FORM 10-Q

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

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

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2005

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

COMMISSION FILE NUMBER: 1-11718

EQUITY LIFESTYLE PROPERTIES, INC.
(Exact name of registrant as specified in its Charter)

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

TWO NORTH RIVERSIDE PLAZA, SUITE 800, CHICAGO, ILLINOIS	60606
(Address of principal executive offices)	(Zip Code)

(312) 279-1400
(Registrant's telephone number, including area code)

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

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

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

APPLICABLE ONLY TO CORPORATE ISSUERS:

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

23,313,543 shares of Common Stock as of October 28, 2005.

EQUITY LIFESTYLE PROPERTIES, INC.

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EQUITY LIFESTYLE PROPERTIES, INC.
CONSOLIDATED BALANCE SHEETS
AS OF SEPTEMBER 30, 2005 AND DECEMBER 31, 2004
(AMOUNTS IN THOUSANDS, EXCEPT SHARE DATA)

	SEPTEMBER 30, 2005 (UNAUDITED)	DECEMBER 31, 2004
ASSETS		
Investment in real estate:		
Land	$ 494,256	$ 470,587
Land improvements	1,522,620	1,438,923
Buildings and other depreciable property	133,115	126,280
	2,149,991	2,035,790
Accumulated depreciation	(365,121)	(322,867)
Net investment in real estate	1,784,870	1,712,923
Cash and cash equivalents	9,156	5,305
Notes receivable	11,802	13,290
Investment in and advances to joint ventures	46,338	43,583
Rents receivable, net	1,483	1,469
Deferred financing costs, net	14,831	16,162
Inventory	59,127	50,654
Prepaid expenses and other assets	51,332	42,903
Total assets	$1,978,939	$1,886,289
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Mortgage notes payable and other	$1,460,862	$1,417,251
Unsecured line of credit	68,200	115,800
Unsecured term loan	112,800	120,000
Accounts payable and accrued expenses	46,135	36,146
Accrued interest payable	8,886	8,894
Rents received in advance and security deposits	22,163	21,135
Distributions payable	792	448
Total liabilities	1,719,838	1,719,674
Commitments and contingencies		
Minority interest - Common OP Units and other	13,176	9,771
Minority interest - Perpetual Preferred OP Units	200,000	125,000
Stockholders' equity:		
Preferred stock, $.01 par value 10,000,000 shares authorized; none issued	--	--
Common stock, $.01 par value 50,000,000 shares authorized; 23,111,622 and 22,937,192 shares issued and outstanding for September 30, 2005 and December 31 2004, respectively	224	224
Paid-in capital	297,684	294,304
Deferred compensation	--	(166)
Distributions in excess of accumulated earnings	(251,983)	(262,518)
Total stockholders' equity	45,925	31,844
Total liabilities and stockholders' equity	$1,978,939	$1,886,289

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

EQUITY LIFESTYLE PROPERTIES, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE QUARTERS AND NINE MONTHS ENDED SEPTEMBER 30, 2005 AND 2004
(AMOUNTS IN THOUSANDS, EXCEPT PER SHARE DATA)
(UNAUDITED)

	QUARTERS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2005	2004	2005	2004
PROPERTY OPERATIONS:				
Community base rental income	$ 53,507	$ 52,219	$ 159,467	$ 152,529
Resort base rental income	16,855	14,167	55,964	39,460
Utility and other income	6,479	5,793	20,996	18,411
Property operating revenues	76,841	72,179	236,427	210,400
Property operating and maintenance	26,153	24,513	76,969	67,745
Real estate taxes	6,200	5,920	18,659	17,002
Property management	4,198	3,316	11,813	9,585
Property operating expenses (exclusive of depreciation shown separately below)	36,551	33,749	107,441	94,332
Income from property operations	40,290	38,430	128,986	116,068
HOME SALES OPERATIONS:				
Gross revenues from inventory home sales	15,706	12,568	43,393	30,691
Cost of inventory home sales	(13,534)	(10,817)	(38,104)	(26,945)
Gross profit from inventory home sales	2,172	1,751	5,289	3,746
Brokered resale revenues, net	678	536	2,095	1,621
Home selling expenses	(2,290)	(2,155)	(6,527)	(6,381)
Ancillary services revenues, net	967	759	3,479	2,392
Income from home sales operations and other	1,527	891	4,336	1,378
OTHER INCOME (EXPENSES):				
Interest income	311	309	994	1,076
Income from other investments	4,492	335	13,420	959
Other corporate expenses	(259)	--	(791)	--
General and administrative	(3,512)	(2,110)	(10,197)	(6,689)
Rent control initiatives	(194)	(375)	(807)	(1,295)
Interest and related amortization	(25,302)	(23,802)	(75,304)	(66,972)
Loss on early debt retirement	(482)	--	(482)	--
Depreciation on corporate assets	(243)	(427)	(682)	(1,231)
Depreciation on real estate assets	(13,984)	(12,440)	(41,243)	(34,195)
Total other expense	(39,173)	(38,510)	(115,092)	(108,347)
Income before minority interests, equity in income from unconsolidated joint ventures, gain on sale of properties and discontinued operations	2,644	811	18,230	9,099
Income (loss) allocated to Common OP Units	(212)	283	(3,076)	(669)
Income allocated to Perpetual Preferred OP Units	(4,017)	(2,825)	(9,929)	(8,459)
Equity in income from unconsolidated joint ventures	2,374	657	6,094	2,986
Income (loss) from continuing operations	789	(1,074)	11,319	2,957
DISCONTINUED OPERATIONS:				
Discontinued operations	383	577	1,556	1,783
Depreciation on discontinued operations	--	(318)	(329)	(1,004)
Gain on sale of discontinued properties	--	--	--	638
Minority interests on discontinued operations	(81)	(49)	(259)	(268)
Income from discontinued operations	302	210	968	1,149
NET INCOME (LOSS) AVAILABLE FOR COMMON SHARES	$ 1,091	$ (864)	$ 12,287	$ 4,106

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

EQUITY LIFESTYLE PROPERTIES, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS (CONTINUED)
FOR THE QUARTERS AND NINE MONTHS ENDED SEPTEMBER 30, 2005 AND 2004
(AMOUNTS IN THOUSANDS, EXCEPT PER SHARE DATA)
(UNAUDITED)

	QUARTERS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2005	2004	2005	2004
EARNINGS PER COMMON SHARE - BASIC:				
Income (loss) from continuing operations	$ 0.03	$ (0.05)	$ 0.49	$ 0.13
Income from discontinued operations	0.01	0.01	0.04	0.05
Net income (loss) available for Common Shares	$ 0.04	$ (0.04)	$ 0.53	$ 0.18
EARNINGS PER COMMON SHARE - FULLY DILUTED:				
Income (loss) from continuing operations	$ 0.03	$ (0.05)	$ 0.48	$ 0.12
Income from discontinued operations	0.01	0.01	0.04	0.05
Net income (loss) available for Common Shares	$ 0.04	$ (0.04)	$ 0.52	$ 0.17
Distributions declared per Common Share outstanding	$ 0.025	$0.0125	$ 0.075	$0.0375
Weighted average Common Shares outstanding - basic	23,097	22,829	23,038	22,747
Weighted average Common Shares outstanding - fully diluted ...	30,149	29,846	30,008	29,188

The accompanying notes are an integral part of financial statements.

EQUITY LIFESTYLE PROPERTIES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2005 AND 2004
(AMOUNTS IN THOUSANDS)
(UNAUDITED)

	SEPTEMBER 30, 2005	SEPTEMBER 30, 2004
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 12,287	$ 4,106
Adjustments to reconcile net income to cash provided by operating activities:		
Income allocated to minority interests	13,264	9,396
Early debt retirement	482	--
Gain on sale of properties	--	(638)
Depreciation expense	43,595	37,172
Amortization expense	2,111	1,602
Debt premium amortization	(1,975)	--
Equity in income of unconsolidated joint ventures	(7,435)	(3,710)
Amortization of deferred compensation	2,250	2,027
(Decrease)/increase in provision for uncollectible rents receivable	(354)	203
Decrease in inventory reserve	(27)	--
Decrease in provision for notes receivable	(169)	--
Changes in assets and liabilities:		
Rents receivable	340	243
Inventory	(8,139)	(11,927)
Prepaid expenses and other assets	(2,925)	(3,998)
Accounts payable and accrued expenses	12,482	12,155
Rents received in advance and security deposits	(2,935)	(3,052)
Net cash provided by operating activities	62,852	43,579
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of rental properties	(38,681)	(137,398)
Disposition of rental properties	--	671
Joint Ventures:		
Investments in	(7,106)	(32,377)
Distributions from	10,158	4,077
Net repayment (funding) of notes receivable	1,350	(1,663)
Improvements:		
Improvements - corporate	(606)	(245)
Improvements - rental properties	(11,516)	(9,498)
Site development costs	(11,642)	(9,532)
Net cash used in investing activities	(58,043)	(185,965)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net proceeds from stock options and employee stock purchase plan	2,204	5,001
Proceeds from issuance of Perpetual Preferred OP Units	75,000	--
Distributions to Common Stockholders, Common OP Unitholders, and Perpetual Preferred OP Unitholders	(12,113)	(233,858)
Issuance costs	(78)	--
Line of credit:		
Proceeds	111,000	81,000
Repayments	(158,600)	(20,000)
Term loan repayment	(7,200)	--
Principal payments	(43,843)	(6,177)
New financing proceeds	34,000	--
Early debt retirement	(924)	--
Debt issuance costs	(404)	(1,728)
Net cash used in financing activities	(958)	(175,762)
Net increase (decrease) in cash and cash equivalents	3,851	(318,148)
Cash and cash equivalents, beginning of period	5,305	325,740
Cash and cash equivalents, end of period	$ 9,156	$ 7,592

The accompanying notes are an integral part of financial statements.

EQUITY LIFESTYLE PROPERTIES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2005 AND 2004
(AMOUNTS IN THOUSANDS)
(UNAUDITED)

	SEPTEMBER 30, 2005	SEPTEMBER 30, 2004
SUPPLEMENTAL INFORMATION:		
Cash paid during the period for interest......................................	$73,215	$ 64,034
Non-cash investing and financing activities:		
Mortgage debt assumed on acquisition of real estate........................	$53,517	$347,300
Other assets and liabilities, net, acquired on acquisition of real estate...	$ 2,161	$ 13,500
Minority interest of 7% partner on acquisition of NHC Portfolio.............	$ --	$ 5,600
Issuance of operating partnership units in connection with the acquisition of Monte Vista..	$ --	$ 32,100
Proceeds from loan to pay insurance premiums................................	$ 2,404	$ --

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

DEFINITION OF TERMS:

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

PRESENTATION:

These unaudited Consolidated Financial Statements have been prepared pursuant to the Securities and Exchange Commission ("SEC") rules and regulations and should be read in conjunction with the financial statements and notes thereto included in the 2004 Form 10-K. The following Notes to Consolidated Financial Statements highlight significant changes to the Notes included in the 2004 Form 10-K and present interim disclosures as required by the SEC. The accompanying Consolidated Financial Statements reflect, in the opinion of management, all adjustments necessary for a fair presentation of the interim financial statements. All such adjustments are of a normal and recurring nature. Certain reclassifications have been made to the prior periods' financial statements in order to conform with current period presentation.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Consolidation

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

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

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

(b) Use of Estimates

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Segments

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

(d) Inventory

Inventory consists of new and used Site Set homes and is stated at the lower of cost or market after consideration of the N.A.D.A. (National Automobile Dealers Association) Manufactured Housing Appraisal Guide and the current market value of each home included in the home inventory. Inventory sales revenues and resale revenues are recognized when the home sale is closed. Inventory is recorded net of an inventory reserve as of September 30, 2005 and December 31, 2004 of $573,000 and $600,000, respectively. Resale revenues are stated net of commissions paid to employees of $1,101,000 and $846,000 for the nine months ended September 30, 2005 and 2004, respectively.

