

EQUITY LIFESTYLE PROPERTIES INC
Form 10-Q
August 04, 2015

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

FORM 10-Q

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

For the quarterly period ended June 30, 2015

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

For the transition period from _____ to _____

Commission file number: 1-11718

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

Maryland 36-3857664
(State or Other Jurisdiction of (I.R.S. Employer
Incorporation or Organization) Identification No.)

Two North Riverside Plaza, Suite 800, Chicago, Illinois 60606
(Address of Principal Executive Offices) (Zip Code)
(312) 279-1400
(Registrant's Telephone Number, Including Area Code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, 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 No

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 the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

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

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

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

84,282,178 shares of Common Stock as of July 31, 2015.

Equity LifeStyle Properties, Inc.
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Equity LifeStyle Properties, Inc.
 Consolidated Balance Sheets
 As of June 30, 2015 and December 31, 2014
 (amounts in thousands, except share and per share data)

	June 30, 2015 (unaudited)	December 31, 2014
Assets		
Investment in real estate:		
Land	\$1,100,490	\$1,091,550
Land improvements	2,763,483	2,734,304
Buildings and other depreciable property	576,456	562,059
	4,440,429	4,387,913
Accumulated depreciation	(1,226,027)	(1,169,492)
Net investment in real estate	3,214,402	3,218,421
Cash	84,945	73,714
Notes receivable, net	35,464	37,137
Investment in unconsolidated joint ventures	17,963	13,512
Deferred financing costs, net	24,800	21,833
Deferred commission expense	29,960	28,589
Escrow deposits, goodwill, and other assets, net	39,974	53,133
Total Assets	\$3,447,508	\$3,446,339
Liabilities and Equity		
Liabilities:		
Mortgage notes payable	\$1,966,517	\$2,012,246
Term loan	200,000	200,000
Unsecured lines of credit	—	—
Accrued payroll and other operating expenses	86,863	64,520
Deferred revenue – upfront payments from right-to-use contracts	76,402	74,174
Deferred revenue – right-to-use annual payments	13,282	9,790
Accrued interest payable	8,705	9,496
Rents and other customer payments received in advance and security deposits	79,748	67,463
Distributions payable	34,312	29,623
Total Liabilities	2,465,829	2,467,312
Equity:		
Stockholders' Equity:		
Preferred stock, \$0.01 par value 9,945,539 shares authorized as of June 30, 2015 and 9,765,900 shares authorized as of December 31, 2014; none issued and outstanding.	—	—
As of December 31, 2014 includes 179,639 authorized shares 6% Series D Cumulative Preferred stock authorized, none issued and outstanding.		
6.75% Series C Cumulative Redeemable Perpetual Preferred Stock, \$0.01 par value, 54,461 shares authorized and 54,458 issued and outstanding as of June 30, 2015 and December 31, 2014 at liquidation value	136,144	136,144
Common stock, \$0.01 par value 200,000,000 shares authorized as of June 30, 2015 and December 31, 2014; 84,276,055 and 83,879,779 shares issued and outstanding as of June 30, 2015 and December 31, 2014, respectively	843	838

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Paid-in capital	1,037,290	1,029,601
Distributions in excess of accumulated earnings	(258,457)	(254,209)
Accumulated other comprehensive loss	(1,034)	(381)
Total Stockholders' Equity	914,786	911,993
Non-controlling interests – Common OP Units	66,893	67,034
Total Equity	981,679	979,027
Total Liabilities and Equity	\$3,447,508	\$3,446,339

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

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Equity LifeStyle Properties, Inc.
 Consolidated Statements of Income and Comprehensive Income
 For the Quarters Ended and Six Months Ended June 30, 2015 and 2014
 (amounts in thousands, except per share data)
 (unaudited)

	Quarters Ended		Six Months Ended	
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
Revenues:				
Community base rental income	\$ 110,073	\$ 106,502	\$ 219,343	\$ 212,547
Rental home income	3,559	3,746	7,113	7,503
Resort base rental income	41,427	36,888	93,072	81,837
Right-to-use annual payments	10,945	11,241	21,926	22,455
Right-to-use contracts current period, gross	3,578	3,263	6,375	6,344
Right-to-use contract upfront payments, deferred, net	(1,455)	(1,168)	(2,228)	(2,315)
Utility and other income	18,901	16,919	37,983	34,490
Gross revenues from home sales	9,526	6,560	16,463	11,738
Brokered resale revenues and ancillary services revenues, net	1,012	568	2,994	2,367
Interest income	1,736	1,878	3,556	4,575
Income from other investments, net	2,178	2,628	3,297	4,229
Total revenues	201,480	189,025	409,894	385,770
Expenses:				
Property operating and maintenance	64,178	61,217	125,295	119,913
Rental home operating and maintenance	1,689	1,639	3,358	3,547
Real estate taxes	12,652	12,157	25,246	24,642
Sales and marketing, gross	3,512	2,869	6,034	5,432
Right-to-use contract commissions, deferred, net	(764)	(710)	(1,007)	(1,265)
Property management	11,099	10,451	22,389	21,083
Depreciation on real estate assets and rental homes	28,335	27,762	56,451	55,403
Amortization of in-place leases	669	1,401	1,334	2,716
Cost of home sales	9,093	6,155	15,817	11,523
Home selling expenses	720	628	1,525	1,197
General and administrative	7,541	6,794	14,947	12,555
Property rights initiatives and other	694	1,001	1,247	1,312
Early debt retirement	(69)	—	16,922	—
Interest and related amortization	26,145	28,265	53,421	56,313
Total expenses	165,494	159,629	342,979	314,371
Income before equity in income of unconsolidated joint ventures	35,986	29,396	66,915	71,399
Equity in income of unconsolidated joint ventures	840	644	1,724	2,531
Consolidated net income	36,826	30,040	68,639	73,930
Income allocated to non-controlling interests – Common OP Units	(2,724)	(2,229)	(5,054)	(5,710)
Series C Redeemable Perpetual Preferred Stock Dividends	(2,316)	(2,328)	(4,613)	(4,638)
Net income available for Common Shares	\$ 31,786	\$ 25,483	\$ 58,972	\$ 63,582
Consolidated net income	\$ 36,826	\$ 30,040	\$ 68,639	\$ 73,930
Other comprehensive income (loss) (“OCI”):				
Adjustment for fair market value of swap	204	483	(653)	927
Consolidated comprehensive income	37,030	30,523	67,986	74,857

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Comprehensive income allocated to non-controlling interests – Common OP Units	(2,740)	(2,268)	(5,003)	(5,786)
Series C Redeemable Perpetual Preferred Stock Dividends	(2,316)	(2,328)	(4,613)	(4,638)
Comprehensive income attributable to Common Stockholders	\$31,974	\$25,927	\$58,370	\$64,433

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

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Equity LifeStyle Properties, Inc.
 Consolidated Statements of Income and Comprehensive Income (Continued)
 For the Quarters Ended and Six Months Ended June 30, 2015 and 2014
 (amounts in thousands, except per share data)
 (unaudited)

