FRANKLIN COVEY CO
Form 10-K
November 14, 2008

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

Form 10-K

þ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE FISCAL YEAR ENDED AUGUST 31, 2008.

OR

¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM ___ TO ___

Franklin Covey Co.

(Exact name of registrant as specified in its charter)

Utah	1-11107	87-0401551
(State or other jurisdiction of incorporation or organization)	(Commission File No.)	(IRS Employer Identification No.)

2200 West Parkway Boulevard
Salt Lake City, Utah 84119-2331
(Address of principal executive offices, including zip code)

Registrant's telephone number, including area code: (801) 817-1776

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

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, $.05 Par Value	New York Stock Exchange

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

Series A Preferred Stock, no par value
Title of Class

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

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 þ

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 þ   No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405) is not contained herein, and will not be contained, to the best of 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. o

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	£	Accelerated filer þ	
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 o   No þ

As of February 29, 2008, the aggregate market value of the Registrant's Common Stock held by non-affiliates of the Registrant was approximately $124.1 million, which was based upon the closing price of $7.72 per share as reported by the New York Stock Exchange.

As of November 3, 2008, the Registrant had 16,879,498 shares of Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Parts of the Registrant's Definitive Proxy Statement for the Annual Meeting of Shareholders, which is scheduled to be held on January 16, 2009, are incorporated by reference in Part III of this Form 10-K.

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PART I

ITEM 1. Business

General

Franklin Covey Co. (the Company, we, us, our or FranklinCovey) has enabled greatness in people and organizations and is a worldwide leader in helping organizations, families, and individuals achieve their own great purposes through teaching the principles and practices of effectiveness and by providing reinforcement tools like the FranklinCovey Planning SystemTM. Over 600 FranklinCovey associates world-wide delivered timeless and universal curriculum and effectiveness tools to millions of customers in fiscal 2008. We strive to excel in our efforts to enable greatness because we believe that:

People are inherently capable, aspire to greatness, and have the power to choose.

Principles are timeless and universal and are the foundation to lasting effectiveness.

Leadership is a choice, built inside-out on a foundation of character. Great leaders unleash the collective talent and passion of people toward the right goal.

Habits of effectiveness come only from the committed use of integrated processes and tools.

Sustained superior performance requires a balance of performance and performance capability (P/PC BalanceÒ) - a focus on achieving results and building capability.

Our business has historically been comprised of the Consumer Solutions Business Unit (CSBU) and the Organizational Solutions Business Unit (OSBU). The CSBU was primarily focused on sales to individual customers and small business organizations and included the results of our domestic retail stores, consumer direct operations (primarily Internet sales and call center), wholesale operations, international product channels in certain countries, and other related distribution channels, including government product sales and domestic printing and publishing sales. Although CSBU sales primarily consisted of products such as planners, binders, software, totes, and related accessories, virtually any component of our leadership, productivity, and strategy execution solutions may have been purchased through the CSBU channels.

The OSBU is primarily responsible for the development, marketing, sale, and delivery of strategic execution, productivity, leadership, sales force performance, and communication training and consulting solutions directly to organizational clients, including other companies, the government, and educational institutions. The OSBU includes the financial results of our domestic sales force, public programs, and certain international operations. The domestic sales force is responsible for the sale and delivery of our training and consulting services in the United States. Our international sales group includes the financial results of our directly owned foreign offices and royalty revenues from licensees.

Over the past several years, the strategic focus of our CSBU, which was focused primarily on the sales of our products, and our OSBU, which was focused on the development and delivery of training, consulting, and related services, has changed significantly. As a consequence of these changes in strategic direction, we determined that the extent of overlap between our training and consulting offerings and our products has diminished. After significant analysis and deliberation, we decided that these business units would be able to operate more effectively as separate companies, each with clear and distinct objectives, market definitions, and competitive products and services. This conclusion persuaded us to sell substantially all of the operations of CSBU in fiscal 2008.

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During the fourth quarter of fiscal 2008, we completed the sale of substantially all of the assets of our CSBU to a newly formed entity, Franklin Covey Products, LLC (Refer to Note 2 to our Consolidated Financial Statements in Item 8 for further details). Franklin Covey Products, which is controlled by Peterson Partners, purchased the CSBU assets for $32.0 million in cash, subject to adjustments for working capital on the closing date of the sale, which was effective July 6, 2008. On the date of the sale closing, the Company invested approximately $1.8 million to purchase a 19.5 percent voting interest in Franklin Covey Products, made a $1.0 million priority capital contribution with a 10 percent return, and will have the opportunity to earn contingent license fees if Franklin Covey Products achieves specified performance objectives. We recognized a gain of $9.1 million on the sale of the CSBU assets and we deferred a portion of the gain equal to our investment in Franklin Covey Products.

Following the sale of CSBU, our business primarily consists of training, consulting, assessment services, and related products to help organizations achieve superior results by focusing on and executing on top priorities, building the capability of knowledge works, and aligning business processes.

Late in the fourth quarter of fiscal 2008, we also initiated a restructuring plan that included the closing of two domestic sales offices, our Canadian office, and our Sales Performance Group office. Our Canadian sales associates and Sales Performance Group personnel will be absorbed into our remaining five Domestic sales offices. In connection with these office closures, we have also decentralized certain sales support functions. During the fourth quarter of fiscal 2008 we expensed $2.1 million for anticipated severance costs necessary to complete the restructuring plan, which is expected to be substantially completed in fiscal 2009.

Our fiscal year ends on August 31 of each year. Unless otherwise noted, references to fiscal years apply to the 12 months ended August 31 of the specified year.

Our principal executive offices are located at 2200 West Parkway Boulevard, Salt Lake City, Utah 84119-2331 and our telephone number is (801) 817-1776.

Industry Information

We are engaged in the performance skills segment of the training industry. One of our competitive advantages in this highly fragmented industry stems from our fully integrated training curricula, measurement methodologies and implementation tools to help organizations and individuals measurably improve their effectiveness. This advantage allows us to deliver not only training to both corporations and individuals, but also to implement the training through the use of powerful behavior changing tools with the capability to then measure the impact of the delivered training and tools.

In fiscal 2008, we provided products and services to 97 of the Fortune 100 companies and more than 75 percent of the Fortune 500 companies. We also provide products and services to a number of U.S. and foreign governmental agencies, including the U.S. Department of Defense, as well as numerous educational institutions. We also provide training curricula, measurement services and implementation tools internationally, either through directly operated offices, or through independent licensed providers. At August 31, 2008, we had directly owned offices in Australia, Canada, Japan, and the United Kingdom. We also had licensed operations in 99 countries and licensed rights in more than 140 countries.

Training and Consulting Services

We offer a range of training programs designed to measurably improve the effectiveness of organizations, families, and individuals. Our offerings are oriented to address organizational, managerial, interpersonal, and personal needs. In addition, we believe that our learning process provides an engaging and behavior-changing experience, which frequently generates additional business. During fiscal 2008, over one million individuals were trained through our direct offices using the Company’s curricula in our single and multiple–day workshops and seminars.

Our training and consulting services are designed to inspire organizations, communities, and individuals to become measurably more efficient and effective through our various leadership and

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productivity courses including: The 7 Habits of Highly Effective PeopleÒ; Leadership: Great Leaders—Great Teams—Great Resultsä; The 4 Disciplines of ExecutionTM; FOCUS: Achieving Your Highest Priorities; The 8 Habits of a Successful Marriage; Building Business Acumen; Championing Diversity; Leading at the Speed of Trust; Writing Advantage, and Presentation Advantage. The Company is also in the process of developing curriculum based on the book The Leader in Me by Stephen R Covey, which is aimed at helping principals and teachers implement The 7 Habits of Effective People in their schools. Curriculum and tools are also being developed to assist companies to increase customer loyalty.

Our most popular courses are based on the material presented in The 7 Habits of Highly Effective People® and includes our three-day 7 Habits of Highly Effective People Signature Program. We offer several other variations of this course including The 7 Habits for Managers: Managing Yourself, Leading Others, Unleashing Potential, The 7 Habits of Highly Effective People, Introductory Course for Associates, and other courses targeted for families, teens, and college students. In addition to the principles taught in the best-selling book, these courses contain various teaching aids including several award-winning videos which demonstrate the principles being taught. During fiscal 2008 we released a web-based interactive version of this course, making the principles and content taught in our course accessible to individuals and organizations world-wide without the expense of a facilitator, training room, and the opportunity cost of taking individuals out of the workforce for multiple days.

Our training and consulting offerings include the following.

The 7 Habits of Highly Effective People is one of our best-known offerings and is designed to help organizations and individuals achieve sustained superior results by focusing on making individuals and leaders more effective. Participants gain hands-on experience applying timeless principles that yield greater productivity, improved communication, strengthened relationships, increased influence, and focus on critical priorities. This offering is the basis for some of our other courses and includes over 30 award winning video segments.

Leadership: Great Leaders—Great Teams—Great Resultsä is built on the foundation that people are capable of greatness, that they can make dramatic contributions and that they offer their best when they live by the four imperatives of great leaders, which are 1) that they inspire trust, 2) that they clarify purpose, 3) that they insure systems are aligned, and 4) that they unleash talent.

The 4 Disciplines of Executionä course teaches that execution succeeds or fails on the basis of four critical disciplines, which include 1) focus on the most important goals, 2) acting on the key measures that influence outcome, 3) track the progress on a compelling scoreboard which makes progress visible, and 4) holding individuals accountable. Our Execution products help organizations adopt and implement an operating system for achieving their most pressing objectives measurably and predictably.

Our productivity course FOCUS: Achieving Your Highest Priorities focuses on helping individuals understand their personal values so they can accomplish their most important tasks, both personally and professionally. Our training is based on a productivity pyramid that helps individuals identify their values, set achievable goals, and then build a system of weekly and daily planning, which helps individuals achieve their highest priorities.

We offer a series of pre- and post-assessment surveys and assessments to measure and track key principles and actions taught in our course that directly relate to individual and organizational effectiveness. These products include xQä, (Execution QuotientÔ), LQÔ (Leadership Quotient), tQÔ (Trust Quotient), and the 7 Habits Profile. These surveys, which are administered through a Web-based system, search for details to uncover underlying focus and teamwork barriers or issues.

We also provide The 7 Habits of Highly Effective Teensä as a workshop or as a year-long curriculum to schools and school districts and other organizations working with youth. Based on The 7 Habits of Highly Effective Teens book, it helps to teach students and teachers studying skills, learning habits, and interpersonal development. We are currently developing a new curriculum entitled The Leader in Meä, which will help elementary

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schools incorporate The 7 Habits principles into their lessons to help students develop the life skills they need to be successful.

In addition to providing consultants and presenters, we train and certify client facilitators to teach our workshops within their organizations. We believe client–facilitated training is important to our fundamental strategy of creating pervasive on-going client relationships, which results in perpetual revenue streams. After having been certified by attending one of our certification workshops and completing certain requirements, client facilitators can purchase manuals, profiles, planners and other products to conduct training workshops within their organization without incurring the costs of one of our presenters, which makes it more cost-effective to distribute our curriculum within all departments of their organization. Since 1988, we have trained approximately 25,000 client facilitators.

Software

During fiscal 2008, we launched a new web-based interactive version of The 7 Habits of Highly Effective People® course which was developed through a partnership with Personnel Decisions International (formerly 9th House), a leading firm which uses technology to create engaging learning experiences. During the three-hour online instruction, participants engage in interactive exercises that illustrate how to use The 7 Habits® in real work situations. Participants then get to test their new skills in a state-of-the-art virtual simulation that shows the real-world triumphs and challenges associated with the choices they have made. Participants can also join a live one-day application workshop to dive deeper in the content and practice what they have learned.

The 7 Habits of Highly Effective People® course is also available on a CD-ROM version. This edition delivers the content from the 3-day classroom workshop in a flexible self-paced version via the Internet or CD-ROM and is available when and where employees need it. The online edition is presented in a multi-media format with video segments, voiceovers, a learning journal, interactive exercises, and other techniques. Included with the course is a 360-Degree profile and e-Coaching to help participants gain a broader perspective of their strengths and weaknesses and to help them implement the training to improve their skills.

Books and Audio

The principles we teach in our curriculum have also been published in book, audiotape and CD formats, and can be downloaded from various Internet sites. Books to which the Company holds copyrights include The 7 Habits of Highly Effective People®, Principle–Centered Leadership, First Things First, The 7 Habits of Highly Effective Families, Nature of Leadership, Living the 7 Habits, The 8th Habit: From Effectiveness to Greatness, Everyday Greatness, The Leader in Me, all by Stephen R. Covey; The 10 Natural Laws of Time and Life Management, What Matters Most and The Modern Gladiator by Hyrum W. Smith; The Power Principle by Blaine Lee; The 7 Habits of Highly Effective Teens, The 6 Most Important Decisions You'll Ever Make, and The 7 Habits of Happy Kids by Sean Covey; and Business Think by Dave Marcum and Steve Smith. These books, as well as audiotape and CD audio versions of many of these products, and the products mentioned above are sold through general retail channels, audio book websites, as well as through our own Internet site at www.franklincovey.com.

Segment Information

Prior to the sale of CSBU in the fourth quarter of fiscal 2008, our business was organized in two segments: (1) the CSBU, which was designed to sell products to individual consumers and small businesses; and (2) the OSBU, which is designed to serve organizational clients. The following table sets forth, for the fiscal periods indicated, the Company's sales from external customers for each of these operating segments (in thousands):

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YEAR ENDED AUGUST 31,	2008	Percent change from prior year	2007	Percent change from prior year	2006
Organizational Solutions Business Unit:					
Domestic	$ 91,287	(2)	$ 93,308	10	$ 84,904
International	59,100	2	57,674	18	48,984
	150,387	-	150,982	13	133,888
Consumer Solutions Business Unit:					
Retail stores	42,167	(22)	54,316	(13)	62,156
Consumer direct	38,662	(19)	48,018	(8)	52,171
Wholesale	16,970	(6)	17,991	1	17,782
CSBU International	7,295	(1)	7,342	(5)	7,716
Other CSBU	4,611	(16)	5,476	12	4,910
	109,705	(18)	133,143	(8)	144,735
Total net sales	$ 260,092	(8)	$ 284,125	2	$ 278,623

Additional financial information related to our operating segments, as well as geographical information can be found in the notes to our consolidated financial statements (Note 19).

Organizational Solutions Business Unit

The following is a more detailed description of our OSBU and its primary operations, which consist of domestic and international operations.

Domestic Operations

In general, we sell effectiveness and productivity solutions to our customers through our own direct sales force. We then deliver training services to organizations, schools and individuals in one of five ways:

1. Our consultants provide on-site coaching, consulting or training classes. In these situations, our consultants tailor the curriculum to our client's specific business and objectives.

2. Our programs are also designed to be facilitated by licensed professional trainers and managers in client organizations, reducing dependence on our professional presenters, and creating knowledgeable advocates of our curriculum in organizations.

3. Our consultants provide training to individuals or small groups of individuals through executive coaching sessions. In these sessions, our consultants are able to deliver course content in greater detail and can help adapt our course

principles to the specific needs of the organization.

4. We conduct public seminars in more than 100 cities throughout the United States, where organizations can send their employees in smaller numbers. These public seminars are also marketed directly to individuals through our Internet web-site and by direct mail.

5. We also offer The 7 Habits of Highly Effective People® training course in online and CD-ROM formats. These products provide the flexibility required by many organizations.

Our domestic training operations are organized in geographic regional sales teams in order to assure that both the consultant and the client sales professional participate in the development of new business and the assessment of client needs. Consultants are entrusted with the actual delivery of content, seminars, processes and other solutions and are required to follow up with client service teams to develop lasting client impact and ongoing business opportunities.

We employ over 150 sales professionals and business developers. Our sales professionals have selling experience prior to employment by the Company and are trained and evaluated in their respective sales territories. Sales professionals typically call upon persons responsible for corporate employee training, such as corporate training directors or human resource officers. Increasingly, sales professionals are calling upon our clients' executive leadership or line leaders as they educate our clients on the value of our solutions. Our sales professionals work closely with training consultants in their territories to schedule and tailor seminars and workshops to meet the specific objectives of our institutional clients. We currently employ over 150 training consultants

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worldwide. Our training consultants are selected from a large number of experienced applicants. These consultants generally have several years of training and/or consulting experience and are known for their excellent presentation skills. Once selected, the training consultant goes through a rigorous training program including multiple live presentations. The training program ultimately results in the Company's certification of the consultant.

International Operations

We deliver training services and products internationally through Company-owned and licensed operations. We have wholly-owned operations and offices in Australia, Canada, Japan, and the United Kingdom. We also have licensed operations in Argentina, Angola, Austria, Bahrain, Bangladesh, Belgium, Bermuda, Bolivia, Botswana, Brazil, Bulgaria, Chile, China, Colombia, Costa Rica, Croatia, Czech Republic, Cyprus, Denmark, Dominican Republic, Ecuador, Egypt, El Salvador, Estonia, Finland, France, Germany, Greece, Guatemala, Hong Kong, Hungary, India, Iceland, Indonesia, Israel, Italy, Jordon, Kenya, Kuwait, Latvia, Lebanon, Lesotho, Lithuania, Luxembourg, Madagascar, Malaysia, Mauritius, Mexico, Mozambique, Namibia, Nepal, Netherlands, Nicaragua, Nigeria, Norway, Oman, Panama, Paraguay, Peru, Philippines, Poland, Portugal, Puerto Rico, Romania, Russia, Qatar, Saudi Arabia, Serbia, Singapore, Slovak Republic, Slovenia, South Africa, South Korea, Spain, Sri Lanka, Swaziland, Sweden, Switzerland, Tanzania, Taiwan, Thailand, Trinidad/Tobago, Turkey, UAE, Ukraine, Uruguay, Venezuela, Vietnam, and Zambia. There are also licensee retail operations in Hong Kong and South Korea. Our nine most popular books, The 7 Habits of Highly Effective People, Principle–Centered Leadership, The 10 Natural Laws of Time and Life Management, First Things First, The Power Principle, The 7 Habits of Highly Effective Families, The 7 Habits of Highly Effective Teen, The 8th Habit: From Effectiveness to Greatness, and The Six Most Important Decisions You'll Ever Makes are currently published in multiple languages. Financial information about our foreign operations is contained in Note 19 to our consolidated financial statements.

Clients

We have a relatively broad base of organizational and individual clients. We have more than 6,000 organizational clients consisting of corporations, governmental agencies, educational institutions, and other organizations. We believe that our products, workshops, and seminars encourage strong client loyalty. Employees in each of our domestic and international distribution channels focus on providing timely and courteous responses to client requests and inquiries. Due to the nature of our business, the Company does not have, nor has it had, a significant backlog of firm orders.

Competition

Competition in the performance skills organizational training and education industry is highly fragmented with few large competitors. We estimate that the industry represents more than $7 billion in annual revenues and that the largest traditional organizational training firms have sales in the $100 million to $400 million range. Based upon our fiscal 2008 OSBU sales of $150.4 million, we believe we are a leading competitor in the organizational training and education market. Other significant competitors in the training market are Development Dimensions International, Institute for International Research (IIR), Organizational Dynamics Inc., American Management Association, Wilson Learning, Forum Corporation, EPS Solutions and the Center for Creative Leadership.

Given the relative ease of entry in our training market, the number of competitors could increase, many of whom may imitate existing methods of distribution, or could offer similar products and seminars at lower prices. Some of these companies may have greater financial and other resources than us. We believe that our products compete primarily on the basis of quality, proven results, content, client loyalty, price, and client service. We also believe our curriculum based upon best-selling books, which encompasses relevant high-quality video segments, has become a competitive advantage. This advantage is strengthened and enhanced by our ability to easily train individuals within organizations to become client facilitators who in turn can effectively relay our curriculum throughout their organization. Moreover, we believe that we are a market leader in the United

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States in productivity, leadership and execution products and services. Increased competition from existing and future competitors could, however, have a material adverse effect on our sales and profitability.

Manufacturing and Distribution

Following the sale of CSBU in fiscal 2008, we no longer manufacture a significant portion of our products. We purchase our training materials and related products from various vendors and suppliers located both domestically and internationally and we are not dependent upon any one vendor for the production of our training and related materials as the raw materials for these products are readily available. We currently believe that we have good relationships with our suppliers and contractors.

During fiscal 2001, we entered into a long-term contract with Electronic Data Systems (EDS) to provide warehousing and distribution services for our training products and related accessories. EDS maintains a facility at the Company's headquarters as well as at other locations throughout North America.

Research and Development

FranklinCovey believes that the development of new curricula and related products are important to maintaining its competitive position. Our products and services are conceived, designed, and developed through the collaboration of our internal innovations group and external partner organizations. We expense in the same year incurred part of the costs to develop new curricula and products. Curriculum costs are only capitalized when a course is developed that will result in significant future benefits or when there is a major revision to a course or course materials. Our research and development expenditures totaled $4.6 million, $3.3 million, and $2.3 million in fiscal years 2008, 2007, and 2006 respectively. Capitalized curriculum development costs are reported as a component of other long-term assets in our consolidated balance sheets and totaled $6.8 million and $8.6 million at August 31, 2008 and 2007. Amortization of capitalized curriculum development costs is reported as a component of cost of sales.

Trademarks, Copyrights, and Intellectual Property

We seek to protect our intellectual property through a combination of trademarks, copyrights, and confidentiality agreements. We claim rights for 80 trademarks in the United States and have obtained registration in the United States and many foreign countries for many of our trademarks, including FranklinCovey, The 7 Habits of Highly Effective People, Principle–Centered Leadership, The 4 Disciplines of Execution, FranklinCovey Planner, PlanPlus, The 7 Habits, and The 8th Habit. We consider our trademarks and other proprietary rights to be important and material to our business. Each of the marks set forth in italics above is a registered mark or a mark for which protection is claimed.

We own sole or joint copyrights on our planning systems, books, manuals, text and other printed information provided in our training seminars, and other electronic media products, including audio tapes and video tapes. We license, rather than sell, facilitator workbooks and other seminar and training materials in order to protect our intellectual property rights therein. FranklinCovey places trademark and copyright notices on its instructional, marketing and advertising materials. In order to maintain the proprietary nature of our product information, we enter into written confidentiality agreements with certain executives, product developers, sales professionals, training consultants, other employees and licensees. Although we believe the protective measures with respect to our proprietary rights are important, there can be no assurance that such measures will provide significant protection from competitors.

Employees

At August 31, 2008, FranklinCovey had over 600 full- and part-time associates located in the United States of America, Japan, the United Kingdom, Canada, and Australia. During fiscal 2001, we outsourced a significant part of our information technology services, customer service, distribution and warehousing operations to EDS. A number of the Company's former employees involved in these operations are now employed by EDS to provide those services to FranklinCovey. None of our associates are represented by a union or other collective bargaining group.

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Management believes that its relations with its associates are good and we do not currently foresee a shortage in qualified personnel needed to operate our business.

Available Information

The Company's principal executive offices are located at 2200 West Parkway Boulevard, Salt Lake City, Utah 84119-2331 and our telephone number is (801) 817-1776.

We regularly file reports with the Securities Exchange Commission (SEC). These reports include, but are not limited to, Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and security transaction reports on Forms 3, 4, or 5. The public may read and copy any materials that the Company files with the SEC at the SEC's Public Reference Room located 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 also maintains electronic versions of the Company's reports, proxy and information statements, and other information that the Company files with the SEC on its website at www.sec.gov.

The Company makes our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, current reports on Form 8-K, and other reports filed or furnished with the SEC available to the public, free of charge, through our website at www.franklincovey.com. These reports are provided through our website as soon as reasonable practicable after we file or furnish these reports with the SEC.

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ITEM 1A. RISK FACTORS

Our business environment, current domestic and international economic conditions, and other specific risks may affect our future business decisions and financial performance. The matters discussed below may cause our future results to differ from past results or those described in forward-looking statements and could have a material adverse effect on our business, financial condition, liquidity, results of operations, and stock price, and should be considered in evaluating our company.

The following list of potential risks does not contain the only risks currently facing us. Additional business risks and uncertainties that are not presently known to us or that are not currently believed to be material may also harm our business operations and financial results in future periods.

Our results of operations could be adversely affected by economic and political conditions and the effects of these conditions on our clients' businesses and their levels of business activity.

Global economic and political conditions affect our clients' businesses and the markets in which they operate. A serious and/or prolonged economic downturn combined with a negative or uncertain political climate could adversely affect our clients' financial condition and the business activity of our clients. These conditions may reduce the demand for our services and solutions or depress the pricing of those services and have a material adverse impact on our results of operations. Changes in global economic conditions may also shift demand to services for which we do not have competitive advantages, and this could negatively affect the amount of business that we are able to obtain. Such economic, political, and client spending conditions are influenced by a wide range of factors that are beyond our control and that we have no comparative advantage in forecasting. If we are unable to successfully anticipate these changing conditions, we may be unable to effectively plan for and respond to those changes, and our business could be adversely affected.

Our business success also depends in part upon continued growth in the use of training and consulting services in business by our current and prospective clients. In challenging economic environments, our clients may reduce or defer their spending on new services and consulting solutions in order to focus on other priorities. At the same time, many companies have already invested substantial resources in their current means of conducting their business and they may be reluctant or slow to adopt new approaches that could disrupt existing personnel and/or processes. If the growth in the general use of training and consulting services in business or our clients' spending on these items declines, or if we cannot convince our clients or potential clients to embrace new services and solutions, our results of operations could be adversely affected.

In addition, our business tends to lag behind economic cycles and, consequently, the benefits of an economic recovery following a period of economic downturn may take longer for us to realize than other segments of the economy.

We operate in an intensely competitive industry and our competitors may develop courses that adversely affect our ability to sell our offerings.

The training and consulting services industry is intensely competitive with relatively easy entry. Competitors continually introduce new programs and services that may compete directly with our offerings or that may make our offerings uncompetitive or obsolete. Larger and better capitalized competitors may have superior abilities to compete for clients and skilled professionals, reducing our ability to deliver quality work to our clients. In

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addition, one or more of our competitors may develop and implement training courses or methodologies that may adversely affect our ability to sell our curricula and products to new clients. Any one of these circumstances could have a material adverse effect on our ability to obtain new business and successfully deliver our services and solutions.

Our results of operations may be negatively affected if we cannot expand and develop our services and solutions in response to client demand.

Our success depends upon our ability to develop and deliver services and consulting solutions that respond to rapid and continuing changes in client needs. We may not be successful in anticipating or responding to these developments on a timely basis and our offerings may not be successful in the marketplace. The implementation and introduction of new programs and solutions may entail more risk than supplying existing offerings to our clients. In addition, the introduction of new or competing services or solutions by current or future competitors may render our service or solution offerings obsolete. Any one of these circumstances may have an adverse impact upon our business and results of operations.

Our business could be adversely affected if our clients are not satisfied with our services.

The success of our business model significantly depends on our ability to attract new work from our base of existing clients, as well as new work from prospective clients. Our business model also depends on the relationships our senior executives and sales personnel develop with our clients so that we can understand our clients' needs and deliver services and solutions that are specifically tailored to those needs. If a client is not satisfied with the quality of work performed by us, or with the type of services or solutions delivered, then we may incur additional costs to remediate the situation, the profitability of that work might be decreased, and the client's dissatisfaction with our services could damage our ability to obtain additional work from that client. In particular, clients that are not satisfied might seek to terminate existing contracts prior to their scheduled expiration date and could direct future business to our competitors. In addition, negative publicity related to our client relationships, regardless of its accuracy, may further damage our business by affecting our ability to compete for new contracts with current and prospective clients.

Our profitability could decrease if we are unable to control our costs.

Our future success and profitability depend in part on our ability to achieve the appropriate cost structure and improve our efficiency in the highly competitive services industry in which we compete. We regularly monitor our operating costs and develop initiatives and business models that impact our operations and are designed to improve our profitability. Our recent initiatives have included redemptions of preferred stock, exiting non-core businesses, asset sales, headcount reductions, and other internal initiatives designed to reduce our operating costs. If we do not achieve targeted business model cost levels and manage our costs and processes to achieve additional efficiencies, our competitiveness and profitability could decrease.

Our work with governmental clients exposes us to additional risks that are inherent in the government contracting process.

Our clients include national, provincial, state, and local governmental entities and our work with these governmental entities has various risks inherent in the government contracting process. These risks include, but are not limited to, the following:

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- Governmental entities typically fund projects through appropriated monies. While these projects are often planned and executed as multi-year projects, the government entities usually reserve the right to change the scope of or terminate these projects for lack of approved funding and at their convenience. Changes in government or political developments could result in changes in scope or in termination of our projects.

- Government entities often reserve the right to audit our contract costs, including allocated indirect costs, and conduct inquiries and investigations of our business practices with respect to our government contracts. If the governmental entity finds that the costs are not reimbursable, then we will not be allowed to bill for those costs or the cost must be refunded to the client if it has already been paid to us. Findings from an audit also may result in our being required to prospectively adjust previously agreed rates for our work and may affect our future margins.

- If a government client discovers improper activities in the course of audits or investigations, we may become subject to various civil and criminal penalties and administrative sanctions, which may include termination of contracts, forfeiture of profits, suspension of payments, fines and suspensions or debarment from doing business with other agencies of that government. The inherent limitations of internal controls may not prevent or detect all improper or illegal activities, regardless of their adequacy.

- Political and economic factors such as pending elections, revisions to governmental tax policies and reduced tax revenues can affect the number and terms of new government contracts signed.

The occurrences or conditions described above could affect not only our business with the particular governmental agency involved, but also our business with other agencies of the same or other governmental entities. Additionally, because of their visibility and political nature, government projects may present a heightened risk to our reputation. Any of these factors could have a material adverse effect on our business or our results of operations.

Our profitability will suffer if we are not able to maintain our pricing and utilization rates and control our costs.

Our profit margin on our services and solutions is largely a function of the rates we are able to recover for our services and the utilization, or chargeability, of our trainers, client partners, and consultants. Accordingly, if we are unable to maintain sufficient pricing for our services or an appropriate utilization rate for our training professionals without corresponding cost reductions, our profit margin and overall profitability will suffer. The rates that we are able to recover for our services are affected by a number of factors, including:

- Our clients' perceptions of our ability to add value through our programs and products
- Competition
- General economic conditions
- Introduction of new programs or services by us or our competitors
- Our ability to accurately estimate, attain, and sustain engagement sales, margins, and cash flows over longer contract periods

Our utilization rates are also affected by a number of factors, including:

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- Seasonal trends, primarily as a result of scheduled training
- Our ability to forecast demand for our products and services and thereby maintain an appropriate headcount in our employee base
- Our ability to manage attrition

During recent periods we have maintained favorable utilization rates. However, there can be no assurance that we will be able to maintain favorable utilization rates in future periods. Additionally, we may not achieve a utilization rate that is optimal for us. If our utilization rate is too high, it could have an adverse effect on employee engagement and attrition. If our utilization rate is too low, our profit margin and profitability could suffer.

If our pricing structures do not accurately anticipate the cost and complexity of performing our services, then our contracts may become unprofitable.

We negotiate pricing terms with our clients utilizing a range of pricing structures and conditions. Depending on the particular contract and service to be provided, these include time-and-materials pricing, fixed-price pricing, and contracts with features of both of these pricing models. Our pricing is highly dependent on our internal forecasts and predictions about our projects and the marketplace, which might be based on limited data and could turn out to be inaccurate. If we do not accurately estimate the costs and time necessary to deliver our work, our contracts could prove unprofitable for us or yield lower profit margins than anticipated. There is a risk that we may under price our contracts, fail to accurately estimate the costs of performing the work, or fail to accurately assess the risks associated with potential contracts. In particular, any increased or unexpected costs, delays or failures to achieve anticipated cost savings, or unexpected risks we encounter in connection with the performance of our work, including those caused by factors outside our control, could make these contracts less profitable or unprofitable, which could have an adverse effect on our profit margin.

Our global operations pose complex management, foreign currency, legal, tax, and economic risks, which we may not adequately address.

We have Company-owned offices in Australia, Canada, Japan, and the United Kingdom. We also have licensed operations in numerous other foreign countries. As a result of these foreign operations and their growing impact upon our results of operations, we are subject to a number of risks, including:

- Restrictions on the movement of cash
- Burdens of complying with a wide variety of national and local laws
- The absence in some jurisdictions of effective laws to protect our intellectual property rights
- Political instability
- Currency exchange rate fluctuations
- Longer payment cycles
- Price controls or restrictions on exchange of foreign currencies

While we are not currently aware of any of the foregoing conditions materially adversely affecting our operations, these conditions, which are outside of our control, could change at any time.

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We may experience foreign currency gains and losses.

Our sales outside of the United States totaled $62.9 million, or 24 percent of total sales, for the year ended August 31, 2008. As our international operations continue to grow and become a larger component of our overall financial results, our revenues and operating results may be adversely affected when the dollar strengthens relative to other currencies and may be positively affected when the dollar weakens. In order to manage a portion of our foreign currency risk, we make limited use of foreign currency derivative contracts to hedge certain transactions and translation exposure. There can be no guarantee that our foreign currency risk management strategy will be effective in reducing the risks associated with foreign currency transactions and translation.

Our global operations expose us to numerous and sometimes conflicting legal and regulatory requirements, and violation of these regulations could harm our business.

Because we provide services to clients in many countries, we are subject to numerous, and sometimes conflicting, legal regimes on matters as diverse as import/export controls, content requirements, trade restrictions, tariffs, taxation, sanctions, government affairs, internal and disclosure control obligations, data privacy and labor relations. Violations of these regulations in the conduct of our business could result in fines, criminal sanctions against us or our officers, prohibitions on doing business, and damage to our reputation. Violations of these regulations in connection with the performance of our obligations to our clients also could result in liability for monetary damages, fines and/or criminal prosecution, unfavorable publicity, restrictions on our ability to process information and allegations by our clients that we have not performed our contractual obligations. Due to the varying degrees of development of the legal systems of the countries in which we operate, local laws might be insufficient to protect our rights.

In many parts of the world, including countries in which we operate, practices in the local business community might not conform to international business standards and could violate anticorruption regulations, including the U.S. Foreign Corrupt Practices Act, which prohibits giving anything of value intended to influence the awarding of government contracts. Although we have policies and procedures to ensure legal and regulatory compliance, our employees, licensee operators, and agents could take actions that violate these requirements. Violations of these regulations could subject us to criminal or civil enforcement actions, including fines and suspension or disqualification from U.S. federal procurement contracting, any of which could have a material adverse effect on our business.

Failure to comply with the terms and conditions of our credit facility may have an adverse effect upon our business and operations.

Our line of credit facility requires us to be in compliance with customary non-financial terms and conditions as well as specified financial ratios. Failure to comply with these terms and conditions or maintain adequate financial performance to comply with specific financial ratios entitles the lender to certain remedies, including the right to immediately call due any amounts outstanding on the line of credit. Such events would have an adverse effect upon our business and operations as there can be no assurance that we may be able to obtain other forms of financing or raise additional capital on terms that would be acceptable to us.

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Our strategy to focus on training and consulting services may not be successful and may not lead to the desired financial results.

During the fourth quarter of fiscal 2008, we sold substantially all of the assets of our Consumer Solutions Business Unit (CSBU) to a newly formed entity, Franklin Covey Products. Although we believe the sale of the CSBU assets will allow us to focus our resources and abilities on our services and solutions offerings, many of the aspects of this plan, including future economic conditions and the business strength of our clients, are not within our control and we may not achieve our expected financial results within our anticipated timeframe.

If we are unable to attract, retain, and motivate high-quality employees, including training consultants and other key training representatives, we will not be able to compete effectively and will not be able to grow our business.

Our success and ability to grow are dependent, in part, on our ability to hire, retain and motivate sufficient numbers of talented people with the increasingly diverse skills needed to serve our clients and grow our business. Competition for skilled personnel is intense at all levels of experience and seniority. To address this competition, we may need to further adjust our compensation practices, which could put upward pressure on our costs and adversely affect our profit margins. At the same time, the profitability of our business model is partially dependent on our ability to effectively utilize personnel with the right mix of skills and experience to effectively deliver our programs and content. There is a risk that at certain points in time and in certain geographical regions, we will find it difficult to hire and retain a sufficient number of employees with the skills or backgrounds we require, or that it will prove difficult to retain them in a competitive labor market. If we are unable to hire and retain talented employees with the skills, and in the locations, we require, we might not be able to deliver our content and solutions services. If we need to re-assign personnel from other areas, it could increase our costs and adversely affect our profit margins.

In order to retain key personnel, we continue to offer a variable component of compensation, the payment of which is dependent upon our sales performance and profitability. We adjust our compensation levels and have adopted different methods of compensation in order to attract and retain appropriate numbers of employees with the necessary skills to serve our clients and grow our business. We may also use equity-based performance incentives as a component of our executives' compensation, which may affect amounts of cash compensation. Variations in any of these areas of compensation may adversely impact our operating performance.

If we are unable to collect our accounts receivable on a timely basis, our results of operations and cash flows could be adversely affected.

Our business depends on our ability to successfully obtain payment from our clients of the amounts they owe us for services performed. We evaluate the financial condition of our clients and usually bill and collect on relatively short cycles. We maintain allowances against our receivables and unbilled services that we believe are adequate to reserve for potentially uncollectible amounts. However, actual losses on client balances could differ from those that we currently anticipate and as a result we might need to adjust our allowances and there is no guarantee that we will accurately assess the creditworthiness of our clients. Macroeconomic conditions could also result in financial difficulties for our clients, and as a result could cause clients to delay payments to us, request modifications to their payment arrangements that could increase our receivables balance, or not pay their obligations to us. Timely collection of client balances also depends on our ability to complete our contractual commitments and bill and collect our invoiced revenues. If we

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are unable to meet our contractual requirements, we might experience delays in collection of and/or be unable to collect our client balances, and if this occurs, our results of operations and cash flows could be adversely affected. In addition, if we experience an increase in the time to bill and collect for our services, our cash flows could be adversely affected.

We have only a limited ability to protect our intellectual property rights, which are important to our success.

Our financial success depends, in part, upon our ability to protect our proprietary methodologies and other intellectual property. The existing laws of some countries in which we provide services might offer only limited protection of our intellectual property rights. To protect our intellectual property, we rely upon a combination of trade secrets, confidentiality policies, nondisclosure and other contractual arrangements, and patent, copyright and trademark laws to protect our intellectual property rights. The steps we take in this regard might not be adequate to prevent or deter infringement or other misappropriation of our intellectual property, and we might not be able to detect unauthorized use of, or take appropriate and timely steps to enforce, our intellectual property rights, especially in foreign jurisdictions.

The loss of proprietary methodologies or the unauthorized use of our intellectual property may create greater competition, loss of revenue, adverse publicity, and may limit our ability to reuse that intellectual property for other clients. Any limitation on our ability to provide a service or solution could cause us to lose revenue-generating opportunities and require us to incur additional expenses to develop new or modified solutions for future engagements.

Our strategy of outsourcing certain functions and operations may fail to reduce our costs for these services.

We have an outsourcing contract with Electronic Data Systems (EDS) to provide warehousing, distribution, and information system operations. Under the terms of the outsourcing contract and its addendums, EDS provides warehousing and distribution services and supports our various information systems. Due to the nature of our outsourced operations, we are unable to exercise the same level of control over outsourced functions and the actions of EDS employees in outsourced roles as our own employees. As a result, the inherent risks associated with these outsourced areas of operation may be increased.

Our outsourcing contracts with EDS also contain early termination provisions that we may exercise under certain conditions. However, in order to exercise the early termination provisions, we would have to pay specified penalties to EDS depending upon the circumstances of the contract termination.

We have significant intangible asset balances that may be impaired if cash flows from related activities decline.

At August 31, 2008 we had $72.3 million of intangible assets, which were primarily generated from the fiscal 1997 merger with the Covey Leadership Center. These intangible assets are evaluated for impairment based upon cash flows (definite-lived intangible assets) and estimated royalties from revenue streams (indefinite-lived intangible assets). Although our current sales and cash flows are sufficient to support the carrying basis of these intangibles, if our sales and corresponding cash flows decline, we may be faced with significant asset impairment charges that would have an adverse impact upon our operating margin and overall results of operations.

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Our business could be negatively affected if we incur legal liability in connection with providing our solutions and services.

If we fail to meet our contractual obligations, fail to disclose our financial or other arrangements with our business partners or otherwise breach obligations to clients, we could be subject to legal liability. We may enter into non-standard agreements because we perceive an important economic opportunity or because our personnel did not adequately adhere to our guidelines. We may also find ourselves committed to providing services that we are unable to deliver or whose delivery will cause us financial loss. If we cannot, or do not perform our obligations, we could face legal liability and our contracts might not always protect us adequately through limitations on the scope of our potential liability. If we cannot meet our contractual obligations to provide services and solutions, and if our exposure is not adequately limited through the terms of our agreements, then we might face significant legal liability and our business could be adversely affected.

We depend on key personnel, the loss of whom could harm our business.

Our future success will depend, in part, on the continued service of key executive officers and personnel. The loss of the services of any key individuals could harm our business. Our future success also depends on our ability to identify, attract, and retain additional qualified senior personnel. Competition for such individuals in our industry is intense and we may not be successful in attracting and retaining such personnel.

Our future quarterly operating results are subject to factors that can cause fluctuations in our stock price.

Historically, our stock price has experienced significant volatility. We expect that our stock price may continue to experience volatility in the future due to a variety of potential factors that may include the following:

- Fluctuations in our quarterly results of operations and cash flows
- Increased overall market volatility
- Variations between our actual financial results and market expectations
- Changes in our key balances, such as cash and cash equivalents
- Currency exchange rate fluctuations
- Unexpected asset impairment charges
- Lack of analyst coverage

In addition, the stock market has recently experienced substantial price and volume fluctuations that have impacted our stock and other equity issues in the market. These factors, as well as general investor concerns regarding the credibility of corporate financial statements, may have a material adverse effect upon our stock price in the future.

