FORM 10-Q

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

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

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2005

[ ] 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 | 36-3857664 |
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |

| | |
|---|---|
| TWO NORTH RIVERSIDE PLAZA, SUITE 800, CHICAGO, ILLINOIS | 60606 |
| (Address of principal executive offices) | (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 (X) No ( )

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes (X) No ( )

APPLICABLE ONLY TO CORPORATE ISSUERS:

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

23,034,393 shares of Common Stock as of May 5, 2005.

EQUITY LIFESTYLE PROPERTIES, INC.

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EQUITY LIFESTYLE PROPERTIES, INC.
CONSOLIDATED BALANCE SHEETS
AS OF MARCH 31, 2005 AND DECEMBER 31, 2004
(AMOUNTS IN THOUSANDS, EXCEPT SHARE DATA)

| | MARCH 31, 2005 (UNAUDITED) | DECEMBER 31, 2004 |
|---|---|---|
| ASSETS | | |
| Investment in real estate: | | |
| Land | $ 470,617 | $ 470,587 |
| Land improvements | 1,443,854 | 1,438,923 |
| Buildings and other depreciable property | 127,478 | 126,280 |
| | 2,041,949 | 2,035,790 |
| Accumulated depreciation | (336,911) | (322,867) |
| Net investment in real estate | 1,705,038 | 1,712,923 |
| Cash and cash equivalents | 7,844 | 5,305 |
| Notes receivable | 13,077 | 13,290 |
| Investment in and advances to joint ventures | 41,861 | 43,583 |
| Rents receivable, net | 1,464 | 1,469 |
| Deferred financing costs, net | 15,572 | 16,162 |
| Inventory | 57,422 | 50,654 |
| Prepaid expenses and other assets | 49,902 | 42,903 |
| Total assets | $ 1,892,180 | $ 1,886,289 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Liabilities: | | |
| Mortgage notes payable and other | $ 1,415,936 | $ 1,417,251 |
| Unsecured line of credit | 89,050 | 115,800 |
| Unsecured term loan | 112,800 | 120,000 |
| Accounts payable and accrued expenses | 38,755 | 36,146 |
| Accrued interest payable | 8,798 | 8,894 |
| Rents received in advance and security deposits | 22,201 | 21,135 |
| Distributions payable | 805 | 448 |
| Total liabilities | 1,688,345 | 1,719,674 |
| Commitments and contingencies | | |
| Minority interest - Common OP Units and other | 12,186 | 9,771 |
| Minority interest - Perpetual Preferred OP Units | 150,000 | 125,000 |
| Stockholders' equity: | | |
| Preferred stock, $.01 par value 10,000,000 shares authorized; none issued | -- | -- |
| Common stock, $.01 par value 50,000,000 shares authorized; 22,993,942 and 22,937,192 shares issued and outstanding for March 31, 2005 and December 31 2004, respectively | 224 | 224 |
| Paid-in capital | 295,889 | 294,304 |
| Deferred compensation | (63) | (166) |
| Distributions in excess of accumulated earnings | (254,401) | (262,518) |
| Total stockholders' equity | 41,649 | 31,844 |
| Total liabilities and stockholders' equity | $ 1,892,180 | $ 1,886,289 |

EQUITY LIFESTYLE PROPERTIES, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE QUARTERS ENDED MARCH 31, 2005 AND 2004
(AMOUNTS IN THOUSANDS, EXCEPT PER SHARE DATA)
(UNAUDITED)

| | MARCH 31, 2005 | MARCH 31, 2004 |
|---|---|---|
| PROPERTY OPERATIONS: | | |
| Community base rental income | $ 52,919 | $ 49,118 |
| Resort base rental income | 24,247 | 12,342 |
| Utility and other income | 7,616 | 6,334 |
| Property operating revenues | 84,782 | 67,794 |
| Property operating and maintenance | 26,294 | 20,200 |
| Real estate taxes | 6,160 | 5,264 |
| Property management | 3,649 | 2,846 |
| Property operating expenses (exclusive of depreciation shown separately below) | 36,103 | 28,310 |
| Income from property operations | 48,679 | 39,484 |
| HOME SALES OPERATIONS: | | |
| Gross revenues from inventory home sales | 10,236 | 7,426 |
| Cost of inventory home sales | (8,947) | (6,848) |
| Gross profit from inventory home sales | 1,289 | 578 |
| Brokered resale revenues, net | 606 | 490 |
| Home selling expenses | (2,053) | (2,073) |
| Ancillary services revenues, net | 2,136 | 905 |
| Income (loss) from home sales operations and other | 1,978 | (100) |
| OTHER INCOME (EXPENSES): | | |
| Interest income | 371 | 453 |
| Income from other investments | 4,311 | 290 |
| Other corporate expense | (250) | -- |
| General and administrative | (2,882) | (2,212) |
| Rent control initiatives | (570) | (629) |
| Interest and related amortization | (24,999) | (20,139) |
| Depreciation on corporate assets | (216) | (377) |
| Depreciation on real estate assets | (13,498) | (10,091) |
| Total other income (expenses) | (37,733) | (32,705) |
| Income before minority interests, equity in income from unconsolidated joint ventures, gain on sale of properties and discontinued operations | 12,924 | 6,679 |
| Income allocated to Common OP Units | (2,308) | (865) |
| Income allocated to Perpetual Preferred OP Units | (2,856) | (2,813) |
| Equity in income from unconsolidated joint ventures | 717 | 762 |
| Income from continuing operations | 8,477 | 3,763 |
| DISCONTINUED OPERATIONS: | | |
| Discontinued operations | 626 | 623 |
| Depreciation on discontinued operations | (329) | (340) |
| Gain on sale of discontinued properties | -- | 638 |
| Minority interests on discontinued operations | | |

................................ (65) (174) -------- --------
Income from discontinued operations
...................................... 232 747 -------- -----
--- NET INCOME AVAILABLE FOR COMMON SHARES
................................... $ 8,709 $ 4,510 ========
========

EQUITY LIFESTYLE PROPERTIES, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS (CONTINUED)
FOR THE QUARTERS ENDED MARCH 31, 2005 AND 2004
(AMOUNTS IN THOUSANDS, EXCEPT PER SHARE DATA)
(UNAUDITED)

| | MARCH 31, 2005 | MARCH 31, 2004 |
|---|---|---|
| EARNINGS PER COMMON SHARE - BASIC: | | |
| Income from continuing operations ............................ | $ 0.37 | $ 0.17 |
| Income from discontinued operations .......................... | 0.01 | 0.03 |
| Net income available for Common Shares ....................... | $ 0.38 | $ 0.20 |
| EARNINGS PER COMMON SHARE - FULLY DILUTED: | | |
| Income from continuing operations ............................ | $ 0.36 | $ 0.16 |
| Income from discontinued operations .......................... | 0.01 | 0.03 |
| Net income available for Common Shares ....................... | $ 0.37 | $ 0.19 |
| Distributions declared per Common Share outstanding .......... | $ 0.025 | $ 0.0125 |
| Weighted average Common Shares outstanding - basic ........... | 22,974 | 22,674 |
| Weighted average Common Shares outstanding - fully diluted ... | 29,878 | 28,521 |