	Quarters Ended		Six Months Ended	
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
Earnings per Common Share – Basic:				
Net income available for Common Shares	\$0.38	\$0.31	\$0.70	\$0.76
Earnings per Common Share – Fully Diluted:				
Net income available for Common Shares	\$0.38	\$0.30	\$0.70	\$0.76
Distributions declared per Common Share outstanding	\$0.375	\$0.325	\$0.750	\$0.650
Weighted average Common Shares outstanding – basic	84,031	83,234	83,996	83,175
Weighted average Common Shares outstanding – fully diluted	91,851	91,420	91,829	91,411

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

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Equity LifeStyle Properties, Inc.
 Consolidated Statements of Changes in Equity
 For the Six Months Ended June 30, 2015
 (amounts in thousands)
 (unaudited)

	Common Stock	Paid-in Capital	6.75% Series C Cumulative Redeemable Perpetual Preferred Stock	Distributions in Excess of Accumulated Earnings	Non- controlling interests – Common OP Units	Accumulated Other Comprehensive Loss	Total Equity
Balance, December 31, 2014	\$838	\$1,029,601	\$136,144	\$ (254,209)	\$ 67,034	\$ (381)	\$979,027
Conversion of OP Units to common stock	—	95	—	—	(95)	—	—
Issuance of common stock through exercise of 2 options	—	3,814	—	—	—	—	3,816
Issuance of common stock through employee stock purchase plan	—	509	—	—	—	—	509
Compensation expenses related to restricted stock	—	3,960	—	—	—	—	3,960
Repurchase of common stock or common OP units	—	(73)	—	—	—	—	(73)
Adjustment for Common OP Unitholders in the Operating Partnership	—	(316)	—	—	316	—	—
Adjustment for fair market value of swap	—	—	—	—	—	(653)	(653)
Net income	—	—	4,613	58,972	5,054	—	68,639
Distributions	—	—	(4,613)	(63,194)	(5,416)	—	(73,223)
Other	3	(300)	—	(26)	—	—	(323)
Balance, June 30, 2015	\$843	\$1,037,290	\$136,144	\$ (258,457)	\$ 66,893	\$ (1,034)	\$981,679

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

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Equity LifeStyle Properties, Inc.
Consolidated Statements of Cash Flows
For the Six Months Ended June 30, 2015 and 2014
(amounts in thousands)
(unaudited)

	June 30, 2015	June 30, 2014	
Cash Flows From Operating Activities:			
Consolidated net income	\$68,639	\$73,930	
Adjustments to reconcile consolidated net income to net cash provided by operating activities:			
Early debt retirement	16,922	—	
Depreciation	56,989	55,790	
Amortization of in-place leases	1,334	2,716	
Amortization of loan costs	2,103	2,480	
Debt premium amortization	(2,094)	(2,640))
Equity in income of unconsolidated joint ventures	(1,724)	(2,532))
Distributions of income from unconsolidated joint ventures	1,161	1,669	
Amortization of stock-related compensation	3,960	2,431	
Revenue recognized from right-to-use contract upfront payments	(4,147)	(4,029))
Commission expense recognized related to right-to-use contracts	1,696	1,318	
Long term incentive plan compensation	657	950	
Recovery of uncollectible rents receivable	(344)	(529))
Changes in assets and liabilities:			
Notes receivable activity, net	(101)	(1,152))
Deferred commission expense	(3,067)	(2,652))
Escrow deposits, goodwill and other assets	27,540	6,403	
Accrued payroll and other operating expenses	18,475	10,799	
Deferred revenue – upfront payments from right-to-use contracts	6,375	6,344	
Deferred revenue – right-to-use annual payments	3,492	3,042	
Rents received in advance and security deposits	12,080	7,073	
Net cash provided by operating activities	209,946	161,411	
Cash Flows From Investing Activities:			
Real estate acquisition	(23,687)	(44,226))
Tax-deferred exchange deposit	—	10,576	
Investment in unconsolidated joint ventures	(4,000)	(2,485))
Distributions of capital from unconsolidated joint ventures	—	116	
Repayments of notes receivable	5,366	9,879	
Issuance of notes receivable	(4,035)	(4,592))
Capital improvements	(42,259)	(26,534))
Net cash used in investing activities	(68,615)	(57,266))
Cash Flows From Financing Activities:			
Proceeds from stock options and employee stock purchase plan	4,252	496	
Distributions:			
Common Stockholders	(58,862)	(47,843))
Common OP Unitholders	(5,057)	(4,391))
Preferred Stockholders	(4,613)	(4,638))
Principal payments and mortgage debt payoff	(437,279)	(73,566))
New mortgage notes payable financing proceeds	395,323	54,000	

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Debt issuance and defeasance costs	(23,541) (1,720)
Other	(323) (99)
Net cash used in financing activities	(130,100) (77,761)
Net increase in cash and cash equivalents	11,231	26,384	
Cash, beginning of period	73,714	58,427	
Cash, end of period	\$84,945	\$84,811	

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

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Equity LifeStyle Properties, Inc.
 Consolidated Statements of Cash Flows (continued)
 For the Six Months Ended June 30, 2015 and 2014
 (amounts in thousands)
 (unaudited)

	June 30, 2015	June 30, 2014
Supplemental Information:		
Cash paid during the period for interest	\$54,330	\$56,583
Capital improvements – used homes acquired by repossessions	\$443	\$648
Net repayments of notes receivable – used homes acquired by repossessions	\$(443	) \$(648)
Building and other depreciable property – reclassification of rental homes	\$14,046	\$9,640
Escrow deposits and other assets – reclassification of rental homes	\$(14,046	) \$(9,640)
Real estate acquisitions:		
Investment in real estate	\$(23,900	) \$(61,781)
Deferred financing costs, net	—	(180)
Rents and other customer payments received in advance and security deposits	204	1,817
Accrued payroll and other operating expenses	62	942
Escrow deposits and other assets	(53	) 412
Debt assumed and financed on acquisition	—	14,564
Real estate acquisitions, net	\$(23,687	) \$(44,226)

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

Equity LifeStyle Properties, Inc.
Notes to Consolidated Financial Statements

Definition of Terms

Equity LifeStyle Properties, Inc., a Maryland corporation, together with MHC Operating Limited Partnership (the “Operating Partnership”) and other consolidated subsidiaries (“Subsidiaries”) are referred to herein as “we,” “us,” and “our.” Capitalized terms used but not defined herein are as defined in our Annual Report on Form 10-K (“2014 Form 10-K”) for the year ended December 31, 2014.

Note 1 – Summary of Significant Accounting Policies

(a) Basis of Presentation and Principles of Consolidation

We follow accounting standards set by the Financial Accounting Standards Board, commonly referred to as the “FASB.” The FASB sets generally accepted accounting principles (“GAAP”), which we follow to ensure that we consistently report our financial condition, results of operations and cash flows. References to GAAP issued by the FASB in these footnotes are to the FASB Accounting Standards Codification (the “Codification”).

These unaudited Consolidated Financial Statements have been prepared pursuant to Securities and Exchange Commission (“SEC”) rules and regulations. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements and should be read in conjunction with the financial statements and notes thereto included in the 2014 Form 10-K. The following notes to the Consolidated Financial Statements highlight significant changes to the notes included in the 2014 Form 10-K and present interim disclosures as required by the SEC. The accompanying Consolidated Financial Statements reflect, in the opinion of management, all adjustments and estimates necessary for a fair presentation of the interim financial statements, which are of a normal, recurring nature. Revenues are subject to seasonal fluctuations and accordingly, quarterly interim results may not be indicative of full year results.