We may need additional capital in the future, and this capital may not be available to us on favorable terms.

We may need to raise additional funds through public or private debt offerings or equity financings in order to:

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- Develop new services, programs, or offerings
- Take advantage of opportunities, including expansion of the business
- Respond to competitive pressures

Any additional capital raised through the sale of equity could dilute current shareholders' ownership percentage in us. Furthermore, we may be unable to obtain the necessary capital on terms or conditions that are favorable to us, or at all.

We are the creditor for a management common stock loan program that may not be fully collectible.

We are the creditor for a loan program that provided the capital to allow certain management personnel the opportunity to purchase shares of our common stock. For further information regarding our management common stock loan program, refer to the notes to our consolidated financial statements as found in Item 8 of this Annual Report on Form 10-K. Our inability to collect all, or a portion, of these receivables could have an adverse impact upon our financial position and future cash flows compared to full collection of the loans.

We may have exposure to additional tax liabilities.

As a multinational company, we are subject to income taxes as well as non-income based taxes, in both the United States and various foreign tax jurisdictions. Significant judgment is required in determining our worldwide provision for income taxes and other tax liabilities. In the normal course of a global business, there are many intercompany transactions and calculations where the ultimate tax determination is uncertain. As a result, we are regularly under audit by tax authorities. Although we believe that our tax estimates are reasonable, we cannot assure you that the final determination of tax audits will not be different from what is reflected in our historical income tax provisions and accruals.

We are also subject to non-income taxes, such as payroll, sales, use, value-added, and property taxes in both the United States and various foreign jurisdictions. We are regularly under audit by tax authorities with respect to these non-income taxes and may have exposure to additional non-income tax liabilities.

We could have liability or our reputation could be damaged if we do not protect client data or if our information systems are breached.

We are dependent on information technology networks and systems to process, transmit and store electronic information and to communicate among our locations around the world and with our clients. Security breaches of this infrastructure could lead to shutdowns or disruptions of our systems and potential unauthorized disclosure of confidential information. We are also required at times to manage, utilize and store sensitive or confidential client or employee data. As a result, we are subject to numerous U.S. and foreign jurisdiction laws and regulations designed to protect this information, such as the various U.S. federal and state laws governing the protection of health or other individually identifiable information. If any person, including any of our associates, negligently disregards or intentionally breaches our established controls with respect to such data or otherwise mismanages or misappropriates that data, we could be subject to monetary damages, fines and/or criminal prosecution. Unauthorized disclosure of sensitive or confidential client or employee data, whether through systems failure, employee negligence, fraud or misappropriation, could damage our reputation and cause us to lose clients.

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International hostilities, terrorist activities, and natural disasters may prevent us from effectively serving our clients and thus adversely affect our operating results.

Acts of terrorist violence, armed regional and international hostilities, and international responses to these hostilities, natural disasters, global health risks or pandemics or the threat of or perceived potential for these events, could have a negative impact on our directly owned or licensee operations. These events could adversely affect our clients' levels of business activity and precipitate sudden significant changes in regional and global economic conditions and cycles. These events also pose significant risks to our people and to physical facilities and operations around the world, whether the facilities are ours or those of our alliance partners or clients. By disrupting communications and travel and increasing the difficulty of obtaining and retaining highly skilled and qualified personnel, these events could make it difficult or impossible for us or our licensee partners to deliver services to clients. Extended disruptions of electricity, other public utilities or network services at our facilities, as well as system failures at, or security breaches in, our facilities or systems, could also adversely affect our ability to serve our clients. While we plan and prepare to defend against each of these occurrences, we might be unable to protect our people, facilities and systems against all such occurrences. We generally do not have insurance for losses and interruptions caused by terrorist attacks, conflicts and wars. If these disruptions prevent us from effectively serving our clients, our operating results could be adversely affected.

A natural or man-made disaster in Salt Lake City, Utah could have an adverse effect on our business.

We manufacture and ship training materials at numerous sites located around the world. However, a significant portion of our training materials are manufactured and shipped from facilities located in Salt Lake City, Utah. In the event that these facilities were severely damaged or destroyed as a result of a natural or man-made disaster, we could suffer significant disruptions to our ability to manufacture and ship training materials to our clients. Such events may have a material adverse effect on our business prospects, results of operations, and financial condition.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

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ITEM 2. Properties

Franklin Covey's principal business operations and executive offices are located in Salt Lake City, Utah. The following is a summary of our owned and leased properties. Our corporate headquarters lease is accounted for as a financing arrangement and all other facility lease agreements are accounted for as operating leases. Our lease agreements expire at various dates through the year 2025.

Corporate Facilities
Corporate Headquarters and Administrative Offices:
Salt Lake City, Utah (7 buildings) – all leased

Organizational Solutions Business Unit
Regional Sales Offices:
United States (5 locations) – all leased

International Administrative/Sales Offices:
Canada (1 location) – owned
Asia Pacific (4 locations) – all leased
England (1 location) – leased

International Distribution Facilities:
Canada (1 location) – owned
Asia Pacific (3 locations) – all leased
England (1 location) – leased

We consider our existing facilities to be in good condition and suitable for our current and anticipated level of operations in the upcoming fiscal year.

A significant portion of our corporate headquarters campus located in Salt Lake City, Utah is subleased to several unrelated entities.

The following significant developments occurred during fiscal 2008 that affected our properties:

- During the fourth quarter of fiscal 2008, we completed the sale of our Consumer Solutions Business Unit, which operated retail stores both domestically and in certain international locations.

- In connection with a restructuring plan initiated in the fourth quarter of fiscal 2008, we closed one domestic regional sales office and intend to close our Canadian facility in fiscal 2009.

ITEM 3. Legal Proceedings

In August 2005, EpicRealm Licensing (EpicRealm) filed an action in the United States District Court for the Eastern District of Texas against the Company for patent infringement. The action alleged that the Company infringed upon two of EpicRealm's patents directed to managing dynamic web page requests from clients to a web server that in turn uses a page server to generate a dynamic web page from content retrieved from a data source. The Company denied liability in the patent infringement and filed counter-claims related to the case subsequent to the filing of the action in District Court. However, during the fiscal year

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ended August 31, 2008, the Company paid EpicRealm a one-time license fee of $1.0 million for a non-exclusive, irrevocable, perpetual, and royalty-free license to use any product, system, or invention covered by the disputed patents. In connection with the purchase of the license, EpicRealm and the Company agreed to dismiss their claims with prejudice and the Company is released from further action regarding these patents.

The Company is also the subject of certain other legal actions, which we consider routine to our business activities. At August 31, 2008, we believe that, after consultation with legal counsel, any potential liability to the Company under such actions will not materially affect our financial position, liquidity, or results of operations.

ITEM 4. Submission of Matters to a Vote of Security Holders

No matters were submitted to a vote of security holders during the fourth quarter of our fiscal year ended August 31, 2008.

PART II

ITEM 5. Market for the Registrant's Common Equity, Related Shareholder Matters, and Issuer Purchases of Equity Securities

FranklinCovey's common stock is listed and traded on the New York Stock Exchange (NYSE) under the symbol "FC." The following table sets forth the high and low sale prices per share for our common stock, as reported on the NYSE, for the fiscal years ended August 31, 2008 and 2007.

	High	Low
Fiscal Year Ended August 31, 2008:		
Fourth Quarter	$ 9.32	$ 7.35
Third Quarter	8.76	6.72
Second Quarter	8.00	6.86
First Quarter	7.75	5.91
Fiscal Year Ended August 31, 2007:		
Fourth Quarter	$ 8.99	$ 6.97
Third Quarter	9.01	7.10
Second Quarter	8.15	5.66
First Quarter	6.18	4.96

On November 3, 2008, our common stock closed at $5.25 per share. Subsequent to our fiscal year end on August 31, 2008 the stock market in the United States experienced increased volatility and suffered significant losses primarily as a result of the credit and liquidity crises. Due to the serious and unpredictable nature of these factors affecting the stock market, we are unable to determine what, if any, impact these external factors may have upon our stock price in future periods.

We did not pay or declare dividends on our common stock during the fiscal years ended August 31, 2008 or 2007. We currently anticipate that we will retain all available funds to

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repay our line of credit obligation, finance future growth and business opportunities, and to purchase shares of our common stock. We do not intend to pay cash dividends on our common stock in the foreseeable future.

As of November 3, 2008, the Company had 16,879,498 shares of common stock outstanding, which were held by 392 shareholders of record.

Purchases of Common Stock

The following table summarizes Company purchases of common stock during the fiscal quarter ended August 31, 2008:

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs (in thousands)
June 1, 2008 to July 5, 2008	-	$ -	none	$ 2,413
July 6, 2008 to August 2, 2008	-	-	none	2,413
August 3, 2008 to August 31, 2008	3,027,027(1)	9.32	3,027,027	2,413(2)
Total Common Shares	3,027,027	$ 9.32	3,027,027	

(1) During August 2008, we completed a modified "Dutch Auction" tender offer in which we were able to purchase 3,027,027 shares of our common stock for $9.25 per share plus costs necessary to conduct the tender offer.

(2) In January 2006, our Board of Directors approved the purchase of up to $10.0 million of our outstanding common stock. All previous authorized common stock purchase plans were canceled. Following the approval of this common stock purchase plan, we have purchased a total of 1,009,300 shares of our common stock for $7.6 million through August 31, 2008 under the terms of this plan.

Performance Graph

The following graph shows a comparison of cumulative total shareholder return indexed to August 31, 2003, calculated on a dividend reinvested basis, for the five fiscal years ended August 31, 2008, for Franklin Covey Co. common stock, the S&P SmallCap 600 Index, and the S&P Diversified Commercial Services Index. The Company was previously included in the S&P 600 SmallCap Index and was assigned to the S&P Diversified Commercial and Professional Services Index within the S&P 600 SmallCap Index. The Company believes that if it were included in an index it would be included in the indices where it was previously listed. The Diversified Commercial Services Index consists of 7 companies similar in size and nature to Franklin Covey. The Company is no longer a part of the S&P 600 SmallCap Index but believes that the S&P 600 SmallCap Index and the Diversified

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Commercial Services Index continues to provide appropriate benchmarks with which to compare our stock performance.

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ITEM 6. Selected Financial Data

The selected consolidated financial data presented below should be read in conjunction with the consolidated financial statements of Franklin Covey and the related footnotes as found in Item 8 of this report on Form 10-K. During fiscal 2008, we sold substantially all of the assets of our Consumer Solutions Business Unit (CSBU), which was primarily responsible for the sale of our products to consumers. Based upon applicable accounting guidance, the operations of CSBU did not qualify for discontinued operations presentation and therefore no prior periods were adjusted to reflect the sale of the CSBU assets.

August 31,	2008	2007	2006	2005	2004
In thousands, except per share data					
Income Statement Data:					
Net sales	$ 260,092	$ 284,125	$ 278,623	$ 283,542	$ 275,434
Income (loss) from operations	16,760	18,084	14,046	8,443	(9,064)
Net income (loss) before income taxes	13,834	15,665	13,631	9,101	(8,801)
Income tax benefit (provision)(1)	(7,986)	(8,036)	14,942	1,085	(1,349)
Net income (loss)(1)	5,848	7,629	28,573	10,186	(10,150)
Net income (loss) available to common shareholders(1)	5,848	5,414	24,188	(5,837)	(18,885)
Earnings (loss) per share:					
Basic	$ .30	$ .28	$ 1.20	$ (.34)	$ (.96)
Diluted	$ .29	$ .27	$ 1.18	$ (.34)	$ (.96)
Balance Sheet Data:					
Total current assets	$ 67,911	$ 70,103	$ 87,120	$ 105,182	$ 92,229
Other long-term assets	11,768	14,542	12,249	9,051	7,305
Total assets	178,927	196,631	216,559	233,233	227,625
Long-term obligations	38,762	35,178	35,347	46,171	13,067
Total liabilities	100,173	95,712	83,210	100,407	69,146
Preferred stock(2)	-	-	37,345	57,345	87,203
	78,754	100,919	133,349	132,826	158,479

Shareholders' equity

(1) Net income in fiscal 2006 includes the impact of deferred tax asset valuation allowance reversals totaling $20.3 million.

(2) During fiscal 2007, we redeemed all remaining outstanding shares of Series A preferred stock at its liquidation preference of $25 per share plus accrued dividends.

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ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Management's discussion and analysis contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are based upon management's current expectations and are subject to various uncertainties and changes in circumstances. Important factors that could cause actual results to differ materially from those described in forward-looking statements are set forth below under the heading "Safe Harbor Statement Under the Private Securities Litigation Reform Act of 1995."

The Company suggests that the following discussion and analysis be read in conjunction with the Consolidated Financial Statements and related notes as presented in Item 8 of this report on Form 10-K.

INTRODUCTION

The following management's discussion and analysis is intended to provide a summary of the principal factors affecting the results of operations, liquidity and capital resources, contractual obligations, and the critical accounting policies of Franklin Covey Co. (also referred to as the Company, we, us, our, and FranklinCovey, unless otherwise indicated) and subsidiaries. This discussion and analysis should be read together with our consolidated financial statements and related notes, which contain additional information regarding the accounting policies and estimates underlying the Company's financial statements. Our consolidated financial statements and related notes are presented in Item 8 of this report on Form 10-K.

FranklinCovey believes that great organizations consist of great people who form great teams that produce great results. To achieve great results, we seek to improve the effectiveness of organizations and individuals and we are a worldwide leader in providing integrated learning and performance solutions to organizations and individuals that are designed to enhance leadership, strategic execution, productivity, sales force effectiveness, communications, and other skills. Historically, our solutions included products and services that encompassed training and consulting, assessment, and various application tools that were generally available in electronic or paper-based formats. Our products and services were available through professional consulting services, public workshops, retail stores, catalogs, and the Internet at www.franklincovey.com and our best-known offerings in the marketplace included the FranklinCovey Planner™, and a suite of individual-effectiveness and leadership-development training products based on the best-selling book The 7 Habits of Highly Effective People.

Over the past several years, the strategic focus of both our Consumer Solutions Business Unit (CSBU), which was focused primarily on sales of our products, and our Organizational Solutions Business Unit (OSBU), which was focused on the development and delivery of training, consulting, and related services, has changed significantly. As a consequence of these changes in strategic direction, we determined that the extent of overlap between our training and consulting offerings and our products has diminished. After significant analysis and deliberation, it became apparent that these business units would be able to operate more effectively as separate companies, each with clear and distinct strategic objectives, market definitions, and competitive products and services. This conclusion persuaded us to sell substantially all of the operations of the CSBU. During the fourth quarter of our fiscal year ended August 31, 2008, we completed the sale of the CSBU to a newly formed entity, Franklin Covey Products, LLC and reported a gain of $9.1 million from the transaction. Franklin Covey Products, LLC was formed with the objective of expanding the worldwide sales of Franklin Covey products through proprietary channels and through third-party retailers as governed by a comprehensive license agreement with the Company.

Following the sale of the CSBU, we will be able to focus our full resources on the continued expansion of our training, consulting, content-rich media, and thought leadership businesses, which currently operate in 147 countries. Our business will primarily consist of training, consulting, and assessment services and products to help organizations and individuals achieve superior results by focusing on and executing on top priorities, building the capability of knowledge workers, and aligning business processes. Our training, consulting, and assessment offerings include services based upon the popular workshop The 7 Habits of Highly Effective People®; Leadership: Great Leaders—Great Teams—Great

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Results™; The 4 Disciplines of ExecutionTM; FOCUS: Achieving Your Highest Priorities; The 8 Habits of a Successful Marriage; Building Business Acumen; Championing Diversity; Leading at the Speed of Trust; Writing Advantage, and Presentation Advantage. During fiscal 2008, we introduced a new suite of services designed to help our clients improve their sales through increased customer loyalty. We also consistently seek to create, develop, and introduce new services and products that will help our clients achieve greatness.

The key factors that influence our operating results include the number of organizations that are active customers; the number of people trained within those organizations; the availability of budgeted training spending at our clients and prospective clients, which is significantly influenced by general economic conditions; and our ability to manage operating costs necessary to develop and provide meaningful training and related products to our clients.

The sale of the CSBU assets was completed with approximately two months left in our fiscal year ended August 31, 2008, and based upon continuing involvement we will not present the financial results of the CSBU in a discontinued operations format. Refer to Note 2 of the Notes to the Consolidated Financial Statements in Item 8 for a discussion of the components of the gain and the accounting treatment of the sale of the CSBU assets. Since the CSBU accounted for approximately 47 percent of our consolidated sales in fiscal 2007, the sale of the CSBU had a significant impact on our fiscal 2008 financial results and will have an even more pronounced comparative impact on our financial statements in future periods.

Our fiscal year ends on August 31, and unless otherwise indicated, fiscal 2008, fiscal 2007, and fiscal 2006, refers to the twelve-month periods ended August 31, 2008, 2007, and 2006.

RESULTS OF OPERATIONS

Overview of the Fiscal Year ended August 31, 2008

Our fiscal 2008 operating results were significantly affected by the fourth quarter sale of our CSBU operations, which is described above. The sale of our CSBU operations primarily affected our financial statements through reduced product sales in the fourth quarter, a corresponding reduction in our gross profit, reduced selling, general, and administrative expenses, and the recognition of a $9.1 million gain. We used substantially all of the net proceeds from the sale of the CSBU to purchase approximately 3.0 million shares of our common stock for $28.2 million through a modified “Dutch Auction” tender offer that was completed close to August 31, 2008. Since the tender offer was completed so near the end of our fiscal year, it did not have a significant impact on our weighted average shares outstanding or our calculation of earnings per common share for the year.

For the year ended August 31, 2008, our consolidated sales decreased to $260.1 million compared to $284.1 million in fiscal 2007. The decrease in sales was primarily due to the sale of CSBU combined with declining product sales during the fiscal year, which were partially offset by improved training and consulting service sales. For the year ended August 31, 2008, we reported income from operations of $16.8 million, including the gain from the sale of CSBU, compared to $18.1 million in fiscal 2007, and our income before taxes decreased to $13.8 million compared to $15.7 million in the prior year. However, with the favorable impact of reduced preferred dividends resulting from the fiscal 2007 redemption of the remaining preferred stock, our net income available to common shareholders increased to $5.8 million compared to $5.4 million in fiscal 2007.

The following information is intended to provide an overview of the primary factors that influenced our financial results for the fiscal year ended August 31, 2008:

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Sales Performance – Our consolidated sales decreased $24.0 million compared to the prior year primarily due to the sale of CSBU and declining product sales that occurred during fiscal 2008. Our training and consulting services sales increased by $0.4 million compared to fiscal 2007, which was primarily attributable to improvements in sales through our international delivery channels.

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- Gross Profit – Consolidated gross profit decreased to $161.8 million compared to $175.1 million in fiscal 2007. However, our gross margin, which is gross profit stated as a percentage of sales, increased to 62.2 percent compared to 61.6 percent in the prior year. The increase in gross margin was due to increased training and consulting services as a percent of total sales during fiscal 2008 since the majority of our training and consulting services have higher gross margins than our product sales.

- Operating Costs – Our operating costs, excluding the gain on the sale of CSBU and the fiscal 2007 gain on the manufacturing facility, decreased by $4.1 million compared to fiscal 2007. The decrease in operating costs was attributable to a $7.9 million decrease in selling, general, and administrative expense, which was primarily due to the sale of CSBU, that was partially offset by a $2.1 million restructuring charge, a $1.5 million impaired asset charge, and a $0.3 million increase in depreciation expense.

Further details regarding these items can be found in the comparative analysis of fiscal 2008 compared to fiscal 2007 as discussed in this management's discussion and analysis.

The following table sets forth, for the fiscal years indicated, the percentage of total sales represented by the line items through income before income taxes in our consolidated income statements:

YEAR ENDED AUGUST 31,	2008	2007	2006
Training and consulting services sales	53.1%	48.5%	43.9%
Product sales	46.9	51.5	56.1
Total sales	100.0	100.0	100.0
Training and consulting services cost of sales	17.2	15.2	14.6
Product cost of sales	20.6	23.2	25.1
Total cost of sales	37.8	38.4	39.7
Gross profit	62.2	61.6	60.3
Selling, general, and administrative	54.3	52.5	52.0
Gain on sale of CSBU assets	(3.5)	-	-
Gain on sale of manufacturing facility	-	(0.4)	-
Restructuring costs	0.8	-	-
Impairment of assets	0.6	-	-
Depreciation	2.2	1.8	1.9
Amortization	1.4	1.3	1.4
Total operating expenses	55.8	55.2	55.3
Income from operations	6.4	6.4	5.0

Interest income	0.1	0.3	0.5
Interest expense	(1.2)	(1.2)	(0.9)
Recovery from legal settlement	-	-	0.3
Income before income taxes	5.3%	5.5%	4.9%

Segment Review

During the majority of fiscal 2008 we had two operating segments: the Organizational Solutions Business Unit (OSBU) and the Consumer Solutions Business Unit (CSBU). However, during the fourth quarter of fiscal 2008, we completed the sale of substantially all of the assets of the CSBU, which reduced amounts reported by that segment in fiscal 2008 by approximately two monthly reporting periods. The following

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is a description of these segments, their primary operating components, and their significant business activities during the periods reported:

Organizational Solutions Business Unit – The OSBU is primarily responsible for the development, marketing, sale, and delivery of strategic execution, productivity, leadership, sales force performance, and communication training and consulting solutions directly to organizational clients, including other companies, the government, and educational institutions. The OSBU includes the financial results of our domestic sales force, public programs, and certain international operations. The domestic sales force is responsible for the sale and delivery of our training and consulting solutions services in the United States. Our international sales group includes the financial results of our directly owned foreign offices and royalty revenues from licensees.

Consumer Solutions Business Unit – This business unit was primarily focused on sales to individual customers and small business organizations and included the results of our domestic retail stores, consumer direct operations (primarily Internet sales and call center), wholesale operations, international product channels in certain countries, and other related distribution channels, including government product sales and domestic printing and publishing sales. The CSBU results of operations also included the financial results of our paper planner manufacturing operations. Although CSBU sales primarily consisted of products such as planners, binders, software, totes, and related accessories, virtually any component of our leadership, productivity, and strategy execution solutions may have been purchased through our CSBU channels.

The following table sets forth sales data by category and for our operating segments for the periods indicated. For further information regarding our reporting segments and geographic information, refer to Note 19 to our consolidated financial statements as found in Item 8 of this report on Form 10-K (in thousands).

YEAR ENDED AUGUST 31,	2008	Percent change from prior year	2007	Percent change from prior year	2006
Sales by Category:					
Training and consulting services	$ 138,112	-	$ 137,708	12	$ 122,418
Products	121,980	(17) 90.6			

%

$
4,157

Mid-Florida Lakes

Leesburg

FL

MH

290

1,225

1,225

83.4
%

$
5,783

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Property	City	State	MH/RV	Acres [(c)]	Developable Acres [(d)]	Expansion Sites [(e)]	Total Number of Sites as of 12/31/13	Total Number of Annual Sites as of 12/31/13	Annual Site Occupancy as of 12/31/13	Annual Rent as of 12/31/13
Southernaire	Mt. Dora	FL	MH	14			114	114	82.5 %	$3,982
Foxwood	Ocala	FL	MH	56			375	375	78.9 %	$4,820
Oak Bend	Ocala	FL	MH	62	3		262	262	86.3 %	$5,121
Villas at Spanish Oaks	Ocala	FL	MH	69			459	459	86.7 %	$5,067
Audubon	Orlando	FL	MH	40			280	280	94.3 %	$4,797
Hidden Valley	Orlando	FL	MH	50			303	303	99.0 %	$6,405
Starlight Ranch	Orlando	FL	MH	130			783	783	85.1 %	$5,864
Covington Estates	Saint Cloud	FL	MH	59			241	241	96.3 %	$4,547
Parkwood Communities	Wildwood	FL	MH	121			694	694	97.1 %	$3,259
Three Flags RV Resort	Wildwood	FL	RV	23			221	25	100.0 %	$2,264
Winter Garden	Winter Garden	FL	RV	27			350	116	100.0 %	$4,866
Gulf Coast (Tampa/Naples):										
Toby's RV	Arcadia	FL	RV	44			379	248	100.0 %	$2,915
Winter Quarters Manatee	Bradenton	FL	RV	42			415	220	100.0 %	$5,227
Windmill Manor	Bradenton	FL	MH	49			292	292	94.9 %	$6,483
Glen Ellen	Clearwater	FL	MH	12			106	106	93.4 %	$3,828
Hillcrest	Clearwater	FL	MH	25			278	278	95.7 %	$5,323
Holiday Ranch	Clearwater	FL	MH	12			150	150	91.3 %	$5,029
Silk Oak	Clearwater	FL	MH	19			181	181	95.0 %	$5,265
Shady Oaks	Clearwater	FL	MH	31			250	250	95.2 %	$6,018
Shady Village	Clearwater	FL	MH	19			156	156	94.9 %	$5,900
Crystal Isles	Crystal River	FL	RV	38			260	49	100.0 %	$5,549
Lake Haven	Dunedin	FL	MH	48			379	379	94.5 %	$5,952
Colony Cove	Ellenton	FL	MH	538			2,207	2,207	90.4 %	$6,470
Ridgewood Estates	Ellenton	FL	MH	77			380	380	98.9 %	$4,710
Fiesta Key (a)	Long Key	FL	RV	28			324	15	100.0 %	$8,307
	Fort Myers	FL	RV	31			306	99	100.0 %	$6,285

Fort Myers Beach Resort										
Gulf Air Resort	Fort Myers	FL	RV	25			246	149	100.0 %	$ 5,569
Barrington Hills	Hudson	FL	RV	28			392	243	100.0 %	$ 3,465
Down Yonder	Largo	FL	MH	50			361	361	99.7 %	$ 6,416
East Bay Oaks	Largo	FL	MH	40			328	328	100.0 %	$ 5,383
Eldorado Village	Largo	FL	MH	25			227	227	98.2 %	$ 5,413
Shangri La	Largo	FL	MH	14			160	160	90.0 %	$ 5,104
Vacation Village	Largo	FL	RV	29			293	155	100.0 %	$ 4,687
Whispering Pines - Largo	Largo	FL	MH	55			392	392	87.5 %	$ 6,277
Winter Quarters Pasco	Lutz	FL	RV	27			255	192	100.0 %	$ 3,769
Buccaneer	N. Ft. Myers	FL	MH	223	39	162	971	971	98.5 %	$ 6,654
Island Vista MHC	N. Ft. Myers	FL	MH	121			616	616	72.7 %	$ 4,735

Property	City	State	MH/RV	Acres (c)	Developable Acres (d)	Expansion Sites (e)	Total Number of Sites as of 12/31/13	Total Number of Annual Sites as of 12/31/13	Annual Site Occupancy as of 12/31/13	Annual Rent as of 12/31/13
Lake Fairways	N. Ft. Myers	FL	MH	259			896	896	99.0 %	$6,374
Pine Lakes	N. Ft. Myers	FL	MH	314			584	584	99.8 %	$7,912
Pioneer Village	N. Ft. Myers	FL	RV	90			733	368	100.0%	$4,800
The Heritage	N. Ft. Myers	FL	MH	214	22	132	453	453	98.5 %	$6,031
Windmill Village	N. Ft. Myers	FL	MH	69			491	491	91.4 %	$5,200
Country Place	New Port Richey	FL	MH	82			515	515	100.0%	$5,800
Hacienda Village	New Port Richey	FL	MH	66			505	505	98.4 %	$5,529
Harbor View	New Port Richey	FL	MH	69			471	471	96.4 %	$4,662
Bay Lake Estates	Nokomis	FL	MH	34			228	228	94.3 %	$6,870
Lake Village	Nokomis	FL	MH	65			391	391	99.7 %	$6,786
Royal Coachman	Nokomis	FL	RV	111			546	434	100.0%	$6,906
Silver Dollar	Odessa	FL	RV	412			459	393	100.0%	$6,523
Terra Ceia	Palmetto	FL	RV	18			203	147	100.0%	$3,992
Lakes at Countrywood	Plant City	FL	MH	122			424	424	91.3 %	$4,866
Meadows at Countrywood	Plant City	FL	MH	140	13	110	799	799	95.6 %	$5,639
Oaks at Countrywood	Plant City	FL	MH	44			168	168	76.8 %	$4,752
Harbor Lakes	Port Charlotte	FL	RV	80			528	300	100.0%	$5,192
Emerald Lake	Punta Gorda	FL	MH	28			200	200	92.0 %	$4,692
Gulf View	Punta Gorda	FL	RV	78			206	57	100.0%	$4,865
Tropical Palms	Punta Gorda	FL	MH	50			294	294	88.1 %	$4,017
Winds of St. Armands No.	Sarasota	FL	MH	74			471	471	96.8 %	$6,974
Winds of St. Armands So.	Sarasota	FL	MH	61			306	306	99.0 %	$7,079
Peace River		FL	RV	72	38		454	41	100.0%	$2,363

	South Wauchula									
Topics	Spring Hill	FL	RV	35			230	193	100.0 %	$3,149
Pine Island	St. James City	FL	RV	31			363	88	100.0 %	$5,695
Carefree Village	Tampa	FL	MH	58			401	401	96.8 %	$4,959
Tarpon Glen	Tarpon Springs	FL	MH	24			169	169	88.2 %	$5,530
Featherock	Valrico	FL	MH	84			521	521	98.5 %	$4,988
Bay Indies	Venice	FL	MH	210			1,309	1,309	97.0 %	$8,203
Ramblers Rest	Venice	FL	RV	117			647	397	100.0 %	$5,880
Crystal Lakes-Zephyrhills	Zephyrhills	FL	MH	146		140	318	318	95.6 %	$3,622
Sixth Avenue	Zephyrhills	FL	MH	14			140	140	78.6 %	$2,696
Total Florida Market				9,918	410	1,844	51,285	42,476	93.2 %	$5,740
California										
Northern California:										
Monte del Lago	Castroville	CA	MH	54			310	310	97.7 %	$13,061
Colony Park	Ceres	CA	MH	20			186	186	90.9 %	$6,578

Property	City	State	MH/RV	Acres (c)	Developable Acres (d)	Expansion Sites (e)	Total Number of Sites as of 12/31/13	Total Number of Annual Sites as of 12/31/13	Annual Site Occupancy as of 12/31/13	Annual Rent as of 12/31/13
Russian River	Cloverdale	CA	RV	41			135	3	100.0 %	$2,752
Snowflower (h)	Emigrant Gap	CA	RV	612	200		268	—	— %	$—
Four Seasons	Fresno	CA	MH	40			242	242	93.4 %	$4,530
Yosemite Lakes	Groveland	CA	RV	403	30	111	299	3	100.0 %	$676
Tahoe Valley (b) (h)	Lake Tahoe	CA	RV	86	20	200	413	—	— %	$—
Sea Oaks	Los Osos	CA	MH	18			125	125	100.0 %	$6,294
Ponderosa	Lotus	CA	RV	22			170	23	100.0 %	$3,269
Turtle Beach	Manteca	CA	RV	39			79	23	100.0 %	$3,604
Coralwood (b)	Modesto	CA	MH	22			194	194	68.0 %	$8,370
Lake Minden	Nicolaus	CA	RV	165	82	540	323	5	100.0 %	$2,548
Lake of the Springs	Oregon House	CA	RV	954	507	1,014	541	64	100.0 %	$2,719
Concord Cascade	Pacheco	CA	MH	31			283	283	100.0 %	$8,570
San Francisco RV (h)	Pacifica	CA	RV	12			131	—	— %	$—
Quail Meadows	Riverbank	CA	MH	20			146	146	91.8 %	$8,605
California Hawaiian	San Jose	CA	MH	50			418	418	100.0 %	$11,524
Sunshadow (b)	San Jose	CA	MH	30			121	121	100.0 %	$11,361
Village of the Four Seasons	San Jose	CA	MH	30			271	271	100.0 %	$10,704
Westwinds (4 Properties) (b)	San Jose	CA	MH	88			723	723	100.0 %	$12,399
Laguna Lake	San Luis Obispo	CA	MH	100			300	300	99.0 %	$6,342
Contempo Marin	San Rafael	CA	MH	63			396	396	100.0 %	$11,557
	Santa Cruz	CA	MH	30			198	198	96.5 %	$15,291

DeAnza Santa Cruz											
Santa Cruz Ranch RV Resort (h)	Scotts Valley	CA	RV	7			106	—	—	%	$—
Royal Oaks	Visalia	CA	MH	20			149	149	81.9	%	$6,546
Southern California:											
Soledad Canyon	Acton	CA	RV	273			1,251	161	100.0	%	$2,771
Los Ranchos	Apple Valley	CA	MH	30			389	389	95.4	%	$6,432
Date Palm Country Club (b)	Cathedral City	CA	MH	232	3	24	538	538	96.7	%	$11,703
Date Palm RV	Cathedral City	CA	RV	(f)			140	20	100.0	%	$4,785
Oakzanita	Descanso	CA	RV	145	5		146	15	100.0	%	$3,122
Rancho Mesa	El Cajon	CA	MH	20			158	158	98.7	%	$11,863
Rancho Valley	El Cajon	CA	MH	19			140	140	98.6	%	$12,488
Royal Holiday	Hemet	CA	MH	22			196	196	63.8	%	$5,454
Idyllwild	Idyllwild	CA	RV	191			287	41	100.0	%	$2,332
Pio Pico	Jamul	CA	RV	176	10		512	103	100.0	%	$3,717
Wilderness Lakes	Menifee	CA	RV	73			529	45	100.0	%	$3,611
Morgan Hill	Morgan Hill	CA	RV	62			339	31	100.0	%	$3,185
Pacific Dunes Ranch(h)	Oceana	CA	RV	48			215	—	—	%	$—
San Benito	Paicines	CA	RV	199	23		523	52	100.0	%	$2,491

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Property	City	State	MH/RV	Acres (c)	Developable Acres (d)	Expansion Sites (e)	Total Number of Sites as of 12/31/13	Total Number of Annual Sites as of 12/31/13	Annual Site Occupancy as of 12/31/13	Annual Rent as of 12/31/13
Palm Springs	Palm Desert	CA	RV	35			401	36	100.0%	$3,681
Las Palmas	Rialto	CA	MH	18			136	136	99.3 %	$6,812
Parque La Quinta	Rialto	CA	MH	19			166	166	98.2 %	$6,508
Rancho Oso	Santa Barbara	CA	RV	310	40		187	18	100.0%	$3,447
Meadowbrook	Santee	CA	MH	43			338	338	99.7 %	$9,113
Lamplighter	Spring Valley	CA	MH	32			270	270	98.1 %	$12,418
Santiago Estates	Sylmar	CA	MH	113	9		300	300	100.0%	$12,643
Total California Market				5,017	929	1,889	13,688	7,336	96.3 %	$9,438
Arizona										
Countryside RV	Apache Junction	AZ	RV	53			560	263	100.0%	$3,349
Golden Sun RV	Apache Junction	AZ	RV	33			329	200	100.0%	$3,337
Apache East	Apache Junction	AZ	MH	17			123	123	97.6 %	$4,996
Denali Park	Apache Junction	AZ	MH	33			164	163	99.4 %	$4,129
Valley Vista (h)	Benson	AZ	RV	6			145	—	— %	$—
Casita Verde RV	Casa Grande	AZ	RV	14			192	94	100.0%	$2,551
Fiesta Grande RV	Casa Grande	AZ	RV	77			767	518	100.0%	$3,020
Foothills West RV	Casa Grande	AZ	RV	16			188	121	100.0%	$2,432
Sunshine Valley	Chandler	AZ	MH	55			381	381	91.3 %	$5,439
Verde Valley	Cottonwood	AZ	RV	273	129	515	352	55	100.0%	$3,192
Casa del Sol East II	Glendale	AZ	MH	29			239	239	94.6 %	$6,497
Casa del Sol East III	Glendale	AZ	MH	28			235	236	88.9 %	$6,295
Palm Shadows	Glendale	AZ	MH	33			294	294	94.6 %	$5,275
Monte Vista	Mesa	AZ	RV	142	56	515	832	747	100.0%	$5,883

Viewpoint	Mesa	AZ	RV	332	55	467	1,954	1,574	100.0%	$5,695
Hacienda de Valencia	Mesa	AZ	MH	51			364	364	98.6 %	$6,449
The Highlands at Brentwood	Mesa	AZ	MH	45			268	268	100.0%	$7,078
Seyenna Vistas (The Mark)	Mesa	AZ	MH	60	4		410	410	99.3 %	$4,042
Apollo Village	Peoria	AZ	MH	29	3		238	238	99.2 %	$5,622
Casa del Sol West I	Peoria	AZ	MH	31			245	245	98.8 %	$6,170
Carefree Manor	Phoenix	AZ	MH	16			130	130	100.0%	$5,119
Central Park	Phoenix	AZ	MH	37			293	293	100.0%	$6,505
Desert Skies	Phoenix	AZ	MH	24			165	166	100.0%	$5,923
Sunrise Heights	Phoenix	AZ	MH	28			199	199	100.0%	$6,179
Whispering Palms	Phoenix	AZ	MH	15			116	116	98.3 %	$5,003
Desert Vista	Salome	AZ	RV	10			125	1	100.0%	$1,637
Sedona Shadows	Sedona	AZ	MH	48	6	10	198	198	99.5 %	$8,669
Venture In	Show Low	AZ	RV	26			389	278	100.0%	$3,100
Paradise	Sun City	AZ	RV	80			950	794	100.0%	$4,519

Property	City	State	MH/RV	Acres [c]	Developable Acres [d]	Expansion Sites [e]	Total Number of Sites as of 12/31/13	Total Number of Annual Sites as of 12/31/13	Annual Site Occupancy as of 12/31/13		Annual Rent as of 12/31/13
The Meadows	Tempe	AZ	MH	60			390	391	99.7	%	$6,859
Fairview Manor	Tucson	AZ	MH	28			237	237	91.6	%	$4,526
Westpark	Wickenburg	AZ	MH	48			188	188	100.0	%	$6,019
Araby	Yuma	AZ	RV	25			337	304	100.0	%	$3,495
Cactus Gardens	Yuma	AZ	RV	43			430	284	100.0	%	$2,371
Capri RV	Yuma	AZ	RV	20			303	257	100.0	%	$3,097
Desert Paradise	Yuma	AZ	RV	26			260	131	100.0	%	$2,421
Foothill	Yuma	AZ	RV	18			180	73	100.0	%	$2,381
Mesa Verde	Yuma	AZ	RV	28			345	304	100.0	%	$3,010
Suni Sands	Yuma	AZ	RV	34			336	211	100.0	%	$2,871
Total Arizona Market				1,971	253	1,507	13,851	11,088	99.1	%	$4,941
Colorado											
Hillcrest Village	Aurora	CO	MH	72			601	601	92.7	%	$7,087
Cimarron	Broomfield	CO	MH	50			327	327	89.9	%	$7,134
Holiday Village	Co. Springs	CO	MH	38			240	240	80.0	%	$6,848
Bear Creek	Denver	CO	MH	12			124	124	83.9	%	$7,163
Holiday Hills	Denver	CO	MH	99			736	736	77.0	%	$7,251
Golden Terrace	Golden	CO	MH	32			265	265	91.7	%	$7,683
Golden Terrace South	Golden	CO	MH	15			80	80	67.5	%	$7,735
Golden Terrace South RV (h)	Golden	CO	RV	(f)			80	—	—	%	$—
Golden Terrace West	Golden	CO	MH	39	7		316	316	76.6	%	$7,480
Pueblo Grande	Pueblo	CO	MH	33			251	251	62.9	%	$4,272
	Thorton	CO	MH	55			434	434	74.2	%	$7,045

Woodland Hills										
Total Colorado Market				445	7	—	3,454	3,374	81.0 %	$7,045
Northeast										
Stonegate Manor	North Windham	CT	MH	114			372	372	96.0 %	$5,225
Waterford	Bear	DE	MH	159			731	731	95.9 %	$7,147
Whispering Pines	Lewes	DE	MH	67	2		393	393	87.0 %	$5,567
Mariners Cove	Millsboro	DE	MH	101			375	375	96.3 %	$7,621
Aspen Meadows	Rehoboth	DE	MH	46			200	200	100.0 %	$6,213
Camelot Meadows	Rehoboth	DE	MH	61			301	301	99.0 %	$5,831
McNicol	Rehoboth	DE	MH	25			93	93	98.9 %	$5,501
Sweetbriar	Rehoboth	DE	MH	38			146	146	96.6 %	$5,252
The Glen	Norwell	MA	MH	24			36	36	100.0 %	$7,170
Gateway to Cape Cod	Rochester	MA	RV	80			194	56	100.0 %	$2,318
Hillcrest	Rockland	MA	MH	19			82	82	93.9 %	$6,484
Old Chatham RV	South Dennis	MA	RV	47	11		312	270	100.0 %	$4,202
Sturbridge	Sturbridge	MA	RV	223			155	68	100.0 %	$2,094

