EQUITY LIFESTYLE PROPERTIES INC
Form 10-K
February 28, 2013

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

FORM 10-K

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

For the Fiscal Year Ended December 31, 2012

or

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

For the transition period from to

Commission File Number: 1-11718

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

Maryland (State or Other Jurisdiction of Incorporation or Organization)	36-3857664 (I.R.S. Employer Identification No.)
Two North Riverside Plaza, Suite 800, Chicago, Illinois (Address of Principal Executive Offices)	60606 (Zip Code)

(312) 279-1400
(Registrant's Telephone Number, Including Area Code)

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

Common Stock, $0.01 Par Value (Title of Class)	New York Stock Exchange (Name of exchange on which registered)
6.75% Series C Cumulative Redeemable Perpetual Preferred Stock, $0.01 Par Value (Title of Class)	New York Stock Exchange (Name of exchange on which registered)

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

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes x No o

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No x

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 o

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of the Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

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

Large accelerated filer x	Accelerated filer o
Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

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

The aggregate market value of voting stock held by non-affiliates was approximately $2,643.9 million as of June 29, 2012 based upon the closing price of $68.97 on such date using beneficial ownership of stock rules adopted pursuant to Section 13 of the Securities Exchange Act of 1934 to exclude voting stock owned by Directors and Officers, some of whom may not be held to be affiliates upon judicial determination.

At February 26, 2013, 41,673,959 shares of the Registrant's common stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE:

Part III incorporates by reference portions of the Registrant's Proxy Statement relating to the Annual Meeting of Stockholders to be held on May 8, 2013.

Equity LifeStyle Properties, Inc.
TABLE OF CONTENTS

		Page
PART I.		
Item 1.	Business	1
Item 1A.	Risk Factors	7
Item 1B.	Unresolved Staff Comments	15
Item 2.	Properties	16
Item 3.	Legal Proceedings	29
Item 4.	Mine Safety Disclosure	29
PART II.		
Item 5.	Market for the Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	30
Item 6.	Selected Financial Data	31
Item 7.	Management’s Discussion and Analysis of Financial Condition and Results of Operations	31
Item 7A.	Quantitative and Qualitative Disclosures About Market Risk	46
	Forward-Looking Statements	47
Item 8.	Financial Statements and Supplementary Data	47
Item 9.	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	47
Item 9A.	Controls and Procedures	47
Item 9B.	Other Information	48
PART III.		
Item 10.	Directors, Executive Officers and Corporate Governance	49
Item 11.	Executive Compensation	49
Item 12.	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	49
Item 13.	Certain Relationships and Related Transactions and Director Independence	49
Item 14.	Principal Accountant Fees and Services	49
PART IV.		
Item 15.	Exhibits and Financial Statement Schedules	50

PART I

Item 1. Business

Equity LifeStyle Properties, Inc.

General

Equity LifeStyle Properties, Inc., a Maryland corporation, together with MHC Operating Limited Partnership (the "Operating Partnership") and its other consolidated subsidiaries (the "Subsidiaries"), are referred to herein as the "Company" or "ELS." ELS elected to be taxed as a real estate investment trust ("REIT"), for U.S. federal income tax purposes commencing with its taxable year ended December 31, 1993.

The Company is a fully integrated owner and operator of lifestyle-oriented properties ("Properties"). The Company leases individual developed areas ("sites") with access to utilities for placement of factory built homes, cottages, cabins or recreational vehicles ("RVs"). Customers may lease individual sites or enter right-to-use contracts providing the customer access to specific Properties for limited stays. The Company was formed in December 1992 to continue the property operations, business objectives and acquisition strategies of an entity that had owned and operated Properties since 1969. As of December 31, 2012, the Company owned or had an ownership interest in a portfolio of 383 Properties located throughout the United States and Canada, consisting of 142,679 residential sites. These Properties are located in 32 states and British Columbia (with the number of Properties in each state or province shown parenthetically) as follows: Florida (119), California (49), Arizona (41), Michigan (15), Pennsylvania (15), Texas (17), Washington (14), Colorado (10), Oregon (9), North Carolina (8), Delaware (7), Indiana (7), Nevada (7), New York (7), Virginia (7), Maine (5), Massachusetts (5), Wisconsin (5), Idaho (4), Illinois (4), Minnesota (4), New Jersey (4), South Carolina (3), Utah (3), Maryland (2), New Hampshire (2), North Dakota (2), Ohio (2), Tennessee (2), Alabama (1), Connecticut (1), Kentucky (1), and British Columbia (1).

Properties are designed and improved for several home options of various sizes and designs that are produced off-site, installed and set on designated sites ("Site Set") within the Properties. These homes can range from 400 to over 2,000 square feet. The smallest of these homes are referred to as "Resort Cottages." Properties may also have sites that can accommodate a variety of RVs. Properties generally contain centralized entrances, internal road systems and designated sites. In addition, Properties often provide a clubhouse for social activities and recreation and other amenities, which may include restaurants, swimming pools, golf courses, lawn bowling, shuffleboard courts, tennis courts, laundry facilities and cable television service. In some cases, utilities are provided or arranged for by the Company; otherwise, the customer contracts for the utility directly. Some Properties provide water and sewer service through municipal or regulated utilities, while others provide these services to customers from on-site facilities. Properties generally are designed to attract retirees, empty-nesters, vacationers and second home owners; however, certain of the Company's Properties focus on affordable housing for families. The Company focuses on owning properties in or near large metropolitan markets and retirement and vacation destinations.

Employees and Organizational Structure

The Company has an annual average of approximately 3,600 full-time, part-time and seasonal employees dedicated to carrying out its operating philosophy and strategies of stockholder value enhancement and service to its customers. The operations of each Property are coordinated by an on-site team of employees that typically includes a manager, clerical staff and maintenance workers, each of whom works to provide maintenance and care to the Properties. The on-site team of employees at each Property also provides customer service and coordinates lifestyle-oriented activities for customers. Direct supervision of on-site management is the responsibility of the Company's regional vice presidents and regional and district managers. These individuals have substantial experience addressing the needs of customers and finding or creating innovative approaches to maximize value and increase cash flow from property operations. Complementing this field management staff are approximately 200 full-time corporate employees who assist on-site and regional management in all property functions.

Formation of the Company

The operations of the Company are conducted primarily through the Operating Partnership. The Company contributed the proceeds from its initial public offering in 1993 and subsequent offerings to the Operating Partnership for a

general partnership interest. In 2004, the general partnership interest was contributed to MHC Trust, a private REIT subsidiary owned by the Company. The financial results of the Operating Partnership and the Subsidiaries are consolidated in the Company's consolidated financial statements, which can be found beginning on page F-1 of this Form 10-K. In addition, since certain activities, if performed by the Company, may not be qualifying REIT activities under the Internal Revenue Code of 1986, as amended (the "Code"), the Company has formed taxable REIT subsidiaries, as defined in the Code, to engage in such activities.

Realty Systems, Inc. ("RSI") is a wholly owned taxable REIT subsidiary of the Company that is engaged in the business of purchasing and selling or leasing Site Set homes that are located in Properties owned and managed by the Company. RSI also provides brokerage services to residents at such Properties who move from a Property but do not relocate their homes. RSI may provide brokerage services, in competition with other local brokers, by seeking buyers for the Site Set homes. Subsidiaries of RSI also operate ancillary activities at certain Properties, such as golf courses, pro shops, stores and restaurants. Several Properties are also wholly owned by taxable REIT subsidiaries of the Company.

Business Objectives and Operating Strategies

The Company's primary business objective is to maximize both current income and long-term growth in income. The Company's operating strategy is to own and operate the highest quality properties in sought-after locations near urban areas and retirement and vacation destinations across the United States.

