

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

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

For the Fiscal Year Ended December 31, 2000

or

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

Commission File Number: 1-11718

MANUFACTURED HOME COMMUNITIES, INC.
(Exact name of registrant as specified in its charter)

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

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

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

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

Common Stock, \$.01 Par Value	The New York Stock Exchange
(Title of Class)	(Name of exchange on which registered)

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

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

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

The aggregate market value of voting stock held by nonaffiliates was approximately \$537.3 million as of March 1, 2001 based upon the closing price of \$28.00 on such date using beneficial ownership of stock rules adopted pursuant to Section 13 of the Securities Exchange Act of 1934 to exclude voting stock owned by Directors and Officers, some of whom may not be held to be affiliates upon judicial determination.

At March 1, 2000, 21,177,709 shares of the Registrant's Common Stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE:

Part III incorporates by reference the Registrant's Proxy Statement relating to the Annual Meeting of Stockholders to be held May 8, 2001.

2

MANUFACTURED HOME COMMUNITIES, INC.

TABLE OF CONTENTS

PART I.		Page ----
Item 1.	Business	3
Item 2.	Properties	7
Item 3.	Legal Proceedings	12
Item 4.	Submission of Matters to a Vote of Security Holders	15
PART II.		
Item 5.	Market for the Registrant's Common Equity and Related Stockholder Matters	16
Item 6.	Selected Financial Data and Operating Information	17
Item 7.	Management's Discussion and Analysis of Financial Condition and Results of Operations ..	19
Item 7A.	Quantitative and Qualitative Disclosure About Market Risk	27
Item 8.	Financial Statements and Supplementary Data	27
Item 9.	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure ...	27
PART III.		
Item 10.	Directors and Executive Officers of the Registrant	27
Item 11.	Executive Compensation	27
Item 12.	Security Ownership of Certain Beneficial Owners and Management	27
Item 13.	Certain Relationships and Related Transactions	27
PART IV.		
Item 14.	Exhibits, Financial Statement Schedules and Reports on Form 8-K	28

2

3

PART I

ITEM 1. BUSINESS

THE COMPANY

GENERAL

Manufactured Home Communities, Inc. (together with its consolidated subsidiaries, the "Company") is a fully integrated company which owns and operates manufactured home communities ("Communities"). Communities are residential developments designed and improved for the placement of detached, single-family manufactured homes which are produced off-site and installed within the Community. The owner of each home leases the site on which it is located. Modern Communities are similar to typical residential subdivisions containing centralized entrances, paved streets, curbs and gutters and parkways. In addition, these Communities often provide a clubhouse for social activities and recreation and other amenities, which may include swimming pools, shuffleboard courts, tennis courts, laundry facilities and cable television service. Utilities are provided or arranged for by the owner of the Community. Some Communities provide water and sewer service through public or private

utilities, while others provide these services to residents from on-site facilities.

Each Community is generally designed to attract and is marketed to one of two types of residents - 1) retirees and empty nesters or 2) families and first-time homeowners. The Company believes both types of Communities are attractive investments and focuses on owning Communities in or near large metropolitan markets and retirement destinations.

The Company was formed to continue the property operations, business objectives and acquisition strategies of an entity that has owned and operated Communities since 1969. As of December 31, 2000, the Company owned or had an ownership interest in a portfolio of 154 Communities and recreational vehicle ("RV") resorts (the "Properties") located throughout the United States containing 51,452 residential sites. The Properties are located in 26 states (with the number of Properties in each state shown parenthetically) - Florida (47), California (25), Arizona (17), Michigan (11), Colorado (10), Delaware (7), Nevada (5), Indiana (4), Oregon (3), Kansas (3), Missouri (3), Illinois (2), Iowa (2), New York (2), Utah (2), Pennsylvania (1), Maryland (1), Minnesota (1), Montana (1), New Mexico (1), Ohio (1), Oklahoma (1), Texas (1), Virginia (1), West Virginia (1), and Washington (1). As of December 31, 2000, the Company also owned a commercial building located in California.

The Company has approximately 800 full-time employees dedicated to carrying out the Company's operating philosophy and strategies of value enhancement and service to residents. The Company typically utilizes a one or two-person management team (who reside at the Properties) for the on-site management of each of the Properties. Typically, clerical and maintenance workers are employed to assist these individuals in the management and care of the Properties. Direct supervision of on-site management is the responsibility of the Company's regional vice presidents and regional managers. These individuals have significant experience in addressing the needs of residents and in finding or creating innovative approaches to maximize value and increase cash flow from property operations. Complementing this field management staff are approximately 55 corporate employees who assist on-site management in all property functions.

FORMATION OF THE COMPANY

The Company, formed in March 1993, is a Maryland corporation which has elected to be taxed as a real estate investment trust ("REIT"). The Company generally will not be subject to Federal income tax to the extent it distributes its REIT taxable income to its stockholders. REITs are subject to a number of organizational and operational requirements. If the Company fails to qualify as a REIT, its income is taxable at regular corporate rates. 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 through certain entities which are owned or controlled by the Company. MHC Operating Limited Partnership (the "Operating Partnership") is the entity through which the Company conducts substantially all of its operations. Sub-partnerships of the Operating Partnership were created to: (i) facilitate mortgage financing (the "Financing Partnerships"); (ii) facilitate the Company's ability to provide financing to the owners of Communities ("Lending Partnership"); (iii) own the management operations of the Company ("Management Partnerships"); and (iv) own the assets and operations of certain utility companies which service the Properties ("MHC Systems"). The financial results of the Operating Partnership and sub-partnerships (together, 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 invested in the non-voting preferred stock of various corporations which engage in such activities. Realty Systems, Inc.

("RSI") is a preferred stock subsidiary of the Company that, doing business as Carefree Sales, is engaged in the business of purchasing, selling, leasing and financing manufactured homes that are located or will be 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 Community but do not relocate their homes. Carefree Sales may provide brokerage services, in competition with other local brokers, by seeking buyers for the homes. Carefree Sales also leases homes to prospective residents with the expectation that the tenant eventually will purchase the home. LP Management Corp. leases from the Operating Partnership certain real property within or adjacent to certain of the Properties consisting of golf courses, pro shops, restaurants and recreational vehicle areas. The Company believes that the activities of RSI and LP Management Corp. (collectively, "Affiliates") benefit the Company by maintaining and enhancing occupancy at the Properties. The Company accounts for its investment in and advances to Affiliates using the equity method of accounting.

BUSINESS OBJECTIVES AND OPERATING STRATEGIES

The Company seeks to maximize both current income and long-term growth in income. The Company focuses on Communities that have strong cash flow and expects to hold such Properties for long-term investment and capital appreciation. In determining cash flow potential, the Company evaluates the Community's ability to attract and retain high quality residents who take pride in their Community and in their home. These business objectives and their implementation are determined by the Company's Board of Directors and may be changed at any time. The Company's investment and operating 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 tenant satisfaction; and
- Selectively acquiring Communities that have potential for long-term cash flow growth and to create property concentrations in and around major metropolitan areas and retirement destinations to capitalize on operating synergies and incremental efficiencies.

The Company is committed to enhancing its reputation as the most respected brand name in the manufactured home community business. Its strategy is to own and operate the highest quality Communities in major metropolitan areas and retirement destinations across the United States. The focus is on creating an attractive residential environment for homeowners by providing a well-maintained, comfortable Community with a variety of organized recreational and social activities and superior amenities. In addition, the Company regularly surveys rental rates of competing properties and conducts satisfaction surveys of residents to determine the factors residents consider most important in choosing a manufactured home community.

FUTURE ACQUISITIONS

The Company acquired or gained a controlling interest in eighty-eight Properties during 1997 through 1999, more than doubling its portfolio. The Company believes that opportunities for property acquisitions are still available and in general consolidation within the industry will continue (see - Industry - The Manufactured Home Community Industry - Industry Consolidation). The Company believes that transactions occurring in the private marketplace are at valuations significantly in excess of the Company's current public market

valuation. As a result, during 1999 and 2000 the Company accelerated its stock repurchase program. The Company's board of directors continues to review the conditions under which the Company will repurchase its stock. These conditions include, but are not limited to, market price, balance sheet flexibility, other opportunities and capital requirements. (For more information on the Company's stock repurchase program see Note 4 to the accompanying financial statements.) Increasing acceptability of and demand for manufactured homes and continued constraints on development of new manufactured home communities continues to add to their attractiveness as an investment. The Company believes it has a competitive advantage in the acquisition of new Communities due to its experienced management, significant presence in major real estate markets and substantial capital resources. The Company is actively seeking to acquire additional Communities and currently is engaged in various stages of negotiations relating to the possible acquisition of a number of Communities.

4

5

The Company anticipates that newly acquired properties will be located in the United States. The Company utilizes 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 the Company expects to expand its operations. Acquisitions will be financed from the most appropriate sources of capital, which may include undistributed funds from operations, issuance of additional equity securities, sales of investments, collateralized and uncollateralized borrowings and issuance of debt securities. In addition, the Company may cause the Operating Partnership to issue units of limited partnership interest ("OP Units") to finance acquisitions. The Company believes that an ownership structure which includes the Operating Partnership will permit the Company to acquire additional Communities in transactions that may defer all or a portion of the sellers' tax consequences.

When evaluating potential acquisitions, the Company will consider such factors as: (i) the replacement cost of the property; (ii) the geographic area and type of property; (iii) the location, construction quality, condition and design of the property; (iv) the current and projected cash flow of the property and the ability to increase cash flow; (v) the potential for capital appreciation of the property; (vi) the terms of tenant leases, including the potential for rent increases; (vii) the potential for economic growth and the tax and regulatory environment of the community in which the property is located; (viii) the potential for expansion of the physical layout of the property and/or the number of sites; (ix) the occupancy and demand by residents for properties of a similar type in the vicinity and the residents profile; (x) the prospects for liquidity through sale, financing or refinancing of the property; and (xi) competition from existing Communities and the potential for the construction of new communities in the area. The Company expects to purchase Communities with physical and market characteristics similar to the Properties in its current portfolio.

PROPERTY EXPANSIONS

Several of the Company's Properties have available land for expanding the number of sites available to be leased to residents. 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 the Company to leverage existing facilities and amenities to increase the income generated from the Properties. Where appropriate, facilities and amenities may be upgraded or added to certain Properties in order to make those Properties more attractive in their markets. The Company's acquisition philosophy has included the desire to own Properties with potential Expansion Site development, and the Company has been successful in acquiring a number of such Properties. Several examples of these Properties include the 1994 acquisition of Bulow Village with potential development of approximately 750 Expansion Sites, the 1997 acquisition of Golf Vista Estates with potential development of approximately 180 Expansion Sites and the acquisition in 1999 of Coquina Crossing with potential development of approximately 480 Expansion Sites.

Of the Company's 154 Properties, nine may be expanded consistent with existing zoning regulations. In 2001, the Company expects to develop an additional 353 Expansion Sites within five of these Properties. As of December 31, 2000, the Company had approximately 1,202 Expansion Sites available for occupancy in 22 of the Properties. The Company filled 317 Expansion Sites in 2000 and expects to fill an additional 250 to 300 Expansion Sites in 2000.

LEASES

The typical lease entered into between the tenant and the Company for the rental of a site requires a security deposit and 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 state law, for non-payment of rent, violation of community 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 eight of the Properties. 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.

REGULATIONS AND INSURANCE

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

5

6

Rent Control Legislation. State and local rent control laws, principally in California and Florida, limit the Company's ability to increase rents and to recover increases in operating expenses and the costs of capital improvements at certain Properties. Enactment of such laws has been considered from time to time in other jurisdictions. The Company presently expects to continue to maintain manufactured home communities, 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 the Company owns Properties limit rent increases to changes in the CPI or some percentage thereof.

Insurance. Management believes 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. The Company believes its insurance coverage is adequate based on the Company's assessment of the risks to be insured, the probability of loss and the relative cost of available coverage. The Company has obtained title insurance insuring fee title to the Properties in an aggregate amount which the Company believes to be adequate.

INDUSTRY

THE MANUFACTURED HOME COMMUNITY INDUSTRY

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

- Barriers to Entry: The Company believes that the supply of new Communities will be constrained due to barriers to entry into the industry. The most significant barrier has been the difficulty in securing zoning from local authorities. This has been the result of (i) the public's historically poor perception of the industry, and

(ii) the fact that Communities generate less tax revenue because the homes are treated as personal property (a benefit to the home owner) rather than real property. Another factor that creates substantial barriers to entry is the length of time between investment in the Community'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 the Community is ready for occupancy, it may be difficult to attract residents to an empty Community. Substantial occupancy levels may take several years to achieve.

- Industry Consolidation: According to an industry analyst's manufactured home community industry report, there are approximately 50,000 Communities in the United States and approximately 6.5% or 3,250 of the Communities have more than 200 sites and would be considered "investment-grade" Properties. The five public REITs that own Communities own approximately 532 or about 16% of the "investment-grade" Communities. In addition, based on a report prepared by one analyst, the top 150 owners of Communities own approximately 69% of the "investment-grade" assets. The Company believes that this relatively high degree of fragmentation in the industry provides the Company, as a national organization with experienced management and substantial financial resources, the opportunity to purchase additional Communities.
- Stable Tenant Base: The Company believes that Communities tend to achieve and maintain a stable rate of occupancy due to the following factors: (i) residents own their own homes, (ii) Communities tend to foster a sense of community as a result of amenities such as club houses, recreational and social activities and (iii) since moving a manufactured home from one Community to another involves substantial cost and effort, residents often sell their home in-place (similar to site-built residential housing) with no interruption of rental payments.

