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

# FORM 10-Q

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

**For the quarterly period ended September 30, 2019**

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

**For the transition period from to**

**Commission file number: 1-11718**

# EQUITY LIFESTYLE PROPERTIES, INC.
**(Exact Name of Registrant as Specified in Its Charter)**

| | |
|---|---|
| **Maryland** | **36-3857664** |
| **(State or other jurisdiction of incorporation)** | **(IRS Employer Identification Number)** |
| **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

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

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|---|---|---|
| **Common Stock, $0.01 Par Value** | **ELS** | **New York Stock Exchange** |

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

| | | | |
|---|---|---|---|
| Large accelerated filer | ☒ | Accelerated filer | ☐ |
| Non-accelerated filer | ☐ | Smaller reporting company | ☐ |
| | | Emerging growth company | ☐ |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act ☐

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

Indicate the number of shares outstanding of each of the issuer’s classes of common stock, as of the latest practicable date: 182,080,887 shares of Common Stock as of October 23, 2019.

**Equity LifeStyle Properties, Inc.**

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## Part I – Financial Information

### Item 1. Financial Statements

**Equity LifeStyle Properties, Inc.**
**Consolidated Balance Sheets**
**(amounts in thousands, except share and per share data (adjusted for stock split))**

| | As of September 30, 2019 (unaudited) | As of December 31, 2018 |
|---|---|---|
| **Assets** | | |
| Investment in real estate: | | |
| Land | $ 1,516,956 | $ 1,408,832 |
| Land improvements | 3,291,463 | 3,143,745 |
| Buildings and other depreciable property | 869,360 | 720,900 |
| | 5,677,779 | 5,273,477 |
| Accumulated depreciation | (1,739,285) | (1,631,888) |
| Net investment in real estate | 3,938,494 | 3,641,589 |
| Cash and restricted cash | 42,386 | 68,974 |
| Notes receivable, net | 37,228 | 35,041 |
| Investment in unconsolidated joint ventures | 20,339 | 57,755 |
| Deferred commission expense | 40,953 | 40,308 |
| Other assets, net | 58,071 | 46,227 |
| Assets held for sale, net | — | 35,914 |
| **Total Assets** | **$ 4,137,471** | **$ 3,925,808** |
| | | |
| **Liabilities and Equity** | | |
| Liabilities: | | |
| Mortgage notes payable, net | $ 2,062,736 | $ 2,149,726 |
| Term loan, net | 198,868 | 198,626 |
| Unsecured line of credit | 120,000 | — |
| Accounts payable and other liabilities | 144,622 | 102,854 |
| Deferred revenue – upfront payments from right-to-use contracts (membership upgrade sales) | 124,577 | 116,363 |
| Deferred revenue – right-to-use annual payments (membership subscriptions) | 11,395 | 10,055 |
| Accrued interest payable | 8,410 | 8,759 |
| Rents and other customer payments received in advance and security deposits | 88,094 | 81,114 |
| Distributions payable | 58,976 | 52,617 |
| Liabilities related to assets held for sale | — | 12,350 |
| **Total Liabilities** | **2,817,678** | **2,732,464** |
| Equity: | | |
| Stockholders' Equity: | | |
| Preferred stock, $0.01 par value, 10,000,000 shares authorized as of September 30, 2019 and December 31, 2018; none issued and outstanding. | — | — |
| Common stock, $0.01 par value, 400,000,000 and 200,000,000 shares authorized as of September 30, 2019 and December 31, 2018, respectively; 182,080,186 and 179,842,036 shares issued and outstanding as of September 30, 2019 and December 31, 2018, respectively. | 1,812 | 1,792 |
| Paid-in capital | 1,399,951 | 1,328,495 |
| Distributions in excess of accumulated earnings | (153,505) | (211,034) |
| Accumulated other comprehensive income (loss) | (499) | 2,299 |
| Total Stockholders’ Equity | 1,247,759 | 1,121,552 |
| Non-controlling interests – Common OP Units | 72,034 | 71,792 |
| **Total Equity** | **1,319,793** | **1,193,344** |
| **Total Liabilities and Equity** | **$ 4,137,471** | **$ 3,925,808** |

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

**Equity LifeStyle Properties, Inc.**
**Consolidated Statements of Income and Comprehensive Income**
**(amounts in thousands, except per share data (adjusted for stock split))**
**(unaudited)**

| | Quarters Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| **Revenues:** | | | | |
| Rental income | $ 225,116 | $ 211,102 | $ 660,689 | $ 617,250 |
| Right-to-use annual payments (membership subscriptions) | 13,150 | 12,206 | 38,052 | 35,616 |
| Right-to-use contracts current period, gross (membership upgrade sales) | 5,730 | 4,863 | 14,609 | 11,969 |
| Right-to-use contract upfront payments, deferred, net | (3,530) | (2,883) | (8,213) | (6,189) |
| Other income | 11,263 | 13,419 | 31,898 | 38,991 |
| Gross revenues from home sales | 8,438 | 9,339 | 22,738 | 26,753 |
| Brokered resale and ancillary services revenues, net | 2,133 | 1,362 | 4,564 | 3,380 |
| Interest income | 1,831 | 1,846 | 5,385 | 5,658 |
| Income from other investments, net | 7,029 | 5,421 | 8,894 | 9,774 |
| Total revenues | 271,160 | 256,675 | 778,616 | 743,202 |
| **Expenses:** | | | | |
| Property operating and maintenance | 90,765 | 86,349 | 253,581 | 244,401 |
| Real estate taxes | 15,166 | 13,240 | 45,596 | 40,815 |
| Sales and marketing, gross | 4,063 | 3,568 | 11,686 | 9,685 |
| Right-to-use contract commissions, deferred, net | (313) | (458) | (893) | (744) |
| Property management | 14,605 | 13,589 | 42,675 | 40,742 |
| Depreciation and amortization | 37,032 | 34,980 | 112,785 | 101,699 |
| Cost of home sales | 8,434 | 9,742 | 23,230 | 27,948 |
| Home selling expenses | 1,033 | 1,101 | 3,218 | 3,149 |
| General and administrative | 8,710 | 8,816 | 27,844 | 26,523 |
| Other expenses | 1,460 | 386 | 2,427 | 1,096 |
| Early debt retirement | — | — | 1,491 | — |
| Interest and related amortization | 25,547 | 26,490 | 77,964 | 78,478 |
| Total expenses | 206,502 | 197,803 | 601,604 | 573,792 |
| Gain on sale of real estate, net | — | — | 52,507 | — |
| Income before equity in income of unconsolidated joint ventures | 64,658 | 58,872 | 229,519 | 169,410 |
| Equity in income of unconsolidated joint ventures | 3,518 | 788 | 8,277 | 3,596 |
| Consolidated net income | 68,176 | 59,660 | 237,796 | 173,006 |
| Income allocated to non-controlling interests – Common OP Units | (3,715) | (3,590) | (13,617) | (10,569) |
| Redeemable perpetual preferred stock dividends | — | — | (8) | (8) |
| **Net income available for Common Stockholders** | **$ 64,461** | **$ 56,070** | **$ 224,171** | **$ 162,429** |
| Consolidated net income | $ 68,176 | $ 59,660 | $ 237,796 | $ 173,006 |
| Other comprehensive income (loss): | | | | |
| Adjustment for fair market value of swap | (257) | 380 | (2,798) | 3,017 |
| Consolidated comprehensive income | 67,919 | 60,040 | 234,998 | 176,023 |
| Comprehensive income allocated to non-controlling interests – Common OP Units | (3,701) | (3,613) | (13,460) | (10,754) |
| Redeemable perpetual preferred stock dividends | — | — | (8) | (8) |
| **Comprehensive income attributable to Common Stockholders** | **$ 64,218** | **$ 56,427** | **$ 221,530** | **$ 165,261** |
| **Earnings per Common Share – Basic** | $ 0.35 | $ 0.31 | $ 1.24 | $ 0.91 |
| **Earnings per Common Share – Fully Diluted** | $ 0.35 | $ 0.31 | $ 1.24 | $ 0.91 |
| Weighted average Common Shares outstanding – basic | 181,649 | 178,400 | 180,515 | 177,520 |
| Weighted average Common Shares outstanding – fully diluted | 192,400 | 190,526 | 191,840 | 189,654 |

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

**Equity LifeStyle Properties, Inc.**
**Consolidated Statements of Changes in Equity**
**(amounts in thousands; adjusted for stock split)**
**(unaudited)**

| | Common Stock | Paid-in Capital | Redeemable Perpetual Preferred Stock | Distributions in Excess of Accumulated Earnings | Accumulated Other Comprehensive Income (Loss) | Non-controlling Interests – Common OP Units | Total Equity |
|---|---|---|---|---|---|---|---|
| **Balance as of December 31, 2018** | **$ 1,792** | **$ 1,328,495** | **$ —** | **$ (211,034)** | **$ 2,299** | **$ 71,792** | **$ 1,193,344** |
| Exchange of Common OP Units for common stock | — | 66 | — | — | — | (66) | — |
| Issuance of common stock through exercise of options | — | 53 | — | — | — | — | 53 |
| Issuance of common stock through employee stock purchase plan | — | 652 | — | — | — | — | 652 |
| Compensation expenses related to restricted stock and stock options | — | 2,420 | — | — | — | — | 2,420 |
| Repurchase of common stock or Common OP Units | — | (53) | — | — | — | — | (53) |
| Adjustment for Common OP Unitholders in the Operating Partnership | — | (56) | — | — | — | 56 | — |
| Adjustment for fair market value of swap | — | — | — | — | (931) | — | (931) |
| Consolidated net income | — | — | — | 113,309 | — | 7,226 | 120,535 |
| Distributions | — | — | — | (55,123) | — | (3,516) | (58,639) |
| Other | — | (63) | — | — | — | — | (63) |
| **Balance as of March 31, 2019** | **1,792** | **1,331,514** | **$ —** | **(152,848)** | **1,368** | **75,492** | **1,257,318** |
| Exchange of Common OP Units for Common Stock | 10 | 6,425 | — | — | — | (6,435) | — |
| Issuance of Common Stock through employee stock purchase plan | — | 587 | — | — | — | — | 587 |
| Issuance of Common Stock | 10 | 59,309 | — | — | — | — | 59,319 |
| Compensation expenses related to restricted stock and stock options | — | 2,625 | — | — | — | — | 2,625 |
| Adjustment for Common OP Unitholders in the Operating Partnership | — | (2,883) | — | — | — | 2,883 | — |
| Adjustment for fair market value of swap | — | — | — | — | (1,610) | — | (1,610) |
| Consolidated net income | — | — | 8 | 46,401 | — | 2,676 | 49,085 |
| Distributions | — | — | (8) | (55,757) | — | (3,215) | (58,980) |
| Other | — | (870) | — | — | — | — | (870) |
| **Balance as of June 30, 2019** | **1,812** | **1,396,707** | **$ —** | **(162,204)** | **(242)** | **71,401** | **1,307,474** |
| Exchange of Common OP Units for Common Stock | — | 33 | — | — | — | (33) | — |
| Issuance of Common Stock through employee stock purchase plan | — | 698 | — | — | — | — | 698 |
| Compensation expenses related to restricted stock and stock options | — | 2,734 | — | — | — | — | 2,734 |
| Adjustment for Common OP Unitholders in the Operating Partnership | — | (165) | — | — | — | 165 | — |
| Adjustment for fair market value of swap | — | — | — | — | (257) | — | (257) |
| Consolidated net income | — | — | — | 64,461 | — | 3,715 | 68,176 |
| Distributions | — | — | — | (55,762) | — | (3,214) | (58,976) |
| Other | — | (56) | — | — | — | — | (56) |
| **Balance as of September 30, 2019** | **$ 1,812** | **$ 1,399,951** | **$ —** | **$ (153,505)** | **$ (499)** | **$ 72,034** | **$ 1,319,793** |

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

**Equity LifeStyle Properties, Inc.**
**Consolidated Statements of Changes in Equity**
**(amounts in thousands; adjusted for stock split)**
**(unaudited)**

| | Common Stock | Paid-in Capital | Redeemable Perpetual Preferred Stock | Distributions in Excess of Accumulated Earnings | Accumulated Other Comprehensive Income (Loss) | Non-controlling interests – Common OP Units | Total Equity |
|---|---|---|---|---|---|---|---|
| **Balance as of December 31, 2017** | **$ 1,766** | **$ 1,241,226** | $ — | **$ (211,980)** | **$ 942** | **$ 68,088** | **$ 1,100,042** |
| Cumulative effect of change in accounting principle (ASC 606, Revenue Recognition) | — | — | — | (15,186) | — | — | (15,186) |
| **Balance as of January 1, 2018** | **1,766** | **1,241,226** | — | **(227,166)** | **942** | **68,088** | **1,084,856** |
| Exchange of Common OP Units for common stock | — | 80 | — | — | — | (80) | — |
| Issuance of common stock through employee stock purchase plan | — | 503 | — | — | — | — | 503 |
| Compensation expenses related to restricted stock and stock options | — | 1,800 | — | — | — | — | 1,800 |
| Adjustment for Common OP Unitholders in the Operating Partnership | — | 782 | — | — | — | (782) | — |
| Adjustment for fair market value of swap | — | — | — | — | 1,873 | — | 1,873 |
| Consolidated net income | — | — | — | 60,222 | — | 3,955 | 64,177 |
| Distributions | — | — | — | (48,805) | — | (3,205) | (52,010) |
| Other | — | (60) | — | — | — | — | (60) |
| **Balance as of March 31, 2018** | **1,766** | **1,244,331** | — | **(215,749)** | **2,815** | **67,976** | **1,101,139** |
| Exchange of Common OP Units for Common Stock | 2 | 80 | — | — | — | (82) | — |
| Issuance of Common Stock through employee stock purchase plan | — | 343 | — | — | — | — | 343 |
| Compensation expenses related to restricted stock and stock options | — | 2,741 | — | — | — | — | 2,741 |
| Adjustment for Common OP Unitholders in the Operating Partnership | — | (57) | — | — | — | 57 | — |
| Adjustment for fair market value of swap | — | — | — | — | 764 | — | 764 |
| Consolidated net income | — | — | 8 | 46,137 | — | 3,024 | 49,169 |
| Distributions | — | — | (8) | (48,841) | — | (3,201) | (52,050) |
| Other | — | (275) | — | — | — | — | (275) |
| **Balance as of June 30, 2018** | **1,768** | **1,247,163** | — | **(218,453)** | **3,579** | **67,774** | **1,101,831** |
| Exchange of Common OP Units for Common Stock | 2 | 857 | — | — | — | (859) | — |
| Issuance of Common Stock through employee stock purchase plan | — | 765 | — | — | — | — | 765 |
| Issuance of Common Stock | 20 | 78,735 | — | — | — | — | 78,755 |
| Compensation expenses related to restricted stock and stock options | — | 2,746 | — | — | — | — | 2,746 |
| Adjustment for Common OP Unitholders in the Operating Partnership | — | (4,414) | — | — | — | 4,414 | — |
| Adjustment for fair market value of swap | — | — | — | — | 380 | — | 380 |
| Consolidated net income | — | — | — | 56,070 | — | 3,590 | 59,660 |
| Distributions | — | — | — | (49,360) | — | (3,161) | (52,521) |
| Other | — | (1,099) | — | — | — | — | (1,099) |
| **Balance as of September 30, 2018** | **$ 1,790** | **$ 1,324,753** | **$ —** | **$ (211,743)** | **$ 3,959** | **$ 71,758** | **$ 1,190,517** |