EQUITY LIFESTYLE PROPERTIES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE QUARTERS ENDED MARCH 31, 2005 AND 2004
(AMOUNTS IN THOUSANDS)
(UNAUDITED)

| | MARCH 31, 2005 | MARCH 31, 2004 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net income | $ 8,709 | $ 4,510 |
| Adjustments to reconcile net income to cash provided by operating activities: | | |
| Income allocated to minority interests | 5,229 | 3,851 |
| Gain on sale of properties | -- | (638) |
| Depreciation expense | 14,471 | 11,016 |
| Amortization expense | 649 | 523 |
| Debt premium amortization | (666) | -- |
| Equity in income of unconsolidated joint ventures | (1,143) | (968) |
| Amortization of deferred compensation | 680 | 683 |
| Increase in provision for uncollectible receivables | 296 | 133 |
| Changes in assets and liabilities: | | |
| Rents receivable | (177) | 345 |
| Inventory | (6,768) | (702) |
| Prepaid expenses and other assets | (4,285) | (3,053) |
| Accounts payable and accrued expenses | 2,202 | 1,944 |
| Rents received in advance and security deposits | 1,066 | 3,024 |
| Net cash provided by operating activities | 20,263 | 20,668 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Acquisition of rental properties | -- | (100,900) |
| Disposition of rental properties | -- | 671 |
| Distributions from (investments in) joint ventures | 2,450 | (30,861) |
| Repayment (funding) of notes receivable | 88 | (611) |
| Improvements: | | |
| Improvements - corporate | (62) | (118) |
| Improvements - rental properties | (2,395) | (2,674) |
| Site development costs | (3,702) | (2,571) |
| Net cash used in investing activities | (3,621) | (137,064) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Net proceeds from stock options and employee stock purchase plan | 1,208 | 3,487 |
| Proceeds from issuance of Perpetual Preferred OP Units | 25,000 | -- |
| Distributions to Common Stockholders, Common OP Unitholders, and Perpetual Preferred OP Unitholders | (3,249) | (227,420) |
| Line of credit: | | |
| Proceeds | 12,900 | 50,000 |
| Repayments | (39,650) | (15,000) |
| Term loan repayment | (7,200) | -- |
| Principal payments | (3,053) | (1,793) |
| Debt issuance costs | (59) | (1,195) |
| Net cash used in financing activities | (14,103) | (191,921) |
| Net increase (decrease) in cash and cash equivalents | 2,539 | (308,317) |
| Cash and cash equivalents, beginning of period | 5,305 | 325,740 |
| Cash and cash equivalents, end of period | $ 7,844 | $ 17,423 |

EQUITY LIFESTYLE PROPERTIES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE QUARTERS ENDED MARCH 31, 2005 AND 2004
(AMOUNTS IN THOUSANDS)
(UNAUDITED)

| | MARCH 31, 2005 | MARCH 31, 2004 |
|---|---|---|
| SUPPLEMENTAL INFORMATION: | | |
| Cash paid during the period for interest | $ 25,136 | $ 18,294 |
| Non cash investing and financing activities: | | |
| Mortgage debt assumed on acquisition of real estate | $ -- | $232,900 |
| Other assets and liabilities acquired on acquisition of real estate | $ -- | $ 5,200 |
| Minority interest of 7% partner on acquisition of NHC Portfolio | $ -- | $ 5,600 |
| Proceeds from loan to pay insurance premiums | $ 2,404 | $ -- |

DEFINITION OF TERMS:

Equity Lifestyle Properties, Inc., together with MHC Operating Limited Partnership (the "Operating Partnership") and other consolidated subsidiaries ("Subsidiaries"), are referred to herein as the "Company", "ELS", "we", "us", and "our". Capitalized terms used but not defined herein are as defined in the Company's Annual Report on Form 10-K (as amended by the Form 10-K/A filed on March 31, 2005, the "2004 Form 10-K") for the year ended December 31, 2004.

PRESENTATION:

These unaudited Consolidated Financial Statements of ELS, a Maryland corporation, 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 2004 Form 10-K. The following Notes to Consolidated Financial Statements highlight significant changes to the Notes included in the 2004 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. Certain reclassifications have been made to the prior periods' financial statements in order to conform with current period presentation.

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. All inter-company transactions have been eliminated in consolidation. The Company's acquisitions were all accounted for as purchases in accordance with Statement of Financial Accounting Standards No. 141, "Business Combinations" ("SFAS No. 141").

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

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

(b) Use of Estimates

The preparation of financial statements in conformity with accounting 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Segments

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

(d) Inventory

Inventory 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. Resale revenues are stated net of commissions paid to employees of $338,000 and $256,000 for the quarters ended March 31, 2005 and 2004, 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 the above and below market leases are amortized and recorded as either an increase (in the case of below market leases) or a decrease (in the case of above market leases) to rental income over the remaining term of the associated lease. The value associated with in-place leases is amortized over the expected term, which includes an estimated probability of lease renewal. Expenditures for ordinary maintenance and repairs are expensed to operations as incurred, and significant renovations and improvements that improve the asset and extend the useful life of the asset are capitalized and then expensed over their estimated useful life. However, the useful lives, salvage value, and customary depreciation method used for land improvements and other significant assets may significantly and materially overstate the depreciation of the underlying assets and therefore understate the net income of the Company.

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Cash and Cash Equivalents

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

(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 a comparison of the outstanding principal balance of each note compared to the N.A.D.A. value and the current market value of the underlying manufactured home collateral.

(h) Investments in Joint Ventures

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Income from Other Investments

Income from other investments consists of ground lease income from the Thousand Trails Transaction of $4.0 million and $0 million for the three months ended March 31, 2005 and 2004, respectively and income from the College Heights preferred limited partnership investment of approximately $0.3 million for the three months ended March 31, 2005 and 2004.

(j) Insurance Claims

The Properties are covered against fire, flood, property, earthquake, wind storm and business interruption by insurance policies containing various deductible requirements and coverage limits. Recoverable costs are classified in other assets as incurred. Proceeds are applied against the asset when received. 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 in the replacement period. Insurance proceeds relating to the capital costs will be recorded as income in the period they are received.

As indicated in the 2004 Form 10-K, approximately 70 Florida Properties suffered damage from the four hurricanes that struck Florida during August and September 2004. As of March 31, 2005, total expenditures related thereto approximated $9.5 million partially offset by receipts of $0.5 million. Approximately $1.4 million has been charged to operations as non-recoverable. The remaining portion is included in other assets as a receivable from insurance providers. The Company expects to incur additional expenditures to complete the work necessary to restore these Properties to their pre-hurricanes condition.

As of March 31, 2005, approximately $7.3 million of these claims have been submitted to carriers for reimbursement. The Company continues to compile the information and supporting documentation required to submit additional claims for reimbursement. While the Company believes that it has provided timely notice to its insurance providers and submitted claims in a timely fashion, the recoverability of such claims and the timing of reimbursements are based on several factors, some of which are out of the Company's control. This process will continue to impact the Company's balance sheet and cash flow until such claims are resolved, as there will continue to be a lag between expenditures incurred by the Company and reimbursements received from the insurance providers, as reflected by the receivable associated therewith. In addition, there is a risk that the insurance providers will dispute some or all of the Company's claims. However, the Company believes, based on consultation with its legal and other advisors, that all amounts claimed and to be claimed are recoverable under the Company's policies.