The Company focuses on properties that have strong cash flow and plans to hold such properties for long-term investment and capital appreciation. In determining cash flow potential, the Company evaluates its ability to attract to its Properties and retain high quality customers who take pride in the Property and in their homes. The Company's investment, operating and financing strategies include:

- Providing consistently high levels of services and amenities in attractive surroundings to foster a strong sense of community and pride of home ownership;
- Efficiently managing the Properties to increase operating margins by controlling expenses, increasing occupancy and maintaining competitive market rents;
- Increasing income and property values by strategic expansion and, where appropriate, renovation of the Properties;
- Utilizing management information systems to evaluate potential acquisitions, identify and track competing properties and monitor customer satisfaction;
- Selectively acquiring properties that have potential for long-term cash flow growth and creating property concentrations in and around major metropolitan areas and retirement or vacation destinations to capitalize on operating synergies and incremental efficiencies; and
- Managing the Company's debt balances such that the Company maintains financial flexibility, has minimal exposure to interest rate fluctuations and maintains an appropriate degree of leverage to maximize return on capital.

The Company focuses on creating an attractive residential environment by providing a well-maintained, comfortable Property with a variety of recreational and social activities and superior amenities, as well as offering a multitude of lifestyle housing choices. In addition, the Company regularly conducts evaluations of the cost of housing in the marketplaces in which its Properties are located and surveys rental rates of competing properties. From time to time the Company also conducts satisfaction surveys of its customers to determine the factors they consider most important in choosing a property. The Company seeks to improve site utilization and efficiency by tracking types of customers and usage patterns and marketing to those specific customer groups.

These business objectives and their implementation are determined by the Company's Board of Directors and may be changed at any time.

Acquisitions and Dispositions

Over the last decade the Company's portfolio of Properties has grown significantly from 142 owned or partly owned Properties with over 51,500 sites to 383 owned or partly-owned Properties with over 142,600 sites. During the year ended December 31, 2012, the Company acquired two Properties with over 1,700 sites. The Company continually reviews the Properties in its portfolio to ensure that they fit the Company's business objectives. Over the last five years, the Company sold ten Properties, and it redeployed capital to properties in markets it believes have greater long-term potential. In that same time period, the Company acquired 83 properties located in high growth areas and retirement and vacation destinations such as Florida, Arizona and California.

The Company believes that opportunities for property acquisitions are still available. Increasing acceptability of and demand for a lifestyle that includes Site Set homes and RVs, as well as continued constraints on development of new properties, adds to the attractiveness of the Company's Properties as investments. The Company believes it has a competitive advantage in the acquisition of additional properties due to its experienced management, significant

presence in major real estate markets and substantial capital resources. The Company is actively seeking to acquire additional properties and is engaged in various stages of negotiations relating to the possible acquisition of a number of properties. At any time these negotiations are at varying stages, which may include contracts outstanding to acquire certain Properties, which are subject to the satisfactory completion of the Company’s due diligence review.

The Company anticipates that new acquisitions will generally be located in the United States, although it may consider other geographic locations provided they meet certain acquisition criteria. The Company utilizes market information systems to identify and evaluate acquisition opportunities, including the use of a market database to review the primary economic indicators of the various locations in which it expects to expand its operations. Acquisitions will be financed from the most appropriate sources of capital, which may include undistributed funds from operations, issuance of additional equity securities, sales of investments, collateralized and uncollateralized borrowings and issuance of debt securities. In addition, the Company may acquire properties in transactions that include the issuance of limited partnership interests in the Operating Partnership ("Units") as consideration for the acquired properties. The Company believes that an ownership structure that includes the Operating Partnership will permit it to acquire additional properties in transactions that may defer all or a portion of the sellers' tax consequences.

When evaluating potential acquisitions, the Company considers such factors as:

- The replacement cost of the property, including land values, entitlements and zoning;
- The geographic area and type of the property;
- The location, construction quality, condition and design of the property;
- The current and projected cash flow of the property and the ability to increase cash flow;
- The potential for capital appreciation of the property;
- The terms of tenant leases or usage rights, including the potential for rent increases;
- The potential for economic growth and the tax and regulatory environment of the community in which the property is located;
- The potential for expansion of the physical layout of the property and the number of sites;
- The occupancy and demand by customers for properties of a similar type in the vicinity and the customers' profile;
- The prospects for liquidity through sale, financing or refinancing of the property; and
- The competition from existing properties and the potential for the construction of new properties in the area.

When evaluating potential dispositions, the Company considers such factors as:

- Its ability to sell the Property at a price that it believes will provide an appropriate return for its stockholders;
- Its desire to exit certain non-core markets and recycle the capital into core markets; and
- Whether the Property meets its current investment criteria.

When investing capital, the Company considers all potential uses of the capital, including returning capital to its stockholders. The Company's Board of Directors continues to review the conditions under which it will repurchase the Company's stock. These conditions include, but are not limited to, market price, balance sheet flexibility, other opportunities and capital requirements.

Property Expansions

Several of the Company's Properties have available land for expanding the number of sites available to be utilized by its customers. Development of these sites ("Expansion Sites") is evaluated based on the following: local market conditions; ability to subdivide; accessibility through the Property or externally; infrastructure needs including utility needs and access as well as additional common area amenities; zoning and entitlement; costs and uses of working capital; topography; and ability to market new sites. When justified, development of Expansion Sites allows the Company to leverage existing facilities and amenities to increase the income generated from the Properties. Where appropriate, facilities and amenities may be upgraded or added to certain Properties to make those Properties more attractive in their markets. The Company's acquisition philosophy includes owning Properties with potential Expansion Site development. Approximately 78 of the Company's Properties have expansion potential, with up to approximately 5,200 acres available for expansion.

Leases or Usage Rights

At the Company's Properties, a typical lease entered into between the owner or renter of a home and the Company for the rental of a site is for a month-to-month or year-to-year term, renewable upon the consent of both parties or, in some instances, as provided by statute. These leases are cancelable, depending on applicable law, for non-payment of rent, violation of Property rules and regulations or other specified defaults. Long-term leases that are non-cancelable by the tenant are in effect at certain sites in 18 of the Properties. Some of these leases are subject to rental rate

increases based on the Consumer Price Index ("CPI"), in some instances taking into consideration market conditions, certain floors and ceilings and allowing for pass-throughs of certain items such as real estate taxes, utility expenses and capital expenditures. Generally, market rate adjustments, if appropriate, are made on an annual basis. At Properties zoned for RV use, long-term customers typically enter into rental agreements and many customers prepay for their stays. Many resort customers also leave deposits to reserve a site for the following year. Generally these customers cannot live full time on the Property. At resort Properties designated for use by customers who have entered a right-to-use or membership contract, the contract generally grants the customer access to designated Properties on a continuous basis of up to 14

days. The customer may make a nonrefundable upfront payment, and annual dues payments are required to renew the contract. Most of the contracts provide for an annual dues increase, usually based on increases in the CPI. Approximately 34% of current customers are not subject to annual dues increases in accordance with the terms of their contracts, generally because the customers are over 61 years old or meet certain other specified criteria. In the spring of 2010, the Company began selling low-cost right-to-use contracts most of which require payment of only an annual fee.

Regulations and Insurance

General. The Company's Properties are subject to a variety of laws, ordinances and regulations, including regulations relating to recreational facilities such as swimming pools, clubhouses and other common areas, regulations relating to providing utility services, such as electricity, and regulations relating to operating water and wastewater treatment facilities at certain of its Properties. The Company believes that each Property has all material permits and approvals necessary to operate. The Company works closely with government agencies to renew these permits and approvals in the ordinary course of business.

At certain of the Company's Properties primarily used as membership campgrounds, state statutes limit the Company's ability to close a Property unless a reasonable substitute property is made available for members' use. Many states also have consumer protection laws regulating right-to-use or campground membership sales and the financing of such sales. Some states have laws requiring the Company to register with a state agency and obtain a permit to market (see Item 1A. "Risk Factors").

Rent Control Legislation. At certain of the Company's Properties, principally in California, state and local rent control laws limit the Company's ability to increase rents and to recover increases in operating expenses and the costs of capital improvements. Enactment of such laws has been considered from time to time in other jurisdictions. The Company presently expects to continue to maintain Properties, and may purchase additional properties, in markets that are either subject to rent control or in which rent-limiting legislation exists or may be enacted. For example, Florida has enacted a law requiring that rental increases be reasonable. Also, certain jurisdictions in California in which the Company owns Properties limit rent increases to changes in the CPI or some percentage of it. As part of the Company's effort to realize the value of Properties subject to restrictive regulation, it has initiated lawsuits against several municipalities imposing such regulations in an attempt to balance the interests of its stockholders with the interests of its customers (see Item 3. "Legal Proceedings").