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

**Equity LifeStyle Properties, Inc.**
**Consolidated Statements of Cash Flows**
**(amounts in thousands)**
**(unaudited)**

| | Nine Months Ended September 30, | |
|---|---|---|
| | **2019** | **2018** |
| **Cash Flows From Operating Activities:** | | |
| Consolidated net income | $ 237,796 | $ 173,006 |
| Adjustments to reconcile consolidated net income to net cash provided by operating activities: | | |
| Gain on sale of real estate, net | (52,507) | — |
| Early debt retirement | 1,491 | — |
| Depreciation and amortization | 114,160 | 102,798 |
| Amortization of loan costs | 2,623 | 2,675 |
| Debt premium amortization | (359) | (1,061) |
| Equity in income of unconsolidated joint ventures | (8,277) | (3,596) |
| Distributions of income from unconsolidated joint ventures | 5,010 | 2,869 |
| Proceeds from insurance claims, net | (1,742) | (3,353) |
| Compensation expense related to restricted stock and stock options | 7,779 | 7,287 |
| Revenue recognized from right-to-use contract upfront payments (membership upgrade sales) | (6,394) | (5,780) |
| Commission expense recognized related to right-to-use contracts | 2,773 | 2,715 |
| Long-term incentive plan compensation | (3,226) | 819 |
| Changes in assets and liabilities: | | |
| Notes receivable, net | (2,441) | (641) |
| Deferred commission expense | (3,418) | (3,424) |
| Other assets, net | 1,070 | 16,666 |
| Accounts payable and other liabilities | 35,771 | 20,055 |
| Deferred revenue – upfront payments from right-to-use contracts (membership upgrade sales) | 14,609 | 11,969 |
| Deferred revenue – right-to-use annual payments (membership subscriptions) | 1,340 | 1,093 |
| Rents and other customer payments received in advance and security deposits | 3,290 | 665 |
| Net cash provided by operating activities | 349,348 | 324,762 |
| **Cash Flows From Investing Activities:** | | |
| Real estate acquisitions, net | (176,296) | (131,804) |
| Proceeds from disposition of properties, net | 77,746 | — |
| Investment in unconsolidated joint ventures | (983) | (3,914) |
| Distributions of capital from unconsolidated joint ventures | 5,734 | 168 |
| Proceeds from insurance claims | 6,689 | 6,615 |
| Repayments of notes receivable | — | 13,822 |
| Capital improvements | (189,788) | (128,436) |
| Net cash used in investing activities | (276,898) | (243,549) |

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

**Equity LifeStyle Properties, Inc.**
**Consolidated Statements of Cash Flows (continued)**
**(amounts in thousands)**
**(unaudited)**

| | Nine Months Ended September 30, 2019 | Nine Months Ended September 30, 2018 |
|---|---|---|
| **Cash Flows From Financing Activities:** | | |
| Proceeds from stock options and employee stock purchase plan | 1,934 | 1,610 |
| Gross proceeds from the issuance of common stock | 59,319 | 78,755 |
| Distributions: | | |
| Common Stockholders | (160,336) | (140,850) |
| Common OP Unitholders | (9,891) | (9,250) |
| Preferred Stockholders | (8) | (8) |
| Principal payments and mortgage debt repayment | (107,367) | (36,308) |
| New mortgage notes payable financing proceeds | — | 64,014 |
| Line of Credit payoff | (120,000) | (174,000) |
| Line of Credit proceeds | 240,000 | 224,000 |
| Debt issuance and defeasance costs | (1,700) | (1,878) |
| Other | (989) | (1,433) |
| Net cash (used in) provided by financing activities | (99,038) | 4,652 |
| Net (decrease) increase in cash and restricted cash | (26,588) | 85,865 |
| Cash and restricted cash, beginning of period | 68,974 | 35,631 |
| **Cash and restricted cash, end of period** | **$ 42,386** | **$ 121,496** |

| | Nine Months Ended September 30, 2019 | Nine Months Ended September 30, 2018 |
|---|---|---|
| **Supplemental Information:** | | |
| Cash paid for interest | $ 76,508 | $ 76,881 |
| Net investment in real estate – reclassification of rental homes | $ 19,241 | $ 22,973 |
| Other assets, net – reclassification of rental homes | $ (19,241) | $ (22,973) |
| | | |
| Real estate acquisitions: | | |
| Investment in real estate | $ (240,324) | $ (150,926) |
| Investment in unconsolidated joint ventures | 35,789 | — |
| Other assets, net | (1,415) | (9) |
| Debt assumed | 19,212 | 9,200 |
| Debt financed | — | 8,786 |
| Other liabilities | 10,442 | 1,145 |
| Real estate acquisitions, net | $ (176,296) | $ (131,804) |
| | | |
| Real estate dispositions: | | |
| Investment in real estate | $ 35,572 | $ — |
| Notes receivable, net | 295 | — |
| Other assets, net | 97 | — |
| Mortgage notes payable, net | (11,175) | — |
| Other liabilities | 450 | — |
| Gain on sale of real estate, net | 52,507 | — |
| Real estate dispositions, net | $ 77,746 | $ — |

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

**Note 1 – Organization and Basis of Presentation**

Equity LifeStyle Properties, Inc. ("ELS"), a Maryland corporation, together with MHC Operating Limited Partnership (the “Operating Partnership”) and its other consolidated subsidiaries (the “Subsidiaries”) are referred to herein as “we,” “us,” "the Company," and “our.” We are a fully integrated owner and operator of lifestyle-oriented properties ("Properties") consisting primarily of manufactured home ("MH") and recreational vehicle ("RV") communities. We provide our customers the opportunity to place factory-built homes, cottages, cabins or RVs on our Properties either on a long-term or short-term basis. Our customers may lease individual developed areas ("Sites") or enter right-to-use contracts, which provide them access to specific Properties for limited stays.

Our Properties are owned primarily by the Operating Partnership and managed internally by wholly-owned affiliates of the Operating Partnership. ELS is the sole general partner of the Operating Partnership, has exclusive responsibility and discretion in management and control of the Operating Partnership and held a 94.6% interest as of September 30, 2019. As the general partner with control, ELS is the primary beneficiary of, and therefore consolidates, the Operating Partnership.

Equity method of accounting is applied to entities in which ELS does not have a controlling interest or for variable interest entities in which ELS is not considered the primary beneficiary, but with respect to which it can exercise significant influence over operations and major decisions. Our exposure to losses associated with unconsolidated joint ventures is primarily limited to the carrying value of these investments. Accordingly, distributions from a joint venture in excess of our carrying value are recognized in earnings.

The accompanying unaudited interim consolidated financial statements have been prepared pursuant to Securities and Exchange Commission (“SEC”) rules and regulations for Quarterly Reports on Form 10-Q. Accordingly, they do not include all of the information and note disclosures required by U.S. Generally Accepted Accounting Principles ("GAAP") for complete financial statements and should be read in conjunction with the consolidated financial statements and notes thereto included in the 2018 Form 10-K.

Intercompany balances and transactions have been eliminated. All adjustments to the interim consolidated financial statements are of a normal, recurring nature and, in the opinion of management, are necessary for a fair presentation of results for these interim periods. Revenues and expenses are subject to seasonal fluctuations and accordingly, quarterly interim results may not be indicative of full year results. Certain prior period amounts have been reclassified on our interim consolidated financial statements to conform with current year presentation.

On October 15, 2019, we effected a two-for-one stock split of our common stock. Pursuant to the anti-dilution provision in the Operating Partnership's Agreement of Limited Partnership, the stock split also affected the common Operating Partnership units ("OP units"). All shares of common stock and common OP units and per share data in the accompanying consolidated financial statements and notes, for all periods presented, have been adjusted to reflect the stock split.

**Note 2 – Summary of Significant Accounting Policies**

*(a) Recently Adopted Accounting Pronouncements*

In February 2016, the FASB issued ("ASU 2016-02") *Leases*. This new guidance, including the related subsequently issued ASUs, provides the principles for the recognition, measurement, presentation and disclosure of leases, including the requirement that lessees recognize right-of-use ("ROU") assets and lease liabilities for leases on the Consolidated Balance Sheets.

We adopted the new lease standard effective January 1, 2019 and have elected to use January 1, 2019 as our date of initial application. Results for reporting periods beginning January 1, 2019 are presented under the new lease standard. We made an accounting policy election to not recognize ROU assets and lease liabilities for leases with a term of 12 months or less. We elected the package of practical expedients permitted under the transition guidance within the new standard and were not required to reassess the following upon adoption: (i) whether an expired or existing contract met the definition of a lease, (ii) the lease classification at January 1, 2019 for existing leases and (iii) whether leasing costs previously capitalized as initial direct costs would continue to be amortized. Upon adoption, we did not have an adjustment to the opening balance of retained earnings due to the election of these practical expedients.

As a lessor, we adopted the practical expedient that allowed us not to separate expenses reimbursed by our customers (“utility recoveries”) from the associated rental revenue if certain criteria were met. We assessed these criteria and concluded the timing and pattern of transfer for rental revenue and the associated utility recoveries are the same and as our leases qualify as operating

**Note 2 – Summary of Significant Accounting Policies (continued)**

leases, we accounted for and presented rental revenue and utility recoveries as a single component under Rental income in our Consolidated Statements of Income and Comprehensive Income for 2019 and 2018. In addition, the new standard requires our expected credit loss related to the collectability of lease receivables to be reflected as an adjustment to the line item Rental income prospectively starting from January 1, 2019. For 2018, the credit loss related to the collectability of lease receivables was recognized in the line item Property operating and maintenance and was not significant. The guidance regarding capitalization of leasing costs did not have any effect on our consolidated financial statements.

On January 1, 2019, we recognized ROU assets of $17.5 million and lease liabilities of $18.7 million on the Consolidated Balance Sheets, principally for our ground and office space leases, in which we are the lessee.

For more disclosure on the adoption of the new lease accounting standard, see Note 3. Leases.

*(b) New Accounting Pronouncements*

In August 2018, the FASB issued ("ASU 2018-15") *Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract*. ASU 2018-15 provides clarity on the accounting for implementation costs of a cloud computing arrangement that is a service contract. The project stage (that is, preliminary project stage, application development stage, or post implementation stage) and the nature of the implementation costs determine which costs to capitalize as an asset related to the service contract and which ones to expense. This update also requires the capitalized implementation costs to be expensed over the term of the arrangement and to be presented in the same line item in the consolidated financial statements as the fees associated with the service of the arrangement. ASU 2018-15 is effective in fiscal years beginning after December 15, 2019, including interim periods within those years. This guidance can be applied either retrospectively or prospectively to all implementation costs incurred after the date of adoption. We are currently in the process of evaluating the potential impact, if any, that the adoption of this standard may have on the consolidated financial statements and related disclosures.

In June 2016, the FASB issued (“ASU 2016-13”) *Financial Instruments - Credit Losses: Measurement of Credit Losses on Financial Instruments (Topic 326)*. ASU 2016-13 requires entities to measure all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. Entities will now use forward-looking information to better form their credit loss estimates. ASU 2016-13 also requires enhanced disclosures to help financial statement users better understand significant estimates and judgments used in estimating credit losses, as well as the credit quality and underwriting standards of an entity’s portfolio. ASU 2016-13 is effective for annual reporting periods beginning after December 15, 2019. Early adoption is permitted. The majority of our revenue follows the lease accounting guidance and is not within the scope of this standard. We do not expect the adoption of this standard to have a material impact on the consolidated financial statements and related disclosures.

*(c) Revenue Recognition*

We account for certain revenue streams in accordance with Accounting Standard Codification (ASC) 606, *Revenue from Contracts with Customers.* Right-to-use contracts (also referred to as membership subscriptions), provide our customers access to specific Properties for limited stays at a specified group of Properties. Payments are deferred and recognized on a straight-line basis over the one-year period in which access to Sites at certain Properties is provided. Right-to-use upgrade contracts grant certain additional access rights to the customer and require non-refundable upfront payments. The non-refundable upfront payments are recognized on a straight-line basis over 20 years.

Income from home sales is recognized when the earnings process is complete. The earnings process is complete when the home has been delivered, the purchaser has accepted the home and title has transferred.

*(d) Restricted Cash*

As of September 30, 2019 and December 31, 2018, restricted cash consists of $30.2 million and $24.1 million, respectively, primarily related to cash reserved for customer deposits and amounts escrowed for insurance and real estate taxes.

## Note 3 – Leases

### Lessor

Rental income derived from customers renting our Sites is accounted for in accordance with ASC 842, *Leases*, and is recognized over the term of the respective operating lease or the length of a customer's stay. Our MH community Sites and annual RV community Sites are leased on an annual basis. Seasonal Sites are leased to customers generally for one to six months. Transient Sites are leased to customers on a short-term basis. In addition, customers may lease homes that are located in our Properties.