The accompanying Consolidated Financial Statements include the consolidation of our accounts. We do not have controlling interests in any of our joint ventures (“JV”), which are therefore treated under the equity method of accounting and not consolidated in our financial statements. The holders of limited partnership interests in the Operating Partnership (“Common OP Unitholders”) receive an allocation of net income that is based on their respective ownership percentage of the Operating Partnership which is shown in our Consolidated Financial Statements as Non-controlling interests-Common OP Units. All significant intercompany balances and transactions have been eliminated in consolidation.

Certain 2014 amounts have been reclassified to conform to the 2015 presentation. These reclassifications had no material effect on our Consolidated Balance Sheets or Consolidated Statements of Income and Comprehensive Income.

(b) Identified Intangibles and Goodwill

As of June 30, 2015 and December 31, 2014, the gross carrying amounts of identified intangible assets and goodwill, a component of “Escrow deposits, goodwill and other assets, net” on our consolidated balance sheets, were approximately \$12.1 million. As of June 30, 2015 and December 31, 2014, this amount was comprised of approximately \$4.3 million of identified intangible assets and approximately \$7.8 million of goodwill. Accumulated amortization of identified intangible assets was approximately \$2.4 million and \$2.2 million as of June 30, 2015 and December 31, 2014, respectively. For the quarters and six months ended June 30, 2015 and 2014, amortization expense for the identified intangible assets was approximately \$0.1 million.

(c) Restricted Cash

Cash as of June 30, 2015 and December 31, 2014, included approximately \$5.0 million of restricted cash for the payment of capital improvements, insurance or real estate taxes.

(d) Fair Value of Financial Instruments

Our financial instruments include notes receivable, accounts receivable, accounts payable, other accrued expenses, interest rate swaps and mortgage notes payable. We disclose the estimated fair value of our financial instruments according to a fair value hierarchy (Level 1, 2 and 3).

Our mortgage notes payable and term loan had a carrying value of approximately \$2.2 billion as of June 30, 2015 and December 31, 2014, and a fair value of approximately \$2.2 billion and \$2.3 billion as of June 30, 2015 and December 31, 2014, respectively. The fair value is measured using quoted prices and observable inputs from similar liabilities (Level 2). At June 30, 2015 and December 31, 2014, our cash flow hedge of interest rate risk included in accrued payroll and other operating expenses was measured using quoted prices and observable inputs from similar assets and liabilities (Level 2). We consider our own credit risk as well as the credit risk of our counterparties when evaluating the fair value of our derivative. The fair values of our notes

Equity LifeStyle Properties, Inc.

Notes to Consolidated Financial Statements

Note 1 – Summary of Significant Accounting Policies (continued)

receivable, accounts receivable, accounts payable, other accrued expenses and interest rate swaps approximate their carrying or contract values.

(e) Deferred Financing Costs, net

Deferred financing costs, net include fees and costs incurred to obtain long-term financing. The costs are being amortized over the terms of the respective loans on a basis that approximates level yield. Unamortized deferred financing fees are written-off when debt is retired before the maturity date. Upon amendment of the line of credit or refinancing of mortgage debt, unamortized deferred financing fees are accounted for in accordance with Codification Sub-Topic Modifications and Extinguishments (“FASB ASC 470-50-40”). Accumulated amortization for such costs was \$31.8 million and \$29.8 million at June 30, 2015 and December 31, 2014, respectively.

(f) Recent Accounting Pronouncements

In May 2014, the FASB issued (“ASU 2014-09”) Revenue from Contracts with Customers, which will replace most existing revenue recognition guidance in U.S. GAAP. The core principle of ASU 2014-09 is that an entity should recognize revenue for the transfer of goods or services equal to the amount that it expects to be entitled to receive for those goods or services. ASU 2014-09 requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments. ASU 2014-09 does not apply to lease contracts accounted for under ASC 840, Leases. Entities can transition to the standard either retrospectively or as a cumulative-effect adjustment as of the date of adoption. On July 9, 2015, the FASB deferred the effective date by one year to December 15, 2017 for annual reporting periods beginning after that date. The FASB will permit early adoption of the standard, but not before the original effective date of December 15, 2016. We are currently evaluating the impact, if any, the adoption of this standard will have on our consolidated financial statements.

In February 2015, the FASB issued (“ASU 2015-02”) Consolidation (Topic 810): Amendments to the Consolidation Analysis. ASU 2015-02 changes the analysis that a reporting entity must perform to determine whether it should consolidate certain types of legal entities. ASU 2015-02 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2015 and is to be applied retrospectively, with early adoption permitted. We are currently evaluating the impact, if any, of the adoption of ASU 2015-02 on our consolidated financial statements.

Note 2 – Earnings Per Common Share

The following table sets forth the computation of the basic and diluted earnings per common share for the quarters and six months ended June 30, 2015 and 2014 (amounts in thousands, except per share data):

	Quarters Ended		Six Months Ended	
	June 30,		June 30,	
	2015	2014	2015	2014
Numerators:				
Net Income Available for Common Shares:				
Net income available for Common Shares – basic	\$31,786	\$25,483	\$58,972	\$63,582
Amounts allocated to dilutive securities	2,724	2,229	5,054	5,710
Net income available for Common Shares – fully diluted	\$34,510	\$27,712	\$64,026	\$69,292
Denominator:				
Weighted average Common Shares outstanding – basic	84,031	83,234	83,996	83,175
Effect of dilutive securities:				
Redemption of Common OP Units for Common Shares	7,221	7,530	7,223	7,582
Stock options and restricted shares	599	656	610	654
Weighted average Common Shares outstanding – fully diluted	91,851	91,420	91,829	91,411
Earnings per Common Share – Basic:				
Net income available for Common Shares	\$0.38	\$0.31	\$0.70	\$0.76

Earnings per Common Share – Fully Diluted:

Net income available for Common Shares	\$0.38	\$0.30	\$0.70	\$0.76
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Equity LifeStyle Properties, Inc.
Notes to Consolidated Financial Statements

Note 3 – Common Stock and Other Equity Related Transactions

The following regular quarterly distributions have been declared on our depositary shares (each representing 1/100 of a share of our Series C Preferred Stock) and paid to our preferred shareholders for the six months ended June 30, 2015:

Distribution Amount Per Share	For the Quarter Ending	Stockholder Record Date	Payment Date
\$0.421875	March 31, 2015	March 20, 2015	March 31, 2015
\$0.421875	June 30, 2015	June 19, 2015	June 30, 2015

The following regular quarterly distributions have been declared and paid to common stockholders and common OP Unit non-controlling interest holders for the six months ended June 30, 2015:

Distribution Amount Per Share	For the Quarter Ending	Stockholder Record Date	Payment Date
\$0.375	March 31, 2015	March 27, 2015	April 10, 2015
\$0.375	June 30, 2015	June 26, 2015	July 10, 2015

Note 4 – Investment in Real Estate

Acquisitions

All acquisitions have been accounted for utilizing the acquisition method of accounting in accordance with FASB ASC 805 and, accordingly, the results of operations of acquired assets are included in the Consolidated Statements of Income and Comprehensive Income from the dates of acquisition. Certain purchase price adjustments may be made within one year following the acquisition and applied retroactively to the date of acquisition.

