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EQUITY LIFESTYLE PROPERTIES INC
Form DEF 14A
April 11, 2005

SCHEDULE 14A
(RULE 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT
SCHEDULE 14A INFORMATION

PROXY STATEMENT PURSUANT TO SECTION 14(a)
OF THE SECURITIES EXCHANGE ACT OF 1934

Filed by the registrant Filed by a party other than the registrant

Check the appropriate box:

- Preliminary proxy statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive proxy statement
- Definitive additional materials
- Soliciting material under Rule 14a-12

Name of Registrant as Specified in its Charter:

Equity Lifestyle Properties, Inc.

Name of Person(s) Filing Proxy Statement if other than the Registrant:

N/A

Payment of filing fee (check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
 1. Title of each class of securities to which transaction applies:
 2. Aggregate number of securities to which transaction applies:
 3. Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
 4. Proposed maximum aggregate value of transaction:
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3. Filing party:

4. Date filed:

EQUITY LIFESTYLE PROPERTIES, INC.
TWO NORTH RIVERSIDE PLAZA, SUITE 800
CHICAGO, ILLINOIS 60606

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD ON MAY 10, 2005

You are cordially invited to attend the 2005 Annual Meeting of Stockholders (the "Meeting") of EQUITY LIFESTYLE PROPERTIES, INC., a Maryland corporation (the "Company"), to be held at Twenty North Wacker Drive, Sixth Floor, Chicago, Illinois, on Tuesday, May 10, 2005, at 10:00 a.m. Central time. At the Meeting, we will consider and take action on the following matters:

(1) Election of eight directors to the Company's Board of Directors (the "Board"); and

(2) Any other business as may properly come before the Meeting or any adjournment or postponement thereof.

The Board recommends that you vote "for" each of the nominees for the Board.

Only stockholders of record at the close of business on March 11, 2005 will be entitled to vote at the Meeting or any adjournment or postponement thereof.

YOUR VOTE IS VERY IMPORTANT. WHETHER OR NOT YOU EXPECT TO BE PRESENT AT THE MEETING IN PERSON, PLEASE SIGN AND DATE THE ENCLOSED PROXY AND RETURN IT AS SOON AS POSSIBLE IN THE ENCLOSED ENVELOPE.

By Order of the Board of Directors

-s- Ellen Kelleher
Ellen Kelleher
Executive Vice President, General
Counsel
and Secretary

April 6, 2005

EQUITY LIFESTYLE PROPERTIES, INC.
TWO NORTH RIVERSIDE PLAZA, SUITE 800
CHICAGO, ILLINOIS 60606

PROXY STATEMENT

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INTRODUCTION

This Proxy Statement is furnished in connection with the solicitation by the Board of Directors (the "Board") of Equity LifeStyle Properties, Inc., a Maryland corporation (the "Company"), of proxies to be voted at the Annual Meeting of Stockholders of the Company to be held on Tuesday, May 10, 2005 (the "Meeting"), and any adjournment or postponement thereof. The Company will pay the cost of soliciting these proxies. The Company will reimburse brokerage firms and other persons representing beneficial owners of shares for their expenses in forwarding solicitation materials to such beneficial owners. The Company may conduct further solicitation personally, by telephone or by facsimile through its employees, officers and directors, none of whom will receive additional compensation for assisting with the solicitation. Brokers and other nominees who held of record stock of the Company on March 11, 2005 (the "Record Date"), the record date for determining stockholders entitled to notice of and to vote at the Meeting, will be asked to contact the beneficial owners of the shares which they hold.

This Proxy Statement and accompanying proxy are being mailed to stockholders commencing on or about April 8, 2005. The proxy, if properly executed and returned, will be voted according to your instructions, but it may be revoked at any time before it is exercised by giving notice of revocation in writing to the Secretary of the Company, by voting in person at the Meeting or by submitting a subsequently dated proxy to the Secretary of the Company at or prior to the Meeting. The mere presence at the Meeting of a stockholder who has granted a proxy shall not itself revoke the proxy. Shares held in street name may be voted in person only if the stockholder obtains a signed proxy from the record holder giving the stockholder the right to vote.

2004 ANNUAL REPORT

Stockholders are concurrently being furnished a copy of the Company's 2004 Annual Report (the "Annual Report") and information required pursuant to Rule 14a-3 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), which is included as Appendix B hereto. Additional copies of the Annual Report and of this Proxy Statement may be obtained from the Company's website at <http://www.mhchomes.com> or by contacting Ellen Kelleher, Executive Vice President, General Counsel and Secretary of the Company, at Two North Riverside Plaza, Suite 800, Chicago, Illinois 60606, 312-279-1400; copies will be furnished promptly at no additional expense.

VOTING

Only stockholders of record at the close of business on the Record Date will be entitled to vote at the Meeting. On the Record Date, 23,172,094 shares of the Company's common stock, par value \$.01 per share ("Common Stock"), were outstanding. Each share of Common Stock outstanding on the Record Date entitles the holder thereof to one vote upon each matter to be voted upon at the Meeting. The presence in person or by proxy of stockholders entitled to cast a majority of all the votes entitled to be cast at the Meeting shall constitute a quorum. Shares represented by proxies that reflect abstentions and broker non-votes are counted for purposes of determining the presence or absence of a quorum for the transaction of business. The affirmative vote of a plurality of all votes cast at the

Meeting, if a quorum is present, is sufficient to elect each nominated director to the Board. An abstention as to any particular matter when passage requires the vote of a plurality or a majority of the votes entitled to be cast at the Meeting, however, does not constitute a vote "for" or "against" and will be disregarded in calculating the votes cast as to such matter. "Broker non-votes" (i.e., where a broker or nominee submits a proxy specifically indicating the

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lack of discretionary authority to vote on a matter) will be treated in the same manner as abstentions.

If there is not a quorum at the Meeting, the stockholders entitled to vote at the Meeting, whether present in person or represented by proxy, shall only have the power to adjourn the Meeting until such time as there is a quorum. The Meeting may be reconvened without notice to the stockholders, other than an announcement at the prior adjournment of the Meeting, within 120 days after the Record Date, and a quorum must be present at such reconvened Meeting.

If a proxy in the form enclosed is duly executed, dated and returned, and it has not been revoked in accordance with the instructions set forth therein, the shares of Common Stock represented thereby will be voted by Samuel Zell and Thomas P. Heneghan, the Board's proxy agents for the Meeting, in accordance with the specifications made thereon by the stockholder. If no such specifications are made, such proxy will be voted (i) for the election of all of the current director nominees to the Board, and (ii) at the discretion of Mr. Zell and Mr. Heneghan with respect to such other business as may properly come before the Meeting or any adjournment or postponement thereof.

PROPOSAL NO. 1

ELECTION OF DIRECTORS

The Board currently consists of eight members. The Company's charter (the "Charter") currently provides that all director nominees will be elected for one-year terms at each Annual Meeting of Stockholders. Biographical information for each of the director nominees is set forth below under the caption "Management."

Each nominee has consented to be named in this Proxy Statement and to serve if elected. All nominees are currently directors. In the event that any nominee should become unable to serve as a director (which is not anticipated), the persons designated as representatives will cast votes for the remaining nominees and for such other person or persons as the Board may recommend.

THE BOARD RECOMMENDS A VOTE "FOR" EACH OF THE NOMINEES NAMED BELOW. PROXIES SOLICITED BY THE BOARD WILL BE VOTED "FOR" THE NOMINEES UNLESS INSTRUCTIONS TO WITHHOLD SUCH VOTE OR TO THE CONTRARY ARE GIVEN.

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MANAGEMENT

EXECUTIVE OFFICERS AND DIRECTORS

The following table sets forth certain information with respect to the executive officers and directors of the Company.

NAME	AGE	POSITION
----	---	-----
Samuel Zell.....	63	Chairman of the Board
Howard Walker.....	65	Vice Chairman of the Board
Thomas P. Heneghan.....	41	President, Chief Executive Officer and Director
Roger A. Maynard.....	47	Chief Operating Officer
Ellen Kelleher.....	44	Executive Vice President, General Counsel and Secretary
Michael B. Berman.....	47	Vice President, Chief Financial Officer and Treasurer
Donald S. Chisholm.....	70	Director

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Thomas E. Dobrowski.....	61	Director
Joe B. McAdams.....	61	Director
Sheli Z. Rosenberg.....	63	Director
Gary L. Waterman.....	63	Director

The following is a biographical summary of the experience of the executive officers and directors of the Company. For information concerning membership as of the date of this Proxy Statement on committees of the Board, see "Committees of the Board; Meetings" below.

Samuel Zell has been Chairman of the Board of the Company since March 1995 and was Chief Executive Officer of the Company from March 1995 to August 1996. Mr. Zell was Co-Chairman of the Board of the Company from its formation until March 1995. Mr. Zell was a director of Mobile Home Communities, Inc., the former manager of the Company's manufactured home communities, from 1983 until its dissolution in 1993. Mr. Zell has served as chairman of the board of Equity Group Investments, L.L.C. ("EGI"), a private investment company, since 1999. Mr. Zell has been a trustee and chairman of the board of trustees of Equity Office Properties Trust ("Equity Office"), an equity real estate investment trust ("REIT") primarily focused on office buildings, since October 1996, and was its chief executive officer from April 2002 to April 2003, and its president from April 2002 to November 2002. For more than the past five years, Mr. Zell has served as chairman of the board of Anixter International, Inc. ("Anixter"), a global distributor of structured cabling systems; as chairman of the board of Equity Residential, an equity REIT that owns and operates multi-family residential properties; and as chairman of the board of Capital Trust, Inc., a specialized finance company ("Capital Trust"). Mr. Zell has been the chairman of the board of Rewards Network, Inc. (previously known as iDine Rewards Network, Inc.), an administrator of loyalty-based consumer reward programs, since 2002.

Howard Walker has been Vice-Chairman of the Board of the Company since May 2003 and Chairman of the Board's Executive Committee since January 2004. Mr. Walker has been a director of the Company since November 1997. Mr. Walker was Chief Executive Officer of the Company from December 1997 to December 2003. Mr. Walker was President of the Company from September 1997 to May 2000, and President of Realty Systems, Inc., an affiliate of the Company, from March 1995 to April 2000. Mr. Walker was a Vice President of the Company from January 1995 to March 1995. Mr. Walker is a director of Infohealth, Inc., a privately held company that provides information system services to the health care industry.