The leases entered into between the customer and us for the rental of a Site are renewable upon the consent of both parties or, in some instances, as provided by statute. Long-term leases that are non-cancelable by the tenants are in effect at certain Properties. Rental rate increases at these Properties are primarily a function of increases in the Consumer Price Index, taking into consideration certain conditions. Additionally, periodic market rate adjustments are made as deemed appropriate. In addition, certain state statutes allow entry into long-term agreements that effectively modify lease terms related to rent amounts and increases over the term of the agreements. The following table presents future minimum rents expected to be received under long-term non-cancelable tenant leases, as well as those leases that are subject to long-term agreements governing rent payments and increases:

| *(amounts in thousands)* | As of September 30, 2019 |
|---|---|
| 2019 | $ 30,435 |
| 2020 | 120,923 |
| 2021 | 65,667 |
| 2022 | 35,372 |
| 2023 | 20,101 |
| Thereafter | 86,665 |
| Total | $ 359,163 |

### Lessee

We lease land under non-cancelable operating leases at 13 Properties expiring at various dates through 2054. The majority of the leases have terms requiring fixed payments plus additional rents based on a percentage of gross revenues at those Properties. We also have other operating leases, primarily office space expiring at various dates through 2026. For the quarters ended September 30, 2019 and 2018, total operating lease payments were $2.3 million and $2.1 million, respectively. For the nine months ended September 30, 2019 and 2018, total operating lease payments were $6.9 million and $6.2 million, respectively.

The following table summarizes our future minimum rental payments, excluding variable costs, which are discounted by our incremental borrowing rate to calculate the lease liabilities for our operating leases:

| *(amounts in thousands)* | As of September 30, 2019 | As of December 31, 2018 |
|---|---|---|
| 2019 | $ 1,575 | $ 4,921 |
| 2020 | 4,918 | 4,801 |
| 2021 | 4,296 | 4,179 |
| 2022 | 2,220 | 2,103 |
| 2023 | 1070 | 953 |
| Thereafter | 6,294 | 5,054 |
| Total undiscounted rental payments | 20,373 | 22,011 |
| Less imputed interest | (3,157) | (3,289) |
| Total lease liabilities | $ 17,216 | $ 18,722 |

ROU assets and lease liabilities from our operating leases included within Other assets, net and Accounts payable and other liabilities on the Consolidated Balance Sheets were $16.0 million and $17.2 million, respectively, as of September 30, 2019. The weighted average remaining lease term for our operating leases was 7 years and the weighted average incremental borrowing rate was 4.4% at September 30, 2019.

## Note 4 – Earnings Per Common Share

The following table sets forth the computation of basic and diluted earnings per common share, as adjusted for the stock split, for the quarters and nine months ended September 30, 2019 and 2018:

| | Quarters Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| *(amounts in thousands, except per share data)* | 2019 | 2018 | 2019 | 2018 |
| **Numerator:** | | | | |
| Net income available for Common Stockholders – Basic | $ 64,461 | $ 56,070 | $ 224,171 | $ 162,429 |
| Amounts allocated to dilutive securities | 3,715 | 3,590 | 13,617 | 10,569 |
| Net income available for Common Stockholders – Fully Diluted | $ 68,176 | $ 59,660 | $ 237,788 | $ 172,998 |
| **Denominator:** | | | | |
| Weighted average Common Shares outstanding – Basic | 181,649 | 178,400 | 180,515 | 177,520 |
| Effect of dilutive securities: | | | | |
| Exchange of Common OP Units for Common Shares | 10,496 | 11,542 | 11,084 | 11,618 |
| Restricted stock and stock options | 255 | 584 | 241 | 516 |
| Weighted average Common Shares outstanding – Fully Diluted | 192,400 | 190,526 | 191,840 | 189,654 |
| **Earnings per Common Share – Basic** | $ 0.35 | $ 0.31 | $ 1.24 | $ 0.91 |
| **Earnings per Common Share – Fully Diluted** | $ 0.35 | $ 0.31 | $ 1.24 | $ 0.91 |

## Note 5 – Common Stock and Other Equity Related Transactions

*Increase in Authorized Shares*

On April 30, 2019, our stockholders approved an amendment to our charter to increase the number of shares of our common stock that we are authorized to issue from 200,000,000 to 400,000,000 shares.

*Two-for-One Common Stock Split*

On October 15, 2019, a two-for-one stock split of our common stock, effected by and in the form of a stock dividend, was paid to stockholders of record as of October 1, 2019.

*Common Stockholder Distribution Activity*

The following quarterly distributions, as adjusted for the stock split, have been declared and paid to Common Stockholders and the Common OP Unit holders since January 1, 2018.

| Distribution Amount Per Share | For the Quarter Ended | Stockholder Record Date | Payment Date |
|---|---|---|---|
| $0.2750 | March 31, 2018 | March 30, 2018 | April 13, 2018 |
| $0.2750 | June 30, 2018 | June 29, 2018 | July 13, 2018 |
| $0.2750 | September 30, 2018 | September 28, 2018 | October 12, 2018 |
| $0.2750 | December 31, 2018 | December 28, 2018 | January 11, 2019 |
| $0.3063 | March 31, 2019 | March 29, 2019 | April 12, 2019 |
| $0.3063 | June 30, 2019 | June 28, 2019 | July 12, 2019 |
| $0.3063 | September 30, 2019 | September 27, 2019 | October 11, 2019 |

*Equity Offering Program*

On October 26, 2018, we entered into our current at-the-market ("ATM") equity offering program with certain sales agents, pursuant to which we may sell, from time-to-time, shares of our Common Stock, par value $0.01 per share, having an aggregate offering price of up to $200.0 million. As of September 30, 2019, we have $140.7 million of common stock available for issuance.

**Note 5 – Common Stock and Other Equity Related Transactions (continued)**

The following table presents the shares that were issued under the current ATM equity offering program during the nine months ended September 30, 2019 and 2018.

| | Nine Months Ended September 30, | |
|---|---|---|
| *(amounts in thousands, except stock data (as adjusted for the stock split))* | **2019** | **2018** |
| Shares of Common Stock sold | 1,010,472 | 1,722.282 |
| Weighted average price | $ 58.71 | $ 45.73 |
| Total gross proceeds | $ 59,319 | $ 78,755 |
| Commissions paid to sales agents | $ 771 | $ 1,028 |

*Exchanges*

Subject to certain limitations, Common OP Unit holders can request an exchange of any or all of their OP Units for shares of Common Stock at any time. Upon receipt of such a request, we may, in lieu of issuing shares of Common Stock, cause the Operating Partnership to pay cash. During the nine months ended September 30, 2019, 995,550 OP Units were exchanged for an equal number of shares of Common Stock. During the nine months ended September 30, 2018, 175,436 OP Units were exchanged for an equal number of shares of Common Stock.

**Note 6 – Investment in Real Estate**

***Acquisitions***

On September 10, 2019, we completed the acquisition of the remaining interest in the Loggerhead joint venture that owned 11 marinas for a purchase price of approximately $49.0 million. As part of the acquisition, we also funded the joint venture's repayment of its non-transferable debt of approximately $72.0 million. The transaction was funded with proceeds from our unsecured line of credit. Following the consummation of the transaction, we own 100% of the marinas.

On May 29, 2019, we completed the acquisition of White Oak Shores Camping and RV Resort, a 455-site RV community located in Stella, North Carolina, for a purchase price of $20.5 million. The acquisition was funded with available cash.

On April 10, 2019, we completed the acquisition of Round Top RV Campground, a 391-site RV community located in Gettysburg, Pennsylvania, for a purchase price of $12.4 million. This acquisition was funded with available cash and a loan assumption of approximately $7.8 million, excluding mortgage premium of $0.2 million.

On March 25, 2019, we completed the acquisitions of Drummer Boy Camping Resort, a 465-site RV community located in Gettysburg, Pennsylvania, and Lake of the Woods Campground, a 303-site RV community located in Wautoma, Wisconsin, for a total purchase price of $25.4 million. These acquisitions were funded with available cash and a loan assumption of approximately $10.8 million, excluding mortgage premium of $0.4 million.

***Dispositions***

On January 23, 2019, we closed on the sale of five all-age MH communities located in Indiana and Michigan, collectively containing 1,463 sites, for $89.7 million. The assets and liabilities associated with the transaction were classifieds as held for sale on the Consolidated Balance Sheets as of December 31, 2018. We recognized a gain on sale of these Properties of $52.5 million during the first quarter of 2019.

## Note 7 – Investment in Unconsolidated Joint Ventures

The following table summarizes our investment in unconsolidated joint ventures (investment amounts in thousands with the number of Properties shown parenthetically as of September 30, 2019 and December 31, 2018, respectively*)*:

| | | | | Investment as of | | Income/(Loss) for Nine Months Ended | |
|---|---|---|---|---|---|---|---|
| **Investment** | **Location** | **Number of Sites** | **Economic Interest** [(a)] | **September 30, 2019** | **December 31, 2018** | **September 30, 2019** | **September 30, 2018** |
| Meadows | Various (2,2) | 1,077 | 50% | $ 246 | $ 346 | $ 1,200 | $ 1,252 |
| Lakeshore | Florida (3,3) | 720 | (b) | 2,553 | 2,263 | 183 | (62) |
| Voyager | Arizona (1,1) | 1,801 | 50% (c) | 863 | 3,135 | 2,938 | 866 |
| Loggerhead | Florida | 2,343 | 49% (d) | — | 35,789 | 3,501 | 1,089 |
| ECHO JV | Various | — | 50% | 16,677 | 16,222 | 455 | 451 |
| | | 5,941 | | $ 20,339 | $ 57,755 | $ 8,277 | $ 3,596 |

(a) The percentages shown approximate our economic interest as of September 30, 2019 (see note (d) below on Loggerhead). Our legal ownership interest may differ.
(b) Includes two joint ventures in which we own a 65% interest and Crosswinds joint venture in which we own a 49% interest.
(c) Voyager joint venture primarily consists of a 50% interest in Voyager RV Resort and a 33% interest in the utility plant servicing the Property.
(d) On September 10, 2019, we completed the acquisition of the remaining interest in the Loggerhead joint venture (see Note 6. Investment in Real Estate). Loggerhead sites represent marina slip count.

We recognized approximately $10.7 million and $3.0 million of income from distributions from our unconsolidated joint ventures for the nine months ended September 30, 2019 and 2018, respectively. Approximately $3.2 million and $0.1 million of the distributions exceeded our basis in unconsolidated joint ventures for the nine months ended September 30, 2019 and September 30, 2018, respectively, and as such were recorded as income from unconsolidated joint ventures.

## Note 8 – Borrowing Arrangements

*Mortgage Notes Payable*

*2019 Activity*

During the three months ended March 31, 2019, we defeased mortgage debt of $11.2 million in conjunction with the disposition of the five MH Properties as disclosed in Note 6. Investment in Real Estate. These loans had a weighted average interest rate of 5.0% per annum.

During the three months ended June 30, 2019, we prepaid four loans secured by four properties (three MH and one RV), which were scheduled to mature in 2020. The loans had an outstanding principal balance of $66.8 million and a weighted average interest rate of 6.9% per annum. As part of the transaction, we incurred $1.4 million of prepayment penalties. We used the proceeds from the ATM and our available cash to fund the loan payments.

In connection with the acquisitions that closed during the nine months ended September 30, 2019, we assumed mortgage debt of $18.6 million, excluding mortgage note premium of $0.6 million. These loans carry a weighted average interest rate of 5.4% per annum and mature between 2022 and 2024.

*2018 Activity*

During the nine months ended September 30, 2018, we closed on one loan, secured by two RV communities, for gross proceeds of approximately $64.0 million. The loan carries an interest rate of 4.8% per annum and matures in 2038.

In connection with the Serendipity acquisition that closed during the nine months ended September 30, 2018, we assumed a loan of approximately $9.2 million and obtained additional financing of $8.8 million for total mortgage debt, secured by the MH community, of $18.0 million. These loans carry a weighted average interest rate of 4.8% and mature in 2039.

Our mortgage notes payable is classified as Level 2 in the fair value hierarchy. The following table presents the fair value of our mortgage notes payable:

**Note 8 – Borrowing Arrangements (continued)**

| | As of September 30, 2019 | | As of December 31, 2018 | |
|---|---|---|---|---|
| *(amounts in thousands)* | Fair Value | Carrying Value | Fair Value | Carrying Value |
| Mortgage notes payable, excluding deferred financing costs | $ 2,285,061 | $ 2,086,202 | $ 2,164,563 | $ 2,174,715 |

The weighted average interest rate on our outstanding mortgage indebtedness, including the impact of premium/discount amortization and loan cost amortization on mortgage indebtedness, as of September 30, 2019, was approximately 4.5% per annum. The debt bears interest at stated rates ranging from 3.5% to 8.9% per annum and matures on various dates ranging from 2020 to 2041. The debt encumbered a total of 116 and 118 of our Properties as of September 30, 2019 and December 31, 2018, respectively, and the carrying value of such Properties was approximately $2,488.9 million and $2,489.8 million, as of September 30, 2019 and December 31, 2018, respectively.

*Unsecured Line of Credit*

During the nine months ended September 30, 2019, we paid off and borrowed amounts on our unsecured Line of Credit ("LOC"), leaving a balance of $120.0 million outstanding as of September 30, 2019. As of September 30, 2019, our LOC has a remaining borrowing capacity of $280.0 million with the option to increase the borrowing capacity by $200.0 million, subject to certain conditions.

As of September 30, 2019, we were in compliance in all material respects with the covenants in all our borrowing arrangements.

**Note 9 – Derivative Instruments and Hedging Activities**

*Cash Flow Hedges of Interest Rate Risk*

Our objective in utilizing interest rate derivatives is to add stability to our interest expense and to manage our exposure to interest rate movements. We do not enter into derivatives for speculative purposes. In connection with our $200.0 million senior unsecured term loan (the “Term Loan”), which has an interest rate of LIBOR plus 1.20% to 1.90% per annum, we entered into a three-year LIBOR Swap Agreement (the "Swap") allowing us to trade the variable interest rate on the Term Loan for a fixed interest rate. The Swap has a notional amount of $200.0 million of outstanding principal with an underlying LIBOR of 1.85% per annum and matures on November 1, 2020. Based on the leverage as of September 30, 2019, our spread over LIBOR was 1.20% resulting in an estimated all-in interest rate of 3.05% per annum.