(e) Real Estate

In accordance with SFAS No. 141, we allocate the purchase price of Properties we acquire to net tangible and identified intangible assets acquired based on their fair values. In making estimates of fair values for purposes of allocating purchase price, we utilize a number of sources, including independent appraisals that may be available in connection with the acquisition or financing of the respective Property and other market data. We also consider information obtained about each Property as a result of our due diligence, marketing and leasing activities in estimating the fair value of the tangible and intangible assets acquired.

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Cash and Cash Equivalents

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

(g) Notes Receivable

Notes receivable generally are stated at their outstanding unpaid principal balances net of any deferred fees or costs on originated loans, or unamortized discounts or premiums net of a valuation allowance. Interest income is accrued on the unpaid principal balance. Discounts or premiums are amortized to income using the interest method. In certain cases we finance the sales of homes to our customers (referred to as "Chattel Loans") which loans are secured by the homes. The valuation allowance for the Chattel Loans is calculated based on a comparison of the outstanding principal balance of each note compared to the N.A.D.A. value and the current market value of the underlying manufactured home collateral. These notes are recorded net of allowances of $81,000 and $250,000 as of September 30, 2005 and December 31, 2004, respectively.

(h) Investments in Joint Ventures

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

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

(i) Income from Other Investments

Income from other investments consists of ground lease income from the Thousand Trails Transaction of $12.0 million and $0 for the nine months ended September 30, 2005 and 2004, respectively, and income from the College Heights preferred limited partnership investment of approximately $0.8 and $0.7 million for the nine months ended September 30, 2005 and 2004, respectively.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Insurance Claims

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

As disclosed in the 2004 Form 10-K, approximately 70 Florida Properties suffered damage from the four hurricanes that struck Florida during August and September 2004. As of September 30, 2005, total expenditures related thereto were approximately $11.0 million. The Company has received proceeds from insurance carriers of $0.4 million as of September 30, 2005. Approximately $0.7 million and $1.0 million for 2005 and 2004, respectively, has been charged to operations as reserves related to these expenditures, and $0.4 million was charged directly to operating expense in 2004. $6.0 million and $5.9 million were included in other assets as a receivable from insurance providers as of September 30, 2005 and December 31, 2004, respectively. In addition, on October 3, 2005 we received approximately $1.1 million from our insurance carriers, further reducing the accounts receivable balance to $4.9 million. $2.5 million and $0 of these expenditures have been capitalized per the Company's capitalization policy as of September 30, 2005 and December 31, 2004 respectively. The Company expects to incur additional expenditures to complete the work necessary to restore these Properties to their pre-hurricanes condition.

Through September 30, 2005, the Company has submitted proofs of claims to carriers for substantially all hurricane related expenditures referred to in the preceding paragraph. In addition, these proofs of claims included requests for reimbursement for inventory losses, and lost income as well as expected future hurricane related expenditures. The Company continues to compile the information and supporting documentation required to submit additional claims for reimbursement. While the Company believes that it has provided timely notice to its insurance providers and submitted claims in a timely fashion, the recoverability of such claims and the timing of reimbursements are based on several factors, some of which are not within the Company's control. This process will continue to impact the Company's balance sheet and cash flow until such claims are resolved, as it is impossible to predict with any certainty the date that such recoveries from the insurance carriers will be received. In addition, there is a risk that the insurance providers will dispute some or all of the Company's claims.

(k) Restatement

During 2004, the Company changed the way it accounted for costs incurred in pursuing certain rent control initiatives. As a result, the Company expensed $807,000 and $1,295,000 for the nine months ended September 30, 2005 and 2004, respectively, because the previous method of accounting for the costs was determined to be incorrect. The Company had historically classified these costs, primarily legal, in other assets. To the extent the Company's efforts to effectively change the use and operations of the Properties were successful, the Company would have capitalized the costs to land improvements as an increase in the established value of the revised project and depreciated them over 30 years. To the extent these efforts were not successful, the costs would have been expensed.

(l) Reclassifications

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

NOTE 2 - EARNINGS PER COMMON SHARE

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

The following table sets forth the computation of basic and diluted earnings per common share for the quarters and nine months ended September 30, 2005 and 2004 (amounts in thousands):

	QUARTERS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2005	2004	2005	2004
NUMERATORS:				
INCOME FROM CONTINUING OPERATIONS:				
Income (loss) from continuing operations - basic	$ 789	$(1,074)	$11,319	$ 2,957
Amounts allocated to dilutive securities	212	(283)	3,076	669
Income (loss) from continuing operations - fully diluted	$ 1,001	$(1,357)	$14,395	$ 3,626
INCOME FROM DISCONTINUED OPERATIONS:				
Income from discontinued operations - basic	$ 302	$ 210	$ 968	$ 1,149
Amounts allocated to dilutive securities	81	49	259	268
Income from discontinued operations - fully diluted	$ 383	$ 259	$ 1,227	$ 1,417
NET INCOME AVAILABLE FOR COMMON SHARES - FULLY DILUTED:				
Net income (loss) available for Common Shares - basic	$ 1,091	$ (864)	$12,287	$ 4,106
Amounts allocated to dilutive securities	293	(234)	3,335	937
Net income (loss) available for Common Shares - fully diluted	$ 1,384	$(1,098)	$15,622	$ 5,043
DENOMINATOR:				
Weighted average Common Shares outstanding - basic	23,097	22,829	23,038	22,747
Effect of dilutive securities:				
Redemption of Common OP Units for Common Shares	6,308	6,506	6,319	5,914
Employee stock options and restricted shares	744	511	651	527
Weighted average Common Shares outstanding - fully diluted	30,149	29,846	30,008	29,188

NOTE 3 - COMMON STOCK AND RELATED TRANSACTIONS

On June 30, 2005, the Operating Partnership issued $50 million of 7.95% Series F Cumulative Redeemable Perpetual Preference Units (the "Series F Units"), to institutional investors. The Series F Units are non-callable for five years and have no stated maturity or mandatory redemption. Net proceeds from the offering were used to pay down amounts outstanding under the Company's line of credit.

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

On April 8, 2005, the Company paid a $0.025 per share distribution for the quarter ended March 31, 2005 to stockholders of record on March 25, 2005. On July 8, 2005, the Company paid a $0.025 per share distribution for the quarter ended June 30, 2005 to stockholders of record on June 24, 2005. On October 14, 2005, the Company paid a $0.025 per share distribution for the quarter ended September 30, 2005 to stockholders of record on September 30, 2005. On March 24, 2005, the Operating Partnership paid distributions of 9.0% per annum on the $125 million of Series D 9% Units, and for the seven days ended March 31, 2005, the Operating Partnership paid distributions of 8.0625% per annum on the $150 million Series D 8% Units. On June 30, 2005 the Operating Partnership paid distributions of 8.0625% per annum on the $150 million of Series D 8% Units. On September 30, 2005, the Operating Partnership paid distributions of 8.0625% per annum on the $150 million of Series D 8% Units and 7.95% per annum on the $50 million of Series F 7.95% Units.

NOTE 4 - INVESTMENT IN REAL ESTATE

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

Properties Held for Long Term

	SEPTEMBER 30, 2005	DECEMBER 31, 2004
Investment in real estate:		
Land	$ 486,288	$ 462,619
Land improvements	1,489,694	1,406,246
Buildings and other depreciable property	131,173	124,357
	2,107,155	1,993,222
Accumulated depreciation	(351,202)	(309,277)
Net investment in real estate	$1,755,973	$1,683,945

Properties Held for Sale

	SEPTEMBER 30, 2005	DECEMBER 31, 2004
Investment in real estate:		
Land	$ 7,968	$ 7,968
Land improvements	32,926	32,677
Buildings and other depreciable property	1,942	1,923
	42,836	42,568
Accumulated depreciation	(13,919)	(13,590)
Net investment in real estate	$ 28,897	$ 28,978

NOTE 4 - INVESTMENT IN REAL ESTATE (CONTINUED)

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

During the nine months ended September 30, 2005, we acquired seven Properties as listed in the table below. The combined investment in real estate for these Properties was approximately $89.9 million and was funded with money drawn from our line of credit and purchaser assumed debt (amounts in millions, except for total sites).

CLOSING DATE	PROPERTY	LOCATION	TOTAL SITES	REAL ESTATE	DEBT	NET EQUITY
June 20, 2005	San Francisco RV	Pacifica, CA	182	$ 6.6	$ --	$ 6.6
August 12, 2005	Morgan Portfolio	Various (5 properties)	2,929	$69.1	$53.5	$15.6
September 15, 2005	Lake George Escape	Lake George, NY	576	$14.2	$ --	$14.2
			3,687	$89.9	$53.5	$36.4

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

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

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

NOTE 4 - INVESTMENT IN REAL ESTATE (CONTINUED)

The following table summarizes the combined results of operations of the seven Properties held for sale for the quarter ended September 30, 2005 and 2004, seven Properties held for sale and eight Properties, including one Property sold during the second quarter of 2004, for the nine months ended September 30, 2005 and 2004, respectively (amounts in thousands).

	QUARTERS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2005	2004	2005	2004
Rental income	$1,455	$1,646	$ 4,604	$ 5,183
Utility and other income	110	146	431	509
Property operating revenues	1,565	1,792	5,035	5,692
Property operating expenses	925	987	2,743	3,095
Income from property operations	640	805	2,292	2,597
Income (loss) from home sales operations and other	(18)	12	(27)	(59)
Interest	(231)	(231)	(684)	(730)
Amortization	(8)	(9)	(25)	(25)
Depreciation	--	(318)	(329)	(1,004)
Total other expenses	(239)	(558)	(1,038)	(1,759)
Gain on sale	--	--	--	638
Minority interest	(81)	(49)	(259)	(268)
Net income from discontinued operations	$ 302	$ 210	$ 968	$ 1,149

NOTE 5 - NOTES RECEIVABLE

As of September 30, 2005 and December 31, 2004, the Company had approximately $11.8 million and $13.3 million in notes receivable, respectively. These notes are recorded net of allowances of $81,000 and $250,000 as of September 30, 2005 and December 31, 2004, respectively. The Company has approximately $11.4 million in Chattel Loans receivable, which yield interest at a per annum average rate of approximately 9.2%, have an average term and amortization of 5 to 15 years, require monthly principal and interest payments and are collateralized by manufactured homes at certain of the Properties. The Company has approximately $403,000 in notes which bear interest at a per annum rate of prime plus 0.5% and mature on December 31, 2011. The notes are collateralized with a combination of Common OP Units and partnership interests in certain joint ventures.

