annum and maturing in September 2008. In addition, the Company repaid approximately \$1.9 million of mortgage debt in connection with the sale of Lazy Lakes. Refer to Note 4 Investment in Real Estate for acquisition and disposition activity.

2006 Activity

During the six months ended June 30, 2006, the Company assumed \$25.9 million in mortgage debt on four of the eleven Properties related to the acquisition of the Mezzanine Portfolio. This debt was subsequently defeased and refinanced in the same year. In addition, the Company financed \$47.1 million of mortgage debt to acquire the remaining seven Properties in the Mezzanine Portfolio. The seven mortgages bear interest at weighted average rates ranging from 5.70% to 5.72% per annum, and mature in April, 2016.

We received approximately \$5.6 million in new financing proceeds from an earn out on debt secured by the Monte Vista Property and a refinancing we completed in the second quarter 2006. These proceeds were used to pay down the lines of credit.

We also replaced the term loan which had a remaining balance of \$100 million maturing in 2007 and \$160 million in lines of credit maturing in August 2006 with \$275 million in lines of credit with a four-year maturity and one-year extension option. The new facilities bear interest at LIBOR plus 1.20% per annum with a 0.15% facility fee per annum. The interest rate on the term loan was LIBOR plus 1.75% per annum and the \$160 million lines of credit had an interest rate of LIBOR plus 1.65% and had a 0.15% unused fee, both per annum.

Secured Debt

As of June 30, 2007, our secured long-term debt balance was approximately \$1.6 billion, with a weighted average interest rate including amortization in 2007 of approximately 6.1% per annum. The debt bears interest at rates between 4.94% and 10.0% per annum and matures on various dates mainly ranging from 2007 to 2016, with one additional loan maturing in 2027. Included in our debt balance are three capital leases with an imputed interest rate of 13.1% per annum. We do not have any significant long-term debt maturing in 2007 or 2008, with \$205 million being the maximum amount maturing in any of the succeeding 5 years beginning in 2008. The weighted average term to maturity for the long-term debt is approximately 6.0 years.

Unsecured Debt

We have two unsecured lines of credit of \$225 million and \$50 million which bear interest at a per annum rate of LIBOR plus 1.20% per annum and a 0.15% facility fee and 0.20% facility fee, respectively. The weighted average interest rate in 2007 for our unsecured debt was approximately 6.8% per annum. Throughout the six months ended June 30, 2007, we borrowed \$55.0 million and paid down \$87.6 million on the lines of credit for a net pay-down of \$32.6 million funded by our operations. The balance outstanding as of June 30, 2007 was \$98.6 million. In December 2006, we fixed one-year LIBOR on \$75 million of our outstanding lines of credit balance.

Other Loans

During the six months ended June 30, 2007, we borrowed \$4.3 million to finance our insurance premium payments. As of June 30, 2007, \$1.5 million remained outstanding. This loan is due in August 2007 and bears interest at 5.10% per annum.

Table of Contents*Covenants*

Certain of the Company's secured mortgages contain covenants and restrictions including, but not limited to, obligations to maintain borrower entity ownership structure, prohibitions against subordinated financing, maintenance of insurance coverage, delivery of financial and operating information, and compliance with applicable environmental laws.

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

Contractual Obligations

As of June 30, 2007, we were subject to certain contractual payment obligations as described in the table below (dollars in thousands).

	Total	2007(2)	2008	2009	2010 (3)	2011	Thereafter
Long Term Borrowings (1)	\$1,677,076	\$32,066	\$209,739	\$86,343	\$326,937	\$65,099	\$956,892
Weighted average interest rates	6.13%	7.33%	5.68%	7.00%	7.20%	7.07%	5.73%

(1) Balance excludes net premiums and discounts of \$4.6 million.

(2) Includes principal amortizations and one loan maturing in November 2007 for approximately \$20 million. We are currently assessing our refinancing options for this loan.

(3) Includes lines of credit repayments in 2010 of \$99 million. We have an option to extend this maturity for one

year to 2011.

Included in the above table are certain capital lease obligations totaling approximately \$6.6 million. These agreements expire in June 2009 and are paid semi-annually at an imputed interest rate of 13.8% per annum.

The Company does not include preferred OP Unit distributions, interest expense, insurance, property taxes and cancelable contracts in the contractual obligations table above.

The Company also leases land under non-cancelable operating leases at certain of the Properties expiring in various years from 2008 to 2032, with terms which require twelve equal payments per year plus additional rents calculated as a percentage of gross revenues. Minimum future rental payments under the ground leases are approximately \$1.6 million per year for each of the next five years and approximately \$20.7 million thereafter.