MANUFACTURED HOUSING

Based on the current growth in the number of individuals living in manufactured homes, the Company believes that manufactured homes are increasingly viewed by the public as an attractive and economical form of housing. According to the industry's trade association, nearly one in four new single family homes sold in the United States today is factory-built.

6

7

The Company believes that the growing popularity of manufactured housing is primarily the result of the following factors:

- Importance of Home Ownership. According to the Fannie Mae ("FNMA") 1999 National Housing Survey renters' desire to own a home is stronger now than at any time in the 1990's. Security and permanence are thought to be non-financial reasons to own a home. The commitment to home ownership is tempered by an awareness of the high cost of owning a home. The affordability of manufactured housing allows many individuals to achieve this goal without jeopardizing their financial security.
- Affordability. For a significant number of persons, manufactured housing represents the only means of achieving home ownership. In addition, the total cost of housing in a manufactured home community (home cost, site rent and related occupancy costs) is competitive with and often lower than the total cost of alternative housing, such as apartments and condominiums and generally substantially lower than stick built residential alternatives.
- Lifestyle Choice. As the average age of the United States population has increased, manufactured housing has become an increasingly popular

housing alternative for retirement and "empty-nest" living. According to FNMA, the surviving baby-boom generation - the 80 million people born between 1945 and 1964 - will constitute 18% of the U.S. population within the next 30 years and more than 32 million will reach age 55 within the next ten years. Among those people who are nearing retirement (age 40 to 54), approximately 33% plan on moving upon retirement. The Company believes that manufactured housing is especially attractive to such individuals when located within a Community that offers an appealing amenity package, close proximity to local services, social activities, low maintenance and a secure environment.

- Construction Quality. Since 1976, all manufactured housing has been required to meet stringent Federal standards, resulting in significant increases in the quality of the industry's product. The Department of Housing and Urban Development's standards for manufactured housing construction quality are the only Federally regulated standards governing housing quality of any type in the United States. Manufactured 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 manufactured 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.
- Comparability to Site-Built Homes. The manufactured housing industry has experienced a recent trend towards multi-section homes. Many modern manufactured homes are longer (up to 80 feet compared to 50 feet in the 1960s) and wider than earlier models. Many homes have vaulted ceilings, fireplaces and as many as four bedrooms and closely resemble single family ranch style site-built homes.

ITEM 2. PROPERTIES

The Company believes that the Properties provide attractive amenities and common facilities that create a comfortable and attractive Community for the residents, 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 and exercise rooms. Since residents own their homes, it is their responsibility to maintain their homes and the surrounding area. It is management's role to insure that residents comply with Community policies and to provide maintenance of the common areas, facilities and amenities. The Company holds periodic meetings of its property management personnel for training and implementation of the Company's strategies. The Properties historically have had and the Company believes they will continue to have low turnover and high occupancy rates.

The distribution of the Properties throughout the United States reflects the Company's belief that geographic diversification helps insulate the portfolio from regional economic influences. The Company intends to target new acquisitions in or near markets where the Properties are located and will also consider acquisitions of properties outside such markets. The Company's five largest markets of Properties owned are Florida (47 Properties), California (25 Properties), Arizona (17 Properties), Michigan (11 Properties) and Colorado (10 Properties). These markets accounted for 35%, 17%, 9%, 4%, and 9%, respectively, of the Company's total revenues for the year ended December 31, 2000. The Company also has Properties located in the following markets: Northeast, Northwest, Midwest, and Nevada/Utah/New Mexico. The Company's largest Property, Bay Indies, located in Venice, Florida accounted for 3% of the Company's total revenues for the year ended December 31, 2000.

Properties owned by the Company as of December 31, 2000, categorized by the Company's major markets. "Core Portfolio" represents an analysis of Properties owned throughout both years of comparison. The table excludes the following RV resort Properties (3,197 sites) at which rents and occupancy vary based on seasonality: Sherwood Forest RV (Kissimmee, Florida); Southern Palms (Eustis, Florida); and Fun & Sun (San Benito, Texas). The table excludes five Properties (1,521 sites) in which the Company has a non-controlling joint venture interest and accounts for using the equity method of accounting.

PROPERTY	LOCATION CITY, STATE	NUMBER OF SITES AS OF 12/31/00	OCCUPANCY AS OF 12/31/00	OCCUPANCY AS OF 12/31/99	MONTHLY BASE RENT AS OF 12/31/00	MONTHLY BASE RENT AS OF 12/31/99
FLORIDA						
NORTHERN, CENTRAL & EASTERN:						
Arrowhead	Lantana FL	602	95.7%	95.5%	\$405	\$388
Brittany Estates	Tallahassee FL	299	93.6%	97.7%	\$248	\$233
Bulow Village	Flagler Beach FL	276	97.8% (c)	89.9% (c)	\$244	\$238
Carriage Cove	Daytona Beach FL	418	98.3%	96.9%	\$370	\$335
Colonies of Margate	Margate FL	819	96.3%	96.1%	\$418	\$410
Coquina Crossing	St Augustine FL (a)	273	86.8% (c)	75.2% (c)	\$281	\$276
Country Side North	Vero Beach FL	646	95.5% (c)	93.5% (c)	\$298	\$283
Fernwood	Deland FL	92	95.7%	95.7%	\$244	\$227
Heritage Village	Vero Beach FL	436	97.2%	97.7%	\$308	\$291
Holiday Village FL	Vero Beach FL	128	79.7%	82.0%	\$281	\$268
Indian Oaks	Rockledge FL	211	94.8% (c)	90.5% (c)	\$240	\$236
Lakewood Village	Melbourne FL	348	95.7%	94.8%	\$345	\$331
The Landings	Port Orange FL	433	89.4% (c)	89.1% (c)	\$293	\$287
Mid-Florida Lakes	Leesburg FL	1,226	93.2% (c)	95.4% (c)	\$313	\$305
Oak Bend	Ocala FL	262	84.4% (c)	82.1% (c)	\$239	\$226
Pickwick	Port Orange FL	432	94.9%	95.1%	\$296	\$287
Sherwood Forest	Kissimmee FL	769	94.7% (c)	89.1% (c)	\$319	\$286
Spanish Oaks	Ocala FL	459	93.7%	95.9%	\$297	\$282
The Meadows, FL	Palm Beach Gardens FL (a)	380	81.1% (c)	78.7% (c)	\$332	\$318
TAMPA/NAPLES:						
Bay Indies	Venice FL	1,309	99.9%	99.8%	\$314	\$304
Bay Lake Estates	Nokomis FL	228	98.2%	99.6%	\$354	\$348
Boulevard Estates	Clearwater FL	297	89.6%	89.6%	\$279	\$282
Buccaneer	N. Ft. Myers FL	971	99.3%	99.4%	\$317	\$304
Chalet Village	Tampa FL	60	90.0%	88.5%	\$306	\$302
Country Meadows	Plant City FL	736	98.8%	98.5%	\$277	\$267
Country Place	New Port Richey FL	515	90.9% (c)	82.5% (c)	\$230	\$222
Down Yonder	Largo FL	361	98.9%	98.6%	\$351	\$343
East Bay Oaks	Largo FL	328	97.0%	99.1%	\$351	\$341
Eldorado Village	Largo FL	227	96.9%	96.0%	\$356	\$343
Friendly Village of Kapok	Clearwater FL	236	84.7%	85.6%	\$293	\$282
Hillcrest	Clearwater FL	279	80.3%	83.2%	\$326	\$320
Holiday Ranch	Largo FL	150	94.0%	94.0%	\$333	\$315
Lake Fairways	N. Ft. Myers FL	896	99.4%	99.7%	\$352	\$339
Lake Haven	Dunedin FL	379	97.6%	95.8%	\$394	\$363
Pine Lakes	N. Ft. Myers FL	584	99.8%	100.0%	\$421	\$410
Satellite	Clearwater FL	87	90.8%	93.3%	\$253	\$243
Sunset Oaks	Plant City FL	168	64.9% (c)	56.3% (c)	\$231	\$217
The Heritage	N. Ft. Myers FL	455	79.6% (c)	76.7% (c)	\$290	\$282
Windmill Manor	Bradenton FL	292	96.2%	95.9%	\$363	\$351
Windmill Village - Ft. Myers	N. Ft. Myers FL	491	98.6%	98.6%	\$297	\$291
Windmill Village North	Sarasota FL	471	99.8%	99.8%	\$320	\$310
Windmill Village South	Sarasota FL	306	100.0%	100.0%	\$321	\$310
TOTAL FLORIDA MARKET		18,335	94.7%	93.9%	\$321	\$311
FLORIDA MARKET - CORE PORTFOLIO		17,682	95.1%	94.5%	\$333	\$312

PROPERTY	LOCATION CITY, STATE	NUMBER OF SITES AS OF 12/31/00	OCCUPANCY AS OF 12/31/00	OCCUPANCY AS OF 12/31/99	MONTHLY BASE RENT AS OF 12/31/00	MONTHLY BASE RENT AS OF 12/31/99
CALIFORNIA						
NORTHERN CALIFORNIA:						
California Hawaiian	San Jose CA	419	98.1% (c)	99.3% (c)	\$600	\$580
Colony Park	Ceres CA	186	76.9%	71.5%	\$345	\$325
Concord Cascade	Pacheco CA	283	98.9%	99.6%	\$521	\$507
Contempo Marin	San Rafael CA	396	98.7%	98.7%	\$631	\$613
Coralwood	Modesto CA	194	92.8%	92.3%	\$403	\$393
Four Seasons	Fresno CA	242	71.5%	68.6%	\$244	\$242
Laguna Lake	San Luis Obispo CA	290	99.7%	100.0%	\$328	\$292
Monte del Lago	Castroville CA	314	99.4% (c)	99.7% (c)	\$485	\$456
Quail Meadows	Riverbank CA	146	98.6%	92.5%	\$340	\$330
Royal Oaks	Visalia CA	149	83.2%	80.5%	\$253	\$247

DeAnza Santa Cruz	Santa Cruz	CA	198	100.0%	100.0%	\$514	\$491
Sea Oaks	Los Osos	CA	138	100.0%	100.0%	\$344	\$335
Sunshadow	San Jose	CA	121	100.0%	100.0%	\$583	\$561
Westwinds (4 properties)	San Jose	CA	723	99.9%	99.3%	\$615	\$570
SOUTHERN CALIFORNIA:							
Date Palm Country Club	Cathedral City	CA	538	93.9%	91.4%	\$631	\$594
Lamplighter	Spring Valley	CA	270	99.6%	99.6%	\$535	\$508
Meadowbrook	Santee	CA	332	99.4%	99.1%	\$604	\$560
Rancho Mesa	El Cajon	CA	158	99.4%	94.9%	\$510	\$502
Rancho Valley	El Cajon	CA	140	99.3%	98.6%	\$517	\$494
Royal Holiday	Hemet	CA (a)	179	72.6%	75.0%	\$257	\$252
Santiago Estates	Sylmar	CA	299	94.6%	92.7%	\$591	\$564
TOTAL CALIFORNIA MARKET			5,715	94.9%	94.3%	\$509	\$491
CALIFORNIA MARKET - CORE PORTFOLIO			5,536	95.7%	94.9%	\$517	\$479

ARIZONA

Apollo Village	Phoenix	AZ	237	92.8% (c)	92.4% (c)	\$356	\$337
Brentwood Manor	Mesa	AZ	274	94.9%	96.4%	\$431	\$417
Carefree Manor	Phoenix	AZ	127	99.2%	98.4%	\$303	\$277
Casa del Sol #1	Peoria	AZ	246	94.7%	94.3%	\$407	\$394
Casa del Sol #2	Glendale	AZ	239	97.9%	97.9%	\$438	\$423
Casa del Sol #3	Glendale	AZ	238	96.2%	97.1%	\$420	\$403
Central Park	Phoenix	AZ	293	96.9%	95.9%	\$373	\$355
Desert Skies	Phoenix	AZ	164	97.0%	97.0%	\$299	\$278
Fairview Manor	Tucson	AZ	235	92.8%	95.3%	\$311	\$291
Hacienda de Valencia	Mesa	AZ	365	94.2%	93.4%	\$361	\$344
Palm Shadows	Glendale	AZ	294	94.9%	94.9%	\$336	\$326
Sedona Shadows	Sedona	AZ	200	88.0%	88.0%	\$306	\$293
Sunrise Heights	Phoenix	AZ	199	95.5%	98.0%	\$347	\$327
The Mark	Mesa	AZ	410	95.9%	97.3%	\$361	\$338
The Meadows	Tempe	AZ	391	98.0%	96.7%	\$416	\$399
Whispering Palms	Phoenix	AZ	116	99.1%	100.0%	\$263	\$247
TOTAL ARIZONA MARKET			4,028	95.4%	95.7%	\$367	\$350
ARIZONA MARKET - CORE PORTFOLIO			4,028	95.4%	95.7%	\$367	\$350