On June 26, 2015, we completed the acquisition of Miami Everglades, a 303-Site RV resort, located in Miami, Florida. The total purchase price of \$11.6 million was funded with available cash.

On February 9, 2015, we completed the acquisition of two properties, Bogue Pines, an 150-Site manufactured home community, and Whispering Pines, a 278-Site RV resort, both located in coastal North Carolina. The total purchase price of approximately \$12.3 million was funded with available cash.

During the year ended December 31, 2014, we acquired seven RV resorts collectively containing 3,868 Sites for a combined purchase price of approximately \$85.7 million. As a result of these acquisitions, we assumed approximately \$32.3 million of mortgage debt, excluding note premiums of approximately \$2.3 million. The remaining purchase price was funded with available cash. We also exercised a purchase option and purchased land comprising a portion of our Colony Cove Property which was part of the portfolio of Properties acquired in 2011. The total purchase price of \$35.9 million was funded with available cash. In connection with the acquisition of the land, we terminated the ground lease related to the Property. During the quarter ended March 31, 2014, we received the final distribution of 51,290 shares of our common stock from the escrow funded by the seller.

Equity LifeStyle Properties, Inc.
Notes to Consolidated Financial Statements

Note 4 – Investment in Real Estate (continued)

The following table summarizes the estimated fair value of the assets acquired and liabilities assumed in the acquisitions for the six months ended June 30, 2015 and December 31, 2014, which we determined using Level-2, for mortgage notes payable and other liabilities, and Level-3 inputs (amounts in thousands):

	Six Months Ended June 30, 2015	Year Ended December 31, 2014
Assets acquired		
Land	\$7,799	\$66,390
Buildings and other depreciable property	15,426	52,329
Manufactured homes	53	1,086
In-place leases	622	2,561
Net investment in real estate	23,900	122,366
Other assets	53	1,197
Total Assets acquired	\$23,953	\$123,563
Liabilities assumed		
Mortgage notes payable	\$—	\$34,559
Other liabilities	266	6,712
Total Liabilities assumed	\$266	\$41,271
Net assets acquired	\$23,687	\$82,292

Dispositions and real estate held for disposition

As of June 30, 2015, we have no properties designated as held for disposition pursuant to FASB ASC 360-10-35.

Note 5 – Investment in Unconsolidated Joint Ventures

We recorded approximately \$1.7 million and \$2.5 million (each net of approximately \$0.5 million of depreciation expense) of equity in income from unconsolidated joint ventures for each of the six months ended June 30, 2015 and 2014, respectively. We received approximately \$1.2 million and \$1.7 million in distributions from these joint ventures for the six months ended June 30, 2015 and 2014, respectively. Approximately \$1.1 million of the distributions made to us, using proceeds generated by a refinancing transaction, exceeded our basis in a joint venture and as such, were recorded as income from unconsolidated joint ventures for the six months ended June 30, 2014.

On February 12, 2015, we contributed approximately \$4.0 million to the ECHO JV, which brought our total investment in the ECHO joint venture to approximately \$10.0 million

The following table summarizes our investment in unconsolidated joint ventures as of June 30, 2015 and December 31, 2014 (investment amounts in thousands with the number of Properties shown parenthetically):

Investment	Location	Number of Sites	Economic Interest (a)	Investment as of		JV Income for the Six Months Ended		
				June 30, 2015	December 31, 2014	June 30, 2015	June 30, 2014	
Meadows	Various (2,2)	1,077	50	%	\$178	\$—	\$742	\$600
Lakeshore	Florida (2,2)	342	65	%	73	9	177	1,213
Voyager	Arizona (1,1)	1,706	50	% ^(b)	7,345	7,201	740	700

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ECHO JV	Various	—	50	%	10,367	6,302	65	18
		3,125			\$17,963	\$13,512	\$1,724	\$2,531

(a) The percentages shown approximate our economic interest as of June 30, 2015. Our legal ownership interest may differ.

(b) Voyager joint venture primarily consists of a 50% interest in Voyager RV Resort and 33% interest in the utility plant servicing the Property.

Equity LifeStyle Properties, Inc.
Notes to Consolidated Financial Statements
Note 6 – Notes Receivable

In certain cases, we purchase loans made by others to finance the sales of homes to our customers (“Chattel Loans”). Our Chattel Loans receivable require monthly principal and interest payments and are collateralized by homes at certain of the Properties. As of June 30, 2015 and December 31, 2014, we had approximately \$17.9 million and \$18.9 million, respectively, of these Chattel Loans included in notes receivable. As of June 30, 2015, the Chattel Loans receivable had a stated per annum average rate of approximately 7.8%, with a yield of 21.4%, and had an average term remaining of approximately 11 years. These Chattel Loans are recorded net of allowances of approximately \$0.3 million as of June 30, 2015 and \$0.4 million as of December 31, 2014.

We also provide financing for non-refundable upgrades to existing right-to-use contracts (“Contracts Receivable”). As of June 30, 2015 and December 31, 2014, we had approximately \$17.6 million and \$18.2 million, respectively, of Contracts Receivable, net of allowances of approximately \$0.5 million and \$0.6 million, respectively. The Contracts Receivable have an average stated interest rate of 16.0% per annum, have a weighted average term remaining of approximately four years and require monthly payments of principal and interest.

Note 7 – Borrowing Arrangements

Mortgage Notes Payable

As of June 30, 2015 and December 31, 2014, we had outstanding mortgage indebtedness of approximately \$2.0 billion. The weighted average interest rate including the impact of premium/discount amortization on this mortgage indebtedness for the six months ended June 30, 2015 was approximately 5.0% per annum. The debt bears interest at stated rates of 3.5% to 8.9% per annum and matures on various dates ranging from 2016 to 2040. The debt encumbered a total of 127 and 137 of our Properties as of June 30, 2015 and December 31, 2014, respectively, and the carrying value of such Properties was approximately \$2.2 billion and \$2.4 billion, respectively, as of such dates. During the six months ended June 30, 2015, as part of our previously announced refinancing plan, we closed on loans with total gross proceeds of \$395.3 million. The loans have a weighted average maturity of 21 years, are secured by 26 manufactured home properties and RV resorts and carry a weighted average interest rate of 3.93% per annum. Proceeds from the financings were used to retire by defeasance and prepayment approximately \$370.2 million of loans maturing at various times throughout 2015 and 2016, which were secured by 32 manufactured home properties and RV resorts with a weighted average interest rate of 5.58% per annum. We incurred approximately \$17.0 million in early debt retirement expense related to these loans. We also paid off two maturing mortgage loans totaling approximately \$48.7 million, secured by one manufactured home property and three RV resorts, with a weighted average interest rate of 5.73% per annum.

Term Loan

As of June 30, 2015 and December 31, 2014, our \$200.0 million Term Loan (the “Term Loan”) matures on January 10, 2020 and has an interest rate of LIBOR plus 1.35% to 1.95% per annum and, subject to certain conditions, may be prepaid at any time without premium or penalty. The spread over LIBOR is variable quarterly based on leverage measured quarterly throughout the loan term. The Term Loan contains customary representations, warranties, and negative and affirmative covenants, and provides for acceleration of principal and payment of all other amounts payable thereunder upon the occurrence of certain events of default. In connection with the Term Loan in 2014, we also entered into a three year LIBOR Swap Agreement (the “2014 Swap”) allowing us to trade the variable interest rate for a fixed interest rate on the Term Loan (See Note 8 to the Consolidated Financial Statements for further information on the accounting for the 2014 Swap).