Our derivative financial instrument is classified as Level 2 in the fair value hierarchy. The following table presents the fair value of our derivative financial instrument:

| | | As of September 30, | As of December 31, |
|---|---|---|---|
| *(amounts in thousands)* | Balance Sheet Location | 2019 | 2018 |
| Interest Rate Swap | Other assets, net | $ — | $ 2,299 |
| Interest Rate Swap | Accounts payable and other liabilities | $ 499 | $ — |

The following table presents the effect of our derivative financial instrument on the Consolidated Statements of Income and Comprehensive Income:

| Derivatives in Cash Flow Hedging Relationship | Amount of (gain)/loss recognized in OCI on derivative for the nine months ended September 30, | | Location of (gain)/ loss reclassified from accumulated OCI into income | Amount of (gain)/loss reclassified from accumulated OCI into income for the nine months ended September 30, | |
|---|---|---|---|---|---|
| *(amounts in thousands)* | 2019 | 2018 | *(amounts in thousands)* | 2019 | 2018 |
| Interest Rate Swap | $ 1,957 | $ (3,044) | Interest Expense | $ (841) | $ (28) |

During the next twelve months through September 30, 2020, we estimate that an additional $0.4 million will be reclassified as an increase to interest expense. This estimate may be subject to change as the underlying LIBOR changes. We determined that

**Note 9 – Derivative Instruments and Hedging Activities (continued)**

no adjustment was necessary for non-performance risk on our derivative obligation. As of September 30, 2019, we did not post any collateral related to this agreement.

**Note 10 – Equity Incentive Awards**

Shares data below has been adjusted to reflect the stock split.

Our 2014 Equity Incentive Plan (the “2014 Plan”) was adopted by our Board of Directors on March 11, 2014 and approved by our stockholders on May 13, 2014. During the quarter ended March 31, 2019, 122,400 shares of restricted stock (adjusted for the stock split) were awarded to certain members of our management team. Of these shares, 50% are time-based awards, vesting in equal installments over a three-year period on January 31, 2020, January 29, 2021, and January 31, 2022, respectively, and have a grant date fair value of $3.2 million. The remaining 50% are performance-based awards, and are valued using the closing price at the grant date when all the key terms and conditions are known to all parties. The 20,402 shares of restricted stock (adjusted for the stock split) awarded in 2019 subject to 2019 performance goals have a grant date fair value of $1.1 million. Additionally, 23,422 shares of restricted stock (adjusted for the stock split) awarded in 2018 subject to 2019 performance goals have a grant date fair value of $1.3 million.

During the quarter ended June 30, 2019, we awarded to certain members of our Board of Directors 70,862 shares of restricted stock at a fair value of approximately $4.1 million. These shares are time-based awards subject to various vesting dates between October 30, 2019 and April 30, 2022.

Compensation expense related to restricted stock and stock options, reported in General and administrative on the Consolidated Statements of Income and Comprehensive Income, for the quarters ended September 30, 2019 and 2018, was $2.7 million and $2.7 million, respectively, and for the nine months ended September 30, 2019 and 2018, was approximately $7.8 million and $7.3 million, respectively.

**Note 11 – Commitments and Contingencies**

We are involved in various legal and regulatory proceedings ("Proceedings") arising in the ordinary course of business. The Proceedings include, but are not limited to, legal claims made by employees, vendors and customers, and notices, consent decrees, information requests, and additional permit requirements and other similar enforcement actions by governmental agencies relating to our utility infrastructure, including water and wastewater treatment plants and other waste treatment facilities and electrical systems. Additionally, in the ordinary course of business, our operations are subject to audit by various taxing authorities. Management believes these Proceedings taken together do not represent a material liability. In addition, to the extent any such proceedings or audits relate to newly acquired Properties, we consider any potential indemnification obligations of sellers in our favor.

## Note 12 – Reportable Segments

We have identified two reportable segments which are: (i) Property Operations and (ii) Home Sales and Rentals Operations. The Property Operations segment owns and operates land lease Properties and the Home Sales and Rentals Operations segment purchases, sells and leases homes at the Properties. The distribution of the Properties throughout the United States reflects our belief that geographic diversification helps insulate the portfolio from regional economic influences.

All revenues were from external customers and there was no customer who contributed 10% or more of our total revenues during the quarters and nine months ended September 30, 2019 or 2018.

The following tables summarize our segment financial information for the quarters and nine months ended September 30, 2019 and 2018:

**Quarter Ended September 30, 2019**

| *(amounts in thousands)* | Property Operations | Home Sales and Rentals Operations | Consolidated |
|---|---|---|---|
| Operations revenues | $ 249,632 | $ 12,668 | $ 262,300 |
| Operations expenses | (122,683) | (11,070) | (133,753) |
| Income from segment operations | 126,949 | 1,598 | 128,547 |
| Interest income | 985 | 840 | 1,825 |
| Depreciation and amortization | (34,273) | (2,759) | (37,032) |
| Income (loss) from operations | $ 93,661 | $ (321) | $ 93,340 |
| Reconciliation to consolidated net income: | | | |
| Corporate interest income | | | $ 6 |
| Income from other investments, net | | | 7,029 |
| General and administrative | | | (8,710) |
| Other expenses | | | (1,460) |
| Interest and related amortization | | | (25,547) |
| Equity in income of unconsolidated joint ventures | | | 3,518 |
| Consolidated net income | | | $ 68,176 |
| Total assets | $ 3,871,379 | $ 266,092 | $ 4,137,471 |
| Capital improvements | $ 26,000 | $ 42,344 | $ 68,344 |

**Quarter Ended September 30, 2018**

| *(amounts in thousands)* | Property Operations | Home Sales and Rentals Operations | Consolidated |
|---|---|---|---|
| Operations revenues | $ 236,204 | $ 13,204 | $ 249,408 |
| Operations expenses | (114,384) | (12,747) | (127,131) |
| Income from segment operations | 121,820 | 457 | 122,277 |
| Interest income | 863 | 978 | 1,841 |
| Depreciation and amortization | (32,549) | (2,431) | (34,980) |
| Income (loss) from operations | $ 90,134 | $ (996) | $ 89,138 |
| Reconciliation to consolidated net income: | | | |
| Corporate interest income | | | $ 5 |
| Income from other investments, net | | | 5,421 |
| General and administrative | | | (8,816) |
| Other expenses | | | (386) |
| Interest and related amortization | | | (26,490) |
| Equity in income of unconsolidated joint ventures | | | 788 |
| Consolidated net income | | | $ 59,660 |
| Total assets | $ 3,630,136 | $ 224,901 | $ 3,855,037 |
| Capital improvements | $ 21,722 | $ 25,339 | $ 47,061 |

**Note 12 – Reportable Segments (continued)**

**Nine Months Ended September 30, 2019**

| *(amounts in thousands)* | Property Operations | Home Sales and Rentals Operations | Consolidated |
|---|---|---|---|
| Operations revenues | $ 729,496 | $ 34,841 | $ 764,337 |
| Operations expenses | (348,546) | (30,547) | (379,093) |
| Income from segment operations | 380,950 | 4,294 | 385,244 |
| Interest income | 2,829 | 2,535 | 5,364 |
| Depreciation and amortization | (105,013) | (7,772) | (112,785) |
| Gain on sale of real estate, net | 52,507 | — | 52,507 |
| Income (loss) from operations | $ 331,273 | $ (943) | $ 330,330 |
| Reconciliation to consolidated net income: | | | |
| Corporate interest income | | | $ 21 |
| Income from other investments, net | | | 8,894 |
| General and administrative | | | (27,844) |
| Other expenses | | | (2,427) |
| Interest and related amortization | | | (77,964) |
| Equity in income of unconsolidated joint ventures | | | 8,277 |
| Early debt retirement | | | (1,491) |
| Consolidated net income | | | $ 237,796 |
| | | | |
| Total assets | $ 3,871,379 | $ 266,092 | $ 4,137,471 |
| Capital improvements | $ 78,907 | $ 110,881 | $ 189,788 |

**Nine Months Ended September 30, 2018**

| *(amounts in thousands)* | Property Operations | Home Sales and Rentals Operations | Consolidated |
|---|---|---|---|
| Operations revenues | $ 689,387 | $ 38,383 | $ 727,770 |
| Operations expenses | (329,942) | (36,054) | (365,996) |
| Income from segment operations | 359,445 | 2,329 | 361,774 |
| Interest income | 2,494 | 2,918 | 5,412 |
| Depreciation and amortization | (94,377) | (7,322) | (101,699) |
| Income (loss) from operations | $ 267,562 | $ (2,075) | $ 265,487 |
| Reconciliation to consolidated net income: | | | |
| Corporate interest income | | | $ 246 |
| Income from other investments, net | | | 9,774 |
| General and administrative | | | (26,523) |
| Other expenses | | | (1,096) |
| Interest and related amortization | | | (78,478) |
| Equity in income of unconsolidated joint venture | | | 3,596 |
| Consolidated net income | | | $ 173,006 |
| | | | |
| Total assets | $ 3,630,136 | $ 224,901 | $ 3,855,037 |
| Capital Improvements | $ 69,591 | $ 58,845 | $ 128,436 |

**Note 12 – Reportable Segments (continued)**

The following table summarizes our financial information for the Property Operations segment for the quarters and nine months ended September 30, 2019 and 2018:

| | Quarters Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| *(amounts in thousands)* | 2019 | 2018 | 2019 | 2018 |
| **Revenues:** | | | | |
| Rental income | $ 221,306 | $ 207,595 | $ 649,663 | $ 606,667 |
| Right-to-use annual payments (membership subscriptions) | 13,150 | 12,206 | 38,052 | 35,616 |
| Right-to-use contracts current period, gross (membership upgrade sales) | 5,730 | 4,863 | 14,609 | 11,969 |
| Right-to-use contract upfront payments, deferred, net | (3,530) | (2,883) | (8,213) | (6,189) |
| Other income | 11,263 | 13,419 | 31,898 | 38,991 |
| Ancillary services revenues, net | 1,713 | 1,004 | 3,487 | 2,333 |
| Total property operations revenues | 249,632 | 236,204 | 729,496 | 689,387 |
| **Expenses:** | | | | |
| Property operating and maintenance | 89,162 | 84,445 | 249,482 | 239,444 |
| Real estate taxes | 15,166 | 13,240 | 45,596 | 40,815 |
| Sales and marketing, gross | 4,063 | 3,568 | 11,686 | 9,685 |
| Right-to-use contract commissions, deferred, net | (313) | (458) | (893) | (744) |
| Property management | 14,605 | 13,589 | 42,675 | 40,742 |
| Total property operations expenses | 122,683 | 114,384 | 348,546 | 329,942 |
| **Income from property operations segment** | $ 126,949 | $ 121,820 | $ 380,950 | $ 359,445 |

The following table summarizes our financial information for the Home Sales and Rentals Operations segment for the quarters and nine months ended September 30, 2019 and 2018:

| | Quarters Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| *(amounts in thousands)* | 2019 | 2018 | 2019 | 2018 |
| **Revenues:** | | | | |
| Rental income [(a)] | $ 3,810 | $ 3,507 | $ 11,026 | $ 10,583 |
| Gross revenue from home sales | 8,438 | 9,339 | 22,738 | 26,753 |
| Brokered resale revenues, net | 420 | 358 | 1,077 | 1,009 |
| Ancillary services revenues, net | — | — | — | 38 |
| Total revenues | 12,668 | 13,204 | 34,841 | 38,383 |
| **Expenses:** | | | | |
| Property operating and maintenance | 1,603 | 1,904 | 4,099 | 4,957 |
| Cost of home sales | 8,434 | 9,742 | 23,230 | 27,948 |
| Home selling expenses | 1,033 | 1,101 | 3,218 | 3,149 |
| Total expenses | 11,070 | 12,747 | 30,547 | 36,054 |
| Income from home sales and rentals operations segment | $ 1,598 | $ 457 | $ 4,294 | $ 2,329 |

(a) Segment information includes income related to rental homes. Income related to Site rent on rental homes is included within property operations.

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

The following discussion and analysis should be read in conjunction with the consolidated financial statements and related notes included in this Quarterly Report on Form 10-Q and in our Annual Report on Form 10-K for the year ended December 31, 2018 ("2018 Form 10-K"), as well as information in the "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our 2018 Form 10-K.

### *Overview and Outlook*

We are a self-administered and self-managed real estate investment trust ("REIT") with headquarters in Chicago, Illinois. We are a fully integrated owner and operator of lifestyle-oriented properties ("Properties") consisting primarily of manufactured home ("MH") and recreational vehicle ("RV") communities. As of September 30, 2019, we owned or had an ownership interest in a portfolio of 413 Properties located throughout the United States and Canada containing 156,081 Sites. These Properties are located in 33 states and British Columbia, with more than 90 Properties with lake, river or ocean frontage and more than 120 Properties within 10 miles of the coastal United States.

We invest in Properties in sought-after locations near retirement and vacation destinations and urban areas across the United States with a focus on delivering value for both customers and stockholders. We seek growth in earnings, funds from operations ("FFO") and cash flows by enhancing the profitability and operation of our Properties and investments. We seek to accomplish this by attracting and retaining high quality customers, who take pride in our Properties and in their homes, and efficiently managing our Properties by increasing occupancy, maintaining competitive market rents and controlling expenses.

We believe that demand from baby boomers for manufactured housing and RV communities will continue to outpace supply for several years. In addition, exposure to the Millennial and Generation X demographic will contribute to our future long-term customer pipeline as the Millennials currently represent 26% of RV buyers and Millennials and Generation X combined represent more than half of RV buyers. We believe these individuals, seeking an active lifestyle, will continue to drive the market for second-home sales as vacation properties, investment opportunities, or retirement retreats. The entitlement process to develop new MH and RV communities is extremely restrictive. As a result, there have been few new communities developed in our target geographic markets. We believe it is likely that over the next decade, we will continue to see high levels of second-home sales and that manufactured homes and cottages in our Properties will continue to provide a viable second-home alternative to site-built homes.

We also believe that our Properties and our business model provide an opportunity for increased cash flows and appreciation in value. These may be achieved through increasing occupancy and maintaining market rents, as well as expense controls, expansion of existing Properties and opportunistic acquisitions. We actively seek to acquire and are currently engaged in various stages of negotiations relating to the possible acquisition of additional properties, which may include contracts outstanding to acquire such properties that are subject to the satisfactory completion of our due diligence review.