(k) Restatement

During 2004, the Company changed the way it accounted for costs incurred in pursuing certain rent control initiatives. As a result, the Company expensed $570,000 and $629,000 for the three months ended March 31, 2005 and 2004, respectively, because the previous method of accounting for the costs was determined to be incorrect. The Company had historically classified these costs, primarily legal, in other assets. To the extent the Company's efforts to effectively change the use and operations of the Properties were successful, the Company capitalized the costs to land improvements as an increase in the established value of the revised project and depreciated them over 30 years. To the extent these efforts were not successful, the costs would have been expensed.

(l) Reclassifications

Certain 2004 amounts have been reclassified to conform to the 2005 financial presentation. Such reclassifications have no effect on the operations or equity as originally presented.

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 share for the quarters ended March 31, 2005 and 2004 (amounts in thousands):

| | MARCH 31, 2005 | MARCH 31, 2004 |
|---|---|---|
| NUMERATORS: | | |
| INCOME FROM CONTINUING OPERATIONS: | | |
| Income from continuing operations - basic ................ | $ 8,477 | $ 3,763 |
| Amounts allocated to dilutive securities ................. | 2,308 | 865 |
| Income from continuing operations - fully diluted ........ | $10,785 | $ 4,628 |
| INCOME FROM DISCONTINUED OPERATIONS: | | |
| Income from discontinued operations - basic .............. | $ 232 | $ 747 |
| Amounts allocated to dilutive securities ................. | 65 | 174 |
| Income from discontinued operations - fully diluted ...... | $ 297 | $ 921 |
| NET INCOME AVAILABLE FOR COMMON SHARES - FULLY DILUTED: | | |
| Net income available for Common Shares - basic ........... | $ | |

8,709 $ 4,510
Amounts
allocated to
dilutive
securities
.................
2,373 1,039 ----
--- ------- Net
income available
for Common
Shares - fully
diluted ...
$11,082 $ 5,549
======= =======
DENOMINATOR:
Weighted average
Common Shares
outstanding -
basic
...........
22,974 22,674
Effect of
dilutive
securities:
Redemption of
Common OP Units
for Common
Shares
.......... 6,335
5,312 Employee
stock options
and restricted
shares
.............
569 535 -------
------- Weighted
average Common
Shares
outstanding -
fully diluted
... 29,878
28,521 =======
=======

## NOTE 3 - COMMON STOCK AND RELATED TRANSACTIONS

On March 24, 2005, the Operating Partnership issued $25 million of 8.0625% Series D Cumulative Redeemable Perpetual Preference Units (the "Series D 8% Units"), to institutional investors. The Series D 8% Units are non-callable for five years. In addition, the Operating Partnership had an existing $125 million of 9.0% Series D Cumulative Redeemable Perpetual Preference Units (the "Series D 9% Units") outstanding that were callable by the Company as of September 2004. In connection with the new issue, the Operating Partnership has agreed to extend the non-call provision of the Series D 9% Units to be coterminous with the new issue, and the institutional investors holding the Series D 9% Units have agreed to lower the rate on such units to 8.0625%. All of the units have no stated maturity or mandatory redemption. Net proceeds from the offering were used to pay down amounts outstanding under the Company's line of credit.

On April 8, 2005, the Company paid a $0.025 per share distribution for the quarter ended March 31, 2005 to stockholders of record on March 25, 2005. On March 24, 2005, the Operating Partnership paid distributions of 9.0% per annum on the $125 million of Series D 9% Units, and for the seven days ended March 31, 2005, the Operating Partnership paid distributions of 8.0625% per annum on the $150 million Series D 8% Units.

## NOTE 4 - INVESTMENT IN REAL ESTATE

Investment in Real Estate is comprised of (amounts in thousands):

| Properties Held for Long Term | MARCH 31, 2005 | DECEMBER 31, 2004 |
|---|---|---|
| Investment in real estate: | | |
| Land ........................................ | $ 462,649 | $ 462,619 |
| Land improvements ........................ | 1,411,074 | 1,406,246 |
| Buildings and other depreciable property ... | 125,555 | 124,357 |
| | 1,999,278 | 1,993,222 |
| Accumulated depreciation ................... | (322,992) | (309,277) |
| Net investment in real estate ........... | $ 1,676,286 | $ 1,683,945 |

| Properties Held for Sale | MARCH 31, 2005 | DECEMBER 31, 2004 |
|---|---|---|
| Investment in real estate: | | |
| Land ........................................ | $ 7,968 | $ 7,968 |
| Land improvements ........................ | 32,780 | 32,677 |
| Buildings and other depreciable property ... | 1,923 | 1,923 |
| | 42,671 | 42,568 |
| Accumulated depreciation ................... | (13,919) | (13,590) |
| Net investment in real estate ........... | $ 28,752 | $ 28,978 |

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

NOTE 4 - INVESTMENT IN REAL ESTATE (CONTINUED)

As of March 31, 2005, the Company designated seven Properties as held for disposition pursuant to SFAS No. 144. The Company determined that these Properties no longer met its investment criteria. The Company expects to sell these properties within 12 months for proceeds greater than their net book value. As such, the results from operations of these Properties have been classified as income from discontinued operations. The seven Properties classified as held for disposition are summarized in the table below.

| Property | Location | Sites |
|---|---|---|
| Casa Village | Billings, MT | 490 |
| Creekside | Wyoming, MI | 165 |
| Del Rey | Albuquerque, NM | 407 |
| Five Seasons | Cedar Rapids, IA | 390 |
| Forest Oaks | Chesterton, IN | 227 |
| Holiday Village | Sioux City, IA | 519 |
| Windsong | Indianapolis, IN | 268 |

The following table summarizes the combined results of operations of the seven Properties held for sale for the three months ended March 31, 2005, and eight Properties, including one Property sold during the second quarter of 2004, for the three months ended March 31, 2004 (amounts in thousands).

| | MARCH 31, 2005 | MARCH 31, 2004 |
|---|---|---|
| Rental income | $ 1,605 | $ 1,721 |
| Utility and other income | 167 | 180 |
| Property operating revenues | 1,772 | 1,901 |
| Property operating expenses | 925 | 995 |
| Income from property operations | 847 | 906 |
| Income (loss) from home sales operations and other | 13 | (47) |
| Interest | (226) | (228) |
| Amortization | (8) | (8) |
| Depreciation | (329) | (340) |
| Total other expenses | (563) | (576) |
| Gain on Sale | -- | |

638 ------- ------- Net income ........................................... $ 297 $ 921 ======= =======

## NOTE 5 - NOTES RECEIVABLE

As of March 31, 2005 and December 31, 2004, the Company had approximately $13.1 million and $13.3 million in notes receivable, respectively. The Company has approximately $12.7 million in Chattel Loans receivable, which yield interest at a per annum average rate of approximately 9.4%, have an average term and amortization of 5 to 15 years, require monthly principal and interest payments and are collateralized by manufactured homes at certain of the Properties. The Company has approximately $403,000 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.