Property	City	State	MH/RV	Acres [c]	Developable Acres [d]	Expansion Sites [e]	Total Number of Sites as of 12/31/13	Total Number of Annual Sites as of 12/31/13	Annual Site Occupancy as of 12/31/13	Annual Rent as of 12/31/13
Fernwood	Capitol Heights	MD	MH	40			329	329	94.5 %	$5,988
Williams Estates and Peppermint Woods	Baltimore	MD	MH	121			804	804	98.3 %	$6,760
Mount Desert Narrows	Bar Harbor	ME	RV	90	12		206	6	100.0 %	$2,005
Patten Pond	Ellsworth	ME	RV	43	60		137	14	100.0 %	$2,238
Moody Beach	Moody	ME	RV	48			203	84	100.0 %	$2,849
Pinehurst RV Park	Old Orchard Beach	ME	RV	58			550	489	100.0 %	$3,443
Narrows Too	Trenton	ME	RV	42			207	15	100.0 %	$2,240
Forest Lake	Advance	NC	RV	306	81		305	75	100.0 %	$2,503
Scenic	Asheville	NC	MH	28			205	205	80.5 %	$4,235
Waterway RV	Cedar Point	NC	RV	27			336	364	100.0 %	$3,419
Twin Lakes	Chocowinity	NC	RV	132			419	329	100.0 %	$3,062
Green Mountain Park	Lenoir	NC	RV	1,077	400	360	447	178	100.0 %	$1,529
Lake Gaston	Littleton	NC	RV	69			235	159	100.0 %	$2,371
Lake Myers RV	Mocksville	NC	RV	74			425	294	100.0 %	$2,261
Goose Creek	Newport	NC	RV	92	6	51	735	685	100.0 %	$3,780
Sandy Beach RV	Contoocook	NH	RV	40			190	97	100.0 %	$3,285
Tuxbury Resort	South Hampton	NH	RV	193	100		305	169	100.0 %	$3,253
Lake & Shore	Ocean View	NJ	RV	162			401	259	100.0 %	$4,493
Chestnut Lake	Port Republic	NJ	RV	32			185	32	100.0 %	$2,186
Sea Pines	Swainton	NJ	RV	75			549	256	100.0 %	$3,296
Pine Ridge at	Whiting	NJ	MH	188			1,035	1,035	89.7 %	$5,316

Crestwood Rondout Valley Resort	Accord	NY	RV	184	94		398	83	100.0 %	$2,976
Alpine Lake	Corinth	NY	RV	200	54		500	331	100.0 %	$3,036
Lake George Escape	Lake George	NY	RV	178	30		576	41	100.0 %	$3,816
The Woodlands	Lockport	NY	MH	225			1,182	1,182	88.0 %	$5,142
Greenwood Village	Manorville	NY	MH	79	14	7	512	512	99.4 %	$8,465
Brennan Beach	Pulaski	NY	RV	201			1,377	1,188	100.0 %	$2,335
Lake George Schroon Valley	Warrensburg	NY	RV	151			151	70	100.0 %	$2,124
Greenbriar Village	Bath	PA	MH	63			319	319	97.2 %	$6,644
Sun Valley	Bowmansville	PA	RV	86			265	204	100.0 %	$2,793
Green Acres	Breinigsville	PA	MH	149			595	595	93.9 %	$7,646
Gettysburg Farm	Dover	PA	RV	124			265	72	100.0 %	$2,038
Timothy Lake South	East Stroudsburg	PA	RV	65			327	64	100.0 %	$2,040
Timothy Lake North	East Stroudsburg	PA	RV	93			323	138	100.0 %	$2,026
Circle M	Lancaster	PA	RV	103			380	71	100.0 %	$2,107
Hershey Preserve	Lebanon	PA	RV	196	20		297	52	100.0 %	$2,866
Robin Hill	Lenhartsville	PA	RV	44			270	143	100.0 %	$2,617
PA Dutch County	Manheim	PA	RV	102			269	76	100.0 %	$1,924

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Property	City	State	MH/RV	Acres (c)	Developable Acres (d)	Expansion Sites (e)	Total Number of Sites as of 12/31/13	Total Number of Annual Sites as of 12/31/13	Annual Site Occupancy as of 12/31/13	Annual Rent as of 12/31/13
Spring Gulch	New Holland	PA	RV	114			420	132	100.0%	$3,941
Lil Wolf	Orefield	PA	MH	56			271	271	96.3 %	$6,962
Scotrun	Scotrun	PA	RV	63			178	111	100.0%	$1,851
Appalachian	Shartlesville	PA	RV	86	30	200	358	189	100.0%	$2,709
Mountain View - PA	Walnutport	PA	MH	45			188	188	92.6 %	$5,258
Carolina Landing	Fair Play	SC	RV	73			192	55	100.0%	$1,593
Inlet Oaks	Murrells Inlet	SC	MH	35			172	172	97.1 %	$4,129
The Oaks at Point South (h)	Yemassee	SC	RV	10			93	—	— %	$—
Meadows of Chantilly	Chantilly	VA	MH	82			500	500	99.6 %	$11,307
Harbor View (h)	Colonial Beach	VA	RV	69			146	—	— %	$—
Lynchburg	Gladys	VA	RV	170	59		222	19	100.0%	$1,208
Chesapeake Bay	Gloucester	VA	RV	282	80		392	126	100.0%	$2,991
Virginia Landing	Quinby	VA	RV	863	178		233	6	100.0%	$861
Regency Lakes	Winchester	VA	MH	165			523	523	90.8 %	$5,525
Williamsburg	Williamsburg	VA	RV	65			211	75	100.0%	$2,103
Total Northeast Market				8,362	1,231	618	23,703	16,509	94.4 %	$4,879
Midwest										
Hidden Cove	Arley	AL	RV	99	60	200	79	49	100.0%	$2,268
Coach Royale	Boise	ID	MH	12			91	91	74.7 %	$4,757
Maple Grove	Boise	ID	MH	38			271	271	80.1 %	$4,741
Shenandoah Estates	Boise	ID	MH	24			154	154	99.4 %	$5,492
West Meadow Estates	Boise	ID	MH	29			178	178	100.0%	$5,351
O'Connell's	Amboy	IL	RV	286	100	600	668	359	100.0%	$2,952
Pheasant Lake Estates (a)	Beecher	IL	MH	160			613	613	100.0%	$6,807

Pine Country	Belvidere	IL	RV	131			126	133	100.0%	$1,696
Willow Lake Estates	Elgin	IL	MH	111			617	617	83.0 %	$8,177
Golf Vista Estates	Monee	IL	MH	144	4		408	408	92.2 %	$7,278
Indian Lakes	Batesville	IN	RV	545	159	318	1,000	390	100.0%	$1,646
Horseshoe Lakes	Clinton	IN	RV	289	96	96	123	55	100.0%	$1,121
Twin Mills RV	Howe	IN	RV	137	5	50	501	187	100.0%	$2,054
Hoosier Estates	Lebanon	IN	MH	60			288	288	91.7 %	$3,562
Lakeside	New Carlisle	IN	RV	13			89	78	100.0%	$4,753
Oak Tree Village	Portage	IN	MH	76			361	361	67.0 %	$5,336
North Glen Village	Westfield	IN	MH	88			289	289	79.9 %	$4,568
Diamond Caverns Resort	Park City	KY	RV	714	350	469	220	2	100.0%	$1,475
Lake in the Hills	Auburn Hills	MI	MH	51			237	237	89.5 %	$5,630
Bear Cave Resort	Buchanan	MI	RV	25	10		136	10	100.0%	$1,742
Saint Claire	Saint Claire	MI	RV	210	100		229	43	100.0%	$1,500

Property	City	State	MH/RV	Acres (c)	Developable Acres (d)	Expansion Sites (e)	Total Number of Sites as of 12/31/13	Total Number of Annual Sites as of 12/31/13	Annual Site Occupancy as of 12/31/13	Annual Rent as of 12/31/13
Swan Creek	Ypsilanti	MI	MH	59			294	294	96.3 %	$5,532
Cedar Knolls	Apple Valley	MN	MH	93			457	457	81.6 %	$6,809
Cimarron Park	Lake Elmo	MN	MH	230			505	505	83.0 %	$6,942
Rockford Riverview Estates	Rockford	MN	MH	88			429	429	81.6 %	$4,351
Rosemount Woods	Rosemount	MN	MH	50			182	182	93.4 %	$6,603
Buena Vista	Fargo	ND	MH	76			398	398	89.2 %	$4,514
Meadow Park	Fargo	ND	MH	17			116	116	87.9 %	$3,541
Kenisee Lake	Jefferson	OH	RV	143	50		119	65	100.0 %	$1,117
Wilmington	Wilmington	OH	RV	109	41		169	83	100.0 %	$1,702
Natchez Trace	Hohenwald	TN	RV	672	140		531	132	100.0 %	$1,245
Cherokee Landing	Middleton	TN	RV	254	124		339	1	— %	$—
Rainbow Lake Manor (a)	Bristol	WI	MH	99			270	270	95.6 %	$6,673
Fremont	Fremont	WI	RV	98	5		325	107	100.0 %	$2,721
Yukon Trails	Lyndon Station	WI	RV	150	30		214	114	100.0 %	$1,720
Westwood Estates (a)	Pleasant Prairie	WI	MH	95			324	324	91.4 %	$7,046
Plymouth Rock	Plymouth	WI	RV	133			610	423	100.0 %	$2,246
Tranquil Timbers	Sturgeon Bay	WI	RV	125			270	182	100.0 %	$1,959
Neshonoc Lakeside (a)	West Salem	WI	RV				284			
Arrowhead	Wisconsin Dells	WI	RV	166	40	200	377	181	100.0 %	$1,860
Total Midwest Market				5,899	1,314	1,933	12,891	9,076	91.1 %	$4,791

Nevada and Utah										
Mountain View - NV	Henderson	NV	MH	72			354	354	100.0 %	$ 8,441
Las Vegas	Las Vegas	NV	RV	11			217	5	100.0 %	$ 3,183
Bonanza	Las Vegas	NV	MH	43			353	353	60.9 %	$ 5,848
Boulder Cascade	Las Vegas	NV	MH	39			299	299	76.6 %	$ 6,656
Cabana	Las Vegas	NV	MH	37			263	263	98.1 %	$ 7,003
Flamingo West	Las Vegas	NV	MH	37			258	258	100.0 %	$ 7,657
Villa Borega	Las Vegas	NV	MH	40			293	293	77.5 %	$ 7,030
Westwood Village	Farr West	UT	MH	46			314	314	100.0 %	$ 4,967
All Seasons	Salt Lake City	UT	MH	19			121	121	100.0 %	$ 5,796
St. George	Hurricane	UT	RV	26			123	9	100.0 %	$ 1,714
Total Nevada and Utah Market				370	—	—	2,595	2,269	87.7 %	$ 6,754
Northwest										
Cultus Lake (Canada)	Lindell Beach	BC	RV	15			178	43	100.0 %	$ 2,923
Thousand Trails Bend	Bend	OR	RV	289	100	145	351	23	100.0 %	$ 2,483
Pacific City	Cloverdale	OR	RV	105			307	32	100.0 %	$ 3,508
South Jetty	Florence	OR	RV	57			204	3	100.0 %	$ 2,455
Seaside Resort	Seaside	OR	RV	80			251	34	100.0 %	$ 2,895

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Property	City	State	MH/RV	Acres [c]	Developable Acres [d]	Expansion Sites [e]	Total Number of Sites as of 12/31/13	Total Number of Annual Sites as of 12/31/13	Annual Site Occupancy as of 12/31/13	Annual Rent as of 12/31/13
Whaler's Rest Resort	South Beach	OR	RV	39			170	16	100.0 %	$3,360
Mt. Hood	Welches	OR	RV	115	30	202	436	76	100.0 %	$5,822
Shadowbrook	Clackamas	OR	MH	21			156	156	99.4 %	$7,966
Falcon Wood Village	Eugene	OR	MH	23			183	183	97.8 %	$6,469
Quail Hollow (b)	Fairview	OR	MH	21			137	137	92.7 %	$7,884
Birch Bay	Blaine	WA	RV	31			246	20	100.0 %	$2,835
Mt. Vernon	Bow	WA	RV	311			251	30	100.0 %	$3,123
Chehalis	Chehalis	WA	RV	309	85		360	31	100.0 %	$2,449
Grandy Creek	Concrete	WA	RV	63			179	2	100.0 %	$1,988
Tall Chief	Fall City	WA	RV	71			180	31	100.0 %	$4,134
La Conner (b)	La Conner	WA	RV	106	5		319	31	100.0 %	$3,695
Leavenworth	Leavenworth	WA	RV	255	50		266	15	100.0 %	$1,960
Thunderbird Resort	Monroe	WA	RV	45	2		136	16	100.0 %	$2,721
Little Diamond	Newport	WA	RV	360	119		520	5	100.0 %	$1,733
Oceana Resort	Oceana City	WA	RV	16			84	1	100.0 %	$2,033
Crescent Bar Resort	Quincy	WA	RV	14			115	22	100.0 %	$2,656
Long Beach	Seaview	WA	RV	17			144	10	100.0 %	$1,950
Paradise Resort	Silver Creek	WA	RV	60			214	8	100.0 %	$2,071
Kloshe Illahee	Federal Way	WA	MH	50			258	258	99.6 %	$9,471
Total Northwest Market				2,473	391	347	5,645	1,183	98.6 %	$6,321
Texas										
Alamo Palms	Alamo	TX	RV	58			643	368	100.0 %	$3,978
Bay Landing	Bridgeport	TX	RV	443	235		293	50	100.0 %	$2,194
Colorado River	Columbus	TX	RV	218	51		132	16	100.0 %	$3,309
Victoria Palms	Donna	TX	RV	117			1,122	520	100.0 %	$4,909
Lake Texoma	Gordonville	TX	RV	201			301	143	100.0 %	$2,149
Lakewood	Harlingen	TX	RV	30			301	113	100.0 %	$2,146

Paradise Park RV	Harlingen	TX	RV	60		563	286	100.0 %	$ 3,253
Sunshine RV	Harlingen	TX	RV	84		1,027	408	100.0 %	$ 2,592
Tropic Winds	Harlingen	TX	RV	112	74	531	121	100.0 %	$ 3,018
Medina Lake	Lakehills	TX	RV	208	50	387	31	100.0 %	$ 2,161
Paradise South	Mercedes	TX	RV	49		493	208	100.0 %	$ 2,199
Lake Tawakoni (b)	Point	TX	RV	324	11	293	81	100.0 %	$ 1,967
Fun n Sun RV	San Benito	TX	RV	135	40	1,435	619	100.0 %	$ 3,342
Southern Comfort	Weslaco	TX	RV	40		403	327	100.0 %	$ 2,954
Country Sunshine	Weslaco	TX	RV	37		390	182	100.0 %	$ 2,896
Lake Whitney	Whitney	TX	RV	403	158	261	37	100.0 %	$ 2,610

Property	City	State	MH/RV	Acres (c)	Developable Acres (d)	Expansion Sites (e)	Total Number of Sites as of 12/31/13	Total Number of Annual Sites as of 12/31/13	Annual Site Occupancy as of 12/31/13	Annual Rent as of 12/31/13
Lake Conroe	Willis	TX	RV	129	30	300	363	128	100.0 %	$ 3,628
Total Texas Market				2,648	649	300	8,938	3,638	100.0 %	$ 3,268
Grand Total All Markets				37,103	5,184	8,438	136,050	96,949	93.9 %	$ 5,908

(a) Property acquired in 2013.

(b) Land is leased by us under a non-cancelable operating lease. (See Note 12 in the Notes to Consolidated Financial Statements contained in this Form 10-K.)

(c) Acres are approximate. Acreage for some Properties were estimated based upon 10 Sites per acre.

(d) Acres are approximate. There can be no assurance that developable acres will be developed. Development is contingent on many factors including, but not limited to, cost, ability to subdivide, accessibility, infrastructure needs, zoning, entitlement and topography.

(e) Expansion Sites are approximate and only represent Sites that could be developed and is further dependent upon necessary approvals. Certain Properties with Expansion Sites noted may have vacancies and therefore, Expansion Sites may not be added.

(f) Acres for this RV park are included in the acres for the adjacent manufactured home community listed directly above this Property.

(g) Property not operated by us during all of 2013, as the Property is leased to a third party operator.

(h) Property does not contain annual Sites.

Item 3. Legal Proceedings

The legal proceedings disclosure is incorporated herein by reference from Note 18 in the Notes to Consolidated Financial Statements in this Form 10-K.

Item 4. Mine Safety Disclosure

None.

PART II

Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Our common stock is traded on the New York Stock Exchange (“NYSE”) under the symbol ELS. On February 21, 2014, the reported closing price per share of ELS common stock on the NYSE was $39.90 and there were approximately 282 holders of record. The high and low sales prices and closing sales prices on the NYSE and distributions for our common stock during 2013 and 2012 are set forth in the table below (prior period adjusted for stock split):

	Close	High	Low	Distributions Declared
2013				
1st Quarter	$38.40	$38.41	$33.84	$0.2500
2nd Quarter	39.30	42.78	36.60	0.2500
3rd Quarter	34.17	41.68	33.84	0.2500
4th Quarter	36.23	38.68	33.47	0.2500
	Close	High	Low	Distributions Declared
2012				
1st Quarter	$34.87	$35.43	$32.83	$0.2188
2nd Quarter	34.49	35.49	32.24	0.2188
3rd Quarter	34.06	36.58	33.90	0.2188
4th Quarter	33.65	34.75	31.61	0.2188

Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased (a)	Average Price Paid per Share (a)	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet be Purchased Under the Plans or Programs
10/1/13-10/31/13	—	$—	None	None
11/1/13-11/30/13	686	37.27	None	None
12/1/13-12/31/13	30,053	36.46	None	None

(a) Of the common stock repurchased from October 1, 2013 through December 31, 2013, 30,739 shares were repurchased at the open market price and represent common stock surrendered to us to satisfy income tax withholding obligations due as a result of the vesting of Restricted Share Grants. Certain of our executive officers may from time to time adopt non-discretionary, written trading plans that comply with Commission Rule 10b5-1, or otherwise monetize their equity-based compensation. Commission Rule 10b5-1 provides executives with a method to monetize their equity-based compensation in an automatic and non-discretionary manner over time.

Issuance of Certain Securities

Since March 23, 2011, when our 1992 Amended and Restated Stock Option and Stock Award Plan (the "Plan") expired, we granted to certain directors, executive officers and a consultant a total of 383,330 shares of restricted stock net of the number of shares that were subsequently forfeited before vesting (the "Restricted Stock Grants") in private placements exempt from registration. The Restricted Stock Grants were approved by our Board of Directors at the recommendation of the Compensation, Nominating, and Corporate Governance Committee of our Board of Directors (the "Compensation Committee"). The Restricted Stock Grants were subject to conditions and restrictions, including vesting schedule and term, determined by the Compensation Committee. The amount and vesting terms of the Restricted Stock Grants were disclosed in the appropriate periods in our periodic reports on Form 10-Q and Form 10-K, and in our annual proxy statements and in each recipient's Section 16 filings, as applicable. Under Maryland law, the Restricted Stock Grants were duly authorized and validly issued, and pursuant to Section 4(a)(2) of the Securities Act of 1933, as amended, were validly issued private placements exempt from registration. The expiration of the Plan did not materially impact the accounting for these awards. At our 2014 Annual Meeting of Stockholders, we intend to ask our stockholders to ratify the Restricted Stock Grants. The number of shares shown in this section has been adjusted for our two-for-one stock split that was effected by and in the form of a stock dividend in July 2013.

Grant Date	Number Of Shares	Fair Market Value of Shares (in millions) [c]
May 8, 2013	40,000	$1.7
April 10, 2013	2,000	0.1
March 13, 2013 [a]	666	—
February 1, 2013	68,666	2.5
January 31, 2013	62,000	2.2
May 8, 2012	32,000	1.1
January 31, 2012	62,000	2.2
January 31, 2012 [b]	83,998	2.9
May 11, 2011	32,000	0.9
Total	383,330	$13.6

(a) Shares have a fair market value of $24,800.

(b) Net of 36,666 shares with a fair market value of $1.3 million relinquished by senior management.

(c) Fair market value as of the date of the award.

Item 6. Selected Financial Data

The following table sets forth selected financial and operating information on a historical basis. The historical operating data has been derived from our historical financial statements. The following information should be read in conjunction with all of the financial statements and notes thereto included elsewhere in this Form 10-K.

Equity LifeStyle Properties, Inc.

Consolidated Historical Financial Information

(Amounts in thousands, except for per share and property data (prior periods adjusted for stock split))

	Years Ended December 31,				
	2013	2012 [1]	2011 [1]	2010 [1]	2009 [1]
Income Statement Data:					
Total Revenues	$728,375	$683,706	$577,009	$517,299	$508,310
Total Expenses	(653,167)	(621,858)	(537,000)	(458,698)	(459,811)
Equity in income from unconsolidated joint ventures	2,039	1,899	1,948	2,027	2,896
Income from discontinued operations	7,133	6,116	547	—	—
Gain (loss) on sale of property, net of taxes	41,525	4,596	—	(231)	4,866
Consolidated net income	$125,905	$74,459	$42,504	$60,397	$56,261
Net income available for Common Shares	$106,919	$54,779	$22,775	$38,354	$34,005
Comprehensive income attributable to Common Shares	$108,443	$54,742	$20,467	$38,354	$34,005
Earnings per Common Share - Basic:					
Net income available for Common Shares	$1.29	$0.67	$0.32	$0.63	$0.62
Earnings per Common Share - Fully Diluted:					
Net income available for Common Shares	$1.28	$0.66	$0.32	$0.62	$0.61
Distributions declared per Common Share outstanding	$1.00	$0.88	$0.75	$0.60	$0.55
Weighted average Common Shares outstanding - basic	83,018	82,348	71,182	61,034	55,164
Weighted average Common Shares outstanding - fully diluted	91,196	90,862	80,660	71,036	65,888
Balance Sheet Data:					
Real estate, before accumulated depreciation	$4,228,106	$4,044,650	$3,960,692	$2,584,987	$2,538,215
Total assets	3,391,639	3,398,226	3,496,101	2,048,395	2,166,319
Total mortgage notes and term loan	2,192,368	2,261,610	2,276,250	1,012,919	1,547,901
Non-controlling interest preferred OP Units	—	—	—	200,000	200,000
Series A Preferred Stock [2]	—	—	200,000	—	—
Series C Preferred Stock [2]	136,144	136,144	—	—	—
Total Common Equity [3]	827,061	788,158	799,280	260,158	254,427
Other Data:					
Funds from operations [4]	$191,049	$209,993	$147,457	$125,989	$120,443

Normalized funds from operations [4]	$232,298	$209,688	$165,950	$130,001	$121,137
Total Properties (at end of period) [5]	377	383	382	307	304
Total Sites (at end of period) [5]	139,126	142,679	141,132	111,002	110,575

1. Certain prior year amounts have been reclassified to conform to the 2013 presentation. These reclassifications had no material effect on the consolidated financial statements.
2. In 2011, we, on behalf of selling stockholders, closed on a public offering of Series A Cumulative Redeemable Perpetual Preferred Stock ("Series A Preferred Stock"). The selling stockholders received the Series A Preferred Stock in exchange for $200 million of previously issued series D and series F Perpetual Preferred OP Units. In 2012, we issued 54,458 shares of Series C Preferred Stock which are represented by Depositary Shares. We also exchanged 5,445,765 shares of our Series A Preferred Stock for 5,445,765 Depositary Shares, each representing 1/100th of a share of Series C Preferred Stock. Also in 2012, we redeemed the remaining 2,554,235 of Series A Preferred Stock.
3. In 2011, we issued 12,075,000 shares of common stock in an equity offering for proceeds of approximately $344.0 million, net of offering costs. During the year ended December 31, 2011, we issued 3,416,552 shares of Common Stock and 1,740,000 shares of Series B Subordinated Non-Voting Cumulative Preferred Stock (the "Series B Preferred Stock") with an aggregate value of $224.2 million, net of offering costs, to partially fund the purchase of the 2011 Acquisition Properties. All of the Series B Preferred Stock was redeemed for Common Stock. In 2009, we issued 9.2 million shares of common stock in an equity offering for proceeds of approximately $146.4 million, net of offering costs.
4. Refer to Item 7 contained in this Form 10-K for information regarding why we present funds from operations and normalized funds from operations and for a reconciliation of these non-GAAP financial measures to net income.
5. In 2011, we closed on the acquisition of the 2011 Acquisition Properties which consisted of 74 manufactured home communities and one RV resort containing 30,129 Sites on approximately 6,400 acres located in 16 states.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with "Selected Financial Data" and the historical Consolidated Financial Statements and Notes thereto appearing elsewhere in this Form 10-K.

2013 Accomplishments

- Core occupancy increased by 312 Sites to a total of 91.8% at year end.
- Closed on the acquisition of two RV resorts and three manufactured homes communities for a total purchase price of approximately $134 million.
- Closed on the disposition of 11 non-core Michigan Properties and recognized a gain on sale of real estate of approximately $41 million.
- We entered into an agreement with an unaffiliated third party to create a joint venture named ECHO Financing, LLC, to buy and sell homes, as well as to offer another financing option to purchasers of homes at our Properties.
- Effected a two-for-one split of our common stock, by and in the form of a stock dividend.
- Amended our charter to increase from 100,000,000 to 200,000,000 the number of shares of our common stock we are authorized to issue.
- Raised the annual dividend to $1.00 per share in 2013, an increase of more than 14% compared to $0.875 per share in 2012.
- We closed on approximately $375.5 million of refinancing proceeds on 22 Properties. In addition, we defeased approximately $312.2 million of debt secured by 29 manufactured home communities and paid off 16 maturing mortgages totaling approximately $99.8 million.

Overview and Outlook

Occupancy in our Properties as well as our ability to increase rental rates directly affects revenues. Our revenue streams are predominantly derived from customers renting our Sites on a long-term basis.

The following table shows the breakdown of our Sites by type. Our community Sites and annual resort Sites are leased on an annual basis. Seasonal Sites are leased to customers generally for three to six months. Transient Sites are leased to customers on a short-term basis. The revenue from seasonal and transient Sites is generally higher during the first and third quarters. We expect to service over 100,000 customers at our transient Sites in 2014 and we consider this revenue stream to be our most volatile as it is subject to weather conditions and other factors affecting the marginal RV customer's vacation and travel preferences. Sites designated as right-to-use Sites are primarily utilized to service the approximately 98,300 customers who have entered into right-to-use contracts. We also have interests in joint venture Properties for which revenue is classified as Equity in income from unconsolidated joint ventures in the Consolidated Statements of Income and Comprehensive Income.

	Total Sites as of December 31, 2013
Community Sites	69,900
Resort Sites:	
Annual	23,400
Seasonal	9,100
Transient	9,500
Right-to-use (1)	24,100
Joint Ventures (2)	3,100
	139,100

(1) Includes approximately 4,800 Sites rented on an annual basis.

(2) Joint ventures have approximately 2,200 annual Sites, approximately 400 seasonal Sites and approximately 500 transient Sites.

The following comparisons exclude the results from the 11 Properties that have been reclassified to "Discontinued operations" on the Consolidated Statements of Income and Comprehensive Income (see Note 5 in the Notes to the

Consolidated Financial Statements contained in this Form 10-K).

A significant portion of our rental agreements on community Sites tie rent increases directly or indirectly to published Consumer Price Index ("CPI") statistics that are issued from June through September of the year prior to the increase effective date. We currently expect our 2014 Core community base rental income to increase approximately 2.3% compared to 2013. The expected increase consists of a 2.0% rate increase, net of a 0.5% reduction related to unbundling of utilities and other charges, and occupancy gains of approximately 0.3%.

Nineteen of our 49 California Properties, our seven Delaware Properties and one of our five Massachusetts Properties are affected by state and local rent control regulations. The impact of the rent control regulations is to limit our ability to implement rent increases based on prevailing market conditions. The regulations generally provide the ability to increase rates by a percentage of the increase in the CPI. The limit on rent increases may range from 60% to 100% of CPI with certain maximum limits depending on the jurisdiction.
We believe the disruption in the site-built housing market has impacted our home sales business. Customers' inability to sell their existing site-built homes and relocate to their retirement destination has significantly reduced new home sales volumes since 2007. While we believe available affordable chattel financing is improving, we still believe it is impacting customer purchase decisions in the current economic environment. We entered into a new joint venture named ECHO Financing, LLC to buy and sell homes, as well as to offer another financing option to purchasers of homes at our Properties. Chattel financing options available today include community owner funded programs or third party lender programs which provide subsidized financing to customers and require the community owner to guarantee customer defaults. Third party lender programs have stringent underwriting criteria, sizable down payment requirements, short loan amortization and high interest rates.
In this environment, we believe that customer demand for rentals, which do not require a down payment, is high. We are responding to this by renting our vacant new and used homes. This may represent an attractive source of occupancy as we transition from renters to new home buyers in the future. We are also focusing on sales of homes within our manufactured home Properties. Our Core Portfolio (as defined below) used home sales in our manufactured home communities during the year ended December 31, 2013 increased 29% over the same period of the prior year. As of December 31, 2013, we had 5,471 occupied manufactured home rentals. For the year ended December 31, 2013 and 2012, rental program net operating income was approximately $39.0 million and $32.4 million, respectively, net of rental asset depreciation expense of approximately $6.5 million and $5.6 million, respectively. Approximately $38.7 million and $32.7 million of rental operations revenue was included in community base rental income for the year ended December 31, 2013 and 2012, respectively. We believe that, unlike the new home sales business, at this time we compete effectively with other types of rentals (i.e., apartments). We continue to evaluate home rental operations and may continue to invest in additional units.
In our resort Properties, we are focused on engaging with our existing customers and providing them the lifestyle they seek as well as attracting additional customers interested in our Properties. We continue to see growth in our annual revenues. 2013 Core annual revenues were 3.9% higher than 2012. Our customer base is loyal and engaged in the lifestyle we offer at our Properties. We have annual customers who have stayed ten years with us and our member base includes members who have camped with us for more than twenty years. Our social media presence has increased within this member base.

In the spring of 2010, we introduced low-cost membership products that focus on the installed base of approximately nine million RV owners. Such products include right-to-use contracts that entitle the customer to use certain Properties. We are offering a Zone Park Pass ("ZPP"), which can be purchased for one to five zones of the United States and requires annual payments. Beginning on February 1, 2013, the required annual payments increased from $499 to $525. The ZPP replaces high cost products that were typically entered into at Properties after tours and lengthy sales presentations. Prior to 2010, we incurred significant costs to generate leads, conduct tours and make sales presentations. A single zone ZPP requires no additional upfront payment while additional zones may be purchased for modest additional upfront payments. Since inception we have entered into approximately 37,700 ZPPs. For the year ended December 31, 2013, we entered into approximately 15,500 ZPPs, or a 53.5% increase from approximately 10,100 ZPPs for the year ended December 31, 2012. Of the 15,500 ZPP's activated during the year ended December 31, 2013, 8,800 were sold to dues paying members.

In 2012, we initiated a program with RV dealers to feature our ZPP as part of the dealers' sales and marketing efforts. In return, we provide the dealer with a ZPP membership to give to their customers in connection with the purchase of an RV. Since the inception of the ZPP program with the RV dealers, we have activated 7,607 ZPPs. While certain RV dealers make up-front cash payments in exchange for the ZPP they bundle with an RV sale, no cash is received from the members during the first year of membership for memberships activated through the RV dealer program. Through the year ended December 31, 2013, memberships activated through the RV dealer program have contributed approximately $2.2 million of non-cash revenue which was offset by non-cash expense related to the sales and marketing activity. Going forward, we will no longer recognize non-cash revenue or expenses related to these memberships.

Existing customers are eligible to upgrade their right-to-use contract from time-to-time. An upgrade is currently distinguishable from a new right-to-use contract that a customer would enter into by, depending on the type of upgrade, offering (1) increased length of consecutive stay by 50% (i.e., up to 21 days); (2) ability to make earlier advance reservations; (3) discounts on rental units; (4) access to additional Properties, which may include use of Sites at non-membership RV Properties and (5) membership in discount travel programs. Each upgrade contract requires a nonrefundable upfront payment. We may finance the nonrefundable upfront payment.

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

Property Acquisitions, Joint Ventures and Dispositions

The following chart lists the Properties or portfolios acquired, invested in, or sold since January 1, 2012 through December 31, 2013.

Property	Transaction Date	Sites	
Total Sites as of January 1, 2012		141,132	
Property or Portfolio (# of Properties in parentheses):			
Acquisitions:			
Victoria Palms (1)	December 28, 2012	1,122	
Alamo Palms Resort (1)	December 28, 2012	643	
Pheasant Lake (1)	August 1, 2013	613	
Rainbow Lake (1)	August 1, 2013	270	
Westwood Estates (1)	August 1, 2013	324	
Fiesta Key (1)	September 16, 2013	324	
Neshonoc (1)	December 17, 2013	284	
Expansion Site Development and other:			
Sites added (reconfigured) in 2012		(55	)
Sites added (reconfigured) in 2013		(24	)
Dispositions:			
Cascade (1)	December 7, 2012	(163	)
Avon on the Lake (1)	July 23, 2013	(616	)
Cranberry Lake (1)	July 23, 2013	(328	)
Fairchild Lake (1)	July 23, 2013	(344	)
Grand Blanc Crossing (1)	July 23, 2013	(478	)
Holly Hills (1)	July 23, 2013	(241	)
Oakland Glens (1)	July 23, 2013	(724	)
Old Orchard (1)	July 23, 2013	(200	)
Royal Estates (1)	July 23, 2013	(183	)
Westbrook (1)	July 23, 2013	(387	)
Westbridge Manor (1)	July 23, 2013	(1,424	)
Ferrand Estates (1)	September 25, 2013	(419	)
Total Sites as of December 31, 2013		139,126	

The gross investment in real estate has increased approximately $183 million to $4,228 million as of December 31, 2013 from $4,045 million as of December 31, 2012 primarily due to the aforementioned acquisitions of Properties during the period.

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Markets

The following table identifies our largest markets by number of Sites and provides information regarding our Properties (excluding five Properties owned through Joint Ventures).

Major Market	Total Sites	Number of Properties	Percent of Total Sites		Percent of Total Property Operating Revenues [1]	
Florida	51,285	118	37.7	%	40.7	%
Northeast	23,704	66	17.4	%	15.0	%
Arizona	13,851	39	10.2	%	9.8	%
California	13,688	48	10.1	%	15.7	%
Midwest	12,891	40	9.5	%	6.7	%
Texas	8,938	17	6.6	%	3.1	%
Northwest	5,645	24	4.1	%	3.1	%
Colorado	3,454	10	2.5	%	3.3	%
Other	2,595	10	1.9	%	2.6	%
Total	136,051	372	100.0	%	100.0	%

(1) Property operating revenues for this calculation excludes approximately $13.7 million of property operating revenue not allocated to Properties, which consists primarily of upfront payments from right-to-use contracts.

Qualification as a REIT

We believe that we have qualified for taxation as a real estate investment trust (“REIT”) for U.S. federal income tax purposes since our taxable year ended December 31, 1993. We plan to continue to meet the requirements for taxation as a REIT. Many of these requirements, however, are highly technical and complex. For example, to qualify as a REIT, at least 95% of our gross income must come from sources that are itemized in the REIT tax laws. We are also required to distribute to stockholders at least 90% of our REIT taxable income computed without regard to our deduction for dividends paid and our net capital gain.The fact that we hold our assets through the Operating Partnership and our Subsidiaries further complicates the application of the REIT requirements.

If we fail to qualify as a REIT, we would be subject to U.S. federal income tax at regular corporate rates. Also, unless the IRS granted us relief under certain statutory provisions, we would remain disqualified as a REIT for four years following the year we first failed to qualify. Even if we qualify for taxation as a REIT, we are subject to certain foreign, state and local taxes on our income and property and U.S. federal income and excise taxes on our undistributed income.

Results of Operations

Comparison of Year Ended December 31, 2013 to Year Ended December 31, 2012

The following tables for the comparison of the year ended December 31, 2013 to the year ended December 31, 2012 exclude the results from the 11 Properties that have been reclassified to “Discontinued operations” on the Consolidated Statements of Income and Comprehensive Income.

Income from Property Operations

The following table summarizes certain financial and statistical data for the Property Operations for all Properties owned and operated for the same period in both years ("Core Portfolio") and the total portfolio for the years ended December 31, 2013 and 2012 (amounts in thousands). The Core Portfolio may change from time-to-time depending on acquisitions, dispositions and significant transactions or unique situations. The Core Portfolio in this comparison of the year ended December 31, 2013 to December 31, 2012 includes all Properties acquired on or prior to December 31, 2011 and which we have owned and operated continuously since January 1, 2012. Core Portfolio growth percentages exclude the impact of GAAP deferrals of upfront payments from right-to-use contracts and related commissions.

	Core Portfolio				Total Portfolio			
	2013	2012	Variance	% Change	2013	2012	Variance	% Change
Community base rental income	$406,579	$394,592	$11,987	3.0 %	$409,801	$394,606	$15,195	3.9 %
Rental home income	14,236	11,649	2,587	22.2 %	14,267	11,649	2,618	22.5 %
Resort base rental income	141,261	134,273	6,988	5.2 %	147,234	134,327	12,907	9.6 %
Right-to-use annual payments	47,967	47,662	305	0.6 %	47,967	47,662	305	0.6 %
Right-to-use contracts current period, gross	13,142	13,433	(291)	(2.2)%	13,142	13,433	(291)	(2.2)%
Utility and other income	63,119	62,461	658	1.1 %	63,800	62,470	1,330	2.1 %
Property operating revenues, excluding deferrals	686,304	664,070	22,234	3.3 %	696,211	664,147	32,064	4.8 %
Property operating and maintenance	225,653	220,295	5,358	2.4 %	229,897	220,415	9,482	4.3 %
Rental home operating and maintenance	7,443	6,369	1,074	16.9 %	7,474	6,369	1,105	17.3 %
Real estate taxes	47,479	45,563	1,916	4.2 %	48,279	45,590	2,689	5.9 %
Sales and marketing, gross	12,835	10,845	1,990	18.3 %	12,836	10,845	1,991	18.4 %
Property operating expenses, excluding deferrals and Property management	293,410	283,072	10,338	3.7 %	298,486	283,219	15,267	5.4 %
Income from property operations, excluding deferrals and Property management	392,894	380,998	11,896	3.1 %	397,725	380,928	16,797	4.4 %
Property management	40,193	37,999	2,194	5.8 %	40,193	37,999	2,194	5.8 %
Income from property operations, excluding deferrals	$352,701	$342,999	$9,702	2.8 %	$357,532	$342,929	$14,603	4.3 %

The 3.0% increase in Core Portfolio community base rental income primarily reflects a 2.4% increase in rates and a 0.6% increase in occupancy. The average monthly base rent per site increased to $538 in 2013 from $525 in 2012. The average occupancy increased to 91.8% in 2013 from 91.2% in 2012. The increase in property operating and maintenance expenses was primarily driven by repair and maintenance which includes non-recurring, storm related expenses, utility expenses due to higher electric and water expenses, and insurance.

Resort base rental income is comprised of the following (amounts in thousands):

	Core Portfolio				Total Portfolio			
	2013	2012	Variance	% Change	2013	2012	Variance	% Change
Annual	$90,575	$87,168	$3,407	3.9 %	$94,668	$87,222	$7,446	8.5 %
Seasonal	22,196	21,077	1,119	5.3 %	22,898	21,077	1,821	8.6 %
Transient	28,490	26,028	2,462	9.5 %	29,668	26,028	3,640	14.0 %
Resort base rental income	$141,261	$134,273	$6,988	5.2 %	$147,234	$134,327	$12,907	9.6 %

The increase in rental home income and rental home operating and maintenance are discussed in further detail in the Rental Operations table below.

The 0.6% increase in right-to-use annual payments is primarily due to an increase in member count. During the year ending December 31, 2013, our member count increased by 1,590 members compared to the same period in 2012. Right-to-use contracts current period, gross, net of sales and marketing, gross, decreased primarily due to an increase in sales and marketing expenses.

The following growth rate percentages exclude property management expense (amounts in thousands):

	Core Portfolio				Total Portfolio			
	2013	2012	Variance	% Change	2013	2012	Variance	% Change
Property operating revenues, excluding Right-to-use contracts current period, gross	$673,162	$650,637	$22,525	3.5 %	$683,069	$650,714	$32,355	5.0 %
Property operating expenses, excluding Sales and marketing, gross	280,575	272,227	8,348	3.1 %	285,650	272,374	13,276	4.9 %
Income from property operations, excluding Right-to-use contracts current period, gross and Sales and marketing, gross	$392,587	$378,410	$14,177	3.7 %	$397,419	$378,340	$19,079	5.0 %

The increase in total portfolio income from property operations is primarily due an increase in rates and occupancy in community base rental income and resort base rental income due to increases in annual, seasonal, and transient revenues partially offset by the property operating and maintenance increases described above.

Home Sales Operations

The following table summarizes certain financial and statistical data for the Home Sales Operations for the years ended December 31, 2013 and 2012 (amounts in thousands, except home sales volumes).

	2013	2012	Variance	% Change
Gross revenues from new home sales	$4,836	$1,698	$3,138	184.8 %
Cost of new home sales	(4,315)	(1,440)	(2,875)	(199.7)%
Gross profit from new home sales	521	258	263	101.9 %
Gross revenues from used home sales	13,035	6,532	6,503	99.6 %
Cost of used home sales	(12,981)	(7,578)	(5,403)	(71.3)%
Gross profit (loss) from used home sales	54	(1,046)	1,100	(105.2)%
Brokered resale revenues and ancillary services revenues, net	4,212	3,093	1,119	36.2 %
Home selling expenses	(2,085)	(1,391)	(694)	(49.9)%
Income from home sales operations and other	$2,702	$914	$1,788	195.6 %
Home sales volumes:				
New home sales [(1)]	109	35	74	211.4 %
Used home sales	1,588	1,306	282	21.6 %
Brokered home resale	835	906	(71)	(7.8)%

(1) Includes 26 home sales through our Echo joint venture and one third-party dealer sale for the year ended December 31, 2013. Includes one third-party home sale for the year ended December 31, 2012.

The increase in income from home sales operations and other is primarily due to an increase in home sales volume at generally higher prices resulting in higher gross profits on used home sales as well as ancillary operations throughout our portfolio.

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Rental Operations

The following table summarizes certain financial and statistical data for manufactured home Rental Operations for the years ended December 31, 2013 and 2012 (amounts in thousands, except rental unit volumes).