PROPERTY	LOCATION CITY, STATE		NUMBER OF SITES AS OF 12/31/00	OCCUPANCY AS OF 12/31/00	OCCUPANCY AS OF 12/31/99	MONTHLY BASE RENT AS OF 12/31/00	MONTHLY BASE RENT AS OF 12/31/99
MICHIGAN							
Americana Estate	Kalamazoo	MI	162	93.2%	97.5%	\$262	\$254
Appletree	Walker	MI	239	96.7%	96.2%	\$290	\$276
Brighton Village	Brighton	MI	197	99.0%	97.0%	\$330	\$326
College Heights	Auburn Hills	MI	162	98.1%	92.6%	\$317	\$332
Creekside	Wyoming	MI	165	97.6%	98.8%	\$356	\$344
Groveland Manor	Holly	MI	186	91.4%	93.0%	\$320	\$317
Hillcrest Acres	Kalamazoo	MI	150	96.0%	98.0%	\$289	\$283
Metro	Romulus	MI	227	98.7%	96.0%	\$328	\$300
Riverview Estates	Bay City	MI	197	78.2%	76.8%	\$230	\$233
South Lyon Woods	South Lyon	MI	211	98.1%	98.1%	\$417	\$401
Willow Run	Ypsilanti	MI	185	91.4%	89.2%	\$272	\$281
TOTAL MICHIGAN MARKET			2,081	94.4%	93.9%	\$315	\$306
MICHIGAN MARKET - CORE PORTFOLIO			2,081	94.4%	93.9%	\$315	\$306
COLORADO							
Bear Creek	Sheridan	CO	124	100.0%	100.0%	\$385	\$366
Cimarron	Broomfield	CO	327	99.1%	98.8%	\$391	\$368
Golden Terrace	Golden	CO	264	99.2%	98.5%	\$431	\$414
Golden Terrace South	Golden	CO	80	100.0%	96.3%	\$407	\$381
Golden Terrace West	Golden	CO	316	100.0%	96.2%	\$424	\$408
Hillcrest Village	Aurora	CO	602	96.3%	96.0%	\$422	\$400
Holiday Hills	Denver	CO	734	97.1%	95.0%	\$412	\$390
Holiday Village	Co. Springs	CO	240	96.3%	98.8%	\$403	\$384
Pueblo Grande	Pueblo	CO	252	96.8%	94.4%	\$265	\$253
Woodland Hills	Denver	CO	434	98.6%	97.9%	\$390	\$375
TOTAL COLORADO MARKET			3,373	97.9%	96.7%	\$399	\$380
COLORADO MARKET - CORE PORTFOLIO			3,373	97.9%	96.7%	\$399	\$380

NORTHEAST							
Aspen	Rehoboth	DE	199	100.0%	98.0%	\$250	\$228
Camelot Acres	Rehoboth	DE	319	100.0%	99.4%	\$380	\$363
Mariners Cove	Millsboro	DE	375	88.5% (c)	85.6% (c)	\$356	\$336
McNicol	Rehoboth	DE	93	97.8%	100.0%	\$248	\$240
Sweetbriar	Rehoboth	DE	142	100.0%	99.3%	\$208	\$189
Waterford	Bear	DE	731	96.9% (c)	93.8% (c)	\$379	\$360
Whispering Pines	Lewes	DE	332	96.9%	93.6%	\$258	\$245
Pheasant Ridge	Mt. Airy	MD	101	99.0%	99.0%	\$424	\$407
Brook Gardens	Lackawanna	NY	424	97.2%	97.7%	\$423	\$400
Greenwood	Manorville	NY	474	97.3% (c)	92.0% (c)	\$366	\$361
Green Acres	Breinigsville	PA	595	97.3%	98.8%	\$408	\$386
Meadows of Chantilly	Chantilly	VA	500	92.0%	83.0%	\$493	\$483
Independence Hill	Morgantown	WV	203	90.1%	87.2%	\$204	\$194
			-----	-----	-----	-----	-----
TOTAL NORTHEAST MARKET			4,548	96.0%	93.5%	\$365	\$339
			-----	-----	-----	-----	-----
NORTHEAST MARKET - CORE PORTFOLIO			4,548	96.0%	93.5%	\$365	\$339
			-----	-----	-----	-----	-----

10

11

PROPERTY	LOCATION		NUMBER OF SITES AS OF 12/31/00	OCCUPANCY AS OF 12/31/00	OCCUPANCY AS OF 12/31/99	MONTHLY BASE RENT AS OF 12/31/00	MONTHLY BASE RENT AS OF 12/31/99
-----	-----		-----	-----	-----	-----	-----
MIDWEST							
Five Seasons	Cedar Rapids	IA	390	79.7% (c)	81.5% (c)	\$240	\$240
Holiday Village, IA	Sioux City	IA	519	87.7%	92.1%	\$241	\$228
Golf Vista	Monee	IL	319	90.6% (c)	77.1% (c)	\$344	\$319
Willow Lake Estates	Elgin	IL	617	97.4%	96.3%	\$583	\$546
Burns Harbor Estates	Chesterton	IN	227	89.0%	93.4%	\$287	\$282
Candlelight Village	Columbus	IN	585	99.5%	99.1%	\$207	\$195
Oak Tree Village	Portage	IN	379	93.1%	94.5%	\$283	\$267
Windsong	Indianapolis	IN	268	91.4%	97.0%	\$267	\$257
Bonner Springs	Bonner Springs	KS	211	91.9%	93.4%	\$216	\$202
Carriage Park	Kansas City	KS	143	76.9% (d)	74.1% (d)	\$208	\$196
Quivira Hills	Kansas City	KS	142	86.6%	82.4%	\$245	\$226
Camelot	Burnsville	MN	302	99.3%	99.7%	\$241	\$239
Briarwood	Brookline	MO	166	90.4%	92.2%	\$195	\$175
Dellwood Estates	Warrensburg	MO	136	81.6%	86.0%	\$168	\$156
North Star	Kansas City	MO	219	96.3%	95.9%	\$261	\$244
Royal Village	Toledo	OH	233	89.3%	92.3%	\$268	\$258
Rockwood	Tulsa	OK	264	98.5%	98.5%	\$230	\$218
			-----	-----	-----	-----	-----
TOTAL MIDWEST MARKET			5,120	91.9%	92.2%	\$287	\$282
			-----	-----	-----	-----	-----
MIDWEST MARKET - CORE PORTFOLIO			5,120	91.9%	92.2%	\$287	\$282
			-----	-----	-----	-----	-----

NEVADA, UTAH, NEW MEXICO							
Del Rey	Albuquerque	NM	407	90.9%	83.8%	\$316	\$350
Bonanza	Las Vegas	NV	353	81.6%	91.8%	\$440	\$441
Boulder Cascade	Las Vegas	NV	299	89.3%	93.3%	\$457	\$443
Cabana	Las Vegas	NV	263	98.9%	99.6%	\$415	\$392
Flamingo West	Las Vegas	NV	258	80.2% (c)	100.0% (c)	\$406	\$403
Villa Borega	Las Vegas	NV	293	95.9%	98.3%	\$451	\$443
All Seasons	Salt Lake City	UT	121	97.5%	97.5%	\$315	\$292
Westwood Village	Farr West	UT	314	95.2% (c)	98.7% (c)	\$230	\$218
			-----	-----	-----	-----	-----
TOTAL NEVADA, UTAH, NEW MEXICO MARKET			2,308	90.6%	94.0%	\$384	\$376
			-----	-----	-----	-----	-----
NEVADA, UTAH, NEW MEXICO MARKET - CORE PORTFOLIO			2,308	90.6%	94.0%	\$384	\$376
			-----	-----	-----	-----	-----

NORTHWEST							
Casa Village	Billings	MT	491	98.0%	97.0%	\$272	\$262
Falcon Wood Village	Eugene	OR	183	98.4%	99.5%	\$345	\$329
Quail Hollow	Fairview	OR	138	98.6%	99.3%	\$409	\$408
Shadowbrook	Clackamas	OR	156	99.4%	100.0%	\$429	\$417
Kloshe Illahee	Federal Way	WA	258	99.2%	99.6%	\$454	\$433
			-----	-----	-----	-----	-----
TOTAL NORTHWEST MARKET			1,226	98.5%	98.4%	\$356	\$345
			-----	-----	-----	-----	-----
NORTHWEST MARKET - CORE PORTFOLIO			1,226	98.5%	98.4%	\$356	\$345
			-----	-----	-----	-----	-----
GRAND TOTAL ALL MARKETS			46,734	94.7%	94.2%	\$356	\$343
			=====	=====	=====	=====	=====
GRAND TOTAL ALL MARKETS - CORE PORTFOLIO			45,902	94.9% (e)	94.2% (e)	\$357	\$344
			=====	=====	=====	=====	=====

(a) Represents a Property that is not part of the Core Portfolio.

- (c) The process of filling Expansion Sites at these Properties is ongoing. A decrease in occupancy may reflect development of additional Expansion Sites.
- (d) Carriage Park suffered damage to approximately 85 homes in 1993 due to flooding; the process of re-leasing these sites is ongoing.
- (e) Changes in total portfolio occupancy include the impact of acquisitions and expansion programs and are therefore not comparable.

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

11

12

ITEM 3. LEGAL PROCEEDINGS

DEANZA SANTA CRUZ MOBILE ESTATES

The residents of DeAnza Santa Cruz Mobile Estates, a property located in Santa Cruz, California (the "City") previously brought several actions opposing certain fees and charges in connection with water service at the Property. The trial of the ongoing utility charge dispute with the residents of this Property concluded on January 22, 1999. This summary provides the history and reasoning underlying the Company's defense of the residents' claims and explains the Company's decision to continue to defend its position, which the Company believes is fair and accurate.

DeAnza Santa Cruz Mobile Estates is a 198 site community overlooking the Pacific Ocean. It is subject to the City's rent control ordinance which limits annual rent increases to 75% of CPI. The Company purchased this Property in August 1994 from certain unaffiliated DeAnza entities ("DeAnza"). Prior to the Company's purchase in 1994, DeAnza made the decision to submeter and separately bill tenants at the Property for both water and sewer in 1993 in the face of the City's rapidly rising utility costs.

Under California Civil Code Section 798.41, DeAnza was required to reduce rent by an amount equal to the average cost of usage over the preceding 12 months. This was done. With respect to water, not looking to submit to jurisdiction of the California Public Utility Commission ("CPUC"), DeAnza relied on California Public Utilities Code Section 2705.5 ("CPUC Section 2705.5") to determine what rates would be charged for water on an ongoing basis without becoming a public utility. DeAnza and the Company interpreted the statute as providing that in a submetered mobile home park, the property owner is not subject to regulation and control of the CPUC so long as the users are charged what they would be charged by the utility company if users received their water directly from the utility company. In Santa Cruz, customers receiving their water directly from the city's water utility were charged a certain lifeline rate for the first 400 ccfs of water and a greater rate for usage over 400 ccfs of water, a readiness to serve charge of \$7.80 per month and tax on the total. In reliance on CPUC Section 2705.5, DeAnza implemented its billings on this schedule notwithstanding that it did not receive the discount for the first 400 ccfs of water because it was a commercial and not a residential customer.

A dispute with the residents ensued over the readiness to serve charge and tax thereon. The residents argued that California Civil Code Section 798.41 required that the Property owner could only pass through its actual costs of water (and that the excess charges over the amount of the rent rollback were an improper rent increase) and that CPUC Section 2705.5 was not applicable. DeAnza unbundled the utility charges from rent consistent with California Civil Code Section 798.41 and it has generally been undisputed that the rent rollback was accurately calculated.

In August 1994, when the Company acquired the Property, the Company reviewed the respective legal positions of the Santa Cruz Homeowners Association ("HOA") and DeAnza and concurred with DeAnza. Their reliance on CPUC Section

2705.5 made both legal and practical sense in that residents paid only what they would pay if they lived in a residential neighborhood within the City and permitted DeAnza to recoup part of the expenses of operating a submetered system through the readiness to serve charge.

Over a period of 18 months from 1993 into May of 1995, a series of complaints were filed by the HOA and Herbert Rossman, a resident, against DeAnza, and later, the Company. DeAnza and the Company demurred to each of these complaints on the grounds that the CPUC had exclusive jurisdiction over the setting of water rates and that residents under rent control had to first exhaust their administrative remedies before proceeding in a civil action. At one point, the case was dismissed (with leave to amend) on the basis that jurisdiction was with the CPUC and, at another point, Mr. Rossman was dismissed from the case because he had not exhausted his administrative remedies.

On June 29, 1995, a hearing was held before a Santa Cruz rent control officer on billing and submetering issues related to both water and sewer. The Company and DeAnza prevailed on all issues related to sewer and the rent rollback related to water, but the hearing officer determined that the Company could only pass through its actual cost of water, i.e., a prorated readiness to serve charge and tax thereon. The hearing officer did not deal with the subsidy being given to residents through the quantity charge and ordered a rebate in a fixed amount per resident. The Company and DeAnza requested reconsideration on this issue, among others, which reconsideration was denied by the hearing officer.