Thomas P. Heneghan has been President and Chief Executive Officer of the Company since January 2004. Mr. Heneghan has been a director of the Company since March 2004. Mr. Heneghan is a member of the Company's management committee (the "Management Committee"), which was created in 1995 and is comprised of the Company's senior executive officers. Mr. Heneghan was President and Chief Operating Officer of the Company from May 2000 to December 2003. Mr. Heneghan was

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Executive Vice President, Chief Financial Officer and Treasurer of the Company from April 1997 to May 2000, and Vice President, Chief Financial Officer and Treasurer of the Company from February 1995 to March 1997.

Roger A. Maynard has been Chief Operating Officer of the Company since January 2004. Mr. Maynard is also a member of the Management Committee. Mr. Maynard was Senior Vice President for national operations of the Company from January 2003 to December 2003. Mr. Maynard was Senior Regional Vice President for the Company's Eastern division from September 2001 to December 2002, and Senior Regional Vice President for the Company's Southeastern region from

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January 2000 to September 2001. Mr. Maynard was Regional Vice President for the Company's Southeastern region from June 1998 to December 1999, and Regional Vice President for the Company's Northeastern region from October 1997 to June 1998.

Ellen Kelleher has been Executive Vice President and General Counsel of the Company since March 1997, and has been Secretary of the Company since May 2000. Ms. Kelleher is also a member of the Management Committee. Ms. Kelleher was Senior Vice President, General Counsel and Assistant Secretary of the Company from March 1994 to March 1997. Ms. Kelleher is a director of Financial Management Advisors, a private money management company.

Michael B. Berman has been Vice President, Chief Financial Officer and Treasurer of the Company since September 2003. Mr. Berman is also a member of the Management Committee. In 2003, Mr. Berman was an associate professor at New York University Real Estate Institute. Mr. Berman was a managing director in the Investment Banking department at Merrill Lynch & Co. from 1995 to 2002.

Donald S. Chisholm has been a director of the Company since March 1993. Mr. Chisholm is president of Vernon Development Co., the developer of a 650-acre golf course community, and of Ann Arbor Associates Inc., a real estate development and management company, both for more than five years.

Thomas E. Dobrowski has been a director of the Company since March 1993. Mr. Dobrowski has been the managing director of real estate and alternative investments of General Motors Investment Management Corporation since December 1994. Mr. Dobrowski is a director of Capital Trust. Mr. Dobrowski is also a trustee of Equity Office.

Joe B. McAdams has been a director of the Company since January 2004. From July 1991 to December 2003, Mr. McAdams was president and chief executive officer of Affinity Group, Inc. ("AGI"), a leading provider of products and services to the recreational vehicle market. Mr. McAdams is a director of AGI, Liberty Publishing Company, a publisher of approximately 100 daily newspapers as well as 200 alternate publications, and Vestcom, Inc., a leading provider of business and marketing communications.

Sheli Z. Rosenberg has been a director of the Company since August 1996. In 2002, Mrs. Rosenberg was appointed the Lead Director of the Company. Mrs. Rosenberg was vice chairman of EGI from January 2000 through December 2003. Mrs. Rosenberg was president of Equity Group Investments, Inc. ("EGI, Inc."), an investment company, from November 1994 to December 1999, and chief executive officer of EGI, Inc. from November 1994 to December 1998. Mrs. Rosenberg was a principal of the law firm of Rosenberg & Liebenritt from 1980 to September 1997. Mrs. Rosenberg is a director of CVS Corporation, an owner and operator of drug stores; Cendant Corporation, a travel related, real estate related and direct marketing consumer and business services company; and Ventas, Inc., an owner of real estate in the health care field. Mrs. Rosenberg is a trustee of Equity Office and Equity Residential.

Gary L. Waterman has been a director of the Company since March 1993. Since 1989, Mr. Waterman has been president of Waterman Limited, a real estate services and investment company that he founded. Mr. Waterman is a director and member of the compensation committee of Java Trading Company, a wholesale coffee roasting company.

The Board has determined that, other than Mr. Walker and Mr. Heneghan, each director nominee qualifies as an "independent" director in accordance with the rules of The New York Stock Exchange (the "NYSE") and the director independence guidelines established by the Board as part of its Guidelines on Corporate

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Governance.

STOCKHOLDER COMMUNICATIONS WITH THE BOARD

Any stockholder or other interested party who has a concern or inquiry regarding the conduct of the Company may communicate directly with the Board or the non-management directors by contacting the Lead Director, who will receive all such communications on behalf of the Board or the non-management directors (as applicable). Communications may be confidential or anonymous, and may be submitted in writing to the Lead Director, c/o Secretary, Equity LifeStyle Properties, Inc., Two North Riverside Plaza, Suite 800, Chicago, Illinois 60606. All written communications will be received and processed by the Secretary of the Company and all substantive communications will be referred to the Lead Director. All such communications will be reviewed and, if necessary, investigated and/or addressed by the Lead Director and the status of such communications will be reported to the Board or the non-management directors (as applicable) on a quarterly basis. The Lead Director may direct special treatment, including the retention of outside advisors or counsel, for any such concern or inquiry.

Although each director is strongly encouraged to attend each Annual Meeting of Stockholders, the Board has no formal policy with respect to such attendance. Each of the eight directors in office as of the date of the 2004 Annual Meeting of Stockholders was in attendance at such meeting.

NON-MANAGEMENT DIRECTORS EXECUTIVE SESSIONS

Executive sessions of the Company's non-management directors are scheduled in connection with regularly scheduled meetings of the Board and may be held without management present at such other times as requested by the non-management directors. The presiding director at these executive sessions is the Lead Director.

COMMITTEES OF THE BOARD; MEETINGS

Meetings: During the year ended December 31, 2004, the Board held five meetings and took six actions by unanimous written consent. Each of the directors attended 75% or more of the total number of the meetings of the Board and of its committees on which he or she served.

Executive Committee: The Executive Committee of the Board is comprised of Messrs. Zell, Walker and Chisholm. The Executive Committee has the authority, within certain parameters set by the Board, to authorize the acquisition, disposition and financing of investments for the Company (including the issuance of additional limited partnership interests of MHC Operating Limited Partnership ("OP Units")) and to authorize contracts and agreements, including those related to the borrowing of money by the Company, and generally exercise all other powers of the Board except as prohibited by law. During the year ended December 31, 2004, the Executive Committee held one meeting and took ten actions by unanimous written consent.

Compensation, Nominating and Corporate Governance Committee: The Compensation, Nominating and Corporate Governance Committee of the Board (the "Compensation Committee") is composed of Messrs. Chisholm and Waterman and Mrs. Rosenberg. The Board has determined that each of the Compensation Committee members is an "independent" director within the meaning set forth in the NYSE listing standards. The Compensation Committee determines compensation for the Company's executive officers and exercises all powers of the Board in connection with compensation matters, including incentive compensation and benefit plans. The Compensation Committee also has the authority to grant stock options, stock appreciation rights and restricted stock awards in accordance with the Company's 1992 Stock Option and Stock Award Plan, as amended and restated (the "Plan"), to

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the management of the Company and its subsidiaries, other employees and consul-

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tants. In addition, the Compensation Committee identifies and recommends qualified individuals to become Board members, develops and recommends the Guidelines on Corporate Governance applicable to the Company and recommends to the Board director nominees for each committee of the Board. During the year ended December 31, 2004, the Compensation Committee held five meetings and took two actions by unanimous written consent.

Audit Committee: The Audit Committee of the Board is composed of Messrs. Dobrowski and McAdams and Mrs. Rosenberg. The Board has determined that each of the Audit Committee members is an "independent" director within the meaning set forth in the NYSE listing standards and Rule 10A-3 of the Exchange Act. The Board has also determined that Mr. McAdams is an "audit committee financial expert" as such term is defined by the Securities and Exchange Commission (the "SEC") in Item 401(h) of Regulation S-K. The Audit Committee is governed by the Audit Committee Charter attached as Appendix A to this Proxy Statement. The Audit Committee makes recommendations concerning the engagement of independent public accountants, reviews with the Company's independent public accountants the plans for and results of the audit engagement, approves professional services provided by the Company's independent public accountants, reviews the independence of the Company's independent public accountants, considers the range of audit and non-audit fees and reviews the adequacy of the Company's internal accounting controls. During the year ended December 31, 2004, the Audit Committee held five meetings and took no actions by unanimous written consent.

BOARD MEMBER NOMINATIONS

Board member nominations are governed by the Compensation, Nominating and Corporate Governance Committee Charter. The Compensation Committee will consider nominees recommended by stockholders. If you wish to recommend a person whom you consider qualified to serve on the Board, you must give written notice to the Secretary of the Company in accordance with the requirements described in "Stockholder Proposals." This notice must contain (i) as to each nominee, all information that would be required to be disclosed in a proxy statement with respect to the election of directors pursuant to the Exchange Act, (ii) the name and address of the stockholder giving the notice, (iii) the number of shares of common stock owned beneficially and of record by such stockholder, and (iv) the written consent of each nominee to serve as a director if so elected. The Compensation Committee will consider and evaluate persons recommended by stockholders in the same manner as potential nominees identified by the Board and/or the Compensation Committee.

The Compensation Committee identifies nominees for director from various sources. In assessing potential director nominees, the Compensation Committee considers the character, background and professional experience of candidates. All nominees should possess good judgment and an inquiring and independent mind. Familiarity with the issues affecting the Company is among the relevant criteria. All director nominees must possess a reputation for the highest personal and professional ethics, integrity and values. The Compensation Committee will also carefully consider any potential conflicts of interest. Nominees must also be willing and able to devote sufficient time and effort to carrying out the duties and responsibilities of a director effectively, and should be committed to serving on the Board for an extended period of time.

CORPORATE GOVERNANCE

The Board regularly re-evaluates the Company's corporate governance policies and benchmarks those policies against rules and regulations of governmental authorities, the best practices of other public companies and

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suggestions received from various authorities. The Board has adopted the Company's Guidelines on Corporate Governance. The Company has also adopted a Business Ethics and Conduct Policy, which applies to all directors, officers and employees of the Company.

The Guidelines on Corporate Governance, the Business Ethics and Conduct Policy and the charters of the Audit Committee and the Compensation Committee are each available on the

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Company's website at <http://www.mhchomes.com>, and a copy of same may be obtained free of charge by sending a written request to Equity LifeStyle Properties, Inc., Attn: Investor Relations Department, Two North Riverside Plaza, Suite 800, Chicago, Illinois 60606 or by contacting the Company's Investor Relations Department at investor_relations@mhchomes.com.

EXECUTIVE COMPENSATION

The following table shows information with respect to the annual compensation for services rendered to the Company for the fiscal years ended December 31, 2004, December 31, 2003 and December 31, 2002 by the Company's Chief Executive Officer and those persons who were, at December 31, 2004, the next three most highly compensated executive officers of the Company.