Insurance. The Properties are insured against all risks causing property damage and business interruption caused by fire, flood, earthquake, or windstorm, and the relevant insurance policies contain various deductible requirements, such as coverage limits and particular exclusions. The Company's current property and casualty insurance policies, which it plans to renew, expire on April 1, 2013. The Company has a $100 million loss limit with respect to its all-risk property insurance program including named windstorms, which include, for example, hurricanes. This loss limit is subject to additional sub-limits as set forth in the policy form, including, among others, a $25 million loss limit for an earthquake in California. Policy deductibles primarily range from a $125,000 minimum to 5% per unit of insurance for most catastrophic events. A deductible indicates ELS' maximum exposure, subject to policy limits and sub-limits, in the event of a loss.

INDUSTRY

The Company believes that modern properties similar to its Properties provide an opportunity for increased cash flows and appreciation in value. These may be achieved through increases in occupancy rates and rents, as well as expense controls, expansion of existing Properties and opportunistic acquisitions, for the following reasons:

- Barriers to Entry: The Company believes that the supply of new properties in locations targeted by the Company will be constrained by barriers to entry. The most significant barrier has been the difficulty of securing zoning permits from local authorities. This has been the result of (i) the public's historically poor perception of manufactured housing, and (ii) the fact that properties generate less tax revenue than conventional housing properties because the homes are treated as personal property (a benefit to the homeowner) rather than real property. Another factor that creates substantial barriers to entry is the length of time between investment in a property's development and the attainment of

stabilized occupancy and the generation of revenues. The initial development of the infrastructure may take up to two or three years. Once a property is ready for occupancy, it may be difficult to attract customers to an empty property. Substantial occupancy levels may take several years to achieve.

- Industry Consolidation: According to various industry reports, there are approximately 50,000 manufactured home properties and approximately 8,750 RV properties (excluding government owned properties) in North America. Most of these properties are not operated by large owner/operators, and of the RV properties approximately 1,300 contain 200 sites or more. The Company believes that this relatively high degree of fragmentation provides the Company, as a national organization with experienced management and substantial financial resources, the opportunity to purchase additional properties as evidenced by the acquisitions during the year ended December 31, 2012.

- Customer Base: The Company believes that properties tend to achieve and maintain a stable rate of occupancy due to the following factors: (i) customers typically own their own homes, (ii) properties tend to foster a sense of community as a result of amenities such as clubhouses and recreational and social activities, (iii) customers often sell their homes in-place (similar to site-built residential housing) with no interruption of rental payments to the Company, and (iv) moving a Site Set home from one property to another involves substantial cost and effort.
- Lifestyle Choice: According to the Recreational Vehicle Industry Association ("RVIA"), nearly one in ten U.S. vehicle-owning households owns an RV and there are 8.9 million current RV owners. The 77 million people born from 1946 to 1964 or "baby boomers" make up the fastest growing segment of this market. According to 2010 U.S. Census figures, every day 12,500 Americans turn 50. The Company believes that this population segment, seeking an active lifestyle, will provide opportunities for future cash flow growth for the Company. As RV owners age and move beyond the more active RV lifestyle, they will often seek more permanent retirement or vacation establishments. Site Set housing has become an increasingly popular housing alternative for retirement, second-home, and "empty-nest" living. According to 2010 U.S. Census figures, the baby-boom generation will constitute almost 19% of the U.S. population within the next 20 years. Among those individuals who are nearing retirement (age 46 to 64), approximately 59% plan on moving upon retirement.

The Company believes that the housing choices in its Properties are especially attractive to such individuals throughout this lifestyle cycle. The Company's Properties offer an appealing amenity package, close proximity to local services, social activities, low maintenance and a secure environment. In fact, many of the Company's Properties allow for this cycle to occur within a single Property.

- Construction Quality: Since 1976, all factory built housing has been required to meet stringent federal standards, resulting in significant increases in quality. The Department of Housing and Urban Development's ("HUD") standards for Site Set housing construction quality are the only federal standards governing housing quality of any type in the United States. Site Set homes produced since 1976 have received a "red and silver" government seal certifying that they were built in compliance with the federal code. The code regulates Site Set home design and construction, strength and durability, fire resistance and energy efficiency, and the installation and performance of heating, plumbing, air conditioning, thermal and electrical systems. In newer homes, top grade lumber and dry wall materials are common. Also, manufacturers are required to follow the same fire codes as builders of site-built structures. In addition, although Resort Cottages do not come under the same regulations, many of the manufacturers of Site Set homes also produce Resort Cottages with many of the same quality standards.
- Comparability to Site-Built Homes: The Site Set housing industry has experienced a trend toward multi-section homes. Many modern Site Set homes are longer (up to 80 feet, compared to 50 feet in the 1960's) and wider than earlier models. Many such homes have nine-foot ceilings or vaulted ceilings, fireplaces and as many as four bedrooms and closely resemble single-family ranch-style site-built homes. At the Company's Properties, there is an active resale or rental market for these larger homes.
- Second Home Demographics: According to 2012 National Association of Realtors ("NAR") reports, sales of second homes in 2011 accounted for 38% of residential transactions, or 1.73 million second-home sales in 2011. There were approximately 8.0 million vacation homes in 2011. The typical vacation-home buyer is 50 years old and earned $88,600 in 2011. According to 2011 NAR reports, approximately 42% of vacation homes were purchased in the south; 30% were purchased in the west; 15% were purchased in the northeast; and 12% were purchased in the Midwest. In looking ahead, NAR believes that baby boomers are still in their peak earning years, and the leading edge of their generation is approaching retirement. As they continue to have the financial wherewithal to purchase a second home as a vacation property, investment opportunity, or perhaps as a retirement retreat, those baby boomers will continue to drive the market for second homes. The Company believes it is likely that over the next decade it will continue to see historically high levels of second-home sales, and resort homes and cottages in its Properties will continue to provide a viable second-home alternative to site-built homes.

Notwithstanding the Company's belief that the industry information highlighted above provides the Company with significant long-term growth opportunities, its short-term growth opportunities could be disrupted by the following:

Shipments—According to statistics compiled by the U.S. Census Bureau, shipments of new manufactured homes declined from 2005 through 2009. Since then, manufactured home shipments have increased each year and are on pace for a fourth straight year of growth. Although new manufactured home shipments continue to be below historical levels, shipments in 2012 increased over 6% to 54,900 units as compared to shipments in 2011 of 51,600 units. According to the RVIA, wholesale shipments of RVs increased 13% in 2012 to 286,000 units as compared to 2011, which continued a positive trend in RV shipments that started in late 2009. Certain industry experts have predicted that 2013 RV shipments will increase 4% to 5% as compared to 2012.

1. Source: Institute for Building Technology and Safety
2. Source: RVIA

- Sales: Retail sales of RVs increased over 8% to 208,200 for the year ended December 31, 2012, as compared to 192,500 the year ended December 31, 2011. A total of 192,500 RVs were sold during the year ended December 31, 2011, representing an increase of over 5% over the prior year. The Company believes that consumers remain concerned about the current economy, and by prospects that the economy might remain sluggish in the years ahead. However, the enduring appeal of the RV lifestyle has translated into continued strength in RV sales despite the economic turmoil. According to RVIA, RV ownership has reached record levels: 8.9 million American households now own an RV, the highest level ever recorded, which constitutes an increase of 16% since 2001 and 64% since 1980. RV sales could continue to benefit as aging baby-boomers continue to enter the age range in which RV ownership is highest.
- Availability of financing: The current credit crisis has made it difficult for manufactured home and RV manufacturers to obtain floor plan financing and for potential customers to obtain loans for manufactured home or RV purchases. Further, legislation enacted in 2010 known as the SAFE Act (Safe Mortgage Licensing Act) requires community owners interested in financing customer purchases of manufactured homes to register as a mortgage loan originator in states in which they engage in such financing. These requirements are generally more burdensome for lenders financing the purchase of manufactured homes than for lenders financing the purchase of site-built homes. In addition, as compared to financing available to owners and purchasers of site-built single family homes, available financing for a manufactured home involves higher down payments, higher credit scores, higher interest rates and shorter maturity. Certain government stimulus packages have also provided government guarantees for site-built single family home loans, thereby increasing the supply of financing for that market.