NOTE 6 - INVESTMENT IN AND ADVANCES TO JOINT VENTURES

The Company recorded approximately $6.1 million and $3.0 million of net income from joint ventures, net of $1.3 million and $0.7 million of depreciation expense for the nine months ended September 30, 2005 and 2004, respectively. The Company received approximately $10.2 million and $4.1 million in distributions for the nine months ended September 30, 2005 and 2004, respectively. $2.2 million and $0.5 million exceeded the Company's basis and thus was recorded in equity in income from joint ventures. Due to the Company's inability to control the joint ventures, the Company accounts for its investment in the joint ventures using the equity method of accounting.

During the nine months ended September 30, 2005, the Company invested approximately $7 million for a 50 percent preferred joint venture interest in three properties located near Bar Harbor, Maine.

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

The following table summarizes the Company's investments in unconsolidated joint ventures (with the number of properties shown parenthetically):

PROPERTY	LOCATION	NUMBER OF SITES	ECONOMIC INTEREST (a)	INVESTMENT AS OF SEPT. 30, 2005	INVESTMENT AS OF DEC. 31, 2004
				(in thousands)	(in thousands)
Meadows Investments.......	Various (2)	1,027	50%	$ 184	$ 4,763
Lakeshore Investments.....	Florida (2)	343	90%	51	630
Voyager...................	Tucson, AZ	1,575	25%	3,185	3,010
Mezzanine Investments.....	Various (11)	5,054	--	32,096	31,207
Indian Wells..............	Indio, CA	350	30%	253	271
Diversified Investments...	Various (11)	4,443	25%	3,183	3,702
Maine Portfolio...........	Maine (3)	495	50%	7,386	--
		13,287		$46,338	$43,583

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

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

BALANCE SHEET

	AS OF SEPTEMBER 30, 2005	AS OF DECEMBER 31, 2004
ASSETS		
Real estate, net..............	$190,599	$183,480
Other assets..................	23,414	22,646
TOTAL ASSETS.....................	$214,013	$206,126
LIABILITIES & EQUITY		
Mortgage debt & other loans...	$164,642	$152,682
Other liabilities.............	15,837	13,485
Partners' equity..............	33,534	39,959
TOTAL LIABILITIES AND EQUITY.....	$214,013	$206,126

STATEMENT OF OPERATIONS

	FOR THE QUARTERS ENDED SEPT. 30, 2005	2004	FOR THE NINE MONTHS ENDED SEPT. 30, 2005	2004
Rentals	$ 7,721	$ 5,855	$24,828	$20,043
Other Income	2,323	1,816	7,147	5,794
TOTAL REVENUES	10,044	7,671	31,975	25,837
Operating Expenses	5,997	4,600	16,613	13,555
Interest	2,278	1,880	7,047	5,461
Other Income & Expenses	634	1,410	1,821	2,134
Depreciation & Amortization ..	2,820	2,545	8,434	7,440
TOTAL EXPENSES	11,729	10,435	33,915	28,590
NET LOSS	$(1,685)	$(2,764)	$(1,940)	$(2,753)

NOTE 7 - LONG-TERM BORROWINGS

As of September 30, 2005 and December 31, 2004, the Company had outstanding mortgage indebtedness on Properties held for the long term of approximately $1,445 million and $1,402 million, respectively, and approximately $15 million of mortgage indebtedness as of September 30, 2005 and December 31, 2004 for Properties held for sale, encumbering a total of 165 of the Company's Properties. As of September 30, 2005 and December 31, 2004, the carrying value of such Properties was approximately $1,724 million and $1,653 million, respectively.

During the quarter we refinanced two mortgage loans for proceeds of $34 million at a rate of 4.95% per annum. Net proceeds were used to pay down approximately $20 million in other secured financing maturing in 2006 and to pay $934,000 in early debt retirement costs offset by related debt premium balance write-offs.

The outstanding mortgage indebtedness as of September 30, 2005 consists of:

- Approximately $496.7 million of mortgage debt (the "Recap") consisting of 49 loans collateralized by 51 Properties beneficially owned by separate legal entities that are Subsidiaries of the Company, which we closed on October 17, 2003. Of this Mortgage Debt, $164.4 million bears interest at 5.35% per annum and matures November 1, 2008; $79.9 million bears interest at 5.72% per annum and matures November 1, 2010; $79.1 million bears interest at 6.02% per annum and matures November 1, 2013; and $173.3 million bears interest at 6.33% per annum and matures November 1, 2015. The Mortgage Debt amortizes over 30 years.

- A $265.0 million mortgage note (the "$265 Million Mortgage") collateralized by 28 Properties beneficially owned by MHC Financing Limited Partnership. The $265 Million Mortgage has a maturity date of January 2, 2028 and bears interest at 7.015% per annum. There is no principal amortization until February 1, 2008, after which principal and interest are to be paid from available cash flow and the interest rate will be reset at a rate equal to the then 10-year U.S. Treasury obligations plus 2.0%. The $265 Million Mortgage is presented net of a settled hedge of $3.0 million (net of accumulated amortization of $549,562), which is being amortized into interest expense over the life of the loan. On October 17, 2005, the Company announced that it had initiated the process of refinancing the $265 Million Mortgage. See Liquidity section in the Management's Discussion and Analysis of Financial Condition and Results of Operations portion of this Form 10-Q.

- An $89.8 million mortgage note (the "DeAnza Mortgage") collateralized by 6 Properties beneficially owned by MHC-DeAnza Financing Limited Partnership. The DeAnza Mortgage bears interest at a rate of 7.82% per annum, amortizes beginning August 1, 2000 over 30 years and matures July 1, 2010.

- A $48 million mortgage note (the "Stagecoach Mortgage") collateralized by 7 Properties beneficially owned by MHC Stagecoach L.L.C. The Stagecoach Mortgage bears interest at a rate of 6.98% per annum, amortizes beginning September 1, 2001 over 10 years and matures September 1, 2011.

- A $43 million mortgage note (the "Bay Indies Mortgage") collateralized by one Property beneficially owned by MHC Bay Indies, L.L.C. The Bay Indies Mortgage bears interest at a rate of 5.69% per annum, amortizes beginning April 17, 2003 over 25 years and matures May 1, 2013.

- A $15.1 million mortgage note (the "Date Palm Mortgage") collateralized by one Property beneficially owned by MHC Date Palm, L.L.C. The Date Palm Mortgage bears interest at a rate of 7.96% per annum, amortizes beginning August 1, 2000 over 30 years and matures July 1, 2010

- Approximately $505.1 million of mortgage debt on 71 other Properties, net of a recorded $9.4 million premium being amortized over the life of the loans using the effective interest rate method. Scheduled maturities for the outstanding indebtedness are at various dates through November 1, 2027, and fixed

NOTE 7 - LONG-TERM BORROWINGS (CONTINUED)

interest rates range from 5.16% to 8.55% per annum. Included in this debt, the Company has a $2.4 million loan recorded to account for a direct financing lease entered into in May 1997.

UNSECURED LOANS

TERM LOAN

The Company has a Term Loan agreement, pursuant to which it borrowed $120 million, on an unsecured basis, at LIBOR plus 1.75% per annum. The Term Loan will be due and payable on November 10, 2007, unless this initial maturity date is extended by the borrower for an additional two years upon satisfaction of certain conditions. Proceeds from this debt were used to acquire KTTI Holding Company, Inc. as part of the Thousand Trails transaction. During the nine months ended September 30, 2005, the Company made a principal repayment of $7.2 million on the Term Loan.

LINES OF CREDIT

The Company has a $110 million credit facility with a group of banks, bearing interest at LIBOR plus 1.65% per annum and maturing on August 9, 2006, which can be extended by the borrower for an additional year to August 9, 2007. As of September 30, 2005, $49.5 million was available under this facility.

The Company has a $50 million credit facility with Wells Fargo Bank, bearing interest at LIBOR plus 1.65% per annum and maturing on May 4, 2006, which can be extended by the borrower for an additional year to May 4, 2007. As of September 30, 2005, $42.3 million was available under this facility.

OTHER LOANS

During the nine months ended September 30, 2005, the Company borrowed $2.4 million to finance its insurance premium payments. As of September 30, 2005, $890,000 remained outstanding. This loan is due in January 2006 and bears interest at 4.07% per annum.

NOTE 8 - STOCK-BASED COMPENSATION

We account for our stock-based compensation in accordance with SFAS No. 123 and its amendment (SFAS No. 148), "Accounting for Stock Based Compensation", which results in compensation expense being recorded based on the fair value of the stock option compensation issued. SFAS No. 148 provided three possible transition methods for changing to the fair value method. Effective January 1, 2003, we elected to use the modified-prospective method, which required that we recognize stock-based employee compensation cost from the beginning of the fiscal year in which the recognition provisions are first applied as if the fair value method had been used to account for all employee awards granted, or settled, in fiscal years beginning after December 15, 1994. Stock-based compensation expense was approximately $2,250,000 and $2,027,000 for the nine months ended September 30, 2005 and 2004, respectively.

Pursuant to the Stock Option Plan as discussed in Note 14 to the 2004 Form 10-K, certain officers, directors, employees and consultants have been offered the opportunity to acquire shares of common stock of the Company through stock options ("Options"). During the nine months ended September 30, 2005, Options for 59,322 shares of common stock were exercised for proceeds of approximately $955,000.

In December 2004, the FASB issued Statement of Financial Accounting Standards No. 123 (revised 2004), Share-Based Payment ("FAS 123(R)"), which replaces FAS 123. We expect to adopt FAS 123(R) on January 1, 2006 using the modified prospective method. The adoption of this standard will have an immaterial effect on the financial statements. Had we adopted FAS 123(R) in prior periods, the impact of that standard would have approximated the impact of FAS 123.

NOTE 9 - COMMITMENTS AND CONTINGENCIES

DEANZA SANTA CRUZ

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

OTHER CALIFORNIA RENT CONTROL LITIGATION

As part of the Company's effort to realize the value of its Properties subject to rent control, the Company has initiated lawsuits against several municipalities in California. The Company's goal is to achieve a level of regulatory fairness in California's rent control jurisdictions, and in particular those jurisdictions that prohibit increasing rents to market upon turnover. Regulations in California allow tenants to sell their homes for a premium representing the value of the future discounted rent-controlled rents. In the Company's view, such regulation results in a transfer of the value of the Company's stockholders' land, which would otherwise be reflected in market rents, to tenants upon the sales of their homes in the form of an inflated purchase price that cannot be attributed to the value of the home being sold. As a result, in the Company's view, the Company loses the value of its asset and the selling tenant leaves the Property with a windfall premium. The Company has discovered through the litigation process that certain municipalities considered condemning the Company's Properties at values well below the value of the underlying land. In the Company's view, a failure to articulate market rents for sites governed by restrictive rent control would put the Company at risk for condemnation or eminent domain proceedings based on artificially reduced rents. Such a physical taking, should it occur, could represent substantial lost value to stockholders. The Company is cognizant of the need for affordable housing in the jurisdictions, but asserts that restrictive rent regulation does not promote this purpose because the benefits of such regulation are fully capitalized into the prices of the homes sold. The Company estimates that the annual rent subsidy to tenants in these jurisdictions is approximately $15 million. In a more well balanced regulatory environment, the Company would receive market rents that would eliminate the subsidy and homes would trade at or near their intrinsic value.