Unsecured Line of Credit

As of June 30, 2015 and December 31, 2014, our unsecured Line of Credit (“LOC”) had a borrowing capacity of \$400.0 million, with the option to increase the borrowing capacity by \$100.0 million, subject to certain conditions, with no amounts outstanding as of those dates. The LOC bears interest at a rate of LIBOR plus 1.20% to 1.65%, requires an annual facility fee of 0.20% to 0.35% and matures on July 17, 2018, with an option to extend for one additional year, subject to certain conditions. The spread over LIBOR is variable quarterly based on leverage throughout the loan term.

In 2014, we incurred commitment and arrangement fees of approximately \$3.5 million to enter into the LOC and Term Loan extension.

As of June 30, 2015, we are in compliance in all material respects with the covenants in our borrowing arrangements.

Equity LifeStyle Properties, Inc.
Notes to Consolidated Financial Statements

Note 8 – Derivative Instruments and Hedging Activities

Cash Flow Hedges of Interest Rate Risk

In connection with our Term Loan, we entered into the 2014 Swap (see Note 7 to the Consolidated Financial Statements for information about the Term Loan related to the 2014 Swap) allowing us to trade the variable interest rate for a fixed interest rate on the Term Loan. The 2014 Swap fixes the underlying LIBOR rate on the Term Loan at 1.04% per annum for the first three years and matures on August 1, 2017. Based on the leverage as of June 30, 2015, our spread over LIBOR is 1.35% resulting in an estimated all-in interest rate of 2.39% per annum.

We have designated the 2014 Swap as a cash flow hedge. No gain or loss was recognized in the Consolidated Statements of Income and Comprehensive Income related to hedge ineffectiveness or to amounts excluded from effectiveness testing on our cash flow hedge during the quarters and six months ended June 30, 2015 and 2014. Amounts reported in accumulated other comprehensive loss on the Consolidated Balance Sheets related to derivatives are reclassified to interest expense as interest payments are made on our variable-rate debt. During the next twelve months, we estimate that an additional \$1.3 million will be reclassified as an increase to interest expense. This estimate may be subject to change as the underlying LIBOR rate changes.

Derivative Instruments and Hedging Activities

The table below presents the fair value of our derivative financial instrument as well as our classification on our Consolidated Balance Sheets as of June 30, 2015 and December 31, 2014 (amounts in thousands).

	Balance Sheet Location	June 30, 2015	December 31, 2014
Interest Rate Swap	Accrued payroll and other operating expenses	\$ 1,034	\$ 381

Tabular Disclosure of the Effect of Derivative Instruments on the Income Statement

The tables below present the effect of our derivative financial instrument on the Consolidated Statements of Income and Comprehensive Income for the quarters ended June 30, 2015 and 2014 (amounts in thousands).

Derivatives in Cash Flow Hedging Relationship	Amount of loss (gain) recognized in OCI on derivative (effective portion)		Location of loss reclassified from accumulated OCI into income (effective portion)	Amount of loss reclassified from accumulated OCI into income (effective portion)	
	June 30, 2015	June 30, 2014		June 30, 2015	June 30, 2014
Interest Rate Swap	\$230	\$(3	) Interest Expense	\$434	\$480

The tables below present the effect of our derivative financial instrument on the Consolidated Statements of Income and Comprehensive Income for the six months ended June 30, 2015 and 2014 (amounts in thousands).

Derivatives in Cash Flow Hedging Relationship	Amount of loss recognized in OCI on derivative (effective portion)		Location of loss reclassified from accumulated OCI into income (effective portion)	Amount of loss reclassified from accumulated OCI into income (effective portion)	
	June 30, 2015	June 30, 2014		June 30, 2015	June 30, 2014
Interest Rate Swap	\$1,522	\$23	Interest Expense	\$869	\$950

We determined that no adjustment was necessary for nonperformance risk on our derivative obligation. As of June 30, 2015, we have not posted any collateral related to this agreement.

Equity LifeStyle Properties, Inc.
Notes to Consolidated Financial Statements

Note 9 – Deferred Revenue-entry of right-to-use contracts and Deferred Commission Expense

As of June 30, 2015 and December 31, 2014, the components of the change in deferred revenue-entry of right-to-use contracts and deferred commission expense are as follows (amounts in thousands):

	Six Months Ended	
	June 30, 2015	2014
Deferred revenue—upfront payments from right-to-use contracts, as of January 1,	\$74,174	\$68,673
Right-to-use contracts current period, gross	6,375	6,344
Revenue recognized from right-to-use contract upfront payments	(4,147	) (4,029
Right-to-use contract upfront payments, deferred, net	2,228	2,315
Deferred revenue—upfront payments from right-to-use contracts, as of June 30,	\$76,402	\$70,988
Deferred commission expense, as of January 1,	\$28,589	\$25,251
Deferred commission expense	3,067	2,652
Commission expense recognized	(1,696	) (1,318
Net increase in deferred commission expense	1,371	1,334
Deferred commission expense, as of June 30,	\$29,960	\$26,585

Note 10 – Equity Incentive Awards

Stock-based compensation expense, reported in “General and administrative” on the Consolidated Statements of Income and Comprehensive Income, for the quarters ended June 30, 2015 and 2014 was approximately \$2.2 million and \$1.7 million, respectively, and for the six months ended June 30, 2015 and 2014 was approximately \$4.0 million and \$2.4 million, respectively.

Our 2014 Equity Incentive Plan (the “2014 Plan”) was adopted by our Board of Directors on March 11, 2014 and approved by our stockholders on May 13, 2014. Pursuant to the 2014 Plan, our officers, directors, employees and consultants may be awarded (i) shares of common stock (“Restricted Stock Grants”), (ii) options to acquire shares of common stock (“Options”), including non-qualified stock options and incentive stock options within the meaning of Section 422 of the Internal Revenue Code, and (iii) other forms of equity awards, subject to conditions and restrictions determined by the Compensation, Nominating, and Corporate Governance Committee of our Board of Directors (the “Compensation Committee”). The Compensation Committee will determine the vesting schedule, if any, of each Restricted Stock Grant or Option and the term of each Option, which term shall not exceed ten years from the date of grant. Shares that do not vest are forfeited. Dividends paid on restricted stock are not returnable, even if the underlying stock does not entirely vest. A maximum of 3,750,000 shares of common stock are available for grant under the 2014 Plan. As of June 30, 2015, 3,405,794 shares remained available for grant.

Grants under the 2014 Plan are made by the Compensation Committee, which determines the individuals eligible to receive awards, the types of awards, and the terms, conditions and restrictions applicable to any award.

Grants Issued

On June 1, 2015, we awarded Restricted Stock Grants for 3,000 shares of common stock at a fair market value of approximately \$0.2 million to a certain member of our senior management. This Restricted Stock Grant will vest on December 31, 2015.