Please see the Company’s risk factors, financial statements and related notes beginning on page F-1 of this Form 10-K for more detailed information.

Available Information

The Company files reports electronically with the Securities and Exchange Commission ("SEC"). The public may read and copy any materials the Company files with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet site that contains reports, proxy information and statements and other information regarding issuers that file electronically with the SEC at http://www.sec.gov. The Company maintains an Internet site with information about the Company and hyperlinks to its filings with the SEC at http://www.equitylifestyle.com, free of charge. Requests for copies of the Company's filings with the SEC and other investor inquiries should be directed to:

Investor Relations Department
Equity LifeStyle Properties, Inc.
Two North Riverside Plaza
Chicago, Illinois 60606
Phone: 1-800-247-5279
e-mail: investor_relations@equitylifestyle.com

Item 1A. Risk Factors

The Company's 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 the Company's Properties and the Company's Cash Flow. Several factors may adversely affect the economic performance and value of the Company's Properties. These factors include:

- changes in the national, regional and local economic climate;
- local conditions such as an oversupply of lifestyle-oriented properties or a reduction in demand for lifestyle-oriented properties in the area, the attractiveness of the Company's Properties to customers, competition from manufactured home communities and other lifestyle-oriented properties and alternative forms of housing (such as apartment buildings and site-built single family homes);
- the ability of manufactured home and RV manufacturers to adapt to changes in the economic climate and the availability of units from these manufacturers;
- the ability of the Company's potential customers to sell or lease their existing site-built residences in order to purchase resort homes or cottages at the Company's Properties, and heightened price sensitivity for seasonal and second homebuyers;
- the possible reduced ability of the Company's potential customers to obtain financing on the purchase of resort homes, resort cottages or RVs;
- performance of chattel loans purchased in connection with the 2011 Acquisition (see Note 19 in the Notes to the Consolidated Financial Statements contained in this Form 10-K for further discussion of the 2011 Acquisition);
- government stimulus intended to primarily benefit purchasers of site-built housing;
- fluctuations in the availability and price of gasoline, especially for the Company's transient customers;
- the Company's ability to collect rent, annual payments and principal and interest from customers and pay or control maintenance, insurance and other operating costs (including real estate taxes), which could increase over time;
- the failure of the Company's assets to generate income sufficient to pay its expenses, service its debt and maintain its Properties, which may adversely affect the Company's ability to make expected distributions to its stockholders;
- the Company's 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 the Company's financial condition;
- changes in laws and governmental regulations (including rent control laws and regulations governing usage, zoning and taxes), which may adversely affect the Company's financial condition;
-

poor weather, especially on holiday weekends in the summer, which could reduce the economic performance of the Company's Northern resort Properties; and

- the Company's ability to attract customers to enter new or upgraded right-to-use contracts and to retain customers who have previously entered right-to-use contracts.

New Acquisitions May Fail to Perform as Expected and Competition for Acquisitions May Result in Increased Prices for Properties. The Company intends to continue to acquire properties. Newly acquired Properties may fail to perform as expected. The Company 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, the Company expects that other real estate investors with significant capital will compete with it for attractive investment opportunities. These competitors include publicly traded REITs, private REITs and other types of investors. Such competition

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increases prices for properties. The Company expects to acquire properties with cash from secured or unsecured financings, proceeds from offerings of equity or debt, undistributed funds from operations and sales of investments. The Company may not be in a position or have the opportunity in the future to make suitable property acquisitions on favorable terms.

The intended benefits of the Company's acquisitions may not be realized, which could have a negative impact on the market price of the Company's common stock.

Acquisitions pose risks for our ongoing operations, including that:

- senior management's attention may be diverted from the management of daily operations to the integration of an acquisition;
- costs and expenses associated with any undisclosed or potential liabilities;
- an acquisition may not perform as well as the Company anticipates; and
- unforeseen difficulties may arise in integrating an acquisition into the Company's portfolio.

As a result of the foregoing, the Company cannot assure you that any acquisitions that it makes will be accretive to it in the near term or at all. Furthermore, if the Company fails to realize the intended benefits of an acquisition, the market price of its common stock could decline to the extent that the market price reflects those benefits.

Further, with respect to one of the properties that the Company acquired in its 2011 Acquisition of a portfolio of 74 manufactured home communities and one RV resort, the Company owns both a fee interest and a leasehold interest. The ground lease contains a purchase option on behalf of the lessee and a put option on behalf of the lessor. The options may be exercised by either party upon the death of the fee holder. The Company is the beneficiary of an escrow funded by the seller with approximately 114,000 shares of the Company's common stock. The escrow provides for distributions of the escrowed stock on a quarterly basis to protect the Company from future scheduled ground lease payments as well as scheduled increases in the option purchase price over time. In connection with the purchase price allocation associated with the acquisition of these 74 properties, the Company recorded contingent consideration of approximately $6.7 million related to this escrow. If the Company does not receive distributions of all of the escrowed stock prior to the death of the fee holder, the Company will have to charge the remaining amount of this contingent consideration to operations.

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

The Decline in Home Sales Has Resulted in the Company Increasing its Rental Program to Maintain Occupancy. Due to market conditions, the Company has experienced a decline in home sales at its Properties. To maintain occupancy, the Company has increased its manufactured home rental operations by purchasing new homes for rental and also renting used homes acquired from customers through purchase, lien sale or abandonment. While the Company's long-term goal is to sell these rental units to homeowners, there is no assurance that the Company will be successful and it may not be able to liquidate its investment in these in homes. In addition, the Company's home rental operations compete with other types of rentals (e.g., apartments), and there is no assurance that Company will be able to maintain tenants in its investment of rental units.

Some Potential Losses Are Not Covered by Insurance. The Company carries comprehensive insurance coverage for losses resulting from property damage, environmental, liability claims and business interruption on all of its Properties. In addition the Company carries liability coverage for other activities not specifically related to property operations. These coverages include, but are not limited to, Directors & Officers liability, Employer Practices liability and Fiduciary liability. The Company believes that the policy specifications and coverage limits of these policies should be adequate and appropriate. There are, however, certain types of losses, such as lease and other contract claims that generally are not insured. Should an uninsured loss or a loss in excess of coverage limits occur, the Company could lose all or a portion of the capital it has invested in a Property or the anticipated future revenue from a

Property. In such an event, the Company might nevertheless remain obligated for any mortgage debt or other financial obligations related to the Property.

The Company's current property and casualty insurance policies, which it plans to renew, expire on April 1, 2013. The Company has a $100 million loss limit with respect to its all-risk property insurance program including named windstorms, which include, for example, hurricanes. This loss limit is subject to additional sub-limits as set forth in the policy form, including, among others, a $25 million loss limit for an earthquake in California. Policy deductibles primarily range from a $125,000 minimum to 5% per unit of insurance for most catastrophic events. A deductible indicates ELS' maximum exposure, subject to policy limits and sub-limits, in the event of a loss.

The Company's Depositary Shares Which Represent Our 6.75% Series C Cumulative Redeemable Perpetual Preferred Stock Have Not Been Rated. The Company has not sought to obtain a rating for its depositary shares (the "Depositary Shares") which represent

our 6.75% Series C Cumulative Redeemable Perpetual Preferred Stock (the "Series C Preferred Stock"). No assurance can be given, however, that one or more rating agencies might not independently determine to issue such a rating or that such a rating, if issued, would not adversely affect the market price of the Depositary Shares. In addition, the Company may elect in the future to obtain a rating of its Depositary Shares, which could adversely affect the market price. A rating increase reflects only the views of the rating agency or agencies issuing the ratings and such ratings could be revised downward, placed on a watch list or withdrawn entirely at the discretion of the issuing rating agency if in its judgment circumstances so warrant. Any such downward revision, placing on a watch list or withdrawal of a rating could have an adverse effect on the market price of the Depositary Shares.