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

The Company has filed two lawsuits in Federal court against the City of San Rafael, challenging its rent control ordinance on constitutional grounds. The Company believes that one of those lawsuits was settled by the City agreeing to amend the ordinance to permit adjustments to market rent upon turnover. The City subsequently rejected the settlement agreement. The Court initially found the settlement agreement was binding on the City, but then

NOTE 9 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

reconsidered and determined to submit the claim of breach of the settlement agreement to a jury. In October 2002, the first case against the City went to trial, based on both breach of the settlement agreement and the constitutional claims. A jury found no breach of the settlement agreement; the Company then filed motions asking the Court to rule in its favor on that claim, notwithstanding the jury verdict. The Court has postponed decision on those motions and on the constitutional claims, pending a ruling on some property rights issues by the United States Supreme Court. In the event that the Court does not rule in favor of the Company on either the settlement agreement or the constitutional claims, then the Company has pending claims seeking a declaration that it can close the Property and convert it to another use.

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

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

In addition, the Company has sued the City of Santee in Federal court alleging all three of the ordinances are unconstitutional under the Fifth and Fourteenth Amendments to the United States Constitution. Thus, it is the Company's position that the ordinances are subject to invalidation as a matter of law in the Federal court action. Separately, the Federal District Court granted the City's Motion for Summary Judgment in the Company's Federal court lawsuit. This decision was based not on the merits, but on procedural grounds, including that the Company's claims were moot given its success in the state court case. The Company will appeal the decision.

NOTE 9 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

In October 2004, the United States Supreme Court granted certiorari in State of Hawaii vs. Chevron USA, Inc., a Ninth Circuit Court of Appeal case that upheld the standard that a regulation must substantially advance a legitimate state purpose in order to be constitutionally viable under the Fifth Amendment. On May 24, 2005 the United States Supreme Court reversed the Ninth Circuit Court of Appeal in an opinion that clarified the standard of review for regulatory takings brought under the Fifth Amendment. The Supreme Court held that the heightened scrutiny applied by the Ninth Circuit is not the applicable standard in a regulatory takings analysis, but is an appropriate factor for determining if a due process violation has occurred. The Court further clarified that regulatory takings would be determined in significant part by an analysis of the economic impact of the regulation. The Company believes that the severity of the economic impact on its Properties caused by rent control will enable it to continue to challenge the rent regulations under the Fifth Amendment and the due process clause.

DISPUTE WITH LAS GALLINAS VALLEY SANITARY DISTRICT

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

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

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

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

The Company believes that it has complied with the Compliance Order. The Company further believes that the allegations in the Complaint are without merit, and will vigorously defend against any such claims by the District.

OTHER

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

NOTE 10 - SUBSEQUENT EVENTS

On October 24, 2005, Hurricane Wilma entered Florida south of Naples and followed an easterly path through the state, exiting on the east coast near West Palm Beach. No injuries to our residents or our employees have been reported. Thirty-three of our 85 Florida Properties, generally between Vero Beach and Miami on the east coast and between Sarasota and Fort Myers on the west coast, were impacted by the storm. Most of the impact was related to damage to older homes, carports, aluminum awnings/siding and other debris. Newer homes held up well during the storm; however, older homes, particularly on the east coast, experienced higher levels of damage.

We are working towards quickly returning our Properties to full operating condition, and expect this process to be substantially completed over the next few weeks. Utility service in some parts of Florida's east coast continues to be disrupted, and approximately eight Properties have no utility service or limited utility service. One Property, Coral Cay in Margate, Florida, containing 819 sites, is expected to be evacuated by local agencies due to disruption in utility service and safety issues resulting from damaged homes and debris. We will work closely with government officials to re-open the Property as quickly as possible. A second Property, Park City West in Ft. Lauderdale, containing 363 sites, suffered heavy wind-related damage to resident homes. We are currently assessing the impact of this storm on our Properties.

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

OVERVIEW

The Company is a fully integrated owner and operator of resort and retirement oriented properties ("Properties"). The Company leases individual developed areas ("sites" or "pads") with access to utilities for placement of factory built homes or recreational vehicles. As of September 30, 2005, we owned or had an ownership interest in a portfolio of 285 Properties located throughout the United States containing 106,494 residential sites. These Properties are located in 28 states and British Columbia (with the number of Properties in each state or province shown parenthetically) - Florida (84), California (47), Arizona (35), Texas (15), Washington (13), Colorado (10), Oregon (9), Delaware (7), Indiana (7), Pennsylvania (7), Nevada (6), North Carolina (6), Wisconsin (5), Virginia (4), Maine (4), New York (4), Illinois (3), Iowa (2), Michigan (2), New Jersey (2), Ohio (2), South Carolina (2), Tennessee (2), Utah (2), Massachusetts (1), Montana (1), New Hampshire (1), New Mexico (1), and British Columbia (1).

This report includes certain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. When used, words such as "anticipate", "expect", "believe", "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. These forward-looking statements are subject to numerous assumptions, risks and uncertainties, including, but not limited to: in the age-qualified Properties, home sales results could be impacted by the ability of potential homebuyers to sell their existing residences as well as by financial markets volatility; in the all-age Properties, results from home sales and occupancy will continue to be impacted by local economic conditions, lack of affordable manufactured home financing, and competition from alternative housing options including site-built single-family housing; our ability to maintain rental rates and occupancy with respect to Properties currently owned or pending acquisitions; our assumptions about rental and home sales markets; the completion of pending acquisitions and timing with respect thereto; the effect of interest rates as well as 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. ELS is under no obligation to, and expressly disclaims any obligation to, update or alter its forward-looking statements whether as a result of such changes, new information, subsequent events or otherwise.

RISK FACTORS

OUR PERFORMANCE AND COMMON STOCK VALUE ARE SUBJECT TO RISKS ASSOCIATED WITH THE REAL ESTATE INDUSTRY.

Adverse Economic Conditions and Other Factors Could Adversely Affect the Value of Our Properties and Our Cash Flow. Several factors may adversely affect the economic performance and value of our Properties. These factors include:

- changes in the national, regional and local economic climate;
- local conditions such as an oversupply of resort and retirement oriented properties or a reduction in demand for resort and retirement oriented properties in the area, the attractiveness of our Properties to customers, competition from manufactured home communities and other resort and retirement oriented properties and alternative forms of housing (such as apartment buildings and site-built single family homes);
- our ability to collect rent from customers and pay maintenance, insurance and other operating costs (including real estate taxes), which could increase over time;
- the failure of our assets to generate income sufficient to pay our expenses, service our debt and maintain our Properties, which may adversely affect our ability to make expected distributions to our stockholders;
- our inability to meet mortgage payments on any Property that is mortgaged, in which case the lender could foreclose on the mortgage and take the Property;

- interest rate levels and the availability of financing, which may adversely affect our financial condition; and

- changes in laws and governmental regulations (including rent control laws and regulations governing usage, zoning and taxes), which may adversely affect our financial condition.

New Acquisitions May Fail to Perform as Expected and Competition for Acquisitions May Result in Increased Prices for Properties. We intend to continue to acquire Properties. Newly acquired Properties may fail to perform as expected. We may underestimate the costs necessary to bring an acquired Property up to standards established for its intended market position. Difficulties in integrating acquisitions may prove costly or time-consuming and could divert management attention. Additionally, we expect that other real estate investors with significant capital will compete with us for attractive investment opportunities. These competitors include publicly traded REITs, private REITs and other types of investors. Such competition increases prices for Properties. We expect to acquire Properties with cash from secured or unsecured financings and proceeds from offerings of equity or debt. We may not be in a position or have the opportunity in the future to make suitable property acquisitions on favorable terms.

Because Real Estate Investments Are Illiquid, We May Not be Able to Sell Properties When Appropriate. Real estate investments generally cannot be sold quickly. We may not be able to vary our portfolio promptly in response to economic or other conditions, forcing us to accept lower than market value. This inability to respond promptly to changes in the performance of our investments could adversely affect our financial condition and ability to service debt and make distributions to our stockholders.

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

DEBT FINANCING, FINANCIAL COVENANTS AND DEGREE OF LEVERAGE COULD ADVERSELY AFFECT OUR ECONOMIC PERFORMANCE.

Scheduled Debt Payments Could Adversely Affect Our Financial Condition. Our business is subject to risks normally associated with debt financing. The total principal amount of our outstanding indebtedness was approximately $1.6 billion as of September 30, 2005. Our substantial indebtedness and the cash flow associated with serving our indebtedness could have important consequences, including the risks that:

- our cash flow could be insufficient to pay distributions at expected levels and meet required payments of principal and interest;

- we will be required to use a substantial portion of our cash flow from operations to pay our indebtedness, thereby reducing the availability of our cash flow to fund the implementation of our business strategy, acquisitions, capital expenditures and other general corporate purposes;

- our debt service obligations could limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;

- we may not be able to refinance existing indebtedness (which in virtually all cases requires substantial principal payments at maturity) and, if we can, the terms of such refinancing might not be as favorable as the terms of existing indebtedness;

- if principal payments due at maturity cannot be refinanced, extended or paid with proceeds of other capital transactions, such as new equity capital, our cash flow will not be sufficient in all years to repay all maturing debt; and

- - if prevailing interest rates or other factors at the time of refinancing (such as the possible reluctance of lenders to make commercial real estate loans) result in higher interest rates, increased interest expense would adversely affect cash flow and our ability to service debt and make distributions to stockholders.

Financial Covenants Could Adversely Affect Our Financial Condition. If a Property is mortgaged to secure payment of indebtedness and we are unable to meet mortgage payments, the mortgagee could foreclose on the Property, resulting in loss of income and asset value. The mortgages on our Properties contain customary negative covenants which, among other things, limit our ability, without the prior consent of the lender, to further mortgage the Property and to discontinue insurance coverage. In addition, our credit facilities contain certain customary restrictions, requirements and other limitations on our ability to incur indebtedness, including total debt to assets ratios, secured debt to total assets ratios, debt service coverage ratios and minimum ratios of unencumbered assets to unsecured debt. Foreclosure on mortgaged Properties or an inability to refinance existing indebtedness would likely have a negative impact on our financial condition and results of operations.

Our Degree of Leverage Could Limit Our Ability to Obtain Additional Financing. Our debt to market capitalization ratio (total debt as a percentage of total debt plus the market value of the outstanding Common Stock and Units held by parties other than the Company) is approximately 55% as of September 30, 2005. The degree of leverage could have important consequences to stockholders, including an adverse effect on our ability to obtain additional financing in the future for working capital, capital expenditures, acquisitions, development or other general corporate purposes, and makes us more vulnerable to a downturn in business or the economy generally.