SUMMARY COMPENSATION TABLE

NAME AND PRINCIPAL POSITION (AS OF 12/31/04)	YEAR	ANNUAL COMPENSATION		LONG-TERM COMPENSATION AWARDS		ALL OTHER COMPENSATION (\$ (4))
		SALARY (\$)	BONUS (\$ (1))	RESTRICTED COMMON STOCK AWARDS (\$ (2) (3))	SECURITIES UNDERLYING OPTIONS GRANTED (#)	
Thomas P. Heneghan..... President, Chief Executive Officer, Director and Member of Management Committee(5)	2004	275,400	471,875	1,472,000	0	12,300
	2003	270,000	0	0	0	8,000
	2002	270,000	175,000	560,700	0	10,000
Ellen Kelleher..... Executive Vice President, General Counsel, Secretary and Member of Management Committee	2004	257,040	361,000	920,000	0	12,300
	2003	252,000	150,000	0	0	8,000
	2002	252,000	195,910	490,613	0	10,000
Roger A. Maynard..... Chief Operating Officer and Member of Management Committee(6)	2004	257,040	361,000	1,104,000	0	12,300
	2003	175,000	150,000	0	0	8,000
	2002	175,000	100,000	0	0	10,000
Michael B. Berman..... Vice President, Chief Financial Officer, Treasurer and Member of Management Committee(7)	2004	257,040	361,000	920,000	0	12,300
	2003	61,062	50,000	0	0	0
	2002	--	--	--	--	--

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- (1) Under the Plan, an officer who receives a bonus receives 50% of the bonus in cash and 50% of the bonus in the form of a stock award. Under the Plan, the officer may request, subject to approval by the Compensation Committee, to receive more or less than 50% of the bonus in the form of a stock award. To the extent that an officer receives up to 50% of the bonus as a stock award, the stock award is calculated using the fair market value of a share of Common Stock as of the date the bonus is paid or (for 2002) as of the date the bonus is declared. If more than 50% of the bonus is to be paid as a stock award, the additional stock award is calculated using the most recent purchase price for a share of Common Stock under the Company's Non-Qualified Employee Stock Purchase Plan ("ESPP") or the price that would be used under the ESPP for the offering period then in progress if the period ended the day the bonus was paid, which is less than the fair market value of a share of Common Stock on the day the bonus is paid. The bonus amount reflected for Ms. Kelleher for 2002 includes the discount on shares of Common Stock with respect to the election she made to receive more than 50% of the bonus as a stock award.

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- (2) The total number and value of shares of Common Stock ("Restricted Common Stock") awarded pursuant to restricted stock grants ("Restricted Common Stock Awards") in various years, and held by each named executive officer as of December 31, 2004, were as follows:

	NUMBER OF SHARES	VALUE (\$)
	-----	-----
Thomas P. Heneghan.....	40,667	1,453,845
Ellen Kelleher.....	26,667	953,345
Roger A. Maynard.....	24,000	858,000
Michael B. Berman.....	16,667	595,845

All holders of Restricted Common Stock receive any dividends paid on such shares.

- (3) The number of shares of Restricted Common Stock granted to each named executive officer effective January 5, 2004 pursuant to the 1997 Program, as described below under "Compensation Committee Report on Executive Compensation", was as follows (each of these awards is subject to a vesting schedule, with one-third of the award vesting on December 10, 2004; one-third vesting on December 10, 2005; and the remainder vesting on December 10, 2006):

Thomas P. Heneghan.....	40,000
Ellen Kelleher.....	25,000
Roger A. Maynard.....	30,000
Michael B. Berman.....	25,000

- (4) Includes employer matching contributions and profit sharing contributions pursuant to The MHC Advantage Retirement Savings Plan.
- (5) Mr. Heneghan became President and Chief Executive Officer as of January 1, 2004, and became a director in March 2004.

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- (6) Mr. Maynard became Chief Operating Officer and a member of the Management Committee as of January 1, 2004.
- (7) Mr. Berman became Vice President, Chief Financial Officer and Treasurer and a member of the Management Committee as of September 30, 2003.

OPTION GRANTS IN LAST FISCAL YEAR

There were no option grants in fiscal year 2004 to any of the executive officers named in the Summary Compensation Table, except that Mr. Heneghan received a grant of options to purchase 10,000 shares of Common Stock for his service as a director during 2004.

AGGREGATED OPTION EXERCISES IN LAST FISCAL YEAR AND FISCAL YEAR-END OPTION VALUES

NAME	SHARES ACQUIRED ON EXERCISE (#)	VALUE REALIZED (\$)	NUMBER OF UNEXERCISED OPTIONS AT FY-END (#) EXERCISABLE/ UNEXERCISABLE	VALUE OF UNEXERCISED IN-THE-MONEY OPTIONS AT FY-END (\$) EXERCISABLE/ UNEXERCISABLE
Thomas P. Heneghan.....	0	0	3,333/6,667	14,065/28,135
Ellen Kelleher.....	0	0	0/0	0/0
Roger A. Maynard.....	0	0	0/0	0/0
Michael B. Berman.....	0	0	0/0	0/0

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DIRECTOR COMPENSATION

The Company paid each of its non-employee directors an annual fee of \$30,000 in 2004. In addition, directors who serve on the Executive Committee, Audit Committee or Compensation Committee receive an additional \$1,000 per annum for each committee on which they serve. Committee chairs receive an additional \$500 per annum. Directors who are employees of the Company are not paid any directors' fees. The Company reimburses the directors for travel expenses incurred in connection with their activities on behalf of the Company. On the date of the first Board meeting after each Annual Meeting of Stockholders, each director then in office will receive at the director's election either an annual grant of options to purchase 10,000 shares of Common Stock at the then-current market price or an annual grant of 2,000 shares of Restricted Common Stock. One-third of the options to purchase Common Stock and the shares of Restricted Common Stock covered by these awards vest on the date 6 months after the grant date, one-third vest on the first anniversary of the grant date and one-third vest on the second anniversary of the grant date. In January 2005, Mr. Zell was awarded options to purchase 100,000 shares of Common Stock, for services rendered as Chairman of the Board during 2004; Mrs. Rosenberg was awarded options to purchase 25,000 shares of Common Stock, which she elected to receive as 5,000 shares of Restricted Common Stock, for services rendered as Lead Director during 2004; Mr. Walker was awarded options to purchase 15,000 shares of Common Stock, which he elected to receive as 3,000 shares of Restricted Common Stock, for services rendered as Vice Chairman of the Board during 2004; and Mr. McAdams was awarded options to purchase 15,000 shares of Common Stock, which he elected to receive as 3,000 shares of Restricted Common Stock, for services rendered as Audit Committee Financial Expert and Audit Committee Chair

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during 2004. One-third of the options to purchase Common Stock and the shares of Restricted Common Stock covered by these awards vests on each of December 31, 2005, December 31, 2006 and December 31, 2007.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

The Compensation Committee members for 2004 were Messrs. Chisholm and Waterman and Mrs. Rosenberg. No Compensation Committee interlocking relationships existed in 2004. For a description of certain transactions with Board members or their affiliates, see "Certain Relationships and Related Transactions."

COMPENSATION COMMITTEE REPORT ON EXECUTIVE COMPENSATION

The Compensation Committee determines the compensation of the Company's officers, including those named in the Summary Compensation Table, and guides the Company's overall philosophy towards compensation of its employees. The Compensation Committee believes that the compensation of the Company's Chief Executive Officer and all of the Company's officers should be both competitive and based on individual and Company performance.

The Company's executive salary structure is reviewed annually by the Compensation Committee using the SNL Executive Compensation Review for REITs ("SNL Survey") for guidance. In addition, the entire Company's salary structure is reviewed annually. Where salary information is unavailable for a particular position, other positions having similar responsibilities either within the Company or in companies of comparable size are used. Salary increases are based upon overall Company performance and upon each officer's (including the Chief Executive Officer's) performance and contribution to the Company's performance.

The Company's compensation policy takes into account a review of local and national peer group salary surveys focusing primarily on the SNL Survey. The SNL Survey contains detailed compensation and performance data on publicly traded REITs. The Compensation Committee believes the SNL Survey provides comparable salary data for the Company. The Compensation Committee believes that the Company's compensation levels compare favorably to the Company's peer groups described in the

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surveys and targets median to high total compensation levels for the Company's officers. This is not the same peer group that is used in the Performance Graph on page 13. In addition, during 2004 the Compensation Committee engaged the services of Towers Perrin to review and advise the Compensation Committee on executive compensation.

The Compensation Committee believes that attracting and retaining highly qualified executives is accomplished by providing competitive base salaries and meaningful incentives, both short-term and long-term, intended to reward performance and retain experienced management. During the fiscal year ended December 31, 2004, there were three major components of executive compensation: base salary, bonus and long-term incentives in the form of Restricted Common Stock Awards. The Compensation Committee has deliberately kept base salaries at levels which may compare less favorably with comparable positions in other companies. This allows the Compensation Committee to reward officers' performance through bonuses and long-term incentives such as Restricted Common Stock Awards. Further short-term and mid-term incentives for officers are accomplished through the Company's bonus plan. The bonus plan involves the Company and the officer jointly setting goals for such officer at the beginning of each year.

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Benchmarks for determining base salary and bonus amounts during 2004 included successful completion and integration of pending acquisitions, maintenance of core portfolio occupancy, sales volumes and profitability of the sales operation. Each performance measure carried equal weight.

In 2004, the Company's core business continued to deliver solid operating performance. The Company successfully deployed \$100 million earmarked from the recapitalization completed in 2003 for identified acquisitions. In addition, during 2004, management successfully targeted and closed other transactions exceeding \$300 million. During this period of growth, the existing business continued to operate in line with expectations. Because of the success of the acquisition initiatives, the Compensation Committee awarded an additional special award bonus ("Special Award") of \$300,000 for the Chief Executive Officer and \$200,000 for each of the Chief Financial Officer, Chief Operating Officer and General Counsel.

To provide long-term incentives for officers and to retain qualified officers, the Company has created performance and tenure-based Restricted Common Stock Award programs. The vesting of Restricted Common Stock Awards is subject to acceleration in the case of death, disability and involuntary termination not for cause or change of control of the Company. The Compensation Committee recognizes that the interests of stockholders are best served by giving key employees the opportunity to participate in the appreciation of the Company's Common Stock.