	2013	2012	Variance	% Change
Manufactured homes:				
New Home	$22,278	$17,932	$4,346	24.2 %
Used Home	30,715	26,417	4,298	16.3 %
Rental operations revenue [(1)]	52,993	44,349	8,644	19.5 %
Rental home operating and maintenance	(7,474)	(6,369)	(1,105)	(17.3)%
Income from rental operations	45,519	37,980	7,539	19.8 %
Depreciation on rental homes [(2)]	(6,535)	(5,553)	(982)	(17.7)%
Income from rental operations, net of depreciation	$38,984	$32,427	$6,557	20.2 %
Gross investment in new manufactured home rental units	$114,136	$105,733	$8,403	7.9 %
Gross investment in used manufactured home rental units	$63,736	$59,809	$3,927	6.6 %
Net investment in new manufactured home rental units	$101,073	$96,194	$4,879	5.1 %
Net investment in used manufactured home rental units	$54,871	$53,959	$912	1.7 %
Number of occupied rentals—new, end of period	2,140	1,834	306	16.7 %
Number of occupied rentals—used, end of period	3,331	3,230	101	3.1 %

(1) Approximately $38.7 million and $32.7 million as of December 31, 2013 and 2012, respectively, of site rental income are included in Community base rental income in the Income from Property Operations table. The remainder of home rental income is included in rental home income in the Income from Property Operations table.

(2) Included in depreciation on real estate and other costs in the Consolidated Statements of Income and Comprehensive Income.

The increase in income from rental operations is primarily due to the increase in the number of occupied rental units. In the ordinary course of business, we acquire used homes from customers through purchase, lien, sale or abandonment. In a vibrant new home sale market older homes may be removed from Sites and replaced with new homes. In the current environment, however, used homes may be rented either in the condition received or after warranted rehabilitation. We continue to evaluate rental units and, depending on market conditions, may invest in new homes.

Other Income and Expenses

The following table summarizes other income and expenses for the years ended December 31, 2013 and 2012 (amounts in thousands).

	2013	2012	Variance	% Change
Depreciation on real estate and rental homes	$(108,229)	$(102,083)	$(6,146)	(6.0)%
Amortization of in-place leases	(1,940)	(39,467)	37,527	95.1 %
Interest income	8,260	8,135	125	1.5 %
Income from other investments, net	7,515	6,795	720	10.6 %
General and administrative (excluding transaction costs)	(26,248)	(26,231)	(17)	(0.1)%
Transaction costs	(1,963)	(157)	(1,806)	(1,150.3)%
Early debt retirement	(37,844)	—	(37,844)	(100.0)%
Rent control initiatives and other	(2,771)	(1,456)	(1,315)	(90.3)%
Interest and related amortization	(118,522)	(123,992)	5,470	4.4 %
Total other expenses, net	$(281,742)	$(278,456)	$(3,286)	(1.2)%

During the year ended December 31, 2013, we recorded an additional $3.5 million in depreciation expense to correct amounts recorded in prior periods related to certain assets. In addition, there is an increase in rental home depreciation driven by a higher number of rental homes.

Amortization of in-place leases decreased primarily due to the expected term of in-place leases. In-place lease amortization in 2013 includes the amortization of in-place leases at five Properties and in 2012 included the amortization at 75 Properties.

Income from other investments, net increased primarily due to net insurance proceeds of $1.6 million related to the settlement of the hurricane litigation and miscellaneous corporate income of $0.5 million offset by the $1.4 million expense of the contingent

asset related to our Colony Cove property (see Note 5 in the Notes to Consolidated Financial Statements contained in this Form 10-K).
Early debt retirement expenses increased primarily due to defeasance costs associated with the early retirement of 29 mortgages (see Note 8 in the Notes to Consolidated Financial Statements in this Form 10-K). This also contributed to the decrease in interest and related amortization. Transaction costs increased due to litigation settlement costs of $0.9 million and acquisition costs of $1.0 million. Rent control initiatives and other increased primarily due to a payment of approximately $1.4 million related to an award of attorney’s fees and costs to the City of San Rafael in the rent control litigation (see Note 18 in the Notes to Consolidated Financial Statements contained in this Form 10-K).

Comparison of Year Ended December 31, 2012 to Year Ended December 31, 2011
The following tables for the comparison of the year ended December 31, 2012 to the year ended December 31, 2011 exclude the results from the 11 Properties that have been reclassified to “Discontinued operations” on the Consolidated Statements of Income and Comprehensive Income.
Income from Property Operations
The following table summarizes certain financial and statistical data for the Property Operations for all Properties owned and operated for the same period in both years (“Core Portfolio”) and the total portfolio for the years ended December 31, 2012 and 2011 (amounts in thousands). The Core Portfolio may change from time-to-time depending on acquisitions, dispositions and significant transactions or unique situations. The Core Portfolio in this comparison of the year ended December 31, 2012 to December 31, 2011 includes all Properties acquired on or prior to December 31, 2010 and which we have owned and operated continuously since January 1, 2011. Core Portfolio growth percentages exclude the impact of GAAP deferrals of upfront payments from right-to-use contracts entered and related commissions.

	Core Portfolio				Total Portfolio			
	2012	2011	Variance	% Change	2012	2011	Variance	% Change
Community base rental income	$274,362	$266,584	$7,778	2.9 %	$394,606	$309,230	$85,376	27.6 %
Rental home income	8,125	6,340	1,785	28.2 %	11,649	7,245	4,404	60.8 %
Resort base rental income	133,749	130,432	3,317	2.5 %	134,327	130,489	3,838	2.9 %
Right-to-use annual payments	47,662	49,122	(1,460)	(3.0)%	47,662	49,122	(1,460)	(3.0)%
Right-to-use contracts current period, gross	13,433	17,856	(4,423)	(24.8)%	13,433	17,856	(4,423)	(24.8)%
Utility and other income	51,657	49,552	2,105	4.2 %	62,470	53,116	9,354	17.6 %
Property operating revenues, excluding deferrals	528,988	519,886	9,102	1.8 %	664,147	567,058	97,089	17.1 %
Property operating and maintenance	188,542	186,947	1,595	0.9 %	220,415	197,781	22,634	11.4 %
Rental home operating and maintenance	4,662	3,896	766	19.7 %	6,369	4,493	1,876	41.8 %
Real estate taxes	32,719	32,111	608	1.9 %	45,590	36,528	9,062	24.8 %
Sales and marketing, gross	10,841	11,218	(377)	(3.4)%	10,845	11,218	(373)	(3.3)%
	236,764	234,172	2,592	1.1 %	283,219	250,020	33,199	13.3 %

Property operating expenses, excluding deferrals and Property management									
Income from property operations, excluding deferrals and Property management	292,224	285,714	6,510	2.3 %	380,928	317,038	63,890	20.2	%
Property management	33,087	33,158	(71)	(0.2)%	37,999	34,846	3,153	9.0	%
Income from property operations, excluding deferrals	$259,137	$252,556	$6,581	2.6 %	$342,929	$282,192	$60,737	21.5	%

The 2.9% increase in Core Portfolio community base rental income primarily reflects a 2.3% increase in rates and a 0.6% increase in occupancy. The average monthly base rent per site increased to $567 in 2012 from $554 in 2011. The average occupancy increased to 91.5% in 2012 from 90.9% in 2011.

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Resort base rental income is comprised of the following (amounts in thousands):

	Core Portfolio				Total Portfolio			
	2012	2011	Variance	% Change	2012	2011	Variance	% Change
Annual	$86,753	$83,324	$3,429	4.1 %	$87,222	$83,328	$3,894	4.7 %
Seasonal	20,982	20,670	312	1.5 %	21,077	20,718	359	1.7 %
Transient	26,014	26,438	(424)	(1.6)%	26,028	26,443	(415)	(1.6)%
Resort base rental income	$133,749	$130,432	$3,317	2.5 %	$134,327	$130,489	$3,838	2.9 %

The increase in rental home income and rental home operating and maintenance are discussed in further detail in the Rental Operations table below.

During the year ended December 31, 2012, utility and other income includes the accelerated recognition of $2.1 million of revenue related to the early termination of a multi-year cable service agreement.

The Core Portfolio and Total Portfolio property operating revenues for the year ended December 31, 2012 were negatively impacted by the temporary cessation of the entry of right-to-use contracts (membership upgrades) in connection with third party sales force training and the roll out of new membership upgrade products during the year ended December 31, 2012. As a result, membership upgrade sales, which are included in right-to-use contracts current period, gross, were down $4.4 million compared to the year ended December 31, 2011. The decrease in right-to-use contracts for the year ended December 31, 2012 was offset by a $0.4 million decrease in sales and marketing expenses, resulting in a net decline of $4.0 million from these activities compared to the year ended December 31, 2011.

The following growth rate percentages exclude property management expense (amounts in thousands):

	Core Portfolio				Total Portfolio			
	2012	2011	Variance	% Change	2012	2011	Variance	% Change
Property operating revenues, excluding Right-to-use contracts current period, gross	$515,555	$502,030	$13,525	2.7 %	$650,714	$549,202	$101,512	18.5 %
Property operating expenses, excluding Sales and marketing, gross	225,923	222,954	2,969	1.3 %	272,374	238,802	33,572	14.1 %
Income from property operations, excluding Right-to-use contracts current period, gross and Sales and marketing, gross	$289,632	$279,076	$10,556	3.8 %	$378,340	$310,400	$67,940	21.9 %

The increase in Total Portfolio income from property operations is primarily due to the acquisition of the 2011 Acquisition Properties on various dates during the six months ended December 31, 2011.

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Home Sales Operations

The following table summarizes certain financial and statistical data for the Home Sales Operations for the years ended December 31, 2012 and 2011 (amounts in thousands, except home sales volumes).

	2012	2011	Variance	% Change
Gross revenues from new home sales	$1,698	$2,278	$(580)	(25.5)%
Cost of new home sales	(1,440)	(2,133)	693	32.5%
Gross profit (loss) from new home sales	258	145	113	77.9%
Gross revenues from used home sales	6,532	3,750	2,782	74.2%
Cost of used home sales	(7,578)	(3,482)	(4,096)	(117.6)%
Gross profit from used home sales	(1,046)	268	(1,314)	(490.3)%
Brokered resale revenues and ancillary services revenues, net	3,093	3,483	(390)	(11.2)%
Home selling expenses	(1,391)	(1,591)	200	12.6%
Income from home sales operations and other	$914	$2,305	$(1,391)	(60.3)%
Home sales volumes:				
New home sales (1)	35	51	(16)	(31.4)%
Used home sales (2)	1,306	888	418	47.1%
Brokered home resale	906	708	198	28.0%

(1) Includes three third-party dealer sales for the year ended December 31, 2011.
(2) Includes one third-party dealer sale for the year ended December 31, 2011.

Income from home sales operations decreased primarily as a result of decreased profit on used home sales and a decrease in ancillary revenues.

Rental Operations

The following table summarizes certain financial and statistical data for manufactured home Rental Operations for the years ended December 31, 2012 and 2011 (amounts in thousands, except rental unit volumes).

	2012	2011	Variance	% Change
Manufactured homes:				
New Home	$17,932	$12,398	$5,534	44.6%
Used Home	26,417	17,701	8,716	49.2%
Rental operations revenue (1)	44,349	30,099	14,250	47.3%
Rental home operating and maintenance	(6,369)	(4,493)	(1,876)	(41.8)%
Income from rental operations	37,980	25,606	12,374	48.3%
Depreciation on rental homes (2)	(5,553)	(4,116)	(1,437)	(34.9)%
Income from rental operations, net of depreciation	$32,427	$21,490	$10,937	50.9%
Gross investment in new manufactured home rental units	$105,733	$83,214	$22,519	27.1%
Gross investment in used manufactured home rental units	$59,809	$48,943	$10,866	22.2%
Net investment in new manufactured home rental units	$96,194	$76,695	$19,499	25.4%
Net investment in used manufactured home rental units	$53,959	$45,292	$8,667	19.1%
Number of occupied rentals—new, end of period	1,834	1,340	494	36.9%
Number of occupied rentals—used, end of period	3,230	2,663	567	21.3%

(1) Approximately \$32.7 million and \$22.9 million as of December 31, 2012 and 2011, respectively, of site rental income are included in Community base rental income in the Income from Property Operations table. The remainder of home rental income is included in Rental home income in the Income from Property Operations table.

(2) Included in depreciation on real estate and other costs in the Consolidated Statements of Income and Comprehensive Income.

The increase in income from rental operations and depreciation expense is primarily due to the increase in the number of occupied rental units resulting from the purchase of additional rental units during 2012 and the acquisition of the 2011 Acquisition Properties on various dates during the six months ended December 31, 2011.
In the ordinary course of business, we acquire used homes from customers through purchase, lien, sale or abandonment. In a vibrant new home sale market older homes may be removed from Sites and replaced with new homes. In the current environment, however, used homes may be rented either in the condition received or after warranted rehabilitation. We continue to evaluate rental units and based on improved market conditions may invest in new homes.
Other Income and Expenses
The following table summarizes other income and expenses for the years ended December 31, 2012 and 2011 (amounts in thousands).

	2012	2011	Variance	% Change
Depreciation on real estate and rental homes	$(102,083)	$(83,013)	$(19,070)	(23.0)%
Amortization of in-place leases	(39,467)	(23,126)	(16,341)	(70.7)%
Interest income	8,135	5,924	2,211	37.3%
Income from other investments, net	6,795	6,452	343	5.3%
General and administrative	(26,231)	(23,553)	(2,678)	(11.4)%
Transaction costs	(157)	(18,493)	18,336	99.2%
Rent control initiatives and other	(1,456)	(2,043)	587	28.7%
Interest and related amortization	(123,992)	(99,489)	(24,503)	(24.6)%
Total other expenses, net	$(278,456)	$(237,341)	$(41,115)	(17.3)%

Depreciation on real estate and rental homes, amortization of in-place leases and interest income increased primarily due to the purchase of the 2011 Acquisition Properties on various dates during the six months ended December 31, 2011. General and administrative decreased primarily due to the purchase of the 2011 Acquisition Properties in 2011. Rent control initiatives and other are lower due to decreased activity in the San Rafael legal appeal (see Note 18 in the Notes to Consolidated Financial Statements contained in this Form 10-K). Interest and related amortization increased primarily due to the assumption of approximately $548.0 million of mortgage debt secured by 35 of the 2011 Acquisition Properties, the $200.0 million Term Loan originated July 1, 2011, and the $200.0 million of new secured debt originated during the six months ended December 31, 2011.
Income from other investments, net increased primarily due to the $0.5 million increase in the fair value of the contingent consideration of the net asset associated with the 2011 Acquisition Properties. We own both a fee interest and a leasehold interest in a 2,200 site 2011 Acquisition Property. 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. We are the beneficiary of an escrow funded by the seller with approximately 114,000 shares of our common stock. The escrow provides for distributions of the escrowed stock on a quarterly basis to protect us 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 2011 Acquisition Properties, we recorded contingent consideration of approximately $6.7 million related to this escrow (see Note 5 in the Notes to Consolidated Financial Statements contained in this Form 10-K).
Liquidity and Capital Resources
Liquidity
Our primary demands for liquidity include payment of operating expenses, debt service, including principal and interest, capital improvements on Properties, purchasing both new and pre-owned homes, acquisitions of new Properties, and distributions. We expect these similar demands for liquidity to continue for the short-term and long-term. Our commitment to capital improvements on existing assets is anticipated to be consistent with last year. Our primary sources of cash include operating cash flows, proceeds from financings, borrowings under our unsecured Line of Credit (“LOC”) and proceeds from issuance of equity and debt securities. We have entered into equity

distribution agreements with sales agents, pursuant to which we may sell, from time-to-time, shares of our common stock, par value $0.01 per share, having an aggregate offering price of up to $125.0 million. We have not sold any common stock to date under the equity distribution agreements. In addition, we have available liquidity in the form of authorized and unissued preferred stock of approximately 9.9 million shares and authorized common stock in an unallocated shelf registration statement which was automatically effective when filed with the SEC.

On November 25, 2013, our stockholders approved an amendment to our charter to increase from 100,000,000 to 200,000,000 the number of shares of common stock we are authorized to issue. This amendment was previously approved by our Board of Directors and was described in detail in our definitive proxy materials previously filed with the Securities and Exchange Commission on October 17, 2013.

One of our stated objectives is to maintain financial flexibility. Achieving this objective allows us to take advantage of strategic opportunities that may arise. We believe effective management of our balance sheet, including maintaining various access points to raise capital, manage future debt maturities and borrow at competitive rates enables us to meet this objective. We believe we currently have sufficient liquidity, in the form of $58.4 million in available cash at year end 2013 and full availability on our $380.0 million unsecured LOC, to satisfy our near term obligations.

During the year ended December 31, 2013, we closed on $375.5 million in loans secured by manufactured home communities with a weighted average interest rate of 4.4% per annum. The loan proceeds and available cash were used to defease approximately $312.2 million of debt with a weighted average interest rate of 5.6% per annum, which was secured by 29 manufactured home communities. We paid approximately $37.8 million in defeasance costs associated with the early retirement of the mortgages.

During the year ended December 31, 2013, we paid off 16 mortgages totaling approximately $99.8 million, with a weighted average interest rate of 6.0% per annum.

We expect to meet our short-term liquidity requirements, including all distributions, generally through net cash provided by operating activities and availability under our existing LOC. We consider these resources to be adequate to meet our operating requirements for capital improvements, amortizing debt and payment of dividends and distributions.

We expect to meet certain long-term liquidity requirements such as scheduled debt maturities, property acquisitions and capital improvements by use of our current cash balance, long-term collateralized and uncollateralized borrowings including borrowings under the existing LOC and the issuance of debt securities or additional equity securities, in addition to net cash provided by operating activities. We have approximately $87.0 million of scheduled debt maturities in 2014 (excluding scheduled principal payments on debt maturing in 2014 and beyond). We have a loan commitment for a $54.3 million loan, at 4.5%, for approximately 22 years, with closing scheduled on April 1, 2014. We expect to satisfy our 2014 maturities with the existing cash and projected operating cash. On January 2, 2014, we repaid approximately $16.6 million of debt maturing in 2014, which had a weighted average interest rate of 5.7% per annum. On February 1, 2014, we also repaid one mortgage scheduled to mature in 2014 of approximately $4.0 million with a stated interest rate of 5.4% per annum.

The table below summarizes cash flow activity for the years ended December 31, 2013, 2012, and 2011 (amounts in thousands).

	For the years ended December 31,		
	2013	2012	2011
Net cash provided by operating activities	$255,349	$236,445	$175,641
Net cash used in investing activities	(37,854)	(86,565)	(701,848)
Net cash (used in) provided by financing activities	(196,194)	(183,214)	584,008
Net increase (decrease) in cash and cash equivalents	$21,301	$(33,334)	$57,801

Operating Activities

Net cash provided by operating activities increased $18.9 million to $255.3 million for the year ended December 31, 2013 from $236.4 million for the year ended December 31, 2012. The increase in cash provided by operating activities is primarily due to an increase in net income, increase in depreciation expense, an increase in early debt retirement costs offset by gain on sale in 2013 and a decrease in amortization of in-place leases. Net cash provided by operating activities increased $60.8 million to $236.4 million for the year ended December 31, 2012 from $175.6 million for the year ended December 31, 2011. The increase in 2012 was primarily due to an increase in net income from operations from the 2011 Acquisition Properties acquired on various dates during the last six months of 2011.

Investing Activities

Net cash used in investing activities was $37.9 million for the year ended December 31, 2013 compared to $86.6 million for the year ended December 31, 2012. Significant components of net cash used in investing activities include:

- Approximately $64.7 million paid in 2013 for capital improvements, including approximately $24.9 million of recurring capital expenditures and approximately $39.8 million of development, new and used home investment and corporate improvements (see Capital Improvements table below).
- Approximately $92.0 million paid in 2013 to acquire three manufactured home communities located in the Chicago metropolitan area (see Note 5 in the Notes to Consolidated Financial Statements contained in this Form 10-K for a description of our recent acquisitions).
- Approximately $24.4 million paid in 2013 to acquire an RV community located in the Florida Keys (see Note 5 in the Notes to Consolidated Financial Statements contained in this Form 10-K for a description of our recent acquisitions).
- Approximately $1.3 million paid in 2013 to acquire an RV community located in Wisconsin (see Note 5 in the Notes to Consolidated Financial Statements contained in this Form 10-K for a description of our recent acquisitions).
- Approximately $12.0 million paid in 2013 as a net tax deferred exchange deposit.
- Approximately $2.6 million investment paid in 2013 for ECHO joint venture (see Note 6 in the Notes to Consolidated Financial Statements contained in this Form 10-K for a description of our joint ventures).
- Approximately $158.0 million received in 2013 from the disposition of the Michigan Properties (see Note 5 in the Notes to Consolidated Financial Statements contained in this Form 10-K for further discussion of the sale).
- Approximately $1.2 million of net repayments received in 2013 on notes receivable (see Note 7 in the Notes to Consolidated Financial Statements contained in this Form 10-K for further discussion).
- Approximately $75.3 million paid in 2012 for capital improvements, including approximately $29.3 million of recurring capital expenditures and approximately $46.0 million of development, new and used home investment and corporate improvements (see Capital Improvements table below).
- Approximately $24.2 million paid in 2012 for the acquisition of two Properties (see Note 5 in the Notes to Consolidated Financial Statements contained in this Form 10-K for a description of our recent acquisitions).
- Approximately $7.6 million received in 2012 from the disposition of a rental property (see Note 5 in the Notes to Consolidated Financial Statements contained in this Form 10-K for further discussion of the sale).
- Approximately $5.3 million of net repayments received in 2012 on notes receivable (see Note 7 in the Notes to Consolidated Financial Statements contained in this Form 10-K for further discussion).

Capital improvements

The table below summarizes capital improvements activity for the years ended December 31, 2013, 2012, and 2011 (amounts in thousands).

	For the years ended December 31,(1)		
	2013	2012	2011
Recurring Capital Expenditures (2)	$24,881	$29,287	$23,315
Development (3)	591	920	2,467
New home investments	23,553	29,218	28,542
Used home investments	14,731	15,179	7,266
Total Property	63,756	74,604	61,590
Corporate	958	656	442
Total Capital improvements	$64,714	$75,260	$62,032

(1) Excludes noncash activity of approximately $0.8 million for new homes purchased with dealer financing for the year ended December 31, 2011 and approximately $2.6 million, $5.3 million and $2.7 million of repossessions for the years ended December 31, 2013, 2012 and 2011, respectively.

(2) Recurring capital expenditures (“Recurring CapEx”) are primarily comprised of common area improvements, furniture, and mechanical improvements.

(3) Development primarily represents costs to improve and upgrade Property infrastructure or amenities.

Financing Activities

Net cash used in financing activities was $196.2 million for the year ended December 31, 2013 compared to net cash used in financing activities of $183.2 million for the year ended December 31, 2012. Significant components of net cash used in financing activities include:

- We received $375.5 million in financing proceeds in 2013 (see Note 8 in the Notes to Consolidated Financial Statements contained in this Form 10-K for a description of our borrowing arrangements).
- We paid approximately $350.7 million of amortizing principal debt, approximately $99.8 million of maturing mortgages and paid approximately $43.0 million in debt issuance and early debt retirement costs in 2013 (see Note 8 in the Notes to Consolidated Financial Statements contained in this Form 10-K for a description of our borrowing arrangements).
- We received approximately $20.0 million in LOC proceeds and made repayments in the same amount in 2013.
- We paid approximately $77.5 million of distributions in 2013 to common stockholders, common OP unitholders and preferred stockholders and paid approximately $0.5 million in equity issuance costs in 2013 (see Note 4 in the Notes to Consolidated Financial Statements contained in this Form 10-K for a description of our equity transactions).
- Approximately $159.5 million of financing proceeds received in 2012 were offset by pay downs of approximately $137.7 million of maturing mortgages, payments of approximately $29.9 million of amortizing principal debt, and payments of approximately $3.1 million of debt issuance costs (see Note 8 in the Notes to Consolidated Financial Statements contained in this Form 10-K for a description of our borrowing arrangements).
- Approximately $110.8 million of distributions paid in 2012 to common stockholders, common OP unitholders and preferred stockholders and approximately $63.9 million for the redemption of preferred stock and paid $1.3 million in equity issuance costs offset by proceeds received of approximately $4.9 million from the exercise of stock options and the sale of shares through the employee stock purchase plan (see Note 4 in the Notes to Consolidated Financial Statements contained in this Form 10-K for a description of our equity transactions).

Contractual Obligations

As of December 31, 2013, we were subject to certain contractual payment obligations as described in the table below (amounts in thousands):

	Total	2014	2015	2016	2017	2018	Thereafter
Long Term Borrowings (1)	$2,174,604	$119,452	$311,208	$246,054	$310,725	$207,592	$979,573
Interest Expense (2)	604,939	109,998	102,388	81,183	70,007	56,972	184,391
Operating Lease	15,675	1,875	1,922	1,954	1,987	2,032	5,905
LOC Maintenance Fee (3)	3,092	1,140	1,140	812	—	—	—
Total Contractual Obligations	$2,798,310	$232,465	$416,658	$330,003	$382,719	$266,596	$1,169,869
Weighted average interest rates	4.99 %	5.20 %	5.17 %	5.07 %	5.15 %	5.28 %	4.61 %

(1) Balance excludes net premiums and discounts of $17.8 million, primarily due to the fair market value adjustment of the assumption of $506.5 million of secured debt from the remaining Properties acquired in 2011. Balances include debt maturing and scheduled periodic principal payments.

(2) Amounts include interest expected to be incurred on our secured debt based on obligations outstanding as of December 31, 2013.

(3) Assumes we will exercise our one year extension option on September 15, 2016 and assumes we will maintain our current leverage ratios as defined by the LOC.

We do not include insurance, property taxes and cancelable contracts in the contractual obligations table above.

We also lease land under non-cancelable operating leases at certain of the Properties expiring in various years from 2014 to 2054. The majority of the lease terms require twelve equal payments per year plus additional rents calculated as a percentage of gross revenues. Minimum future rental payments under the ground leases are approximately $1.9

million in each of 2014, 2015, and 2016, $2.0 million in 2017 and 2018 and approximately $11.6 million thereafter. Future minimum rental payments exclude payments related to the Colony Cove Property lease as we have provided the required notification of our intent to exercise the purchase option for the land which is expected to close in early 2014.

With respect to maturing debt, we have staggered the maturities of our long-term mortgage debt over an average of approximately seven years, with approximately $311.2 million (which is due in 2015) in principal payments coming due in any

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single year. We believe that we will be able to refinance our maturing debt obligations on a secured or unsecured basis; however, to the extent we are unable to refinance our debt as it matures, we believe that we will be able to repay such maturing debt from operating cash flow, asset sales and/or the proceeds from equity issuances. With respect to any refinancing of maturing debt, our future cash flow requirements could be impacted by significant changes in interest rates or other debt terms, including required amortization payments.

Critical Accounting Policies and Estimates

Our consolidated financial statements have been prepared in accordance with U.S. GAAP, which requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and the related disclosures. We believe that the following critical accounting policies, among others, affect our more significant judgments and estimates used in the preparation of our consolidated financial statements.

Long-Lived Assets

Expenditures for ordinary maintenance and repairs are expensed to operations as incurred and significant renovations and improvements that improve the asset and extend the useful life of the asset are capitalized over their estimated useful life.

In accordance with the Codification Sub-Topic “Impairment or Disposal of Long Lived Assets” (“FASB ASC 360-10-35”), we periodically evaluate our long-lived assets to be held and used, including our investments in real estate, for impairment indicators. Our judgments regarding the existence of impairment indicators are based on factors such as operational performance, market conditions and legal factors. Future events could occur which would cause us to conclude that impairment indicators exist and an impairment loss is warranted.

Real estate investments are subject to varying degrees of risk. Several factors may adversely affect the economic performance and value of our real estate investments. These factors include:

- the general economic climate;
- competition from other housing options;
- local conditions, such as an increase in unemployment;
- changes in governmental regulations and the related cost of compliance; and
- changes in market rental rates.

Any adverse changes in these factors could cause an impairment in our assets, including real estate and investments in unconsolidated joint venture partnerships.

For long-lived assets to be held and used, if an impairment indicator exists, we compare the expected future undiscounted cash flows against the carrying amount of that asset. If the sum of the estimated undiscounted cash flows is less than the carrying amount of the asset, we record an impairment loss for the carrying amount in excess of the estimated fair value, if any, of the asset. For the periods presented, no impairment losses were recorded.

For Properties to be disposed of, an impairment loss is recognized when the fair value of the Property, less the estimated cost to sell, is less than the carrying amount of the Property measured at the time we have made the decision to dispose of the Property, have a commitment to sell the Property and/or are actively marketing the Property for sale. A Property to be disposed of is reported at the lower of its carrying amount or its estimated fair value, less costs to sell. Subsequent to the date that a Property is held for disposition, depreciation expense is not recorded. We account for our Properties held for disposition in accordance with FASB ASC 360-10-35. Accordingly, the results of operations for all assets sold or held for sale are classified as discontinued operations in all periods presented, as applicable.

Revenue Recognition

We account for leases with our customers as operating leases. Rental income is recognized over the term of the respective lease or the length of a customer’s stay, the majority of which are for a term of not greater than one year. We evaluate all amounts receivable from customers and an allowance is established for amounts greater than 30 days past due. Our allowance for uncollectible rents receivable was approximately $4.9 million and $4.7 million as of December 31, 2013 and 2012, respectively. We will continue to monitor and assess these receivables and changes in required allowances may occur in the future due to changes in the market environment.

In conjunction with the acquisition of the Thousand Trails business, we decided to account for the entry of right-to-use contracts in accordance with the Codification Topic “Revenue Recognition” (“FASB ASC 605”) based on correspondence with the Office of the Chief Accountant at the SEC. A right-to-use contract gives the customer the right to a set schedule of usage at a specified group of Properties. Customers may choose to upgrade their contracts to increase their usage and the number of Properties

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they may access. A contract requires the customer to make annual payments during the term of the contract and may require an upfront nonrefundable payment. The stated term of a right-to-use contract is at least one year and the customer may renew his contract by continuing to make the annual payments. We will recognize the upfront nonrefundable payments over the estimated customer life which, based on historical attrition rates, we have estimated to be from one to 31 years. For example, we have currently estimated that 7.9% of customers who enter a new right-to-use contract will terminate their contract after five years. Therefore, the upfront nonrefundable payments from 7.9% of the contracts entered in any particular period are amortized on a straight-line basis over a period of five years as five years is the estimated customer life for 7.9% of our customers who enter a contract. The historical attrition rates for upgrade contracts are lower than for new contracts, and therefore, the nonrefundable upfront payments for upgrade contracts are amortized at a different rate than for new contracts.

We continue to monitor customer lives based on historical attrition rates and changes in revenue recognized may occur in the future due to changes in customer behavior.

Right-to-use annual payments by customers under the terms of the right-to-use contracts are deferred and recognized ratably over the one year period in which access to Sites at certain Properties are provided.

Notes and Contracts Receivable

Notes receivable generally are stated at their outstanding unpaid principal balances net of any deferred fees or costs on originated loans, unamortized discounts or premiums, and an allowance. Interest income is accrued on the unpaid principal balance. Discounts or premiums are amortized to income using the interest method. In certain cases we finance the sales of homes to our customers (referred to as “Chattel Loans”) which loans are secured by the homes. The valuation of an allowance for doubtful accounts for the Chattel Loans is calculated based on delinquency trends, average annual default rates, loss rates, and the current estimated market value of the underlying manufactured home collateral.

We also provide financing for nonrefundable up-front payments on sales of new or upgrades of right-to-use contracts (“Contracts Receivable”). Based upon historical collection rates and current economic trends, when an up-front payment is financed, a reserve is established for a portion of the Contracts Receivable balance estimated to be uncollectible. The reserve and the rate at which we provide for losses on our Contracts Receivable could be increased or decreased in the future based on our actual collection experience. (See Note 7 in the Notes to Consolidated Financial Statements contained in this Form 10-K.)

Certain of our Contracts Receivable were recorded at fair value at the time of acquisition under the FASB ASC 310-30. The fair value of these Contracts Receivable included an estimate of losses that were expected to be incurred over the estimated life of the Contracts Receivable, and therefore no allowance for losses was recorded for these Contracts Receivable as of the transaction date. Through December 31, 2013, the credit performance of these Contracts Receivable has been better than the assumptions used in determining its initial fair value, and we regularly update our expectations regarding the amounts and timing of future cash flows.

Financial instruments that potentially could subject us to significant concentrations of credit risk consist principally of notes receivable. Concentrations of credit risk with respect to notes receivable are limited due to the size of the receivable and geographic diversity of the underlying Properties.

Off Balance Sheet Arrangements

We do not have any off balance sheet arrangements with any unconsolidated investments or joint ventures that we believe have or are reasonably likely to have a material effect on our financial condition, results of operations, liquidity or capital resources.

Inflation

Substantially all of the leases at the Properties allow for monthly or annual rent increases which provide us with the opportunity to achieve increases, where justified by the market, as each lease matures. Such types of leases generally minimize our risks of inflation. In addition, our resort Properties are not generally subject to leases and rents are established for these Sites on an annual basis. Our right-to-use contracts generally provide for an annual dues increase, but dues may be frozen under the terms of certain contracts if the customer is over 61 years old.

Funds From Operations

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

We define FFO as net income, computed in accordance with GAAP, excluding gains and actual or estimated losses from sales of Properties, plus real estate related depreciation and amortization, impairments, if any, and after adjustments for unconsolidated partnerships and joint ventures. Adjustments for unconsolidated partnerships and joint ventures are calculated to reflect FFO on the same basis. We receive up-front nonrefundable payments from the entry of right-to-use contracts. In accordance with GAAP, the upfront nonrefundable payments and related commissions are deferred and amortized over the estimated customer life. Although the NAREIT definition of FFO does not address the treatment of nonrefundable right-to-use payments, we believe that it is appropriate to adjust for the impact of the deferral activity in our calculation of FFO.

Normalized Funds from Operations (“Normalized FFO”) is a non-GAAP measure. We define Normalized FFO as FFO excluding the following non-operating income and expense items: a) the financial impact of contingent consideration; b) gains and losses from early debt extinguishment, including prepayment penalties and defeasance costs; c) property acquisition and other transaction costs related to mergers and acquisitions; and d) other miscellaneous non-comparable items.

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

Investors should review FFO and Normalized FFO along with GAAP net income and cash flow from operating activities, investing activities and financing activities, when evaluating an equity REIT’s operating performance. We compute FFO in accordance with our interpretation of standards established by NAREIT, which may not be comparable to FFO reported by other REITs that do not define the term in accordance with the current NAREIT definition or that interpret the current NAREIT definition differently than we do. Normalized FFO presented herein is not necessarily comparable to normalized FFO presented by other real estate companies due to the fact that not all real estate companies use the same methodology for computing this amount. FFO and Normalized FFO do not represent cash generated from operating activities in accordance with GAAP, nor do they represent cash available to pay distributions and should not be considered as an alternative to net income, determined in accordance with GAAP, as an indication of our financial performance, or to cash flow from operating activities, determined in accordance with GAAP, as a measure of our liquidity, nor is it indicative of funds available to fund our cash needs, including our ability to make cash distributions.

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The following table presents a calculation of FFO and Normalized FFO for the years ended December 31, 2013, 2012 and 2011 (amounts in thousands):

	2013	2012	2011
Computation of funds from operations:			
Net income available for common shares	$106,919	$54,779	$22,775
Income allocated to common OP Units	9,706	5,067	3,105
Series B Redeemable Preferred Stock Dividends	—	—	466
Right-to-use contract upfront payments, deferred, net	5,694	6,694	11,936
Right-to-use contract commissions, deferred, net	(2,410)	(3,155)	(4,789)
Depreciation on real estate assets	101,694	96,530	78,897
Depreciation on real estate assets, discontinued operations	1,536	2,832	1,250
Depreciation on rental homes	6,535	5,553	4,116
Amortization of in-place leases	1,940	39,467	23,126
Amortization of in-place leases, discontinued operations	—	5,656	5,347
Depreciation on unconsolidated joint ventures	960	1,166	1,228
Gain on sale of property, net of tax	(41,525)	(4,596)	—
FFO available for common shares	$191,049	$209,993	$147,457
Change in fair value of contingent consideration asset	1,442	(462)	—
Transaction costs	1,963	157	18,493
Early debt retirement	37,844	—	—
Normalized FFO available for common shares	$232,298	$209,688	$165,950
Weighted average common shares outstanding—fully diluted	91,196	90,862	80,660

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Market risk is the risk of loss from adverse changes in market prices and interest rates. Our earnings, cash flows and fair values relevant to financial instruments are dependent on prevailing market interest rates. The primary market risk we face is long-term indebtedness, which bears interest at fixed and variable rates. The fair value of our long-term debt obligations is affected by changes in market interest rates with scheduled maturities from 2014 to 2038. At December 31, 2013, approximately 100% or approximately $2.0 billion of our outstanding secured debt had fixed interest rates with scheduled maturities from 2014 to 2038, which minimizes the market risk until the debt matures. For each increase in interest rates of 1% (or 100 basis points), the fair value of the total outstanding debt would decrease by approximately $135.3 million. For each decrease in interest rates of 1% (or 100 basis points), the fair value of the total outstanding debt would increase by approximately $145.3 million. If interest rates were to increase or decrease by 1%, there would be no effect on interest expense or cash flows as our outstanding secured debt has fixed interest rates.

As of December 31, 2013, none of our outstanding secured debt was short-term. Our $200.0 million Term Loan has variable rates based on LIBOR plus 1.85% to 2.80% per annum, which we fixed the underlying LIBOR rate at 1.11% per annum for the first three years.

FORWARD-LOOKING STATEMENTS

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" a 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 transactions in their entirety and future transactions, 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;" and
- other risks indicated from time to time in our filings with the Securities and Exchange Commission.

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

Item 8. Financial Statements and Supplementary Data

See Index to Consolidated Financial Statements on page F-1 of this Form 10-K.

Item 9. Changes In and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer (principal executive officer) and Chief Financial Officer (principal financial officer), maintain a system of disclosure controls and procedures, designed to provide reasonable assurance that information we are required to disclose in the reports that we file under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission rules and forms. Notwithstanding the foregoing, a control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that we will detect or uncover failures to disclose material information otherwise required to be set forth in our periodic reports.

Our management, with the participation of the Chief Executive Officer and the Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures as of December 31, 2013. Based on that evaluation as of the end of the period covered by this annual report, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective to give reasonable assurances to the timely collection, evaluation and our disclosure of information that would potentially be subject to disclosure under the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder as of December 31, 2013.

Changes in Internal Control Over Financial Reporting

There were no material changes in our internal control over financial reporting during the year ended December 31, 2013.

Report of Management on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934. Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Based on management’s assessment, we maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in 1992 (COSO) in "Internal Control-Integrated Framework.”

The effectiveness of our internal control over financial reporting as of December 31, 2013 has been audited by our independent registered public accounting firm, as stated in their report on Page F-2 of the Consolidated Financial Statements.

Item 9B. Other Information

None.

PART III

Items 10 and 11 Directors, Executive Officers and Corporate Governance, and Executive Compensation

The information required by Items 10 and 11 will be contained in the Proxy Statement on Schedule 14A for the 2014 Annual Meeting and is therefore incorporated by reference, and thus Items 10 and 11 have been omitted in accordance with General Instruction G.(3) to Form 10-K.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information regarding securities authorized for issuance under equity compensation plans required by Item 12 follows:

Plan Category	Number of securities to be Issued upon Exercise of Outstanding Options, Warrants and Rights (a)	Weighted-average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance under Equity Compensation Plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders (1)	1,085,600	21.95	—
Equity compensation plans not approved by security holders (2)	N/A	N/A	530,867
Total	1,085,600	21.95	530,867

(1) Represents shares of common stock pursuant our Stock Option and Award Plan adopted in December 1992 prior to its expiration.

(2) Represents shares of common stock under our Employee Stock Purchase Plan, which was adopted by the Board of Directors in July 1997, as amended in May 2006. Under the Employee Stock Purchase Plan, eligible employees make monthly contributions which are used to purchase shares of common stock at a purchase price equal to 85% of the lesser of the closing price of a share of common stock on the first or last trading day of the purchase period. Purchases of common stock under the Employee Stock Purchase Plan are made on the first business day of the next month after the close of the purchase period. Under New York Stock Exchange rules then in effect, stockholder approval was not required for the Employee Stock Purchase Plan because it is a broad-based plan available generally to all employees.

The information required by Item 403 of Regulation S-K “Security Ownership of Certain Beneficial Owners and Management” required by Item 12 will be contained in the Proxy Statement on Schedule 14A for the 2013 Annual Meeting and is therefore incorporated by reference, and thus has been omitted in accordance with General Instruction G.(3) to Form 10-K.

Items 13 and 14 Certain Relationships and Related Transactions, and Director Independence, and Principal Accounting Fees and Services

The information required by Item 13 and Item 14 will be contained in the Proxy Statement on Schedule 14A for the 2014 Annual Meeting and is therefore incorporated by reference, and thus Item 13 and 14 has been omitted in accordance with General Instruction G.(3) to Form 10-K.

PART IV

Item 15. Exhibits and Financial Statements Schedules

1. Financial Statements
See Index to Financial Statements and Schedule on page F-1 of this Form 10-K.

2. Financial Statement Schedule
See Index to Financial Statements and Schedule on page F-1 of this Form 10-K.

3. Exhibits:

In reviewing the agreements included as exhibits to this Annual Report on Form 10-K, please remember they are included to provide you with information regarding their terms and are not intended to provide any other factual or our disclosure information or the other parties to the agreements. The agreements contain representations and warranties by each of the parties to the applicable agreement. These representations and warranties have been made solely for the benefit of the other parties to the applicable agreement and:

- should not in all instances be treated as categorical statements of fact, but rather as a way of allocating the risk to one of the parties if those statements prove to be inaccurate;
- have been qualified by disclosures that were made to the other party in connection with the negotiation of the applicable agreement, which disclosures are not necessarily reflected in the agreement;
- may apply standards of materiality in a way that is different from what may be viewed as material to you or other investors; and
- were made only as of the date of the applicable agreement or such other date or dates as may be specified in the agreement and are subject to more recent developments.