WE DEPEND ON OUR SUBSIDIARIES' DIVIDENDS AND DISTRIBUTIONS.

Substantially all of our assets are indirectly held through the Operating Partnership. As a result, we have no source of operating cash flow other than from distributions from the Operating Partnership. Our ability to pay dividends to holders of Common Stock depends on the Operating Partnership's ability first to satisfy its obligations to its creditors and make distributions payable to third party holders of its preferred Units and then to make distributions to MHC Trust and common Unit holders. Similarly, MHC Trust must satisfy its obligations to its creditors and preferred shareholders before making common stock distributions to us.

STOCKHOLDERS' ABILITY TO EFFECT CHANGES OF CONTROL OF THE COMPANY IS LIMITED.

Provisions of Our Charter and Bylaws Could Inhibit Changes of Control. Certain provisions of our charter and bylaws may delay or prevent a change of control of the Company or other transactions that could provide our stockholders with a premium over the then-prevailing market price of their Common Stock or which might otherwise be in the best interest of our stockholders. These include the Ownership Limit described below. Also, any future series of preferred stock may have certain voting provisions that could delay or prevent a change of control or other transaction that might involve a premium price or otherwise be good for our stockholders.

Maryland Law Imposes Certain Limitations on Changes of Control. Certain provisions of Maryland law prohibit "business combinations" (including certain issuances of equity securities) with any person who beneficially owns ten percent or more of the voting power of outstanding Common Stock, or with an affiliate of the Company who, at any time within the two-year period prior to the date in question, was the owner of ten percent or more of the voting power of the outstanding voting stock (an "Interested Stockholder"), or with an affiliate of an Interested Stockholder. These prohibitions last for five years after the most recent date on which the Interested Stockholder became an Interested Stockholder. After the five-year period, a business combination with an Interested Stockholder must be approved by two super-majority stockholder votes unless, among other conditions, our common stockholders receive a minimum price for their shares and the consideration is received in cash or in the same form as previously paid by the Interested Stockholder for its shares of Common Stock. The Board of Directors has exempted from these provisions under the Maryland law any business combination with Samuel Zell, who is the Chairman of the Board of the Company, certain holders of Units who received them at the time of our initial public offering, the General Motors Hourly Rate Employees Pension Trust and the General Motors Salaried Employees Pension Trust, and our officers who acquired Common Stock at the time we were formed and each and every affiliate of theirs.

We Have a Stock Ownership Limit for REIT Tax Purposes. To remain qualified as a REIT for U.S. federal income tax purposes, not more than 50% in value of our outstanding shares of capital stock may be owned, directly or indirectly, by five or fewer individuals (as defined in the federal income tax laws applicable to REITs) at any time during the last half of any taxable year. To facilitate maintenance of our REIT qualification, our charter, subject to certain exceptions, prohibits Beneficial Ownership (as defined in our charter) by any single stockholder of more than 5% (in value or number of shares, whichever is more restrictive) of our outstanding capital stock. We refer to this as the "Ownership Limit." Within certain limits, our charter permits the Board of Directors to increase the Ownership Limit with respect to any class or series of stock. The Board of Directors, upon receipt of a ruling from the Internal Revenue Service, opinion of counsel, or other evidence satisfactory to the Board of Directors and upon fifteen days prior written notice of a proposed transfer which, if consummated, would result in the transferee owning shares in excess of the Ownership Limit, and upon such other conditions as the Board of Directors may direct, may exempt a stockholder from the Ownership Limit. Absent any such exemption, capital stock acquired or held in violation of the Ownership Limit will be transferred by operation of law to us as trustee for the benefit of the person to whom such capital stock is ultimately transferred, and the stockholder's rights to distributions and to vote would terminate. Such stockholder would be entitled to receive, from the proceeds of any subsequent sale of the capital stock transferred to us as trustee, the lesser of (i) the price paid for the capital stock or, if the owner did not pay for the capital stock (for example, in the case of a gift, devise of other such transaction), the market price of the capital stock on the date of the event causing the capital stock to be transferred to us as trustee or (ii) the amount realized from such sale. A transfer of capital stock may be void if it causes a person to violate the Ownership Limit. The Ownership Limit could delay or prevent a change in control of the Company and, therefore, could adversely affect our stockholders' ability to realize a premium over the then-prevailing market price for their Common Stock.

CONFLICTS OF INTEREST COULD INFLUENCE THE COMPANY'S DECISIONS.

Certain Stockholders Could Exercise Influence in a Manner Inconsistent With the Stockholders' Best Interests. As of September 30, 2005, Mr. Zell and certain affiliated holders beneficially owned approximately 14.3% of our outstanding Common Stock (in each case including Common Stock issuable upon the exercise of stock options and the exchange of Units). Accordingly, Mr. Zell has significant influence on our management and operation. Such influence could be exercised in a manner that is inconsistent with the interests of other stockholders.

Mr. Zell and His Affiliates Continue to be Involved in Other Investment Activities. Mr. Zell and his affiliates have a broad and varied range of investment interests, including interests in other real estate investment companies involved in other forms of housing, including multifamily housing. Mr. Zell and his affiliates may acquire interests in other companies. Mr. Zell may not be able to control whether any such company competes with the Company. Consequently, Mr. Zell's continued involvement in other investment activities could result in competition to the Company as well as management decisions which might not reflect the interests of our stockholders.

RISK OF EMINENT DOMAIN AND TENANT LITIGATION.

We own Properties in certain areas of the country where real estate values have increased faster than rental rates in our Properties either because of locally imposed rent control or long term leases. In such areas, we have learned that local government has investigated the possibility of seeking to take our Properties by eminent domain at values below the value of the underlying land. While no such eminent domain proceeding has been commenced, and we would exercise all of our rights in connection with any such proceeding, successful condemnation proceedings by municipalities could adversely affect our financial condition. Moreover, certain of our Properties located in California are subject to rent control ordinances, some of which not only severely restrict ongoing rent increases but also prohibit us from increasing rents upon turnover. Such regulation allows customers to sell their homes for a premium representing the value of the future discounted rent-controlled rents. As part of our effort to realize the value of our Properties subject to rent control, we have initiated lawsuits against several municipalities in California. In response to our efforts, tenant groups have filed lawsuits against us seeking not only to limit rent increases, but to be awarded large damage awards. If we are unsuccessful in our efforts to challenge rent control ordinances, it is likely that we will not be able to charge rents that reflect the intrinsic value of the affected Properties. Finally, tenant groups in non-rent controlled markets have also attempted to use litigation as a means of protecting themselves from rent increases reflecting the rental value of the affected Properties. An unfavorable outcome in the tenant group lawsuits could have an adverse impact on our financial condition.

ENVIRONMENTAL PROBLEMS ARE POSSIBLE AND CAN BE COSTLY.

Federal, state and local laws and regulations relating to the protection of the environment may require a current or previous owner or operator of real estate to investigate and clean up hazardous or toxic substances or petroleum product releases at such property. The owner or operator may have to pay a governmental entity or third parties for property damage and for investigation and clean-up costs incurred by such parties in connection with the contamination. Such laws typically impose clean-up responsibility and liability without regard to whether the owner or operator knew of or caused the presence of the contaminants. Even if more than one person may have been responsible for the contamination, each person covered by the environmental laws may be held responsible for all of the clean-up costs incurred. In addition, third parties may sue the owner or operator of a site for damages and costs resulting from environmental contamination emanating from that site.

Environmental laws also govern the presence, maintenance and removal of asbestos. Such laws require that owners or operators of property containing asbestos properly manage and maintain the asbestos, that they notify and train those who may come into contact with asbestos and that they undertake special precautions, including removal or other abatement, if asbestos would be disturbed during renovation or demolition of a building. Such laws may impose fines and penalties on real property owners or operators who fail to comply with these requirements and may allow third parties to seek recovery from owners or operators for personal injury associated with exposure to asbestos fibers.

WE HAVE A SIGNIFICANT CONCENTRATION OF PROPERTIES IN FLORIDA AND CALIFORNIA, AND NATURAL DISASTERS OR OTHER CATASTROPHIC EVENTS IN THESE OR OTHER STATES COULD ADVERSELY AFFECT THE VALUE OF OUR PROPERTIES AND OUR CASH FLOW.

As of September 30, 2005, we owned or had an ownership interest in 285 Properties located in 28 states and British Columbia, including 84 Properties located in Florida and 47 Properties located in California. The occurrence of a natural disaster or other catastrophic event in any of these areas may cause a sudden decrease in the value of our Properties. While we have obtained insurance policies providing certain coverage against damage from fire, flood, property damage, earthquake, wind storm and business interruption, these insurance policies contain coverage limits, limits on covered property and various deductible amounts that the Company must pay before insurance proceeds are available. Such insurance may therefore be insufficient to restore our economic position with respect to damage or destruction to our Properties caused by such occurrences. Moreover, each of these coverages must be renewed every year and there is the possibility that all or some of the coverages may not be available at a reasonable cost. In addition, in the event of such natural disaster or other catastrophic event, the process of obtaining reimbursement for covered losses, including the lag between expenditures incurred by us and reimbursements received from the insurance providers, could adversely affect our economic performance.

MARKET INTEREST RATES MAY HAVE AN EFFECT ON THE VALUE OF OUR COMMON STOCK.

One of the factors that investors consider important in deciding whether to buy or sell shares of a REIT is the distribution rates with respect to such shares (as a percentage of the price of such shares) relative to market interest rates. If market interest rates go up, prospective purchasers of REIT shares may expect a higher distribution rate. Higher interest rates would not, however, result in more funds for us to distribute and, in fact, would likely increase our borrowing costs and potentially decrease funds available for distribution. Thus, higher market interest rates could cause the market price of our publicly traded securities to go down.

WE ARE DEPENDENT ON EXTERNAL SOURCES OF CAPITAL.

To qualify as a REIT, we must distribute to our stockholders each year at least 90% of our REIT taxable income (determined without regard to the deduction for dividends paid and excluding any net capital gain). In addition, we intend to distribute all or substantially all of our net income so that we will generally not be subject to U.S. federal income tax on our earnings. Because of these distribution requirements, it is not likely that we will be able to fund all future capital needs, including for acquisitions, from income from operations. We therefore will have to rely on third-party sources of debt and equity capital financing, which may or may not be available on favorable terms or at all. Our access to third-party sources of capital depends on a number of things, including conditions in the capital markets generally and the market's perception of our growth potential and our current and potential future earnings.

Moreover, additional equity offerings may result in substantial dilution of stockholders' interests, and additional debt financing may substantially increase our leverage.

OUR QUALIFICATION AS A REIT IS DEPENDENT ON COMPLIANCE WITH U.S. FEDERAL INCOME TAX REQUIREMENTS.