Our Depositary Shares will be subordinate to our debt, and your interests could be diluted by the issuance of additional shares of preferred stock, and be materially and adversely affected by other transactions. Our Depositary Shares which represent our Series C Preferred Stock will be subordinate to all of our existing and future debt. As described below, our existing debt may restrict, and our future debt may include restrictions on, our ability to pay distributions to preferred stockholders or to make an optional redemption payment to preferred stockholders. The issuance of additional shares of preferred stock on parity with or senior to our Series C Preferred Stock represented by the Depositary Shares would dilute the interests of the holders of our Depositary Shares, and any issuance of preferred stock senior to our Series C Preferred Stock (and, therefore, the Depositary Shares) or of additional indebtedness could affect our ability to pay distributions on, redeem or pay the liquidation preference on our Depositary Shares. Other than the conversion rights afforded to holders of our preferred shares that may occur in connection with a change of control triggering event, none of the provisions relating to our preferred shares contains any provision affording the holders of our preferred shares protection in the event of a highly leveraged or other transaction, including a merger or the sale, lease or conveyance of all or substantially all our assets or business, that might materially and adversely affect the holders of our preferred shares, so long as the rights of the holders of our preferred shares are not materially and adversely affected.

Our Depositary Shares which represent our Series C Preferred Stock will be structurally subordinated to the liabilities of our subsidiaries. Substantially all of our assets and debt are held indirectly through our Operating Partnership. As a result, we have no source of operating cash flow other than distributions from our Operating Partnership. Our ability to pay distributions to holders of our Depositary Shares depends on our Operating Partnership's ability first to satisfy its obligations to its creditors and then to make distributions to MHC Trust. Similarly, MHC Trust must satisfy its obligations to its creditors before making distributions to us. Thus, our Depositary Shares will be structurally subordinated to certain liabilities of our subsidiaries in the event of their liquidation, dissolution or winding up.

Adverse changes in general economic conditions may adversely affect the Company's business.

The Company's success is dependent upon economic conditions in the U.S. generally and in the geographic areas in which a substantial number of the Company's Properties are located. Adverse changes in national economic conditions and in the economic conditions of the regions in which the Company conducts substantial business may have an adverse effect on the real estate values of the Company's Properties, its financial performance and the market price of its common stock.

In a recession or under other adverse economic conditions, non-earning assets and write-downs are likely to increase as debtors fail to meet their payment obligations. Although the Company maintains reserves for credit losses and an allowance for doubtful accounts in amounts that it believes should be sufficient to provide adequate protection against potential write-downs in its portfolio, these amounts could prove to be insufficient.

Laws and Regulations Relating to Campground Membership Sales and Properties Could Adversely Affect the Value of Certain Properties and the Company's Cash Flow.

Many of the states in which the Company does business have laws regulating right-to-use or campground membership sales. These laws generally require comprehensive disclosure to prospective purchasers, and usually give purchasers the right to rescind their purchase between three to five days after the date of sale. Some states have laws requiring the Company to register with a state agency and obtain a permit to market. The Company is subject to changes, from time to time, in the application or interpretation of such laws that can affect its business or the rights of its members.

In some states, including California, Oregon and Washington, laws place limitations on the ability of the owner of a campground property to close the property unless the customers at the property receive access to a comparable property. The impact of the rights of customers under these laws is uncertain and could adversely affect the availability or timing of sale opportunities or the ability of the Company to realize recoveries from Property sales. The government authorities regulating the Company's activities have broad discretionary power to enforce and interpret the statutes and regulations that they administer, including the power to enjoin or suspend sales activities, require or restrict construction of additional facilities and revoke licenses and permits relating to business activities. The Company monitors its sales and marketing programs and debt collection activities to control practices that might violate consumer protection laws and regulations or give rise to consumer complaints.

Certain consumer rights and defenses that vary from jurisdiction to jurisdiction may affect the Company's portfolio of contracts receivable. Examples of such laws include state and federal consumer credit and truth-in-lending laws requiring the disclosure of finance charges, and usury and retail installment sales laws regulating permissible finance charges.

In certain states, as a result of government regulations and provisions in certain of the right-to-use or campground membership agreements, the Company is prohibited from selling more than ten memberships per site. At the present time, these restrictions do not preclude the Company from selling memberships in any state. However, these restrictions may limit the Company's ability to utilize Properties for public usage and/or the Company's ability to convert sites to more profitable or predictable uses, such as annual rentals.

Debt Financing, Financial Covenants and Degree of Leverage Could Adversely Affect the Company's Economic Performance.

Scheduled Debt Payments Could Adversely Affect the Company's Financial Condition. The Company's business is subject to risks normally associated with debt financing. The total principal amount of the Company's outstanding indebtedness was approximately $2.3 billion as of December 31, 2012, of which approximately $753.1 million, or 33.2%, matures in 2014 and 2015. The Company's substantial indebtedness and the cash flow associated with serving its indebtedness could have important consequences, including the risks that:

- the Company's cash flow could be insufficient to pay distributions at expected levels and meet required payments of principal and interest;
- the Company might be required to use a substantial portion of its cash flow from operations to pay its indebtedness, thereby reducing the availability of its cash flow to fund the implementation of its business strategy, acquisitions, capital expenditures and other general corporate purposes;
- the Company's debt service obligations could limit its flexibility in planning for, or reacting to, changes in its business and the industry in which it operates;
- the Company may not be able to refinance existing indebtedness (which in virtually all cases requires substantial principal payments at maturity) and, if it 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, the Company's 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 the Company's ability to service debt and make distributions to stockholders.

Ability to obtain mortgage financing or to refinance maturing mortgages may adversely affect the Company's financial condition. Lenders demands on borrowers as to the quality of the collateral and related cash flows may make it challenging to secure financing on attractive terms or at all. If terms are no longer attractive or if financing proceeds are no longer available for any reason, these factors may adversely affect cash flow and the Company's ability to service debt and make distributions to stockholders.

Financial Covenants Could Adversely Affect the Company's Financial Condition. If a Property is mortgaged to secure payment of indebtedness, and the Company is unable to meet mortgage payments, the mortgagee could foreclose on the Property, resulting in loss of income and asset value. The mortgages on the Company's Properties contain customary negative covenants, which among other things limit the Company's ability, without the prior consent of the lender, to further mortgage the Property and to discontinue insurance coverage. In addition, the Company's unsecured credit facilities contain certain customary restrictions, requirements and other limitations on the Company's ability to incur indebtedness, including total debt-to-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 the Company's financial condition and results of operations.

The Company's Degree of Leverage Could Limit Its Ability to Obtain Additional Financing. The Company's 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) was approximately 43% as of December 31, 2012. The degree of leverage could have important consequences to stockholders, including an adverse effect on the Company's ability to obtain additional financing in the future for working capital, capital expenditures, acquisitions, development or other general corporate purposes, and makes the Company more vulnerable to a downturn in business or the economy generally.

The Company may be able to incur substantially more debt, which would increase the risks associated with its substantial leverage. Despite the Company's current indebtedness levels, it may still be able to incur substantially more debt in the future. If new debt is added to the Company's current debt levels, an even greater portion of its cash flow will be needed to satisfy its debt service

obligations. As a result, the related risks that we now face could intensify and increase the risk of a default on the Company's indebtedness.

The Company Depends on Its Subsidiaries' Dividends and Distributions.

Substantially all of the Company's assets are owned indirectly by the Operating Partnership. As a result, the Company has no source of cash flow other than distributions from the Operating Partnership. For the Company to pay dividends to holders of its common stock and preferred stock, the Operating Partnership must first distribute the cash to MHC Trust, and then MHC Trust must distribute the cash to the Company. Before they can distribute the cash, the Operating Partnership and MHC Trust must first satisfy their obligations to their creditors (and their preferred stockholders in the case of common stock distributions).

Stockholders' Ability to Effect Changes of Control of the Company is Limited.