Accordingly, these representations and warranties may not describe the actual state of affairs as of the date they were made or at any other time. Additional information about us may be found elsewhere in this Annual Report on Form 10-K and our other public filings, which are available without charge through the SEC's website at http://www.sec.gov.

2.1[k]	Purchase and Sale Agreement, dated May 31, 2011, by and among, MHC Operating Limited Partnership, a subsidiary of Equity LifeStyle Properties, Inc., and the entities listed as "Sellers" on the signature page thereto
2.2[k]	Purchase and Sale Agreement, dated May 31, 2011, by and among MH Financial Services, L.L.C., Hometown America Management, L.L.C., Hometown America Management, L.P., and Hometown America Management Corp., as sellers, and Realty Systems, Inc. and MHC Operating Limited Partnership, collectively, as purchaser
3.1[f]	Amended and Restated Articles of Incorporation of Equity Lifestyle Properties, Inc. effective May 15, 2007
3.4[g]	Second Amended and Restated Bylaws effective August 8, 2007
3.7[q]	Articles Supplementary designating our 6.75% Series C Cumulative Redeemable Perpetual Preferred Stock, liquidation preference $2,500.00 per share, par value $0.01 per share
3.8[r]	Articles of Amendment of Equity Lifestyle Properties, Inc, effective November 26, 2013

3.9(s)	Articles Supplementary reclassifying shares of authorized but unissued preferred stock
3.10(s)	Articles Supplementary for the 6% Series D Cumulative Non-Qualified Preferred Stock of Equity LifeStyle Properties, Inc
3.11(s)	Articles Supplementary for the 18.75% Series E Cumulative Non-Voting Preferred Stock of Equity LifeStyle Properties, Inc
3.12(s)	Articles Supplementary for the 6.75% Series F Cumulative Non-Voting Preferred Stock of Equity LifeStyle Properties, Inc
4.3(i)	Form of Specimen Stock Certificate Evidencing the Common Stock of Equity LifeStyle Properties, Inc., par value $0.01 per share
4.5(l)	Registration Rights Agreement, entered into by and between Equity LifeStyle Properties, Inc. and Hometown America, L.L.C. dated July 1, 2011

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4.6[(o)]	Form of Depositary Agreement, among us, American Stock Transfer & Trust Company, LLC, as Depositary, and the holders from time to time of the Depositary Shares
4.7[(q)]	Specimen Stock Certificate Evidencing our 6.75% Series C Cumulative Redeemable Perpetual Preferred Stock, liquidation preference $2,500.00 per share, par value $0.01 per share
4.8[(q)]	Specimen Receipt Evidencing the Depositary Shares
10.4[(a)]	Second Amended and Restated MHC Operating Limited Partnership Agreement of Limited Partnership, dated March 15, 1996
10.5[(d)]	Amendment to Second Amended and Restated Agreement of Limited Partnership for MHC Operating Limited Partnership, dated February 27, 2004
10.6[(s)]	Second Amendment to the Second Amended and Restated Agreement of Limited Partnership for MHC Operating Limited Partnership effective as of December 31, 2013
10.10[(b)]	Form of Manufactured Home Communities, Inc. 1997 Non-Qualified Employee Stock Purchase Plan
10.11[(c)]	Amended and Restated Manufactured Home Communities, Inc. 1992 Stock Option and Stock Award Plan effective March 23, 2001
10.33[(e)]	Amendment of Non-Qualified Employee Stock Purchase Plan dated May 3, 2006
10.34[(e)]	Form of Indemnification Agreement
10.43[(h)]	Form of Trust Agreement Establishing Howard Walker Deferred Compensation Trust, dated December 8, 2000
10.46[(j)]	Amended and Restated Credit Agreement ($380 million Unsecured Revolving Facility) dated May 19, 2011
10.49[(j)]	Amended and Restated Guaranty dated May 19, 2011
10.50[(m)]	Term Loan Agreement, dated July 1, 2011, by and among us, the Operating Partnership, Wells Fargo Securities, LLC, Bank of America, N.A., Wells Fargo Bank, National Association and each of the financial institutions initially a signatory thereto together with their successors and assignees
10.51[(m)]	Guaranty, dated July 1, 2011, by and among us, MHC Trust, MHC T1000 Trust and Wells Fargo Bank, National Association
10.53[(n)]	Third Amendment to the Amended and Restated Credit Agreement, dated July 20, 2012, by and among us, MHC Operating Limited Partnership, Wells Fargo Bank, N.A. and each of the Lenders set forth therein
10.54[(n)]	Guarantor Acknowledgment, dated July 20, 2012, by and among us, MHC Trust, MHC T1000 Trust, Wells Fargo Bank, N.A. and each of the Lenders set forth therein
10.55[(p)]	Equity Distribution Agreement, dated September 6, 2012, by and among us, the Operating Partnership and RBC Capital Markets, LLC

10.56[(p)]	Equity Distribution Agreement, dated September 6, 2012, by and among us, the Operating Partnership and RBS Securities Inc.
10.57[(p)]	Equity Distribution Agreement, dated September 6, 2012, by and among us, the Operating Partnership and Wells Fargo Securities, LLC
10.58[(p)]	Equity Distribution Agreement, dated September 6, 2012, by and among us, the Operating Partnership and Merrill Lynch, Pierce, Fenner & Smith Incorporated
12[(t)]	Computation of Ratio of Earnings to Fixed Charges
14[(e)]	Equity LifeStyle Properties, Inc. Business Ethics and Conduct Policy, dated July 2006
21[(t)]	Subsidiaries of the registrant
23[(t)]	Consent of Independent Registered Public Accounting Firm
24.1[(t)]	Power of Attorney for Philip C. Calian dated February 19, 2013
24.2[(t)]	Power of Attorney for David J. Contis dated February 20, 2013
24.3[(t)]	Power of Attorney for Thomas E. Dobrowski dated February 18, 2013
24.4[(t)]	Power of Attorney for Thomas P. Heneghan dated February 20, 2013

24.5[t]	Power of Attorney for Sheli Z. Rosenberg dated February 20, 2013
24.6[t]	Power of Attorney for Howard Walker dated February 20, 2013
24.7[t]	Power of Attorney for Gary Waterman dated February 18, 2013
24.8[t]	Power of Attorney for William Young dated February 24, 2013
24.9[t]	Power of Attorney for Samuel Zell dated February 20, 2013
31.1[t]	Certification of Chief Financial Officer Pursuant To Section 302 of the Sarbanes-Oxley Act Of 2002
31.2[t]	Certification of Chief Executive Officer Pursuant To Section 302 of the Sarbanes-Oxley Act Of 2002
32.1[t]	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350
32.2[t]	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350
101	The following materials from Equity LifeStyle Properties, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2013, formatted in XBRL (Extensible Business Reporting Language): (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Income and Comprehensive Income, (iii) the Consolidated Statements of Changes in Equity, (iv) the Consolidated Statements of Cash Flow, and (iv) the Notes to Consolidated Financial Statements.

The following documents are incorporated herein by reference.

[a] Included as an exhibit to our Report on Form 10-Q for the quarter ended June 30, 1996
[b] Included as Exhibit A to our definitive Proxy Statement dated March 28, 1997, relating to Annual Meeting of Stockholders held on May 13, 1997
[c] Included as Appendix A to our Definitive Proxy Statement dated March 30, 2001
[d] Included as an exhibit to our Report on Form 10-K dated December 31, 2005
[e] Included as an exhibit to our Report on Form 10-K dated December 31, 2006
[f] Included as an exhibit to our Report on Form 8-K dated May 18, 2007
[g] Included as an exhibit to our Report on Form 8-K dated August 8, 2007
[h] Included as an exhibit to our Report on Form 8-K dated December 8, 2000, filed on September 25, 2008
[i] Included as an exhibit to our Report on Form S-3 ASR dated May 6, 2009
[j] Included as an exhibit to our Report on Form 8-K dated May 19, 2011
[k] Included as an exhibit to our Report on Form 8-K dated May 31, 2011
[l] Included as an exhibit to our Report on Form 10-Q dated June 30, 2011
[m] Included as an exhibit to our Report on Form 8-K dated July 1, 2011
[n] Included as an exhibit to our Report on Form 8-K dated July 20, 2012
[o] Included as an exhibit to our Schedule TO/13E-3 dated August 23, 2012
[p] Included as an exhibit to our Report on Form 8-K dated September 6, 2012
[q] Included as an exhibit to our Form 8-A dated September 14, 2012
[r] Included as an exhibit to our Report on Form 8-K dated November 25, 2013
[s] Included as an exhibit to our Report on Form 8-K dated January 2, 2014
[t] Filed herewith

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

EQUITY LIFESTYLE PROPERTIES, INC.,
a Maryland corporation

Date: February 24, 2014	By: /s/ MARGUERITE NADER Marguerite Nader President and Chief Executive Officer (Principal Executive Officer)
Date: February 24, 2014	By: /s/ PAUL SEAVEY Paul Seavey Executive Vice President, Chief Financial Officer and Treasurer (Principal Financial Officer)
Date: February 24, 2014	By: /s/ JOHN LOS John Los Senior Vice President and Chief Accounting Officer (Principal Accounting Officer)

Equity LifeStyle Properties, Inc.—Signatures
Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Name	Title	Date
/s/ MARGUERITE NADER Marguerite Nader	President and Chief Executive Officer (Principal Executive Officer) *Attorney in Fact	February 24, 2014
/s/ PAUL SEAVEY Paul Seavey	Executive Vice President, Chief Financial Officer and Treasurer (Principal Financial Officer) *Attorney in Fact	February 24, 2014
/s/ JOHN LOS John Los	Senior Vice President and Chief Accounting Officer (Principal Accounting Officer)	February 24, 2014
*SAMUEL ZELL Samuel Zell	Chairman of the Board	February 24, 2014
*HOWARD WALKER Howard Walker	Co-Vice-Chairman of the Board	February 24, 2014
*THOMAS P. HENEGHAN Thomas P. Heneghan	Co-Vice-Chairman of the Board	February 24, 2014
*PHILIP C. CALIAN Philip C. Calian	Director	February 24, 2014
*DAVID J. CONTIS David J. Contis	Director	February 24, 2014
*THOMAS E. DOBROWSKI Thomas E. Dobrowski	Director	February 24, 2014
* SHELI Z. ROSENBERG Sheli Z. Rosenberg	Director	February 24, 2014
*GARY WATERMAN Gary Waterman	Director	February 24, 2014
*WILLIAM YOUNG William Young	Director	February 24, 2014

INDEX TO FINANCIAL STATEMENTS
EQUITY LIFESTYLE PROPERTIES, INC.

Note that certain schedules have been omitted, as they are not applicable to us.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of Equity Lifestyle Properties, Inc.

We have audited Equity Lifestyle Properties, Inc.'s (Equity Lifestyle Properties or the Company) internal control over financial reporting as of December 31, 2013, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 framework) (the COSO criteria). Equity Lifestyle Properties' management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Item 9A. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Equity Lifestyle Properties, Inc., maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets as of December 31, 2013 and 2012, and the related consolidated statements of income and comprehensive income, changes in equity, and cash flows for each of the three years in the period ended December 31, 2013, and the financial statement schedule listed in the Index to the financial statements, of Equity Lifestyle Properties, Inc., and our report dated February 24, 2014, expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP
ERNST & YOUNG LLP
Chicago, Illinois
February 24, 2014

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of Equity Lifestyle Properties, Inc.

We have audited the accompanying consolidated balance sheets of Equity Lifestyle Properties, Inc. (Equity Lifestyle Properties or the Company), as of December 31, 2013 and 2012, and the related consolidated statements of income and comprehensive income, changes in equity and cash flows for each of the three years in the period ended December 31, 2013. Our audits also included the financial statement schedule listed in the Index to the financial statements. These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Equity Lifestyle Properties at December 31, 2013 and 2012, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2013, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Equity Lifestyle Properties' internal control over financial reporting as of December 31, 2013, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 framework) and our report dated February 24, 2014 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP
ERNST & YOUNG LLP
Chicago, Illinois
February 24, 2014

Equity LifeStyle Properties, Inc.
Consolidated Balance Sheets
As of December 31, 2013 and 2012
(amounts in thousands, except for share and per share data (prior period adjusted for stock split))

	December 31, 2013	December 31, 2012
Assets		
Investment in real estate:		
Land	$1,025,246	$984,224
Land improvements	2,667,213	2,565,299
Buildings and other depreciable property	535,647	495,127
	4,228,106	4,044,650
Accumulated depreciation	(1,058,540)	(948,581)
Net investment in real estate	3,169,566	3,096,069
Cash	58,427	37,126
Notes receivable, net	42,990	45,469
Investment in joint ventures	11,583	8,420
Deferred financing costs, net	19,873	20,620
Deferred commission expense	25,251	22,841
Escrow deposits, goodwill and other assets, net	63,949	47,829
Assets held for disposition	—	119,852
Total Assets	$3,391,639	$3,398,226
Liabilities and Equity		
Liabilities:		
Mortgage notes payable	$1,992,368	$2,061,610
Term loan	200,000	200,000
Unsecured lines of credit	—	—
Accrued payroll and other operating expenses	65,157	63,672
Deferred revenue—upfront payments from right-to-use contracts	68,673	62,979
Deferred revenue—right-to-use annual payments	11,136	11,088
Accrued interest payable	9,416	10,500
Rents and other customer payments received in advance and security deposits	58,931	54,017
Distributions payable	22,753	—
Liabilities held for disposition	—	10,058
Total Liabilities	2,428,434	2,473,924
Equity:		
Stockholders' Equity:		
Preferred stock, $0.01 par value 9,945,539 shares authorized as of December 31, 2013 and December 31, 2012; none issued and outstanding as of December 31, 2012. As of December 31, 2013, includes 125 shares 6% Series D Cumulative Preferred stock and 250 shares 18.75% Series E Cumulative Preferred stock; both 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 December 31, 2013 and December 31, 2012 at liquidation value	136,144	136,144
Common stock, $0.01 par value 200,000,000 and 100,000,000 shares authorized as of December 31, 2013 and December 31, 2012, respectively; 83,313,677 and 83,193,310 shares issued and outstanding as of December 31, 2013 and December 31, 2012, respectively	834	832

Paid-in capital	1,021,365	1,012,514
Distributions in excess of accumulated earnings	(264,083)	(287,652)
Accumulated other comprehensive loss	(927)	(2,590)
Total Stockholders' Equity	893,333	859,248
Non-controlling interests – Common OP Units	69,872	65,054
Total Equity	963,205	924,302
Total Liabilities and Equity	$3,391,639	$3,398,226

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

Equity LifeStyle Properties, Inc.
Consolidated Statements of Income and Comprehensive Income
For the Years Ended December 31, 2013, 2012, and 2011
(amounts in thousands, except for share and per share data (prior periods adjusted for stock split))

	2013	2012	2011
Revenues:			
Community base rental income	$409,801	$394,606	$309,230
Rental home income	14,267	11,649	7,245
Resort base rental income	147,234	134,327	130,489
Right-to-use annual payments	47,967	47,662	49,122
Right-to-use contracts current period, gross	13,142	13,433	17,856
Right-to-use contracts, deferred, net of prior period amortization	(5,694)	(6,694)	(11,936)
Utility and other income	63,800	62,470	53,116
Gross revenues from home sales	17,871	8,230	6,028
Brokered resale revenues and ancillary services revenues, net	4,212	3,093	3,483
Interest income	8,260	8,135	5,924
Income from other investments, net	7,515	6,795	6,452
Total revenues	728,375	683,706	577,009
Expenses:			
Property operating and maintenance	229,897	220,415	197,781
Rental home operating and maintenance	7,474	6,369	4,493
Real estate taxes	48,279	45,590	36,528
Sales and marketing, gross	12,836	10,845	11,218
Sales and marketing, deferred commissions, net	(2,410)	(3,155)	(4,789)
Property management	40,193	37,999	34,846
Depreciation on real estate assets and rental homes	108,229	102,083	83,013
Amortization of in-place leases	1,940	39,467	23,126
Cost of home sales	17,296	9,018	5,615
Home selling expenses	2,085	1,391	1,591
General and administrative	28,211	26,388	42,046
Early debt retirement	37,844	—	—
Rent control initiatives and other	2,771	1,456	2,043
Interest and related amortization	118,522	123,992	99,489
Total expenses	653,167	621,858	537,000
Income from continuing operations before equity in income of unconsolidated joint ventures	75,208	61,848	40,009
Equity in income of unconsolidated joint ventures	2,039	1,899	1,948
Consolidated income from continuing operations	77,247	63,747	41,957
Discontinued Operations:			
Income from discontinued operations before gain on sale of property	7,133	6,116	547
Gain on sale of property, net of tax	41,525	4,596	—
Consolidated income from discontinued operations	48,658	10,712	547
Consolidated net income	125,905	74,459	42,504
Income allocated to non-controlling interests – Common OP Units	(9,706)	(5,067)	(3,105)
Income allocated to non-controlling interests – Perpetual Preferred OP Units	—	—	(2,801)
Series A Redeemable Perpetual Preferred Stock Dividends	—	(11,704)	(13,357)
Series B Redeemable Preferred Stock Dividends	—	—	(466)

Series C Redeemable Perpetual Preferred Stock Dividends	(9,280)	(2,909)	—
Net income available for Common Shares	$106,919	$54,779	$22,775
Consolidated net income	$125,905	$74,459	$42,504
Other comprehensive income (loss) ("OCI"):			
Adjustment for fair market value of swap	1,663	(43)	(2,547)
Consolidated comprehensive income	127,568	74,416	39,957
Comprehensive income allocated to non-controlling interests – Common OP Units	(9,845)	(5,061)	(2,866)
Comprehensive income allocated to non-controlling interests – Perpetual Preferred OP Units	—	—	(2,801)
Series A Redeemable Perpetual Preferred Stock Dividends	—	(11,704)	(13,357)
Series B Redeemable Preferred Stock Dividends	—	—	(466)
Series C Redeemable Perpetual Preferred Stock Dividends	(9,280)	(2,909)	—
Comprehensive income attributable to Common Stockholders	$108,443	$54,742	$20,467

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

Equity LifeStyle Properties, Inc.
Consolidated Statements of Income and Comprehensive Income
For the Years Ended December 31, 2013, 2012, and 2011
(amounts in thousands, except for share and per share data (prior periods adjusted for stock split))

	2013	2012	2011
Earnings per Common Share – Basic:			
Income from continuing operations	$0.75	$0.55	$0.31
Income from discontinued operations	$0.54	$0.12	$0.01
Net income available for Common Shares	$1.29	$0.67	$0.32
Earnings per Common Share – Fully Diluted:			
Income from continuing operations	$0.75	$0.54	$0.31
Income from discontinued operations	$0.53	$0.12	$0.01
Net income available for Common Shares	$1.28	$0.66	$0.32
Weighted average Common Shares outstanding – basic	83,018	82,348	71,182
Weighted average Common Shares outstanding – fully diluted	91,196	90,862	80,660

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

Equity LifeStyle Properties, Inc.
Consolidated Statements of Changes In Equity
For the Years Ended December 31, 2013, 2012, and 2011
(amounts in thousands (prior periods adjusted for stock split))

	Common Stock	Paid-in Capital	8.034% Series A Cumulative Redeemable Perpetual Preferred Stock	Series B Preferred Stock	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, 2010	$726	$463,306	$—	$—	$—	$(237,002)	$33,128	$—	$260,158
Conversion of OP Units to common stock	4	4,063	—	—	—	—	(4,067)	—	—
Issuance of common stock through exercise of options	4	4,567	—	—	—	—	—	—	4,571
Issuance of common stock through employee stock purchase plan	—	913	—	—	—	—	—	—	913
Compensation expenses related to stock options and restricted stock	—	5,762	—	—	—	—	—	—	5,762
Repurchase of common stock or Common OP Units	—	(1,682)	—	—	—	—	—	—	(1,682)
Adjustment for Common OP Unitholders in the Operating Partnership	—	(47,100)	—	—	—	—	47,100	—	—
Common stock offering	60	343,989	—	—	—	—	—	—	344,049
Stock issued for Acquisition	17	110,478	—	113,788	—	—	—	—	224,283
Adjustment for fair market value of swap	—	—	—	—	—	—	—	(2,547)	(2,547)
Redemption of Series B Preferred Stock for Common	17	113,771	—	(113,788)	—	—	—	—	—

stock									
Net income available for Common Shares	—	—	—	466	—	22,775	3,105	—	26,346
Distributions	—	—	—	(466)	—	(55,794)	(6,313)	—	(62,573)
Balance, December 31, 2011	828	998,067	—	—	—	(270,021)	72,953	(2,547)	799,280
Conversion of OP Units to common stock	3	6,717	—	—	—	—	(6,720)	—	—
Issuance of common stock through exercise of options	1	3,855	—	—	—	—	—	—	3,856
Issuance of common stock through employee stock purchase plan	—	1,076	—	—	—	—	—	—	1,076
Compensation expenses related to stock options and restricted stock	—	5,797	—	—	—	—	—	—	5,797
Repurchase of common stock or Common OP Units	—	(1,287)	—	—	—	—	—	—	(1,287)
Adjustment for Common OP Unitholders in the Operating Partnership	—	(450)	—	—	—	—	450	—	—
Shelf registration costs	—	(504)	—	—	—	—	—	—	(504)
Adjustment for fair market value of swap	—	—	—	—	—	—	—	(43)	(43)
Preferred Stock Offering Costs	—	(757)	—	—	—	—	—	—	(757)
Reclassification of Series A Preferred Stock	—	—	200,000	—	—	—	—	—	200,000
Net income available for Common Shares	—	—	—	—	—	54,779	5,067	—	59,846
Distributions	—	—	—	—	—	(72,410)	(6,696)	—	(79,106)
Exchange of Preferred Stock	—	—	(136,144)	—	136,144	—	—	—	—
Redemption of Preferred Stock	—	—	(63,856)	—	—	—	—	—	(63,856)
Balance, December 31, 2012	832	1,012,514	—	—	136,144	(287,652)	65,054	(2,590)	924,302

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 Years Ended December 31, 2013, 2012, and 2011
(amounts in thousands (prior periods adjusted for stock split))

	Common Stock	Paid-in Capital	8.034% Series A Cumulative Redeemable Perpetual Preferred Stock	Series B Five Preferred Stock	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, 2012	832	1,012,514	—	—	136,144	(287,652)	65,054	(2,590)	924,302
Conversion of OP Units to common stock	—	280	—	—	—	—	(280)	—	—
Issuance of common stock through exercise of options	1	247	—	—	—	—	—	—	248
Issuance of common stock through employee stock purchase plan	1	719	—	—	—	—	—	—	720
Compensation expenses related to stock options and restricted stock	—	5,952	—	—	—	—	—	—	5,952
Repurchase of common stock or Common OP Units	—	(1,121)	—	—	—	—	—	—	(1,121)
Adjustment for Common OP Unitholders in the Operating Partnership	—	6,730	—	—	—	—	(6,730)	—	—
Adjustment for fair market value of swap	—	—	—	—	—	—	—	1,663	1,663
Release of common shares from escrow	—	(3,412)	—	—	—	—	—	—	(3,412)
Net income	—	—	—	—	9,280	106,919	9,706	—	125,905

Distributions	—	—	—	—	(9,280)	(83,350)	(7,564)	—	(100,194)
Issuance of OP units	—	—	—	—	—	—	9,686	—	9,686
Other	—	(544)	—	—	—	—	—	—	(544)
Balance, December 31, 2013	$834	$1,021,365	$—	$—	$136,144	$(264,083)	$69,872	$(927)	$963,205

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

Equity LifeStyle Properties, Inc.
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2013, 2012, and 2011
(amounts in thousands)

	2013	2012	2011
Cash Flows From Operating Activities:			
Consolidated net income	$125,905	$74,459	$42,504
Adjustments to reconcile consolidated net income to net cash provided by operating activities:			
Gain on sale of property, net of tax	(41,525)	(4,596)	—
Early debt retirement	37,844	—	—
Depreciation expense	110,505	105,578	85,235
Amortization of in-place leases	1,940	45,122	28,479
Amortization of loan costs	5,304	5,754	5,305
Debt premium amortization	(6,842)	(6,764)	(1,817)
Equity in income of unconsolidated joint ventures	(2,039)	(1,899)	(1,948)
Distributions from unconsolidated joint ventures	1,311	1,839	1,841
Amortization of stock-related compensation	5,952	5,797	5,762
Revenue recognized from right-to-use contract upfront payments	(7,448)	(6,739)	(5,920)
Commission expense recognized related to right-to-use contracts	2,601	2,310	1,946
Long term incentive plan compensation	1,907	782	1,813
Provision for uncollectible rents receivable	230	3,243	3,569
Changes in assets and liabilities:			
Notes receivable activity, net	(123)	409	477
Deferred commission expense	(5,011)	(5,465)	(6,735)
Escrow deposits, goodwill and other assets	7,454	5,979	(10,393)
Accrued payroll and other operating expenses	83	(3,041)	6,736
Deferred revenue – upfront payments from right-to-use contracts	13,142	13,433	17,856
Deferred revenue – right-to-use annual payments	48	(789)	(765)
Rents received in advance and security deposits	4,111	1,033	1,696
Net cash provided by operating activities	255,349	236,445	175,641
Cash Flows From Investing Activities:			
Real estate acquisition	(117,707)	(24,213)	(651,089)
Notes receivable acquisition	—	—	(40,362)
Proceeds from disposition of rental properties and other	157,975	7,564	252
Net tax-deferred exchange deposit	(11,976)	—	—
Investment in joint ventures	(2,641)	—	—
Proceeds from short-term investments	—	—	52,266
Repayments of notes receivable	11,552	11,071	5,004
Issuance of notes receivable	(10,343)	(5,727)	(5,887)
Capital improvements	(64,714)	(75,260)	(62,032)
Net cash used in investing activities	(37,854)	(86,565)	(701,848)
Cash Flows From Financing Activities:			
Net proceeds from stock options and employee stock purchase plan	968	4,932	5,484
Net proceeds from issuance of Common Stock	—	—	344,049
Distributions:			
Common Stockholders	(62,547)	(89,489)	(49,483)
Common OP Unitholders	(5,647)	(6,696)	(6,313)

Perpetual Preferred OP Unitholders	—	—	(2,801)
Preferred Stockholders	(9,280)	(14,613)	(13,823)
Stock repurchase and Unit redemption	(1,121)	(1,287)	(1,682)
Lines of credit proceeds	20,000	—	50,000
Lines of credit repayments	(20,000)	—	(50,000)
Principal payments and mortgage debt payoff	(450,492)	(167,552)	(75,658)
New mortgage notes payable financing proceeds	375,500	159,500	200,000
Term loan financing proceeds	—	—	200,000
Non-controlling interest proceeds	—	170	—
Redemption of preferred stock	—	(63,856)	—
Equity issuance costs	(544)	(1,261)	—
Debt issuance costs	(43,031)	(3,062)	(15,765)
Net cash (used in) provided by financing activities	(196,194)	(183,214)	584,008
Net increase (decrease) in cash and cash equivalents	21,301	(33,334)	57,801
Cash, beginning of period	37,126	70,460	12,659
Cash, end of period	$58,427	$37,126	$70,460

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

Equity LifeStyle Properties, Inc.
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2013, 2012, and 2011
(amounts in thousands)

	2013	2012	2011
Supplemental Information:			
Cash paid during the period for interest	$120,497	$125,121	$96,261
Non-cash activities (increase/(decrease)):			
Manufactured homes acquired with dealer financing	$—	$—	$830
Dealer financing	$—	$—	$830
Capital improvements – used homes acquired by repossessions	$2,591	$5,313	$2,685
Net repayments of notes receivable – used homes acquired by repossessions	$(2,591)	$(5,313)	$(2,685)
Building and other depreciable property – reclassification of rental homes	$14,401	$4,127	$2,371
Escrow deposits and other assets – reclassification of rental homes	$(14,401)	$(4,127)	$(2,371)
Series A Cumulative Redeemable Perpetual Preferred Stock	$—	$—	$200,000
Perpetual Preferred OP Units conversion	$—	$—	$(200,000)
Series A Cumulative Redeemable Perpetual Preferred Stock Exchange	$—	$(136,144)	$—
Series C Cumulative Redeemable Perpetual Preferred Stock Exchange	$—	$136,144	$—
Acquisitions:			
Investment in real estate	$133,344	$18,738	$1,431,339
Deferred financing costs, net	$(59)	$—	$—
Common Stock issued	$—	$—	$110,495
Series B Subordinated Non-Voting Cumulative Redeemable Preferred Stock Issued	$—	$—	$113,788
Accrued interest payable	$—	$—	$114
Rents and other customer receivables	$—	$29	$—
Rents and other customer payments received in advance and security deposits	$1,017	$440	$4,800
Accrued payroll and other operating expenses	$712	$376	$2,643
Escrow deposits and other assets	$(1,100)	$6,774	$—
Debt assumed and financed on acquisition	$5,382	$—	$548,410
Non-controlling interest - Common OP Units	$9,686	$—	$—
Dispositions:			
Other, net	$(2,166)	$—	$252
Notes receivable, net	$6,507	$—	$—
Investment in real estate	$153,636	$(2,968)	$—

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

Equity LifeStyle Properties, Inc.
Notes to Consolidated Financial Statements

Note 1—Our Organization and Basis of Presentation

Equity LifeStyle Properties, Inc. (“ELS”), a Maryland corporation, together with MHC Operating Limited Partnership (the “Operating Partnership”) and other consolidated subsidiaries (the “Subsidiaries”), is referred to herein as “we,” “us,” and “our.” 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”). 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. At certain Properties, we provide access to our Sites through right-to-use or membership contracts. We believe that we have qualified for taxation as a real estate investment trust (“REIT”) for U.S. federal income tax purposes since our taxable year ended December 31, 1993. We plan to continue to meet the requirements for taxation as a REIT. Many of these requirements, however, are highly technical and complex. For example, to qualify as a REIT, at least 95% of our gross income must come from sources that are itemized in the REIT tax laws. We must meet a number of organizational requirements, including a requirement to distribute to stockholders at least 90% of our REIT taxable income computed without regard to our deduction for dividends paid and our net capital gain.

If we fail to qualify as a REIT, we would be subject to U.S. federal income tax at regular corporate rates. Also, unless the IRS granted us relief under certain statutory provisions, we would remain disqualified as a REIT for four years following the year we first failed to qualify. Even if we qualify for taxation as a REIT, we are subject to certain foreign, state and local taxes on our income and property and U.S. federal income and excise taxes on our undistributed income.

Our operations are conducted primarily through the Operating Partnership. We contributed the proceeds from our initial public offering 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 we own. As of December 31, 2013, MHC Trust was merged into ELS resulting in the general partnership interest of the Operating Partnership being directly held by ELS. In connection with the merger, we issued 125 of 6% Series D Cumulative Non-Qualified Preferred Stock (the “Series D Preferred Stock”) and 250 shares of 18.75% Series E Cumulative Non-Voting Preferred Stock (the “Series E Preferred Stock”) in exchange for similar preferred stock held by stockholders of MHC Trust. The financial results of the Operating Partnership and the Subsidiaries are consolidated in our consolidated financial statements. In addition, since certain activities, if performed by us, may cause us to earn income which is not qualifying for the REIT gross income tests, we have formed taxable REIT Subsidiaries, as defined in the Internal Revenue Code of 1986, as amended (the “Code”), to engage in such activities.

We intend to treat the merger of MHC Trust into ELS for U.S. federal income tax purposes as a tax-deferred liquidation of MHC Trust under Section 332 of the Code.

Several Properties are wholly owned by Realty Systems, Inc. (“RSI”), one of our taxable REIT Subsidiaries. In addition, RSI is engaged in the business of purchasing and selling or leasing Site Set homes that are located in Properties we own and manage. RSI also provides brokerage services to residents at such Properties for those residents 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 consisting of operations such as golf courses, pro shops, stores and restaurants.

The limited partners of the Operating Partnership (the “Common OP Unitholders”) receive an allocation of net income that is based on their respective ownership percentage of the Operating Partnership that is shown on the Consolidated Financial Statements as Non-controlling interests—Common OP Units. As of December 31, 2013, the Non-Controlling Interests—Common OP Units represented 7,667,723 units of limited partnership interest (“OP Units”) which are convertible into an equivalent number of shares of our common stock. The issuance of additional shares of common stock or Common OP Units changes the respective ownership of the Operating Partnership for the Non-controlling interests—Common OP Units.

On July 15, 2013, we effected a two-for-one stock split of our common stock (see Note 3 in the Notes to Consolidated Financial Statements contained in this Form 10-K). All common stock and Common Operating Partnership Unit share and per share data in the accompanying Consolidated Financial Statements and notes have been adjusted retroactively to reflect the stock split.

Equity LifeStyle Properties, Inc.
Notes to Consolidated Financial Statements
Note 2—Summary of Significant Accounting Policies

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 in the United States issued by the FASB in these footnotes are to the FASB Accounting Standards Codification (the "Codification").

(a) Basis of Consolidation

We consolidate our majority-owned Subsidiaries in which we have the ability to control the operations of our Subsidiaries and all variable interest entities with respect to which we are the primary beneficiary. We also consolidate entities in which we have a controlling direct or indirect voting interest. All inter-company transactions have been eliminated in consolidation. For business combinations, the purchase price of Properties is accounted for in accordance with the Codification Topic "Business Combinations" ("FASB ASC 805").

We have applied the Codification Sub-Topic "Variable Interest Entities" ("FASB ASC 810-10-15"). The objective of FASB ASC 810-10-15 is to provide guidance on how to identify a variable interest entity ("VIE") and determine when the assets, liabilities, non-controlling interests, and results of operations of a VIE need to be included in a company's consolidated financial statements. We have also applied the Codification Sub-Topic "Control of Partnerships and Similar Entities" ("FASB ASC 810-20"), which determines whether a general partner or the general partners as a group controls a limited partnership or similar entity and therefore should consolidate the entity. The Codification Sub-Topic FASB ASC 810-10-15 adopted amendments to the variable interest consolidation model described above. The requirement to consolidate a VIE as revised in this amendment is based on the qualitative analysis considerations for primary beneficiary determination which requires a company consolidate an entity determined to be a VIE if it has both of the following characteristics: (1) the power to direct the principal activities of the entity and (2) the obligation to absorb the expected losses or the right to receive the residual returns that could be significant to the entity. We apply FASB ASC 810-10-15 and FASB ASC 810-20 to all types of entity ownership (general and limited partnerships and corporate interests).

We apply the equity method of accounting to entities in which we do not have a controlling direct or indirect voting interest or for variable interest entities where we are not considered the primary beneficiary, but can exercise influence over the entity with respect to our operations and major decisions. The cost method is applied when (i) the investment is minimal (typically less than 5%) and (ii) our investment is passive.

(b) Use of Estimates

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

(c) Markets

We have two reportable segments which are: (i) Property Operations and (ii) Home Sales and Rental Operations segments. The Property Operations segment owns and operates land lease Properties and the Home Sales and Rental Operations segment purchases, sells and leases homes at the Properties. The distribution of the Properties throughout the United States reflects our belief that geographic diversification helps insulate the portfolio from regional economic influences. We intend to target new acquisitions in or near markets where the Properties are located and will also consider acquisitions of Properties outside such markets.

(d) Real Estate

Real estate is recorded at cost less accumulated depreciation. Depreciation is computed on the straight-line basis over the estimated useful lives of the assets. We generally use a 30-year estimated life for buildings and structural and land improvements acquired (including Site development), a ten-year estimated life for building upgrades, a five-year estimated life for furniture, fixtures and equipment and over the average life of acquired in-place leases. New rental units are generally depreciated using a 20-year estimated life from each model year down to a salvage value of 40% of the original costs. Used rental units are generally depreciated based on the estimated life of the unit with no estimated salvage value.

Expenditures for ordinary maintenance and repairs are expensed to operations as incurred and significant renovations and improvements that improve the asset and extend the useful life of the asset are capitalized and depreciated over their estimated useful lives.

Equity LifeStyle Properties, Inc.
Notes to Consolidated Financial Statements
Note 2—Summary of Significant Accounting Policies (continued)

Land improvements consist primarily of improvements such as grading, landscaping and infrastructure items such as streets, sidewalks or water mains. Buildings and other depreciable property consist of permanent buildings in the Properties such as clubhouses, laundry facilities, maintenance storage facilities, rental units and furniture, fixtures, equipment, and in-place leases.

The values of above and below-market leases are amortized and recorded as either an increase (in the case of below-market leases) or a decrease (in the case of above-market leases) to rental income over the remaining term of the applicable lease. The value associated with in-place leases is amortized over the expected term, which includes an estimated probability of lease renewal.

In accordance with the Codification Sub-Topic "Impairment or Disposal of Long Lived Assets" ("FASB ASC 360-10-35"), we periodically evaluate our long-lived assets to be held and used, including our investments in real estate, for impairment indicators. Our judgments regarding the existence of impairment indicators are based on factors such as operational performance, market conditions and legal factors. Future events could occur which would cause us to conclude that impairment indicators exist and an impairment loss is warranted.

For long-lived assets to be held and used, if an impairment indicator exists, we compare the expected future undiscounted cash flows against the carrying amount of that asset. If the sum of the estimated undiscounted cash flows is less than the carrying amount of the asset, we would record an impairment loss for the carrying amount in excess of the estimated fair value, if any, of the asset. For the periods presented, no impairment losses were recorded.

For Properties to be disposed of, an impairment loss is recognized when the fair value of the Property, less the estimated cost to sell, is less than the carrying amount of the Property measured at the time we have made the decision to dispose of the Property, have an agreement to sell the Property within a year period and due diligence has been completed. A Property to be disposed of is reported at the lower of its carrying amount or its estimated fair value, less costs to sell. Subsequent to the date that a Property is held for disposition, depreciation expense is not recorded. We account for our Properties held for disposition in accordance with FASB ASC 360-10-35. Accordingly, the results of operations for all assets sold or held for sale are classified as discontinued operations in all periods presented, as applicable.

(e) Acquisitions

In accordance with FASB ASC 805, we recognize all the assets acquired and all the liabilities assumed in a transaction at the acquisition-date fair value. We also expense transaction costs as they are incurred. 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 any acquisition and applied retroactively to the date of acquisition.

In making estimates of fair values for purposes of allocating purchase price, we utilize a number of sources, including independent appraisals or valuations that may be available in connection with the acquisition or financing of the respective Property and other market data. We also consider information obtained about each Property as a result of our due diligence, marketing and leasing activities in estimating the fair value of the tangible and intangible assets acquired and liabilities assumed.

The following methods and assumptions are used to estimate the fair value of each class of asset acquired and liability assumed:

Land – Market approach based on similar, but not identical, transactions in the market. Adjustments to comparable sales based on both the quantitative and qualitative data.

Depreciable property – Cost approach based on market comparable data to replace adjusted for local variations, inflation and other factors.

Manufactured homes – Sales comparison approach based on market prices for similar homes adjusted for differences in age or size. Manufactured homes are included on our Consolidated Balance Sheets in buildings and other depreciable property.

In-place leases – Lease in place was determined via a combination of estimates of market rental rates and expense reimbursement levels as well as an estimate of the length of time required to replace each lease.

Notes receivable – Income approach based on discounted cash flows discounting contractual cash flows at a market rate adjusted based on particular notes' or note holders' down payment, credit score and delinquency status.
Below-market ground leases – Value of asset (below-market lease) based on contract rent and option price against market rent and land value. Market rent determined applying a reasonable rate of return to the value of the land as if owned. Land value

Equity LifeStyle Properties, Inc.
Notes to Consolidated Financial Statements
Note 2—Summary of Significant Accounting Policies (continued)

is estimated and then inflated until it is anticipated that the option will be exercised. Below-market ground leases are included on our Consolidated Balance Sheets in escrow deposits, goodwill and other assets, net.

Mortgage notes payable – Income approach based on discounted cash flows comparing contractual cash flows to cash flows of similar debt discounted based on market rates.

(f) Identified Intangibles and Goodwill

We record acquired intangible assets at their estimated fair value separate and apart from goodwill. We amortize identified intangible assets and liabilities that are determined to have finite lives over the period the assets and liabilities are expected to contribute directly or indirectly to the future cash flows of the property or business acquired. In accordance with the Codification Sub-Topic "Impairment or Disposal of Long Lived Assets" ("FASB ASC 360-10-35"), intangible assets subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized if the carrying amount of an intangible asset is not recoverable and its carrying amount exceeds its estimated fair value.

The excess of the cost of an acquired entity over the net of the amounts assigned to assets acquired (including identified intangible assets) and liabilities assumed is recorded as goodwill. In accordance with Codification Topic "Goodwill and Other Intangible Assets" ("FASB ASC 350"), goodwill is not amortized but is tested for impairment at a level of reporting referred to as a reporting unit on an annual basis, or more frequently if events or changes in circumstances indicate that the asset might be impaired.

As of December 31, 2013 and 2012, 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 December 31, 2013 and 2012, this amount was comprised of approximately $4.3 million of identified intangible assets and approximately $7.8 million of goodwill. Accumulated amortization of identified intangibles assets was approximately $1.9 million and $1.5 million as of December 31, 2013 and 2012, respectively. For the years ended December 31, 2013 and 2012, amortization expense for the identified intangible assets was approximately $0.3 million.

Estimated amortization of identified intangible assets for each of the next five years are as follows (amounts in thousands):

Year ending December 31,	Amount
2014	$349
2015	349
2016	251
2017	87
2018	87

(g) Restricted Cash

Cash as of December 31, 2013 and 2012 included approximately $5.2 million and $4.9 million, respectively, of restricted cash for the payment of capital improvements, insurance or real estate taxes.