We believe we have been organized and operated in a manner so as to qualify for taxation as a REIT, and we intend to continue to operate so as to qualify as a REIT for U.S. federal income tax purposes. Qualification as a REIT for U.S. federal income tax purposes, however, is governed by highly technical and complex provisions of the Code for which there are only limited judicial or administrative interpretations. Our qualification as a REIT requires analysis of various facts and circumstances that may not be entirely within our control, and we cannot provide any assurance that the Internal Revenue Service (the "IRS") will agree with our analysis. These matters can affect our qualification as a REIT. In addition, legislation, new regulations, administrative interpretations or court decisions might significantly change the tax laws with respect to the requirements for qualification as a REIT or the U.S. federal income tax consequences of qualification as a REIT.

If, with respect to any taxable year, we fail to maintain our qualification as a REIT (and specified relief provisions under the Code were not applicable to such disqualification), we could not deduct distributions to stockholders in computing our net taxable income and we would be subject to U.S. federal income tax on our net taxable income at regular corporate rates. Any U.S. federal income tax payable could include applicable alternative minimum tax. If we had to pay U.S. federal income tax, the amount of money available to distribute to stockholders and pay indebtedness would be reduced for the year or years involved, and we would no longer be required to distribute money to stockholders. In addition, we would also be disqualified from treatment as a REIT for the four taxable years following the year during which qualification was lost, unless we were entitled to relief under the relevant statutory provisions. Although we currently intend to operate in a manner designed to allow us to qualify as a REIT, future economic, market, legal, tax or other considerations may cause us to revoke the REIT election.

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

PROPERTY	TRANSACTION DATE	SITES
TOTAL SITES AS OF JANUARY 1, 2004		52,482
PROPERTY OR PORTFOLIO (# OF PROPERTIES IN PARENTHESES):		
O'Connell's	January 15, 2004	668
Spring Gulch	January 30, 2004	420
Paradise	February 3, 2004	950
Twin Lakes	February 18, 2004	400
Lakeside	February 19, 2004	95
Diversified Portfolio (10)	February 5, 2004	2,567
NHC Portfolio (28)	February 17, 2004	11,311
Viewpoint	May 3, 2004	1,928
Cactus Gardens	May 12, 2004	430
Monte Vista	May 13, 2004	832
GE Portfolio (5)	May 14, 2004	1,155
Yukon Trails	September 8, 2004	214
Caledonia	November 4, 2004	247
Thousand Trails (57)	November 10, 2004	17,911
Fremont	December 30, 2004	325
San Francisco RV	June 20, 2005	182
Morgan Portfolio (5)	August 12, 2005	2,929
Lake George Escape	September 15, 2005	576
JOINT VENTURES:		
Diversified Investments (11)	Various	4,443
Indian Wells	February 17, 2004	350
Maine Portfolio (3)	April 7, 2005	495
MEZZANINE INVESTMENTS (11)	February 3, 2004	5,054
EXPANSION SITE DEVELOPMENT AND OTHER:		
Sites added (reconfigured) in 2004		147
Sites added (reconfigured) in 2005		1,081
DISPOSITIONS:		
Lake Placid	May 28, 2004	(408)
Manatee (Joint Venture)	September 1, 2004	(290)
TOTAL SITES AS OF SEPTEMBER 30, 2005		106,494

Since December 31, 2003, the gross investment in real estate has increased from $1,315 million to $2,150 million. The total number of sites owned, controlled, or in which the Company holds an investment, has increased from 52,482 as of December 31, 2003 to 106,494 as of September 30, 2005.

OUTLOOK

Occupancy in our Properties as well as our ability to increase rental rates directly affect revenues. We currently have approximately 60,800 annual sites for which we expect to have average annual revenue of approximately $4,400 per site. We have 8,200 seasonal sites, which are leased to customers generally for 3 to 6 months, for which we expect to collect annualized rental revenues in the range of $1,800 to $1,900 per site. We also have 6,400 transient sites, occupied by customers who lease on a short-term basis, for which we expect to collect annualized rental revenues in the range of $2,000 to $2,200 per site. We expect to service 60,000 customers with these transient sites. We consider the transient revenue stream to be our most volatile. It is subject to weather conditions, gas prices, and other factors affecting the marginal RV customer's vacation and travel preferences. Finally, we have approximately 17,900 Thousand Trails sites for which we receive ground rent of $16 million annually (subject to annual escalations). This rent is classified in Other Income in the Consolidated Statements of Operations. We have interests in Properties containing approximately 13,300 sites for which revenue is classified as Equity in Income from Unconsolidated Joint Ventures in the Consolidated Statements of Operations. The following table outlines the annual, seasonal and transient average results as of September 30, 2005 and as of December 31, 2004:

	TOTAL SITES AS OF SEPT. 30, 2005 (ROUNDED TO 100S)	TOTAL SITES AS OF DEC. 31, 2004 (ROUNDED TO 100S)	APPROXIMATE ANNUAL REVENUE RANGE
Community Sites ...	45,300	45,200	$5,400-$5,500
Resort Sites:			
Annual	15,500	13,100	$3,000-$3,200
Seasonal	8,200	7,200	$1,800-$1,900
Transient	6,400	6,000	$2,000-$2,200
Thousand Trails ...	17,900	17,900	
Joint Ventures	13,300	11,800	
	106,600	101,200	

SERP TERMINATION

As a result of the changes in the law relating to deferred compensation plans, the Company, subject to the final approval of the Company's Management Committee, has determined that it will terminate its Supplemental Retirement Savings Plan by the end of 2005. Termination of the plan will result in taxable distribution to the applicable participants, who will receive the assets that are held in their plan account, net of withholding taxes. These assets include approximately 900,000 shares of ELS common stock in the aggregate, including approximately 825,000 shares of ELS common stock held in the plan accounts of ELS' executive officers and directors. All of the shares of ELS common stock held in plan accounts that are distributed will be freely tradeable without restriction or further registration under the federal securities laws, except for shares held in the plan accounts of executive officers and directors, which will be subject to the manner and volume of sale requirements of Rule 144 under the Securities Act. Termination of the Plan will have no effect on results of operations and no material impact on the Company's balance sheet. Certain executive officers of the Company may from time to time adopt non-discretionary, written trading plans that comply with Commission Rule 10b5-1, or otherwise monetize their equity-based compensation. Commission Rule 10b5-1 provides executives with a method to monetize their equity-based compensation in an automatic and non-discretionary manner over time.

PRIVILEGED ACCESS

On October 17, 2005 we announced that Mr. Joe McAdams has resigned from the Company's Board of Directors in order to pursue a new venture called Privileged Access, LP. The new company is expected to lease sites at certain of ELS' properties for the purpose of creating flexible use products. These products include the sale of timeshare or fractional interests in resort homes or cottages and membership and vacation-club products. Leasing our sites to Privileged Access allows us to participate in these products and activities while achieving long-term rental of our sites. The Company has yet to determine the impact this new relationship will have on its financial statements.

Replacing Mr. McAdams in his positions both on the Board of Directors and as Chairman of the Audit Committee is Mr. Phil Calian. Mr. Calian is founder and managing partner of Kingsbury Partners, LLC, and a principal of Waveland Investments, LLC. Both entities focus on providing capital and ownership skills to middle-market businesses.

HURRICANE WILMA

Hurricane Wilma entered Florida south of Naples and followed an easterly path through the state, exiting on the east coast near West Palm Beach. No injuries to our residents or our employees have been reported. Thirty-three of our 85 Florida properties, generally between Vero Beach and Miami on the east coast and between Sarasota and Fort Myers on the west coast, were impacted by the storm. Most of the impact was related to damage to older homes, carports, aluminum awnings/siding and other debris. Newer homes held up well during the storm; however, older homes, particularly on the east coast, experienced higher levels of damage.

We are working towards quickly returning our properties to full operating condition, and expect this process to be substantially completed over the next few weeks. Utility service in some parts of Florida's east coast continues to be disrupted, and approximately eight properties have no utility service or limited utility service. One property, Coral Cay in Margate, Florida, containing 819 sites, is expected to be evacuated by local agencies due to disruption in utility service and safety issues resulting from damaged homes and debris. We will work closely with government officials to re-open the property as quickly as possible. A second property, Park City West in Ft. Lauderdale, containing 363 sites, suffered heavy wind-related damage to resident homes.

The Company believes it has adequate insurance coverage, including business interruption coverage. The Company does not believe the storm will have a material impact on its financial condition or operating results.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Refer to the 2004 Form 10-K for a discussion of our critical accounting policies, which includes impairment of real estate assets and investments, investments in unconsolidated joint ventures, and accounting for stock compensation. During the nine months ended September 30, 2005, there were no changes to these policies.

RESULTS OF OPERATIONS

During the nine months ended September 30, 2005, the Company designated seven Properties as held for disposition pursuant to SFAS No. 144. The Company determined that these Properties no longer met its investment strategy. As such, the results from operations of these Properties have been classified as income from discontinued operations. See Note 4 for summarized information for these Properties.

COMPARISON OF THE QUARTER ENDED SEPTEMBER 30, 2005 TO THE QUARTER ENDED SEPTEMBER 30, 2004

PROPERTY OPERATIONS

The following table summarizes certain financial and statistical data for the Property Operations for all Properties owned throughout both periods ("Core Portfolio") and the Total Portfolio for the quarters ended September 30, 2005 and 2004 (amounts in thousands).

	CORE PORTFOLIO				TOTAL PORTFOLIO			
	2005	2004	INCREASE / (DECREASE)	% CHANGE	2005	2004	INCREASE / (DECREASE)	% CHANGE
Community base rental income	$51,215	$49,166	$2,049	4.2%	$53,507	$52,219	$1,288	2.5%
Resort base rental income	2,799	2,671	128	4.7%	16,855	14,167	2,688	18.9%
Utility and other income	4,861	4,701	160	3.4%	6,479	5,793	686	11.8%
Property operating revenues	58,875	56,538	2,337	4.1%	76,841	72,179	4,662	6.5%
Property operating and maintenance (1) ..	17,562	17,093	469	2.7%	26,153	24,513	1,640	6.7%
Real estate taxes	4,996	4,882	114	2.3%	6,200	5,920	280	4.7%
Property management	2,417	2,287	130	5.7%	4,198	3,316	882	26.6%
Property operating expenses	24,975	24,262	713	2.9%	36,551	33,749	2,802	8.3%
Income from property operations	$33,900	$32,276	$1,624	5.0%	$40,290	$38,430	$1,860	4.8%

(1) 2004 Core property operating and maintenance expense includes $750,000 in hurricane insurance reserve.

Property Operating Revenues

The 4.1% increase in the Core Portfolio property revenues reflects (i) a 4.9% increase in rates in our community base rental income combined with a 0.8% decrease in occupancy, (ii) a 4.7% increase in revenues for our resort base income, and (iii) an increase in utility income due to increased rates at certain Properties. Total Portfolio property revenues increased due to rate increases and our 2004 acquisitions.

Property Operating Expenses

The 2.9% increase in property operating expenses in the Core Portfolio reflects a 2.7% increase in property operating and maintenance expense due primarily to increases in repairs and maintenance, administrative expenses and utility expenses. The increase in real estate taxes is generally due to higher property assessments on certain Properties. Core Portfolio property management expense is based on a percentage of property revenues and increased 5.7% mainly due to higher Core Portfolio revenues in 2005 and higher payroll costs. Total Portfolio property management expense increased 26.6% primarily due to payroll, legal and costs related to new marketing initiatives.