We generate the majority of our revenue from customers renting our individual developed areas ("Sites"), or entering into right-to-use contracts (also referred to as membership subscriptions), which provide our customers access to specific Properties for limited stays. Our MH community Sites and annual RV community Sites are leased on an annual basis. Seasonal Sites are leased to customers generally for one to six months. Transient Sites are leased to customers on a short-term basis. The revenue from seasonal and transient Sites is generally higher during the first and third quarters. We consider the transient revenue stream to be our most volatile as it is subject to weather conditions and other factors affecting the marginal RV customer's vacation and travel preferences. We also generate revenue from customers renting our marina slips. Additionally, we have interests in joint venture Properties for which revenue is classified as Equity in income from unconsolidated joint ventures on the Consolidated Statements of Income and Comprehensive Income.

The following table shows the breakdown of our Sites by type (amounts are approximate):

| | Total Sites as of September 30, 2019 |
|---|---|
| Community Sites | 72,100 |
| Resort Sites: | |
| Annual | 30,400 |
| Seasonal | 11,300 |
| Transient | 12,100 |
| Marina slips [(1)] | 2,300 |
| Right-to-use Membership [(2)] | 24,300 |
| Joint Ventures [(3)] | 3,600 |
| | 156,100 |

(1) On September 10, 2019, we completed the acquisition of the remaining interest in the Loggerhead joint venture.
(2) Primarily utilized to service the approximately 117,600 membership customers who have entered into right-to-use contracts (membership subscriptions). Includes approximately 5,900 Sites rented on an annual basis.
(3) Includes approximately 2,700 annual Sites, 400 seasonal Sites and 500 transient Sites.

In our Home Sales and Rentals Operations business, our revenue streams include home sales, home rentals, brokerage services and ancillary activities. We generate revenue through home sales and rental operations by selling or leasing factory-built homes that are located in Properties owned and managed by us. We selectively consider rental opportunities in our communities, as we believe renting our vacant homes represents an attractive source of occupancy and an opportunity to convert the renter to a homebuyer in the future. We also sell and rent homes through our joint venture, ECHO Financing, LLC (the "ECHO JV"). We offer home sale brokerage services to residents of our Properties who move from a Property but do not relocate their home. In addition, we operate ancillary activities at certain Properties, such as golf courses, pro shops, stores and restaurants.

In the manufactured housing industry, options for home financing, also known as chattel financing, are limited. Chattel financing options available today include community owner-funded programs or third party lender programs that provide subsidized financing to customers and often require the community owner to guarantee customer defaults. Third party lender programs have stringent underwriting criteria, sizable down payment requirements, short loan amortization and high interest rates. We have a limited program under which we purchase loans made by an unaffiliated lender to purchasers of homes at our Properties.

In addition to net income computed in accordance with GAAP, we assess and measure our overall financial and operating performance using certain Non-GAAP supplemental measures, which include: (i) FFO, (ii) Normalized funds from operations ("Normalized FFO"), (iii) Income from property operations, (iv) Income from property operations, excluding deferrals and property management, (v) Core Portfolio income from property operations, excluding deferrals and property management (operating results for Properties owned and operated in both periods under comparison), and (vi) Income from rental operations, net of depreciation. We use these measures internally to evaluate the operating performance of our portfolio and provide a basis for comparison with other real estate companies. Definitions and reconciliations of these measures to the most comparable GAAP measures are included below in this discussion.

***Results Overview***

For the quarter ended September 30, 2019, Net income available for Common Stockholders increased $8.4 million, or $0.04 per fully diluted Common Share, to $64.5 million, or $0.35 per fully diluted Common Share, compared to $56.1 million, or $0.31 per fully diluted Common Share, for the same period in 2018. For the nine months ended September 30, 2019, Net income available for Common Stockholders increased $61.8 million, or $0.33 per fully diluted Common Share, to $224.2 million, or $1.24 per fully diluted Common Share, compared to $162.4 million, or $0.91 per fully diluted Common Share, for the same period in 2018.

For the quarter ended September 30, 2019, FFO available for Common Stock and OP Unit holders increased $10.9 million, or $0.05 per fully diluted Common Share, to $108.6 million, or $0.56 per fully diluted Common Share, compared to $97.7 million, or $0.51 per fully diluted Common Share, for the same period in 2018. For the nine months ended September 30, 2019, FFO available for Common Stock and OP Unit holders increased $24.9 million, or $0.12 per fully diluted Common Share, to $306.4 million or $1.60 per fully diluted Common Share, compared to $281.5 million or $1.48 per fully diluted Common Share, for the same period in 2018.

For the quarter ended September 30, 2019, Normalized FFO available for Common Stock and OP Unit holders increased $8.8 million, or $0.04 per fully diluted Common Share, to $102.7 million, or $0.53 per fully diluted Common Share, compared to $93.9 million, or $0.49 per fully diluted Common Share, for the same period in 2018. For the nine months ended September

30, 2019, Normalized FFO available for Common Stock and OP Unit holders increased $26.7 million, or $0.13 per fully diluted Common Share, to $302.3 million, or $1.58 per fully diluted Common Share, compared to $275.6 million, or $1.45 per fully diluted Common Share, for the same period in 2018.

For the quarter ended September 30, 2019, our Core Portfolio property operating revenues, excluding deferrals, increased 4.8% and property operating expenses, excluding deferrals and property management, increased 4.4%, from the same period in 2018, resulting in an increase in income from property operations, excluding deferrals and property management, of 5.1% compared to the same period in 2018. For the nine months ended September 30, 2019, our Core Portfolio property operating revenues, excluding deferrals, increased 4.6% and property operating expenses, excluding deferrals and property management, increased 3.8% from the same period in 2018, resulting in an increase in income from property operations, excluding deferrals and property management, of 5.1% compared to the same period in 2018.

We focus on the quality of occupancy growth by increasing the number of manufactured homeowners in our Core Portfolio over the long term. There may be fluctuations in the sources of occupancy gains depending on local market conditions, availability of vacant sites and success with converting renters to home owners. Our Core Portfolio average occupancy includes both homeowners and renters in our MH communities and was 95.4% for the quarter ended September 30, 2019, compared to 95.4% for the quarter ended June 30, 2019 and 95.0% for the quarter ended September 30, 2018. As of September 30, 2019, our Core Portfolio occupancy increased 58 Sites with an increase in homeowner occupancy of 85 Sites compared to occupancy as of June 30, 2019. By comparison, as of September 30, 2018, our Core Portfolio occupancy increased 70 Sites with an increase in homeowner occupancy of 139 Sites. Additionally, for both the quarter and nine months ended September 30, 2019, we have experienced rental rate increases, contributing to a growth of 4.7% and 4.6%, respectively, in community base rent compared to the same periods in 2018.

We continue to grow RV rental income in our Core Portfolio as a result of our ability to increase rates and occupancy. RV rental income in our Core Portfolio for the quarter ended September 30, 2019 was 4.5% higher than the same period in 2018. Annual, seasonal and transient rental income for the quarter ended September 30, 2019 increased 6.2%, 3.9% and 1.8%, respectively. RV rental income in our Core Portfolio for the nine months ended September 30, 2019 was 4.3% higher than the same period in 2018. Annual, seasonal and transient rental income for the nine months ended September 30, 2019 increased 6.1%, 3.2% and 0.5%, respectively.

We continue to experience strong performance in our membership base within our Thousand Trails portfolio. We sold approximately 5,900 and 16,200 Thousand Trails camping passes for the quarter and the nine months ended September 30, 2019, respectively, an increase in sales of 9.5% and 12.4% over the same periods in 2018. In addition, we sold 859 membership upgrades for the quarter ended September 30, 2019, an increase of 10.0% over the same period in 2018 and 2,242 membership upgrades for the nine months ended September 30, 2019, an increase of 12.8% over the same period in 2018. Our customers are increasingly choosing self-service options to complete their transactions with us. For the quarter ended September 30, 2019, our total Core RV rental income booked through our website increased 19% and our sales of online camping passes increased approximately 25% compared to the same period in 2018.

Demand for our homes and communities remains strong as evidenced by factors including our high occupancy levels. We closed 128 new home sales for the quarter ended September 30, 2019 compared to 141 for the same period in 2018. The decline in new home sales compared to the quarter ended September 30, 2018 was primarily due to timing of the availability of home inventory ready for sale. We closed on 336 new home sales for the nine months ended September 30, 2019 compared to 417 for the same period in 2018. Compared to the nine months ended in September 30, 2018, the decline in new home sales was primarily due to certain areas of our portfolio reaching historically high occupancy levels. We continue to believe renting our vacant homes represents an attractive source of occupancy and an opportunity to convert the renter to a homebuyer in the future.

As of September 30, 2019, we had 3,986 occupied rental homes in our Core MH communities, including 294 homes rented through our ECHO JV. Our Core Portfolio income from rental operations, net of depreciation, was $7.3 million for the quarter ended September 30, 2019 and $6.7 million for the quarter ended September 30, 2018. Approximately $7.8 million and $7.6 million of rental operations revenue related to Site rental was included within community base rental income in our Core Portfolio for the quarters ended September 30, 2019 and 2018, respectively. Our Core Portfolio income from rental operations, net of depreciation, was $22.5 million for the nine months ended September 30, 2019 and $21.4 million for the nine months ended September 30, 2018. Approximately $23.4 million and $23.3 million of rental operations revenue related to Site rental was included in community base rental income in our Core Portfolio for the nine months ended September 30, 2019 and 2018, respectively.

Our gross investment in real estate increased approximately $404.3 million to $5,677.8 million as of September 30, 2019 from $5,273.5 million as of December 31, 2018, primarily due to new acquisitions and capital expenditures.

The following chart lists the Properties acquired or sold from January 1, 2018 through September 30, 2019 and Sites added through expansion opportunities at our existing Properties.

| Property | Location | Type of Property | Transaction Date | Sites |
|---|---|---|---|---|
| **Total Sites as of January 1, 2018 (1)** | | | | **151,323** |
| **Acquisitions:** | | | | |
| Kingswood | Riverview, Florida | MH | March 8, 2018 | 229 |
| Serendipity | Clearwater, Florida | MH | March 15, 2018 | 425 |
| Holiday Travel Park | Holiday, Florida | RV | April 20, 2018 | 613 |
| Everglades Lakes | Fort Lauderdale, Florida | MH | July 20, 2018 | 612 |
| Sunseekers RV Resort | North Fort Myers, Florida | RV | September 21, 2018 | 241 |
| Timber Creek RV Resort | Westerly, Rhode Island | RV | November 20, 2018 | 364 |
| Palm Lake | Riviera Beach, Florida | MH | December 13, 2018 | 915 |
| King Nummy Trail Campground | Cape May Court House, New Jersey | RV | December 20, 2018 | 313 |
| Drummer Boy Camping Resort | Gettysburg, Pennsylvania | RV | March 25, 2019 | 465 |
| Lake of the Woods Campground | Wautoma, Wisconsin | RV | March 25, 2019 | 303 |
| Round Top RV Campground | Gettysburg, Pennsylvania | RV | April 10, 2019 | 391 |
| White Oak Shores Camping and RV Resort | Stella, North Carolina | RV | May 29, 2019 | 455 |
| **Expansion Site Development:** | | | | |
| Sites added in 2018 | | | | 419 |
| Sites added in 2019 | | | | 460 |
| **Site Reconfigured, net** | | | | 16 |
| **Dispositions:** | | | | |
| Hoosier Estates | Lebanon, Indiana | MH | January 23, 2019 | (288) |
| Lake in the Hills | Auburn Hills, Michigan | MH | January 23, 2019 | (238) |
| North Glen Village | Westfield, Indiana | MH | January 23, 2019 | (282) |
| Oak Tree Village | Portage, Indiana | MH | January 23, 2019 | (361) |
| Swan Creek | Ypsilanti, Michigan | MH | January 23, 2019 | (294) |
| **Total Sites as of September 30, 2019** | | | | **156,081** |

(1) Includes the Loggerhead marina slip count.

## Non-GAAP Financial Measures

Management's discussion and analysis of financial condition and results of operations include certain Non-GAAP financial measures that in management's view of the business are meaningful as they allow investors the ability to understand key operating details of our business both with and without regard to certain accounting conventions or items that may not always be indicative of recurring annual cash flow of the portfolio. These Non-GAAP financial measures as determined and presented by us may not be comparable to similarly titled measures reported by other companies, and include Income from property operations and Core Portfolio, FFO, Normalized FFO and Income from rental operations, net of depreciation.

We believe investors should review Income from property operations and Core Portfolio, FFO, Normalized FFO and Income from rental operations, net of depreciation, along with GAAP net income and cash flow from operating activities, investing activities and financing activities, when evaluating an equity REIT's operating performance. A discussion of Income from property operations and Core Portfolio, FFO, Normalized FFO and Income from rental operations, net of depreciation, and a reconciliation to net income, are included below.

### *Income from Property Operations and Core Portfolio*

We use Income from property operations and Income from property operations, excluding deferrals and property management, and Core Portfolio income from property operations, excluding deferrals and property management, as alternative measures to evaluate the operating results of our MH and RV communities. Income from property operations represents rental income, utility and other income and right-to-use income less property and rental home operating and maintenance expenses, real estate taxes, sales and marketing expenses and property management expenses. Income from property operations, excluding deferrals and property management, represents income from property operations excluding property management expenses and the impact of the GAAP deferral of right-to-use contract upfront payments and related commissions, net. For comparative purposes, we present bad debt expense within Property operating, maintenance and real estate taxes in the current and prior periods.

Our Core Portfolio consists of our Properties owned and operated since January 1, 2018. Core Portfolio income from property operations, excluding deferrals and property management, is useful to investors for annual comparison as it removes the fluctuations associated with acquisitions, dispositions and significant transactions or unique situations. Our Non-Core Portfolio includes all Properties that were not owned and operated during all of 2018 and 2019, including Fiesta Key and Sunshine Key RV communities.