(h) Notes and Contracts Receivable

Notes receivable generally are stated at their outstanding unpaid principal balances net of any deferred fees or costs on originated loans, unamortized discounts or premiums, and an allowance. Interest income is accrued on the unpaid principal balance. Discounts or premiums are amortized to income using the interest method. In certain cases we finance the sales of homes to our customers (referred to as "Chattel Loans") with loans secured by the homes.

During the year ended December 31, 2011, we purchased Chattel Loans that were recorded at fair value at the time of acquisition under the Codification Topic "Loans and Debt Securities Acquired with Deteriorated Credit Quality" ("FASB ASC 310-30"). (See Note 5 in the Notes to Consolidated Financial Statements contained in this Form 10-K for a detailed description of our 2011 Acquisition.) The fair value of these Chattel Loans included an estimate of losses that are expected to be incurred over the estimated remaining lives of the receivables, and therefore no allowance for losses was recorded for these Chattel Loans. The fair value is estimated based on a number of factors including customer delinquency status, credit scores, the original down payment amount and below-market stated interest rates.

Through December 31, 2013, the short-term historical performance of these loans has indicated a default rate of 16% and a recovery rate of 25%, which are slightly higher than originally estimated and resulted in

Equity LifeStyle Properties, Inc.
Notes to Consolidated Financial Statements
Note 2—Summary of Significant Accounting Policies (continued)

a higher yield for the portfolio. Management regularly reviews these assumptions and may adjust its estimates as needed as more information becomes available. A probable decrease in management's expectation of future cash collections related to these Chattel Loans could result in the need to record an allowance for credit losses in the future. Due to the size of the Chattel Loan pool and maturity dates ranging up to 28 years, future credit losses or changes to interest income could be significant.

Financial instruments that potentially could subject us to significant concentrations of credit risk consist principally of notes receivable. Concentrations of credit risk with respect to notes receivable are limited due to the size of the receivable and geographic diversity of the underlying Properties.

(i) Allowance for Doubtful Accounts

Our allowance for doubtful accounts is comprised of our reserves for Chattel Loans, Contracts Receivables and amounts receivable from tenants. The valuation of an allowance for doubtful accounts for the Chattel Loans is calculated based on delinquency trends, average annual default rates, loss rates, and the current estimated market value of the underlying manufactured home collateral. An allowance is established for a portion of the Contracts Receivable when an up-front payment is financed. The Contracts Receivable allowance is based upon historical collection rates and current economic trends. The allowance and the rate at which we provide for losses on our Contracts Receivable could be increased or decreased in the future based on our actual collection experience. We evaluate all amounts receivable from residents and an allowance is established for amounts greater than 30 days past due. Our allowance for uncollectible rents receivable was approximately $4.9 million and $4.7 million as of December 31, 2013 and 2012, respectively.

During the years ended December 31, 2013, 2012 and 2011, our allowance for doubtful accounts was as follows (amounts in thousands):

	2013	2012	2011
Balance, beginning of period	$6,987	$7,700	$6,580
Provision for losses	5,152	4,860	4,156
Write-offs	(4,212)	(5,573)	(3,036)
Balance, end of period	$7,927	$6,987	$7,700

(j) Investments in Joint Ventures

Investments in joint ventures in which we do not have a controlling direct or indirect voting interest, but can exercise significant influence over the entity with respect to our operations and major decisions, are accounted for using the equity method of accounting whereby the cost of an investment is adjusted for our share of the equity in net income or loss from the date of acquisition and reduced by distributions received. The income or loss of each entity is allocated in accordance with the provisions of the applicable operating agreements. The allocation provisions in these agreements may differ from the ownership interests held by each investor. (See Note 6 in the Notes to Consolidated Financial Statements contained in this Form 10-K.)

(k) Insurance Claims

The Properties are covered against losses caused by various events including fire, flood, property damage, earthquake, windstorm and business interruption by insurance policies containing various deductible requirements and coverage limits. Recoverable costs are classified in other assets as incurred. Insurance proceeds are applied against the asset when received. Recoverable costs relating to capital items are treated in accordance with our capitalization policy. The book value of the original capital item is written off when the loss is incurred. Insurance proceeds relating to the capital costs are recorded as income in the period they are received. (For a detailed discussion on hurricane claims, see Note 18 in the Notes to Consolidated Financial Statements contained in this Form 10-K).

(l) Derivative Instruments and Hedging Activities

Codification Topic "Derivatives and Hedging" ("FASB ASC 815") provides the disclosure requirements for derivatives and hedging activities with the intent to provide users of financial statements an enhanced understanding of: (a) how and why an entity uses derivative instruments, (b) how the entity accounts for derivative instruments and related hedged items, and (c) how derivative instruments and related hedged items affect an entity's financial position, financial performance and cash flows. Further, qualitative disclosures are required that explain our objectives and strategies for using derivatives, as well as quantitative disclosures about the fair value of and gains and losses on derivative instruments, and disclosures about credit-risk-related contingent features in derivative instruments.

Equity LifeStyle Properties, Inc.
Notes to Consolidated Financial Statements
Note 2—Summary of Significant Accounting Policies (continued)

As required by FASB ASC 815, we record all derivatives on the balance sheet at fair value. Our objective in utilizing interest rate derivatives is to add stability to our interest expense and to manage our exposure to interest rate movements. To accomplish this objective, we primarily use interest rate swaps as part of our interest rate risk management strategy. Interest rate swaps designated as cash flow hedges involve the receipt of variable amounts from a counterparty in our exchange for making fixed-rate payments over the life of the agreements without exchange of the underlying notional amount.

The effective portion of changes in the fair value of the designated derivative designated and that qualifies as a cash flow hedge is recorded on the Consolidated Balance Sheets in accumulated other comprehensive income (loss) and is subsequently reclassified into earnings on the Consolidated Statements of Income and Comprehensive Income in the period that the hedged forecasted transaction affects earnings. Any ineffective portion of the change in fair value of the derivative will be recognized directly in earnings. (See Note 9 in the Notes to Consolidated Financial Statements contained in this Form 10-K.)

(m) 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).

Codification Topic "Fair Value Measurements and Disclosures" ("FASB ASC 820") establishes a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The three levels are defined as follows:

Level 1-Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2-Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3-Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Our mortgage notes payable and term loan had a fair value and carrying value of approximately $2.2 billion as of December 31, 2013 and 2012, respectively, measured using quoted prices and observable inputs from similar liabilities (Level 2). At December 31, 2013 and 2012, 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 receivable approximate their carrying or contract values.

(n) 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 $25.4 million and $20.5 million at December 31, 2013 and 2012, respectively.

(o) Revenue Recognition

We account for leases with our customers as operating leases. Rental income is recognized over the term of the respective lease or the length of a customer's stay, the majority of which are for a term of not greater than one year. For the years ended December 31, 2013, 2012, and 2011, approximately 40.7%, 39.4%, and 38.5%, respectively, of our revenue was generated by Properties located in Florida, approximately 9.8%, 9.4%, and 10.8%, respectively, by

Properties located in Arizona and approximately 15.7%, 15.2%, and 17.8%, respectively, by Properties located in California.

In conjunction with the acquisition of the Thousand Trails business, we adopted a revenue recognition policy for the right-to-use contracts in accordance with the Codification Topic “Revenue Recognition” (“FASB ASC 605”) after we corresponded with the Office of the Chief Accountant at the SEC. A right-to-use contract gives the customer the right to a set schedule of usage at a specified group of Properties. Customers may choose to upgrade their contracts to increase their usage and the number of Properties they may access. A contract requires the customer to make annual payments during the term of the contract and may

Equity LifeStyle Properties, Inc.
Notes to Consolidated Financial Statements
Note 2—Summary of Significant Accounting Policies (continued)

require an upfront nonrefundable payment. The stated term of a right-to-use contract is at least one year and the customer may renew his contract by continuing to make the annual payments. We will recognize the upfront non-refundable payments over the estimated customer life which, based on historical attrition rates, we have estimated to be from one to 31 years.

Right-to-use annual payments by customers under the terms of the right-to-use contracts are deferred and recognized ratably over the one year period in which access to Sites at certain Properties are provided.

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

(p) Non-Controlling Interests

A non-controlling interest is the portion of equity (net assets) in a subsidiary not attributable, directly or indirectly, to a parent. The ownership interests in the subsidiary that are held by owners other than the parent are non-controlling interests. Under Codification Topic “Consolidation” (“FASB ASC 810”), such non-controlling interests are reported on the consolidated balance sheets within equity, separately from our equity. However, securities that are redeemable for cash or other assets at the option of the holder, not solely within the control of the issuer, must be classified outside of permanent equity. This would result in certain outside ownership interests being included as redeemable non-controlling interests outside of permanent equity in the consolidated balance sheets. We make this determination based on terms in applicable agreements, specifically in relation to redemption provisions. Additionally, with respect to non-controlling interests for which we have a choice to settle the contract by delivery of our own shares, we considered the guidance in the Codification Topic “Derivatives and Hedging—Contracts in Entity’s Own Equity” (“FASB ASC 815-40”) to evaluate whether we control the actions or events necessary to issue the maximum number of shares that could be required to be delivered under share settlement of the contract.

Net income is allocated to Common OP Unitholders based on their respective ownership percentage of the Operating Partnership. Such ownership percentage is calculated by dividing the number of Common OP Units held by the Common OP Unitholders by the total OP Units held by the Common OP Unitholders and us. Issuance of additional shares of common stock or Common OP Units changes the percentage ownership of both the Non-controlling interests – Common OP Units and the Company.

Due in part to the exchange rights (which provide for the conversion of Common OP Units into shares of common stock on a one-for-one basis), such transactions and the proceeds therefrom are treated as capital transactions and result in an allocation between stockholders’ equity and Non-controlling Interests to account for the change in the respective percentage ownership of the underlying equity of the Operating Partnership.

In accordance with FASB ASC 810, we present the non-controlling interest for Common OP Units in the Equity section of the consolidated balance sheets. The caption Common OP Units on the consolidated balance sheets also includes $0.7 million of private REIT Subsidiaries preferred stock.

(q) Preferred Stock

We account for the Preferred Stock in accordance with the Codification Topic “Distinguishing Liabilities from Equity—SEC Materials” (“FASB ASC 480-10-S99”). Holders of the 6.75% Series C Cumulative Redeemable Perpetual Preferred Stock (the “Series C Preferred Stock”) have certain preference rights with respect to the common stock and the Series C Preferred Stock is classified as redeemable interests inside of permanent equity on our Consolidated Balance Sheet due to the ability to issue shares upon conversion.

(r) Income and Other Taxes

Due to our structure as a REIT, the results of operations contain no provision for U.S. federal income taxes for the REIT, but we are still subject to certain foreign, state and local income, excise or franchise taxes. In addition, we have several taxable REIT Subsidiaries (“TRSs”) which are subject to federal and state income taxes at regular corporate tax rates. Overall, the TRSs have federal net operating loss carryforwards. No net tax benefits have been recorded by the TRSs since it is considered more likely than not that the deferred tax asset related to the TRSs net operating loss carryforwards will be utilized. In addition, as of December 31, 2013, the REIT had a net operating loss carryforward of approximately $88 million. The REIT will be entitled to utilize the net operating loss carryforward only to the extent that the REIT taxable income exceeds our deduction for dividends paid. Due to the uncertainty regarding the use of the REIT net operating loss carryforward, we have not recorded any net tax benefit to the REIT net operating loss carryforward.

Equity LifeStyle Properties, Inc.
Notes to Consolidated Financial Statements
Note 2—Summary of Significant Accounting Policies (continued)

We or one of our Subsidiaries file income tax returns in the U.S. federal jurisdiction, various U.S. state jurisdictions and Canada. With few exceptions, we are no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for years before 2010.
As of December 31, 2013, net investment in real estate and notes receivable had a U.S. federal tax basis of approximately $2.7 billion (unaudited) and $47.7 million (unaudited), respectively.
During the years ended December 31, 2013, 2012 and 2011, our tax treatment of common stock distributions were as follows (unaudited, adjusted for stock split):

	2013	2012	2011
Tax status of Common Shares distributions deemed paid during the year:			
Ordinary income	$0.680	$0.810	$0.563
Long-term capital gain	0.211	0.069	—
Nondividend distributions	—	0.186	—
Unrecaptured section 1250 gain	0.067	—	—
Distributions declared per Common Share outstanding	$0.958	$1.065	$0.563

The quarterly distribution paid on January 10, 2014 of $0.25 per common share will be considered a split-year distribution with $0.2087 (unaudited) considered a distribution made in 2013 for U.S. federal income tax purposes and $0.0413 (unaudited) allocable to 2014 for federal tax purposes.
(s)Stock-Based Compensation
We follow Codification Topic “Stock Compensation” (“FASB ASC 718”) in accounting for our share-based payments. This guidance requires measurement of the cost of employee services received in exchange for stock compensation based on the grant-date fair value of the employee stock awards. This cost is recognized as compensation expense ratably over the employee’s requisite service period. Incremental compensation costs arising from subsequent modifications of awards after the grant date must be recognized when incurred. We use the Black-Scholes-Merton formula to estimate the value of stock options granted to employees, consultants and directors. (See Note 14 in the Notes to Consolidated Financial Statements contained in this Form 10-K.) No stock options were issued in 2013, 2012 and 2011.
(t)Reclassifications

Certain 2012 and 2011 amounts have been reclassified to conform to the 2013 presentation. Balance sheet amounts as of December 31, 2012 for Properties held for disposition, have been reclassified on the Consolidated Balance Sheets to “Assets held for disposition” and “Liabilities held for disposition.” Income statement amounts for disposed Properties have been reclassified to “Discontinued operations” on the Consolidated Statements of Income and Comprehensive Income for all periods presented. In addition, certain prior period disclosures in the accompanying footnotes have been revised to exclude amounts which have been reclassified to discontinued operations. These reclassifications had no material effect on the Consolidated Statements of Income and Comprehensive Income.
Note 3—Earnings Per Common Share
Earnings per common share are based on the weighted average number of common shares outstanding during each year. Codification Topic “Earnings Per Share” (“FASB ASC 260”) defines the calculation of basic and fully diluted earnings per share. Basic and fully diluted earnings per share are based on the weighted average shares outstanding during each year and basic earnings per share exclude any dilutive effects of options, unvested restricted shares and convertible securities. The conversion of OP Units has been excluded from the basic earnings per share calculation. The conversion of an OP Unit for a share of common stock has no material effect on earnings per common share on a fully diluted basis.
On June 25, 2013, management announced a two-for-one split, to be effected by and in the form of a stock dividend, to take effect on July 15, 2013. On July 15, 2013, each common shareholder of record on July 5, 2013, received one additional share of common stock for each share held. The incremental par value was recorded as an increase to the

common stock account on our balance sheet to reflect the newly issued shares and such amount was offset by a reduction in the paid-in capital account on our balance sheet. Pursuant to the anti-dilution provision in the Operating Partnership's Agreement of Limited Partnership, the stock split also affected the common OP units.

Equity LifeStyle Properties, Inc.
Notes to Consolidated Financial Statements
Note 3—Earnings Per Common Share (continued)

The following table sets forth the computation of basic and diluted earnings per common share for the years ended December 31, 2013, 2012 and 2011 (amounts in thousands, except per share data, prior periods adjusted for stock split):

	Years Ended December 31,		
	2013	2012	2011
Numerators:			
Income from Continuing Operations:			
Income from continuing operations	$77,247	$63,747	$41,957
Amounts allocated to dilutive securities	(5,617)	(4,173)	(5,856)
Preferred Stock distributions	(9,280)	(14,613)	(13,823)
Income from continuing operations available to Common Shares – basic	62,350	44,961	22,278
Amounts allocated to dilutive securities	5,617	4,173	3,105
Income from continuing operations available to Common Shares – fully diluted	$67,967	$49,134	$25,383
Income from Discontinued Operations:			
Income from discontinued operations, net of amounts allocated to dilutive securities	$44,569	$9,818	$497
Net Income Available for Common Shares:			
Net income available for Common Shares—basic	$106,919	$54,779	$22,775
Amounts allocated to dilutive securities	9,706	5,067	5,906
Net income available for Common Shares—fully diluted	$116,625	$59,846	$28,681
Denominator:			
Weighted average Common Shares outstanding—basic	83,018	82,348	71,182
Effect of dilutive securities:			
Redemption of Common OP Units for Common Shares	7,549	7,877	8,520
Redemption of Series B Preferred Stock	—	—	306
Stock options and restricted shares	629	637	652
Weighted average Common Shares outstanding—fully diluted	91,196	90,862	80,660
Earnings per Common Share—Basic:			
Income from continuing operations	$0.75	$0.55	$0.31
Income from discontinued operations	0.54	0.12	0.01
Net income available for Common Shares	$1.29	$0.67	$0.32
Earnings per Common Share—Fully Diluted:			
Income from continuing operations	$0.75	$0.54	$0.31
Income from discontinued operations	0.53	0.12	0.01
Net income available for Common Shares	$1.28	$0.66	$0.32

Note 4—Common Stock and Other Equity Related Transactions
We adopted the 1997 Non-Qualified Employee Stock Purchase Plan (“ESPP”) in July 1997. Pursuant to the ESPP, as amended on May 3, 2006, certain of our employees and directors may each annually acquire up to $250,000 of our common stock. The aggregate number of shares of common stock available under the ESPP shall not exceed 2,000,000, subject to adjustment by our Board of Directors. The common stock may be purchased monthly at a price equal to 85% of the lesser of: (a) the closing price for a share of common stock on the last day of the offering period; and (b) the closing price for a share of common stock on the first day of the offering period. Shares of common stock

issued through the ESPP for the years ended December 31, 2013, 2012 and 2011 were 18,411, 30,154 and 29,176, respectively.
On November 25, 2013, we amended our charter to increase from 100,000,000 to 200,000,000 the number of shares of common stock, par value $0.01 per share, we are authorized to issue.

Equity LifeStyle Properties, Inc.
Notes to Consolidated Financial Statements
Note 4—Common Stock and Other Equity Related Transactions (continued)

The following table presents the changes in our outstanding common stock for the years ended December 31, 2013, 2012 and 2011 (excluding OP Units of 7,667,723, 7,456,320, and 8,206,134 outstanding at December 31, 2013, 2012 and 2011, respectively):

	2013	2012	2011
Shares outstanding at January 1,	83,193,310	82,156,400	61,944,706
Common stock issued through conversion of OP Units	29,566	749,814	656,706
Common stock issued through exercise of options	20,000	160,000	344,768
Common stock issued through stock grants	173,333	177,998	216,664
Common stock issued through ESPP and Dividend Reinvestment Plan	19,012	31,108	30,304
Common stock repurchased and retired	(121,544)	(82,010)	(8,300)
Common stock issued through stock offering	—	—	12,075,000
Common stock issued for Acquisition	—	—	3,416,552
Redemption of Series B Preferred Stock for Common Stock	—	—	3,480,000
Shares outstanding at December 31,	83,313,677	83,193,310	82,156,400

During the year ended December 31, 2013, 2012 and 2011, we repurchased shares of common stock representing common stock we surrendered to satisfy income tax withholding obligations due as a result of the vesting of restricted stock grants at a weighted average price of $36.48, $33.31 and $31.39 per share, respectively.
As of December 31, 2013 and 2012, our percentage ownership of the Operating Partnership was approximately 91.6% and 91.8%, respectively. The remaining approximately 8.4% and 8.2%, respectively, was owned by the Common OP Unitholders.

The following regular quarterly distributions have been declared and paid to common stockholders and common OP Unit non-controlling interests since January 1, 2011:

Distribution Amount Per Share	For the Quarter Ending	Stockholder Record Date	Payment Date
$0.1875	March 31, 2011	March 25, 2011	April 8, 2011
$0.1875	June 30, 2011	June 24, 2011	July 8, 2011
$0.1875	September 30, 2011	September 30, 2011	October 14, 2011
$0.1875	December 31, 2011	December 30, 2011	January 13, 2012
$0.2188	March 31, 2012	March 30, 2012	April 13, 2012
$0.2188	June 30, 2012	June 29, 2012	July 13, 2012
$0.2188	September 30, 2012	September 28, 2012	October 12, 2012
$0.2188	December 31, 2012	December 14, 2012	December 28, 2012
$0.2500	March 31, 2013	March 28, 2013	April 12, 2013
$0.2500	June 30, 2013	June 28, 2013	July 12, 2013
$0.2500	September 30, 2013	September 27, 2013	October 11, 2013
$0.2500	December 31, 2013	December 27, 2013	January 10, 2014

On July 15, 2013, we effected a two-for-one stock split of our common stock, by and in the form of a stock dividend and was paid to stockholders of record on July 5, 2013.
On September 6, 2012, we entered into equity distribution agreements with sales agents, pursuant to which we may sell, from time to time, shares of our common stock, par value $0.01 per share, having an aggregate offering price of up to $125.0 million. We have not sold any common stock to date under the equity distribution agreements.

On May 8, 2012, the ability to issue shares upon conversion of the Series A Preferred Stock was approved by our common stockholders. As a result, the Series A Preferred Stock has been classified as redeemable interests within permanent equity on our Consolidated Balance Sheet.

On August 9, 2012, we announced an offer to acquire all of the 8,000,000 outstanding Series A Preferred Stock. For each share of Series A Preferred Stock, we intended to exchange for one newly issued depositary share plus cash equal to the amount of all unpaid distributions accrued on such tendered Series A Preferred Stock. On September 14, 2012, we issued 54,458 shares of our Series C Preferred Stock with a liquidation value of $2,500.00 per share, which are represented by depositary shares as

Equity LifeStyle Properties, Inc.
Notes to Consolidated Financial Statements
Note 4—Common Stock and Other Equity Related Transactions (continued)

described below. Also on September 14, 2012, we exchanged 5,445,765 shares of our Series A Preferred Stock for 5,445,765 depositary shares, each representing 1/100th of a share of our Series C Preferred Stock with a liquidation value of $25.00 per depositary share, plus accrued and unpaid dividends of $0.3849625 per share of Series A Preferred Stock.

On October 18, 2012, we redeemed the remaining 2,554,235 shares of Series A Preferred Stock at the $25.00 per share liquidation value plus accrued and unpaid dividends of $0.0948460 per share on such redeemed shares for approximately $64.1 million.

Note 5—Investment in Real Estate

The following table summarizes the carrying amounts of our investment in real estate held for disposition (at cost) as of December 31, 2013 and 2012 (amounts in thousands):

Properties Held for Disposition

	December 31, 2013	December 31, 2012
Investment in real estate:		
Land	$—	$28,611
Land improvements	—	65,664
Buildings and other depreciable property	—	32,591
	—	126,866
Accumulated depreciation	—	(15,077)
Net investment in real estate	$—	$111,789

During the year ended December 31, 2013, we recorded an additional $3.5 million in depreciation expense and accumulated depreciation to correct immaterial amounts recorded in prior periods related to land improvements.

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 statements of operations 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.

During the years ended December 31, 2013, 2012 and 2011 we acquired all of the following Properties from unaffiliated third parties (dollars in millions):

1) During the year ended December 31, 2013, we acquired the following Properties:

(a) On December 17, 2013, we closed on the acquisition of Neshonoc Resort, a 284-Site property for a purchase price of approximately $7.3 million funded with available cash and the assumption of mortgage debt of approximately $5.4 million. On January 7, 2014 we closed on the acquisition of Blackhawk Resort, a 490-Site property for a purchase price of $7.6 million funded with available cash and the assumption of mortgage debt of approximately $4.9 million. On January 24, 2014, we closed on the acquisition of Lakeland Resort, a 682-Site property for a purchase price of $16.6 million funded with available cash and the assumption of mortgage debt of approximately $8.4 million.

(b) On September 16, 2013, we acquired Fiesta Key, a resort Property with 324 Sites for a purchase price of approximately $24.6 million funded with available cash.

(c) On August 1, 2013, we acquired from certain affiliates of Riverside Communities three manufactured home communities (the “Riverside Acquisition”) located in the Chicago metropolitan area collectively containing approximately 1,207 Sites for a stated purchase price of $102.0 million. The purchase price was funded with approximately $9.7 million of limited partnership interests in our Operating Partnership, equivalent to 240,969 OP units, and the remainder was funded with available cash.

2) During the year ended December 31, 2012, we acquired two resort Properties with 1,765 Sites for a purchase price of $25.0 million.

Equity LifeStyle Properties, Inc.
Notes to Consolidated Financial Statements
Note 5—Investment in Real Estate (continued)

3) During the year ended December 31, 2011, we acquired 75 manufactured homes communities and one RV (the “2011 Acquisition Properties”) resort containing 30,129 Sites for a purchase price of approximately $1.5 billion (the “2011 Acquisition”). We funded the purchase price of this closing with (i) the issuance of 3,416,552 shares of our common stock, to the seller with an aggregate value of approximately $111 million, (ii) the issuance of 3,480,000 shares of Series B Preferred Stock to the seller with an aggregate value of approximately $113 million, (iii) the assumption of mortgage debt secured by 35 of the 2011 Acquisition Properties with an aggregate value of approximately $548 million, (iv) the net proceeds of approximately $344 million, net of offering costs, from a common stock offering of 12,075,000 shares, (v) approximately $200 million of cash from the Term Loan we closed on July 1, 2011, and (vi) approximately $200 million of cash from new secured financings originated during the third quarter of 2011. The assumed mortgage debt had stated interest rates ranging from 4.65% to 8.87% per annum and maturities from dates ranging from 2012 to 2023. The number of shares shown in this section has been adjusted for our two-for-one stock split that was effected by and in the form of a stock dividend in July 2013.
We engaged a third-party to assist with our purchase price allocation for the acquisitions. The allocation of the fair values of the assets acquired and liabilities assumed is subject to further adjustment due primarily to information not readily available at the acquisition date and final purchase price settlement with the sellers in accordance with the terms of the purchase agreement. The following table summarizes the estimated fair value of the assets acquired and liabilities assumed in the acquisitions for the year ended December 31, 2013, which we determined using level two and level three inputs (amounts in thousands):

	2013	2012	2011
Assets acquired			
Land	$41,022	$4,410	$471,500
Depreciable property	87,306	18,491	855,200
Manufactured homes	1,155	—	24,000
In-place leases	3,910	2,099	74,000
Net investment in real estate	$133,393	$25,000	$1,424,700
Notes receivable	—	—	40,000
Other assets	1,025	29	18,300
Total Assets acquired	$134,418	$25,029	$1,483,000
Liabilities assumed			
Mortgage notes payable	$5,382	$—	$548,000
Other liabilities	1,777	816	8,000
Total liabilities assumed	$7,159	$816	$556,000
Net consideration paid	$127,259	$24,213	$927,000

Ground lease escrow

We are the beneficiary of an escrow, funded by the seller, related to our Colony Cove Property which was acquired as part of our 2011 Acquisition. The lease terms included an option to purchase the underlying fee interest upon the death of the lessor as well as scheduled increases of the monthly payments and the option purchase price. During 2013, we received distributions of 90,805 shares of our common stock. During the fourth quarter, we learned of the death of the lessor and we have provided the required notification of our intent to exercise the purchase option which is expected to close in early 2014. The December 31, 2013 contingent consideration asset balance of $1.9 million represents the $1.1 million fair value estimate of shares distributed to us on January 1, 2014 and the $0.8 million fair value estimate of shares distributed to us on February 12, 2014.
Dispositions
During the three years ended December 31, 2013, we disposed of the following Properties:
1) On May 8, 2013, we entered into a purchase and sale agreement to sell 11 manufactured home communities located in Michigan (the “Michigan Properties”) collectively containing approximately 5,344 Sites for a net sale price of

approximately $165.0 million. We closed on the sale of ten of the Michigan Properties on July 23, 2013, and closed on the sale of the eleventh Michigan Property on September 25, 2013. In accordance with FASB Codification Sub-Topic “Property, Plant and Equipment - Real Estate Sales - Derecognition” (“FASB ASC 360-20-40-5”), we recognized a gain on sale of real estate assets of approximately $40.6 million.

2) On December 7, 2012, we sold Cascade, a 163-Site resort Property located in Snoqualmie, Washington. In accordance with FASB ASC 360-20-40-5, we recognized a gain on disposition of approximately $4.6 million, net of tax for the year ended

Equity LifeStyle Properties, Inc.
Notes to Consolidated Financial Statements
Note 5—Investment in Real Estate (continued)

December 31, 2012. Cash proceeds from the disposition, net of closing costs, were approximately $7.6 million. During the year ended December 31, 2013, we recognized approximately $1.0 million of gain on the sale as a result of a new U.S. Federal tax law that eliminated a previously accrued built-in-gain tax liability related to the disposition.

The following table summarizes the combined results of operations of Properties held for disposition for the respective periods that we owned such assets during the years ended December 31, 2013, 2012 and 2011 (amounts in thousands):

	Years Ended December 31,		
	2013	2012	2011
Community base rental home income	$11,565	$19,564	$9,621
Rental income	1,948	2,416	725
Utility and other income	1,384	1,961	727
Discontinued property operating revenues	14,897	23,941	11,073
Property operating expenses	6,126	9,561	4,290
Income from discontinued property operations	8,771	14,380	6,783
Loss from home sales operations	(78)	(110)	(26)
Other income and expenses	332	868	566
Interest and amortization	(355)	(534)	(179)
Depreciation and in place lease amortization	(1,537)	(8,488)	(6,597)
Discontinued operations, net	$7,133	$6,116	$547

As of December 31, 2013, we have no Properties designated as held for disposition pursuant to FASB ASC 360-10-35.

Note 6—Investment in Joint Ventures

We received approximately $1.3 million in distributions from joint ventures for the year ended December 31, 2013 and approximately $1.8 million for each of the years ended December 31, 2012 and 2011 from joint ventures, which were classified as a return on capital and included in operating activities on the Consolidated Statements of Cash Flows.

On April 19, 2013, we entered into an agreement with an unaffiliated third party to create a new joint venture named ECHO Financing, LLC (the "ECHO JV"). We entered into the ECHO JV to buy and sell homes, as well as to offer another financing option to purchasers of homes at our Properties. Each party to the venture made an initial contribution of $1.0 million in exchange for a pro rata ownership interest in the joint venture, which resulted in us owning 50% of the ECHO JV. We account for our investment in the ECHO JV using the equity method of accounting, since we do not have a controlling direct or indirect voting interest, but we can exercise significant influence with respect to our operations and major decisions.

The following table summarizes our investment in unconsolidated joint ventures (investment amounts in thousands with the number of Properties shown parenthetically for the years ended December 31, 2013 and 2012, respectively):

Investment	Location	Number of Sites	Economic Interest[a]	Investment as of December 31, 2013	Investment as of December 31, 2012	Income for Years Ended [c] December 31, 2013	Income for Years Ended [c] December 31, 2012	Income for Years Ended [c] December 31, 2011
Meadows	Various (2,2)	1,027	50 %	$1,679	$916	$1,138	$1,012	$981
Lakeshore	Florida (2,2)	342	65 %	145	121	271	250	240
Voyager	Arizona (1,1)	1,706	50 % [b]	7,074	7,195	760	652	727
Other	Various (0,0)	—	20 %	—	188	(188)	(15)	—
Echo JV	Various (0,0)	—	50 %	2,685	—	58	—	—
		3,075		$11,583	$8,420	$2,039	$1,899	$1,948

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(a) The percentages shown approximate our economic interest as of December 31, 2013. Our legal ownership interest may differ.

(b) Voyager joint venture primarily consists of a 50% interest in Voyager RV Resort and 25% interest in the utility plant servicing the Property.

(c) Net of approximately $1.0 million of depreciation expense for the year ended December 31, 2013 and approximately $1.2 million for each of the years ended December 31, 2012 and 2011.

Equity LifeStyle Properties, Inc.
Notes to Consolidated Financial Statements

Note 7—Notes Receivable

Occasionally, we make loans to finance the sale of homes to our customers or purchase loans made by others to finance the sale of homes to our customers ("Chattel Loans"). The Chattel Loans receivable require monthly principal and interest payments and are collateralized by homes at certain of the Properties. As of December 31, 2013 and 2012, we had approximately $21.9 million and $25.0 million, respectively, of these Chattel Loans included in notes receivable. In addition, as of December 31, 2012, we had approximately $7.7 million of these Chattel Loans included in notes receivable for assets held for disposition. As of December 31, 2013, the Chattel Loans receivable, including the Michigan Properties through the date of sale, had a stated per annum average rate of approximately 7.8%, with a yield of 20.0%, and had an average term remaining of approximately 12 years. These Chattel Loans are recorded net of allowances of approximately $0.4 million as of December 31, 2013 and 2012. During the years ended December 31, 2013 and 2012, approximately $4.3 million and $5.5 million, respectively, were repaid, and we issued an additional $2.8 million and $0.7 million of loans, respectively. In addition, during the years ended December 31, 2013 and 2012, approximately $2.6 million and $5.3 million, respectively, of homes serving as collateral for Chattel Loans were repossessed and sold or converted to rental units. Chattel Loans receivable as of December 31, 2013 includes $13.7 million of Chattel Loans related to the Properties acquired in 2011. During 2013, we disposed of $6.5 million of Chattel Loans due to the disposition of the Michigan Properties. During 2013, management reviewed the default and asset recovery performance of these loans related to the Properties acquired in 2011 and determined that the yield of this portfolio increased from 21.0% to 27.0% due to the disposition of Chattel Loans at the Michigan Properties and accelerated timing of cash collections and asset recoveries being experienced in the portfolio. Increases in default rates or declines in recovery rates in the future could, if significant, result in an impairment of the loans. Changes in default rates or recovery rates in the future could, if significant, result in future changes to the yield.

We also provide financing for nonrefundable sales of new or upgrades to existing right to use contracts ("Contracts Receivable"). As of December 31, 2013 and 2012, we had approximately $17.2 million and $16.1 million, respectively, of Contracts Receivable, net of allowances of approximately $0.6 million and $0.7 million, respectively. These Contracts Receivable represent loans to customers who have entered into right-to-use contracts. The Contracts Receivable yield interest at a stated per annum average rate of 16.0%, have a weighted average term remaining of approximately four years and require monthly payments of principal and interest. During the years ended December 31, 2013 and 2012, approximately $7.1 million were repaid in each year and an additional $7.5 million and $6.6 million, respectively, were lent to customers.

Note 8—Borrowing Arrangements

Secured Debt

2013 Activity

As of December 31, 2013 and December 31, 2012, we had outstanding mortgage indebtedness on Properties of approximately $1,992 million and $2,062 million, respectively, excluding $8.3 million as of December 31, 2012, on liabilities held for disposition (including $0.4 million of debt premium adjustment). The weighted average interest rate including the impact of premium/discount amortization on this mortgage indebtedness for the year ended December 31, 2013 was approximately 5.0% per annum. The debt bears interest at stated rates of 3.9% to 8.9% per annum and matures on various dates ranging from 2014 to 2038. The debt encumbered a total of 147 and 170 of our Properties as of December 31, 2013 and December 31, 2012, respectively, and the carrying value of such Properties was approximately $2,378 million and $2,485 million, respectively, as of such dates.

During the year ended December 31, 2013, we closed on 22 loans with total proceeds of $375.5 million which were secured by manufactured home communities and carried a weighted average interest rate of 4.4% per annum. The loan proceeds and available cash were used to defease approximately $312.2 million of debt with a weighted average interest rate of 5.6% per annum, secured by 29 manufactured home communities which were set to mature in 2014 and 2015. During the year ended December 31, 2013, we paid approximately $37.8 million in defeasance costs associated with the early retirement of the mortgages. We also paid off 16 maturing mortgages totaling approximately $99.8 million, with a weighted average interest rate of 6.0% per annum.

We also assumed approximately $5.4 million of mortgage debt secured by the Neshonoc property (see Note 5 in the Notes to Consolidated Financial Statements in this Form 10-K) with a stated interest rate of 6.0% per annum set to mature in 2022.

On July 18, 2013, in connection with the disposition of our Michigan Properties (see Note 5 in the Notes to Consolidated Financial Statements in this Form 10-K), we paid off the mortgage on one manufactured home community, which was scheduled to mature in 2020, for approximately $7.8 million with a stated interest rate of 7.2% per annum.

Equity LifeStyle Properties, Inc.
Notes to Consolidated Financial Statements

Note 8—Borrowing Arrangements (continued)

On January 2, 2014, we repaid approximately $16.6 million of debt maturing in 2014, which had a weighted average interest rate of 5.7% per annum. On February 1, 2014, we also repaid one mortgage scheduled to mature in 2014 of approximately $4.0 million with a stated interest rate of 5.4% per annum.

On January 7, 2014, we assumed approximately $4.9 million of mortgage debt secured by Blackhawk Resort (see Note 5 in the Notes to Consolidated Financial Statements in this Form 10-K) with a stated interest rate of 6.0% per annum set to mature in 2017.

On January 24, 2014, we assumed approximately $8.4 million of mortgage debt secured by Lakeland Resort (see Note 5 in the Notes to Consolidated Financial Statements in this Form 10-K) with a stated interest rate of 6.8% per annum set to mature in 2018.

2012 Activity

During the year ended December 31, 2012, we received approximately $74.0 million of financing proceeds on one manufactured home community with a stated interest rate of 3.90% per annum, maturing in 2022. The proceeds were used to pay off the mortgage on the property, which was set to mature on May 1, 2013, totaling approximately $35.1 million, with a stated interest rate of 5.69% per annum. We also closed on approximately $85.5 million of financing proceeds on two RV resorts with a weighted average interest rate of 5.10% per annum, maturing in 2022. We used the proceeds to pay off the mortgages on these two Properties, which were set to mature on June 1, 2014, totaling approximately $63.3 million, with a weighted average interest rate of 5.41% per annum. We also paid off three maturing mortgages totaling approximately $39.3 million, with a weighted average interest rate of 5.79% per annum.

Unsecured Term Loan

Our $200.0 million unsecured Term Loan matures on June 30, 2017, has an interest rate of LIBOR plus 1.85% to 2.80% per annum and, subject to certain conditions, may be prepaid at any time without premium or penalty after July 1, 2014. Prior to July 1, 2014, a prepayment penalty of 2% of the amount prepaid would be owed. The spread over LIBOR is variable 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, we also entered into a three year, $200.0 million LIBOR notional Swap Agreement (the “Swap”) allowing us to trade our variable interest rate for a fixed interest rate on the Term Loan. (See Note 9 in the Notes to Consolidated Financial Statements contained in this Form 10-K for further information on the accounting for the Swap.) The proceeds were used to partially fund the 2011 Acquisition discussed in detail in Note 5 in the Notes to the Consolidated Financial Statements contained in this Form 10K.

Unsecured Line of Credit

As of December 31, 2013 and 2012, our unsecured Line of Credit (“LOC”) had an availability of $380 million with no amounts outstanding. During the year ended December 31, 2013, we had proceeds of $20.0 million from the LOC and repayments of $20.0 million on the LOC. Our amended LOC bears a LIBOR rate plus a maximum of 1.40% to 2.00%, contains a 0.25% to 0.40% facility rate and has a maturity date of September 15, 2016. We have a one year extension option under our LOC. We incurred commitment and arrangement fees of approximately $1.3 million to enter into the amended LOC in 2012, subject to payment of certain administrative fees and the satisfaction of certain other enumerated conditions.

As of December 31, 2013, we are in compliance in all material aspects with the covenants in our borrowing arrangements.

Equity LifeStyle Properties, Inc.
Notes to Consolidated Financial Statements

Note 8—Borrowing Arrangements (continued)

Future Maturities of Debt

Aggregate payments of principal on long-term borrowings for each of the next five years and thereafter are as follows (amounts in thousands):

Year	Amount
2014	$119,452
2015	311,208
2016	246,054
2017	310,725
2018	207,592
Thereafter	979,572
Net unamortized premiums	17,765
Total	$2,192,368

Note 9—Derivative Instruments and Hedging Activities

Cash Flow Hedges of Interest Rate Risk

In connection with the Term Loan, we entered into a Swap (See Note 8 in the Notes to the Consolidated Financial Statements contained in this Form 10-K for information about the Term Loan related to the Swap) that fixes the underlying LIBOR rate on the Term Loan at 1.11% per annum for the first three years and matures on July 1, 2014. Based on actual leverage as of December 31, 2013, our spread over LIBOR was 1.95% resulting in an actual all-in interest rate of 3.06% per annum. We have designated the 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 years ended December 31, 2013 and 2012. Amounts reported in accumulated other comprehensive loss on the Consolidated Balance Sheet related to derivatives will be reclassified to interest expense as interest payments are made on our variable-rate debt. Through the remaining term of the swap, July 1, 2014, we estimate that an additional $1.1 million will be reclassified as an increase to interest expense.

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 December 31, 2013 and 2012 (amounts in thousands).

	Balance Sheet Location	December 31, 2013	December 31, 2012
Interest Rate Swap	Accrued payroll and other operating expenses	$ 928	$ 2,591

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

The table below present the effect of our derivative financial instrument on the Consolidated Statements of Income and Comprehensive Income for the years ended December 31, 2013, 2012 and 2011 (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)		
	December 31, 2013	December 31, 2012	December 31, 2011		December 31, 2013	December 31, 2012	December 31, 2011
Interest Rate Swap	$188	$ 1,797	$ 3,445	Interest Expense	$1,851	$ 1,754	$ 898

We determined that no adjustment was necessary for nonperformance risk on our derivative obligation. As of December 31, 2013, we have not posted any collateral related to this agreement.

Equity LifeStyle Properties, Inc.
Notes to Consolidated Financial Statements

Note 10—Deferred Revenue-entry of right-to-use contracts and Deferred Commission Expense

Up-front payments received upon the entry of right-to-use contracts are recognized in accordance with FASB ASC 605. We recognize the up-front non-refundable payments over the estimated customer life, which, based on historical attrition rates, we have estimated to be between one to 31 years. The commissions paid on the entry of right-to-use contracts will be deferred and amortized over the same period as the related sales revenue.