In December 2001, the Compensation Committee created the 2004 Long Term Restricted Stock Plan (the "2004 Program"), which provided for shares of Restricted Common Stock to be granted on January 5, 2004 to individuals who were employed by the Company on November 15, 2001 and on January 5, 2004 and who hold the respective titles of Chief Executive Officer, Chief Operating Officer, General Counsel and Chief Financial Officer, as well as certain other titles on such grant date. Shares granted on January 5, 2004 are subject to a further three year vesting schedule, with one-third vesting December 10, 2004, one-third vesting December 10, 2005 and one-third vesting December 10, 2006, with vesting based on an individual's tenure in such titled positions. In connection with the hiring of Mr. Berman, Chief Financial Officer of the Company, in September 2003, the Compensation Committee waived the requirement that Mr. Berman hold such title on the grant date in order to be eligible to receive a grant of Restricted Common Stock under the 2004 Program; as a result, Mr. Berman received such a grant on January 5, 2004. On January 5, 2004, Mr. Heneghan was granted 40,000 shares under the 2004 Program; Mr. Berman was granted 25,000 shares under the 2004 Program; Mr. Maynard was granted 30,000 shares under the 2004 Program; and Ms. Kelleher was granted 25,000 shares under the 2004 Program.

During 2004, Mr. Heneghan, who served as the Chief Executive Officer of the Company, received a base annual salary of \$275,400 and a cash bonus excluding the Special Award discussed above of \$171,875. In establishing Mr. Heneghan's base annual salary for 2005, the Compensation Committee

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considered Mr. Heneghan's individual performance and the performance of the Company in 2004. The Compensation Committee also recognized that under Mr. Heneghan's leadership of the Company, the Company successfully recapitalized and deployed the proceeds of the recapitalization. In establishing Mr. Heneghan's 2004 bonus, the Compensation Committee reviewed Mr. Heneghan's performance against established goals set by the Compensation Committee for both the Company and Mr. Heneghan individually. In 2004, Mr. Heneghan was eligible to receive a bonus of up to 100% of his base annual salary; however, Mr. Heneghan and the other members of senior management received only a portion of the bonus related to sales profitability and did not receive the bonus related to occupancy. The

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Compensation Committee further determined that Mr. Heneghan's base salary and bonus were appropriate in relation to market data and the base salaries of other Chief Executive Officers within the Company's industry and within publicly traded companies of similar size.

No options were granted to employees of the Company during 2004 (except for Mr. Heneghan's grant as a director).

The Compensation Committee believes that the compensation program properly rewards the Company's officers for achieving improvements in the Company's performance and serving the interests of its stockholders.

The Company may or may not structure compensation arrangements to satisfy the requirements for performance-based compensation under Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code").

Respectfully submitted,

Sheli Z. Rosenberg, Chair
Donald S. Chisholm
Gary L. Waterman

March 31, 2005

AUDIT COMMITTEE REPORT

The Audit Committee oversees the Company's financial reporting process on behalf of the Board. Management has the primary responsibility for the financial reporting process, including the system of internal controls, and for the preparation of consolidated financial statements in accordance with generally accepted accounting principles. The Audit Committee is governed by a written charter approved by the Board. In accordance with this charter, the Audit Committee oversees the accounting, auditing and financial reporting practices of the Company. In fulfilling its oversight responsibilities, the Audit Committee reviewed the audited financial statements in the Company's Annual Report on Form 10-K for the year ended December 31, 2004 (the "Form 10-K"), with management, including a discussion of the quality, not just the acceptability, of the accounting principles, the reasonableness of significant judgments, and the clarity of disclosures in the financial statements. The Audit Committee also has reviewed and discussed with management, the internal auditors and the outside auditor both management's report and the outside auditor's report and attestation on internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act of 2002.

The Audit Committee reviewed with the Company's independent accountants, who are responsible for expressing an opinion on the conformity of those audited financial statements with generally accepted accounting principles, their judgments as to the quality, not just the acceptability, of the Company's accounting principles and such other matters as are required to be discussed with the Audit Committee under generally accepted auditing standards. In addition, the Audit Committee has discussed with the independent accountants the matters required to be discussed by SAS 61 (Codification of Statements on Auditing Standards) and the accountants' independence from the Company and management, including the matters in the written disclosure and the letter required by

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Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees), and considered the compatibility of non-audit services provided to the Company by the independent accountants with the accountants' independence.

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The Audit Committee discussed with the Company's independent accountants the overall scope and plans for their audit. The Audit Committee met with the independent accountants, with and without management present, to discuss the results of their examinations, their evaluation of the Company's internal controls and the overall quality of the Company's financial reporting.

In reliance on the reviews and discussions referred to above, the Audit Committee recommended to the Board (and the Board has approved) that the audited financial statements be included in the Form 10-K for filing with the SEC.

Respectfully submitted,

Joe B. McAdams, Chair
Thomas E. Dobrowski
Sheli Z. Rosenberg

March 31, 2005

AUDIT AND NON-AUDIT FEES

Audit Fees. The aggregate fees billed (or expected to be billed) for fiscal years 2004 and 2003 for professional services rendered by the independent accountants for the audit of the Company's financial statements, the audit of internal controls relating to Section 404 of the Sarbanes-Oxley Act and for the reviews by the independent accountants of the financial statements included in the Company's Forms 10-Q were \$608,000 and \$261,750, respectively.

Audit-Related Fees. The aggregate fees billed (or expected to be billed) for fiscal years 2004 and 2003 for assurance and related services by the independent accountants that are reasonably related to the performance of the audit or review of the Company's financial statements that are not reported as "Audit Fees" above were \$152,000 and \$26,200, respectively. These fees consist primarily of fees for services provided to assist the Company with attest services related to audits of subsidiaries and benefit plans.

Tax Fees. The aggregate fees billed (or expected to be billed) for fiscal years 2004 and 2003 for professional services rendered by the independent accountants for tax compliance, tax advice and tax planning were \$14,500 and \$10,000, respectively. These fees consist primarily of fees for services provided to assist the Company with tax return preparation and review and corporate tax compliance services.

All Other Fees. There were no other fees in fiscal years 2004 and 2003.

Auditor Independence. The Audit Committee has determined that the independent accountants' provision of the non-audit services described above is compatible with maintaining the independent accountants' independence.

Policy on Pre-Approval. The Company and the Audit Committee are committed to ensuring the independence of the independent auditors of the Company, both in fact and in appearance. In this regard, the Audit Committee has established a pre-approval policy in accordance with the applicable rules of the SEC.

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PERFORMANCE GRAPH

The following performance graph compares total stockholders' return on the Common Stock since December 31, 1999 with the Standard and Poors ("S&P") 500 Stock Index and the index of equity REITs prepared by the National Association of Real Estate Investment Trusts ("NAREIT"). The Common Stock price performance

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graph assumes that an investment of \$100 was made on December 31, 1999 in the Common Stock and in each of the two indexes and further assumes the reinvestment of all dividends. Equity REITs are defined as those REITs which derive more than 75% of their income from equity investments in real estate assets. The NAREIT equity index includes all tax qualified REITs listed on the NYSE, the American Stock Exchange or the NASDAQ Stock Market. Common Stock price performance presented for the period from December 31, 1999 through December 31, 2004 is not necessarily indicative of future results.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN ASSUMES INITIAL INVESTMENT OF \$100 DECEMBER 2004

(PERFORMANCE GRAPH)

		1999	2000	2001	2002	2003
Company	Return %		3.30	27.37	14.36	0.65
	Cumulative \$	\$100.00	\$103.30	\$131.58	\$150.47	\$151.45
S&P 500	Return %		21.05	-9.10	-11.88	-22.10
	Cumulative \$	\$100.00	\$121.05	\$110.02	\$ 96.95	\$ 75.52
NAREIT Equity	Return %		-4.62	26.37	13.89	3.81
	Cumulative \$	\$100.00	\$ 95.38	\$120.53	\$137.27	\$142.50

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SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS

The following table sets forth information as of the Record Date (except as noted), with respect to each person who is known by the Company's management to be the beneficial owner of more than 5% of the outstanding shares of Common Stock.

NAME AND BUSINESS ADDRESS OF BENEFICIAL OWNER	AMOUNT AND NATURE OF BENEFICIAL OWNERSHIP (1)	PERCENTAGE OF CLASS
Samuel Zell and entities affiliated with Samuel Zell and Ann Lurie and entities affiliated with Ann Lurie(2)..... Two North Riverside Plaza Chicago, Illinois 60606	3,748,678	14.4%
FMR Corp.(3)..... 82 Devonshire Street Boston, Massachusetts 02109	3,157,055	13.6%
General Motors Employees Global Group Pension Trust(4)..... c/o General Motors Investment Management Corporation 767 Fifth Avenue New York, New York 10153	2,271,198	9.8%
Mac-Per-Wolf(5)..... 310 S. Michigan Avenue	2,004,844	8.7%

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Suite 2600
 Chicago, Illinois 60604
 Morgan Stanley (6)..... 1,923,859 8.3%
 1585 Broadway
 New York, New York 10036

(1) MHC Operating Limited Partnership (the "Operating Partnership") is the entity through which the Company conducts substantially all of its operations. The limited partners of the Operating Partnership own units of limited partnership interest ("OP Units") which are convertible into an equivalent number of shares of Common Stock. In accordance with SEC regulations governing the determination of beneficial ownership of securities, the percentage of Common Stock beneficially owned by a person assumes that all OP Units held by the person are exchanged for Common Stock, that none of the OP Units held by other persons are so exchanged, that all options exercisable within 60 days of the Record Date to acquire Common Stock held by the person are exercised and that no options to acquire Common Stock held by other persons are exercised.

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(2) Includes Common Stock, OP Units which are exchangeable for Common Stock, and options to purchase Common Stock which are currently exercisable or exercisable within 60 days of the Record Date owned as follows:

	COMMON STOCK	OP UNITS	OPTIONS
	-----	-----	-----
Samuel Zell.....	97,091	--	666,666
Samuel Zell Revocable Trust.....	10,551	--	--
Helen Zell Revocable Trust.....	2,000		
Samstock/SZRT, L.L.C.	294,133	13,641	--
Samstock/ZGPI, L.L.C.	6,003	--	--
Samstock, L.L.C.	446,000	601,665	--
Samstock/ZFT, L.L.C.	8,887	187,278	--
Samstock/Alpha, L.L.C.	8,887	--	--
EGI Holdings, Inc.	--	579,873	--
Donald S. Chisholm Trust.....	7,000	--	--
Anda Partnership.....	--	233,694	--
LFT Partnership.....	--	5,436	--
EGIL Investments, Inc.	--	579,873	--
TOTALS:.....	880,552	2,201,460	666,666
	=====	=====	=====

Mr. Zell does not have a pecuniary interest in 2,000 shares of Common Stock reported above held by the Helen Zell Revocable Trust, the trustee of which is Helen Zell, Mr. Zell's spouse. Mr. Zell also does not have a pecuniary interest in 7,000 shares of Common Stock reported above held by the Donald S. Chisholm Trust, the trustee of which is Mr. Zell.