On May 12, 2015, we awarded Restricted Stock Grants for 29,440 shares of common stock at a fair market value of approximately \$1.6 million to certain members of our Board of Directors for services as Director rendered for the remainder of 2015. One-third of the shares of restricted common stock covered by these awards will vest on each of November 12, 2015, May 12, 2016, and May 12, 2017.

On February 2, 2015, we awarded Restricted Stock Grants for 78,000 shares of common stock at a fair market value of approximately \$4.3 million to certain members of our senior management. These Restricted Stock Grants will vest on December 31, 2015.

On February 2, 2015, we awarded Restricted Stock Grants for 47,100 shares of common stock at a fair market value of approximately \$2.6 million to certain members of our Board of Directors for services to be rendered in 2015. One-third of the shares of restricted common stock covered by these awards will vest on each of December 31, 2015, December 31, 2016, and December 31, 2017.

Equity LifeStyle Properties, Inc.
Notes to Consolidated Financial Statements
Note 10 – Equity Incentive Awards (continued)

The fair market value of our restricted stock grants is recorded as compensation expense and paid in capital over the vesting period.

Note 11 – Long-Term Cash Incentive Plan

On January 24, 2013, our Compensation Committee approved a Long-Term Cash Incentive Plan Award (the “2013 LTIP”) to provide a long-term cash bonus opportunity to certain members of our management. The 2013 LTIP was approved by the Compensation Committee pursuant to the authority set forth in the Long-Term Cash Incentive Plan approved by our Board of Directors on May 15, 2007. The total cumulative payment for all participants (the “Eligible Payment”) is based upon certain performance conditions being met over a three year period ending December 31, 2015. The Compensation Committee has responsibility for administering the 2013 LTIP and may use its reasonable discretion to adjust the performance criteria or Eligible Payments to take into account the impact of any major or unforeseen transaction or event. Our executive officers are not participants in the 2013 LTIP. The Eligible Payment will be paid in cash upon completion of our annual audit for the 2015 fiscal year and upon satisfaction of the vesting conditions as outlined in the 2013 LTIP and, including employer costs, is currently estimated to be approximately \$5.1 million. As of June 30, 2015, we had accrued compensation expense of approximately \$4.5 million for the 2013 LTIP, including approximately \$0.7 million and \$1.0 million in the six months ended June 30, 2015 and 2014, respectively.

The amount accrued for the 2013 LTIP reflects our evaluation of the 2013 LTIP based on forecasts and other available information and is subject to performance in line with forecasts and final evaluation and determination by the Compensation Committee. There can be no assurances that our estimates of the probable outcome will be representative of the actual outcome.

Note 12 - Commitments and Contingencies

California Rent Control Litigation

As part of our effort to realize the value of our Properties subject to rent control, we previously initiated lawsuits against certain localities in California with the goal of achieving a level of regulatory fairness in California’s rent control jurisdictions, and in particular those jurisdictions that prohibit increasing rents to market upon turnover. Such regulations allow tenants to sell their homes for a price that includes a premium above the intrinsic value of the homes. The premium represents the value of the future discounted rent-controlled rents, which is fully capitalized into the prices of the homes sold. In our view, such regulations result in a transfer to the tenants of the value of our land, which would otherwise be reflected in market rents. We have discovered through the litigation process that certain municipalities considered condemning our Properties at values well below the value of the underlying land. In our view, a failure to articulate market rents for Sites governed by restrictive rent control would put us at risk for condemnation or eminent domain proceedings based on artificially reduced rents. Such a physical taking, should it occur, could represent substantial lost value to stockholders. We are cognizant of the need for affordable housing in the jurisdictions, but assert that restrictive rent regulation does not promote this purpose because tenants pay to their sellers as part of the purchase price of the home all the future rent savings that are expected to result from the rent control regulations, eliminating any supposed improvement in the affordability of housing. In a more well-balanced regulatory environment, we would receive market rents that would eliminate the price premium for homes, which would trade at or near their intrinsic value. Such efforts have included the following matters:

We sued the City of San Rafael on October 13, 2000 in the U.S. District Court for the Northern District of California, challenging its rent control ordinance on constitutional grounds. While the trial court found the rent control ordinance unconstitutional, the United States Court of Appeals for the Ninth Circuit reversed the trial court and ruled that the ordinance had not unconstitutionally taken our property. On September 3, 2013, we filed a petition for review by the U.S. Supreme Court, which was denied.

On January 31, 2012, we sued the City of Santee in the United States District for the Southern District of California challenging its rent control ordinance on constitutional grounds. On September 26, 2013, we entered a settlement agreement with the City pursuant to which we are able to increase Site rents at the Meadowbrook community through January 1, 2034 as follows: (a) a one-time 2.5% rent increase on all Sites in January 2014; plus (b) annual rent increases of 100% of the consumer price index (CPI) beginning in 2014; and (c) a 10% increase in the rent on a site upon turnover of that site. Absent the settlement, the rent control ordinance limited us to annual rent increases of at most 70% of CPI with no increases on turnover of a site.

Equity LifeStyle Properties, Inc.
Notes to Consolidated Financial Statements
Note 12 – Commitments and Contingencies (continued)

Colony Park

On December 1, 2006, a group of tenants at our Colony Park Property in Ceres, California filed a complaint in the California Superior Court for Stanislaus County alleging that we had failed to properly maintain the Property and had improperly reduced the services provided to the tenants, among other allegations. We answered the complaint by denying all material allegations and filed a counterclaim for declaratory relief and damages. The case proceeded in Superior Court because our motion to compel arbitration was denied and the denial was upheld on appeal. Trial of the case began on July 27, 2010. After just over three months of trial in which the plaintiffs asked the jury to award a total of approximately \$6.8 million in damages, the jury rendered verdicts awarding a total of less than \$44,000 to six out of the 72 plaintiffs, and awarding nothing to the other 66 plaintiffs. The plaintiffs who were awarded nothing filed a motion for a new trial or alternatively for judgment notwithstanding the jury's verdict, which the Court denied on February 14, 2011. All but three of the 66 plaintiffs to whom the jury awarded nothing appealed. Oral argument in the appeal was held on September 19, 2013 and the matter was taken under submission by the California Court of Appeal. By orders entered on December 14, 2011, the Superior Court awarded us approximately \$2.0 million in attorneys' fees and other costs jointly and severally against the plaintiffs to whom the jury awarded nothing, and awarded no attorneys' fees or costs to either side with respect to the six plaintiffs to whom the jury awarded less than \$44,000. Plaintiffs filed an appeal from the approximately \$2.0 million award of our attorneys' fees and other costs. Oral argument in that appeal was also held on September 19, 2013. On December 3, 2013, the Court of Appeal issued a partially published opinion that rejected all of plaintiffs' claims on appeal except one, relating to whether the park's rules prohibited the renting of spaces to recreational vehicles. The Court of Appeal reversed the judgment on the recreational vehicle issue and remanded for further proceedings regarding that issue. Because the judgment was reversed, the award of attorney's fees and other costs was also reversed. Both sides filed rehearing petitions with the Court of Appeal. On December 31, 2013, the Court of Appeal granted the defendants' rehearing petition and ordered the parties to submit supplemental briefing, which the parties did. On March 10, 2014, the Court of Appeal issued a new partially published opinion in which it again rejected all of the plaintiffs' claims on appeal except the one relating to whether the park's rules prohibited the renting of spaces to recreational vehicles, reversing the judgment on that issue and remanding it for further proceedings, and accordingly vacating the award of attorney's fees and other costs. A case management conference is scheduled for September 28, 2015 for purposes of setting a schedule and procedure for resolving the RV issue.