The Company then took a writ of mandate (an appeal from an administrative order) to the Superior Court and, pending this appeal, the residents, the Company and the City agreed to stay the effect of the hearing officer's decision until the Court rendered judgment.

In July 1996, the Superior Court affirmed the hearing officer's decision without addressing concerns about the failure to take the subsidy on the quantity charge into account.

12

13

The Company requested that the City and the HOA agree to a further stay pending appeal to the court of appeal, but they refused and the appeal court denied the Company's request for a stay in late November 1996. Therefore, on January 1, 1997, the Company reduced its water charges at this Property to reflect a pass-through of only the readiness to serve charge and tax at the master meter (approximately \$0.73) and to eliminate the subsidy on the water charges. On their March 1, 1997 rent billings, residents were credited for amounts previously "overcharged" for readiness to serve charge and tax. The amount of the rebate given by the Company and DeAnza was \$36,400. In calculating the rebate, the Company and DeAnza took into account the previous subsidy on water usage although this issue had not yet been decided by the court of appeal. The Company and DeAnza felt legally safe in so doing based on language in the hearing officer's decision that actual costs could be passed through.

On March 12, 1997, the Company also filed an application with the CPUC to dedicate the water system at this Property to public use and have the CPUC set cost-based rates for water usage. The Company believed it was obligated to take this action because of its consistent reliance on CPUC Section 2705.5 as a safe harbor from CPUC jurisdiction. That is, when the Company could no longer charge for water as the local serving utility would charge, it was no longer exempt from the CPUC's jurisdiction and control under CPUC Section 2705.5.

On March 20, 1997, the court of appeal issued the writ of mandate requested by the Company on the grounds that the hearing officer had improperly calculated the amount of the rebate (meaning the Company had correctly calculated the rent credits), but also ruling that the hearing officer was correct when he found that the readiness to serve charge and tax thereon as charged by DeAnza and the Company were an inappropriate rent increase. The court of appeal further agreed with the Company that the City's hearing officer did not have the authority under California Civil Code Section 798.41 to establish rates that could be

charged in the future.

Following this decision, the CPUC granted the Company its certificate of convenience and necessity on December 17, 1998 and approved cost-based rates and charges for water that exceed what residents were paying under the Company's reliance on CPUC Section 2705.5. Concurrently, the CPUC also issued an Order Instituting Investigation ("OII") confirming its exclusive jurisdiction over the issue of water rates in a submetered system and commencing an investigation into the confusion and turmoil over billings in submetered properties. Specifically, the OII states: "The Commission has exclusive and primary jurisdiction over the establishment of rates for water and sewer services provided by private entities."

Specifically, the CPUC ruling regarding the Company's application stated: "The ultimate question of what fees and charges may or may not be assessed, beyond external supplier pass-through charges, for in-park facilities when a mobile home park does not adhere to the provisions of CPUC Section 2705.5, must be decided by the Commission."

After the court of appeal decision, the HOA brought all of its members back into the underlying civil action for the purpose of determining damages, including punitive damages, against the Company. The trial was continued from July 1998 to January 1999 to give the CPUC time to act on the Company's application. Notwithstanding the action taken by the CPUC in issuing the OII in December 1998, the trial court denied the Company's motion to dismiss on jurisdictional grounds and trial commenced before a jury on January 11, 1999.

Not only did the trial court not consider the Company's motion to dismiss, the trial court refused to allow evidence of the OII or the Company's CPUC approval to go before the jury. Notwithstanding the Company's strenuous objections, the judge also allowed evidence of the Company's and DeAnza's litigation tactics to be used as evidence of bad faith and oppressive actions (including evidence of the application to the CPUC requesting a \$22.00 readiness to serve charge). The Company's motion for a mistrial based upon these evidentiary rulings was denied. On January 22, 1999, the jury returned a verdict awarding \$6.0 million of punitive damages against the Company and DeAnza. The Company had previously agreed to indemnify DeAnza on the matter.

The Company has bonded the judgment pending appeal in accordance with California procedural rules, which require a bond equal to 150% of the amount of the judgment. Post-judgment interest will accrue at the statutory rate of 10.0% per annum.

On April 19, 1999, the trial court denied all of the Company's and DeAnza's post-trial motions for judgement notwithstanding the verdict, new trial and remittitur. The trial court also awarded \$700,000 of attorneys' fees to plaintiffs. The Company has appealed the jury verdict and attorneys' fees award (which also accrues interest at the statutory rate of 10.0% per annum) and the appeal has been fully briefed by both parties. The Company is awaiting notice of scheduling of oral argument on the appeal.

13

14

In two related appeals, the Company had argued that the trial court's ability to enter an award of attorneys' fees in favor of the HOA and to take certain other actions was preempted by the exercise of exclusive jurisdiction by the CPUC over the issue of how to set rates for water in a submetered mobile home park. During 2000, the California court of appeal rejected the Company's preemption argument with respect to these prior rulings in favor of plaintiffs, one of which had awarded plaintiffs approximately \$100,000 of attorneys' fees. The California Supreme Court declined to accept the case for review and the Company paid the judgment, including post-judgment interest thereon, and settled the matter for approximately \$200,000 late in 2000.

The jury verdict appeal also raises a similar jurisdictional argument as well as several other arguments for reversal or reduction of the punitive damage award or for a new trial. An important distinction between the appellate ruling

in 2000 and the preemption issue as it is presented on appeal in the jury verdict case is that the preemption argument rejected was "retroactive" while the preemption issue remaining on appeal is prospective. One of the other arguments raised by the Company in the jury verdict appeal is that punitive damages are not available in a case brought under Section 798.41 of the California Mobilehome Residency Law ("MRL") since the MRL contains its own penalty provisions. Although no assurances can be given, the Company believes the appeal will be successful.

Subsequently, in December 2000 the HOA and certain individual residents of the Property filed a complaint in the Superior Court of California, County of Santa Cruz (No. CV 139825) against the Company, certain affiliates of the Company and certain employees of the Company. The new lawsuit seeks damages, including punitive damages, for intentional infliction of emotional distress, unfair business practices, and unlawful retaliation purportedly arising from allegedly retaliatory rent increases which were noticed by the Company to certain residents in September 2000. The Company believes that the residents who received rent increase notices with respect to rent increases above those permitted by the local rent control ordinance were not covered by the ordinance either because they did not comply with the provisions of the ordinance or because they are exempted by state law. On December 29, 2000, the Superior Court of California, County of Santa Cruz enjoined such rent increases. The Company intends to vigorously defend the matter, which may go to trial in the summer of 2001.

ELLENBURG COMMUNITIES

The Company and certain other parties entered into a settlement agreement, which was approved by the court in April 2000. The settlement resolved substantially all of the litigation and appeals involving the Ellenburg Properties, and transactions arising out of the settlement closed on May 22, 2000 (see Note 5).

In connection with the Ellenburg Acquisition, on September 8, 1999, Ellenburg Fund 20 ("Fund 20") filed a cross complaint in the Ellenburg dissolution proceeding against the Company and certain of its affiliates alleging causes of action for fraud and other claims in connection with the Ellenburg acquisition. The Company subsequently successfully had the cross complaint against the Company and its affiliates dismissed with prejudice by the California Superior Court. However, Fund 20 has appealed. This appeal was not resolved by the Settlement. The Company believes Fund 20's allegations are without merit and will vigorously defend itself.

CANDLELIGHT PROPERTIES, L.L.C

In 1996, 1997 and 1998, the Lending Partnership made loans to Candlelight Properties, L.L.C. ("Borrower") in the aggregate principal amount of \$8,050,000 (collectively, the "Loan". The Loan is secured by a mortgage on Candlelight Village ("Candlelight"), a Property in Columbus, Indiana, and is guaranteed by Ronald E. Farren ("Farren"), the 99% owner of Borrower. The Company accounts for the Loan as an investment in real estate and, accordingly, Candlelight's results of operations are consolidated with the Company's for financial reporting purposes. Concurrently with the funding of the Loan, Borrower granted the Operating Partnership the option to acquire Candlelight upon the maturity of the Loan. The Operating Partnership notified Borrower that it was exercising its option to acquire Candlelight in March 1999, and the Loan subsequently matured on May 3, 1999. However, Borrower failed to repay the Loan and refused to convey Candlelight to the Operating Partnership.

Borrower filed suit in the Circuit Court of Bartholomew County, Indiana ("Court") on May 5, 1999, seeking declaratory judgment on the validity of the exercise of the option. The Lending Partnership filed suit in the Court the next day, seeking to foreclose its mortgage, and the suits were consolidated (collectively, the "State Court Litigation") by the Court. The Court issued an Order on December 1, 1999, finding, among other things, that the Operating Partnership had validly exercised the option. Both parties filed motions to correct errors in the Order, and on May 15, 2000, the Court issued judgments against Borrower and Farren and in favor of the Operating Partnership in the

option case and the Lending Partnership in the foreclosure case. Borrower and Farren appealed both judgments, and the Court has stayed the judgments pending such appeals. The Operating Partnership and the Lending Partnership intend to continue vigorously pursuing this matter and believe that, while no assurance can be given, such efforts will be successful.

14

15

On May 3, 2000, Hanover Group, Inc. ("Hanover") and Farren filed suit against the Company and certain executive and senior officers of the Company in the United States District Court for Southern District of Indiana, Indianapolis Division. The complaint alleges violations of securities laws and fraud arising from the loan transaction being litigated in the State Court Litigation and seeks damages, including treble damages. The Company believes that the complaint is related to rulings made by the Court and is without merit. The Company has filed a motion for judgment on the pleadings (which has been fully briefed), and will continue to vigorously defend itself and the officers of the Company.

On May 24, 2000, Hanover and Farren filed suit against the Operating Partnership in the Superior Court of Marion County, Indiana. The complaint seeks declaratory relief and specific performance with respect to the Operating Partnership's alleged obligation to reconvey to Hanover the Operating Partnership's 1% ownership interest in Borrower. The Company believes that the complaint is related to rulings made by the Court and is without merit. The parties have agreed to a stay in this proceeding pending the outcome of the appeals in the State Court Litigation.

The Company is involved in various other legal proceedings arising in the ordinary course of business. Management believes that all proceedings herein described or referred to, taken together, are not expected to have a material adverse impact on the Company.

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

None.

15

16

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The following table sets forth for the period indicated, the high and low sales prices for the Company's common stock as reported by the New York Stock Exchange under the trading symbol MHC.

	Close -----	High ----	Low ---	Distributions Made ----	Return of Capital GAAP Basis (a) -----
2000					
1st Quarter	\$23.1250	\$25.7500	\$22.2500	\$.4150	\$.14
2nd Quarter	23.9375	25.7500	23.0625	.4150	.00
3rd Quarter	25.0000	25.2500	23.5000	.4150	.17
4th Quarter	29.0000	29.1250	24.3125	.4150	.12
1999					
1st Quarter	\$24.0000	\$25.5000	\$21.8125	\$.3875	\$.08
2nd Quarter	26.0000	27.0000	22.3750	.3875	.12
3rd Quarter	23.3750	26.0625	23.0000	.3875	.12
4th Quarter	24.3125	24.5000	22.5625	.3875	.15

(a) Represents distributions per share in excess of net income per share-basic on a GAAP basis and is not the same as return of capital on a tax basis.

The number of beneficial holders of the Company's common stock at December 31, 2000 was approximately 5,500.

17

ITEM 6. SELECTED FINANCIAL AND OPERATING INFORMATION

The following table sets forth selected financial and operating information on a historical basis for the Company. The following information should be read in conjunction with all of the financial statements and notes thereto included elsewhere in this Form 10-K. The historical operating data for the years ended December 31, 2000, 1999, 1998, 1997 and 1996 have been derived from the historical Financial Statements of the Company audited by Ernst & Young LLP, independent auditors.