## NOTE 6 - INVESTMENT IN AND ADVANCES TO JOINT VENTURES

The following table summarizes the Company's investments in unconsolidated joint ventures:

| INVESTMENT | LOCATION | NUMBER OF SITES | ECONOMIC INTEREST (a) | INVESTMENT AS OF MAR. 31, 2005 (in thousands) | INVESTMENT AS OF DEC. 31, 2004 (in thousands) |
|---|---|---|---|---|---|
| Trails West | Tucson, AZ | 503 | 50% | $118 | $1,731 |
| Plantation | Calimesa, CA | 385 | 50% | 3,141 | 3,032 |
| Home | Hallandale, FL | 136 | 90% | 3 | -- |
| Villa del Sol | Sarasota, FL | 207 | 90% | 637 | 630 |
| Voyager | Tucson, AZ | 767 | 25% | 3,227 | 3,010 |
| Mezzanine Investments | Various | 5,054 | --- | 31,196 | 31,207 |
| Indian Wells | Indio, CA | 350 | 30% | 205 | 271 |
| Diversified Investments | Various | 4,443 | 25% | 3,334 | 3,702 |
| | | 11,845 | | $41,861 | $43,583 |

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

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

| BALANCE SHEET | AS OF MARCH 31, 2005 | DECEMBER 31, 2004 |
|---|---|---|

| | (in thousands) | (in thousands) |
|---|---|---|
| ASSETS | | |
| Real estate, net............. | $180,879 | $183,480 |
| Other assets................. | 23,346 | 22,646 |
| TOTAL ASSETS...................... | $204,225 | $206,126 |
| LIABILITIES | | |
| Mortgage debt & other loans.. | $151,804 | $152,682 |
| Other liabilities............ | 13,040 | 13,485 |
| Partners' equity............. | 39,381 | 39,959 |
| TOTAL LIABILITIES AND EQUITY..... | $204,225 | $206,126 |

NOTE 6 - INVESTMENT IN AND ADVANCES TO JOINT VENTURES (CONTINUED)

STATEMENT OF OPERATIONS

| | FOR THE QUARTERS ENDED MARCH 31, 2005 (in thousands) | 2004 (in thousands) |
|---|---|---|
| Rentals | $10,536 | $7,725 |
| Other Income | 2,732 | 2,365 |
| TOTAL REVENUES | 13,268 | 10,090 |
| Operating Expenses | 5,307 | 4,559 |
| Interest | 1,894 | 1,863 |
| Other Income & Expenses | 702 | 385 |
| Depreciation & Amortization | 2,820 | 2,423 |
| TOTAL EXPENSES | 10,723 | 9,230 |
| NET INCOME | $2,545 | $860 |

The Company recorded approximately $717,000 and $762,000 of net income from joint ventures, net of $426,000 and $206,000 depreciation, in the quarters ended March 31, 2005 and 2004, respectively, and received approximately $2.5 million and $150,000 in distributions for the quarters ended March 31, 2005 and 2004, respectively. Included in such distributions is $1.7 million return of capital received from proceeds from a refinancing. Due to the Company's inability to control the joint ventures, the Company accounts for its investment in the joint ventures using the equity method of accounting.

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

NOTE 7 - LONG-TERM BORROWINGS

As of March 31, 2005 and December 31, 2004, the Company had outstanding mortgage indebtedness for Properties held for the long-term of approximately $1,398 million and $1,402 million, respectively, and $15 million as of March 31, 2005 and December 31, 2004 for Properties held for sale, encumbering 165 of the Company's Properties. As of March 31, 2005 and December 31, 2004, the carrying value of such Properties was approximately $1,642 million and $1,653 million, respectively.

NOTE 7 - LONG-TERM BORROWINGS (CONTINUED)

The outstanding mortgage indebtedness as of March 31, 2005 consists of:

- Approximately $498.3 million of mortgage debt (the "Recap") consisting of 49 loans collateralized by 51 Properties beneficially owned by separate legal entities that are Subsidiaries of the Company, which we closed on October 17, 2003. Of this Mortgage Debt, $165.5 million bears interest at 5.35% per annum and matures November 1, 2008; $80.4 million bears interest at 5.72% per annum and matures November 1, 2010; $79.1 million bears interest at 6.02% per annum and matures November 1, 2013; and $173.3 million bears interest at 6.33% per annum and matures November 1, 2015. The Mortgage Debt amortizes over 30 years.

- A $265.0 million mortgage note (the "$265 Million Mortgage") collateralized by 28 Properties beneficially owned by MHC Financing Limited Partnership. The $265 Million Mortgage has a maturity date of January 2, 2028 and bears interest at 7.015% per annum. There is no principal amortization until February 1, 2008, after which principal and interest are to be paid from available cash flow and the interest rate will be reset at a rate equal to the then 10-year U.S. Treasury obligations plus 2.0%. The $265 Million Mortgage is presented net of a settled hedge of $3.0 million (net of accumulated amortization of $494,500), which is being amortized into interest expense over the life of the loan.

- A $90.2 million mortgage note (the "DeAnza Mortgage") collateralized by 6 Properties beneficially owned by MHC-DeAnza Financing Limited Partnership. The DeAnza Mortgage bears interest at a rate of 7.82% per annum, amortizes beginning August 1, 2000 over 30 years and matures July 1, 2010.

- A $48.2 million mortgage note (the "Stagecoach Mortgage") collateralized by 7 Properties beneficially owned by MHC Stagecoach L.L.C. The Stagecoach Mortgage bears interest at a rate of 6.98% per annum, amortizes beginning September 1, 2001 over 10 years and matures September 1, 2011.

- A $43.4 million mortgage note (the "Bay Indies Mortgage") collateralized by one Property beneficially owned by MHC Bay Indies, L.L.C. The Bay Indies Mortgage bears interest at a rate of 5.69% per annum, amortizes beginning April 17, 2003 over 25 years and matures May 1, 2013.

- A $15.2 million mortgage note (the "Date Palm Mortgage") collateralized by one Property beneficially owned by MHC Date Palm, L.L.C. The Date Palm Mortgage bears interest at a rate of 7.96% per annum, amortizes beginning August 1, 2000 over 30 years and matures July 1, 2010

- Approximately $455.7 million of mortgage debt on 71 other Properties, net of a recorded $8.7 million premium being amortized over the life of the loans using the effective interest rate method. Scheduled maturities for the outstanding indebtedness are at various dates through November 1, 2027, and fixed interest rates range from 5.16% to 8.55% per annum. Included in this debt, the Company has a $2.4 million loan recorded to account for a direct financing lease entered into in May 1997.

UNSECURED LOANS

TERM LOAN

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

During the three months ended March 31, 2005, the Company made a principal repayment of $7.2 million.

NOTE 7 - LONG-TERM BORROWINGS (CONTINUED)

LINES OF CREDIT

The Company has a $110 million credit facility with a group of banks, bearing interest at LIBOR plus 1.65% per annum that matures on August 9, 2006, which can be extended by the borrower for an additional year to August 9, 2007. As of March 31, 2005, $64.2 million was available under this facility.

The Company entered into a $50 million facility with Wells Fargo Bank in May 2004, bearing interest at LIBOR plus 1.65% per annum that matures on May 4, 2006, which can be extended by the borrower for an additional year to May 4, 2007. As of March 31, 2005, $6.8 million was available under this facility.

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

OTHER LOANS

During the three months ended March 31, 2005, the Company borrowed $2.4 million to finance its insurance premium payments. This loan is due in January 2006 and bears interest at 4.07% per annum.