Provisions of the Company's Charter and Bylaws Could Inhibit Changes of Control. Certain provisions of the Company's charter and bylaws may delay or prevent a change of control of the Company or other transactions that could provide its stockholders with a premium over the then-prevailing market price of their common stock or Series C Preferred Stock or which might otherwise be in the best interest of its 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 beneficial to the Company's 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 10% 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 10% 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, the Company's 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 the Company's initial public offering, the General Motors Hourly Rate Employees Pension Trust and the General Motors Salaried Employees Pension Trust, and the Company's officers who acquired common stock at the time the Company was formed and each and every affiliate of theirs.

The Company Has 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 the Company's 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 the Company's REIT qualification, the Company's charter, subject to certain exceptions, prohibits Beneficial Ownership (as defined in the Company's charter) by any single stockholder of more than 5% (in value or number of shares, whichever is more restrictive) of the Company's outstanding capital stock. The Company refers to this as the "Ownership Limit." Within certain limits, the Company's 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 IRS, opinion of counsel, or other evidence satisfactory to the Board of Directors and upon 15 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 the Company 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 the Company 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 on other such transaction), the market price of the capital stock on the date of the event causing the capital stock to be transferred to the Company 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 its stockholders' ability to realize a premium over the then-prevailing market price for their common stock or adversely affect the best interest of the Company's stockholders.

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 December 31, 2012, Mr. Samuel Zell and certain affiliated holders beneficially owned approximately 8.7% of the Company's outstanding common stock (in each case including common stock issuable upon the exercise of stock options and the exchange of Units). Mr. Zell is

the chairman of the Company's Board of Directors. Accordingly, Mr. Zell has significant influence on the Company's 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 that might not reflect the interests of the Company's stockholders.

Risk of Eminent Domain and Tenant Litigation.

The Company owns Properties in certain areas of the country where real estate values have increased faster than rental rates in its Properties either because of locally imposed rent control or long term leases. In such areas, the Company has learned that certain local government entities have investigated the possibility of seeking to take the Company's Properties by eminent domain at values below the value of the underlying land. While no such eminent domain proceeding has been commenced, and the Company would exercise all of its rights in connection with any such proceeding, successful condemnation proceedings by municipalities could adversely affect its financial condition. Moreover, certain of its Properties located in California are subject to rent control ordinances, some of which not only severely restrict ongoing rent increases but also prohibit the Company from increasing rents upon turnover. Such regulations allow customers to sell their homes for a premium representing the value of the future discounted rent-controlled rents. 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. In response to the Company's efforts, tenant groups have filed lawsuits against the Company seeking not only to limit rent increases, but to be awarded large damage awards. If the Company is unsuccessful in its efforts to challenge rent control ordinances, it is likely that the Company 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 the Company's financial condition.

Environmental and Utility-Related 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 property 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.

Utility-related laws and regulations also govern the provision of utility services and operations of water and wastewater treatment facilities. Such laws regulate, for example, how and to what extent owners or operators of property can charge renters for provision of, for example, electricity, and whether and to what extent such utility services can be charged separately from the base rent. Such laws also regulate the operations and performance of water treatment facilities and wastewater treatment facilities. Such laws may impose fines and penalties on real

property owners or operators who fail to comply with these requirements.

The Company has 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 Its Properties and the Its Cash Flow.

As of December 31, 2012, the Company owned or had an ownership interest in 383 Properties located in 32 states and British Columbia, including 119 Properties located in Florida and 49 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 the Company’s Properties. While the Company has 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 the Company's economic position with respect to damage or destruction to its 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 a natural disaster or other catastrophic event, the process of obtaining reimbursement for covered losses, including the lag between expenditures incurred by the Company and reimbursements received from the insurance providers, could adversely affect the Company's economic performance.

Market Interest Rates May Have an Effect on the Value of the Company's 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 the Company to distribute and, in fact, would likely increase its borrowing costs and potentially decrease funds available for distribution. Thus, higher market interest rates could cause the market price of the Company's publicly traded securities to go down.

The Company Is Dependent on External Sources of Capital.

To qualify as a REIT, the Company must distribute to its stockholders each year at least 90% of its REIT taxable income (determined without regard to the deduction for dividends paid and excluding any net capital gain). In addition, the Company intends to distribute all or substantially all of its net income so that it will generally not be subject to U.S. federal income tax on its earnings. Because of these distribution requirements, it is not likely that the Company will be able to fund all future capital needs, including for acquisitions, from income from operations. The Company 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. The Company's 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 its growth potential and its current and potential future earnings. It may be difficult for the Company to meet one or more of the requirements for qualification as a REIT, including but not limited to its distribution requirement. Moreover, additional equity offerings may result in substantial dilution of stockholders' interests, and additional debt financing may substantially increase the Company's leverage.

We Face Possible Risks Associated with the Physical Effects of Climate Change.

We cannot predict with certainty whether climate change is occurring and, if so, at what rate. However, the physical effects of climate change could have a material adverse effect on our properties, operations and business. For example, many of our properties are located in the southeast and southwest regions of the United States, particularly in Florida, California and Arizona. To the extent climate change causes changes in weather patterns, our markets could experience increases in storm intensity and rising sea-levels. Over time, these conditions could result in declining demand for space in our Properties or our inability to operate them. Climate change may also have indirect effects on our business by increasing the cost of (or making unavailable) property insurance on terms we find acceptable, increasing the cost of energy and increasing the cost of snow removal or related costs at our properties. Proposed legislation to address climate change could increase utility and other costs of operating our properties which, if not offset by rising rental income, would reduce our net income. There can be no assurance that climate change will not have a material adverse effect on our properties, operations or business.

Americans with Disabilities Act Compliance Could be Costly.

Under the Americans with Disabilities Act of 1990 ("ADA"), all public accommodations and commercial facilities must meet certain federal requirements related to access and use by disabled persons. Compliance with the ADA requirements could involve removal of structural barriers to access or use by disabled persons. Other federal, state and local laws may require modifications to or restrict further renovations of our properties with respect to such accesses. Although we believe that our properties are substantially in compliance with present requirements, noncompliance with the ADA or related laws or regulations could result in the United States government imposing fines or private litigants being awarded damages against us. Such costs may adversely affect our ability to make distributions or payments to our investors.

Affordable Care Act Compliance Could be Costly.

President Obama signed the Patient Protection and Affordable Care Act into law in 2010, which was amended by the Health Care and Education Reconciliation Act of 2010 (collectively, the "Affordable Care Act"). The Affordable Care Act is designed to expand access to affordable health insurance, among other objectives. Many aspects of the Affordable Care Act are being implemented through new regulations and regulatory guidance, which are continuing to be issued. While we cannot accurately predict at this time the full effect of the Affordable Care Act on our business, compliance may adversely impact our labor costs, our ability to negotiate favorable terms under our benefits plans for our employees, our ability to attract or retain employees or

our operations to the extent that compliance may affect the composition of our workforce, any or all of which could be costly. Such costs may adversely affect our ability to make distributions or payments to our investors.

The Company's Qualification as a REIT is Dependent on Compliance With U.S. Federal Income Tax Requirements. The Company believes it has been organized and operated in a manner so as to qualify for taxation as a REIT, and it intends 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. In connection with certain transactions, the Company has received, and relied upon, advice of counsel as to the impact of such transactions on its qualification as a REIT. The Company's qualification as a REIT requires analysis of various facts and circumstances that may not be entirely within its control, and it cannot provide any assurance that the Internal Revenue Service (the "IRS") will agree with its analysis or the analysis of its tax counsel. In particular, the proper federal income tax treatment of right-to-use membership contracts is uncertain and there is no assurance that the IRS will agree with the Company's treatment of such contracts. If the IRS were to disagree with the Company's analysis or its tax counsel's analysis of various facts and circumstances, the Company's ability to qualify as a REIT could be adversely affected. Such matters could affect the Company's 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, the Company failed to maintain the Company's qualification as a REIT (and if specified relief provisions under the Code were not applicable to such disqualification), it could not deduct distributions to stockholders in computing its net taxable income and it would be subject to U.S. federal income tax on its net taxable income at regular corporate rates. Any U.S. federal income tax payable could include applicable alternative minimum tax. If the Company 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 the Company would no longer be required to distribute money to stockholders. In addition, the Company would also be disqualified from treatment as a REIT for the four taxable years following the year during which qualification was lost, unless it was entitled to relief under the relevant statutory provisions. Although the Company currently intends to operate in a manner designed to allow the Company to qualify as a REIT, future economic, market, legal, tax or other considerations may cause it to revoke the REIT election.