MANUFACTURED HOME COMMUNITIES, INC.
CONSOLIDATED HISTORICAL FINANCIAL INFORMATION
(Amounts in thousands, except for per share and property data)

OPERATING DATA:	(1) YEARS ENDED DECEMBER 31,				
	2000	1999	1998	1997	1996
	----	----	----	----	----
REVENUES					
Base rental income.....	\$189,481	\$181,672	\$165,340	\$108,984	\$93,109
RV base rental income.....	7,414	9,526	7,153	---	---
Utility and other income.....	20,366	20,096	18,219	11,785	8,821
Equity in income of affiliates.....	2,408	2,065	1,070	800	853
Interest income.....	1,009	1,669	3,048	1,941	2,420
	-----	-----	-----	-----	-----
Total revenues.....	220,678	215,028	194,830	123,510	105,203
	-----	-----	-----	-----	-----
EXPENSES					
Property operating and maintenance.....	59,199	58,038	53,064	32,343	28,399
Real estate taxes.....	16,888	16,460	14,470	8,352	7,947
Property management.....	8,690	8,337	7,108	5,079	4,338
General and administrative.....	6,423	6,092	5,411	4,559	4,062
Interest and related amortization.....	53,280	53,775	49,693	21,753	17,782
Depreciation on corporate assets.....	1,139	1,005	995	590	488
Depreciation on real estate assets and other costs...	34,411	34,486	28,426	17,365	15,244
	-----	-----	-----	-----	-----
Total expenses.....	180,030	178,193	159,167	90,041	78,260
	-----	-----	-----	-----	-----
Income from operations.....	40,648	36,835	35,663	33,469	26,943
Gain on sale of property and other.....	12,053	---	---	---	---
	-----	-----	-----	-----	-----
Income before allocation to minority interests and extraordinary loss on early extinguishment of debt	52,701	36,835	35,663	33,469	26,943
(Income) allocated to Common OP Units.....	(8,463)	(6,219)	(6,733)	(4,373)	(2,671)
(Income) allocated to Perpetual Preferred OP Units...	(11,252)	(2,844)	---	---	---
	-----	-----	-----	-----	-----
Income before extraordinary loss on early extinguishment of debt.....	32,986	27,772	28,930	29,096	24,272
Extraordinary loss on early extinguishment of debt (net of \$264 and \$105 allocated to minority interests).....	(1,041)	---	---	(451)	---
	-----	-----	-----	-----	-----
NET INCOME.....	\$31,945	\$27,772	\$28,930	\$28,645	\$24,272
	=====	=====	=====	=====	=====
Net income per Common Share before extraordinary item - basic	\$1.54	\$1.10	\$1.13	\$1.18	\$0.98
	=====	=====	=====	=====	=====
Net income per Common Share before extraordinary item - diluted.....	\$1.51	\$1.09	\$1.12	\$1.16	\$0.98
	=====	=====	=====	=====	=====
Net income per Common Share - basic.....	\$1.49	\$1.10	\$1.13	\$1.16	\$0.98
	=====	=====	=====	=====	=====
Net income per Common Share - diluted.....	\$1.46	\$1.09	\$1.12	\$1.15	\$0.98
	=====	=====	=====	=====	=====
Dividend declared per Common Share.....	\$1.66	\$1.55	\$1.45	\$1.32	\$1.22
	=====	=====	=====	=====	=====
Weighted average Common Shares outstanding - basic...	21,469	25,224	25,626	24,689	24,693
Weighted average Common OP Units outstanding.....	5,592	5,704	5,955	3,749	2,715
Weighted average Common Shares outstanding - diluted.	27,408	31,252	31,962	28,762	27,546

17

18

MANUFACTURED HOME COMMUNITIES, INC.
CONSOLIDATED HISTORICAL FINANCIAL INFORMATION
(continued)
(Amounts in thousands, except for per share and property data)

BALANCE SHEET DATA:

	(1) AS OF DECEMBER 31,				
	2000	1999	1998	1997	1996
	----	----	----	----	----
Real estate, before accumulated depreciation (2).....	\$1,218,176	\$1,264,343	\$1,237,431	\$936,318	\$597,650
Total assets.....	1,104,304	1,160,338	1,176,841	864,365	567,874
Total mortgages and loans.....	764,938	725,264	750,849	495,172	254,982
Minority interests.....	171,271	179,397	70,468	67,453	28,640
Stockholders' equity.....	168,095	211,401	310,441	280,575	257,952

OTHER DATA:

Funds from operations (3).....	\$63,807	\$68,477	\$64,089	\$50,834	\$42,187
Net cash flow:					
Operating activities.....	\$68,001	\$72,580	\$71,977	\$54,581	\$49,660
Investing activities.....	\$23,102	\$(37,868)	\$(262,762)	\$(239,445)	\$(60,954)
Financing activities.....	\$(94,932)	\$(41,693)	\$203,533	\$185,449	\$10,858
Total Properties (at end of period) (4).....	154	157	154	121	69
Total sites (at end of period).....	51,452	54,007	53,391	44,108	27,356
Total sites (weighted average) (5).....	46,964	46,914	43,932	29,323	26,621

- (1) See the Consolidated Financial Statements of the Company included elsewhere herein.
- (2) The Company believes that the book value of the Properties, which reflects the historical costs of such real estate assets less accumulated depreciation, is less than the current market value of the Properties.
- (3) The Company generally considers Funds From Operations ("FFO") to be an appropriate measure of the performance of an equity Real Estate Investment Trust ("REIT"). FFO was redefined by the National Association of Real Estate Investment Trusts ("NAREIT") in October 1999, effective January 1, 2000, as net income (computed in accordance with generally accepted accounting principles ["GAAP"]), before allocation to minority interests, excluding gains (or losses) from sales of property, plus real estate depreciation and after adjustments for unconsolidated partnerships and joint ventures. For purposes of presenting FFO, the revised definition of FFO has been given retroactive treatment. The Company believes that FFO is helpful to investors as a measure of the performance of an equity REIT because, along with cash flows from operating activities, financing activities and investing activities, it provides investors an understanding of the ability of the Company to incur and service debt and to make capital expenditures. The Company computes FFO in accordance with the NAREIT definition which may differ from the methodology for calculating FFO utilized by other equity REITs and, accordingly, may not be comparable to such other REITs computations. FFO in and of itself does not represent cash generated from operating activities in accordance with GAAP and therefore should not be considered an alternative to net income as an indication of the Company's performance or to net cash flows from operating activities as determined by GAAP as a measure of liquidity and is not necessarily indicative of cash available to fund cash needs.
- (4) During the year ended December 31, 1996, four Properties were acquired; net operating income attributable to such Properties was approximately \$1.8 million, which included approximately \$371,000 of depreciation and amortization expense. During the year ended December 31, 1997, 39 Properties were acquired; net operating income attributable to such Properties was approximately \$3.8 million, which included approximately \$1.7 million of depreciation and amortization expense. During the year ended December 31, 1998, 41 Properties were acquired; net operating income attributable to such Properties was approximately \$7.6 million, which included approximately \$3.9 million of depreciation and amortization expense. During the year ended December 31, 1999, two Properties were acquired; net operating income attributable to such Properties was approximately \$87,000, which included approximately \$104,000 of depreciation expense. During the year ended December 31, 2000, three Properties and a water and wastewater treatment company were sold; net operating income attributable to such Properties was

approximately \$1.6 million, which included approximately \$623,000 of depreciation expense.

- (5) Excludes recreational vehicle sites and sites held through unconsolidated joint ventures.

18

19

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with "Selected Financial Data" and the historical Consolidated Financial Statements and Notes thereto appearing elsewhere in this Form 10-K. The following discussion may contain certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 which reflect management's current views with respect to future events and financial performance. Such forward-looking statements are subject to certain risks and uncertainties, including, but not limited to, the effects of future events on the Company's financial performance; the adverse impact of external factors such as inflation and consumer confidence; and the risks associated with real estate ownership.

RESULTS OF OPERATIONS

PROPERTY ACQUISITIONS, JOINT VENTURES AND DISPOSITIONS

The following chart lists the Properties acquired or sold since January 1, 1998. The Company defines its core manufactured home community portfolio ("Core Portfolio") as manufactured home Properties owned throughout both periods of comparison. Excluded from the Core Portfolio are any Properties acquired or sold during the period and also any recreational vehicle ("RV") Properties which, together, are referred to as the "Non-Core" Properties.

PROPERTY -----	TRANSACTION DATE -----	SITES -----
TOTAL SITES AS OF JANUARY 1, 1998		32,569
ACQUISITIONS:		
The Ellenburg Communities (37 Properties)	Throughout 1998	14,498
Quail Meadows	January 8, 1998	146
Sherwood Forest RV Resort	April 30, 1998	512
Casa Del Sol Resort III	May 14, 1998	238
The College Heights Communities (18 Properties)	June 4, 1998	3,573
Sunset Oaks	August 13, 1998	167
The Meadows	April 1, 1999	380
Coquina Crossing	July 23, 1999	270
UNCONSOLIDATED JOINT VENTURES:		
Lakeshore Communities and Affiliates (3 properties) ...	1998 and 1999	633
Plantation	March 18, 1998	385
Trails West.....	March 18, 1998	503
EXPANSION SITE DEVELOPMENT:		
Sites added in 1998.....		120
Sites added in 1999.....		---
Sites added in 2000.....		108
DISPOSITIONS:		
Garden West Office Plaza	October 26, 1999	---
FFEC-Six (water and wastewater service company).....	February 29, 2000	---
Mesa Regal RV Resort.....	May 22, 2000	(2,005)
Naples Estates.....	May 22, 2000	(484)
Mon Dak.....	May 22, 2000	(161)
TOTAL SITES AS OF DECEMBER 31, 2000.....		51,452
		=====

COMPARISON OF YEAR ENDED DECEMBER 31, 2000 TO YEAR ENDED DECEMBER 31, 1999

Since December 31, 1998, the gross investment in real estate decreased from \$1,237 million to \$1,218 million as of December 31, 2000, due primarily to the aforementioned acquisitions and dispositions of Properties during the period. The total number of sites owned or controlled decreased from 53,391 as of December 31, 1998 to 51,452 as of December 31, 2000.

The following table summarizes certain financial and statistical data for the Core Portfolio and the Total Portfolio for the years ended December 31, 2000 and 1999.

(dollars in thousands)	2000	CORE PORTFOLIO 1999	INCREASE/ (DECREASE)	% CHANGE	2000	TOTAL PORTFOLIO 1999	INCREASE/ (DECREASE)	% CHANGE
Base rental income.....	\$186,148	\$178,095	\$8,053	4.5%	\$189,481	\$181,672	\$7,809	4.3%
Utility and other income.....	17,986	17,436	550	3.2%	27,780	29,622	(1,842)	(6.2%)
Equity in income of affiliates...	---	---	---	---	2,408	2,065	343	16.6%
Interest income.....	---	---	---	---	1,009	1,669	(660)	(39.5%)
Total revenues.....	204,134	195,531	8,603	4.4%	220,678	215,028	5,650	2.6%
Property operating and maintenance.....	54,358	52,096	2,262	4.3%	59,199	58,038	1,161	2.0%
Real estate taxes.....	16,186	15,811	375	2.4%	16,888	16,460	428	2.6%
Property management.....	8,194	7,725	469	6.1%	8,690	8,337	353	4.2%
General and administrative.....	---	---	---	---	6,423	6,092	331	5.4%
Total operating expenses....	78,738	75,632	3,106	4.1%	91,200	88,927	2,273	2.6%
Income from operations before interest, depreciation and amortization expenses.....	125,396	119,899	5,497	4.6%	129,478	126,101	3,377	2.7%
Interest and related amortization	---	---	---	---	53,280	53,775	(495)	(0.9%)
Depreciation on corporate assets.	---	---	---	---	1,139	1,005	134	13.3%
Property depreciation and other..	31,366	30,912	454	1.5%	34,411	34,486	(75)	(0.2%)
Income from operations(1)...	94,030	88,987	5,043	5.7%	40,648	36,835	3,813	10.4%
Site and Occupancy Information(2):								
Average total sites.....	45,894	45,810	84	0.2%	46,964	46,914	50	0.1%
Average occupied sites.....	43,410	43,138	272	0.6%	44,325	44,110	215	0.5%
Occupancy %.....	94.6%	94.2%	0.4%	0.4%	94.4%	94.0%	0.4%	0.4%
Monthly base rent per site.....	\$357.35	\$344.04	\$13.31	3.9%	\$356.24	\$343.22	\$13.02	3.8%
Total sites as of December 31,.....	45,902	45,808	94	0.2%	46,734	47,284	(550)	(1.2%)
Total occupied sites as of December 31,.....	43,595	43,289	306	0.7%	44,270	44,555	(285)	(0.6%)

(1) Income from operations for the Core Portfolio does not include an allocation of income from affiliates, interest income, corporate general and administrative expense, interest expense and related amortization or depreciation on corporate assets.

(2) Site and occupancy information does not include the five Properties owned through joint ventures or the three RV properties.

Revenues

The 4.5% increase in base rental income for the Core Portfolio reflects a 3.9% increase in monthly base rent per site coupled with a 0.6% increase in average occupied sites. The 4.3% increase in base rental income for the Total Portfolio reflects a 3.8% increase in monthly base rent per site coupled with a 0.5% increase in average occupied sites and also reflects acquisition and disposition of Non-Core Properties. The increase in utility and other income for the Core Portfolio is due primarily to increases in pass through items such as utilities and real estate taxes - which resulted from higher expenses for these items. The decrease in Total Portfolio utility and other income is due primarily to the sale of Mesa Regal RV resort and other changes in the Non-Core Properties. Also included in other income is a gain on the sale of the FFEC-Six water and wastewater treatment company of \$719,000, partially offset by an

impairment loss on the DeAnza Santa Cruz water and wastewater service company of \$701,000.

The decrease in interest income is primarily due to the repayment of certain notes receivable and fewer short-term investments. Short-term investments had average balances for the years ended December 31, 2000 and 1999 of approximately \$1.5 million and \$2.8 million, respectively, which earned interest income at an effective rate of 6.0% and 6.3% per annum, respectively.