***Funds from Operations ("FFO") and Normalized Funds from Operations ("Normalized FFO")***

We define FFO as net income, computed in accordance with GAAP, excluding gains or losses from sales of properties, depreciation and amortization related to real estate, impairment charges, and adjustments to reflect our share of FFO of unconsolidated joint ventures. Adjustments for unconsolidated joint ventures are calculated to reflect FFO on the same basis. We compute FFO in accordance with our interpretation of standards established by the National Association of Real Estate Investment Trusts (“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. We receive upfront non-refundable payments from the entry of right-to-use contracts. In accordance with GAAP, the upfront non-refundable payments and related commissions are deferred and amortized over the estimated customer life. Although the NAREIT definition of FFO does not address the treatment of non-refundable right-to-use payments, we believe that it is appropriate to adjust for the impact of the deferral activity in our calculation of FFO.

We define Normalized FFO as FFO excluding the following non-operating income and expense items: a) gains and losses from early debt extinguishment, including prepayment penalties and defeasance costs, and b) other miscellaneous non-comparable items. Normalized FFO presented herein is not necessarily comparable to Normalized FFO presented by other real estate companies due to the fact that not all real estate companies use the same methodology for computing this amount.

We believe that FFO and Normalized FFO are helpful to investors as supplemental measures of the performance of an equity REIT. We believe that by excluding the effect of gains or losses from sales of properties, depreciation and amortization related to real estate and impairment charges, which are based on historical costs and may be of limited relevance in evaluating current performance, FFO can facilitate comparisons of operating performance between periods and among other equity REITs. We further believe that Normalized FFO provides useful information to investors, analysts and our management because it allows them to compare our operating performance to the operating performance of other real estate companies and between periods on a consistent basis without having to account for differences not related to our operations. For example, we believe that excluding the early extinguishment of debt, including prepayment penalties and defeasance costs from Normalized FFO allows investors, analysts and our management to assess the sustainability of operating performance in future periods because these costs do not affect the future operations of the properties. In some cases, we provide information about identified non-cash components of FFO and Normalized FFO because it allows investors, analysts and our management to assess the impact of those items.

***Income from Rental Operations, Net of Depreciation***

We use Income from rental operations, net of depreciation as an alternative measure to evaluate the operating results of our home rental program. Income from rental operations, net of depreciation, represents income from rental operations less depreciation expense on rental homes. We believe this measure is meaningful for investors as it provides a more complete picture of the home rental program operating results including the impact of depreciation which affects our home rental program investment decisions.

Our definitions and calculations of these Non-GAAP financial and operating measures and other terms may differ from the definitions and methodologies used by other REITs and, accordingly, may not be comparable. These Non-GAAP financial and operating measures do not represent cash generated from operating activities in accordance with GAAP, nor do they 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 reconciles Net income available for Common Stockholders to income from property operations:

| *(amounts in thousands)* | Quarters Ended September 30, 2019 | Quarters Ended September 30, 2018 | Nine Months Ended September 30, 2019 | Nine Months Ended September 30, 2018 |
|---|---|---|---|---|
| **Computation of Income from Property Operations:** | | | | |
| Net income available for Common Stockholders | $ 64,461 | $ 56,070 | $ 224,171 | $ 162,429 |
| Redeemable preferred stock dividends | — | — | 8 | 8 |
| Income allocated to non-controlling interests – Common OP Units | 3,715 | 3,590 | 13,617 | 10,569 |
| Equity in income of unconsolidated joint ventures | (3,518) | (788) | (8,277) | (3,596) |
| Income before equity in income of unconsolidated joint ventures | 64,658 | 58,872 | 229,519 | 169,410 |
| Gain on sale of real estate, net | — | — | (52,507) | — |
| Total other expenses, net | 63,889 | 63,405 | 208,232 | 192,364 |
| Loss/(Income) from home sales operations and other | (1,104) | 142 | (854) | 964 |
| Income from property operations | $ 127,443 | $ 122,419 | $ 384,390 | $ 362,738 |

The following table presents a calculation of FFO and Normalized FFO available for Common Stock and OP Unit holders:

| *(amounts in thousands)* | Quarters Ended September 30, 2019 | Quarters Ended September 30, 2018 | Nine Months Ended September 30, 2019 | Nine Months Ended September 30, 2018 |
|---|---|---|---|---|
| **Computation of FFO and Normalized FFO:** | | | | |
| Net income available for Common Stockholders | $ 64,461 | $ 56,070 | $ 224,171 | $ 162,429 |
| Income allocated to non-controlling interests – Common OP Units | 3,715 | 3,590 | 13,617 | 10,569 |
| Right-to-use contract upfront payments, deferred, net | 3,530 | 2,883 | 8,213 | 6,189 |
| Right-to-use contract commissions, deferred, net | (313) | (458) | (893) | (744) |
| Depreciation and amortization | 37,032 | 34,980 | 112,785 | 101,699 |
| Depreciation on unconsolidated joint ventures | 174 | 651 | 1,047 | 1,390 |
| Gain on sale of real estate, net | — | — | (52,507) | — |
| FFO available for Common Stock and OP Unit holders | 108,599 | 97,716 | 306,433 | 281,532 |
| Early debt retirement | — | — | 2,085 | — |
| Insurance proceeds due to catastrophic weather event [1] | (5,856) | (3,833) | (6,205) | (5,925) |
| Normalized FFO available for Common Stock and OP Unit holders | $ 102,743 | $ 93,883 | $ 302,313 | $ 275,607 |
| Weighted average Common Shares outstanding – Fully Diluted [2] | 192,400 | 190,526 | 191,840 | 189,654 |

[1] Represents insurance recovery revenue from reimbursement for capital expenditures related to Hurricane Irma.
[2] Adjusted for the stock split.

## Results of Operations

### Comparison of the Quarter Ended September 30, 2019 to the Quarter Ended September 30, 2018

***Income from Property Operations***

The following table summarizes certain financial and statistical data for the Core Portfolio and the total portfolio for the quarters ended September 30, 2019 and 2018. Growth percentages exclude the impact of GAAP deferrals of upfront payments from membership upgrade sales and related commissions.

| | Core Portfolio | | | | Total Portfolio | | | |
|---|---|---|---|---|---|---|---|---|
| | Quarters Ended September 30, | | | | Quarters Ended September 30, | | | |
| *(amounts in thousands)* | 2019 | 2018 | Variance | % Change | 2019 | 2018 | Variance | % Change |
| Community base rental income | $ 133,757 | $ 126,889 | $ 6,868 | 5.4 % | $ 137,596 | $ 130,746 | $ 6,850 | 5.2 % |
| Rental home income | 3,800 | 3,209 | 591 | 18.4 % | 3,810 | 3,507 | 303 | 8.6 % |
| Resort base rental income | 65,527 | 62,681 | 2,846 | 4.5 % | 71,665 | 64,351 | 7,314 | 11.4 % |
| Right-to-use annual payments (membership subscriptions) | 13,140 | 12,206 | 934 | 7.7 % | 13,150 | 12,206 | 944 | 7.7 % |
| Right-to-use contracts current period, gross (membership upgrade sales) | 5,730 | 4,863 | 867 | 17.8 % | 5,730 | 4,863 | 867 | 17.8 % |
| Utility and other income | 23,355 | 24,261 | (906) | (3.7)% | 24,252 | 25,917 | (1,665) | (6.4)% |
| Property operating revenues, excluding deferrals | 245,309 | 234,109 | 11,200 | 4.8 % | 256,203 | 241,590 | 14,613 | 6.0 % |
| | | | | | | | | |
| Property operating and maintenance | 84,937 | 81,933 | 3,004 | 3.7 % | 90,106 | 84,445 | 5,661 | 6.7 % |
| Real estate taxes | 14,257 | 13,182 | 1,075 | 8.2 % | 15,166 | 13,240 | 1,926 | 14.5 % |
| Rental home operating and maintenance | 1,602 | 1,795 | (193) | (10.8)% | 1,603 | 1,904 | (301) | (15.8)% |
| Sales and marketing, gross | 4,061 | 3,567 | 494 | 13.8 % | 4,063 | 3,568 | 495 | 13.9 % |
| Property operating expenses, excluding deferrals and property management | 104,857 | 100,477 | 4,380 | 4.4 % | 110,938 | 103,157 | 7,781 | 7.5 % |
| Income from property operations, excluding deferrals and property management | 140,452 | 133,632 | 6,820 | 5.1 % | 145,265 | 138,433 | 6,832 | 4.9 % |
| Property management | 14,605 | 13,587 | 1,018 | 7.5 % | 14,605 | 13,589 | 1,016 | 7.5 % |
| Income from property operations, excluding deferrals | 125,847 | 120,045 | 5,802 | 4.8 % | 130,660 | 124,844 | 5,816 | 4.7 % |
| Right-to-use contracts, deferred and sales and marketing, deferred, net | 3,217 | 2,425 | 792 | 32.7 % | 3,217 | 2,425 | 792 | 32.7 % |
| Income from property operations [(1)] | $ 122,630 | $ 117,620 | $ 5,010 | 4.3 % | $ 127,443 | $ 122,419 | $ 5,024 | 4.1 % |

(1) Non-GAAP measure. See the Results Overview section of the Management's Discussion and Analysis for Non-GAAP Financial Measure Definitions and reconciliations of these Non-GAAP measures to Net Income available to Common Shareholders.

Total portfolio income from property operations for 2019 increased $5.0 million, or 4.1%, from 2018, primarily as a result of an increase from our Core Portfolio. The increase of $5.0 million, or 4.3%, in income from property operations from our Core Portfolio was primarily driven by higher community base rental income and resort base rental income, partially offset by higher property operating expenses.

*Property Operating Revenues*

Community base rental income in our Core Portfolio for 2019 increased $6.9 million, or 5.4%, from 2018, which reflects 4.7% growth from rate increases and 0.7% growth from occupancy gains. The average monthly base rental income per Site in our Core Portfolio increased to approximately $671 in 2019 from approximately $640 in the same period in 2018. The average occupancy for our Core Portfolio increased to 95.4% in 2019 from 95.0% in the same period in 2018.

Resort base rental income in our Core Portfolio for 2019 increased $2.8 million, or 4.5%, from 2018, primarily driven by higher rental rates. Resort base rental income is comprised of the following:

| | Core Portfolio | | | | Total Portfolio | | | |
|---|---|---|---|---|---|---|---|---|
| | Quarters Ended September 30, | | | | Quarters Ended September 30, | | | |
| *(amounts in thousands)* | 2019 | 2018 | Variance | % Change | 2019 | 2018 | Variance | % Change |
| Annual | $ 38,996 | $ 36,710 | $ 2,286 | 6.2% | $ 42,581 | $ 37,424 | $ 5,157 | 13.8% |
| Seasonal | 4,658 | 4,482 | 176 | 3.9% | 5,424 | 4,838 | 586 | 12.1% |
| Transient | 21,873 | 21,489 | 384 | 1.8% | 23,660 | 22,089 | 1,571 | 7.1% |
| Resort base rental income | $ 65,527 | $ 62,681 | $ 2,846 | 4.5% | $ 71,665 | $ 64,351 | $ 7,314 | 11.4% |

*Property Operating Expenses*

Property operating expenses, excluding deferrals and property management, in our Core Portfolio for 2019 increased $4.4 million, or 4.4%, from 2018, mainly due to an increase in property operating and maintenance expenses of $3.0 million and an increase in property taxes of $1.1 million. The increase in property operating and maintenance expenses was primarily driven by an increase in repairs and maintenance of $0.8 million, an increase in utility expense of $0.6 million due to higher trash, electric and water usage and an increase in property payroll of $0.6 million. Property taxes in 2018 were lower as a result of a favorable resolution of appeals in certain states.

### *Home Sales and Rental Operations*

*Home Sales and Other*

The following table summarizes certain financial and statistical data for Home Sales and Other.

| | Quarters Ended September 30, | | | |
|---|---|---|---|---|
| *(amounts in thousands, except home sales volumes)* | 2019 | 2018 | Variance | % Change |
| Gross revenues from new home sales [(1)] | $ 6,864 | $ 7,048 | $ (184) | (2.6)% |
| Cost of new home sales [(1)] | 6,499 | 6,946 | (447) | (6.4)% |
| Gross profit from new home sales | 365 | 102 | 263 | 257.8 % |
| Gross revenues from used home sales | 1,574 | 2,291 | (717) | (31.3)% |
| Cost of used home sales | 1,935 | 2,796 | (861) | (30.8)% |
| Loss from used home sales | (361) | (505) | 144 | 28.5 % |
| Brokered resale and ancillary services revenues, net | 2,133 | 1,362 | 771 | 56.6 % |
| Home selling expenses | 1,033 | 1,101 | (68) | (6.2)% |
| Income (loss) from home sales and other | $ 1,104 | $ (142) | $ 1,246 | 877.5 % |
| **Home sales volumes** | | | | |
| Total new home sales [(2)] | 128 | 141 | (13) | (9.2)% |
| *New Home Sales Volume - ECHO JV* | *19* | *31* | *(12)* | *(38.7)%* |
| Used home sales | 198 | 304 | (106) | (34.9)% |
| Brokered home resales | 270 | 231 | 39 | 16.9 % |

(1) New home sales gross revenues and costs of new home sales do not include the revenues and costs associated with our ECHO JV.
(2) Total new home sales volume includes home sales from our ECHO JV.

Income from home sales and other was $1.1 million for 2019 compared to a loss of $0.1 million for 2018. The increase in Income (loss) from home sales and other was due to an increase in brokered resale and ancillary services revenues, net.