California Hawaiian

On April 30, 2009, a group of tenants at our California Hawaiian Property in San Jose, California filed a complaint in the California Superior Court for Santa Clara County, Case No. 109CV140751, alleging that we have failed to properly maintain the Property and have improperly reduced the services provided to the tenants, among other allegations. We moved to compel arbitration and stay the proceedings, to dismiss the case, and to strike portions of the complaint. By order dated October 8, 2009, the Court granted our motion to compel arbitration and stayed the court proceedings pending the outcome of the arbitration. The plaintiffs filed with the California Court of Appeal a petition for a writ seeking to overturn the trial court's arbitration and stay orders. On May 10, 2011, the Court of Appeal granted the petition and ordered the trial court to vacate its order compelling arbitration and to restore the matter to its litigation calendar for further proceedings. On May 24, 2011, we filed a petition for rehearing requesting the Court of Appeal to reconsider its May 10, 2011 decision. On June 8, 2011, the Court of Appeal denied the petition for rehearing. On June 16, 2011, we filed with the California Supreme Court a petition for review of the Court of Appeal's decision. On August 17, 2011, the California Supreme Court denied the petition for review.

The trial commenced on January 27, 2014. On April 14-15, 2014, the jury entered verdicts against our Operating Partnership of approximately \$15.3 million in compensatory damages and approximately \$95.8 million in punitive damages. On October 6, 2014, we filed a motion for a new trial and a motion for partial judgment notwithstanding the jury's verdict. On December 5, 2014, after briefing and a hearing on those motions, the trial court entered an order

granting us a new trial on the issue of damages while upholding the jury's determination of liability. As grounds for the ruling, the court cited excessive damages and insufficiency of the evidence to support the verdict as to the amount of damages awarded by the jury. The Court's ruling overturned the April 2014 verdicts of \$15.3 million in compensatory damages and \$95.8 million in punitive damages. On January 28, 2015, we and the plaintiffs each served notices of appeal from the trial court's December 5, 2014 order. The Court of Appeal has issued an order setting the briefing sequence and has ordered commencement of the briefing. We intend to continue to vigorously defend ourselves in this litigation.

At June 30, 2015, based on the information available to us, a material loss was neither probable nor estimable. We have taken into consideration the events that have occurred after the reporting period and before the financial statements were issued. We anticipate a lengthy time period to achieve resolution of this case.

Equity LifeStyle Properties, Inc.
Notes to Consolidated Financial Statements
Note 12 – Commitments and Contingencies (continued)

Monte del Lago

On February 13, 2015, a group of tenants at our Monte del Lago Property in Castroville, California filed a complaint in the California Superior Court for Monterey County, Case No. M131016, alleging that we have failed to properly maintain the Property and have improperly reduced the services provided to the tenants, among other allegations. We believe the allegations are without merit and intend to vigorously defend ourselves in the lawsuit. On May 13, 2015, we filed a motion to compel arbitration with respect to certain plaintiffs and to stay the litigation pending the conclusion of the arbitration proceedings. A hearing on the motion was held on July 17, 2015, at which the court ordered additional briefing and continued the hearing to August 21, 2015.

Santiago Estates

We have been notified that a group of tenants at our Santiago Estates Property in Sylmar, California intend to commence a lawsuit against us alleging that we have failed to properly maintain the Property, among other allegations. We believe the allegations are without merit and intend to vigorously defend ourselves in the lawsuit, if filed.

Other

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

Note 13 – Reportable Segments

Operating segments are defined as components of an entity for which separate financial information is available that is evaluated regularly by the chief operating decision maker. The chief operating decision maker evaluates and assesses performance on a monthly basis. Segment operating performance is measured on Net Operating Income (“NOI”). NOI is defined as total operating revenues less total operating expenses. Segments are assessed before interest income, depreciation and amortization of in-place leases.

We have two reportable segments which are: (i) Property Operations and (ii) Home Sales and Rentals Operations. The Property Operations segment owns and operates land lease Properties and the Home Sales and Rentals Operations segment purchases, sells and leases homes at the Properties.

All revenues are from external customers and there is no customer who contributed 10% or more of our total revenues during the six months ended June 30, 2015 or 2014.

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Equity LifeStyle Properties, Inc.
Notes to Consolidated Financial Statements
Note 13 - Segment Reporting (continued)

The following tables summarize our segment financial information for the quarters and six months ended June 30, 2015 and 2014 (amounts in thousands):

Quarter Ended June 30, 2015

	Property Operations	Home Sales and Rentals Operations	Consolidated
Operations revenues	\$184,125	\$13,441	\$197,566
Operations expenses	(90,677)	) (11,502)	) (102,179)
Income from segment operations	93,448	1,939	95,387
Interest income	713	1,001	1,714
Depreciation on real estate assets and rental homes	(25,586)	) (2,749)	) (28,335)
Amortization of in-place leases	(669)	) —	) (669)
Income from operations	\$67,906	\$191	68,097
Reconciliation to Consolidated net income:			
Corporate interest income			22
Income from other investments, net			2,178
General and administrative			(7,541)
Property rights initiatives and other			(694)
Early debt retirement			69
Interest and related amortization			(26,145)
Equity in income of unconsolidated joint ventures			840
Consolidated net income			\$36,826

Total assets \$3,192,050 \$255,458 \$3,447,508
Quarter Ended June 30, 2014

	Property Operations	Home Sales and Rentals Operations	Consolidated
Operations revenues	\$173,928	\$10,591	\$184,519
Operations expenses	(85,984)	) (8,422)	) (94,406)
Income from segment operations	87,944	2,169	90,113
Interest income	774	1,045	1,819
Depreciation on real estate assets and rental homes	(24,949)	) (2,813)	) (27,762)
Amortization of in-place leases	(1,401)	) —	) (1,401)
Income from operations	\$62,368	\$401	62,769
Reconciliation to Consolidated net income:			
Corporate interest income			59
Income from other investments, net			2,628
General and administrative			(6,794)
Property rights initiatives and other			(1,001)
Interest and related amortization			(28,265)
Equity in income of unconsolidated joint ventures			644
Consolidated net income			\$30,040
Total assets	\$3,143,600	\$286,824	\$3,430,424

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Equity LifeStyle Properties, Inc.
Notes to Consolidated Financial Statements
Note 13 - Segment Reporting (continued)

Six Months Ended June 30, 2015

	Property Operations	Home Sales and Rentals Operations	Consolidated
Operations revenues	\$ 378,814	\$ 24,227	\$ 403,041
Operations expenses	(177,957)	(20,700)	(198,657)
Income from segment operations	200,857	3,527	204,384
Interest income	1,422	2,089	3,511
Depreciation on real estate assets and rental homes	(50,965)	(5,486)	(56,451)
Amortization of in-place leases	(1,334)	—	(1,334)
Income from operations	\$ 149,980	\$ 130	150,110
Reconciliation to Consolidated net income:			
Corporate interest income			45
Income from other investments, net			3,297
General and administrative			(14,947)
Property rights initiatives and other			(1,247)
Early debt retirement			(16,922)
Interest and related amortization			(53,421)
Equity in income of unconsolidated joint ventures			1,724
Consolidated net income			\$ 68,639
Total assets	\$ 3,192,050	\$ 255,458	\$ 3,447,508
Capital improvements	\$ 22,557	\$ 19,702	\$ 42,259