NOTE 8 - STOCK-BASED COMPENSATION

We account for our stock-based compensation in accordance with SFAS No. 123 and its amendment (SFAS No. 148), "Accounting for Stock Based Compensation", which results in compensation expense being recorded based on the fair value of the stock option compensation issued. SFAS No. 148 provided three possible transition methods for changing to the fair value method. Effective January 1, 2003, we elected to use the modified-prospective method, which required that we recognize stock-based employee compensation cost from the beginning of the fiscal year in which the recognition provisions are first applied as if the fair value method had been used to account for all employee awards granted, or settled, in fiscal years beginning after December 15, 1994. Stock-based compensation expense was approximately $680,000 and $683,000 for the quarters ended March 31, 2005 and 2004, respectively.

Pursuant to the Stock Option Plan as discussed in Note 14 to the 2004 Form 10-K, certain officers, directors, employees and consultants have been offered the opportunity to acquire shares of common stock of the Company through stock options ("Options"). During the quarter ended March 31, 2005, Options for 12,968 shares of common stock were exercised for proceeds of approximately $229,000.

NOTE 9 - COMMITMENTS AND CONTINGENCIES

DEANZA SANTA CRUZ

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

OTHER CALIFORNIA RENT CONTROL LITIGATION

As part of the Company's effort to realize the value of its Properties subject to rent control, the Company has initiated lawsuits against several municipalities in California. The Company's goal is to achieve a level of regulatory fairness in California's rent control jurisdictions, and in particular those jurisdictions that prohibit increasing rents to market upon turnover. 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 is approximately $15 million. In a more well balanced regulatory environment, the Company would receive market rents that would eliminate the subsidy and homes would trade at or near their intrinsic value.

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

NOTE 9 - 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 has postponed decision on those motions and on the constitutional claims, pending a ruling on some property rights issues by the United States Supreme Court. In the event that the Court does not rule in favor of the Company on either the settlement agreement or the constitutional claims, then the Company has pending claims seeking a declaration that it can close the Property and convert it to another use.

The Company's efforts to achieve a balanced regulatory environment incentivize tenant groups to file lawsuits against the Company seeking large damage awards. The homeowners association at Contempo Marin ("CMHOA"), a 396 site Property in San Rafael, California, sued the Company in December 2000 over a prior settlement agreement on a capital expenditure pass-through after the Company sued the City of San Rafael in October 2000 alleging its rent control ordinance is unconstitutional. In the Contempo Marin case, the CMHOA prevailed on a motion for summary judgment on an issue that permits the Company to collect only $3.72 out of a monthly pass-through amount of $7.50 that the Company believes had been agreed to by the CMHOA in a settlement agreement. On May 23, 2004, the California Court of Appeal affirmed the trial court's order dismissing the Company's claims against the City of San Rafael. The trial court has set a trial date in the second quarter of 2005 on the CMHOA's remaining claims for damages. On April 26, 2005 the trial court granted in part the Company's motion for summary judgement. The trial court ruled that the Company's rent increases notices which discussed the disputed amount were not unlawful as the CMHOA had claimed. The Company intends to vigorously defend this matter. The Company believes that such lawsuits will be a consequence of the Company's efforts to change rent control since tenant groups actively desire to preserve the premium value of their homes in addition to the discounted rents provided by rent control. The Company has determined that its efforts to rebalance the regulatory environment despite the risk of litigation from tenant groups are necessary not only because of the $15 million annual subsidy to tenants, but also because of the condemnation risk.

Similarly, in June 2003, the Company won a judgment against the City of Santee in California Superior Court (case no. 777094). The effect of the judgment was to invalidate, on state law grounds, two (2) rent control ordinances the City of Santee had enforced against the Company and other property owners. However, the Court allowed the City to continue to enforce a rent control ordinance that predated the two invalid ordinances (the "prior ordinance"). As a result of the judgment the Company was entitled to collect a one-time rent increase based upon the difference in annual adjustments between the invalid ordinance(s) and the prior ordinances and to adjust its base rents to reflect what the Company could have charged had the prior ordinance been continually in effect. The City of Santee appealed the judgment. The Court of Appeal and California Supreme Court refused to stay enforcement of these rent adjustments pending appeal. After the City was unable to obtain a stay, the City and the tenant association each sued the Company in separate actions alleging the rent adjustments pursuant to the judgment violate the prior ordinance (Case Nos. GIE 020887 and GIE 020524). They seek to rescind the rent adjustments, refunds of amounts paid, and penalties and damages in these separate actions. On January 25, 2005, the California Court of Appeal reversed the judgment in part and affirmed it in part with a remand. The Court of Appeal affirmed that one ordinance was unlawfully adopted and therefore void and that the second ordinance contained unconstitutional provisions. However, the Court ruled the City had the authority to cure the issues with the first ordinance retroactively. On remand the trial court is directed to decide the issue of damages to the Company which the Company believes is consistent with the Company receiving the economic benefit of invalidating one of the ordinances and also consistent with the Company's position that it is entitled to market rent and not merely a higher amount of regulated rent. The Company will petition the Supreme Court of California for review of certain aspects of this decision. The Company intends to vigorously defend the two new lawsuits.

NOTE 9 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

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

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

OTHER

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

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### OVERVIEW

The Company is a fully integrated owner and operator of resort and retirement oriented properties ("Properties"). The Company leases individual developed areas ("sites" or "pads") with access to utilities for placement of factory built homes or recreational vehicles. As of March 31, 2005, we owned or had an ownership interest in a portfolio of 275 Properties located throughout the United States containing 101,285 residential sites. These Properties are located in 25 states and British Columbia (with the number of Properties in each state or province shown parenthetically) - Florida (84), California (46), Arizona (35), Texas (15), Washington (13), Colorado (10), Oregon (9), Delaware (7), Indiana (7), Pennsylvania (7), Nevada (6), North Carolina (6), Wisconsin (5), Virginia (4), Illinois (3), Iowa (2), Michigan (2), New Jersey (2), Ohio (2), South Carolina (2), Tennessee (2), Utah (2), Montana (1), New Mexico (1), New York (1), and British Columbia (1).

The following is a discussion of the Company's outlook, interim results of operations, financial condition and liquidity and capital resources for the three months ended March 31, 2005 compared to the corresponding period in 2004. It should be read in conjunction with the Consolidated Financial Statements and Notes thereto included herein and the 2004 Form 10-K. The following discussion may contain certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, which reflect management's current views with respect to future events and financial performance. Such forward-looking statements are subject to certain risks and uncertainties, including, but not limited to, the effects of future events on the Company's financial performance; the adverse impact of external factors such as inflation and consumer confidence; interest rates; and the risks associated with real estate ownership.