Components of the change in deferred revenue-entry of right-to-use contracts and deferred commission expense are as follows (amounts in thousands):

	2013	2012
Deferred revenue—entry of right-to-use contracts, as of January 1,	$62,979	$56,285
Deferral of new right-to-use contracts	13,142	13,433
Deferred revenue recognized	(7,448)	(6,739)
Net increase in deferred revenue	5,694	6,694
Deferred revenue—entry of right-to-use contracts, as of December 31,	$68,673	$62,979
Deferred commission expense, as of January 1,	$22,841	$19,686
Costs deferred	5,011	5,465
Commission expense recognized	(2,601)	(2,310)
Net increase in deferred commission expense	2,410	3,155
Deferred commission expense, as of December 31,	$25,251	$22,841

Note 11—Lease Agreements

The leases entered into between the customer and us for the rental of a Site are generally month-to-month or for a period of one to ten years, renewable upon the consent of the parties or, in some instances, as provided by statute. Long-term leases that are non-cancelable by the tenant are in effect at certain Sites for 17 of the Properties. Rental rate increases at these Properties are primarily a function of increases in the Consumer Price Index, taking into consideration certain conditions. Additionally, periodic market rate adjustments are made as deemed appropriate. Future minimum rents are scheduled to be received under non-cancelable tenant leases at December 31, 2013 are as follows (amounts in thousands):

Year	Amount
2014	$34,844
2015	34,001
2016	23,741
2017	17,087
2018	16,082
Thereafter	43,980
Total	$169,735

Note 12—Ground Leases

We lease land under non-cancelable operating leases at certain of the Properties expiring in various years from 2015 to 2054. The majority of the lease terms require twelve equal payments per year plus additional rents calculated as a percentage of gross revenues. Future minimum rental payments exclude payments related to the Colony Cove Property lease as we have provided required notification of our intent to exercise the purchase option for the land which is expected to close in early 2014. For the year ended December 31, 2013, 2012, and 2011 ground lease rent was approximately $3.4 million, $3.3 million, and $2.5 million, respectively. Minimum future rental payments under the ground leases as of December 31, 2013 are as follows (amounts in thousands):

Year	Amount
2014	$1,935
2015	1,941

2016	1,948
2017	1,955
2018	1,955
Thereafter	11,573
Total	$21,307

Equity LifeStyle Properties, Inc.
Notes to Consolidated Financial Statements

Note 13—Transactions with Related Parties

Riverside Portfolio acquisition

On August 1, 2013, we closed on the Riverside Acquisition (See Note 5 in the Notes to Consolidated Financial Statements contained in this Form 10-K). Patrick Waite, our Executive Vice President of Operations, was formerly employed by an affiliate of Riverside Communities, as a result of which he had financial interests in the sale that resulted in him receiving his share in cash upon the closing of the acquisition. Mr. Waite did not participate in our management's analysis, decision-making or recommendation to the Board of Directors with respect to the acquisition. In addition, David Helfand, the founder and CEO of Riverside Communities, served in various positions with us before 2005, including at various times as our Chief Financial Officer, Chief Executive Officer, and as a member of our Board of Directors. Mr. Helfand is currently Co-President of Equity Group Investments, L.L.C., an entity affiliated with Sam Zell, Chairman of our Board of Directors.

Corporate Headquarters

We lease office space from Two North Riverside Plaza Joint Venture Limited Partnership, an entity affiliated with Mr. Zell, Chairman of our Board of Directors. Payments made in accordance with the lease agreement to this entity amounted to approximately $1.4 million, $0.9 million, and $1.0 million for the years ended December 31, 2013, 2012 and 2011, respectively.

Other

On October 18, 2012, our Chief Executive Officer, Thomas Heneghan, accepted an offer to become Chief Executive Officer of Equity International Management, LLC ("Equity International"), effective in February 2013, and he resigned as our Chief Executive Officer effective February 1, 2013. During the period from October 18, 2012 through February 1, 2013, Mr. Heneghan continued to serve as our Chief Executive Officer, but he also performed certain services for Equity International, an entity affiliated with Mr. Zell, Chairman of our Board of Directors. We paid Mr. Heneghan his regular compensation through February 1, 2013. However, in our consideration for allowing Mr. Heneghan to perform certain services for Equity International during this period, we and Equity International agreed that Equity International would reimburse us for a portion of Mr. Heneghan's compensation in the amount of $0.3 million.

Note 14—Stock Option Plan and Stock Grants

Our Stock Option and Stock Award Plan (the "Plan") was adopted in December 1992 and was amended and restated from time to time, most recently effective March 23, 2001 for a ten year term. Since January 1, 2011 through the expiration of the Plan we granted to certain directors and executive officers a total of 207,330 shares of restricted stock. After March 23, 2011, when the Plan expired, we granted to certain directors, executive officers and a consultant a total of 383,330 shares of restricted stock net of the number of shares that were subsequently forfeited before vesting in private placements exempt from registration.

All the restricted stock shares (the "Restricted Stock Grants") issued were approved by our Board of Directors at the recommendation of the Compensation, Nominating, and Corporate Governance Committee of our Board of Directors (the "Compensation Committee"). The Restricted Stock Grants were subject to conditions and restrictions, including vesting schedule and term, determined by the Compensation Committee. The amount and vesting terms of the Restricted Stock Grants were disclosed in the appropriate periods in our previously filed reports. Under Maryland law, the Restricted Stock Grants were duly authorized and validly issued, and pursuant to Section 4(a)(2) of the Securities Act of 1933, as amended, were validly issued private placements exempt from registration. The expiration of the Plan did not materially impact the accounting for these awards. At our 2014 Annual Meeting of Stockholders, we intend to ask our stockholders to ratify the Restricted Stock Grants. Shares that did not vest were forfeited. Dividends are paid on restricted stock and are not returnable, even if the underlying stock does not entirely vest. Stock Options are awarded at the New York Stock Exchange closing price of our common stock on the grant date.

Grants Issued

On May 8, 2013, we awarded Restricted Stock Grants for 40,000 shares of common stock at a fair market value of approximately $1.7 million to the members of the Board of Directors. One-third of the shares of restricted common stock covered by these awards vest on each of November 8, 2013, May 8, 2014, and May 8, 2015.

On April 10, 2013, we awarded Restricted Stock Grants for 2,000 shares of common stock at a fair market value of $80,200 to a member of our senior management. These Restricted Stock Grants will vest on December 31, 2013.

Equity LifeStyle Properties, Inc.
Notes to Consolidated Financial Statements

Note 14—Stock Option Plan and Stock Grants (continued)

On March 13, 2013, we awarded Restricted Stock Grants for 666 shares of common stock at a fair market value of approximately $24,800 to a member of the Board of Directors. One-third of the shares of restricted common stock covered by these awards vests on each of September 13, 2013, March 13, 2014, and March 13, 2015.

On February 1, 2013, we awarded Restricted Stock Grants for 68,666 shares of common stock at a fair market value of $2.5 million to certain members of our senior management. These Restricted Stock Grants will vest on December 31, 2013.

On January 31, 2013, we awarded Restricted Stock Grants for 62,000 shares of common stock at a fair market value of approximately $2.2 million to certain members of the Board of Directors for services rendered in 2012. One-third of the shares of restricted common stock covered by these awards vest on each of December 31, 2013, December 31, 2014, and December 31, 2015. The fair market value of our restricted stock grants is recorded as compensation expense and paid in capital over the vesting period.

On May 8, 2012, we awarded Restricted Stock Grants for 32,000 shares of common stock at a fair market value of approximately $1.1 million to the Board of Directors. One-third of the shares of restricted common stock covered by these awards vests on each of November 8, 2012, May 8, 2013, and May 8, 2014.

On January 31, 2012, we awarded Restricted Stock Grants for 62,000 shares of common stock at a fair market value of approximately $2.2 million to certain members of the Board of Directors for services rendered in 2011. One-third of the shares of restricted common stock covered by these awards vests on each of December 31, 2012, December 31, 2013, and December 31, 2014.

On January 31, 2012, we awarded Restricted Stock Grants for 120,664 shares of common stock to certain members of our senior management. These Restricted Stock Grants vested on December 31, 2012. The fair market value of these Restricted Stock Grants was approximately $4.2 million as of the date of grant and is recorded as a compensation expense and paid in capital over the vesting period. During 2012, 36,666 shares of this restricted stock grant valued at issuance date of approximately $1.3 million were relinquished by certain members of senior management.

On May 11, 2011, we awarded Restricted Stock Grants for 32,000 shares of common stock at a fair market value of approximately $0.9 million to the Board of Directors. One-third of the shares of restricted common stock covered by these awards vests on each of November 11, 2011, May 11, 2012, and May 11, 2013.

On February 1, 2011, we awarded Restricted Stock Grants for 145,330 shares of common stock to certain members of our senior management. These Restricted Stock Grants vested December 31, 2011. The fair market value of these Restricted Stock Grants was approximately $4.2 million as of the date of grant and is recorded as a compensation expense and paid in capital over the vesting period.

On January 31, 2011, we awarded Restricted Stock Grants for 62,000 shares of common stock at a fair market value of approximately $1.8 million to certain members of the Board of Directors. One-third of the shares of restricted common stock covered by these awards vests on each of December 31, 2011, December 31, 2012, and December 31, 2013.

We recognized compensation expense of approximately $6.0 million, $5.8 million and $5.8 million primarily related to Restricted Stock Grants in 2013, 2012 and 2011, respectively.

Equity LifeStyle Properties, Inc.
Notes to Consolidated Financial Statements

Note 14—Stock Option Plan and Stock Grants (continued)

A summary of our restricted stock activity, and related information for the years ended December 31, 2013, 2012, and 2011 follows:

	Number of Shares	Weighted Average Grant Date Fair Value
Balance at December 31, 2010	104,686	$ 18.61
Shares granted	239,330	28.75
Shares canceled/forfeited	(22,666)	28.70
Shares vested	(227,330)	24.50
Balance at December 31, 2011	94,020	27.75
Shares granted	214,664	35.06
Shares canceled/forfeited	(36,666)	35.07
Shares vested	(177,998)	32.30
Balance at December 31, 2012	94,020	32.97
Shares granted	173,332	37.32
Shares vested	(167,564)	34.97
Balance at December 31, 2013	99,788	37.17

Compensation expense to be recognized subsequent to December 31, 2013 for Restricted Stock Grants issued prior to 2014 that has not yet vested was approximately $3.3 million, which is expected to be recognized over a weighted average term of 1.4 years.

Stock Options

The fair value of each grant is estimated on the grant date using the Black-Scholes-Merton model. No options were issued, forfeited or expired during the years ended December 31, 2013, 2012, and 2011.

A summary of our stock option activity, and related information for the years ended December 31, 2013, 2012, and 2011 follows:

	Shares Subject To Options	Weighted Average Exercise Price Per Share	Weighted Average Outstanding Contractual Life (in years)
Balance at December 31, 2010	1,610,368	$ 20.16	4.9
Options canceled	(344,768)	13.14	
Balance at December 31, 2011	1,265,600	22.07	4.9
Options exercised	(160,000)	24.10	
Balance at December 31, 2012	1,105,600	21.78	4.0
Options exercised	(20,000)	12.34	
Balance at December 31, 2013	1,085,600	21.95	3.1
Exercisable at December 31, 2013	1,085,600	21.95	3.1

The intrinsic value of outstanding and exercisable stock options represents the excess of the closing stock price as of the end of the year, over the exercise price multiplied by the applicable number of shares that may be acquired upon exercise of stock options. For the years ending December 31, 2013, 2012 and 2011, the intrinsic value of exercised options was $0.5 million, $1.7 million and $6.1 million, respectively. For the years ending December 31, 2013, 2012 and 2011, the intrinsic value of outstanding and exercisable options was $15.5 million, $13.1 million and $14.3 million, respectively.

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Equity LifeStyle Properties, Inc.
Notes to Consolidated Financial Statements

Note 15—Preferred Stock

Our Board of Directors is authorized under our charter, without further stockholder approval, to issue, from time to time, in one or more series, 10,000,000 shares of $0.01 par value preferred stock (the "Preferred Stock"), with specific rights, preferences and other attributes as the Board may determine, which may include preferences, powers and rights that are senior to the rights of holders of our common stock. However, under certain circumstances, the issuance of preferred stock may require stockholder approval pursuant to the rules and regulations of The New York Stock Exchange.

On December 30, 2013, in connection with the MHC Trust merger, we authorized and issued: 125 shares of our Series D Preferred Stock with a liquidation value of $1,000.00 per share, having substantially the same terms and same rights as shares of MHC Trust's 6% Series A Cumulative Non-Qualified Preferred Stock, and 250 shares of our Series E Preferred Stock with a liquidation value of $1,000.00 per share, having substantially the same terms and same rights as shares of MHC Trust's 18.75% Series B Cumulative Non-Voting Preferred Stock.

On May 8, 2012, the ability to issue shares upon conversion of the Series A Preferred Stock was approved by our common stockholders. As a result, at September 30, 2012 the Series A Preferred Stock were classified as redeemable interests within of permanent equity on our Consolidated Balance Sheet. On September 14, 2012, we issued 54,458 shares of our Series C Preferred Stock with a liquidation value of $2,500.00 per share, which is represented by depositary shares as described below. Also on September 14, 2012, we exchanged 5,445,765 shares of our Series A Preferred Stock for 5,445,765 depositary shares, each representing 1/100th of a share of our Series C Preferred Stock with a liquidation value of $25.00 per depositary share, plus accrued and unpaid dividends of $0.3849625 per share of Series A Preferred Stock. On October 18, 2012, we redeemed the remaining 2,554,235 shares of Series A Preferred Stock at the $25.00 per share liquidation value plus accrued and unpaid dividends of $0.0948460 per share on such redeemed shares for approximately $64.1 million. Therefore, as of December 31, 2012, we did not have any Series A Preferred Stock outstanding.

Note 16—Long-Term Cash Incentive Plan

On January 24, 2013, our Compensation, Nominating and Corporate Governance Committee (the "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 Committee pursuant to the authority set forth in the Long Term Cash Incentive Plan approved by the 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 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 $5.8 million. For the year ended December 31, 2013, we had accrued compensation expense of approximately $1.9 million.

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

On May 11, 2010, our Board of Directors approved a Long-Term Cash Incentive Plan (the "2010 LTIP") to provide a long-term cash bonus opportunity to certain members of our management. Such Board approval was upon recommendation of the Committee. One participant in the 2010 LTIP was promoted to Chief Financial Officer in 2012. No other executive officers were participants in the 2010 LTIP. As of December 31, 2012, we had accrued compensation expense and payroll benefits of approximately $2.6 million, for the 2010 LTIP including approximately $0.8 million in the year ended December 31, 2012. On January 24, 2013, the Committee approved payments under the 2010 LTIP of approximately $2.3 million to the participants.

Note 17—Savings Plan

We have a qualified retirement plan, with a salary deferral feature designed to qualify under Section 401 of the Code (the “401(k) Plan”), to cover our employees and those of our Subsidiaries, if any. The 401(k) Plan permits our eligible employees and those of any Subsidiary to defer up to 60% of their eligible compensation on a pre-tax basis subject to certain maximum amounts. In addition, we will match 100% of the participant’s contribution up to the first 3% and then 50% of the next 2% for a maximum potential match of 4%.

Equity LifeStyle Properties, Inc.
Notes to Consolidated Financial Statements
Note 17—Savings Plan (continued)

In addition, amounts we contributed will vest, on a prorated basis, according to the participant's vesting schedule. After five years of employment with us, the participants will be 100% vested for all amounts we contributed. Additionally, a discretionary profit sharing component of the 401(k) Plan provides for a contribution to be made annually for each participant in an amount, if any, as we determined. All employee contributions are 100% vested. Our contribution to the 401(k) Plan was approximately $1.3 million for each of the years ended December 31, 2013 and 2012 and approximately $1.1 million for the year ended December 31, 2011.

Note 18—Commitments and Contingencies

California Rent Control Litigation

As part of our effort to realize the value of our Properties subject to rent control, we have 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:

City of San Rafael

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 (the "Ordinance") on constitutional grounds. We believe the litigation was settled by the City's agreement to amend the ordinance to permit adjustments to market rent upon turnover. The City subsequently rejected the settlement agreement. The Court refused to enforce the settlement agreement, and submitted to a jury the claim that it had been breached. In October 2002, a jury found no breach of the settlement agreement. Our constitutional claims against the City were tried in a bench trial during April 2007. On April 17, 2009, the Court issued its Order for Entry of Judgment in our favor (the "April 2009 Order"). On June 10, 2009, the Court ordered the City to pay us net fees and costs of approximately $2.1 million. On June 30, 2009, as anticipated by the April 2009 Order, the Court entered final judgment that gradually phased out the City's Site rent regulation scheme that the Court found unconstitutional. Pursuant to the final judgment, existing residents of our Property in San Rafael would be able to continue to pay Site rent as if the Ordinance were to remain in effect for a period of 10 years, enforcement of the Ordinance was immediately enjoined with respect to new residents of the Property, and the Ordinance would expire entirely ten years from the June 30, 2009 date of judgment.

The City and the residents' association (which intervened in the case) appealed, and we cross-appealed. On April 17, 2013, the United States Court of Appeals for the Ninth Circuit issued an opinion in which, among other rulings, it reversed the trial court's determinations that the Ordinance had unconstitutionally taken our property and that we were entitled to an award of attorneys' fees and costs, and affirmed the jury verdict that the City had not breached the settlement agreement and affirmed the award to the City of approximately $1.25 million of attorneys' fees and costs on the settlement agreement claims. On May 1, 2013, we filed with the Court of Appeals a petition for panel rehearing and rehearing en banc, which was denied on June 3, 2013. On June 26, 2013, the Court of Appeals' mandate issued. On September 3, 2013, we filed a petition for review by the U.S. Supreme Court. On September 10, 2013, the City and the residents' association each waived the right to respond to our petition. On October 7, 2013, the Supreme Court requested that a response be filed, which was filed on December 6, 2013. We filed a reply supporting our petition on December 20, 2013. On January 13, 2014, the Supreme Court issued an order denying our petition for review. During the year ended December 31, 2013, we paid approximately $1.4 million related to the ruling of the Court of Appeals. On July 10, 2013, we paid to the City $1.27 million to satisfy, including interest, the attorneys' fees and costs judgment affirmed by the Court of Appeals. In August 2013, we also paid to the City approximately $0.08 million to satisfy its claim for attorney's fees on appeal.

Equity LifeStyle Properties, Inc.
Notes to Consolidated Financial Statements
Note 18—Commitments and Contingencies (continued)

City of Santee

On January 31, 2012, we sued the City of Santee in the United States District for the Southern District of California alleging that the City's rent control ordinance effectuates a regulatory and private taking of our property and is unconstitutional under the Fifth and Fourteenth Amendments to the United States Constitution. On April 2, 2012, the City filed a motion to dismiss the complaint. On December 21, 2012, the Court entered an order in which it: (a) denied the City's motion to dismiss our private taking and substantive due process claims; (b) granted the City's motion to dismiss our procedural due process claim as not cognizable because of the availability of a state remedy of a writ of mandamus; and (c) granted the City's motion to dismiss our regulatory taking claim as being not ripe. In addition, we also filed in the California Superior Court on February 1, 2012 a petition for a writ of administrative mandamus, and on September 28, 2012 a motion for writ of administrative mandamus, seeking orders directing that a rent increase petition we had filed with the City be granted. On April 5, 2013, the Court denied our petition for writ of administrative mandamus. On June 3, 2013, we filed an appeal to the California Court of Appeal from the denial of our petition for writ of administrative mandamus.

On September 26, 2013, we entered a settlement agreement with the City of Santee pursuant to which the City agreed to the entry of a peremptory writ of mandate by the Superior Court directing the City to grant us a special adjustment under the City's rent control ordinance permitting us, subject to the terms of the agreement, 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.

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 plaintiff's 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. On January 17, 2014, each side submitted their supplemental brief. The parties await the court's decision on rehearing.

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 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

Equity LifeStyle Properties, Inc.
Notes to Consolidated Financial Statements
Note 18—Commitments and Contingencies (continued)

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. We believe that the allegations in the complaint are without merit, and intend to vigorously defend the litigation.

Membership litigation

On July 29, 2011, we were served with a class action lawsuit in California state court filed by two named plaintiffs, who are husband and wife. Among other allegations, the suit alleged that the plaintiffs purchased a membership in our Thousand Trails network of campgrounds and paid annual dues; that they were unable to make a reservation to utilize one of the campgrounds because, they were told, their membership did not permit them to utilize that particular campground; that we failed to comply with the written disclosure requirements of various states' membership camping statutes; that we misrepresented that we provide a money-back guaranty; and that we misrepresented that the campgrounds or portions of the campgrounds would be limited to use by members. On August 19, 2011, we filed an answer generally denying the allegations of the complaint, and asserting affirmative defenses. On August 23, 2011, we removed the case from the California state court to the federal district court in San Jose. On July 23, 2012, we filed a motion to deny class certification. On March 18, 2013, the Court entered an order denying class certification and denying the plaintiffs' motion for leave to amend their class action complaint. The parties agreed to a confidential settlement of the individual claims of the two named plaintiffs.

Litigation Relating to Potential Acquisition of Certain RV Resorts

On November 9, 2012, we entered a letter of intent with Morgan RV Resorts ("Morgan"), which granted us a right of exclusive dealing and a right of first refusal ("ROFR") with respect to the purchase of 15 of Morgan's RV resorts. On December 13, 2012, Sun Communities, Inc. announced in an SEC filing that certain of its affiliates (collectively, "Sun") had entered into a contract with Morgan to purchase 11 of those same properties, as a result of which we subsequently exercised our ROFR. In a suit initiated by Sun on December 26, 2012 against us and Morgan in the Oakland County (Michigan) Circuit Court, the parties litigated the issue of who had the right to the properties. On February 12, 2013, Sun announced in an SEC filing that it had closed its purchase from Morgan on ten of the 11 properties at issue. On September 16, 2013, the parties resolved the dispute by entering a confidential settlement agreement as a result of which we acquired the eleventh property, Fiesta Key RV Resort, and certain other assets, and the litigation was dismissed with prejudice.

Hurricane Claim Litigation

On June 22, 2007, we filed suit in the Circuit Court of Cook County, Illinois (Case No. 07CH16548), against our insurance carriers, Hartford Fire Insurance Company, Essex Insurance Company ("Essex"), Lexington Insurance Company and Westchester Surplus Lines Insurance Company ("Westchester"), regarding a coverage dispute arising from losses we suffered as a result of hurricanes that occurred in Florida in 2004 and 2005. We also brought claims against Aon Risk Services, Inc. of Illinois ("Aon"), our former insurance broker, regarding the procurement of our appropriate insurance coverage. We sought declaratory relief establishing the coverage obligations of our carriers, as well as a judgment for breach of contract, breach of the covenant of good faith and fair dealing, unfair settlement practices and, as to Aon, for failure to provide ordinary care in the selling and procuring of insurance. The claims involved in this action were approximately $11.0 million.

In response to motions to dismiss, the trial court dismissed: (1) the requests for declaratory relief as being duplicative of the claims for breach of contract and (2) certain of the breach of contract claims as being not ripe until the limits of underlying insurance policies have been exhausted. On or about January 28, 2008, we filed our Second Amended Complaint ("SAC"), which the insurers answered. In response to the court's dismissal of the SAC's claims against Aon, we ultimately filed, on February 2, 2009, a new Count VIII against Aon alleging a claim for breach of contract, which Aon answered. In January 2010, the parties engaged in a settlement mediation, which did not result in a settlement. In June 2010, we filed motions for partial summary judgment against the insurance companies seeking a finding that our hurricane debris cleanup costs were within the extra expense coverage of our excess insurance policies. On December 13, 2010, the Court granted the motion. Discovery proceeded with respect to various remaining issues, including the amounts of the debris cleanup costs we were entitled to collect pursuant to the Court's order granting us partial summary judgment.

On August 6, 2012, we were served with motions by Essex and Westchester seeking leave to amend their pleadings, which the Court subsequently allowed, to add affirmative defenses seeking to bar recovery on the alleged ground that the claim we submitted for hurricane-related losses allegedly intentionally concealed and misrepresented that a portion of that claim was not hurricane-related, and to add a counterclaim seeking on the same alleged ground reimbursement of approximately $2.4 million Essex previously paid (the “Additional Affirmative Defenses and Counterclaim”). We believe that the Additional Affirmative Defenses and Counterclaim were without merit, and vigorously contested them. The parties filed motions for partial summary

Equity LifeStyle Properties, Inc.
Notes to Consolidated Financial Statements
Note 18—Commitments and Contingencies (continued)

judgment with respect to certain of the claims for coverage that remained in the case, on which the court heard oral argument on April 2, 2013 and took under advisement. On April 22, 2013, Essex and Westchester filed an additional motion for summary judgment, which related to their Additional Affirmative Defenses and Counterclaim, on which the court heard oral arguments on June 27, 2013. On August 12, 2013, the court ruled in our favor on most of the issues presented in the motions for summary judgment, except that it reversed the earlier decision (made by a different judge who subsequently retired) that had granted us partial summary judgment that our hurricane debris cleanup costs were within the extra expense coverage of our excess insurance policies. On September 11, 2013, in response to our request for reconsideration of that reversal, the court ordered full briefing and a hearing on the issue. On December 2, 2013, the remaining parties entered a settlement agreement, pursuant to which the case was dismissed with prejudice. Since suffering the losses at issue we have entered settlements of our claims with the various insurers and Aon and also received additional payments from certain of the insurers since filing the lawsuit collectively totaling approximately $9.4 million. During the year ended December 31, 2013, we received insurance proceeds of approximately $1.6 million net of $0.4 million of legal expenses (amounts are presented in the Income from Other Investment, net line in our Consolidated Statement of Income).

Other

We are involved in various other legal and regulatory proceedings arising in the ordinary course of business. Such 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 that all proceedings herein described or referred to, taken together, are not expected to have a material adverse impact on us. 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 19—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) the Property Operations and (ii) Home Sales and Rentals Operations Segments. 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 three years ended December 31, 2013, 2012, and 2011.

Equity LifeStyle Properties, Inc.
Notes to Consolidated Financial Statements

Note 19—Reportable Segments (continued)
The following tables summarize our segment financial information (amounts in thousands):
Year Ended December 31, 2013

	Property Operations	Home Sales and Rentals Operations	Consolidated
Operations revenues	$679,319	$33,281	$712,600
Operations expenses	(328,795)	(26,855)	(355,650)
Income from segment operations	350,524	6,426	356,950
Interest income	3,397	4,373	7,770
Depreciation on real estate and rental homes	(101,374)	(6,855)	(108,229)
Amortization of in-place leases	(1,940)	—	(1,940)
Income from operations	$250,607	$3,944	254,551
Reconciliation to Consolidated net income			
Corporate interest income			490
Other revenues			7,515
General and administrative			(28,211)
Early debt retirement			(37,844)
Interest and related amortization			(118,522)
Rent control initiatives and other			(2,771)
Equity in income of unconsolidated joint ventures			2,039
Gain on sale of property, net of tax			41,525
Discontinued operations			7,133
Consolidated net income			$125,905
Total assets	$3,096,156	$295,483	$3,391,639
Capital improvements	$26,430	$38,284	$64,714

Equity LifeStyle Properties, Inc.
Notes to Consolidated Financial Statements

Note 19—Reportable Segments (continued)

Year Ended December 31, 2012

	Property Operations	Home Sales and Rentals Operations	Consolidated
Operations revenues	$647,731	$21,045	$668,776
Operations expenses	(311,694)	(16,778)	(328,472)
Income from segment operations	336,037	4,267	340,304
Interest income	3,075	4,614	7,689
Depreciation on real estate and rental homes	(96,419)	(5,664)	(102,083)
Amortization of in-place leases	(38,694)	(773)	(39,467)
Income from operations	$203,999	$2,444	206,443
Reconciliation to Consolidated net income			
Corporate interest income			446
Other revenues			6,795
General and administrative			(26,388)
Interest and related amortization			(123,992)
Rent control initiatives and other			(1,456)
Equity in income of unconsolidated joint ventures			1,899
Gain on sale of property, net of tax			4,596
Discontinued operations			6,116
Consolidated net income			$74,459
Assets held for use	$2,984,766	$293,608	$3,278,374
Assets held for disposition			119,852
Total assets			$3,398,226
Capital improvements	$30,863	$44,397	$75,260

Year Ended December 31, 2011

	Property Operations	Home Sales and Rentals Operations	Consolidated
Operations revenues	$550,529	$14,104	$564,633
Operations expenses	(275,584)	(11,699)	(287,283)
Income from segment operations	274,945	2,405	277,350
Interest income	3,377	2,264	5,641
Depreciation on real estate	(78,838)	(4,175)	(83,013)
Amortization of in-place leases	(22,683)	(443)	(23,126)
Income from operations	$176,801	$51	176,852
Reconciliation to Consolidated net income			
Corporate interest income			283
Other revenues			6,452
General and administrative			(42,046)
Interest and related amortization			(99,489)
Rent control initiatives and other			(2,043)
Equity in income of unconsolidated joint ventures			1,948
Discontinued operations			547
Consolidated net income			$42,504

Assets held for use	$3,172,222	$201,551	$3,373,773
Assets held for disposition			122,328
Total assets			$3,496,101
Capital improvements	$26,224	$35,808	$62,032

Equity LifeStyle Properties, Inc.
Notes to Consolidated Financial Statements

Note 19—Reportable Segments (continued)
The following table summarizes our financial information for the Property Operations segment for the years ended December 31, 2013, 2012, and 2011 (amounts in thousands):

	December 31, 2013	December 31, 2012	December 31, 2011
Revenues:			
Community base rental income	$409,801	$394,606	$309,230
Resort base rental income	147,234	134,327	130,489
Right-to-use annual payments	47,967	47,662	49,122
Right-to-use contracts current period, gross	13,142	13,433	17,856
Right-to-use contracts current period, deferred	(5,694)	(6,694)	(11,936)
Utility income and other	63,800	62,470	53,116
Ancillary services revenues, net	3,069	1,927	2,652
Total property operations revenues	679,319	647,731	550,529
Expenses:			
Property operating and maintenance	229,897	220,415	197,781
Real estate taxes	48,279	45,590	36,528
Sales and marketing, gross	12,836	10,845	11,218
Sales and marketing deferred commissions, net	(2,410)	(3,155)	(4,789)
Property management	40,193	37,999	34,846
Total property operations expenses	328,795	311,694	275,584
Income from property operations segment	$350,524	$336,037	$274,945

The following table summarizes our financial information for the Home Sales and Rentals Operations segment, specific to continuing operations, for the years ended December 31, 2013, 2012, and 2011 (amounts in thousands):

	December 31, 2013	December 31, 2012	December 31, 2011
Revenues:			
Gross revenue from home sales	$17,871	$8,230	$6,028
Brokered resale revenues, net	1,143	1,166	831
Rental home income [(a)]	14,267	11,649	7,245
Total revenues	33,281	21,045	14,104
Expenses:			
Cost of home sales	17,296	9,018	5,615
Home selling expenses	2,085	1,391	1,591
Rental home operating and maintenance	7,474	6,369	4,493
Total expenses	26,855	16,778	11,699
Income from home sales and rentals operations segment	$6,426	$4,267	$2,405

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

Equity LifeStyle Properties, Inc.
Notes to Consolidated Financial Statements

Note 20—Quarterly Financial Data (unaudited)
The following is unaudited quarterly data for 2013 and 2012 (amounts in thousands, except for per share amounts):

2013	First Quarter 03/31	Second Quarter 6/30	Third Quarter 9/30	Fourth Quarter 12/31
Total revenues	$183,775	$176,753	$187,966	$179,881
Income from operations	$70,332	$56,597	$64,779	$62,843
Consolidated net income	$40,470	$21,786	$34,936	$28,713
Net income available for Common Shares	$35,027	$17,860	$29,872	$24,160
Weighted average Common Shares outstanding—Basic	83,026	83,021	83,021	83,003
Weighted average Common Shares outstanding—Diluted	91,060	91,128	91,259	91,334
Net income per Common Share outstanding—Basic	$0.42	$0.22	$0.36	$0.29
Net income per Common Share outstanding—Diluted	$0.42	$0.21	$0.36	$0.29

2012	First Quarter 03/31	Second Quarter 6/30	Third Quarter 9/30	Fourth Quarter 12/31
Total revenues [a]	$174,947	$168,383	$175,064	$165,312
Income from operations [a]	$52,535	$41,657	$53,882	$58,369
Consolidated net income [a]	$17,654	$6,298	$21,492	$29,015
Net income available for Common Shares [a]	$12,432	$2,063	$16,009	$24,275
Weighted average Common Shares outstanding—Basic	82,176	82,262	82,380	82,569
Weighted average Common Shares outstanding—Diluted	90,738	90,780	90,894	90,944
Net income per Common Share outstanding—Basic	$0.15	$0.03	$0.19	$0.29
Net income per Common Share outstanding—Diluted	$0.15	$0.02	$0.19	$0.29

(a) Certain 2012 amounts have been reclassified to conform to the 2013 presentation. The reclassification had no material effect on the consolidated financial statements.

Schedule III
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				Initial Cost to Company		Costs Capitalized Subsequent to Acquisition (Improvements)		Gross Amount Carried at Close of Period 12/31/13				
Real Estate (1)	Location		Encumbrances	Land	Depreciable Property	Land	Depreciable Property	Land	Depreciable Property	Total	Accumulated Depreciation	Date of Acquisition
Properties Held for Long Term												
Hidden Cove	Arley	AL	$ —	$212	$ 610	$—	$ 37	$212	$ 647	$859	$ (178)	2006
Apache East	Apache Junction	AZ	—	2,236	4,181	—	16	2,236	4,197	6,433	(618)	2011
Apollo Village	Phoenix	AZ	—	932	3,219	—	1,486	932	4,705	5,637	(2,704)	1994
Araby	Yuma	AZ	(3,020)	1,440	4,345	—	752	1,440	5,097	6,537	(1,642)	2003
Cactus Gardens	Yuma	AZ	(4,113)	1,992	5,984	—	332	1,992	6,316	8,308	(2,004)	2004
Capri RV	Yuma	AZ	(4,606)	1,595	4,774	—	237	1,595	5,011	6,606	(1,305)	2006
Carefree Manor	Phoenix	AZ	—	706	3,040	—	832	706	3,872	4,578	(1,965)	1998
Casa del Sol East II	Glendale	AZ	(4,393)	2,103	6,283	—	2,781	2,103	9,064	11,167	(3,708)	1996
Casa del Sol East III	Glendale	AZ	—	2,450	7,452	—	708	2,450	8,160	10,610	(4,174)	1998
Casa del Sol West I	Peoria	AZ	(9,301)	2,215	6,467	—	2,224	2,215	8,691	10,906	(3,905)	1996
Casita Verde RV	Casa Grande	AZ	(2,073)	719	2,179	—	86	719	2,265	2,984	(608)	2006
Central Park	Phoenix	AZ	—	1,612	3,784	—	1,596	1,612	5,380	6,992	(4,531)	1983
Countryside RV	Apache Junction	AZ	—	2,056	6,241	—	1,254	2,056	7,495	9,551	(2,758)	2002
Denali Park	Apache Junction	AZ	—	2,394	4,016	—	19	2,394	4,035	6,429	(592)	2011
Desert Paradise	Yuma	AZ	—	666	2,011	—	201	666	2,212	2,878	(748)	2004
Desert Skies	Phoenix	AZ	—	792	3,126	—	691	792	3,817	4,609	(1,975)	1998
Desert Vista	Salome	AZ	—	66	268	—	97	66	365	431	(51)	2010
Fairview Manor	Tucson	AZ	—	1,674	4,708	—	2,062	1,674	6,770	8,444	(3,455)	1998
		AZ	(8,751)	2,869	8,653	—	429	2,869	9,082	11,951	(2,397)	2006

Fiesta Grande RV	Casa Grande											
Foothill	Yuma	AZ	—	459	1,402	—	213	459	1,615	2,074	(547)	2003
Foothills West RV	Casa Grande	AZ	(2,142)	747	2,261	—	251	747	2,512	3,259	(665)	2006
Golden Sun RV	Apache Junction	AZ	—	1,678	5,049	—	301	1,678	5,350	7,028	(2,048)	2002
Hacienda De Valencia	Mesa	AZ	(13,726)	833	2,701	—	4,622	833	7,323	8,156	(4,877)	1984
Mesa Verde	Cottonwood	AZ	—	1,387	4,148	—	455	1,387	4,603	5,990	(1,095)	2007
Monte Vista	Mesa	AZ	(24,764)	11,402	34,355	—	3,899	11,402	38,254	49,656	(12,058)	2004
Palm Shadows	Glendale	AZ	(5,974)	1,400	4,218	—	1,133	1,400	5,351	6,751	(3,470)	1993
Paradise	Sun City	AZ	(14,379)	6,414	19,263	11	2,107	6,425	21,370	27,795	(7,410)	2004
Sedona Shadows	Sedona	AZ	(10,530)	1,096	3,431	—	1,351	1,096	4,782	5,878	(2,421)	1997
Seyenna Vistas	Mesa	AZ	—	1,360	4,660	—	2,682	1,360	7,342	8,702	(4,309)	1994
Suni Sands	Yuma	AZ	—	1,249	3,759	—	365	1,249	4,124	5,373	(1,363)	2004

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Real Estate [1]	Location		Encumbrances	Land	Depreciable Property	Land	Depreciable Property	Land	Depreciable Property	Total	Accumulated Depreciation	Date of Acquisition
Sunrise Heights	Phoenix	AZ	$ —	$ 1,000	$ 3,016	$ —	$ 1,499	$ 1,000	$ 4,515	$ 5,515	$ (2,533)	1994
Sunshine Valley	Chandler	AZ	—	9,139	12,912	—	44	9,139	12,956	22,095	(1,866)	2011
The Highlands at Brentwood	Mesa	AZ	(13,504)	1,997	6,024	—	2,010	1,997	8,034	10,031	(5,001)	1993
The Meadows	Tempe	AZ	—	2,613	7,887	—	3,799	2,613	11,686	14,299	(6,814)	1994
Valley Vista	Benson	AZ	—	115	429	—	38	115	467	582	(67)	2010
Venture In	Show Low	AZ	(6,173)	2,050	6,188	—	361	2,050	6,549	8,599	(1,774)	2006
Verde Valley	Cottonwood	AZ	—	1,437	3,390	19	1,117	1,456	4,507	5,963	(1,328)	2004
Viewpoint	Mesa	AZ	(58,253)	24,890	56,340	15	6,709	24,905	63,049	87,954	(20,461)	2004
Westpark	Wickenburg	AZ	(9,607)	4,495	10,517	—	89	4,495	10,606	15,101	(1,438)	2011
Whispering Palms	Phoenix	AZ	—	670	2,141	—	328	670	2,469	3,139	(1,342)	1998
Cultus Lake	Lindell Beach	BC	—	410	968	5	207	415	1,175	1,590	(352)	2004
California Hawaiian	San Jose	CA	(31,145)	5,825	17,755	—	3,353	5,825	21,108	26,933	(11,206)	1997
Colony Park	Ceres	CA	—	890	2,837	—	791	890	3,628	4,518	(1,983)	1998
Concord Cascade	Pacheco	CA	(11,509)	985	3,016	—	1,989	985	5,005	5,990	(4,023)	1983
Contempo Marin	San Rafael	CA	—	4,787	16,379	—	3,264	4,787	19,643	24,430	(12,602)	1994
Coralwood	Modesto	CA	(5,629)	—	5,047	—	533	—	5,580	5,580	(3,097)	1997
Date Palm Country Club	Cathedral City	CA	—	—	18,179	—	4,831	—	23,010	23,010	(14,796)	1994
Date Palm RV	Cathedral City	CA	—	—	216	—	330	—	546	546	(355)	1994
DeAnza Santa Cruz	Santa Cruz	CA	(12,842)	2,103	7,201	—	2,740	2,103	9,941	12,044	(5,846)	1994
Four Seasons	Fresno	CA	—	756	2,348	—	495	756	2,843	3,599	(1,530)	1997
Idyllwild	Pine Cove	CA	—	313	737	4	910	317	1,647	1,964	(455)	2004
Laguna Lake	San Luis Obispo	CA	—	2,845	6,520	—	598	2,845	7,118	9,963	(3,862)	1998
Lake Minden	Nicolaus	CA	—	961	2,267	13	780	974	3,047	4,021	(898)	2004
		CA	—	1,062	2,504	14	1,006	1,076	3,510	4,586	(977)	2004

Lake of the Springs	Oregon House											
Lamplighter	Spring Valley	CA	(22,476)	633	2,201	—	1,321	633	3,522	4,155	(2,942)	1983
Las Palmas	Rialto	CA	(3,256)	1,295	3,866	—	574	1,295	4,440	5,735	(1,411)	2004
Los Ranchos	Apple Valley	CA	(13,095)	8,336	15,774	—	97	8,336	15,871	24,207	(2,285)	2011
Meadowbrook	Santee	CA	—	4,345	12,528	—	2,019	4,345	14,547	18,892	(7,499)	1998
Monte del Lago	Castroville	CA	(20,359)	3,150	9,469	—	2,843	3,150	12,312	15,462	(6,388)	1997
Morgan Hill	Morgan Hill	CA	—	1,856	4,378	25	753	1,881	5,131	7,012	(1,477)	2004