Operating Expenses

The increase in property operating and maintenance expense for the Core Portfolio is due primarily to increases in utility expenses generally passed through and included in utility income. Expenses for the Core Portfolio also reflect increases in repairs and maintenance expense, payroll and property general and administrative expenses partially offset by decreased insurance and other expenses. Core Portfolio real estate taxes increased 2.4% generally due to higher property assessments on certain Properties. The increase in Total Portfolio property operating and maintenance expense and real estate taxes is also impacted by acquisition and disposition of Non-Core Properties. Property management expense for the Core Portfolio, which reflects costs of managing the properties and is estimated based on a percentage of Property revenues, increased 6.1%.

General and administrative expenses increased primarily due to increased payroll resulting from salary increases and increased public company related expenses.

Interest and related amortization decreased due to lower weighted average outstanding debt balances during the period. The weighted average outstanding debt balances for the years ended December 31, 2000 and 1999 were \$707.5 million and \$738.1 million, respectively. The effective interest rate was 7.4% and 7.2% per annum for the years ended December 31, 2000 and 1999, respectively.

Depreciation on corporate assets increased due to fixed asset additions related to information and communication systems. Depreciation on real estate assets and other costs decreased due primarily to the acquisition and disposition of Non-Core Properties.

COMPARISON OF YEAR ENDED DECEMBER 31, 1999 TO YEAR ENDED DECEMBER 31, 1998

Since December 31, 1997, the gross investment in real estate increased from \$936 million to \$1,264 million as of December 31, 1999 due primarily to the aforementioned acquisitions and dispositions of Properties during the period. The total number of sites owned or controlled has increased from 44,108 as of December 31, 1997 to 54,007 as of December 31, 1999.

The following table summarizes certain financial and statistical data for the Core Portfolio and the Total Portfolio for the years ended December 31, 1999 and 1998.

(dollars in thousands)	CORE PORTFOLIO				TOTAL PORTFOLIO			
	1999	1998	INCREASE/ (DECREASE)	% CHANGE	1999	1998	INCREASE/ (DECREASE)	% CHANGE
Base rental income.....	\$131,064	\$126,246	\$4,818	3.8%	\$181,672	\$165,340	\$16,332	9.9%
Utility and other income.....	14,885	14,420	465	3.2%	29,622	25,372	4,250	16.8%
Equity in income of affiliates...	---	---	---	---	2,065	1,070	995	93.0%
Interest income.....	---	---	---	---	1,669	3,048	(1,379)	(45.2%)
Total revenues.....	145,949	140,666	5,283	3.8%	215,028	194,830	20,198	10.4%
Property operating and maintenance.....	38,281	37,852	429	1.1%	58,038	53,064	4,974	9.4%
Real estate taxes.....	11,201	10,533	668	6.3%	16,460	14,470	1,990	13.8%
Property management.....	5,764	5,252	512	9.7%	8,337	7,108	1,229	17.3%
General and administrative.....	---	---	---	---	6,092	5,411	681	12.6%
Total operating expenses....	55,246	53,637	1,609	3.0%	88,927	80,053	8,874	11.1%

Income from operations before interest, depreciation and amortization expenses.....	90,703	87,029	3,674	4.2%	126,101	114,777	11,324	9.9%
Interest and related amortization	---	---	---	---	53,775	49,693	4,082	8.2%
Depreciation on corporate assets	---	---	---	---	1,005	995	10	1.0%
Property depreciation and other	20,667	19,917	750	3.8%	34,486	28,426	6,060	21.3%
Income from operations (1) ..	70,036	67,112	2,924	4.4%	36,835	35,663	1,172	3.3%
Site and Occupancy Information (2):								
Average total sites.....	32,393	32,358	35	0.1%	46,914	43,932	2,982	6.8%
Average occupied sites.....	30,708	30,652	56	0.2%	44,110	41,420	2,690	6.5%
Occupancy %.....	94.8%	94.7%	0.1%	0.1%	94.0%	94.3%	(0.3%)	(0.3%)
Monthly base rent per site.....	\$356.06	\$343.23	\$12.83	3.7%	\$343.22	\$332.65	\$10.57	3.2%
Total sites								
as of December 31,.....	32,395	32,384	11	0.0%	47,284	46,446	838	1.8%
Total occupied sites								
as of December 31,.....	30,789	30,673	116	0.4%	44,555	43,707	848	1.9%

(1) Income from operations for the Core Portfolio does not include an allocation of income from affiliates, interest income, corporate general and administrative expense, interest expense and related amortization or depreciation on corporate assets.

(2) Site and occupancy information does not include the five Properties owned through joint ventures or the four RV properties.

Revenues

The 3.8% increase in base rental income for the Core Portfolio reflects a 3.7% increase in monthly base rent per site coupled with a 0.2% increase in average occupied sites. The 9.9% increase in base rental income for the Total Portfolio reflects a 3.2% increase in monthly base rent per site coupled with a 6.5% increase in average occupied sites and also reflects acquisition and disposition of Non-Core Properties. The increase in utility and other income for the Core Portfolio is due primarily to increases in pass through items such as utilities and real estate taxes - which resulted from higher expenses for these items. The increase in Total Portfolio utility and other income is due primarily to RV income related to the purchase of three RV resorts during 1998 and other changes in the Non-Core Properties.

The decrease in interest income is primarily due to the conversion of some notes receivable to fee simple interests in The Meadows and certain Ellenburg Communities. Short-term investments had average balances for the years ended December 31, 1999 and 1998 of approximately \$2.8 million and \$6.9 million, respectively, which earned interest income at an effective rate of 6.3% and 5.4% per annum, respectively.

Operating Expenses

The increase in property operating and maintenance expense for the Core Portfolio reflects increases in repairs and maintenance expense, payroll expense and increases in utility expenses passed through and included in utility income. These increases are partially offset by decreased property general and administrative, insurance and other expenses. Core Portfolio real estate taxes increased 6.3% generally due to higher property assessments on certain Properties. The increase in Total Portfolio property operating and maintenance expense and real estate taxes is also impacted by the acquisition and disposition of Non-Core Properties. Property management expense for the Core Portfolio, which reflects costs of managing the properties and is estimated based on a percentage of Property revenues, increased 9.7%. The increase was primarily due to the addition of senior management personnel in the areas of operations, human resources and accounting and the incremental expenses related to management of Properties acquired in 1998 and 1999.

General and administrative expenses increased primarily due to increased payroll resulting from salary increases and increased public company related expenses.

Interest and related amortization increased due to higher weighted average outstanding debt balances during the period. The weighted average outstanding debt balances for the years ended December 31, 1999 and 1998 were \$738.1 million and \$696.0 million, respectively. The effective interest rate was 7.2% per annum for both years ended December 31, 1999 and 1998.

Depreciation on corporate assets increased due to fixed asset additions related to information and communication systems. Depreciation on real estate assets and other costs increased due to fixed asset additions of Properties acquired in 1999 and 1998.

LIQUIDITY AND CAPITAL RESOURCES

LIQUIDITY

As of December 31, 2000, the Company had \$2.8 million in cash and cash equivalents and \$90.1 million available on its line of credit. The Company expects to meet its short-term liquidity requirements, including its distributions, generally through its working capital, net cash provided by operating activities and availability under the existing line of credit. The Company expects to meet certain long-term liquidity requirements such as scheduled debt maturities, property acquisitions and capital improvements by long-term collateralized and uncollateralized borrowings including borrowings under its existing line of credit and the issuance of debt securities or additional equity securities in the Company, in addition to working capital.

In order to qualify as a REIT for federal income tax purposes, the Company must distribute 95% or more of its taxable income (excluding capital gains). The following distributions have been declared and / or paid to common stockholders and minority interests since January 1, 1998.

DISTRIBUTION AMOUNT PER SHARE	FOR THE QUARTER ENDING	SHAREHOLDER RECORD DATE	PAYMENT DATE
-----	-----	----	-----
\$0.3625	March 31, 1998	March 27, 1998	April 10, 1998
\$0.3625	June 30, 1998	June 26, 1998	July 10, 1998
\$0.3625	September 30, 1998	September 25, 1998	October 9, 1998
\$0.3625	December 31, 1998	December 16, 1998	December 30, 1998

\$0.3875	March 31, 1999	March 26, 1999	April 9, 1999
\$0.3875	June 30, 1999	June 25, 1999	July 9, 1999
\$0.3875	September 30, 1999	September 24, 1999	October 8, 1999
\$0.3875	December 31, 1999	December 31, 1999	January 14, 2000

\$0.4150	March 31, 2000	March 31, 2000	April 14, 2000
\$0.4150	June 30, 2000	June 30, 2000	July 14, 2000
\$0.4150	September 30, 2000	September 29, 2000	October 13, 2000
\$0.4150	December 31, 2000	December 29, 2000	January 12, 2001

The Operating Partnership paid distributions of 9.0% per annum on the \$125 million of Series D Cumulative Redeemable Perpetual Preferred Units ("Preferred Units"). Distributions on the Preferred Units were paid quarterly on the last calendar day of each quarter beginning December 31, 1999. The Company expects to continue to make regular quarterly distributions and has set its 2001 distribution to common stockholders at \$1.78 per share per annum.

MORTGAGES AND CREDIT FACILITIES

On February 24, 2000, the Company entered into mortgage agreements collateralizing two Properties for a total of \$14.6 million. The mortgage notes mature on March 1, 2010, amortize beginning March 1, 2000 over 30 years and bear interest at a rate of approximately 8.3% per annum.

On June 30, 2000, the Company obtained \$110 million in debt financing

consisting of two mortgage notes - one for \$94.3 million and one for \$15.7 million - secured by seven Properties. The proceeds of the financing were used to repay \$60 million of mortgage debt secured by the seven Properties, to repay amounts outstanding under the Company's line of credit and for working capital purposes. The Company recorded a \$1.0 million extraordinary loss (net of \$264,000 allocated to Minority Interests) in connection with the early repayment of the \$60 million of mortgage debt.

On April 3, 2000, the Company extended to April 3, 2002 the maturity of its \$100 million unsecured term loan (the "Term Loan") with a group of banks with interest only payable monthly at a rate of the London Interbank Offered Rate ("LIBOR") plus 1.0%.

On August 9, 2000, the Company amended its unsecured line of credit with a bank (the "Credit Agreement") bearing interest at LIBOR plus 1.125%. Among other things, the amendment lowered the total facility under the Credit Agreement to \$150 million and extended the maturity to August 9, 2003. The Company pays a quarterly fee on the average unused amount of such credit equal to 0.15% of such amount.

24

25

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

ACQUISITIONS, DISPOSITIONS AND INVESTMENTS

On January 6, 1998, the Company funded a \$12.3 million loan (the "Meadows Loan") to Meadows Preservation, Inc. The Meadows Loan was collateralized by The Meadows manufactured home community located in Palm Beach Gardens, Florida. On April 1, 1999, the Company effectively exchanged the Meadows Loan for an equity and debt interest in the partnership that owns The Meadows. The Company consolidates The Meadows and the related results of operations.

On July 23, 1999, the Company acquired Coquina Crossing, located in St. Augustine, Florida, for a purchase price of approximately \$10.4 million. The acquisition was funded with a borrowing under the Company's line of credit. Coquina Crossing is a 748-site senior community with 269 developed sites and zoned expansion potential for 479 sites. In addition, Realty Systems, Inc. ("RSI"), an affiliate of the Company, purchased the model home inventory at the community for approximately \$1.1 million.

On February 29, 2000, MHC Systems, Inc., a consolidated subsidiary of the Company, disposed of the water and wastewater service company and facilities known as FFEC-Six in a cash sale. Net proceeds from the sale of approximately \$4.2 million were used to pay down the Company's line of credit and a gain on the sale of \$719,000 (or \$.02 per fully diluted share) was recorded in other income on the accompanying statement of operations.

In April 2000, the California Superior Court approved a settlement agreement (the "Settlement") in connection with the dissolution proceeding of ECC and its affiliated partnerships. As part of the Settlement, the Company received \$13.5 million previously held in escrow in connection with the purchase of the Ellenburg Communities and recorded \$3.0 million of interest income related to these funds. In connection with the Settlement, the Company sold three communities - Mesa Regal RV Resort, Mon Dak and Naples Estates - for an aggregate sales price of \$59.0 million, including cash proceeds of \$40.0 million and assumption of debt by the purchaser of \$19.0 million. The Company recorded a \$9.1 million gain on the sale of these Properties. Proceeds from the Settlement and property sales were used to pay down the Company's line of credit.

On December 28, 2000, the Company, through its joint venture with Meadows Management Company, acquired a 50% economic interest in Voyager RV Resort, a 1,576 site RV resort in Tucson, Arizona, for total consideration of \$8.0

million. The Company's investment included cash of \$3.0 million, its 50% interest in land held through the joint venture valued at \$2.0 million and notes receivable from the principals of Meadows Management Company totaling \$3.0 million.

CAPITAL IMPROVEMENTS

Capital expenditures for improvements are identified by the Company as recurring capital expenditures ("Recurring CapEx"), site development costs and corporate headquarters costs. Recurring CapEx was approximately \$7.9 million and \$8.7 million for the years ended December 31, 2000 and 1999, respectively. Of these expenditures, the Company believes that approximately \$6.5 million or \$130 per site for 2000 and \$6.3 million or \$122 per site for 1999 are non-revenue producing improvements which are necessary in order to increase and/or maintain occupancy levels and maintain competitive market rents for new and renewing residents. Site development costs were approximately \$7.9 million and \$4.9 million for the years ended December 31, 2000 and 1999, respectively, and represent costs to develop expansion sites at certain of the Company's Properties.