The following chart lists the Properties acquired, invested in, or sold since January 1, 2004.

| PROPERTY | TRANSACTION DATE | SITES |
| --- | --- | --- |
| TOTAL SITES AS OF JANUARY 1, 2004 | | 52,482 |
| PROPERTY OR PORTFOLIO (# OF PROPERTIES IN PARENTHESES): | | |
| O'Connell's | January 15, 2004 | 668 |
| Spring Gulch | January 30, 2004 | 420 |
| Paradise | February 3, 2004 | 950 |
| Twin Lakes | February 18, 2004 | 400 |
| Lakeside | February 19, 2004 | 95 |
| Diversified Portfolio (10) | February 5, 2004 | 2,567 |
| NHC (28) | February 17, 2004 | 11,311 |
| Viewpoint | May 3, 2004 | 1,928 |
| Cactus Gardens | May 12, 2004 | 430 |
| Monte Vista | May 13, 2004 | 832 |
| GE Portfolio (5) | May 14, 2004 | 1,155 |
| Yukon Trails | September 8, 2004 | 214 |
| Caledonia | November 4, 2004 | 247 |
| Thousand Trails (57) | November 10, 2004 | 17,911 |
| Fremont | December 30, 2004 | 325 |
| JOINT VENTURES: | | |
| Lake Myers | December 18, 2003 | 425 |
| Pine Haven | January 21, 2004 | 625 |
| Twin Mills | January 27, 2004 | 501 |
| Plymouth Rock | February 10, 2004 | 609 |
| Indian Wells | February 17, 2004 | 350 |
| Mesa Verde | May 18, 2004 | 345 |
| Winter Garden | May 18, 2004 | 350 |
| Arrowhead | August 20, 2004 | 377 |
| Sun Valley | September 10, 2004 | 265 |
| Appalachian | October 26, 2004 | 357 |
| Robin Hill | November 5, 2004 | 270 |
| Round Top | December 22, 2004 | 319 |
| MEZZANINE INVESTMENTS (11) | February 3, 2004 | 5,054 |
| EXPANSION SITE DEVELOPMENT AND OTHER: | | |
| Sites added (reconfigured) in 2004 | | 147 |
| Sites added (reconfigured) in 2005 | | 54 |
| DISPOSITIONS: | | |
| Lake Placid | May 28, 2004 | (408) |
| Manatee (Joint Venture) | September 1, 2004 | (290) |
| | | -------- |
| TOTAL SITES AS OF MARCH 31, 2005 | | 101,285 |
| | | ======== |

## OUTLOOK

Occupancy in our Properties as well as our ability to increase rental rates directly affect revenues. We currently have approximately 58,300 annual sites with average annual revenue of approximately $4,400 per site. We have 7,600 seasonal sites, which are leased to customers generally for 3 to 6 months, for which we expect to collect annualized rental revenues in the range of $1,800 to $1,900 per site. We also have 5,600 transient sites, occupied by customers who lease on a short-term basis, for which we expect to collect annualized rental revenues in the range of $2,000 to $2,200 per site. We expect to service 60,000 customers with these transient sites. We consider the transient revenue stream to be our most volatile. It is subject to weather conditions, gas prices, and other factors affecting the marginal RV customer's vacation and travel preferences. Finally, we have approximately 17,900 Thousand Trails sites for which we receive ground rent of $16 million annually (subject to annual escalations). This rent is classified in Other Income in the Consolidated Statements of Operations. We have interests in Properties containing approximately 11,800 sites for which revenue is classified as Equity in Income from Unconsolidated Joint Ventures in the Consolidated Statements of Operations. The following table outlines the annual, seasonal and transient average results for the quarter ended March 31, 2005 and for the year ended December 31, 2004:

| | TOTAL SITES AS OF MARCH 31, 2005 (ROUNDED TO 100S) | TOTAL SITES AS OF DEC. 31, 2004 (ROUNDED TO 100S) | APPROXIMATE ANNUAL REVENUE RANGE |
|---|---|---|---|
| Community Sites ... | 45,200 | 45,200 | $5,400-$5,500 |
| Resort Sites: | | | |
| Annual ........ | 13,100 | 13,100 | $3,000-$3,200 |
| Seasonal ...... | 7,600 | 7,200 | $1,800-$1,900 |
| Transient ..... | 5,600 | 6,000 | $2,000-$2,200 |
| Thousand Trails ... | 17,900 | 17,900 | |
| Joint Ventures .... | 11,800 | 11,800 | |
| | 101,200 | 101,200 | |

## CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Refer to our Form 10-K for the year ended December 31, 2004 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 quarter ended March 31, 2005, there were no changes to these policies.

RESULTS OF OPERATIONS

During the three months ended March 31, 2005, the Company designated seven Properties as held for disposition pursuant to SFAS No. 144. The Company determined that these Properties no longer met its investment strategy. As such, the results from operations of these Properties have been classified as income from discontinued operations. See Note 4 for summarized information for these Properties.

COMPARISON OF THE QUARTER ENDED MARCH 31, 2005 TO THE QUARTER ENDED MARCH 31, 2004

Since December 31, 2003, the gross investment in real estate has increased from $1,315 million to $2,042 million. The total number of sites owned, controlled, or in which the Company holds an investment, has increased from 52,482 as of December 31, 2003 to 101,285 as of March 31, 2005.

PROPERTY OPERATIONS

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 March 31, 2005 and 2004 (amounts in thousands).

| | CORE PORTFOLIO | | | | TOTAL PORTFOLIO | | | |
|---|---|---|---|---|---|---|---|---|
| | 2005 | 2004 | INCREASE/ (DECREASE) | % CHANGE | 2005 | 2004 | INCREASE/ (DECREASE) | % CHANGE |
| Community base rental income....... | $ 50,632 | $ 48,828 | $ 1,804 | 3.7% | $ 52,919 | $ 49,118 | 3,801 | 7.7% |
| Resort base rental income.......... | 5,880 | 5,460 | 420 | 7.7% | 24,247 | 12,342 | 11,905 | 96.4% |
| Utility and other income........... | 5,594 | 5,709 | (115) | (2.0%) | 7,616 | 6,334 | 1,282 | 20.3% |
| Property operating revenues... | 62,106 | 59,997 | 2,109 | 3.5% | 84,782 | 67,794 | 16,988 | 25.1% |
| Property operating and maintenance.................. | 18,011 | 16,834 | 1,177 | 7.0% | 26,294 | 20,200 | 6,094 | 30.2% |
| Real estate taxes................. | 5,026 | 4,825 | 201 | 4.2% | 6,160 | 5,264 | 896 | 17.0% |
| Property management............... | 2,567 | 2,518 | 49 | 1.9% | 3,649 | 2,846 | 803 | 28.2% |
| Property operating expenses... | 25,604 | 24,177 | 1,427 | 5.9% | 36,103 | 28,310 | 7,793 | 27.5% |
| Income from property operations.... | $ 36,502 | $ 35,820 | $ 682 | 1.9% | $ 48,679 | $ 39,484 | 9,195 | 23.3% |

## Property Operating Revenues

The 3.5% increase in the Core Portfolio property revenues reflects (i) a 4.6% increase in rates for our community base rental income combined with a 0.9% decrease in occupancy, (ii) a 7.7% increase in revenues for our resort base income, and (iii) a decrease in utility income. Total Property revenues increased due to our 2004 acquisitions.

## Property Operating Expenses

The 5.9% increase in the Core Portfolio property operating and maintenance expense is due primarily to increases in administrative expenses, utility expenses, and insurance expenses. The increase in real estate taxes is generally due to higher property assessments on certain Properties. Property management expense, which reflects costs of managing the Properties and is estimated based on a percentage of Property revenues, remained stable.