The number in the table includes 469,777 shares of Common Stock and 2,187,819 OP Units in which Mr. Zell has a pecuniary interest but with respect to which he does not have voting or dispositive power. 469,777 shares of Common Stock and 1,368,816 OP Units are indirectly owned by trusts

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established for the benefit of Mr. Zell and his family, the trustee of which is Chai Trust Company, L.L.C. ("Chai Trust"). Mr. Zell is not an officer or director of Chai Trust and does not have voting or dispositive power with respect to such Common Stock or OP Units. Additionally, 819,003 OP Units are held by EGIL Investments, Inc. ("EGIL"), Anda Partnership and LFT Partnership. Under a shareholders' agreement dated December 31, 1999, trusts established for the benefit of the family of Ann and Robert Lurie have the power to vote and to dispose of the OP Units beneficially owned by EGIL. In addition, Ann Lurie and Mark Slezak each share the power to vote or to direct the vote and share the power to dispose or to direct the disposition of OP Units held by Anda Partnership and LFT Partnership, and Mr. Zell does not have a pecuniary interest in the OP Units held thereby. Mr. Zell disclaims beneficial ownership of such 469,777 shares of Common Stock and 2,187,819 OP Units, except to the extent of his pecuniary interest therein.

- (3) Pursuant to a Schedule 13G/A filed with the SEC for calendar year 2004, Fidelity Management & Research Company, a wholly-owned subsidiary of FMR Corp. ("FMR") and an investment advisor registered under Section 203 of the Investment Advisors Act of 1940 ("Investment Act"), is the beneficial owner of 3,157,055 shares of Common Stock as a result of acting as investment advisor to various investment companies under the Investment Act. The ownership of one investment company, Growth & Income Fund ("G&I"), amounted to 1,466,000 shares or 6.3% of the Common Stock outstanding. G&I has its principal office at 82 Devonshire Street, Boston, Massachusetts 02109. Fidelity Management Trust Company, a wholly-owned subsidiary of FMR, is the beneficial owner of 266,933 shares of Common Stock as a result of serving as investment manager of certain institutional accounts. Edward C. Johnson 3d, Abigail P. Johnson and other members of the

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Johnson family may be deemed, under the Investment Company Act of 1940, to form a controlling group with respect to FMR.

- (4) The shares of Common Stock reported herein are held of record by State Street Bank & Trust Company, acting as trustee (the "Trustee") for the General Motors Employees Global Group Pension Trust (the "GM Trust Fund"), a trust formed under and for the benefit of certain employee benefit plans of General Motors Corporation ("GM") and its subsidiaries and a former GM affiliate and its subsidiaries. These shares may be deemed to be owned beneficially by General Motors Investment Management Corporation ("GMIMC"), a wholly owned subsidiary of GM. GMIMC's principal business is providing investment advice and investment management services with respect to the assets of certain employee benefit plans of GM and its subsidiaries and former affiliates. The Trustee may vote and dispose of the shares held by the GM Trust Fund only pursuant to the direction of GMIMC personnel, and accordingly beneficial ownership of the shares by the Trustee is disclaimed.
- (5) Pursuant to a Schedule 13G filed with the SEC for calendar year 2004, Mac-Per-Wolf Company ("MPW") is the beneficial owner of 2,004,844 shares of Common Stock. Perkins, Wolf, McDonnell and Company, LLC ("PWC") is a subsidiary of MPW and is an investment advisor under Section 203 of the Investment Act. PWC provides investment advice to the Janus Small Cap Value Fund, which is the beneficial owner of 1,250,000 shares of Common Stock.
- (6) Pursuant to a Schedule 13G/A filed with the SEC for calendar year 2004, Morgan Stanley and its wholly-owned subsidiary, Morgan Stanley Investment Management Inc. ("MSIM"), are the beneficial owners of 1,943,859 shares of Common Stock, including shares owned through accounts managed by them on a discretionary basis. MSIM has sole voting and dispositive power over 1,280,620 shares of Common Stock. Morgan Stanley has sole voting and

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dispositive power over 1,401,557 shares of Common Stock and shared voting and dispositive power over 1,522 shares of Common Stock.

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SECURITY OWNERSHIP OF MANAGEMENT

The following table sets forth, as of the Record Date, certain information with respect to the Common Stock that may be deemed to be beneficially owned by each director of the Company, by the executive officers named in the Summary Compensation Table and by all such directors and executive officers as a group. The address for each of the directors and executive officers is c/o Equity LifeStyle Properties, Inc., Two North Riverside Plaza, Suite 800, Chicago, Illinois 60606. Unless otherwise indicated, each person has sole investment and voting power, or shares such power with his or her spouse, with respect to the shares set forth in the following table.

NAME OF BENEFICIAL HOLDER	SHARES OF COMMON STOCK (1)	SHARES UPON EXERCISE OF OPTIONS (2)	TOTAL	PERCENTAGE OF CLASS (3)
Michael B. Berman.....	45,195	--	45,195	*
Donald S. Chisholm(4).....	83,886	20,000	103,886	*
Thomas E. Dobrowski(5).....	--	63,332	63,332	*
Thomas P. Heneghan.....	306,800	6,666	313,466	1.4%
Ellen Kelleher.....	264,215	--	264,215	1.1%
Roger A. Maynard.....	41,922	--	41,992	*
Joe B. McAdams.....	5,000	--	5,000	*
Sheli Z. Rosenberg(6).....	184,860	110,000	294,860	1.3%
Howard Walker.....	245,127	--	245,127	1.1%
Gary L. Waterman.....	73,388	20,000	93,388	*
Samuel Zell(4).....	3,082,012	666,666	3,748,678	16.1%
All directors and executive officers as a group (11 persons) including the above-named persons.....	4,332,405	886,664	5,219,069	20.0%

* Less than 1%

- (1) The shares of Common Stock beneficially owned includes OP Units that can be exchanged for an equivalent number of shares of Common Stock.
- (2) The amounts shown in this column reflect shares of Common Stock subject to options which are currently exercisable or exercisable within 60 days of the Record Date.
- (3) In accordance with SEC regulations governing the determination of beneficial ownership of securities, the percentage of Common Stock beneficially owned by a person assumes that all OP Units held by the person are exchanged for Common Stock, that none of the OP Units held by other persons are so exchanged, that all options exercisable within 60 days of the Record Date to acquire Common Stock held by the person are exercised and that no options to acquire Common Stock held by other persons are exercised.
- (4) Mr. Zell does not have a pecuniary interest in 2,000 shares of Common Stock

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reported above held by the Helen Zell Revocable Trust, the trustee of which is Helen Zell, Mr. Zell's spouse. Mr. Zell also does not have a pecuniary interest in 7,000 shares of Common Stock reported above held by the Donald S. Chisholm Trust, the trustee of which is Mr. Zell.

The number in the table includes 469,777 shares of Common Stock and 2,187,819 OP Units in which Mr. Zell has a pecuniary interest but with respect to which he does not have voting or dispositive power. 469,777 shares of Common Stock and 1,368,816 OP Units are indirectly owned by trusts established for the benefit of Mr. Zell and his family, the trustee of which is Chai Trust Company, L.L.C. ("Chai Trust"). Mr. Zell is not an officer or director of Chai Trust and does not have voting or dispositive power with respect to such Common Stock or OP Units. Additionally, 819,003 OP Units are held by EGIL Investments, Inc. ("EGIL"), Anda Partnership and LFT Partnership. Under a shareholders' agreement dated December 31, 1999, trusts established for the

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benefit of the family of Ann and Robert Lurie have the power to vote and to dispose of the OP Units beneficially owned by EGIL. In addition, Ann Lurie and Mark Slezak each share the power to vote or to direct the vote and share the power to dispose or to direct the disposition of OP Units held by Anda Partnership and LFT Partnership, and Mr. Zell does not have a pecuniary interest in the OP Units held thereby. Mr. Zell disclaims beneficial ownership of such 469,777 shares of Common Stock and 2,187,819 OP Units, except to the extent of his pecuniary interest therein.

- (5) The securities of the Company of which Mr. Dobrowski is named as beneficial holder in the foregoing table are held by Mr. Dobrowski as nominee for certain pension trusts. Accordingly, he has no personal interest in such securities.
- (6) Includes 11,530 OP Units beneficially owned by Mrs. Rosenberg which are exchangeable into 11,530 shares of Common Stock. Also includes 75,196 shares of Common Stock beneficially owned by Mrs. Rosenberg's spouse, as to which Mrs. Rosenberg disclaims beneficial ownership.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The Company occupies office space owned by an affiliate of EGI, an entity controlled by Mr. Zell, at Two North Riverside Plaza, Chicago, Illinois 60606. Amounts incurred for this office space totaled approximately \$412,000 for the year ended December 31, 2004. The amount due to this affiliate at December 31, 2004 was \$0.00.

The independent members of the Board have reviewed and approved the rates charged by the EGI affiliate in connection with the lease of the Company's office space.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Exchange Act ("Section 16(a)") requires the Company's executive officers and directors, and persons who own more than 10% of its Common Stock, to file reports of ownership and changes of ownership with the SEC and the NYSE. Executive officers, directors and greater than 10% stockholders are required by SEC regulations to furnish the Company with copies of all Section 16(a) forms they file.

Based solely on the Company's review of the copies of those forms received by the Company, or written representations from executive officers and directors

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that no Forms 5 were required to be filed for the fiscal year ended December 31, 2004, all appropriate Section 16(a) forms were filed in a timely manner, except as described below:

Mr. Chisholm exercised options for 10,000 shares of Common Stock on August 5, 2004. A Form 4 inadvertently was not filed when due by August 7, 2004 but was filed on February 22, 2005.

INDEPENDENT ACCOUNTANTS

Ernst & Young LLP ("E&Y") served as the Company's independent accountants for the fiscal year ended December 31, 2004. There have been no disagreements between the Company and its independent accountants relating to accounting procedures, financial statement disclosures or related items. Representatives of E&Y are expected to be available at the Meeting and will have an opportunity to make a statement if they so desire and will be available to respond to appropriate questions.

STOCKHOLDER PROPOSALS

Under regulations adopted by the SEC, stockholder proposals intended to be presented at the 2006 Meeting must be received by the Secretary of the Company no later than December 9, 2005, in

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order to be considered for inclusion in the Company's proxy statement and on the proxy card that will be solicited by the Board in connection with the 2006 Meeting.