Interpretation of and Changes to Accounting Policies and Standards Could Adversely Affect the Company's Reported Financial Results.

The Company's Accounting Policies and Methods Are the Basis on Which It Reports Its Financial Condition and Results of Operations, and They May Require Management to Make Estimates About Matters that Are Inherently Uncertain. The Company's accounting policies and methods are fundamental to the manner in which it records and reports its financial condition and results of operations. Management must exercise judgment in selecting and applying many of these accounting policies and methods in order to ensure that they comply with generally accepted accounting principles and reflect management's judgment as to the most appropriate manner in which to record and report the Company's financial condition and results of operations. In some cases, management must select the accounting policy or method to apply from two or more alternatives, any of which might be reasonable under the circumstances yet might result in reporting materially different amounts than would have been reported under a different alternative.

Changes in Accounting Standards Could Adversely Affect The Company's Reported Financial Results. The bodies that set accounting standards for public companies, including the Financial Accounting Standards Board ("FASB"), the SEC and others, periodically change or revise existing interpretations of the accounting and reporting standards that govern the way that the Company reports its financial condition, results of operations, and cash flows. These changes can be difficult to predict and can materially impact the Company's reported financial results. In some cases, the Company could be required to apply a new or revised accounting standard, or a revised interpretation of an accounting standard, retroactively, which could have a negative impact on reported results or result in the restatement of the Company's financial statements for prior periods.

The Company's Accounting Policies for Entering Right-To-Use Contracts Will Result in a Substantial Deferral of Revenue in its Financial Results. Beginning August 14, 2008, the Company began entering right-to-use contracts. Customers who enter upgraded right-to-use contracts are generally required to make an upfront nonrefundable payment to the Company. The Company incurs significant selling and marketing expenses to originate the right-to-use contracts, and the majority of expenses must be expensed in the period incurred, while the related revenues and commissions are generally deferred and recognized over the expected life of the contract, which is estimated based upon historical attrition rates. The expected life of a right-to-use contract is currently estimated to be between one and 31 years. As a result, the Company may incur a loss from entering right-to-use contracts, build up a substantial deferred revenue liability balance, and recognize substantial non-cash revenue in the years subsequent to originally entering the contracts. This accounting may make it difficult for investors to interpret the financial results from the entry of right-

to-use contracts. In 2008, the Company submitted to the Office of the Chief Accountant at the SEC correspondence describing the right-to-use contracts, and subsequently discussed with the SEC the revenue recognition policy with respect to the contracts. The SEC does not object to the Company's application of the Codification Topic "Revenue Recognition" ("FASB ASC 605") with respect to the deferral of the upfront nonrefundable payments received from the entry of right-to-use contracts. (See Note 2(n) in the Notes to Consolidated Financial Statements contained in this Form 10-K for the Company's revenue recognition policy.)

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

General

The Company's Properties provide attractive amenities and common facilities that create a comfortable and attractive home for its customers, with most offering a clubhouse, a swimming pool, laundry facilities and cable television service. Many also offer additional amenities such as sauna/whirlpool spas, golf courses, tennis, shuffleboard and basketball courts, exercise rooms and various social activities such as concerts. Since most of the Company's customers generally rent its sites on a long-term basis, it is their responsibility to maintain their homes and the surrounding area. It is the Company's role to ensure that customers comply with its Property policies and to provide maintenance of the common areas, facilities and amenities. The Company holds periodic meetings with its Property management personnel for training and implementation of its strategies. The Properties historically have had, and the Company believes they will continue to have, low turnover and high occupancy rates.

Property Portfolio

As of December 31, 2012, the Company owned or had an ownership interest in a portfolio of 383 Properties located throughout the United States and British Columbia containing 142,679 residential sites. A total of 171 of the properties are encumbered by debt as of December 31, 2012, see Note 8 of the Notes to Consolidated Financial Statements contained in this Form 10-K for a description of this debt. The distribution of the Company's Properties throughout the United States reflects its belief that geographic diversification helps to insulate the portfolio from regional economic influences. The Company intends to target new acquisitions in or near markets where its Properties are located and will also consider acquisitions of Properties outside such markets. (Refer to Note 2(c) of the Notes to Consolidated Financial Statements contained in this Form 10-K.)

The Company's two largest properties as determined by property operating revenues are Colony Cove, located in Ellenton, Florida, and Bay Indies, located in Venice, Florida. Each accounted for approximately 2.0% of the Company's total property operating revenues, including deferrals, for the year ended December 31, 2012.

The following table sets forth certain information relating to the Properties the Company owned as of December 31, 2012, categorized according to major markets and excluding Properties owned through joint ventures. For the RV communities sites occupied by annual customers are presented as 100% occupied. Except as indicated in the footnotes below, the annual rent for each year presented is the annualized December monthly site rent per occupant. Subtotals by markets and grand totals for all markets are presented on a weighted average basis.

Property	Address	City	State	ZIP	MH/RV	Acres (c)	Developable Acres (d)	Expansion Sites (e)	Total Number of Sites as of 12/31/12	Total Number of Annual Sites as of 12/31/12	Annual Site Occupancy as of 12/31/12	Ann Site Occ as o 12/
Florida East Coast:												
Sunshine Key	38801 Overseas Hwy	Big Pine Key	FL	33043	RV	54			409	74	100.0 %	100
Cheron Village	13222 SW 9th Court	Davie	FL	33325	MH	30			202	202	93.6 %	93.
Carriage Cove	Five Carriage Cove	Daytona Beach	FL	32119	MH	59			418	418	90.4 %	88.

	Way												
Coquina Crossing	4536 Coquina Crossing Dr	Elkton	FL	32033	MH	316	26	145	566	566	94.2	%	93.
Bulow Plantation	3165 Old Kings Road South	Flagler Beach	FL	32136	MH	323	181	722	276	276	98.6	%	98.
Bulow RV	3345 Old Kings Road South	Flagler Beach	FL	32136	RV	(f)			352	79	100.0	%	100
Carefree Cove	3273 N.W. 37th St	Ft. Lauderdale	FL	33309	MH	20			164	164	93.9	%	93.
Park City West	10550 W. State Road 84	Ft. Lauderdale	FL	33324	MH	60			363	363	95.6	%	94.
Sunshine Holiday MH	2802 W. Oakland Park Blvd.	Ft. Lauderdale	FL	33311	MH	32			270	270	88.9	%	86.

16

Property	Address	City	State	ZIP	MH/RV	Acres (c)	Developable Acres (d)	Expansion Sites (e)	Total Number of Sites as of 12/31/12	Total Number of Annual Sites as of 12/31/12	Annual Site Occupanc as of 12/31/12	A S C a 1
Sunshine Holiday RV	2802 W. Oakland Park Blvd.	Ft. Lauderdale	FL	33311	RV	(f)			130	38	100.0 %	1
Lake Worth Village	4041 Roberts Way	Lake Worth	FL	33463	MH	117			823	823	78.1 %	7
Maralago Cay	6280 S. Ash Lane	Lantana	FL	33462	MH	102	5		603	603	95.5 %	9
Coral Cay	2801 NW 62nd Avenue	Margate	FL	33063	MH	121			818	818	96.8 %	9
Lakewood Village	3171 Hanson Avenue	Melbourne	FL	32901	MH	68			349	349	86.5 %	8
Holiday Village	1335 Fleming Ave Box 228	Ormond Beach	FL	32174	MH	43			301	301	86.7 %	8
Sunshine Holiday	1701 North US Hwy 1	Ormond Beach	FL	32174	RV	69			349	128	100.0 %	1
The Meadows, FL	2555 PGA Boulevard	Palm Beach Gardens	FL	33410	MH	55			379	379	81.0 %	8
Breezy Hill RV	800 NE 48th Street	Pompano Beach	FL	33064	RV	52			762	365	100.0 %	1
Highland Wood RV	900 NE 48th Street	Pompano Beach	FL	33064	RV	15			148	20	100.0 %	1
Lighthouse Pointe	155 Spring Drive	Port Orange	FL	32129	MH	64			433	433	85.0 %	8
Pickwick	4500 S. Clyde Morris Blvd	Port Orange	FL	32119	MH	84	4		432	432	99.8 %	9
Indian Oaks	780 Barnes Boulevard	Rockledge	FL	32955	MH	38			208	208	100.0 %	1
Countryside at Vero Beach	8775 20th Street	Vero Beach	FL	32966	MH	125			644	644	88.2 %	8