EQUITY TRANSACTIONS

On March 26, 1999, the Operating Partnership repurchased and cancelled 200,000 OP Units from a limited partner of the Operating Partnership.

On September 30, 1999, the Operating Partnership completed a \$125 million private placement of 9.0% Series D Cumulative Perpetual Preferred Units ("POP Units") to two institutional investors. The POP Units, which are callable by the Company after five years, have no stated maturity or mandatory redemption. Net proceeds from the offering of \$121 million were used to repay amounts outstanding under the Company's line of credit facility and for other corporate purposes.

25

26

In March 1997, the Company's Board of Directors approved a common stock repurchase plan whereby the Company was authorized to repurchase and retire shares of its common stock. Under the plan, the Company repurchased approximately 2.2 million shares of Common Stock at an average price of \$24.06 per share during the year ended December 31, 2000 and 4.1 million shares of Common Stock at an average price of \$23.40 per share during the year ended December 31, 1999, using proceeds from borrowings on the line of credit.

INFLATION

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

FUNDS FROM OPERATIONS

FFO was redefined by NAREIT in October 1999, effective January 1, 2000, as net income (computed in accordance with GAAP), before allocation to minority interests, excluding gains (or losses) from sales of property, plus real estate depreciation and after adjustments for unconsolidated partnerships and joint ventures. The Company computes FFO in accordance with the NAREIT definition, which may differ from the methodology for calculating FFO utilized by other equity REITs and, accordingly, may not be comparable to such other REIT's computations. Funds available for distribution ("FAD") is defined as FFO less non-revenue producing capital expenditures and amortization payments on mortgage loan principal. The Company believes that FFO and FAD are useful to investors as a measure of the performance of an equity REIT because, along with cash flows from operating activities, financing activities and investing activities, they provide investors an understanding of the ability of the Company to incur and service debt and to make capital expenditures. FFO and FAD in and of themselves do not represent cash generated from operating activities in accordance with

GAAP and therefore should not be considered an alternative to net income as an indication of the Company's performance or to net cash flows from operating activities as determined by GAAP as a measure of liquidity and are not necessarily indicative of cash available to fund cash needs.

The following table presents a calculation of FFO and FAD for the years ended December 31, 2000, 1999 and 1998 (amounts in thousands):

	2000 ----	1999 ----	1998 ----
COMPUTATION OF FUNDS FROM OPERATIONS:			
Income before extraordinary loss on early extinguishment of debt	\$ 32,986	\$ 27,772	\$ 28,930
Income allocated to Common OP Units	8,463	6,219	6,733
Depreciation on real estate assets and other costs ...	34,411	34,486	28,426
Gain on sale of Properties and other	(12,053)	--	--
	-----	-----	-----
Funds from operations	\$ 63,807	\$ 68,477	\$ 64,089
	=====	=====	=====
Weighted average Common Stock outstanding - diluted ..	27,408	31,252	31,962
	=====	=====	=====
COMPUTATION OF FUNDS AVAILABLE FOR DISTRIBUTION:			
Funds from operations	\$ 63,807	\$ 68,477	\$ 64,089
Non-revenue producing improvements to real estate	(7,855)	(8,656)	(8,005)
	-----	-----	-----
Funds available for distribution	\$ 55,952	\$ 59,821	\$ 56,084
	=====	=====	=====
Weighted average Common Stock outstanding - diluted ..	27,408	31,252	31,962
	=====	=====	=====

ITEM 7a. QUANTITATIVE AND QUALITATIVE DISCLOSURE OF MARKET RISK

The Company's earnings are affected by changes in interest rates, as a portion of the Company's outstanding indebtedness is at variable rates based on LIBOR. The Company's \$150 million line of credit (\$59.9 million outstanding at December 31, 2000) bears interest at LIBOR plus 1.125% and the Company's \$100 million Term Loan bears interest at LIBOR plus 1.0%. If LIBOR increased/decreased by 1.0% during 2000, interest expense would have increased/decreased by approximately \$1.7 million based on the combined average balance outstanding under the Company's line of credit and Term Loan for the year ended December 31, 2000.

In July 1995, the Company entered into an interest rate swap agreement (the "1998 Swap") fixing LIBOR on \$100 million of the Company's floating rate debt at 6.4% for the period 1998 through 2003. The cost of the 1998 Swap consisted only of legal costs that were deemed immaterial. The value of the 1998 Swap was impacted by changes in the market rate of interest. Had the 1998 Swap been entered into on December 31, 1999, the applicable LIBOR swap rate would have been approximately 6.57%. Each 0.01% increase or decrease in the applicable swap rate for the 1998 Swap increases or decreases the value of the 1998 Swap versus its current value by approximately \$28,000. The Company accounted for the 1998 Swap as a hedge. Payments and receipts under the 1998 Swap were accounted for as an adjustment to interest expense. On January 10, 2000, the Company unwound the 1998 Swap and received \$1.0 million of proceeds which is amortized into interest expense through March 2003.

In June 1998, the Financial Accounting Standards Board ("FASB") issued Statement No. 133 ("SFAS No. 133"), "Accounting for Derivative Instruments and Hedging Activities". SFAS No. 133 permits early adoption as of the beginning of any fiscal quarter after its issuance. In June 1999, the FASB issued Statement No. 137 which deferred the effective date of SFAS No. 133 to all fiscal quarters for fiscal years beginning after June 15, 2000. The Company will adopt SFAS No.

133 on January 1, 2001. SFAS No. 133 will require the Company to recognize all derivatives on the balance sheet at fair value. Derivatives that are not hedges must be adjusted to fair value through income. If the derivative is a hedge, depending on the nature of the hedge, changes in the fair value of derivatives will either be offset against the change in fair value of the hedged assets, liabilities or firm commitments through earnings or recognized in other comprehensive income until the hedged item is recognized in earnings. The Company has determined that the effect of SFAS No. 133 on the earnings and financial position of the Company will not be significant when implemented.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

ITEMS 10, 11, 12, 13.

DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT, EXECUTIVE COMPENSATION, SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by Item 10, Item 11, Item 12, and Item 13 will be contained in a definitive proxy statement which the Registrant anticipates will be filed no later than April 28, 2001, and thus this Part has been omitted in accordance with General Instruction G(3) to Form 10-K.

27

28

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENTS, SCHEDULES AND REPORTS ON FORM 8-K

(a)

(1&2) See Index to Financial Statements and Schedules on page F-1 of this Form 10-K.

(3) Exhibits:

- | | |
|---------|--|
| 2(a) | Admission Agreement between Equity Financial and Management Co., Manufactured Home Communities, Inc. and MHC Operating Partnership |
| 3.1(a) | Articles of Incorporation of Manufactured Home Communities, Inc. |
| 3.2(a) | Articles of Amendment and Restatement of Manufactured Home Communities, Inc. |
| 3.3(g) | Amended Bylaws of Manufactured Home Communities, Inc. |
| 4 | Not applicable |
| 9 | Not applicable |
| 10.1(a) | Amended and Restated Agreement of Limited Partnership of MHC Operating Limited Partnership |
| 10.2(a) | Agreement of Limited Partnership of MHC Financing Limited Partnership |

- 10.3(a) Agreement of Limited Partnership of MHC Management Limited Partnership
- 10.4(a) Property Management and Leasing Agreement between MHC Financing Limited Partnership and MHC Management Limited Partnership
- 10.5(a) Property Management and Leasing Agreement between MHC Operating Limited Partnership and MHC Management Limited Partnership
- 10.6(a) Services Agreement between Realty Systems, Inc. and MHC Management Limited Partnership
- 10.7(a) Rate Protection Agreement
- 10.8(a) Revolving Credit Note made by Realty Systems, Inc. to Equity Financial and Management Co.
- 10.9(a) Assignment to MHC Operating Limited Partnership of Revolving Credit Note made by Realty Systems, Inc. to Equity Financial and Management Co.
- 10.10(a) Stock Option Plan
- 10.11A(a) Indenture of Mortgage, Deed of Trust, Security Agreement, Financing Statement, Fixture Filing and Assignment of Rents
- 10.11B(a) Promissory Note
- 10.11C(a) Assignment of Loan Documents
- 10.11D(a) Assignment of Leases, Rents and Security Deposits
- 10.11E(a) Swap Agreement Pledge and Security Agreement
- 10.11F(a) Cash Collateral Account Security, Pledge and Assignment Agreement
- 10.11G(a) Assignment of Property Management and Leasing Agreement
- 10.11H(a) Trust Agreement
- 10.12(a) Form of Noncompetition Agreement
- 10.13(a) Form of Noncompetition Agreement
- 10.13A(a) Form of Noncompetition Agreement
- 10.14(a) General Electric Credit Corporation Commitment Letter
- 10.15(a) Administrative Services Agreement between Realty Systems, Inc. and Equity Group Investments, Inc.
- 10.16(a) Registration Rights and Lock-Up Agreement with the Company (the Original Owners, EF&M, Directors, Officers and Employees)
- 10.17(a) Administrative Services Agreement between the Company and Equity Group Investments, Inc.
- 10.18(a) Form of Subscription Agreement between the Company and certain officers and other individuals dated March 3, 1993

- 10.19(a) Form of Secured Promissory Note payable to the Company by certain officers dated March 3, 1993
- 10.20(a) Form of Pledge Agreement between the Company and certain officers dated March 3, 1993
- 10.21(a) Loan and Security Agreement between Realty Systems, Inc. and MHC Operating Limited Partnership
- 10.22(a) Equity and Registration Rights Agreement with the Company (the GM Trusts)
- 10.23(b) Agreement of Limited Partnership of MHC Lending Limited Partnership
- 10.23(c) Agreement of Limited Partnership of MHC-Bay Indies Financing Limited Partnership
- 10.24(c) Agreement of Limited Partnership of MHC-De Anza Financing Limited Partnership
- 10.25(c) Agreement of Limited Partnership of MHC-DAG Management Limited Partnership
- 10.26(d) Amendment No. 2 to MHC Operating Limited Partnership Amended and Restated Partnership Agreement dated February 15, 1996
- 10.27(d) Form of Subscription Agreement between the Company and certain members of management of the Company dated January 2, 1996

28

29

ITEM 14.

EXHIBITS, FINANCIAL STATEMENTS, SCHEDULES AND REPORTS ON FORM 8-K
(CONTINUED)

- 10.28(d) Form of Secured Promissory Note payable to the Company by certain members of management of the Company dated January 2, 1996
- 10.29(d) Form of Pledge Agreement between the Company and certain members of management of the Company dated January 2, 1996
- 10.30(e) Second Amended and Restated MHC Operating Limited Partnership Agreement of Limited Partnership, dated as of March 15, 1996
- 10.31(f) Agreement of Limited Partnership of MHC Financing Limited Partnership Two
- 10.32(g) \$265,000,000 Mortgage Note dated December 12, 1997
- 10.33(g) Second Amended and Restated Credit Agreement (Revolving Facility) between the Company, MHC Operating Limited Partnership, and certain lenders and agents, dated April 28, 1998
- 10.34(g) First Amendment to Second Amended and Restated Credit Agreement (Revolving Facility) between the Company, MHC Operating Limited Partnership, and certain lenders and agents, dated December 18, 1998
- 10.35(h) Second Amendment to Second Amended and Restated Credit Agreement (Revolving Facility) between the Company, MHC Operating Limited Partnership, and

certain lenders and agents, dated August 9, 2000

- 10.36(g) Amended and Restated Credit Agreement (Term Loan) between the Company, MHC Operating Limited Partnership, and certain lenders and agent, dated April 28, 1998
- 10.36(h) First Amendment to Amended and Restated Credit Agreement (Term Loan) between the Company, MHC Operating Limited Partnership, and certain lenders and agent, dated November 21, 2000
- 10.36(g) Letter Agreement between the Company and Bank of America National Trust and Savings Association confirming the \$100 million swap transaction, dated July 11, 1995
- 10.39(h) \$110,000,000 Amended, Restated and Consolidated Promissory Note dated June 28, 2000
- 10.40(h) \$15,750,000 Promissory Note Secured by Leasehold Deed of Trust dated July 13, 2000
- 11 Not applicable
- 12(h) Computation of Ratio of Earnings to Fixed Charges
- 13 Not applicable
- 16 Not applicable
- 18 Not applicable
- 21(h) Subsidiaries of the registrant
- 22 Not applicable
- 23(h) Consent of Independent Auditors
- 24.1(h) Power of Attorney for John F. Podjasek, Jr. dated March 7, 2001
- 24.2(h) Power of Attorney for Michael A. Torres dated March 23, 2001
- 24.3(h) Power of Attorney for Thomas E. Dobrowski dated March 6, 2001
- 24.4(h) Power of Attorney for Gary Waterman dated March 14, 2001
- 24.5(h) Power of Attorney for Donald S. Chisholm dated March 2, 2001
- 24.6(h) Power of Attorney for Louis H. Masotti dated March 5, 2001
- 27 Not applicable
- 28 Not applicable
- (a) Included as an exhibit to the Company's Form S-11 Registration Statement, File No. 33-55994, and incorporated herein by reference.
- (b) Included as an exhibit to the Company's Report on Form 10-K dated December 31, 1993, and incorporated herein by

reference.