In addition, if a stockholder desires to bring business before an Annual Meeting of Stockholders which is not the subject of a proposal for inclusion in the Company's proxy materials, the stockholder must follow the advance notice procedures outlined in the Company's Bylaws. The Company's Bylaws provide that in order for a stockholder to nominate a candidate for election as a director at a meeting or propose business for consideration at such meeting, notice must generally be given to the Secretary of the Company no more than 90 days nor less than 60 days prior to the first anniversary of the preceding year's meeting. The Meeting is scheduled for May 10, 2005. Therefore, if a stockholder desires to present a proposal for the 2006 Meeting without seeking to include the proposal in the Company's proxy materials, the Company must receive notice of the proposal no earlier than February 9, 2006 and no later than March 11, 2006. The fact that the Company may not insist upon compliance with these requirements should not be construed as a waiver by the Company of its right to do so at any time in the future. The Company reserves the right to reject, rule out of order or take other appropriate action with respect to any proposal that does not comply with these and other applicable requirements.

OTHER MATTERS

The Board is not aware of any business which will be presented at the Meeting other than those matters set forth in the accompanying Notice of Annual Meeting of Stockholders. If any other matters are properly presented at the Meeting for action, it is intended that the persons named in the accompanying proxy and acting thereunder will vote in accordance with their best judgment on such matters.

By Order of the Board of Directors

-s- Ellen Kelleher
Ellen Kelleher

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Executive Vice President, General
Counsel
and Secretary

April 6, 2005
Chicago, Illinois

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APPENDIX A

EQUITY LIFESTYLE PROPERTIES, INC.

AUDIT COMMITTEE CHARTER

ORGANIZATION

Pursuant to the By-Laws of Equity LifeStyle Properties, Inc. (the "Company"), a Committee of the Directors to be known as the "Audit Committee" (the "Committee") has been established. The Committee shall be members of, and appointed by, the Board of Directors (the "Board") of the Company and shall comprise at least three Directors, each of whom are independent of management and the Company. Members of the Committee shall be considered independent as long as they do not accept any consulting, advisory, or other compensatory fee from the Company and are not an affiliated person of the Company and its subsidiaries, and meet the independence requirements of the New York Stock Exchange listing standards. All Committee members shall be financially literate, and at least one member shall be a "financial expert", as defined by regulations of the Securities and Exchange Commission ("SEC"). This Charter governs the operations of the Committee. The Committee shall review and reassess this Charter at least annually and obtain approval of the Board.

The Board shall appoint the Committee Chairperson. The time and place of meetings of the Committee shall be determined by the members thereof provided that (1) a quorum for meetings shall be at least two members, present in person or by telephone; (2) unless otherwise agreed, the Committee shall meet at least quarterly; and (3) notice of the time and place of every meeting shall be given in writing or by facsimile communication to each member of the Committee, and the external and internal auditors of the Company. Independent Directors who are not members of the Committee are welcome to attend and participate in the Committee's discussions unless otherwise specified by the Chair.

PURPOSE

The Committee shall provide assistance to the Board in fulfilling their oversight responsibility to the shareholders, potential shareholders, the investment community and others relating to:

- the integrity of the Company's financial statements;
- the Company's compliance with legal and regulatory requirements;
- the independent auditor's qualifications and independence; and
- the performance of the Company's internal audit function and independent auditors.

In addition, the Committee will prepare the report required by SEC rules to be included in the Company's annual proxy statement.

In discharging its oversight role, the Committee is empowered to

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investigate any matter brought to its attention with full access to all books, records, facilities, and personnel of the Company and the authority to engage independent counsel and other advisers as it determines necessary to carry out its duties. The Company shall provide for appropriate funding, as determined by the Committee, for payment of compensation to any advisers retained by the Committee.

DUTIES AND RESPONSIBILITIES

The primary responsibility of the Committee is to oversee the Company's financial reporting process on behalf of the Board and report the results of their activities to the Board. While the Committee has the duties and responsibilities set forth in this Charter, it is not the duty of the Committee to plan or conduct audits or to determine that the Company's financial statements are complete and accurate and are in accordance with generally accepted accounting principles. Manage-

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ment is responsible for the preparation, presentation, and integrity of the Company's financial statements and for the appropriateness of the accounting principles and reporting policies that are used by the Company. The independent auditors are responsible for auditing the Company's financial statements and for reviewing the Company's unaudited interim financial statements.

In carrying out its responsibilities, the Committee believes its policies and procedures should remain flexible, in order to best react to changing conditions and to ensure to the Directors and shareholders that the corporate accounting and reporting practices of the Company are in accordance with all requirements and are of the highest quality. The following shall be the principal duties and responsibilities of the Committee:

- The Committee shall be directly responsible for the appointment and termination, compensation, and oversight of the work of the independent auditors, including resolution of disagreements between management and the auditors regarding financial reporting. The Committee shall pre-approve all audit and non-audit services provided by the independent auditors and shall not engage the independent auditors to perform the specific non-audit services proscribed by law or regulation. The Committee may delegate pre-approval authority to a member of the Committee. The decisions of any Committee member to whom pre-approval authority is delegated must be presented to the full Committee at its next scheduled meeting.
- At least annually, obtain and review a report by the independent auditors describing:
 - (i) The independent audit firm's internal quality control procedures.
 - (ii) Any material issues raised by the most recent internal quality control review, or peer review, of the independent audit firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the independent audit firm, and any steps taken to deal with any such issues.
 - (iii) All relationships between the independent auditors and the Company (to assess the auditors' independence).
- Set clear hiring policies for employees or former employees of the independent auditors that meet the SEC regulations and NYSE listing

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standards.

- Discuss with the internal auditors and the independent auditors the overall scope and plans for their respective audits, including the adequacy of staffing and compensation. Also, the Committee shall discuss with management, the internal auditors, and the independent auditors the adequacy and effectiveness of the accounting and financial controls, including the Company's policies and procedures to assess, monitor, and manage business risk, and legal and ethical compliance programs.
- Meet separately periodically with management, the internal auditors, and the independent auditors to discuss issues and concerns warranting Committee attention. The Committee shall provide sufficient opportunity for the internal auditors and the independent auditors to meet privately with the members of the Committee. The Committee shall review with the independent auditor any audit problems or difficulties and management's response.
- Receive regular reports from the independent auditors on critical policies and practices of the Company, and all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management.
- Review management's assertion on its assessment of the effectiveness of internal controls as of the end of the most recent fiscal year and the independent auditors' report on management's assertion.
- Review and discuss earnings press releases, as well as financial information and earnings guidance provided to analysts and rating agencies.

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- Review the interim financial statements and disclosures under Management's Discussion and Analysis of Financial Condition and Results of Operations with management and the independent auditors prior to the filing of the Company's Quarterly Report on Form 10-Q. Also, discuss the results of the quarterly review and any other matters required to be communicated to the Committee by the independent auditors under generally accepted auditing standards.
- Review with management and the independent auditors the financial statements and disclosures under Management's Discussion and Analysis of Financial Condition and Results of Operations to be included in the Company's Form 10-K, including their judgment about the quality, not just the acceptability, of accounting principles, the reasonableness of significant judgments, and the clarity of the disclosures in the financial statements. Also, discuss the results of the annual audit and any other matters required to be communicated to the Committee by the independent auditors under generally accepted auditing standards.
- Establish procedures for the receipt, retention, and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters, and the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.
- Receive corporate attorney's reports of evidence of a material violation of securities laws or breaches of fiduciary duty. The Committee will have the responsibility of inquiring into the evidence, and, if necessary, formulate an appropriate response to the outside reporting attorney.

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- Perform an evaluation of the Committee's performance at least annually to determine whether it is functioning effectively.
- Each member of the Committee shall, in the performance of his or her duties, be fully justified and protected with regard to any act or failure to act (1) in reliance in good faith upon the books of account or other records of the Company, upon an opinion of counsel or upon reports made to the Company by any of its officers or employees or by the independent auditors or (2) in the exercise of his or her business judgment.
- Ensure that minutes of the Committee are kept and retained as records of the Company.

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APPENDIX B

INFORMATION REQUIRED PURSUANT TO RULE 14A-3 UNDER THE SECURITIES EXCHANGE ACT OF 1934

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EQUITY LIFESTYLE PROPERTIES, INC.

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PART I

ITEM 1. BUSINESS

EQUITY LIFESTYLE PROPERTIES, INC.

GENERAL

Equity Lifestyle Properties, Inc., a Maryland corporation, together with MHC Operating Limited Partnership (the "Operating Partnership") and other consolidated subsidiaries ("Subsidiaries"), is referred to herein as the "Company", "ELS", "we", "us", and "our". The Company is a fully integrated owner and operator of resort and retirement oriented properties ("Properties"). The Company leases individual developed areas ("sites" or "pads") with access to utilities for placement of factory built homes or recreational vehicles. The Company was formed to continue the property operations, business objectives and acquisition strategies of an entity that had owned and operated Properties since 1969. As of December 31, 2004, we owned or had an ownership interest in a portfolio of 275 Properties located throughout the United States containing 101,231 residential sites. These Properties are located in 25 states and British Columbia (with the number of Properties in each state shown parenthetically) -- Florida (84), California (46), Arizona (35), Texas (15), Washington (13), Colorado (10), Oregon (9), Delaware (7), Indiana (7), Pennsylvania (7), Nevada (6), North Carolina (6), Wisconsin (5), Virginia (4), Illinois (3), Iowa (2), Michigan (2), New Jersey (2), Ohio (2), South Carolina (2), Tennessee (2), Utah (2), Montana (1), New Mexico (1), New York (1), and British Columbia (1).

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

On November 10, 2004, we acquired KTTI Holding Company, Inc., owner of 57 Properties and approximately 3,000 acres of vacant land, for \$160 million. These Properties are leased to Thousand Trails Operations Holding Company, L.P. ("Thousand Trails"), the largest operator of membership-based campgrounds in the United States. The Company has provided a long-term lease of the real estate (excluding the vacant land) to Thousand Trails, which will continue to operate

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the Properties for the benefit of over 100,000 members nationwide. These Properties are located in 16 states (primarily in the western and southern United States) and British Columbia, and contain 17,911 sites. The lease will generate \$16 million in annual rental income to the Company on an absolute triple net basis, subject to annual escalations of 3.25%.