HOME SALES OPERATIONS:

The following table summarizes certain financial and statistical data for the Home Sales Operations for the quarters ended March 31, 2005 and 2004 (amounts in thousands).

| | 2005 | 2004 | VARIANCE | % CHANGE |
|---|---|---|---|---|
| Gross revenues from new home sales | $ 9,603 | $ 6,711 | $ 2,892 | 43.1% |
| Cost of new home sales | (8,319) | (6,195) | (2,124) | (34.3%) |
| Gross profit from new home sales | 1,284 | 516 | 768 | 148.8% |
| Gross revenues from used home sales | 633 | 715 | (82) | (11.5%) |
| Cost of used home sales | (628) | (653) | 25 | 3.8% |
| Gross profit from used home sales | 5 | 62 | (57) | (91.9%) |
| Brokered resale revenues, net | 606 | 490 | 116 | 23.7% |
| Home selling expenses | (2,053) | (2,073) | 20 | 1.0% |
| Ancillary services revenues, net | 2,136 | 905 | 1,231 | 136.0% |
| Income (loss) from home sales and other | $ 1,978 | $ (100) | $ 2,078 | 2,078.0% |
| HOME SALES VOLUMES: | | | | |
| New home sales | 118 | 92 | 26 | 28.3% |
| Used home sales | 52 | 67 | (15) | (22.4%) |
| Brokered home resales | 373 | 327 | 46 | 14.1% |

New home sales gross profit reflects a 28.3% increase in sales volume combined with a 94% increase in the gross margin due to an increase in the average selling price of new homes in 2005 of $8,436 or 11.6% compared to 2004. Used home gross profit reflects a decrease in sales volume and a slight decrease in gross margin. Brokered resale revenues reflects increased sales volume. The increase in ancillary service revenues primarily relates to income from property amenities at our newly acquired Properties and better than expected revenues at our Core Properties.

OTHER INCOME AND EXPENSES:

The following table summarizes other income and expenses for the quarters ended March 31, 2005 and 2004 (amounts in thousands).

| | 2005 | 2004 | VARIANCE | % CHANGE |
|---|---|---|---|---|
| Interest income | | | | |

$ 371 $ 453 $ (82) (18.1%) Income
from other investments
......................... 4,311 290
4,021 1386.6% Other corporate expense
.............................. (250)
-- (250) -- General and
administrative
........................... (2,882)
(2,212) (670) 30.3% Rent control
initiatives
............................. (570)
(629) 59 (9.4%) Interest and related
amortization ....................
(24,999) (20,139) (4,860) 24.1%
Depreciation on corporate assets
...................... (216) (377) 161
(42.7%) Depreciation on real estate
assets and other costs ... (13,498)
(10,091) (3,407) 33.8% -------- -----
--- -------- -------- Total other
income (expenses) ....................
$(37,733) $(32,705) $ (5,028) 15.4%
======== ======== ======== ========

Income from other investments increased as a result of income from the Thousand Trails transaction. Other corporate expense increased due to marketing costs for our Thousand Trails cross-marketing program. General and administrative expense increased due to increased costs associated with requirements of the Sarbanes-Oxley Act of 2002 as well as increased payroll costs. Interest expense increased primarily due to higher debt balances as a result of the 2004 acquisitions. Depreciation expense increased due to the 2004 acquisitions.

During 2004, the Company changed the way it accounted for costs incurred in pursuing certain rent control initiatives. As a result, the Company expensed $570,000 and $629,000 for the three months ended March 31, 2005 and 2004, respectively. The Company had historically classified these costs, primarily legal, in other assets. To the extent the Company's efforts to effectively change the use and operations of the Properties were successful, the Company capitalized the costs to land improvements as an increase in the established value of the revised project and depreciated them over 30 years. To the extent these efforts were not successful, the costs would have been expensed.

Equity in Income of Unconsolidated Joint Ventures

During 2004, we invested in preferred equity interests, the Mezzanine Investment, as defined below, in six entities containing 11 Properties and 5,054 sites. Our average return on the Mezzanine Investment accrues at a rate of 10% per annum (see Liquidity and Capital Resources - Investing Activities). We also invested approximately $1.4 million with Diversified in four separate Property owning entities. These 2004 investments contributed to the increase in equity in income from unconsolidated joint ventures.

LIQUIDITY AND CAPITAL RESOURCES

LIQUIDITY

As of March 31, 2005, the Company had $7.8 million in cash and cash equivalents and $71 million available on its line of credit. The Company expects to meet its short-term liquidity requirements, including its distributions, generally through its working capital, net cash provided by operating activities and availability under the existing line 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 line of credit and 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 three months ended March 31, 2005 and 2004 (amounts in thousands).

| | FOR THE THREE MONTHS ENDED MARCH 31, | |
|---|---|---|
| | 2005 | 2004 |
| Cash provided by operating activities ............. | $ 20,263 | $ 20,668 |
| Cash (used in) provided by investing activities ... | (3,621) | (137,064) |
| Cash (used in) provided by financing activities ... | (14,103) | (191,921) |
| Net increase (decrease) in cash .................... | $ 2,539 | $ (308,317) |

OPERATING ACTIVITIES

Net cash provided by operating activities decreased $0.4 million from $20.7 million for the three months ended March 31, 2004. This decrease reflects increased inventory purchases of new homes over the same period in 2004 partially offset by increases in property operating income as discussed in "Results of Operations" above.

INVESTING ACTIVITIES

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

INVESTMENT IN AND ADVANCES TO JOINT VENTURES

The Company recorded approximately $717,000 and $762,000 of net income from joint ventures, net of $426,000 and $206,000 depreciation in the quarters ended March 31, 2005 and 2004, respectively, and received approximately $2.5 million and $150,000 in distributions for the quarters ended March 31, 2005 and 2004, respectively. Included in such distributions is $1.7 million return of capital received from proceeds from a refinancing. Due to the Company's inability to control the joint ventures, the Company accounts for its investment in the joint ventures using the equity method of accounting.

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

ACQUISITIONS

During the three months ended March 31, 2004, we acquired 43 Properties (see footnote 4 to the unaudited interim financial statements). The combined real estate investment in these 43 Properties was approximately $344 million and was funded with monies held in short-term investments and additional debt of $232 million.

We assumed inventory of approximately $1.1 million, other assets of $4.8 million, rents received in advance of approximately $9.6 million and other liabilities of approximately $5.8 million in connection with the 2004 acquisitions. Another $4.3 million remained in escrow while the dispute relating to the NHC acquisition was settled.

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 $2.4 million for the quarter ended March 31, 2005. Site development costs were approximately $3.7 million for the quarter ended March 31, 2005, and represent costs to develop expansion sites at certain of the Company's Properties and costs for improvements to sites when a smaller used home is replaced with a larger new home. Corporate costs were approximately $62,000 for the quarter ended March 31, 2005.

FINANCING ACTIVITIES

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

MORTGAGES AND CREDIT FACILITIES

Throughout the three months ended March 31, 2005, the Company borrowed $12.9 million on its line of credit and paid down $39.7 million on the line of credit funded by the Company's operations and proceeds from a preferred operating unit issue (see Equity Transactions below). The line of credit bears interest at a per annum rate of LIBOR plus 1.65%. In addition, we repaid $7.2 million on the Company's Term Loan. In December 2004, we fixed $180 million of this unsecured debt at a rate of 4.7% per annum for one year.