Heritage Plantation	1101 Ranch Road	Vero Beach	FL	32966	MH	64			437	437	81.9	%	8
Holiday Village, FL	1000 S.W. 27th Avenue	Vero Beach	FL	32968	MH	20			128	128	—	%	5
Sunshine Travel	9455 108th Avenue	Vero Beach	FL	32967	RV	30	6	48	300	142	100.0	%	1
Heron Cay	1400 90th Avenue	Vero Beach	FL	32966	MH	130			589	589	85.9	%	8
Vero Palm	1408 82nd Avenue	Vero Beach	FL	32966	MH	64			285	285	79.3	%	8
Village Green	7300 20th Street	Vero Beach	FL	32966	MH	174			781	781	85.0	%	8
Palm Beach Colony	2000 N. Congress Avenue	West Palm Beach	FL	33409	MH	48			284	284	90.1	%	8
Central:													
Clover Leaf Farms	900 N. Broad Street	Brooksville	FL	34601	MH	227		100	779	779	96.0	%	9
Clover Leaf Forest	910 N. Broad Street	Brooksville	FL	34601	RV	30			277	144	100.0	%	1
Clerbrook	20005 U.S. Highway 27	Clermont	FL	34711	RV	288			1,255	429	100.0	%	1
Lake Magic	9600 Hwy 192 West	Clermont	FL	34714	RV	69			471	108	100.0	%	1
Orange Lake	15840 SR 50 Lot 32	Clermont	FL	34711	MH	38			242	242	95.0	%	9
Orlando	2110 US Highway 27 S	Clermont	FL	34714	RV	270	30	136	850	119	100.0	%	1
Haselton Village	14 Coral Street	Eustis	FL	32726	MH	52			291	291	97.3	%	9
Southern Palms	One Avocado Lane	Eustis	FL	32726	RV	120			950	358	100.0	%	1
Lakeside Terrace	24 Sunrise Lane	Fruitland Park	FL	34731	MH	39			241	241	97.9	%	9
Grand Island	13310 Sea Breeze Lane	Grand Island	FL	32735	MH	35			362	362	63.5	%	6
Sherwood Forest	5302 W. Irlo Bronson Hwy	Kissimmee	FL	34746	MH	124			769	769	93.6	%	9

17

Property	Address	City	State	ZIP	MH/RV	Acres (c)	Developable Acres (d)	Expansion Sites (e)	Total Number of Sites as of 12/31/12	Total Number of Annual Sites as of 12/31/12	Annual Site Occupancy as of 12/31/12
Sherwood Forest RV	5300 W. Irlo Bronson Hwy	Kissimmee	FL	34746	RV	107	43	149	513	116	100.0%
Tropical Palms(g)(h)	2650 Holiday Trail	Kissimmee	FL	34746	RV	59			541	—	— %
Beacon Hill Colony	1112 West Beacon Road	Lakeland	FL	33803	MH	31			201	201	99.0 %
Beacon Terrace	2425 Harden Boulevard	Lakeland	FL	33803	MH	55			297	297	99.7 %
Kings & Queens	2808 N. Florida Avenue	Lakeland	FL	33805	MH	18			107	107	95.3 %
Lakeland Harbor	4747 N. State Road	Lakeland	FL	33805	MH	65			504	504	99.6 %
Lakeland Junction	202 East Griffin Road	Lakeland	FL	33805	MH	23			193	193	99.0 %
Coachwood Colony	2610 Dogwood Place	Leesburg	FL	34748	MH	29			202	202	89.1 %
Mid-Florida Lakes	199 Forest Dr.	Leesburg	FL	34788	MH	290			1,225	1,225	82.8 %
Southernaire	1700 Sanford Road	Mt. Dora	FL	32757	MH	14			114	114	82.5 %
Foxwood	4705 NW 20th Street	Ocala	FL	34482	MH	56			375	375	80.8 %
Oak Bend	10620 S.W. 27th Ave.	Ocala	FL	34476	MH	62	3		262	262	88.5 %
Villas at Spanish Oaks	3150 N.E. 36th Avenue	Ocala	FL	34479	MH	69			459	459	86.7 %
Audubon	6565 Beggs Road	Orlando	FL	32810	MH	40			280	280	93.2 %

Hidden Valley	8950 Polynesian Lane	Orlando	FL	32836	MH	50	303	303	98.0 %
Starlight Ranch	6000 East Pershing Ave.	Orlando	FL	32822	MH	130	783	783	83.1 %
Covington Estates	3400 Glenwick Drive	Saint Cloud	FL	34772	MH	59	241	241	94.2 %
Parkwood Communities	414 Springlake Road	Wildwood	FL	34785	MH	121	694	694	97.3 %
Three Flags RV Resort	1755 E State Rd 44	Wildwood	FL	34785	RV	23	221	12	100.0%
Winter Garden	13905 W. Colonial Dr.	Winter Garden	FL	34787	RV	27	350	122	100.0%
Gulf Coast (Tampa/Naples):									
Toby's RV	3550 N.E. Hwy 70	Arcadia	FL	34266	RV	44	379	253	100.0%
Winter Quarters Manatee	800 Kay Road NE	Bradenton	FL	34212	RV	42	415	215	100.0%
Windmill Manor	5320 53rd Ave. East	Bradenton	FL	34203	MH	49	292	292	94.2 %
Glen Ellen	2882 Gulf to Bay Blvd	Clearwater	FL	33759	MH	12	106	106	90.6 %
Hillcrest	2346 Druid Road East	Clearwater	FL	33764	MH	25	278	278	94.6 %
Holiday Ranch	4300 East Bay Drive	Clearwater	FL	33764	MH	12	150	150	88.0 %
Silk Oak	28488 US Highway 19 N	Clearwater	FL	33761	MH	19	181	181	91.7 %
Shady Oaks	15777 Bolesta Road	Clearwater	FL	33760	MH	31	250	250	94.4 %
Shady Village	15666 49th St. North	Clearwater	FL	33760	MH	19	156	156	94.9 %
Crystal Isles	11419 W. Ft. Island Drive	Crystal River	FL	34429	RV	38	260	53	100.0%
Lake Haven	1415 Main Street	Dunedin	FL	34698	MH	48	379	379	91.0 %
Colony Cove	4313 Kings Drive	Ellenton	FL	34222	MH	538	2,207	2,207	88.9 %
Ridgewood Estates	3461 Stephanie Lane	Ellenton	FL	34222	MH	77	380	380	98.7 %

Property	Address	City	State	ZIP	MH/RV	Acres [c]	Developable Acres [d]	Expansion Sites [e]	Total Number of Sites as of 12/31/12	Total Number of Annual Sites as of 12/31/12	Annual Site Occupancy as of 12/31/12	Annual Site Occupancy as of 12/31/11
Fort Myers Beach Resort	16299 San Carlos Blvd.	Fort Myers	FL	33908	RV	31			306	92	100.0%	100.0%
Gulf Air Resort	17279 San Carlos Blvd. SW	Fort Myers	FL	33931	RV	25			246	151	100.0%	100.0%
Barrington Hills	9412 New York Avenue	Hudson	FL	34667	RV	28			392	253	100.0%	100.0%
Down Yonder	7001 N. 142nd Avenue	Largo	FL									