EMPLOYEE AND ORGANIZATIONAL STRUCTURE

We have approximately 1,500 full-time, part-time and seasonal employees dedicated to carrying out our operating philosophy and strategies of value enhancement and service to our customers. The operations of each Property are coordinated by an on-site team of employees that typically includes a manager or two-person management team, clerical and maintenance workers, each of whom works to provide maintenance and care of the Properties. Direct supervision of on-site management is the

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responsibility of our regional vice presidents and regional and district managers. These individuals have significant experience in addressing the needs of customers and in finding or creating innovative approaches to maximize value and increase cash flow from property operations. Complementing this field management staff are approximately 70 corporate employees who assist on-site management in all property functions.

FORMATION OF THE COMPANY

We originally incorporated as Manufactured Home Communities, Inc. in Maryland in December 1992 and completed an initial public offering in March 1993. On November 16, 2004, we changed our name to Equity Lifestyle Properties, Inc.

We believe that we have qualified for taxation as a real estate investment trust ("REIT") for 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. We cannot, therefore, guarantee that we have qualified or will qualify in the future as a REIT. The determination that we are a REIT requires an analysis of various factual matters that may not be totally within our control and we cannot provide any assurance that the Internal Revenue Service ("IRS") will agree with our analysis. 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 excluding capital gains. The fact that we hold our assets through MHC Operating Limited Partnership and its subsidiaries further complicates the application of the REIT requirements. Even a technical or inadvertent mistake could jeopardize our REIT status. Furthermore, Congress and the IRS might make changes to the tax laws and regulations, and the courts might issue new rulings that make it more difficult, or impossible, for us to remain qualified as a REIT. We do not believe, however, that any pending or proposed tax law changes would jeopardize our REIT status.

If we fail to qualify as a REIT, we would be subject to 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 the Company qualifies for taxation as a REIT, the Company is subject to certain state and local taxes on its income and property and Federal income and excise taxes on its undistributed income.

The operations of the Company are conducted primarily through the Operating

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Partnership. The Company contributed the proceeds from its 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 (see Note 5 of the Notes to Consolidated Financial Statements contained in this Form 10-K). The financial results of the Operating Partnership and the Subsidiaries are consolidated in the Company's consolidated financial statements. In addition, since certain activities, if performed by the Company, may not be qualifying REIT activities under the Internal Revenue Code of 1986, as amended (the "Code"), the Company has formed taxable REIT subsidiaries as defined in the Code to engage in such activities.

Several Properties acquired during 2004 are wholly owned by taxable REIT subsidiaries of the Company. In addition, Realty Systems, Inc. ("RSI") is a wholly owned taxable REIT subsidiary of the Company that, doing business as Carefree Sales, is engaged in the business of purchasing, selling and leasing site set homes that are located in Properties owned and managed by the Company. Carefree Sales also provides brokerage services to residents at such Properties. Typically, residents move from a Property but do not relocate their homes. Carefree Sales may provide brokerage services, in competition with other local brokers, by seeking buyers for the site set homes. Carefree Sales also leases inventory homes to prospective residents with the expectation that the tenant eventually will purchase the home. Subsidiaries of RSI also lease from the Operating Partnership certain real property within or adjacent to certain Properties consisting of golf courses, pro shops, stores and restaurants.

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BUSINESS OBJECTIVES AND OPERATING STRATEGIES

Our strategy seeks to maximize both current income and long-term growth in income. We focus on Properties that have strong cash flow and we expect to hold such Properties for long-term investment and capital appreciation. In determining cash flow potential, we evaluate our ability to attract and retain high quality customers in our Properties who take pride in the Property and in their home. These business objectives and their implementation are determined by our Board of Directors and may be changed at any time. Our investment, operating and financing approach includes:

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

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Our strategy is to own and operate the highest quality Properties in sought-after locations near urban areas, retirement and vacation destinations across the United States. We focus on creating an attractive residential environment by providing a well-maintained, comfortable Property with a variety of organized recreational and social activities and superior amenities as well as offering a multitude of lifestyle housing choices. In addition, we regularly conduct evaluations of the cost of housing in the marketplaces in which our Properties are located and survey rental rates of competing Properties. From time to time we also conduct satisfaction surveys of our customers to determine the factors they consider most important in choosing a Property.

ACQUISITIONS AND DISPOSITIONS

Over the last nine years our portfolio of Properties has grown significantly. We owned or had an interest in 40 Properties with approximately 12,000 sites in 1996. Today we have 275 Properties with over 100,000 sites. We continually review the Properties in our portfolio to ensure that they fit our business objectives. Between 1999 and 2003, we sold 26 Properties, and we redeployed capital to markets we believe had greater long-term potential. In 2004, we purchased or acquired interests in 135 Properties containing approximately 50,000 sites. We believe that opportunities for Property acquisitions are still available. Increasing acceptability of and demand for a lifestyle that includes Site Set homes and RVs as well as continued constraints on development of new Properties continue to add to their attractiveness as an investment. We believe we have a competitive advantage in the acquisition of additional Properties due to our experienced management, significant presence in major real estate markets and substantial capital resources. We are actively seeking to acquire additional Properties and are engaged in various stages of negotiations relating to the possible acquisition of a number of Properties.

We anticipate that newly acquired Properties will be located in the United States, although we may consider other geographic locations provided they meet our acquisition criteria. We utilize market information systems to identify and evaluate acquisition opportunities, including a market database to review the primary economic indicators of the various locations in which we expect to

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expand our operations. Acquisitions will be financed from the most appropriate sources of capital, which may include undistributed funds from operations, issuance of additional equity securities, sales of investments, collateralized and uncollateralized borrowings and issuance of debt securities. In addition, the Operating Partnership may issue units of limited partnership interest ("OP Units") to finance acquisitions. We believe that an ownership structure that includes the Operating Partnership will permit us to acquire additional Properties in transactions that may defer all or a portion of the sellers' tax consequences.

When evaluating potential acquisitions, we consider such factors as:

- The replacement cost of the Property,
- The geographic area and type of Property,
- The location, construction quality, condition and design of the Property,
- The current and projected cash flow of the Property and the ability to increase cash flow,
- The potential for capital appreciation of the Property,

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- The terms of tenant leases, including the potential for rent increases,
- The potential for economic growth and the tax and regulatory environment of the community in which the Property is located,
- The potential for expansion of the physical layout of the Property and the number of sites and/or pads,
- The occupancy and demand by customers for Properties of a similar type in the vicinity and the customers' profile,
- The prospects for liquidity through sale, financing or refinancing of the Property, and
- The competition from existing Properties and the potential for the construction of new Properties in the area.

When evaluating potential dispositions, we consider such factors as:

- The ability to sell the Property at a price that we believe will provide an appropriate return for our stockholders,
- Our desire to exit certain non-core markets and recycle the capital into core markets, and
- Whether the Property meets our current investment criteria.

When investing capital we consider all potential uses of the capital including returning capital to our stockholders. As a result, during 1999 and 2000 we implemented our stock repurchase program, and our Board of Directors continues to review the conditions under which we will repurchase our stock. These conditions include, but are not limited to, market price, balance sheet flexibility, other opportunities and capital requirements. On January 16, 2004 we paid a special dividend of \$8.00 per share using proceeds from a recapitalization (see Item 7 -- Management's Discussion and Analysis of Financial Condition and Results of Operations -- Financing Activities).

PROPERTY EXPANSIONS

Several of our Properties have available land for expanding the number of sites available to be utilized by our customers. Development of these sites ("Expansion Sites") is predicated by local market conditions and permitted by zoning and other applicable laws. When justified, development of Expansion Sites allows us to leverage existing facilities and amenities to increase the income generated from the Properties. Where appropriate, facilities and amenities may be upgraded or added to certain Properties to make those Properties more attractive in their markets. Our acquisition philosophy has included the desire to own Properties with potential Expansion Site development, and we have been

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successful in acquiring a number of such Properties. Examples of these Properties include the 1993 acquisition of The Heritage with potential development of approximately 288 Expansion Sites, the 1994 acquisition of Bulow Plantation with potential development of approximately 725 Expansion Sites, the 1997 acquisition of Golf Vista Estates with potential development of approximately 88 Expansion Sites, the 1999 acquisition of Coquina Crossing with potential development of approximately 300 Expansion Sites, and the 2001 acquisitions of Grand Island and The Lakes at Countrywood with combined potential development of approximately 224 Expansion Sites. In 2004 we acquired several Properties with potential Expansion Sites, including O'Connell's with approximately 350 Expansion Sites, Monte Vista with 418 Expansion Sites and

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Viewpoint with 566 Expansion Sites. In addition, included in the purchase of the Thousand Trails Properties are 3,000 acres available for expansion.

Approximately 40 of our Properties have expansion potential. In 2005, we expect to commence development of approximately 750 Expansion Sites within five of these Properties. As of December 31, 2004, we had approximately 815 Expansion Sites available for occupancy in 26 of the Properties. We filled 112 Expansion Sites in 2004 and expect to fill an additional 150 Expansion Sites in 2005.

LEASES

At our Properties, a typical lease entered into between the customer and the Company for the rental of a site is for a month-to-month or year-to-year term, renewable upon the consent of both parties or, in some instances, as provided by statute. These leases are cancelable, depending on applicable law, for non-payment of rent, violation of Property rules and regulations or other specified defaults. Non-cancelable long-term leases, with remaining terms ranging up to ten years, are in effect at certain sites within 37 of the Properties. Some of these leases are subject to rental rate increases based on the Consumer Price Index ("CPI"), in some instances taking into consideration certain floors and ceilings and allowing for pass-throughs of certain items such as real estate taxes, utility expenses and capital expenditures. Generally, market rate adjustments are made on an annual basis. At resort-oriented Properties, many annual and seasonal customers generally prepay for their stay. Many resort customers will also leave deposits to reserve a site for the following year.

REGULATIONS AND INSURANCE

General. Our Properties are subject to various laws, ordinances and regulations, including regulations relating to recreational facilities such as swimming pools, clubhouses and other common areas. We believe that each Property has the necessary permits and approvals to operate.

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

Insurance. We believe that the Properties are covered by adequate fire, flood, property, earthquake and business interruption insurance (where appropriate) provided by reputable companies and with commercially reasonable deductibles and limits. Due to the lack of available commercially reasonable coverage, we are self-insured for terrorist incidents, except at certain Properties where terrorist insurance coverage is required by debt covenants. We believe our insurance coverage is adequate based on our assessment of the risks to be insured, the probability of loss and the relative cost of available coverage. We have obtained insurance insuring good title to the Properties in an

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aggregate amount that we believe to be adequate. Approximately 70 Florida Properties suffered damage from the four hurricanes that struck Florida during August and September 2004. As of December 31, 2004, total expenditures approximated \$7 million. Approximately \$1 million has been charged to operations as non-recoverable. The remaining portion is included in other assets as a receivable from insurance providers. The Company expects to incur additional expenditures to complete the work necessary to restore these Properties to their pre-hurricanes condition. As of February 18, 2005, approximately \$6 million of these claims have been submitted for reimbursement.