With respect to maturing debt, the Company has staggered the maturities of its long-term mortgage debt over an average of approximately seven years, with no more than \$600 million in principal maturities coming due in any single year. The Company believes that it will be able to refinance its maturing debt obligations on a secured or unsecured basis; however, to the extent the Company is unable to refinance its debt as it matures, we believe that we will be able to repay such maturing debt from asset sales and/or the proceeds from equity issuances. With respect to any refinancing of maturing debt, the Company's future cash flow requirements could be impacted by significant changes in interest rates or other debt terms, including required amortization payments.

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Equity Transactions

2007 Activity

The 2007 quarterly distribution per common share is \$0.15 per share, up from \$0.075 per share in 2006. On July 13, 2007, the Company paid a \$0.15 per share distribution for the quarter ended June 30, 2007 to stockholders of record on June 29, 2007. On April 13, 2007, the Company paid a \$0.15 per share distribution for the quarter ended March 31, 2007 to stockholders of record on March 30, 2007. On June 29, 2007 and March 30, 2007, the Operating Partnership paid distributions of 8.0625% per annum on the \$150 million Series D 8% Units and 7.95% per annum on the \$50 million of Series F 7.95% Units.

During the six months ended June 30, 2007, we received approximately \$2.9 million in proceeds from the issuance of shares of common stock through stock option exercises and the Company's Employee Stock Purchase Plan (ESPP).

2006 Activity

On July 14, 2006, we paid a \$0.075 per share distribution for the quarter ended June 30, 2006 to the stockholders of record on June 30, 2006. On April 14, 2006, the Company paid a \$0.075 per share distribution for the quarter ended March 31, 2006 to stockholders of record on March 31, 2006. On June 30, 2006 and March 31, 2006, the Operating Partnership paid distributions of 8.0625% per annum on the \$150 million of Series D 8% Units and 7.95% per annum on the \$50 million of Series F 7.95% Units.

During the six months ended June 30, 2006, we received approximately \$1.6 million in proceeds from the issuance of shares of common stock through stock option exercises and the Company's ESPP.

Inflation

Substantially all of the leases at the Properties allow for monthly or annual rent increases which provide the Company with the opportunity to achieve increases, where justified by the market, as each lease matures. Such types of leases generally minimize the risk of inflation to the Company.

Table of Contents**Funds From Operations**

Funds from Operations (FFO) is a non-GAAP financial measure. We believe FFO, as defined by the Board of Governors of the National Association of Real Estate Investment Trusts (NAREIT), to be an appropriate measure of performance for an equity REIT. While FFO is a relevant and widely used measure of operating performance for equity REITs, it does not represent cash flow from operations or net income as defined by GAAP, and it should not be considered as an alternative to these indicators in evaluating liquidity or operating performance.

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

The following table presents a calculation of FFO for the quarters and six months ended June 30, 2007 and 2006 (amounts in thousands):

	Quarters Ended		Six Months Ended	
	June 30,		June 30,	
	2007	2006	2007	2006
Computation of funds from operations:				
Net income available for common shares	\$ 1,634	\$ 1,219	\$ 17,794	\$ 11,292
Income allocated to common OP Units	393	320	4,283	2,952
Depreciation on real estate assets and other	15,707	15,080	31,331	29,433
Depreciation on unconsolidated joint ventures	368	559	734	1,006
Depreciation on discontinued real estate assets		21		42
Gain on sale of property		(852)	(4,586)	(852)
Funds from operations available for common shares	\$ 18,102	\$ 16,347	\$ 49,556	\$ 43,873
Weighted average common shares outstanding fully diluted	30,431	30,205	30,403	30,197

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Item 3. Quantitative and Qualitative Disclosure of Market Risk

Market risk is the risk of loss from adverse changes in market prices and interest rates. Our earnings, cash flows and fair values relevant to financial instruments are dependent on prevailing market interest rates. The primary market risk we face is long-term indebtedness, which bears interest at fixed and variable rates. The fair value of our long-term debt obligations is affected by changes in market interest rates. At June 30, 2007, approximately 93% or approximately \$1.6 billion of our outstanding debt had fixed interest rates, which minimizes the market risk until the debt matures. For each increase in interest rates of 1% (or 100 basis points), the fair value of the total outstanding debt would decrease by approximately \$91.5 million. For each decrease in interest rates of 1% (or 100 basis points), the fair value of the total outstanding debt would increase by approximately \$97.1 million.