Six Months Ended June 30, 2014

	Property Operations	Home Sales and Rentals Operations	Consolidated
Operations revenues	\$ 357,145	\$ 19,821	\$ 376,966
Operations expenses	(169,805)	(16,267)	(186,072)
Income from segment operations	187,340	3,554	190,894
Interest income	1,571	2,154	3,725
Depreciation on real estate assets and rental homes	(49,806)	(5,597)	(55,403)
Amortization of in-place leases	(2,716)	—	(2,716)
Income from operations	\$ 136,389	\$ 111	136,500
Reconciliation to Consolidated net income:			
Corporate interest income			850
Income from other investments, net			4,229
General and administrative			(12,555)
Property rights initiatives and other			(1,312)
Interest and related amortization			(56,313)
Equity in income of unconsolidated joint ventures			2,531
Consolidated net income			\$ 73,930
Total assets	\$ 3,143,600	\$ 286,824	\$ 3,430,424
Capital improvements	\$ 13,519	\$ 13,015	\$ 26,534

Equity LifeStyle Properties, Inc.
Notes to Consolidated Financial Statements
Note 13 - Segment Reporting (continued)

The following table summarizes our financial information for the Property Operations segment for the quarters and six months ended June 30, 2015 and 2014 (amounts in thousands):

	Quarters Ended		Six Months Ended	
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
Revenues:				
Community base rental income	\$ 110,073	\$ 106,502	\$ 219,343	\$ 212,547
Resort base rental income	41,427	36,888	93,072	81,837
Right-to-use annual payments	10,945	11,241	21,926	22,455
Right-to-use contracts current period, gross	3,578	3,263	6,375	6,344
Right-to-use contract upfront payments, deferred, net	(1,455)	(1,168)	(2,228)	(2,315)
Utility and other income	18,901	16,919	37,983	34,490
Ancillary services revenues, net	656	283	2,343	1,787
Total property operations revenues	184,125	173,928	378,814	357,145
Expenses:				
Property operating and maintenance	64,178	61,217	125,295	119,913
Real estate taxes	12,652	12,157	25,246	24,642
Sales and marketing, gross	3,512	2,869	6,034	5,432
Right-to-use contract commissions, deferred, net	(764)	(710)	(1,007)	(1,265)
Property management	11,099	10,451	22,389	21,083
Total property operations expenses	90,677	85,984	177,957	169,805
Income from property operations segment	\$ 93,448	\$ 87,944	\$ 200,857	\$ 187,340

The following table summarizes our financial information for the Home Sales and Rentals Operations segment for the quarters and six months ended June 30, 2015 and 2014 (amounts in thousands):

	Quarters Ended		Six Months Ended	
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
Revenues:				
Gross revenue from home sales	\$ 9,526	\$ 6,560	\$ 16,463	\$ 11,738
Brokered resale revenues, net	356	285	651	580
Rental home income ^(a)	3,559	3,746	7,113	7,503
Total revenues	13,441	10,591	24,227	19,821
Expenses:				
Cost of home sales	9,093	6,155	15,817	11,523
Home selling expenses	720	628	1,525	1,197
Rental home operating and maintenance	1,689	1,639	3,358	3,547
Total expenses	11,502	8,422	20,700	16,267
Income from home sales and rentals operations segment	\$ 1,939	\$ 2,169	\$ 3,527	\$ 3,554

(a) Segment information does not include Site rental income included in Community base rental income.

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

Overview and Outlook

We are a self-administered, self-managed, real estate investment trust (“REIT”) with headquarters in Chicago, Illinois. We are a fully integrated owner and operator of lifestyle-oriented properties (“Properties”). We lease 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. As of June 30, 2015, we owned or had an ownership interest in a portfolio of 387 Properties located throughout the United States and Canada containing 143,845 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 (122), California (49), Arizona (42), Texas (17), Pennsylvania (15), Washington (14), Colorado (10), North Carolina (10), Wisconsin (10), Oregon (9), Delaware (7), Indiana (7), Nevada (7), New York (7), Virginia (7), New Jersey (6), Illinois (5), Maine (5), Massachusetts (5), Idaho (4), Michigan (4), Minnesota (4), New Hampshire (3), South Carolina (3), Utah (3), Maryland (2), North Dakota (2), Ohio (2), Tennessee (2), Alabama (1), Connecticut (1), Kentucky (1), and British Columbia (1).

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

- our ability to control costs, real estate market conditions, the actual rate of decline in customers, the actual use of Sites by customers and our success in acquiring new customers at our Properties (including those that we may acquire);
- our ability to maintain historical or increase future rental rates and occupancy with respect to Properties currently owned or that we may acquire;
- our ability to retain and attract customers renewing, upgrading and entering right-to-use contracts;
- our assumptions about rental and home sales markets;
- our ability to manage counterparty risk;
- in the age-qualified Properties, home sales results could be impacted by the ability of potential home buyers to sell their existing residences as well as by financial, credit and capital markets volatility;
- results from home sales and occupancy will continue to be impacted by local economic conditions, lack of affordable manufactured home financing and competition from alternative housing options including site-built single-family housing;
- impact of government intervention to stabilize site-built single family housing and not manufactured housing;
- effective integration of recent acquisitions and our estimates regarding the future performance of recent acquisitions;
- the completion of future transactions in their entirety, if any, and timing and effective integration with respect thereto;
- unanticipated costs or unforeseen liabilities associated with recent acquisitions;
- ability to obtain financing or refinance existing debt on favorable terms or at all;
- the effect of interest rates;
- the dilutive effects of issuing additional securities;
- the effect of accounting for the entry of contracts with customers representing a right-to-use the Properties under the Codification Topic “Revenue Recognition;”
- the outcome of pending or future lawsuits filed against us, including those disclosed in our filings with the Securities and Exchange Commission, by tenant groups seeking to limit rent increases and/or seeking large damage awards for our alleged failure to properly maintain certain Properties or other tenant related matters, such as the case currently pending in the California Court of Appeal, Sixth Appellate District, Case No. H041913, involving our California Hawaiian manufactured home property, including any further proceedings on appeal or in the trial court; and
- other risks indicated from time to time in our filings with the Securities and Exchange Commission.

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

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The following chart lists the Properties acquired or invested in since January 1, 2014 through June 30, 2015.

Property	Transaction Date	Sites
Total Sites as of January 1, 2014		139,126
Property or Portfolio:		
Acquisitions:		
Blackhawk	January 7, 2014	490
Lakeland	January 24, 2014	682
Pine Acres	September 26, 2014	421
Echo Farms	September 29, 2014	237
Mays Landing	September 30, 2014	168
Space Coast	October 1, 2014	270
Mesa Spirit	December 30, 2014	1,600
Bogue Pines	February 9, 2015	150
Whispering Pines	February 9, 2015	278
Miami Everglades	June 26, 2015	303