HOME SALES OPERATIONS

The following table summarizes certain financial and statistical data for the Home Sales Operations for the quarters ended September 30, 2005 and 2004 (amounts in thousands).

	HOME SALES OPERATIONS			
	2005	2004	VARIANCE	% CHANGE
Gross revenues from new home sales ...	$ 14,885	$ 11,732	$ 3,153	26.9%
Cost of new home sales	(12,864)	(10,128)	(2,736)	(27.0%)
Gross profit from new home sales	2,021	1,604	417	26.0%
Gross revenues from used home sales ..	821	836	(15)	(1.8%)
Cost of used home sales	(670)	(689)	19	2.8%
Gross profit from used home sales	151	147	4	2.7%
Brokered resale revenues, net	678	536	142	26.5%
Home selling expenses	(2,290)	(2,155)	(135)	(6.3%)
Ancillary services revenues, net	967	759	208	27.4%
Income from home sales and other	$ 1,527	$ 891	$ 636	71.4%
HOME SALES VOLUMES				
New home sales (1)	199	134	65	48.5%
Used home sales	68	94	(26)	(27.7%)
Brokered home resales	376	331	45	13.6%

(1) Includes third party home sales of 37 and 0 for the periods ending September 30, 2005 and 2004 respectively.

New home sales gross profit reflects a 48.5% increase in sales volume combined with a 4.2% increase in the gross margin due to an increase in the average selling price of new homes. Used home sales gross profit was flat although sales volume decreased; this was offset by an increase in the gross selling price per used home. Brokered resale revenues reflects increased sales volume.

OTHER INCOME AND EXPENSES

The following table summarizes other income and expenses for the quarters ended September 30, 2005 and 2004 (amounts in thousands).

	2005	2004	VARIANCE	% CHANGE
Interest income	$ 311	$ 309	$ 2	0.6%
Income from other investments	4,492	335	4,157	1,244.9%
Other corporate expense	(259)	--	(259)	--
General and administrative	(3,512)	(2,110)	(1,402)	66.4%
Rent control initiatives	(194)	(375)	181	(48.3%)
Interest and related amortization	(25,302)	(23,802)	(1,500)	6.3%
Loss on early debt retirement	(482)	--	(482)	--
Depreciation on corporate assets	(243)	(427)	184	43.1%
Depreciation on real estate assets	(13,984)	(12,440)	(1,544)	(12.4%)
Total other (expenses) income	$(39,173)	$(38,510)	$ (663)	1.7%

Income from other investments increased as a result of income from the Thousand Trails transaction. Other corporate expense increased due to the Thousand Trails acquisition. General and administrative expense increased due to higher payroll costs related to increased staffing, changing regulatory environment and legal costs. Interest expense increased primarily due to higher debt balances as a result of the 2004 acquisitions. Loss on early debt retirement increased due to defeasance payments on refinancing during the quarter. Depreciation expense increased due to the 2004 acquisitions.

During 2004, the Company changed the way it accounted for costs incurred in pursuing certain rent control initiatives. As a result, the Company expensed $194,000 and $375,000 for the quarters ended September 30, 2005 and 2004, respectively.

EQUITY IN INCOME OF UNCONSOLIDATED JOINT VENTURES

During the quarter ended September 30, 2005, equity in income in unconsolidated joint ventures increased $2.0 million due to a distribution from proceeds of a refinancing at one joint venture and 2004 acquisitions.

COMPARISON OF THE NINE MONTHS ENDED SEPTEMBER 30, 2005 TO THE NINE MONTHS ENDED SEPTEMBER 30, 2004

PROPERTY OPERATIONS

The following table summarizes certain financial and statistical data for the Property Operations for all Properties owned throughout both periods ("Core Portfolio") and the Total Portfolio for the nine months ended September 30, 2005 and 2004 (amounts in thousands).

	CORE PORTFOLIO				TOTAL PORTFOLIO			
	2005	2004	INCREASE / (DECREASE)	% CHANGE	2005	2004	INCREASE / (DECREASE)	% CHANGE
Community base rental income	$152,624	$146,895	$5,729	3.9%	$159,467	$152,529	$ 6,938	4.5%
Resort base rental income	11,509	11,093	416	3.8%	55,964	39,460	16,504	41.8%
Utility and other income	15,912	15,508	404	2.6%	20,996	18,411	2,585	14.0%
Property operating revenues	180,045	173,496	6,549	3.8%	236,427	210,400	26,027	12.4%
Property operating and maintenance	52,129	49,666	2,463	5.0%	76,969	67,745	9,224	13.6%
Real estate taxes	15,194	14,566	628	4.3%	18,659	17,002	1,657	9.7%
Property management	7,586	7,095	491	6.9%	11,813	9,585	2,228	23.2%
Property operating expenses	74,909	71,327	3,582	5.0%	107,441	94,332	13,109	13.9%
Income from property operations	$105,136	$102,169	$2,967	2.9%	$128,986	$116,068	$12,918	11.1%

Property Operating Revenues

The 3.8% increase in the Core Portfolio property revenues reflects (i) a 4.7% increase in rates for our community base rental income combined with a 0.8% decrease in occupancy, (ii) a 3.7% increase in revenues for our resort base rental income, and (iii) an increase in utility income due to higher utility rates. Total Portfolio property revenues increased due to our 2004 acquisitions.

Property Operating Expenses

The 5.0% increase in the property operating expenses in the Core Portfolio reflects a 5.0% increase in property operating and maintenance expense due primarily to increases in administrative expenses, utility expense increases greater than CPI, and increasing insurance expenses. The increase in real estate taxes is generally due to higher property assessments on certain Properties. Property management expense for the Total Portfolio, which reflects costs of managing the Properties, increased 23.2% primarily due to payroll, legal and costs related to new marketing initiatives.

HOME SALES OPERATIONS

The following table summarizes certain financial and statistical data for the Home Sales Operations for the nine months ended September 30, 2005 and 2004 (amounts in thousands).

	HOME SALES OPERATIONS			
	2005	2004	VARIANCE	% CHANGE
Gross revenues from new home sales	$ 40,741	$ 27,594	$ 13,147	47.6%
Cost of new home sales	(35,244)	(24,471)	(10,773)	(44.0%)
Gross profit from new home sales	5,497	3,123	2,374	76.0%
Gross revenues from used home sales ...	2,652	3,097	(445)	(14.4%)
Cost of used home sales	(2,860)	(2,474)	(386)	(15.6%)
Gross profit from used home sales	(208)	623	(831)	(133.4%)
Brokered resale revenues, net	2,095	1,621	474	29.2%
Home selling expenses	(6,527)	(6,381)	(146)	(2.3%)
Ancillary services revenues, net	3,479	2,392	1,087	45.4%
Income from home sales and other	$ 4,336	$ 1,378	$ 2,958	214.7%
HOME SALES VOLUMES				
New home sales (1)	512	345	167	48.4%
Used home sales	206	284	(78)	(27.5%)
Brokered home resales	1,184	1,065	119	11.2%

(1) Includes third party home sales of 50 and 0 for the years ended September 30, 2005 and 2004 respectively.

New home sales gross profit reflects a 48.4% increase in sales volume combined with a 31.4% increase in the gross margin due to an increase in the average selling price of new homes. Used home gross profit reflects a decrease in sales volume and a decrease in gross margin. Brokered resale revenues reflects increased sales volume combined with a higher gross margin. The increase in ancillary service revenues primarily relates to income from property amenities at our acquisition Properties and better than expected revenues at our Core Portfolio Properties.

OTHER INCOME AND EXPENSES

The following table summarizes other income and expenses for the nine months ended September 30, 2005 and 2004 (amounts in thousands).

	2005	2004	VARIANCE	% CHANGE
Interest income	$ 994	$ 1,076	$ (82)	(7.6%)
Income from other investments	13,420	959	12,461	1,299.4%
Other corporate expense	(791)	--	(791)	--
General and administrative	(10,197)	(6,689)	(3,508)	52.4%
Rent control initiatives	(807)	(1,295)	488	(37.7%)
Interest and related amortization	(75,304)	(66,972)	(8,332)	12.4%
Loss on early debt retirement	(482)	--	(482)	--
Depreciation on corporate assets	(682)	(1,231)	549	44.6%
Depreciation on real estate assets ...	(41,243)	(34,195)	(7,048)	20.6%
Total other (expenses) income	$(115,092)	$(108,347)	$(6,745)	6.2%

Income from other investments increased as a result of income from the Thousand Trails transaction. Other corporate expense increased due to marketing expense, property taxes and other costs at the Thousand Trails Properties. General and administrative expense increased due to higher payroll costs related to increased staffing, changing regulatory environment and legal costs. Interest expense increased primarily due to higher debt balances as a result of the 2004 acquisitions. Loss on early debt retirement increased due to defeasance payments on refinancing during the quarter. Depreciation expense increased due to the 2004 acquisitions.

During 2004, the Company changed the way it accounted for costs incurred in pursuing certain rent control initiatives. As a result, the Company expensed $807,000 and $1,295,000 for the nine months ended September 30, 2005 and 2004, respectively.

EQUITY IN INCOME OF UNCONSOLIDATED JOINT VENTURES

During the nine months ended September 30, 2005, equity in income in unconsolidated joint ventures increased $3.7 million due to distributions as a result of refinancings at the joint venture properties and 2004 acquisitions.

LIQUIDITY AND CAPITAL RESOURCES

LIQUIDITY

As of September 30, 2005, the Company had $9.2 million in cash and cash equivalents and $92 million available on its line of credit. The Company expects to meet its short-term liquidity requirements, including its distributions, generally through its working capital, net cash provided by operating activities and availability under the existing line of credit. The Company expects to meet certain long-term liquidity requirements such as scheduled debt maturities, Property acquisitions and capital improvements by long-term collateralized and uncollateralized borrowings including borrowings under its existing line of credit and the issuance of debt securities or additional equity securities in the Company, in addition to working capital. The table below summarizes cash flow activity for the nine months ended September 30, 2005 and 2004 (amounts in thousands).

	FOR THE NINE MONTHS ENDED SEPTEMBER 30,	
	2005	2004
Cash provided by operating activities ...	$ 62,852	$ 43,579
Cash used in investing activities	(58,043)	(185,965)
Cash used in financing activities	(958)	(175,762)
Net increase (decrease) in cash	$ 3,851	$(318,148)

OPERATING ACTIVITIES

Net cash provided by operating activities increased $19.3 million from $43.6 million for the nine months ended September 30, 2004. The increase reflects increased property operating income as a result of our acquisitions.