*Rental Operations*

The following table summarizes certain financial and statistical data for MH Rental Operations.

| | Quarters Ended September 30, | | | |
|---|---|---|---|---|
| *(amounts in thousands, except rental unit volumes)* | **2019** | **2018** | **Variance** | **% Change** |
| Manufactured homes: | | | | |
| Rental operations revenue [(1)] | $ 11,646 | $ 10,818 | $ 828 | 7.7 % |
| Rental home operating and maintenance expense | 1,602 | 1,795 | (193) | (10.8)% |
| Income from rental operations | 10,044 | 9,023 | 1,021 | 11.3 % |
| Depreciation on rental homes [(2)] | 2,720 | 2,286 | 434 | 19.0 % |
| Income from rental operations, net of depreciation | $ 7,324 | $ 6,737 | $ 587 | 8.7 % |
| | | | | |
| Gross investment in new manufactured home rental units [(3)] | $ 216,185 | $ 146,982 | $ 69,203 | 47.1 % |
| Gross investment in used manufactured home rental units | $ 23,371 | $ 32,121 | $ (8,750) | (27.2)% |
| | | | | |
| Net investment in new manufactured home rental units | $ 182,441 | $ 125,499 | $ 56,942 | 45.4 % |
| Net investment in used manufactured home rental units | $ 10,432 | $ 16,329 | $ (5,897) | (36.1)% |
| | | | | |
| Number of occupied rentals – new, end of period [(4)] | 3,073 | 2,622 | 451 | 17.2 % |
| Number of occupied rentals – used, end of period | 913 | 1,323 | (410) | (31.0)% |

(1) Rental operations revenue consists of Site rental income and home rental income in our Core Portfolio. Approximately $7.8 million and $7.6 million of Site rental income for the quarters ended September 30, 2019 and 2018, respectively, is included in community base rental income within the Core Portfolio Income from Property Operations table. The remainder of home rental income is included in rental home income within the Core Portfolio Income from Property Operations table.

(2) Included in Depreciation and amortization in the Consolidated Statements of Income and Comprehensive Income.

(3) Includes both occupied and unoccupied rental homes in our Core Portfolio. New home cost basis does not include the costs associated with our ECHO JV. Our investment in the ECHO JV was $16.7 million and $16.1 million as of September 30, 2019 and 2018, respectively.

(4) Occupied rentals as of the end of the period in our Core Portfolio and includes 294 and 265 homes rented through our ECHO JV as of September 30, 2019 and 2018, respectively.

The increase in income from rental operations, net of depreciation, in our Core Portfolio was primarily due to an increase in the number of new occupied rental units at a higher rental rate, partially offset by a decrease in the number of used occupied rental units.

***Other Income and Expenses***

The following table summarizes other income and expenses, net.

| | Quarters Ended September 30, | | | |
|---|---|---|---|---|
| *(amounts in thousands, expenses shown as negative)* | **2019** | **2018** | **Variance** | **% Change** |
| Depreciation and amortization | $ (37,032) | $ (34,980) | $ (2,052) | (5.9)% |
| Interest income | 1,831 | 1,846 | (15) | (0.8)% |
| Income from other investments, net | 7,029 | 5,421 | 1,608 | 29.7 % |
| General and administrative | (8,710) | (8,816) | 106 | 1.2 % |
| Other expenses | (1,460) | (386) | (1,074) | (278.2)% |
| Interest and related amortization | (25,547) | (26,490) | 943 | 3.6 % |
| Total other income and (expenses), net | $ (63,889) | $ (63,405) | $ (484) | (0.8)% |

Total other income and (expenses), net increased $0.5 million during 2019 compared to 2018, primarily due to an increase in depreciation and amortization and other expenses partially offset by an increase in income from other investments, net and other expenses. The increase in income from other investments, net was driven by higher insurance recovery revenue of $2.0 million for reimbursement of capital expenditures related to Hurricane Irma.

***Equity in income of unconsolidated joint ventures***

Equity in income of unconsolidated joint ventures increased $2.7 million from 2018 due to an increase in income recognized from distributions from our unconsolidated joint ventures.

**Comparison of the Nine Months Ended September 30, 2019 to the Nine Months Ended September 30, 2018**

***Income from Property Operations***

The following table summarizes certain financial and statistical data for the Core Portfolio and the total portfolio for the nine months ended September 30, 2019 and 2018. Growth percentages exclude the impact of GAAP deferrals of upfront payments from membership upgrade sales and related commissions.

| | Core Portfolio | | | | Total Portfolio | | | |
|---|---|---|---|---|---|---|---|---|
| | Nine Months Ended September 30, | | | | Nine Months Ended September 30, | | | |
| *(amounts in thousands)* | 2019 | 2018 | Variance | % Change | 2019 | 2018 | Variance | % Change |
| Community base rental income | $ 397,201 | $ 377,558 | $ 19,643 | 5.2 % | $ 409,091 | $ 386,064 | $ 23,027 | 6.0 % |
| Rental home income | 10,921 | 9,715 | 1,206 | 12.4 % | 11,026 | 10,583 | 443 | 4.2 % |
| Resort base rental income | 187,642 | 179,916 | 7,726 | 4.3 % | 204,830 | 183,836 | 20,994 | 11.4 % |
| Right-to-use annual payments (membership subscriptions) | 38,029 | 35,615 | 2,414 | 6.8 % | 38,052 | 35,616 | 2,436 | 6.8 % |
| Right-to-use contracts current period, gross (membership upgrade sales) | 14,609 | 11,972 | 2,637 | 22.0 % | 14,609 | 11,969 | 2,640 | 22.1 % |
| Utility and other income | 67,789 | 70,233 | (2,444) | (3.5)% | 70,253 | 75,758 | (5,505) | (7.3)% |
| Property operating revenues, excluding deferrals | 716,191 | 685,009 | 31,182 | 4.6 % | 747,861 | 703,826 | 44,035 | 6.3 % |
| | | | | | | | | |
| Property operating and maintenance | 239,512 | 233,172 | 6,340 | 2.7 % | 252,095 | 239,444 | 12,651 | 5.3 % |
| Real estate taxes | 43,188 | 39,925 | 3,263 | 8.2 % | 45,596 | 40,815 | 4,781 | 11.7 % |
| Rental home operating and maintenance | 4,066 | 4,668 | (602) | (12.9)% | 4,099 | 4,957 | (858) | (17.3)% |
| Sales and marketing, gross | 11,688 | 9,685 | 2,003 | 20.7 % | 11,686 | 9,685 | 2,001 | 20.7 % |
| Property operating expenses, excluding deferrals and property management | 298,454 | 287,450 | 11,004 | 3.8 % | 313,476 | 294,901 | 18,575 | 6.3 % |
| Income from property operations, excluding deferrals and property management | 417,737 | 397,559 | 20,178 | 5.1 % | 434,385 | 408,925 | 25,460 | 6.2 % |
| Property management | 42,673 | 40,738 | 1,935 | 4.7 % | 42,675 | 40,742 | 1,933 | 4.7 % |
| Income from property operations, excluding deferrals | 375,064 | 356,821 | 18,243 | 5.1 % | 391,710 | 368,183 | 23,527 | 6.4 % |
| Right-to-use contracts, deferred and sales and marketing, deferred, net | 7,320 | 5,445 | 1,875 | 34.4 % | 7,320 | 5,445 | 1,875 | 34.4 % |
| Income from property operations [1] | $ 367,744 | $ 351,376 | $ 16,368 | 4.7 % | $ 384,390 | $ 362,738 | $ 21,652 | 6.0 % |

[1] Non-GAAP measure. See the Results Overview section of the Management's Discussion and Analysis for Non-GAAP Financial Measure Definitions and reconciliations of these Non-GAAP measures to Net Income available to Common Shareholders.

Total Portfolio income from property operations for 2019 increased $21.7 million, or 6.0%, from 2018, primarily as a result of an increase of $16.4 million, or 4.7%, from our Core Portfolio and an increase of $5.3 million from our Non-Core Portfolio. The increase in income from property operations from our Core Portfolio was primarily due to an increase in community base rental income and resort base rental income, partially offset by an increase in property operating expenses. The increase in income from property operations from our Non-Core Portfolio was driven by acquisition properties partially offset by the sale of five all-age MH communities located in Indiana and Michigan during the first quarter of 2019.

*Property Operating Revenues*

Community base rental income in our Core Portfolio for 2019 increased $19.6 million, or 5.2%, from 2018, which reflects 4.6% growth from rate increases and 0.6% growth from occupancy gains. The average monthly base rental income per Site increased to approximately $665 in 2019 from approximately $636 in 2018. The average occupancy for the Core Portfolio increased to 95.3% in 2019 from 94.9% in the same period in 2018.

Resort base rental income in our Core Portfolio for 2019 increased $7.7 million, or 4.3%, from 2018, primarily driven by higher rental rates. Resort base rental income is comprised of the following:

| | Core Portfolio | | | | Total Portfolio | | | |
|---|---|---|---|---|---|---|---|---|
| | Nine Months Ended September 30, | | | | Nine Months Ended September 30, | | | |
| *(amounts in thousands)* | 2019 | 2018 | Variance | % Change | 2019 | 2018 | Variance | % Change |
| Annual | $ 114,602 | $ 107,983 | $ 6,619 | 6.1% | $ 122,455 | $ 109,175 | $ 13,280 | 12.2% |
| Seasonal | 28,977 | 28,079 | 898 | 3.2% | 32,222 | 29,067 | 3,155 | 10.9% |
| Transient | 44,063 | 43,854 | 209 | 0.5% | 50,153 | 45,594 | 4,559 | 10.0% |
| Resort base rental income | $ 187,642 | $ 179,916 | $ 7,726 | 4.3% | $ 204,830 | $ 183,836 | $ 20,994 | 11.4% |

*Property Operating Expenses*

Property operating expenses, excluding deferrals and property management, in our Core Portfolio for 2019 increased $11.0 million, or 3.8%, from 2018, mainly due to an increase in property operating and maintenance expenses of $6.3 million and an increase in property taxes of $3.3 million. The increase in property operating and maintenance expenses was primarily driven by an increase in insurance expense of $2.4 million, an increase in property payroll of $2.3 million as a result of salary increases and an increase in utility expense of $1.4 million due to higher electric and trash expenses in California and the South. Property taxes in 2018 were lower as a result of a favorable resolution of appeals in certain states.

### *Home Sales and Rental Operations*

*Home Sales and Other*

The following table summarizes certain financial and statistical data for Home Sales and Other.

| | Nine Months Ended September 30, | | | |
|---|---|---|---|---|
| *(amounts in thousands, except home sales volumes)* | 2019 | 2018 | Variance | % Change |
| Gross revenues from new home sales [(1)] | $ 17,492 | $ 20,643 | $ (3,151) | (15.3)% |
| Cost of new home sales [(1)] | 16,877 | 20,256 | (3,379) | (16.7)% |
| Gross profit from new home sales | 615 | 387 | 228 | 58.9 % |
| | | | | |
| Gross revenues from used home sales | 5,246 | 6,110 | (864) | (14.1)% |
| Cost of used home sales | 6,353 | 7,692 | (1,339) | (17.4)% |
| Loss from used home sales | (1,107) | (1,582) | 475 | 30.0 % |
| | | | | |
| Brokered resale and ancillary services revenues, net | 4,564 | 3,380 | 1,184 | 35.0 % |
| Home selling expenses | 3,218 | 3,149 | 69 | 2.2 % |
| Income (loss) from home sales and other | $ 854 | $ (964) | $ 1,818 | 188.6 % |
| **Home sales volumes** | | | | |
| Total new home sales [(2)] | 336 | 417 | (81) | (19.4)% |
| *New Home Sales Volume - ECHO JV* | *50* | *74* | *(24)* | *(32.4)%* |
| Used home sales | 627 | 842 | (215) | (25.5)% |
| Brokered home resales | 675 | 677 | (2) | (0.3)% |

[(1)] New home sales gross revenues and costs of new home sales do not include the revenues and costs associated with our ECHO JV.
[(2)] Total new home sales volume includes home sales from our ECHO JV.

Income from home sales and other was $0.9 million for 2019 compared to a loss of $1.0 million for 2018. The increase in Income (loss) from home sales and other was primarily due to an increase in brokered resale ancillary services revenues, net.

_Rental Operations_

The following table summarizes certain financial and statistical data for MH Rental Operations.

| *(amounts in thousands, except rental unit volumes)* | Nine Months Ended September 30, 2019 | 2018 | Variance | % Change |
|---|---|---|---|---|
| Manufactured homes: | | | | |
| Rental operations revenue [1] | $ 34,279 | $ 32,970 | $ 1,309 | 4.0 % |
| Rental home operating and maintenance expense | 4,066 | 4,668 | (602) | (12.9)% |
| Income from rental operations | 30,213 | 28,302 | 1,911 | 6.8 % |
| Depreciation on rental homes [2] | 7,677 | $ 6,890 | 787 | 11.4 % |
| Income from rental operations, net of depreciation | $ 22,536 | $ 21,412 | $ 1,124 | 5.2 % |
| Gross investment in new manufactured home rental units [3] | $ 216,185 | $ 146,982 | $ 69,203 | 47.1 % |
| Gross investment in used manufactured home rental units | $ 23,371 | $ 32,121 | $ (8,750) | (27.2)% |
| Net investment in new manufactured home rental units | $ 182,441 | $ 125,499 | $ 56,942 | 45.4 % |
| Net investment in used manufactured home rental units | $ 10,432 | $ 16,329 | $ (5,897) | (36.1)% |
| Number of occupied rentals – new, end of period [4] | 3,073 | 2,622 | 451 | 17.2 % |
| Number of occupied rentals – used, end of period | 913 | 1,323 | (410) | (31.0)% |

(1) Rental operations revenue consists of Site rental income and home rental income in our Core Portfolio. Approximately $23.4 million and $23.3 million of Site rental income for the nine months ended September 30, 2019 and 2018, respectively, are included in community base rental income within the Core Portfolio Income from Property Operations table. The remainder of home rental income is included in rental home income within the Core Portfolio Income from Property Operations table.
(2) Included in Depreciation and amortization in the Consolidated Statements of Income and Comprehensive Income.
(3) Includes both occupied and unoccupied rental homes in our Core Portfolio. New home cost basis does not include the costs associated with our ECHO JV. Our investment in the ECHO JV was $16.7 million and $16.1 million as of September 30, 2019 and 2018, respectively.
(4) Occupied rentals as of the end of the period in our Core Portfolio and includes 294 and 265 homes rented through our ECHO JV as of September 30, 2019 and 2018, respectively.

The increase in income from rental operations, net of depreciation, in our Core Portfolio was primarily due to an increase in the number of new occupied rental units at a higher rental rate, partially offset by a decrease in the number of used occupied rental units.