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Real Estate (1)	Location		Encumbrances	Land	Depreciable Property	Land	Depreciable Property	Land	Depreciable Property	Total	Accumulated Depreciation	Date of Acquisition
Nicholson Plaza	San Jose	CA	$ —	$—	$ 4,512	$—	$ 286	$—	$ 4,798	$4,798	$ (2,618)	1997
Oakzanita Springs	Descanso	CA	—	396	934	5	1,010	401	1,944	2,345	(556)	2004
Pacific Dunes Ranch	Oceana	CA	(5,135)	1,940	5,632	—	1,127	1,940	6,759	8,699	(1,852)	2004
Palm Springs	Palm Desert	CA	—	1,811	4,271	24	662	1,835	4,933	6,768	(1,491)	2004
Parque La Quinta	Rialto	CA	(4,366)	1,799	5,450	—	474	1,799	5,924	7,723	(1,930)	2004
Pio Pico	Jamul	CA	—	2,626	6,194	35	2,132	2,661	8,326	10,987	(2,254)	2004
Ponderosa	Lotus	CA	—	900	2,100	—	359	900	2,459	3,359	(640)	2006
Quail Meadows	Riverbank	CA	—	1,155	3,469	—	472	1,155	3,941	5,096	(2,056)	1998
Rancho Mesa	El Cajon	CA	(8,716)	2,130	6,389	—	809	2,130	7,198	9,328	(3,687)	1998
Rancho Oso	Santa Barbara	CA	—	860	2,029	11	842	871	2,871	3,742	(822)	2004
Rancho Valley	El Cajon	CA	(7,140)	685	1,902	—	1,281	685	3,183	3,868	(2,579)	1983
Royal Holiday	Hemet	CA	—	778	2,643	—	2,416	778	5,059	5,837	(2,078)	1999
Royal Oaks	Visalia	CA	—	602	1,921	—	760	602	2,681	3,283	(1,369)	1997
Russian River	Cloverdale	CA	—	368	868	5	155	373	1,023	1,396	(306)	2004
San Benito	Paicines	CA	—	1,411	3,328	19	1,151	1,430	4,479	5,909	(1,279)	2004
San Francisco RV	Pacifica	CA	—	1,660	4,973	—	721	1,660	5,694	7,354	(1,596)	2005
Santa Cruz Ranch RV	Scotts Valley	CA	—	1,595	3,937	—	341	1,595	4,278	5,873	(899)	2007
Santiago Estates	Sylmar	CA	—	3,562	10,767	—	1,447	3,562	12,214	15,776	(6,309)	1998
Sea Oaks	Los Osos	CA	—	871	2,703	—	521	871	3,224	4,095	(1,708)	1997
Snowflower		CA	—	308	727	4	545	312	1,272	1,584	(337)	2004

	Emigrant Gap												
Soledad Canyon	Acton	CA	—	2,933	6,917	39	3,082	2,972	9,999	12,971	(2,481	)	2004
Sunshadow	San Jose	CA	—	—	5,707	—	332	—	6,039	6,039	(3,282	)	1997
Tahoe Valley	Lake Tahoe	CA	—	—	5,428	—	374	—	5,802	5,802	(1,910	)	2004
Turtle Beach	Manteca	CA	—	268	633	4	225	272	858	1,130	(239	)	2004
Village of the Four Seasons	San Jose	CA	(13,112)	5,229	15,714	—	679	5,229	16,393	21,622	(5,225	)	2004
Westwinds (4 properties)	San Jose	CA	—	—	17,616	—	7,338	—	24,954	24,954	(13,485	)	1997
Wilderness Lake	Menifee	CA	—	2,157	5,088	29	1,217	2,186	6,305	8,491	(1,850	)	2004
Yosemite Lakes	Groveland	CA	—	2,045	4,823	27	1,697	2,072	6,520	8,592	(1,825	)	2004
Bear Creek	Denver	CO	—	1,100	3,359	—	473	1,100	3,832	4,932	(1,985	)	1998
Cimarron	Broomfield	CO	(14,547)	863	2,790	—	992	863	3,782	4,645	(3,334	)	1983

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Real Estate (1)	Location		Encumbrances	Land	Depreciable Property	Land	Depreciable Property	Land	Depreciable Property	Total	Accumulated Depreciation	Date of Acquisition
Golden Terrace	Golden	CO	$ —	$826	$ 2,415	$—	$ 1,876	$826	$ 4,291	$5,117	$ (2,982)	1983
Golden Terrace South	Golden	CO	—	750	2,265	—	810	750	3,075	3,825	(1,650)	1997
Golden Terrace West	Golden	CO	—	1,694	5,065	—	1,074	1,694	6,139	7,833	(5,232)	1986
Hillcrest Village	Aurora	CO	—	1,912	5,202	289	3,323	2,201	8,525	10,726	(7,225)	1983
Holiday Hills	Denver	CO	(34,190)	2,159	7,780	—	5,229	2,159	13,009	15,168	(10,976)	1983
Holiday Village	Co. Springs	CO	—	567	1,759	—	1,344	567	3,103	3,670	(2,568)	1983
Pueblo Grande	Pueblo	CO	(7,095)	241	1,069	—	754	241	1,823	2,064	(1,498)	1983
Woodland Hills	Thornton	CO	—	1,928	4,408	—	2,820	1,928	7,228	9,156	(4,644)	1994
Stonegate Manor	North Windham	CT	(7,230)	6,011	12,336	—	112	6,011	12,448	18,459	(1,856)	2011
Aspen Meadows	Rehoboth	DE	—	1,148	3,460	—	537	1,148	3,997	5,145	(2,128)	1998
Camelot Meadows	Rehoboth	DE	(11,821)	527	2,058	1,251	4,380	1,778	6,438	8,216	(3,269)	1998
Mariners Cove	Millsboro	DE	(22,374)	990	2,971	—	5,800	990	8,771	9,761	(5,527)	1987
McNicol	Rehoboth	DE	(2,461)	562	1,710	—	213	562	1,923	2,485	(967)	1998
Sweetbriar	Rehoboth	DE	—	498	1,527	—	463	498	1,990	2,488	(1,138)	1998
Waterford	Bear	DE	(28,103)	5,250	16,202	—	1,608	5,250	17,810	23,060	(6,446)	1996
Whispering Pines	Lewes	DE	(8,961)	1,536	4,609	—	1,581	1,536	6,190	7,726	(4,649)	1988
Audubon	Orlando	FL	(6,445)	4,622	7,200	—	58	4,622	7,258	11,880	(1,109)	2011
Barrington Hills	Hudson	FL	(4,939)	1,145	3,437	—	527	1,145	3,964	5,109	(1,376)	2004
Bay Indies	Venice	FL	(72,334)	10,483	31,559	10	5,849	10,493	37,408	47,901	(23,325)	1994
	Nokomis	FL	—	990	3,390	—	1,756	990	5,146	6,136	(2,989)	1994

Bay Lake Estates												
Beacon Hill Colony	Lakeland	FL	—	3,775	6,405	—	34	3,775	6,439	10,214	(876)	2011
Beacon Terrace	Lakeland	FL	(7,017)	5,372	9,153	—	81	5,372	9,234	14,606	(1,353)	2011
Breezy Hill RV	Pompano Beach	FL	(20,161)	5,424	16,555	—	1,618	5,424	18,173	23,597	(6,757)	2002
Buccaneer	N. Ft. Myers	FL	(35,058)	4,207	14,410	—	2,901	4,207	17,311	21,518	(10,602)	1994
Bulow Plantation	Flagler Beach	FL	—	3,637	949	—	6,333	3,637	7,282	10,919	(3,546)	1994
Bulow Village RV	Flagler Beach	FL	—	—	228	—	979	—	1,207	1,207	(483)	1994
Carefree Cove	Fort Lauderdale	FL	(4,089)	1,741	5,170	—	573	1,741	5,743	7,484	(1,822)	2004
Carefree Village	Tampa	FL	—	6,799	10,421	—	120	6,799	10,541	17,340	(1,674)	2011
Carriage Cove	Daytona Beach	FL	(11,535)	2,914	8,682	—	1,267	2,914	9,949	12,863	(5,308)	1998
Cheron Village	Davie	FL	(5,695)	10,393	6,217	—	95	10,393	6,312	16,705	(1,287)	2011
Clerbrook	Clermont	FL	(10,447)	3,883	11,700	—	1,213	3,883	12,913	16,796	(3,432)	2006

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Real Estate [1]	Location		Encumbrances	Land	Depreciable Property	Land	Depreciable Property	Land	Depreciable Property	Total	Accumulated Depreciation	Date of Acquisition
Clover Leaf Farms	Brooksville	FL	$(21,990)	$13,684	$24,106	$—	$329	$13,684	$24,435	$38,119	$(3,504)	2011
Clover Leaf Forest	Brooksville	FL	—	1,092	2,178	—	132	1,092	2,310	3,402	(160)	2011
Coachwood	Leesburg	FL	—	1,602	4,822	—	347	1,602	5,169	6,771	(1,715)	2004
Colony Cove	Ellenton	FL	(55,409)	28,660	92,457	—	1,118	28,660	93,575	122,235	(13,302)	2011
Coquina Crossing	Elkton	FL	—	5,274	5,545	—	17,768	5,274	23,313	28,587	(8,176)	1999
Coral Cay	Margate	FL	(22,680)	5,890	20,211	—	7,704	5,890	27,915	33,805	(16,514)	1994
Country Place [2]	New Port Richey	FL	(23,325)	663	—	18	7,587	681	7,587	8,268	(5,101)	1986
Countryside	Vero Beach	FL	—	3,711	11,133	—	6,842	3,711	17,975	21,686	(8,723)	1998
Covington Estates	Saint Cloud	FL	—	3,319	7,253	—	64	3,319	7,317	10,636	(1,065)	2011
Crystal Isles	Crystal River	FL	(2,423)	926	2,787	10	950	936	3,737	4,673	(1,176)	2004
Crystal Lakes-Zephyrhills	Zephyrhills	FL	—	3,767	6,834	—	84	3,767	6,918	10,685	(1,042)	2011
Down Yonder	Largo	FL	(12,663)	2,652	7,981	—	818	2,652	8,799	11,451	(3,237)	1998
East Bay Oaks	Largo	FL	(11,035)	1,240	3,322	—	1,205	1,240	4,527	5,767	(3,890)	1983
Eldorado Village	Largo	FL	—	778	2,341	—	1,042	778	3,383	4,161	(2,798)	1983
Emerald Lake	Punta Gorda	FL	—	3,598	5,197	—	172	3,598	5,369	8,967	(783)	2011
Featherock	Valrico	FL	(22,155)	11,369	22,770	—	245	11,369	23,015	34,384	(2,851)	2011
Fiesta Key	Long Key	FL	—	16,611	7,338	—	315	16,611	7,653	24,264	(62)	2013
Fort Myers Beach Resort	Fort Myers Beach	FL	—	1,188	3,548	—	283	1,188	3,831	5,019	(1,372)	2004
Foxwood	Ocala	FL	—	3,853	7,967	—	133	3,853	8,100	11,953	(1,346)	2011
Glen Ellen	Clearwater	FL	—	619	1,882	—	161	619	2,043	2,662	(761)	2002
Grand Island	Grand Island	FL	—	1,723	5,208	125	4,090	1,848	9,298	11,146	(3,662)	2001
Gulf Air Resort	Fort Myers Beach	FL	(6,901)	1,609	4,746	—	321	1,609	5,067	6,676	(1,671)	2004
Gulf View	Punta Gorda	FL	—	717	2,158	—	1,023	717	3,181	3,898	(1,107)	2004
Hacienda Village	New Port Richey	FL	(20,490)	4,297	13,088	—	2,207	4,297	15,295	19,592	(5,459)	2002
Harbor Lakes		FL	—	3,384	10,154	—	594	3,384	10,748	14,132	(3,538)	2004

	Port Charlotte											
Harbor View	New Port Richey	FL	—	4,030	12,146	—	214	4,030	12,360	16,390	(4,693)	2002
Haselton Village	Eustis	FL	(6,933)	3,800	8,955	—	55	3,800	9,010	12,810	(1,187)	2011
Heritage Plantation	Vero Beach	FL	—	2,403	7,259	—	2,041	2,403	9,300	11,703	(5,809)	1994
Heron Cay	Vero Beach	FL	(31,402)	14,368	23,792	—	307	14,368	24,099	38,467	(3,286)	2011
Hidden Valley	Orlando	FL	(9,310)	11,398	12,861	—	134	11,398	12,995	24,393	(1,946)	2011

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Highland Wood RV	Pompano Beach	FL	$ —	$ 1,043	$ 3,130	$ 42	$ 268	$ 1,085	$ 3,398	$ 4,483	$ (1,281)	2002
Hillcrest	Clearwater	FL	(7,142)	1,278	3,928	—	1,186	1,278	5,114	6,392	(2,757)	1998
Holiday Ranch	Clearwater	FL	(4,488)	925	2,866	—	410	925	3,276	4,201	(1,732)	1998
Holiday Village	Ormond Beach	FL	(9,544)	2,610	7,837	—	411	2,610	8,248	10,858	(3,086)	2002
Holiday Village	Vero Beach	FL	—	350	1,374	—	220	350	1,594	1,944	(854)	1998
Indian Oaks	Rockledge	FL	—	1,089	3,376	—	957	1,089	4,333	5,422	(2,333)	1998
Island Vista	North Ft. Myers	FL	(14,418)	5,004	15,066	—	512	5,004	15,578	20,582	(3,987)	2006
Kings & Queens	Lakeland	FL	—	1,696	3,064	—	28	1,696	3,092	4,788	(471)	2011
Lake Fairways	N. Ft. Myers	FL	(46,656)	6,075	18,134	35	2,290	6,110	20,424	26,534	(12,779)	1994
Lake Haven	Dunedin	FL	(10,451)	1,135	4,047	—	3,222	1,135	7,269	8,404	(5,425)	1983
Lake Magic	Clermont	FL	—	1,595	4,793	—	521	1,595	5,314	6,909	(1,729)	2004
Lake Village	Nokomis	FL	(18,742)	15,850	18,099	—	176	15,850	18,275	34,125	(2,524)	2011
Lake Worth Village	Lake Worth	FL	(11,745)	14,959	24,501	—	185	14,959	24,686	39,645	(3,906)	2011
Lakeland Harbor	Lakeland	FL	(16,871)	10,446	17,376	—	61	10,446	17,437	27,883	(2,416)	2011
Lakeland Junction	Lakeland	FL	(4,250)	3,018	4,752	—	39	3,018	4,791	7,809	(703)	2011
Lakes at Countrywood	Plant City	FL	(10,002)	2,377	7,085	—	1,744	2,377	8,829	11,206	(3,688)	2001
Lakeside Terrace	Fruitland Park	FL	—	3,275	7,165	—	149	3,275	7,314	10,589	(1,014)	2011
Lakewood Village	Melbourne	FL	—	1,862	5,627	—	1,611	1,862	7,238	9,100	(4,522)	1994
Lighthouse Pointe	Port Orange	FL	(13,092)	2,446	7,483	23	1,366	2,469	8,849	11,318	(4,720)	1998
Manatee	Bradenton	FL	—	2,300	6,903	—	525	2,300	7,428	9,728	(2,478)	2004
Maralago Cay	Lantana	FL	—	5,325	15,420	—	5,394	5,325	20,814	26,139	(10,595)	1997

Meadows at Countrywood	Plant City	FL	(21,994)	4,514	13,175	—	4,419	4,514	17,594	22,108	(8,978	)	1998
Mid-Florida Lakes	Leesburg	FL	—	5,997	20,635	—	9,605	5,997	30,240	36,237	(17,412	)	1994
Oak Bend	Ocala	FL	—	850	2,572	—	1,213	850	3,785	4,635	(2,440	)	1993
Oaks at Countrywood	Plant City	FL	(4,120)	846	2,513	—	5,226	846	7,739	8,585	(2,976	)	1998
Orange Lake	Clermont	FL	(5,348)	4,303	6,815	—	181	4,303	6,996	11,299	(1,074	)	2011
Orlando	Clermont	FL	—	2,975	7,017	40	1,856	3,015	8,873	11,888	(2,596	)	2004
Palm Beach Colony	West Palm Beach	FL	—	5,930	10,113	8	322	5,938	10,435	16,373	(1,500	)	2011
Park City West	Fort Lauderdale	FL	(14,308)	4,184	12,561	—	772	4,184	13,333	17,517	(4,371	)	2004
Parkwood Communities	Wildwood	FL	(9,649)	6,990	15,115	—	202	6,990	15,317	22,307	(2,200	)	2011

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Pasco	Lutz	FL	$ (4,330)	$1,494	$4,484	$—	$614	$1,494	$5,098	$6,592	$ (1,627)	2004
Peace River	Wauchula	FL	—	900	2,100	—	482	900	2,582	3,482	(627)	2006
Pickwick	Port Orange	FL	(22,727)	2,803	8,870	—	1,253	2,803	10,123	12,926	(5,275)	1998
Pine Island Resort	St. James City	FL	—	1,678	5,044	—	429	1,678	5,473	7,151	(1,156)	2007
Pine Lakes	N. Ft. Myers	FL	(35,682)	6,306	14,579	21	7,239	6,327	21,818	28,145	(13,268)	1994
Pioneer Village	N. Ft. Myers	FL	(15,019)	4,116	12,353	—	1,612	4,116	13,965	18,081	(4,660)	2004
Ramblers Rest	Venice	FL	(14,414)	4,646	14,201	—	4,306	4,646	18,507	23,153	(4,288)	2006
Ridgewood Estates	Ellenton	FL	(10,461)	6,769	8,791	—	112	6,769	8,903	15,672	(1,385)	2011
Royal Coachman	Nokomis	FL	(11,859)	5,321	15,978	—	1,279	5,321	17,257	22,578	(5,710)	2004
Shady Lane Oaks	Clearwater	FL	(5,794)	4,984	8,482	—	66	4,984	8,548	13,532	(1,352)	2011
Shady Lane Village	Clearwater	FL	—	3,102	5,480	—	18	3,102	5,498	8,600	(861)	2011
Shangri La	Largo	FL	(3,849)	1,722	5,200	—	198	1,722	5,398	7,120	(1,757)	2004
Sherwood Forest	Kissimmee	FL	(29,171)	4,852	14,596	—	6,068	4,852	20,664	25,516	(10,159)	1998
Sherwood Forest RV	Kissimmee	FL	—	2,870	3,621	568	2,909	3,438	6,530	9,968	(3,176)	1998
Silk Oak	Clearwater	FL	—	1,649	5,028	—	173	1,649	5,201	6,850	(1,936)	2002
Silver Dollar	Odessa	FL	(13,734)	4,107	12,431	240	1,678	4,347	14,109	18,456	(4,605)	2004
Sixth Ave.	Zephryhills	FL	—	837	2,518	—	43	837	2,561	3,398	(865)	2004
Southern Palms	Eustis	FL	—	2,169	5,884	—	3,249	2,169	9,133	11,302	(4,539)	1998
Southernaire	Mt. Dora	FL	—	796	2,395	—	108	796	2,503	3,299	(827)	2004
Starlight Ranch	Orlando	FL	—	13,543	20,388	—	337	13,543	20,725	34,268	(3,389)	2011
Sunshine Holiday MH	Ormond Beach	FL	—	2,001	6,004	—	718	2,001	6,722	8,723	(2,239)	2004
		FL	(7,277)	3,099	9,286	—	637	3,099	9,923	13,022	(3,143)	2004

Sunshine Holiday RV	Fort Lauderdale											
Sunshine Key	Big Pine Key	FL	(14,123)	5,273	15,822	—	2,130	5,273	17,952	23,225	(5,956)	2004
Sunshine Travel	Vero Beach	FL	—	1,603	4,813	—	301	1,603	5,114	6,717	(1,666)	2004
Tarpon Glen	Tarpon Springs	FL	—	2,678	4,016	—	77	2,678	4,093	6,771	(697)	2011
Terra Ceia	Palmetto	FL	—	965	2,905	—	230	965	3,135	4,100	(1,014)	2004
The Heritage	N. Ft. Myers	FL	(11,738)	1,438	4,371	346	4,215	1,784	8,586	10,370	(5,101)	1993
The Meadows	Palm Beach Gardens	FL	(11,127)	3,229	9,870	—	5,840	3,229	15,710	18,939	(6,016)	1999
Three Flags RV Resort	Wildwood	FL	—	228	684	—	200	228	884	1,112	(248)	2006
Toby’s	Arcadia	FL	(3,863)	1,093	3,280	—	190	1,093	3,470	4,563	(1,206)	2003

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Topics	Spring Hill	FL	$ —	$844	$ 2,568	$—	$ 413	$844	$ 2,981	$3,825	$ (1,009)	2004
Tropical Palms	Kissimmee	FL	—	5,677	17,116	—	6,618	5,677	23,734	29,411	(9,106)	2004
Tropical Palms	Punta Gorda	FL	(6,909)	2,365	7,286	—	1,192	2,365	8,478	10,843	(2,051)	2006
Vacation Village	Largo	FL	(5,074)	1,315	3,946	—	415	1,315	4,361	5,676	(1,372)	2004
Vero Palm	Vero Beach	FL	(12,670)	6,697	9,025	—	69	6,697	9,094	15,791	(1,323)	2011
Village Green	Vero Beach	FL	(24,632)	15,901	25,175	—	351	15,901	25,526	41,427	(4,003)	2011
Villas at Spanish Oaks	Ocala	FL	(11,987)	2,250	6,922	—	1,487	2,250	8,409	10,659	(5,415)	1993
Whispering Pines - Largo	Largo	FL	(12,479)	8,218	14,054	—	148	8,218	14,202	22,420	(2,092)	2011
Windmill Manor	Bradenton	FL	—	2,153	6,125	—	1,654	2,153	7,779	9,932	(3,927)	1998
Windmill Village	N. Ft. Myers	FL	(15,591)	1,417	5,440	—	2,070	1,417	7,510	8,927	(6,678)	1983
Winds of St. Armands North	Sarasota	FL	(27,834)	1,523	5,063	—	3,173	1,523	8,236	9,759	(6,599)	1983
Winds of St. Armands South	Sarasota	FL	(18,158)	1,106	3,162	—	1,228	1,106	4,390	5,496	(3,801)	1983
Winter Garden	Winter Garden	FL	—	2,321	6,962	—	249	2,321	7,211	9,532	(1,616)	2007
Coach Royale	Boise	ID	—	465	1,685	—	9	465	1,694	2,159	(287)	2011
Maple Grove	Boise	ID	—	1,358	5,151	—	25	1,358	5,176	6,534	(852)	2011
Shenandoah Estates	Boise	ID	(5,674)	1,287	7,603	—	113	1,287	7,716	9,003	(928)	2011
	Boise	ID	—	1,371	6,770	—	9	1,371	6,779	8,150	(933)	2011

West Meadow Estates												
Golf Vistas Estates	Monee	IL	(11,954)	2,842	4,719	1	6,706	2,843	11,425	14,268	(5,594)	1997
O'Connell's	Amboy	IL	(4,225)	1,648	4,974	—	878	1,648	5,852	7,500	(2,012)	2004
Pheasant Lake Estates	Beecher	IL	—	12,764	42,183	—	3	12,764	42,186	54,950	(1,098)	2013
Pine Country	Belvidere	IL	—	53	166	—	444	53	610	663	(90)	2006
Willow Lake Estates	Elgin	IL	—	6,138	21,033	—	6,512	6,138	27,545	33,683	(16,102)	1994
Hoosier Estates	Lebanon	IN	(6,818)	2,293	7,197	—	46	2,293	7,243	9,536	(929)	2011
Horseshoe Lake	Clinton	IN	—	155	365	2	399	157	764	921	(201)	2004
Indian Lakes	Batesville	IN	—	450	1,061	6	1,158	456	2,219	2,675	(517)	2004
Lakeside	New Carlisle	IN	—	426	1,281	—	124	426	1,405	1,831	(464)	2004
North Glen Village	Westfield	IN	(7,073)	2,308	6,333	—	98	2,308	6,431	8,739	(948)	2011
Oak Tree Village	Portage	IN	—	569	—	—	3,958	569	3,958	4,527	(2,924)	1987
Twin Mills RV	Howe	IN	—	1,399	4,186	—	271	1,399	4,457	5,856	(1,067)	2006

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Diamond Caverns Resort & Golf Club	Park City	KY	$ —	$530	$ 1,512	$—	$ 16	$530	$ 1,528	$2,058	$ (419)	2006
Gateway to Cape Cod	Rochester	MA	—	91	288	—	212	91	500	591	(130)	2006
Hillcrest	Rockland	MA	(1,889)	2,034	3,182	—	24	2,034	3,206	5,240	(491)	2011
Old Chatham RV	South Dennis	MA	—	1,760	5,293	—	196	1,760	5,489	7,249	(1,509)	2005
Sturbridge	Sturbridge	MA	—	110	347	—	353	110	700	810	(151)	2006
The Glen	Norwell	MA	—	940	1,680	—	—	940	1,680	2,620	(259)	2011
Fernwood	Capitol Heights	MD	—	6,556	11,674	—	137	6,556	11,811	18,367	(1,706)	2011
Williams Estates and Peppermint Woods	Middle River	MD	(41,343)	22,774	42,575	—	318	22,774	42,893	65,667	(5,847)	2011
Moody Beach	Moody	ME	—	93	292	—	161	93	453	546	(113)	2006
Pinehirst RV Park	Old Orchard Beach	ME	(11,569)	1,942	5,827	—	610	1,942	6,437	8,379	(1,804)	2005
Mt. Desert Narrows	Bar Harbor	ME	—	1,037	3,127	—	125	1,037	3,252	4,289	(663)	2007
Narrows Too	Trenton	ME	—	1,451	4,408	—	47	1,451	4,455	5,906	(909)	2007
Patton Pond	Ellsworth	ME	—	267	802	—	80	267	882	1,149	(190)	2007
Bear Cave Resort	Buchanan	MI	—	176	516	—	69	176	585	761	(186)	2006
Lake in the Hills	Auburn Hills	MI	(4,209)	1,792	5,599	—	68	1,792	5,667	7,459	(1,011)	2011
St Clair	St Clair	MI	—	453	1,068	6	274	459	1,342	1,801	(432)	2004
Swan Creek	Ypsilanti	MI	(5,497)	1,844	7,180	—	116	1,844	7,296	9,140	(1,289)	2011
Cedar Knolls	Apple Valley	MN	(16,472)	10,021	14,357	—	40	10,021	14,397	24,418	(2,437)	2011

Cimarron Park	Lake Elmo	MN	(22,006)	11,097	23,132	—	251	11,097	23,383	34,480	(3,297)	2011
Rockford Riverview Estates	Rockford	MN	—	2,959	8,882	—	14	2,959	8,896	11,855	(1,415)	2011
Rosemount Woods	Rosemount	MN	—	4,314	8,932	—	35	4,314	8,967	13,281	(1,271)	2011
Forest Lake	Advance	NC	—	986	2,325	13	551	999	2,876	3,875	(872)	2004
Goose Creek	Newport	NC	—	4,612	13,848	750	1,747	5,362	15,595	20,957	(5,030)	2004
Green Mountain Park	Lenoir	NC	—	1,037	3,075	—	428	1,037	3,503	4,540	(838)	2006
Lake Gaston	Littleton	NC	—	130	409	—	220	130	629	759	(152)	2006
Lake Myers RV	Mocksville	NC	—	1,504	4,587	—	210	1,504	4,797	6,301	(1,192)	2006
Scenic	Asheville	NC	(3,483)	1,183	3,511	—	124	1,183	3,635	4,818	(928)	2006
Twin Lakes	Chocowinity	NC	(3,223)	1,709	3,361	—	508	1,709	3,869	5,578	(1,244)	2004
Waterway RV	Cedar Point	NC	(5,330)	2,392	7,185	—	670	2,392	7,855	10,247	(2,440)	2004

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Buena Vista	Fargo	ND	$ —	$ 4,563	$ 14,949	$ —	$ 167	$ 4,563	$ 15,116	$ 19,679	$ (2,033)	2011
Meadow Park	Fargo	ND	(2,189)	943	2,907	—	8	943	2,915	3,858	(397)	2011
Sandy Beach RV	Contoocook	NH	(4,671)	1,755	5,265	—	110	1,755	5,375	7,130	(1,525)	2005
Tuxbury Resort	South Hampton	NH	—	3,557	3,910	—	451	3,557	4,361	7,918	(890)	2007
Chestnut Lake	Port Republic	NJ	—	337	796	4	244	341	1,040	1,381	(296)	2004
Lake & Shore	Ocean View	NJ	—	378	1,192	—	821	378	2,013	2,391	(527)	2006
Pine Ridge at Crestwood	Whiting	NJ	(37,551)	17,367	33,127	—	41	17,367	33,168	50,535	(4,851)	2011
Sea Pines	Swainton	NJ	—	198	625	—	285	198	910	1,108	(232)	2006
Bonanza	Las Vegas	NV	(8,359)	908	2,643	—	1,816	908	4,459	5,367	(3,516)	1983
Boulder Cascade	Las Vegas	NV	(8,138)	2,995	9,020	—	2,593	2,995	11,613	14,608	(5,828)	1998
Cabana	Las Vegas	NV	(9,033)	2,648	7,989	—	901	2,648	8,890	11,538	(5,551)	1994
Flamingo West	Las Vegas	NV	(13,449)	1,730	5,266	—	1,646	1,730	6,912	8,642	(4,246)	1994
Las Vegas	Las Vegas	NV	—	1,049	2,473	14	609	1,063	3,082	4,145	(841)	2004
Mountain View - NV	Henderson	NV	(21,096)	16,665	25,915	—	217	16,665	26,132	42,797	(3,436)	2011
Villa Borega	Las Vegas	NV	(9,508)	2,896	8,774	—	1,181	2,896	9,955	12,851	(5,314)	1997
Alpine Lake	Corinth	NY	(12,808)	4,783	14,125	153	825	4,936	14,950	19,886	(4,191)	2005
Brennan Beach	Pulaski	NY	(18,933)	7,325	21,141	—	5,280	7,325	26,421	33,746	(6,764)	2005
Greenwood Village	Manorville	NY	(23,998)	3,667	9,414	484	5,098	4,151	14,512	18,663	(6,915)	1998
Lake George Escape	Lake George	NY	—	3,562	10,708	—	921	3,562	11,629	15,191	(3,351)	2005

Lake George Schroon Valley	Warrensburg	NY	—	540	1,626	—	35	540	1,661	2,201	(327)	2008
Rondout Valley Resort	Accord	NY	—	1,115	3,240	—	584	1,115	3,824	4,939	(906)	2006
The Woodlands	Lockport	NY	—	12,183	39,687	—	177	12,183	39,864	52,047	(5,561)	2011
Kenisee Lake	Jefferson	OH	—	295	696	4	152	299	848	1,147	(245)	2004
Wilmington	Wilmington	OH	—	235	555	3	130	238	685	923	(203)	2004
Bend	Bend	OR	—	733	1,729	10	510	743	2,239	2,982	(653)	2004
Falcon Wood Village	Eugene	OR	—	1,112	3,426	—	564	1,112	3,990	5,102	(2,118)	1997
Mt. Hood	Welches	OR	—	1,817	5,733	—	252	1,817	5,985	7,802	(2,444)	2002
Pacific City	Cloverdale	OR	—	1,076	2,539	14	1,304	1,090	3,843	4,933	(1,094)	2004
Quail Hollow	Fairview	OR	—	—	3,249	—	547	—	3,796	3,796	(2,010)	1997

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				Initial Cost to Company		Costs Capitalized Subsequent to Acquisition (Improvements)		Gross Amount Carried at Close of Period 12/31/13				
Real Estate [1]	Location		Encumbrances	Land	Depreciable Property	Land	Depreciable Property	Land	Depreciable Property	Total	Accumulated Depreciation	Date of Acquisition
Seaside	Seaside	OR	$ —	$ 891	$ 2,101	$ 12	$ 613	$ 903	$ 2,714	$ 3,617	$ (786)	2004
Shadowbrook	Clackamas	OR	—	1,197	3,693	—	521	1,197	4,214	5,411	(2,276)	1997
South Jetty	Florence	OR	—	678	1,598	9	414	687	2,012	2,699	(546)	2004
Whalers Rest	South Beach	OR	—	754	1,777	10	583	764	2,360	3,124	(666)	2004
Appalachian	Shartlesville	PA	—	1,666	5,044	—	436	1,666	5,480	7,146	(1,292)	2006
Circle M	Lancaster	PA	—	330	1,041	—	374	330	1,415	1,745	(342)	2006
Dutch County	Manheim	PA	—	88	278	—	103	88	381	469	(96)	2006
Gettysburg Farm	Dover	PA	—	111	350	—	126	111	476	587	(116)	2006
Green Acres	Breinigsville	PA	(27,822)	2,680	7,479	—	4,222	2,680	11,701	14,381	(8,554)	1988
Greenbriar Village	Bath	PA	(13,878)	8,359	16,941	—	10	8,359	16,951	25,310	(2,244)	2011
Hershey	Lebanon	PA	—	1,284	3,028	17	1,091	1,301	4,119	5,420	(1,159)	2004
Lil Wolf	Orefield	PA	—	5,627	13,593	—	487	5,627	14,080	19,707	(1,800)	2011
Mountain View - PA	Walnutport	PA	(6,937)	3,207	7,182	—	153	3,207	7,335	10,542	(996)	2011
Robin Hill	Lenhartsville	PA	—	1,263	3,786	—	138	1,263	3,924	5,187	(652)	2009
Scotrun	Scotrun	PA	—	153	483	—	186	153	669	822	(162)	2006
Spring Gulch	New Holland	PA	(4,037)	1,593	4,795	—	337	1,593	5,132	6,725	(1,705)	2004
Sun Valley	Bowmansville	PA	—	866	2,601	—	195	866	2,796	3,662	(460)	2009
Timothy Lake North	East Stroudsburg	PA	—	296	933	—	376	296	1,309	1,605	(350)	2006
Timothy Lake South	East Stroudsburg	PA	—	206	649	—	32	206	681	887	(168)	2006
Carolina Landing	Fair Play	SC	—	457	1,078	6	253	463	1,331	1,794	(381)	2004
Inlet Oaks	Murrells Inlet	SC	(4,491)	1,546	4,642	—	191	1,546	4,833	6,379	(1,235)	2006
The Oaks at Point South	Yemassee	SC	—	267	810	—	44	267	854	1,121	(231)	2006
Cherokee Landing	Middleton	TN	—	118	279	2	44	120	323	443	(100)	2004
Natchez Trace	Hohenwald	TN	—	533	1,257	7	352	540	1,609	2,149	(471)	2004
Alamo Palms Resort	Harlingen	TX	(6,698)	1,562	7,924	—	12	1,562	7,936	9,498	(462)	2012

Bay Landing	Bridgeport	TX	—	438	1,033	6	487	444	1,520	1,964	(380	)	2004
Colorado River	Columbus	TX	—	466	1,099	6	137	472	1,236	1,708	(377	)	2004
Country Sunshine	Weslaco	TX	—	627	1,881	—	866	627	2,747	3,374	(958	)	2004
Fun n Sun RV	San Benito	TX	(6,566)	2,533	5,560	412	5,943	2,945	11,503	14,448	(5,944	)	1998

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Real Estate [1]	Location		Encumbrances	Land	Depreciable Property	Land	Depreciable Property	Land	Depreciable Property	Total	Accumulated Depreciation	Date of Acquisition
Lake Conroe	Willis	TX	$—	$1,363	$3,214	$18	$1,739	$1,381	$4,953	$6,334	$(1,395)	2004
Lake Tawakoni	Point	TX	—	35	2,320	—	275	35	2,595	2,630	(764)	2004
Lake Texoma	Gordonville	TX	—	488	1,151	6	965	494	2,116	2,610	(532)	2004
Lake Whitney	Whitney	TX	—	679	1,602	10	700	689	2,302	2,991	(617)	2004
Lakewood	Harlingen	TX	—	325	979	—	177	325	1,156	1,481	(415)	2004
Medina Lake	Lakehills	TX	—	936	2,208	12	910	948	3,118	4,066	(929)	2004
Paradise Park RV	Harlingen	TX	—	1,568	4,705	—	762	1,568	5,467	7,035	(1,767)	2004
Paradise South	Mercedes	TX	—	448	1,345	—	302	448	1,647	2,095	(532)	2004
Southern Comfort	Weslaco	TX	—	1,108	3,323	—	332	1,108	3,655	4,763	(1,235)	2004
Sunshine RV	Harlingen	TX	—	1,494	4,484	—	1,051	1,494	5,535	7,029	(1,812)	2004
Tropic Winds	Harlingen	TX	—	1,221	3,809	—	557	1,221	4,366	5,587	(1,677)	2002
Victoria Palms Resort	Harlingen	TX	(11,338)	2,849	12,305	—	133	2,849	12,438	15,287	(789)	2012
All Seasons	Salt Lake City	UT	(3,169)	510	1,623	—	509	510	2,132	2,642	(1,125)	1997
St. George	Hurricane	UT	—	64	264	2	190	66	454	520	(60)	2010
Westwood Village	Farr West	UT	(10,189)	1,346	4,179	—	2,011	1,346	6,190	7,536	(3,217)	1997
Chesapeake Bay	Cloucester	VA	—	1,230	2,900	16	1,124	1,246	4,024	5,270	(1,160)	2004
Harbor View	Colonial Beach	VA	—	64	202	—	428	64	630	694	(127)	2006
Lynchburg	Gladys	VA	—	266	627	4	191	270	818	1,088	(241)	2004
Meadows of Chantilly	Chantilly	VA	(45,994)	5,430	16,440	—	7,054	5,430	23,494	28,924	(13,597)	1994
Regency Lakes	Winchester	VA	(9,855)	9,757	19,055	—	34	9,757	19,089	28,846	(2,723)	2011
Virginia Landing	Quinby	VA	—	602	1,419	8	193	610	1,612	2,222	(503)	2004
Williamsburg	Williamsburg	VA	—	111	350	—	115	111	465	576	(106)	2006
Birch Bay	Blaine	WA	—	502	1,185	7	98	509	1,283	1,792	(390)	2004

Chehalis	Chehalis	WA	—	590	1,392	8	752	598	2,144	2,742	(605	) 2004
Crescent Bar	Quincy	WA	—	314	741	4	227	318	968	1,286	(288	) 2004
Grandy Creek	Concrete	WA	—	475	1,425	—	176	475	1,601	2,076	(322	) 2008
Kloshe Illahee	Federal Way	WA	(16,439)	2,408	7,286	—	657	2,408	7,943	10,351	(4,291	) 1997
La Conner	La Conner	WA	—	—	2,016	—	793	—	2,809	2,809	(897	) 2004
Leavenworth	Leavenworth	WA	—	786	1,853	10	522	796	2,375	3,171	(682	) 2004
Little Diamond	Newport	WA	—	353	834	5	608	358	1,442	1,800	(342	) 2004
Long Beach	Seaview	WA	—	321	758	4	343	325	1,101	1,426	(268	) 2004

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Real Estate (1)	Location		Encumbrances	Land	Depreciable Property	Land	Depreciable Property	Land	Depreciable Property	Total
Mount Vernon	Bow	WA	$—	$621	$1,464	$8	$643	$629	$2,107	$2,736
Oceana	Oceana City	WA	—	283	668	4	88	287	756	1,043
Paradise	Silver Creek	WA	—	466	1,099	7	260	473	1,359	1,832
Tall Chief	Fall City	WA	—	314	946	—	254	314	1,200	1,514
Thunderbird	Monroe	WA	—	500	1,178	8	209	508	1,387	1,895
Arrowhead	Wisconsin Dells	WI	—	522	1,616	—	374	522	1,990	2,512
Fremont	Fremont	WI	(3,708)	1,437	4,296	—	589	1,437	4,885	6,322
Neshonoc Lakeside	LaCrosse County	WI	(5,381)	1,789	5,369	—	—	1,789	5,369	7,158
Plymouth Rock	Elkhart Lake	WI	(6,731)	2,293	6,879	—	382	2,293	7,261	9,554
Rainbow Lake Manor	Bristol	WI	—	4,474	16,594	—	2	4,474	16,596	21,070
Tranquil Timbers	Sturgeon Bay	WI	—	714	2,152	—	400	714	2,552	3,266
Westwood Estates	Pleasant Prairie	WI	—	5,382	19,732	—	—	5,382	19,732	25,114
Yukon Trails	Lyndon Station	WI	—	556	1,629	—	192	556	1,821	2,377
Subtotal of Properties Held for Long Term			(1,992,333)	1,019,820	2,540,588	5,426	438,902	1,025,246	2,979,490	4,004,736
Realty Systems, Inc.			(35)	—	—	—	204,226	—	204,226	204,226
Management Business and other			—	—	436	—	18,708	—	19,144	19,144
			$(1,992,368)	$1,019,820	$2,541,024	$5,426	$661,836	$1,025,246	$3,202,860	$4,228,106

(1) The schedule excludes Properties in which we have a non-controlling joint venture interest and accounts for using the equity method of accounting.
(2) All Properties were acquired, except for Country Place Village, which was constructed.

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The changes in total real estate for the years ended December 31, 2013, 2012 and 2011 were as follows:

	2013	2012 [(a)]	2011 [(a)]
Balance, beginning of year	$4,044,650	$3,960,692	$2,584,987
Acquisitions	133,344	18,738	1,312,658
Improvements	64,714	67,850	61,256
Dispositions and other	(14,602)	(2,630)	1,791
Balance, end of year	$4,228,106	$4,044,650	$3,960,692

(a) Certain prior year amounts have been reclassified to conform to the 2013 presentation. These reclassifications had no material effect on the consolidated financial statements.

The changes in accumulated depreciation for the years ended December 31, 2013, 2012 and 2011 were as follows:

	2013	2012 [(a)]	2011 [(a)]
Balance, beginning of year	$948,581	$807,329	$700,665
Depreciation expense [(b)]	108,229	102,083	83,013
Amortization of in-place leases	1,940	39,467	23,126
Dispositions and other	(210)	(298)	525
Balance, end of year	$1,058,540	$948,581	$807,329

(a) Certain prior year amounts have been reclassified to conform to the 2013 presentation. These reclassifications had no material effect on the consolidated financial statements.
(b) Includes approximately $6.5 million, $5.6 million and $4.1 million of depreciation from rental operations for the years ended December 31, 2013, 2012 and 2011, respectively.