INVESTING ACTIVITIES

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

INVESTMENT IN AND ADVANCES TO JOINT VENTURES

The Company recorded approximately $6.1 million and $3.0 million of net income from joint ventures, net of $1.3 million and $0.7 million of depreciation expense, in the nine months ended September 30, 2005 and 2004, respectively. The Company received approximately $10.2 million and $4.1 million in distributions for the nine months ended September 30, 2005 and 2004, respectively, $2.2 million and $0.5 million exceeded the Company's basis and thus was recorded in equity in income from joint ventures. Due to the Company's inability to control the joint ventures, the Company accounts for its investment in the joint ventures using the equity method of accounting.

During the nine months ended September 30, 2005, the Company invested approximately $7 million for a 50 percent preferred joint venture interest in three Properties located near Bar Harbor, Maine. The Company expects a 7% annual yield on its investment prior to upgrade and expansion efforts.

ACQUISITIONS

During the nine months ended September 30, 2005, we acquired seven Properties (see Note 4). The combined real estate investment in this Property was approximately $89.9 million and was funded with money drawn from our line of credit and debt assumed of $53.5 million.

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

CAPITAL IMPROVEMENTS

Capital expenditures for improvements are identified by the Company as recurring capital expenditures ("Recurring CapEx"), site development costs and corporate costs. Recurring CapEx was approximately $9.0 million for the nine months ended September 30, 2005. Capital expenditures also included $2.5 million in hurricane related repairs in the year. We expect to incur an additional $5.7 million on hurricane related repairs. Site development costs were approximately $11.6 million for the nine months ended September 30, 2005, and represent costs to develop expansion sites at certain of the Company's Properties, costs for improvements to sites when a used home is replaced with a new home. Corporate costs were approximately $606,000 for the nine months ended September 30, 2005, which reflects corporate office expansion projects.

DISPOSITIONS

We currently have seven all-age Properties held for disposition, of which six are in various stages of negotiations and one is under contract to close in mid-November, 2005 for gross sale proceeds of approximately $6.9 million. The Company plans to reinvest the sale proceeds or use it to reduce the outstanding line of credit debt. The Company expects to recognize a gain on disposition of approximately $2.8 million related to this sale; however, the Company anticipates that transactions will be structured as Internal Revenue Code Section 1031 like-kind exchanges, resulting in a deferral of the Company's taxable gains on the sales of this asset.

The following table summarizes the fourth quarter 2005 impact on FFO as a result of the Company's expected disposition (amounts in thousands).

	PERIOD ENDED DECEMBER 31, 2005
	Five Seasons
PROPERTY OPERATIONS:	
Revenue	$124
Operating expenses	(68)
Income from property operations	56
FUNDS FROM OPERATIONS	$ 56

FINANCING ACTIVITIES

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

MORTGAGES AND CREDIT FACILITIES

Our average long-term debt balance was $1.6 billion in the quarter, with a weighted average interest rate of approximately 6.1% per annum. Our unsecured debt balance consists of $112.8 million outstanding of a $120 million term loan with a fixed interest rate of approximately 4.7% per annum, and $68.2 million outstanding on our lines of credit, which have a current availability of approximately $92 million.

During the third quarter we refinanced two mortgage loans for proceeds of $34 million at a rate of 4.95% per annum. Net proceeds were used to pay down approximately $20 million in other secured financing maturing in 2006. Throughout the nine months ended September 30, 2005, the Company borrowed $111.0 million on its line of credit and paid down $158.6 million on the line of credit for a net pay down of $47.6 million funded by the Company's operations and proceeds from a preferred operating unit issue partially offset by acquisitions (see "Equity Transactions" below). The line of credit bears interest at a per annum rate of LIBOR plus 1.65%. In addition, we repaid $7.2 million on the Company's Term Loan.

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

As of September 30, 2005, we were subject to certain contractual payment obligations as described in the table below (dollars in thousands).

Contractual Obligations	Total	2005 (2)	2006 (3)	2007 (4)	2008	2009	Thereafter
Long Term Debt (1,5)	$1,633,858	$3,772	$91,938	$433,451	$197,694	$70,347	$836,656
Weighted average per annum interest rates	6.06%	--	4.95%	6.21%	5.40%	6.65%	6.16%

(1) Balance excludes net premiums and discounts of $7.0 million.

(2) Balance includes principal amortization only.

(3) Includes Line of Credit repayment in 2006 of approximately $68.2 million. We have an option to extend this maturity for one year to 2007.

(4) Includes a Term Loan repayment in 2007 of $106 million. We have an option to extend this maturity for two successive years to 2009. We have initiated the process to refinance approximately $293 million of secured debt maturing in 2007 with an effective interest rate of 6.80% per annum. The transaction is expected to generate approximately $340 million in proceeds from loans secured by individual mortgages on 20 properties, and is expected to close in the fourth quarter. Excess proceeds will be used to defease debt on two cross-collateralized loan pools consisting of 35 properties, and to repay amounts borrowed under the lines of credit. The blended interest rate on the refinancing is approximately 5.30% per annum. The transaction costs of approximately $23 million, or $0.74 per fully diluted share, are expected to be incurred in the fourth quarter.

(5) Includes certain capital lease obligations totaling approximately $6.5 million. These agreements expire in June 2009 and are paid semi-annually.

In addition, the Company leases land under non-cancelable operating leases at certain of the Properties expiring in various years from 2022 to 2032 with terms which require twelve equal payments per year plus additional rents calculated as a percentage of gross revenues. For the nine months ended September 30, 2005 and 2004, ground lease rent was approximately $1.2 million. Minimum future rental payments under the ground leases are approximately $1.6 million for each of the next five years and approximately $21.7 million thereafter.

EQUITY TRANSACTIONS

On June 30, 2005, the Operating Partnership issued $50 million of 7.95% Series F Cumulative Redeemable Perpetual Preference Units (the "Series F Units"), to institutional investors. The Series F Units are non-callable for five years and have no stated maturity or mandatory redemption. Net proceeds from the offering were used to pay down amounts outstanding under the Company's line of credit.

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

On April 8, 2005, the Company paid a $0.025 per share distribution for the quarter ended March 31, 2005 to stockholders of record on March 25, 2005. On July 8, 2005, the Company paid a $0.025 per share distribution for the quarter ended June 30, 2005 to stockholders of record on June 24, 2005. On October 14, 2005, the Company paid a $0.025 per share distribution for the quarter ended September 30, 2005 to stockholders of record on September 30, 2005. On March 24, 2005, the Operating Partnership paid distributions of 9.0% per annum on the $125 million of Series D 9% Units, and for the seven days ended March 31, 2005, the Operating Partnership paid distributions of 8.0625% per annum on the $150 million Series D 8% Units. On June 30, 2005 the Operating Partnership paid distributions of 8.0625% per annum on the $150 million of Series D 8% Units. On September 30, 2005, the Operating Partnership paid distributions of 8.0625% per annum on the $150 million of Series D 8% Units and 7.95% per annum on the $50 million of Series F 7.95% Units.

INFLATION

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

FUNDS FROM OPERATIONS

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

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

The following table presents a calculation of FFO for the quarters and nine months ended September 30, 2005 and 2004 (amounts in thousands):

	QUARTERS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2005	2004	2005	2004
COMPUTATION OF FUNDS FROM OPERATIONS:				
Net income (loss) available for common shares	$ 1,091	$ (864)	$12,287	$ 4,106
Income (loss) allocated to common OP Units	293	(234)	3,335	937
Depreciation on real estate assets	13,984	12,440	41,243	34,195
Depreciation on unconsolidated joint ventures	517	249	1,341	724
Depreciation on discontinued real estate assets	--	318	329	1,004
Gain on sale of Properties and other	--	--	--	(638)
Funds from operations available for common shares	$15,885	$11,909	$58,535	$40,328
Weighted average common shares outstanding - fully diluted	30,149	29,846	30,008	29,188

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE OF MARKET RISK

Market risk is the risk of loss from adverse changes in market prices and interest rates. Our earnings, cash flows and fair values relevant to financial instruments are dependent on prevailing market interest rates. The primary market risk we face is long-term indebtedness, which bears interest at fixed and variable rates. The fair value of our long-term debt obligations is affected by changes in market interest rates. At September 30, 2005 approximately 99% or approximately $1.6 billion of our outstanding debt had fixed interest rates, which minimizes the market risk until the debt matures. For each increase in interest rates of 1% (or 100 basis points), the fair value of the total outstanding debt would decrease by approximately $93.4 million. For each decrease in interest rates of 1% (or 100 basis points), the fair value of the total outstanding debt would increase by approximately $99.1 million.

At September 30, 2005, approximately 1% or approximately $20 million of our outstanding debt was at variable rates. Earnings are affected by increases and decreases in market interest rates on this debt. For each increase/decrease in interest rates of 1% (or 100 basis points), our earnings and cash flows would increase/decrease by approximately $196,000 annually.

ITEM 4. CONTROLS AND PROCEDURES

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures as of September 30, 2005. Based on that evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective at the reasonable assurance level as of September 30, 2005.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

There were no material changes in the Company's internal control over financial reporting during the quarter ended September 30, 2005.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

See Note 9 of the Consolidated Financial Statements contained herein.

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

We did not submit any matter to a vote of security holders during the three months ended September 30, 2005.

ITEM 5. OTHER INFORMATION

On August 9, 2005, the Board of Directors of the Company approved changes to the fee structure for the non-employee directors of the Company. Under the new structure, the annual cash retainer paid to each non-employee director for his or her services on the Company's Board of Directors increases by $15,000 from $30,000 to $45,000.

ITEM 6. EXHIBITS

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

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

32.1 Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350

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

SIGNATURES

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

EQUITY LIFESTYLE PROPERTIES, INC.

BY: /s/ Thomas P. Heneghan

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

BY: /s/ Michael B. Berman

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

DATE: November 2, 2005

EXHIBIT 31.1

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

I, Michael B. Berman, certify that:

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

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

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

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

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonable likely to materially affect, the registrant's internal control over financial reporting; and

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

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 2, 2005

By: /s/ Michael B. Berman

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

EXHIBIT 31.2

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

I, Thomas P. Heneghan, certify that:

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

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

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

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

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonable likely to materially affect, the registrant's internal control over financial reporting; and

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

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 2, 2005

By: /s/ Thomas P. Heneghan

Thomas P. Heneghan
President and Chief Executive Officer

EXHIBIT 32.1

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

In connection with the accompanying Quarterly Report on Form 10-Q of Equity Lifestyle Properties, Inc. for the quarter and nine months ended September 30, 2005 (the "Form 10-Q"), I, Michael B. Berman, Vice President, Treasurer and Chief Financial Officer of Equity Lifestyle Properties, Inc., hereby certify pursuant to 18 U.S.C. Section 1350, as adopted by Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

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

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

Date: November 2, 2005

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

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

EXHIBIT 32.2

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

In connection with the accompanying Quarterly Report on Form 10-Q of Equity Lifestyle Properties, Inc. for the quarter and nine months ended September 30, 2005 (the "Form 10-Q"), I, Thomas P. Heneghan, President and Chief Executive Officer of Equity Lifestyle Properties, Inc., hereby certify pursuant to 18 U.S.C. Section 1350, as adopted by Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

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

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

Date: November 2, 2005

By: /s/ Thomas P. Heneghan

Thomas P. Heneghan
President and Chief Executive Officer

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