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

As of March 31, 2005, we were subject to certain contractual payment obligations as described in the table below (dollars in thousands).

| Contractual Obligations | Total | 2005 | 2006 (2) | 2007 (3) | 2008 | 2009 | Thereafter |
|---|---|---|---|---|---|---|---|
| Long Term Debt (1,4) .... | $1,609,187 | $ 8,973 | $145,058 | $432,919 | $197,074 | $ 64,450 | $ 760,720 |
| Weighted average interest rates .................... | 6.03% | -- | 5.10% | 6.10% | 5.45% | 6.69% | 6.20% |

(1) Balance excludes net premiums and discounts of $8.7 million.

(2) Includes Line of Credit repayment in 2006 of approximately $89 million. We have an option to extend this maturity for one year to 2007.

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

(4) Includes certain capital lease obligations totaling approximately $7.0 million. These agreements expire in June 2009 and are paid semi-annually.

In addition, the Company leases land under non-cancelable operating leases at certain of the Properties expiring in various years from 2022 to 2031 with terms which require twelve equal payments per year plus additional rents calculated as a percentage of gross revenues. For the quarters ended March 31, 2005 and 2004, ground lease rent was approximately $400,000. Minimum future rental payments under the ground leases are approximately $1.6 million for each of the next five years and approximately $26.3 million thereafter.

EQUITY TRANSACTIONS

On March 24, 2005, the Operating Partnership issued $25 million of 8.0625% Series D Cumulative Redeemable Perpetual Preference Units (the "Series D 8% Units"), to institutional investors. The Series D 8% Units are non-callable for five years. In addition, the Operating Partnership had an existing $125 million of 9.0% Series D Cumulative Redeemable Perpetual Preference Units (the "Series D 9% Units") outstanding that were callable by the Company as of September 2003. In connection with the new issue, the Operating Partnership has agreed to extend the non-call provision of the Series D 9% Units to be coterminous with the new issue, and the institutional investors holding the Series D 9% Units have agreed to lower the rate on such units to 8.0625%. All of the units have no stated maturity or mandatory redemption. Net proceeds from the offering were used to pay down amounts outstanding under the Company's line of credit.

On April 8, 2005, the Company paid a $0.025 per share distribution for the quarter ended March 31, 2005 to stockholders of record on March 25, 2005. On March 24, 2005, the Operating Partnership paid distributions of 9.0% per annum on the $125 million of Series D 9% Units, and for the seven days ended March 31, 2005, the Operating Partnership paid distributions of 8.0625% per annum on the $150 million of Series D 8% Units.

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

During the three months ended March 31, 2004, in connection with the 2004 acquisitions the Company issued 126,765 common OP units valued at $5.6 million of which approximately $4.4 million has been classified as paid-in capital. These were subsequently redeemed at the end of the year.

On January 16, 2004, we paid a one-time special distribution of $8.00 per share payable to stockholders of record on January 8, 2004. Proceeds of the Recap were used to pay the special distribution.

## 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.

## FUNDS FROM OPERATIONS

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

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

The following table presents a calculation of FFO for the quarters ended March 31, 2005 and 2004 (amounts in thousands):

| | 2005 | 2004 |
|---|---|---|
| COMPUTATION OF FUNDS FROM OPERATIONS: | | |
| Net income available for Common Shares ...................... | $ 8,709 | $ 4,510 |
| Income allocated to Common OP Units ........................ | 2,373 | 1,039 |
| Depreciation on real estate assets .......................... | 13,924 | 10,297 |
| Depreciation expense included in discontinued operations .... | 329 | 340 |
| Gain on sale of Properties and other ........................ | -- | (638) |
| Funds from operations ..................................... | $ 25,335 | $ 15,548 |
| Weighted average Common Shares outstanding - diluted ........ | 29,878 | 28,521 |

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 March 31, 2005 approximately 99% 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 $88.1 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 $93.2 million.

At March 31, 2005 approximately 1% or approximately $21 million of our outstanding debt was short-term and at variable rates. Earnings are affected by increases and decreases in market interest rates on this debt. For each increase/decrease in interest rates of 1% (or 100 basis points), our earnings and cash flows would increase/decrease by approximately $219,000 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 and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures as of March 31, 2005. 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 March 31, 2005.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

To remediate the material weakness in the Company's internal control over financial reporting described in Item 9A of the Company's Form 10-K for the year ended December 31, 2004, during the quarter ended March 31, 2005 the Company implemented additional review procedures over the selection and monitoring of the application and interpretation of accounting principles affecting the costs incurred in pursuing rent control initiatives. There were no other material changes in the Company's internal control over financial reporting during the quarter ended March 31, 2005.

## PART II - OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS

See Note 9 of the Consolidated Financial Statements contained herein.

### ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

We did not submit any matter to a vote of security holders during the three months ended March 31, 2005.

### ITEM 6. EXHIBITS

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

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

32.1 Certification of Chief Financial Officer Pursuant to 19 U.S.C. Section 1350

32.2 Certification of Chief Executive Officer Pursuant to 19 U.S.C. Section 1350

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.

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

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

DATE: May 10, 2005

EXHIBIT 31.1

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

I, Michael B. Berman, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Equity Lifestyle Properties, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonable likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 10, 2005      By: /s/ Michael B. Berman

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

EXHIBIT 31.2

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

I, Thomas P. Heneghan, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Equity Lifestyle Properties, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonable likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 10, 2005

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

EXHIBIT 32.1

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

In connection with the accompanying Quarterly Report on Form 10-Q of Equity Lifestyle Properties, Inc. for the quarter ended March 31, 2005 (the "Form 10-Q"), I, Michael B. Berman, Vice President, Treasurer and Chief Financial Officer of Equity Lifestyle Properties, Inc., hereby certify pursuant to 18 U.S.C. Section 1350, as adopted by Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. the Form 10-Q fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Equity Lifestyle Properties, Inc.

Date: May 10, 2005

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

A SIGNED ORIGINAL OF THIS WRITTEN STATEMENT REQUIRED BY SECTION 906 HAS BEEN PROVIDED TO EQUITY LIFESTYLE PROPERTIES, INC. AND WILL BE RETAINED BY EQUITY LIFESTYLE PROPERTIES, INC. AND FURNISHED TO THE SECURITIES AND EXCHANGE COMMISSION OR ITS STAFF UPON REQUEST.

EXHIBIT 32.2

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

In connection with the accompanying Quarterly Report on Form 10-Q of Equity Lifestyle Properties, Inc. for the quarter ended March 31, 2005 (the "Form 10-Q"), I, Thomas P. Heneghan, President and Chief Executive Officer of Equity Lifestyle Properties, Inc., hereby certify pursuant to 18 U.S.C. Section 1350, as adopted by Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. the Form 10-Q fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Equity Lifestyle Properties, Inc.

Date: May 10, 2005

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

A SIGNED ORIGINAL OF THIS WRITTEN STATEMENT REQUIRED BY SECTION 906 HAS BEEN PROVIDED TO EQUITY LIFESTYLE PROPERTIES, INC. AND WILL BE RETAINED BY EQUITY LIFESTYLE PROPERTIES, INC. AND FURNISHED TO THE SECURITIES AND EXCHANGE COMMISSION OR ITS STAFF UPON REQUEST.