At June 30, 2007, approximately 7% or approximately \$118 million of our outstanding debt was at variable rates. Earnings are affected by increases and decreases in market interest rates on this debt. For each increase/decrease in interest rates of 1% (or 100 basis points), our earnings and cash flows would increase/decrease by approximately \$1.2 million annually.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

The Company's management, with the participation of the Company's Chief Executive Officer (principal executive officer) and Chief Financial Officer (principal financial officer), has evaluated the effectiveness of the Company's disclosure controls and procedures as of June 30, 2007. Based on that evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective at the reasonable assurance level as of June 30, 2007.

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

Changes in Internal Control Over Financial Reporting

There were no material changes in the Company's internal control over financial reporting during the quarter ended June 30, 2007.

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Part II Other Information

Item 1. Legal Proceedings

See Note 10 of the Consolidated Financial Statements contained herein.

Item 1A. Risk Factors

With the exception of the following there have been no material changes to the factors disclosed in Item 1A. Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2006.

Some Potential Losses Are Not Covered by Insurance. We carry comprehensive insurance coverage for losses resulting from property damage, liability claims and business interruption on all of our Properties. We believe the policy specifications and coverage limits of these policies are adequate and appropriate. There are, however, certain types of losses, such as lease and other contract claims that generally are not insured. Should an uninsured loss or a loss in excess of coverage limits occur, we could lose all or a portion of the capital we have invested in a Property, as well as the anticipated future revenue from the Property. In such an event, we might nevertheless remain obligated for any mortgage debt or other financial obligations related to the Property.

During the quarter ended March 31, 2007, we renewed our property and casualty insurance policies through March 31, 2008. We have a \$100 million property insurance program. The program limits coverage to \$10 million annually for losses associated with earthquakes and floods. In addition, losses resulting from hurricanes are limited to \$10 million per occurrence. As we reviewed options available in the market, we determined that deductible amounts would be significantly higher than in previous years. The deductibles related to named windstorms, earthquakes, and floods are five percent of insurable value (property values plus 25 percent of business interruption) per occurrence. The deductibles under our previous policy were two percent of property values per occurrence. The larger deductibles expose us to larger potential uninsured losses.

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

None.

Item 3. Defaults Upon Senior Securities

None.

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

The Company held its Annual Meeting of Stockholders on May 15, 2007. Stockholders holding 22,542,885 Common Shares (being the only class of shares entitled to vote at the meeting), or 92.73%, of the Company's 24,310,634 outstanding Common Shares as of the record date for the meeting attended the meeting or were represented by proxy. The Company's shareholders voted on three matters presented at the meeting, which received the requisite number of votes to pass. The results of the stockholders' votes were as follows:

Proposal No. 1: Election of eight directors to terms expiring in 2008. A plurality of the votes cast was required for the election of directors.

DIRECTOR	FOR	WITHHELD
Philip C. Calian	22,511,249	31,636
Donald S. Chisholm	22,494,671	48,214
Thomas E. Dobrowski	22,494,936	47,949
Thomas P. Heneghan	22,494,046	48,839
Sheli Z. Rosenberg	22,344,073	198,812
Howard Walker	22,473,461	69,424
Gary L. Waterman	22,494,846	48,039
Samuel Zell	21,508,258	1,034,627

Proposal No. 2: Approval to ratify the selection of Ernst & Young LLP as the Company's independent accountants for 2007. A majority of the votes cast was required for approval.

	FOR	AGAINST	ABSTAIN
Total Shares	22,499,652	41,514	1,719
% of Voted Shares	99.81%	0.18%	0.01%
% of Outstanding Shares	92.55%	0.17%	0.01%

Proposal No. 3: Approval of the amendment and restatement of the Company's Articles of Incorporation. The affirmative vote of the holders of record of two-thirds of all the votes entitled to be cast was required for approval.

	FOR	AGAINST	ABSTAIN	NON-VOTED
Total Shares	18,598,690	3,709,751	46,842	187,602
% of Voted Shares	82.50%	16.46%	0.21%	0.83%
% of Outstanding Shares	76.50%	15.26%	0.19%	0.77%

Item 5. Other Information

None.

Item 6. Exhibits

- 3.7(a) Amended and Restated Articles of Incorporation of Equity LifeStyle Properties, Inc. effective May 15, 2007
- 31.1 Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 31.2 Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 32.1 Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350
- 32.2 Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350
- (a) Included as an exhibit to the Company's Report on Form 8-K dated May 18, 2007.

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SIGNATURES

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

**EQUITY LIFESTYLE
PROPERTIES, INC.**

Date: August 9, 2007

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

Date: August 9, 2007

By: /s/ Michael B. Berman
Michael B. Berman
Executive Vice President and Chief Financial
Officer
(Principal financial and accounting officer)