***Other Income and Expenses***

The following table summarizes other income and expenses, net.

| *(amounts in thousands, expenses shown as negative)* | Nine Months Ended September 30, 2019 | 2018 | Variance | % Change |
|---|---|---|---|---|
| Depreciation and amortization | $ (112,785) | $ (101,699) | $ (11,086) | (10.9)% |
| Interest income | 5,385 | 5,658 | (273) | (4.8)% |
| Income from other investments, net | 8,894 | 9,774 | (880) | (9.0)% |
| General and administrative | (27,844) | (26,523) | (1,321) | (5.0)% |
| Other expenses | (2,427) | (1,096) | (1,331) | (121.4)% |
| Early debt retirement | (1,491) | — | (1,491) | — % |
| Interest and related amortization | (77,964) | (78,478) | 514 | 0.7 % |
| Total other income and (expenses), net | $ (208,232) | $ (192,364) | $ (15,868) | (8.2)% |

Total other income and (expenses), net increased $15.9 million during 2019 compared to 2018, primarily due to an increase in depreciation and amortization and other expenses. Additionally, we incurred $1.5 million of early debt retirement costs in 2019.

***Gain on Sale of Real Estate, Net***

On January 23, 2019, we closed on the sale of five all-age MH communities located in Indiana and Michigan, collectively containing 1,463 sites, for $89.7 million. We recognized a gain on sale of these Properties of $52.5 million during the first quarter of 2019.

***Equity in income of unconsolidated joint ventures***

Equity in income of unconsolidated joint ventures increased $4.7 million from 2018 due to an increase in income recognized from distributions from our unconsolidated joint ventures.

## Liquidity and Capital Resources

***Liquidity***

Our primary demands for liquidity include payment of operating expenses, dividend distributions, debt service, including principal and interest, capital improvements on Properties, home purchases and property acquisitions. We expect similar demand for liquidity will continue for the short-term and long-term. Our primary sources of cash include operating cash flows, proceeds from financings, borrowings under our unsecured Line of Credit ("LOC") and proceeds from issuance of equity and debt securities.

Our at-the-market (“ATM”) equity offering program allows us to sell, from time-to-time, shares of our common stock, par value $0.01 per share, having an aggregate offering price of up to $200.0 million. As of September 30, 2019, we have $140.7 million of common stock available for issuance.

On April 30, 2019, our stockholders approved an amendment to our charter to increase the number of shares of our common stock that we are authorized to issue from 200,000,000 to 400,000,000 shares. As of September 30, 2019, we have available liquidity in the form of approximately 217.9 million shares of authorized and unissued common stock and 10.0 million shares of authorized and unissued preferred stock registered for sale under the Securities Act of 1933, as amended.

One of our stated objectives is to maintain financial flexibility. Achieving this objective allows us to take advantage of strategic opportunities that may arise. We believe effective management of our balance sheet, including maintaining various access points to raise capital, managing future debt maturities and borrowing at competitive rates, enables us to meet this objective. Our financing objectives continue to focus on accessing long-term low-cost secured debt.

We also utilize interest rate swaps to add stability to our interest expense and to manage our exposure to interest rate movements. Interest rate swaps designated as cash flow hedges involve the receipt of variable amounts from a counterparty in exchange for making fixed-rate payments over the life of the agreements without exchange of the underlying notional amount. The changes in the fair value of the designated derivative are recorded in Accumulated other comprehensive income (loss) on the Consolidated Balance Sheets and subsequently reclassified into earnings on the Consolidated Statements of Income and Comprehensive Income in the period that the hedged forecasted transaction affects earnings. For additional information regarding our interest rate swap, see Item 1. Financial Statements—Note 9. Derivative Instruments and Hedging Activities.

We expect to meet our short-term liquidity requirements, including principal payments, capital improvements and dividend distributions for the next twelve months, mainly through available cash as well as net cash provided by operating activities. As of September 30, 2019, our LOC has a remaining borrowing capacity of $280.0 million with the option to increase the borrowing capacity by $200.0 million, subject to certain conditions. The LOC bears interest at a rate of LIBOR plus 1.10% to 1.55%, requires an annual facility fee of 0.15% to 0.35% and matures on October 27, 2021.

As part of our Unsecured Credit Facility, our LOC arrangement will mature prior to the expected discontinuation of LIBOR subsequent to 2021 and our $200.0 million term loan is scheduled to mature in April 2023. We continue to monitor the development and adoption of an alternative index to LIBOR to manage the transition and as it pertains to new arrangements to be entered in the future. Given over 80% of our current debt is secured and not subject to LIBOR, we do not believe the discontinuation of LIBOR will have a significant impact on our consolidated financial statements.

We expect to meet certain long-term liquidity requirements, including scheduled debt maturities, property acquisitions and capital improvements by use of our long-term collateralized and uncollateralized borrowings including the existing LOC and the issuance of debt securities or additional equity securities. We have no debt maturing in 2019 and approximately $48.6 million of scheduled debt matures in 2020 (excluding scheduled principal payments on debt maturing in 2020 and beyond).

For information regarding our debt activities and related borrowing arrangements, see Item 1. Financial Statements—Note 8. Borrowing Arrangements.

The table below summarizes our cash flow activity:

| | Nine Months Ended September 30, | |
|---|---|---|
| *(amounts in thousands)* | 2019 | 2018 |
| Net cash provided by operating activities | $ 349,348 | $ 324,762 |
| Net cash used in investing activities | (276,898) | (243,549) |
| Net cash (used in) provided by financing activities | (99,038) | 4,652 |
| Net (decrease) increase in cash and restricted cash | $ (26,588) | $ 85,865 |

## Operating Activities

Net cash provided by operating activities increased $24.6 million to $349.3 million for the nine months ended September 30, 2019 from $324.8 million for the nine months ended September 30, 2018. The increase in net cash provided by operating activities was primarily due to higher income from property operations of $21.7 million and an increase in rents and other customer payments received in advance and security deposits of $2.6 million. The increase in accounts payable and other liabilities was mostly offset by the decrease in other assets, net.

## Investing Activities

Net cash used in investing activities was $276.9 million for the nine months ended September 30, 2019 compared to $243.5 million for the nine months ended September 30, 2018. The increase in net cash used in investing activities was primarily due to an increase in capital improvements of $61.4 million and an increase in real estate acquisitions of $44.5 million. The net cash used in investing activities were partially offset by proceeds received of $77.7 million as a result of the sale of five MH properties during the first quarter of 2019 and higher distributions of capital from unconsolidated joint ventures of $5.6 million.

### *Capital Improvements*

The table below summarizes capital improvement activities:

| | Nine Months Ended September 30, | |
|---|---|---|
| *(amounts in thousands)* | 2019 | 2018 |
| Recurring capital expenditures [(1)] | $ 37,271 | $ 32,965 |
| Property upgrades and development[(2)] | 40,429 | 35,200 |
| New home investments [(3)(4)] | 108,845 | 56,182 |
| Used home investments [(4)] | 2,036 | 2,663 |
| Total property | 188,581 | 127,010 |
| Corporate | 1,207 | 1,426 |
| Total capital improvements | $ 189,788 | $ 128,436 |

(1) Recurring capital expenditures are primarily comprised of common area improvements, furniture and mechanical improvements.
(2) Includes $2.5 million and $12.3 million of restoration and improvement capital expenditures related to Hurricane Irma for the nine months ended September 30, 2019 and 2018, respectively.
(3) Excludes new home investment associated with our ECHO JV.
(4) Net proceeds from new and used home sale activities are reflected within Operating Activities.

## Financing Activities

Net cash used in financing activities was $99.0 million for the nine months ended September 30, 2019 and $4.7 million for the nine months ended September 30, 2018. The increase in cash used in financing activities was primarily due to an increase in debt repayments and distributions paid of $71.1 million and $20.1 million, respectively, for the nine months ended September 30, 2019 as compared to the same period in 2018. Additionally, during the nine months ended September 30, 2019, there were lower mortgage debt proceeds of $64.0 million and lower proceeds from the sale of our common stock under our ATM equity offering program of $19.4 million compared to the same period in 2018, which were partially offset by a higher net borrowing on the LOC of $70.0 million.

### *Contractual Obligations*

Significant ongoing contractual obligations consist primarily of long-term borrowings, interest expense, operating leases, LOC maintenance fees and ground leases. For a summary and complete presentation and description of our ongoing commitments and contractual obligations, see the Contractual Obligations section of the "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our 2018 Form 10-K.

### *Off-Balance Sheet Arrangements*

As of September 30, 2019, we have no off-balance sheet arrangements.

### *Critical Accounting Policies and Estimates*

Refer to the "Management’s Discussion and Analysis of Financial Condition and Results of Operations" in our 2018 Form 10-K for a discussion of our critical accounting policies. There have been no significant changes to our critical accounting policies and estimates during the nine months ended September 30, 2019.

## Forward-Looking Statements

This Quarterly Report on Form 10-Q for the quarter ended September 30, 2019 includes certain “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. When used, words such as “anticipate,” “expect,” “believe,” “project,” “intend,” “may be” and “will be” and similar words or phrases, or the negative thereof, unless the context requires otherwise, are intended to identify forward-looking statements and may include without limitation, information regarding our expectations, goals or intentions regarding the future, and the expected effect of our acquisitions. These forward-looking statements are subject to numerous assumptions, risks and uncertainties, including, but not limited to:

- our ability to control costs and real estate market conditions, our ability to retain customers, the actual use of Sites by customers and our success in acquiring new customers at our Properties (including those that we may acquire);
- our ability to maintain historical or increase future rental rates and occupancy with respect to properties currently owned or that we may acquire;
- our ability to retain and attract customers renewing, upgrading and entering right-to-use contracts;
- our assumptions about rental and home sales markets;
- our ability to manage counterparty risk;
- our ability to renew our insurance policies at existing rates and on consistent terms;
- in the age-qualified Properties, home sales results could be impacted by the ability of potential home buyers to sell their existing residences as well as by financial, credit and capital markets volatility;
- results from home sales and occupancy will continue to be impacted by local economic conditions, lack of affordable manufactured home financing and competition from alternative housing options including site-built single-family housing;
- impact of government intervention to stabilize site-built single-family housing and not manufactured housing;
- effective integration of recent acquisitions and our estimates regarding the future performance of recent acquisitions;
- the completion of future transactions in their entirety, if any, and timing and effective integration with respect thereto;
- unanticipated costs or unforeseen liabilities associated with recent acquisitions;
- ability to obtain financing or refinance existing debt on favorable terms or at all;
- the effect of interest rates;
- the effect from any breach of our, or any of our vendor's, data management systems;
- the dilutive effects of issuing additional securities;
- the outcome of pending or future lawsuits or actions brought against us, including those disclosed in our filings with the Securities and Exchange Commission; and
- other risks indicated from time to time in our filings with the Securities and Exchange Commission.

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

## Item 3. Quantitative and Qualitative Disclosures About Market Risk

We disclosed a quantitative and qualitative analysis regarding market risk in Part II, Item 7A. Quantitative and Qualitative Disclosures About Market Risk in our 2018 Form 10-K. There have been no material changes in the assumptions used or results obtained regarding market risk since December 31, 2018.

## Item 4. Controls and Procedures

***Evaluation of Disclosure Controls and Procedures***

Our management, with the participation of our Chief Executive Officer (principal executive officer) and Chief Financial Officer (principal financial officer), has evaluated the effectiveness of our disclosure controls and procedures as of September 30, 2019. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective to give reasonable assurances to the timely collection, evaluation and disclosure of information relating to us that would potentially be subject to disclosure under the Securities and Exchange Act of 1934, as amended (the “Exchange Act”), and the rules and regulations promulgated thereunder as of September 30, 2019. Any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives.

***Changes in Internal Control Over Financial Reporting***

During the quarter ended September 30, 2019, there were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## Part II – Other Information

### Item 1. Legal Proceedings

See Item 1. Financial Statements—Note 11. Commitments and Contingencies accompanying the Consolidated Financial Statements in this Quarterly Report on Form 10-Q.

### Item 1A. Risk Factors

There have been no material changes to the risk factors discussed in “Item 1A. Risk Factors” in our 2018 Form 10-K.

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

None.

### Item 3. Defaults Upon Senior Securities

None.

### Item 4. Mine Safety Disclosures

None.

### Item 5. Other Information

None.

**Item 6. Exhibits**

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|---|---|
| 31.1 | Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 31.2 | Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 32.1 | Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350. |
| 32.2 | Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350. |
| 101.INS | XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document. |
| 101.SCH | Inline XBRL Taxonomy Extension Schema Document |
| 101.CAL | Inline XBRL Taxonomy Extension Calculation Linkbase Document |
| 101.LAB | Inline XBRL Taxonomy Extension Label Linkbase Document |
| 101.PRE | Inline XBRL Taxonomy Extension Presentation Linkbase Document |
| 101.DEF | Inline XBRL Taxonomy Extension Definition Linkbase Document |
| 104 | Cover Page Interactive Data File included as Exhibit 101 (embedded within the Inline XBRL document) |

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

**EQUITY LIFESTYLE PROPERTIES, INC.**

| | | |
|---|---|---|
| Date: October 29, 2019 | By: | /s/ Marguerite Nader |
| | | Marguerite Nader<br>President and Chief Executive Officer<br>(Principal Executive Officer) |
| Date: October 29, 2019 | By: | /s/ Paul Seavey |
| | | Paul Seavey<br>Executive Vice President, Chief Financial Officer and Treasurer<br>(Principal Financial Officer) |
| Date: October 29, 2019 | By: | /s/ Valerie Henry |
| | | Valerie Henry<br>Vice President, Chief Accounting Officer<br>(Principal Accounting Officer) |

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

I, Paul Seavey, 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 reasonably 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: October 29, 2019

By: /s/ Paul Seavey

Paul Seavey

Executive Vice President, Chief Financial Officer and Treasurer

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

I, Marguerite Nader, 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 reasonably 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: October 29, 2019

By: /s/ Marguerite Nader
Marguerite Nader
President and Chief Executive Officer

**CERTIFICATION OF CHIEF 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 three months ended September 30, 2019 (the “Form 10-Q”), I, Paul Seavey, Executive Vice President, Chief Financial Officer and Treasurer 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: October 29, 2019 | By: | /s/ Paul Seavey |
| | | Paul Seavey |
| | | Executive Vice President, Chief Financial Officer and Treasurer |

**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.**

**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 three months ended September 30, 2019 (the “Form 10-Q”), I, Marguerite Nader, 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: October 29, 2019 | By: | /s/ Marguerite Nader |
| | | Marguerite Nader |
| | | 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.**