INDUSTRY

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

- **Barriers to Entry:** We believe that the supply of new properties will be constrained due to barriers to entry. The most significant barrier has been the difficulty of securing zoning from local authorities. This has been the result of (i) the public's historically poor perception of manufactured housing, and (ii) the fact that properties generate less tax revenue because the homes are treated as personal property (a benefit to the homeowner) rather than real property. Another factor that creates substantial barriers to entry is the length of time between investment in a property's development and the attainment of stabilized occupancy and the generation of revenues. The initial development of the infrastructure may take up to two or three years. Once a property is ready for occupancy, it may be difficult to attract customers to an empty property. Substantial occupancy levels may take several years to achieve.
- **Industry Consolidation:** According to various industry reports, there are approximately 65,000 properties in the United States, and approximately 6.0% or approximately 4,000 of the properties have more than 200 sites and would be considered investment-grade. We believe that this relatively high degree of fragmentation provides us, as a national organization with experienced management and substantial financial resources, the opportunity to purchase additional properties.
- **Customer Base:** We believe that properties tend to achieve and maintain a stable rate of occupancy due to the following factors: (i) customers typically own their own homes, (ii) properties tend to foster a sense of community as a result of amenities such as clubhouses and recreational and social activities, (iii) since moving a Site Set home from one property to another involves substantial cost and effort, customers often sell their home in-place (similar to site-built residential housing) with no interruption of rental payments to us.
- **Lifestyle Choice:** According to the Recreational Vehicle Industry Association nearly 1 in 12 United States vehicle-owning households owns an RV. The 80 million people born from 1945 to 1964 or "baby boomers" make up the fastest growing segment of this market. We believe that this population segment, seeking an active lifestyle, will provide opportunities for future cash flow growth for the Company. Current RV owners, once finished with the more active RV lifestyle, will seek more permanent retirement or vacation establishments. The Site Set housing choice has become an increasingly popular housing alternative for retirement, second-home, and "empty-nest" living. According to a Fannie Mae survey, the baby-boom generation will constitute 18% of the U.S. population within the next 30 years and more than 32 million people will

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reach age 55 within the next ten years. Among those individuals who are nearing retirement (age 40 to 54), approximately 33% plan on moving upon retirement.

We believe that the housing choices in our properties are especially attractive to such individuals throughout this lifestyle cycle. Our Properties offer an appealing amenity package,

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close proximity to local services, social activities, low maintenance and a secure environment. In fact, many of our Properties allow for this cycle to occur within a single Property.

- Construction Quality: Since 1976, all factory built housing has been required to meet stringent Federal standards, resulting in significant increases in quality. The Department of Housing and Urban Development's ("HUD") standards for Site Set housing construction quality are the only Federally regulated standards governing housing quality of any type in the United States. Site Set homes produced since 1976 have received a "red and silver" government seal certifying that they were built in compliance with the Federal code. The code regulates Site Set home design and construction, strength and durability, fire resistance and energy efficiency, and the installation and performance of heating, plumbing, air conditioning, thermal and electrical systems. In newer homes, top grade lumber and dry wall materials are common. Also, manufacturers are required to follow the same fire codes as builders of site-built structures. In addition, although Resort Cottages do not come under the same regulation, many of the manufacturers of Site Set homes also produce Resort Cottages with many of the same quality standards.
- Comparability to Site-Built Homes: The Site Set housing industry has experienced a trend towards multi-section homes. Many modern Site Set homes are longer (up to 80 feet, compared to 50 feet in the 1960's) and wider than earlier models. Many such homes have vaulted ceilings, fireplaces and as many as four bedrooms, and closely resemble single-family ranch style site-built homes.
- Second Home Demographics: According to the National Association of Realtors ("NAR"), sales of second homes have risen almost 54.5% since 1989. There were approximately 9.2 million second homes owned in 2003 and approximately 6% of all home sales each year are second homes. The NAR study found that 48% of people who own a second home own either a cabin or Site Set home. Approximately 76% of vacation home owners prefer to be near an ocean, river or lake; 38% close to mountains or other natural attractions, and 37% in a specific vacation area. In looking ahead NAR believes that baby boomers are still in their peak earning years, and the leading edge of their generation is approaching retirement. As they continue to have the financial wherewithal to purchase second homes as a vacation property, investment opportunity, or perhaps as a retirement retreat, those baby boomers will continue to drive the market for second-homes. It is likely that over the next decade we will continue to see historically high levels of second home sales.

AVAILABLE INFORMATION

We file reports electronically with the Securities and Exchange Commission ("SEC"). The public may read and copy any materials we file with the SEC at the SEC's Public Reference Room at 450 Fifth Street, NW, Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet site that

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contains reports, proxy information and statements, and other information regarding issuers that file electronically with the SEC at <http://www.sec.gov>. We maintain an Internet site with information about the Company and hyperlinks to our filings with the SEC at <http://www.mhchomes.com>. Requests for copies of our filings with the SEC and other investor inquiries should be directed to:

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

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ITEM 2. PROPERTIES

GENERAL

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

PROPERTY PORTFOLIO

As of December 31, 2004, we owned or had an ownership interest in a portfolio of 275 Properties located throughout the United States containing 101,231 residential sites.

The distribution of our 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 our Properties are located and will also consider acquisitions of Properties outside such markets. Refer to Note 3(c) of the Notes to Consolidated Financial Statements contained in this Form 10-K.

Bay Indies located in Venice, Florida and Westwinds located in San Jose, California each accounted for approximately 2.6% of our total property operating revenues for the year ended December 31, 2004.

The following table sets forth certain information relating to the Properties we owned as of December 31, 2004, categorized by our major markets (excluding the Thousand Trails Properties and Properties owned through joint ventures).

LOCATION	TOTAL NUMBER OF SITES AS OF	TOTAL NUMBER OF ANNUAL SITES	ANNUAL SITE OCCUPANCY AS OF	AN S OCC A
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PROPERTY	CITY, STATE		12/31/04	12/31/04	12/31/04	12/31/04
FLORIDA						
EAST COAST:						
Breezy Hill RV.....	Pompano Beach	FL	762	430	100.0%	
Bulow RV.....	Flagler Beach	FL	352	122	100.0%	
Bulow Plantation.....	Flagler Beach	FL	276	276	97.8%	
Carefree Cove.....	Ft. Lauderdale	FL(a)	164	164	92.1%	
Carriage Cove.....	Daytona Beach	FL	418	418	92.8%	
Coquina Crossing.....	St Augustine	FL	450	450	89.1% (b)	
Coral Cay.....	Margate	FL	819	819	89.5%	
Countryside.....	Vero Beach	FL	646	646	92.0%	
Heritage Plantation.....	Vero Beach	FL	436	436	88.5%	
Highland Wood RV.....	Pompano Beach	FL	148	69	100.0%	
Holiday Village.....	Vero Beach	FL	128	128	48.4%	
Holiday Village.....	Ormond Beach	FL	301	301	87.4%	
Indian Oaks.....	Rockledge	FL	208	208	100.0%	
Lakewood Village.....	Melbourne	FL	349	349	87.7%	
Lazy Lakes.....	Sugar Loaf	FL(a)	100	26	100.0%	
Lighthouse Pointe.....	Port Orange	FL	433	433	88.0%	

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PROPERTY	LOCATION CITY, STATE		TOTAL NUMBER OF SITES AS OF 12/31/04	TOTAL NUMBER OF ANNUAL SITES 12/31/04	ANNUAL SITE OCCUPANCY AS OF 12/31/04	ANNUAL SITE OCCUPANCY AS OF 12/31/04
Maralago Cay.....	Lantana	FL	602	602	93.5%	
Park City West.....	Ft. Lauderdale	FL(a)	363	363	99.7%	
Pickwick.....	Port Orange	FL	432	432	99.8%	
Sunshine Holiday.....	Ft. Lauderdale	FL(a)	269	269	100.0%	
Sunshine Holiday RV.....	Ft. Lauderdale	FL(a)	149	123	100.0%	
Sunshine Holiday.....	Ormond Beach	FL(a)	349	30	100.0%	
Sunshine Key.....	Big Pine Key	FL(a)	409	0	--	
Sunshine Travel.....	Vero Beach	FL(a)	300	170	100.0%	
The Meadows.....	Palm Beach Gardens	FL	379	379	88.7%	
CENTRAL:						
Coachwood Colony.....	Leesburg	FL(a)	202	202	96.5%	
Grand Island.....	Grand Island	FL	307	307	66.1%	
Lake Magic -- Encore.....	Clermont	FL(a)	471	59	100.0%	
Mid-Florida Lakes.....	Leesburg	FL	1,226	1,226	82.5%	
Oak Bend.....	Ocala	FL	262	262	87.8%	
Sherwood Forest.....	Kissimmee	FL	754	754	94.8%	
Villas at Spanish Oaks.....	Ocala	FL	459	459	87.1%	
Sherwood Forest RV.....	Kissimmee	FL	512	152	100.0%	
Southernaire.....	Mt. Dora	FL(a)	108	108	94.4%	
Southern Palms.....	Eustis	FL	950	406	100.0%	
Tropical Palms.....	Kissimmee	FL(a)	541	0	--	
GULF COAST (TAMPA/NAPLES):						
Barrington Hills.....	Hudson	FL(a)	392	264	100.0%	
Bay Indies.....	Venice	FL	1,309	1,309	96.7%	
Bay Lake Estates.....	Nokomis	FL	228	228	96.1%	

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Buccaneer.....	N. Ft. Myers	FL	971	971	96.9%
Country Place.....	New Port Richey	FL	515	515	99.8%
Crystal Isles.....	Crystal River	FL(a)	260	13	100.0%
Down Yonder.....	Largo	FL	362	362	97.0%
East Bay Oaks.....	Largo	FL	328	328	95.7%
Eldorado Village.....	Largo	FL	227	227	95.6%
Fort Myers Beach Resort.....	Fort Myers	FL(a)	306	103	100.0%
Glen Ellen.....	Clearwater	FL	106	106	86.8%
Gulf Air Resort.....	Fort Myers	FL(a)	246	163	100.0%
Gulf View.....	Punta Gorda	FL(a)	206	36	100.0%
Hacienda Village.....	New Port Richey	FL	505	505	96.8%
Harbor Lakes.....	Port Charlotte	FL(a)	528	252	100.0%
Harbor View.....	New Port Richey	FL	471	471	99.6%
Hillcrest.....	Clearwater	FL	279	279	79.6%
Holiday Ranch.....	Lar				