- (c) Included as an exhibit to the Company's Report on Form 10-K dated December 31, 1994, and incorporated herein by reference.
- (d) Included as an exhibit to the Company's Report on Form 10-Q for the quarter ended March 31, 1996, and incorporated herein by reference.
- (e) Included as an exhibit to the Company's Report on Form 10-Q for the quarter ended June 30, 1996, and incorporated herein by reference.
- (f) Included as an exhibit to the Company's Report on Form 10-K dated December 31, 1997, and incorporated herein by reference.
- (g) Included as an exhibit to the Company's Form S-3 Registration Statement, File No. 333-90813, and incorporated herein by reference.
- (h) Filed herewith.

29

30

ITEM 14. EXHIBITS, FINANCIAL STATEMENTS, SCHEDULES AND REPORTS ON FORM 8-K
(CONTINUED)

(b) Reports on Form 8-K:

None.

(c) Exhibits:

See Item 14 (a)(3) above.

(d) Financial Statement Schedules:

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

30

31

SIGNATURES

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

MANUFACTURED HOME COMMUNITIES, INC.,
a Maryland corporation

Date: March 23, 2001

By: /s/ Howard Walker

Howard Walker
Chief Executive Officer

Date: March 23, 2001

By: /s/ John Zoeller

John Zoeller
Vice President, Treasurer
and Chief Financial Officer

Date: March 23, 2001

By: /s/ Mark Howell

Mark Howell
Principal Accounting Officer

31

32

MANUFACTURED HOME COMMUNITIES, INC. - SIGNATURES

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

Name -----	Title -----	Date -----
/s/ Howard Walker ----- Howard Walker	Chief Executive Officer *Attorney-in-Fact	 March 23, 2001
/s/ John Zoeller ----- John Zoeller	Vice President, Treasurer and Chief Financial Officer *Attorney-in-Fact	 March 23, 2001
/s/ Samuel Zell ----- Samuel Zell	Chairman of the Board	 March 23, 2001
/s/ Sheli Z. Rosenberg ----- Sheli Z. Rosenberg	Director	 March 23, 2001
/s/ David A. Helfand ----- David A. Helfand	Director	 March 23, 2001
*Donald S. Chisholm ----- Donald S. Chisholm	Director	 March 23, 2001
*Thomas E. Dobrowski ----- Thomas E. Dobrowski	Director	 March 23, 2001
*Louis H. Masotti ----- Louis H. Masotti	Director	 March 23, 2001
*John F. Podjasek, Jr. ----- John F. Podjasek, Jr.	Director	 March 23, 2001
*Michael A. Torres ----- Michael A. Torres	Director	 March 23, 2001
*Gary L. Waterman ----- Gary L. Waterman	Director	 March 23, 2001

32

33

INDEX TO FINANCIAL STATEMENTS

MANUFACTURED HOME COMMUNITIES, INC.

	PAGE -----
Report of Independent Auditors	F-2
Consolidated Balance Sheets as of December 31, 2000 and 1999	F-3

Consolidated Statements of Operations for the years ended December 31, 2000, 1999 and 1998 .	F-4
Consolidated Statements of Changes in Stockholders' Equity for the years ended December 31, 2000, 1999 and 1998	F-5
Consolidated Statements of Cash Flows for the years ended December 31, 2000, 1999 and 1998 .	F-6
Notes to Consolidated Financial Statements	F-7
Schedule II - Valuation and Qualifying Accounts	S-1
Schedule III - Real Estate and Accumulated Depreciation	S-2

Certain schedules have been omitted as they are not applicable to the Company

F-1

34

Report of Independent Auditors

To the Board of Directors of
Manufactured Home Communities, Inc.

We have audited the accompanying consolidated balance sheets of Manufactured Home Communities, Inc. as of December 31, 2000 and 1999, and the related consolidated statements of operations, changes in stockholders' equity and cash flows for each of the three years in the period ended December 31, 2000. We have also audited the related financial statement schedules listed in the accompanying index. These financial statements and schedules are the responsibility of the management of Manufactured Home Communities, Inc. Our responsibility is to express an opinion on these financial statements and schedules based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Manufactured Home Communities, Inc. at December 31, 2000 and 1999, and the consolidated results of its operations and its cashflows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States. Also, in our opinion, the related financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects the information set forth therein.

ERNST & YOUNG LLP

Chicago, Illinois
January 25, 2001, except for Note 18
as to which the date is February 13, 2001

F-2

35

MANUFACTURED HOME COMMUNITIES, INC.
CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2000 AND 1999
(AMOUNTS IN THOUSANDS EXCEPT SHARE DATA)

	2000 ----	1999 ----
ASSETS		
Investment in real estate:		
Land	\$ 271,822	\$ 285,337
Land improvements	839,725	876,923
Buildings and other depreciable property	106,629	102,083
	-----	-----
	1,218,176	1,264,343
Accumulated depreciation	(181,580)	(150,757)
	-----	-----
Net investment in real estate	1,036,596	1,113,586
Cash and cash equivalents	2,847	6,676
Notes receivable	4,984	4,284
Investment in and advances to affiliates	21,215	11,689
Investment in joint ventures	13,267	9,501
Rents receivable	1,440	1,338
Deferred financing costs, net	6,344	5,042
Prepaid expenses and other assets	17,611	8,222
	-----	-----
Total assets	\$ 1,104,304	\$ 1,160,338
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Mortgage notes payable	\$ 556,578	\$ 513,172
Unsecured term loan	100,000	100,000
Unsecured line of credit	59,900	107,900
Other notes payable	3,206	4,192
Accounts payable and accrued expenses	23,822	20,780
Accrued interest payable	5,116	5,612
Rents received in advance and security deposits	5,184	6,831
Distributions payable	11,100	11,020
Due to affiliates	32	33
	-----	-----
Total liabilities	764,938	769,540
	-----	-----
Commitments and contingencies		
Minority Interest - Common OP Units and other	46,271	54,397
Minority Interest - Perpetual Preferred OP Units	125,000	125,000
Stockholders' equity:		
Preferred stock, \$.01 par value		
10,000,000 shares authorized; none issued	--	--
Common Stock, \$.01 par value		
50,000,000 shares authorized; 21,064,785 and 22,813,357		
shares issued and outstanding for 2000 and 1999, respectively	210	229
Paid-in capital	235,681	275,664
Deferred compensation	(5,969)	(6,326)
Employee notes	(4,205)	(4,540)
Distributions in excess of accumulated earnings	(57,622)	(53,626)
	-----	-----
Total stockholders' equity	168,095	211,401
	-----	-----
Total liabilities and stockholders' equity	\$ 1,104,304	\$ 1,160,338
	=====	=====

The accompanying notes are an integral part of the financial statements

F-3

36

MANUFACTURED HOME COMMUNITIES, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2000, 1999 AND 1998
(AMOUNTS IN THOUSANDS EXCEPT PER SHARE DATA)

2000 ----	1999 ----	1998 ----
--------------	--------------	--------------

REVENUES

Base rental income	\$ 189,481	\$ 181,672	\$ 165,340
RV base rental income	7,414	9,526	7,153
Utility and other income	20,366	20,096	18,219
Equity in income of affiliates	2,408	2,065	1,070
Interest income	1,009	1,669	3,048
	-----	-----	-----
Total revenues	220,678	215,028	194,830
	-----	-----	-----

EXPENSES

Property operating and maintenance	59,199	58,038	53,064
Real estate taxes	16,888	16,460	14,470
Property management	8,690	8,337	7,108
General and administrative	5,955	5,550	4,668
General and administrative - affiliates	468	542	743
Interest and related amortization	53,280	53,775	49,693
Depreciation on corporate assets	1,139	1,005	995
Depreciation on real estate assets and other costs	34,411	34,486	28,426
	-----	-----	-----
Total expenses	180,030	178,193	159,167
	-----	-----	-----
Income from operations	40,648	36,835	35,663
Gain on sale of Properties and other	12,053	--	--
	-----	-----	-----
Income before allocation to Minority Interests and extraordinary loss on early extinguishment of debt	52,701	36,835	35,663
(Income) allocated to Common OP Units	(8,463)	(6,219)	(6,733)
(Income) allocated to Perpetual Preferred OP Units	(11,252)	(2,844)	--
	-----	-----	-----
Income before extraordinary loss on early extinguishment of debt	32,986	27,772	28,930
Extraordinary loss on early extinguishment of debt (net of \$264 allocated to Minority Interests)	1,041	--	--
	-----	-----	-----
NET INCOME	\$ 31,945	\$ 27,772	\$ 28,930
	=====	=====	=====
Net income per Common Share before extraordinary item - basic .	\$ 1.54	\$ 1.10	\$ 1.13
	=====	=====	=====
Net income per Common Share before extraordinary item - diluted	\$ 1.51	\$ 1.09	\$ 1.12
	=====	=====	=====
Net income per Common Share - basic	\$ 1.49	\$ 1.10	\$ 1.13
	=====	=====	=====
Net income per Common Share - diluted	\$ 1.46	\$ 1.09	\$ 1.12
	=====	=====	=====
Weighted average Common Shares outstanding - basic	21,469	25,224	25,626
	=====	=====	=====
Weighted average Common Shares outstanding - diluted (Note 3) .	27,408	31,252	31,962
	=====	=====	=====
Distributions declared per Common Share outstanding	\$ 1.66	\$ 1.55	\$ 1.45
	=====	=====	=====
Tax status of distributions paid during the year:			
Ordinary income	\$ 1.32	\$ 1.16	\$ 1.14
	=====	=====	=====
Capital gain	\$ --	\$ --	\$ --
	=====	=====	=====
Return of capital	\$ 0.31	\$ --	\$ 0.31
	=====	=====	=====

The accompanying notes are an integral part of the financial statements

F-4

37

MANUFACTURED HOME COMMUNITIES, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2000, 1999 AND 1998
(AMOUNTS IN THOUSANDS)

	2000	1999	1998
	----	----	----
PREFERRED STOCK, \$.01 PAR VALUE	\$ --	\$ --	\$ --
	=====	=====	=====
COMMON STOCK, \$.01 PAR VALUE			
Balance, beginning of year	\$ 229	\$ 262	\$ 248
Issuance of Common Stock through restricted stock grants	1	1	2
Exercise of options	1	1	1
(Repurchase) issuance of Common Stock	(21)	(35)	11
	-----	-----	-----
Balance, end of year	\$ 210	\$ 229	\$ 262
	=====	=====	=====
PAID - IN CAPITAL			
Balance, beginning of year	\$ 275,664	\$ 364,603	\$ 321,915
Issuance of Common Stock for employee notes	--	--	129
Conversion of OP Units to Common Stock	494	1,525	1,100

Issuance of Common Stock through exercise of options	2,719	2,034	2,372
Issuance of Common Stock through restricted stock grants	3,310	1,507	6,118
Issuance of Common Stock through employee stock purchase plan ..	1,435	1,195	940
(Repurchase) issuance of Common Stock	(53,112)	(98,160)	24,613
Adjustment for Common OP Unitholders in the Operating Partnership	5,171	2,960	7,416
Balance, end of year	\$ 235,681	\$ 275,664	\$ 364,603
DEFERRED COMPENSATION			
Balance, beginning of year	\$ (6,326)	\$ (7,442)	\$ (2,885)
Issuance of Common Stock through restricted stock grants	(3,311)	(536)	(5,692)
Recognition of deferred compensation expense	3,668	1,652	1,135
Balance, end of year	\$ (5,969)	\$ (6,326)	\$ (7,442)
EMPLOYEE NOTES			
Balance, beginning of year	\$ (4,540)	\$ (4,654)	\$ (4,967)
Notes received for issuance of Common Stock	--	--	(129)
Principal payments	335	114	442
Balance, end of year	\$ (4,205)	\$ (4,540)	\$ (4,654)
DISTRIBUTIONS IN EXCESS OF ACCUMULATED EARNINGS			
Balance, beginning of year	\$ (53,626)	\$ (42,328)	\$ (33,736)
Net income	31,945	27,772	28,930
Distributions	(35,941)	(39,070)	(37,522)
Balance, end of year	\$ (57,622)	\$ (53,626)	\$ (42,328)

The accompanying notes are an integral part of the financial statements

F-5

38

MANUFACTURED HOME COMMUNITIES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2000, 1999 AND 1998
(AMOUNTS IN THOUSANDS)

	2000	1999	1998
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	\$ 31,945	\$ 27,772	\$ 28,930
Adjustments to reconcile net income to cash provided by operating activities:			
Income allocated to minority interests	19,451	9,063	6,733
Gain on sale of Properties and other	(12,053)	--	--
Depreciation and amortization expense	36,511	33,871	29,680
Equity in income of affiliates and joint ventures	(2,928)	(2,065)	(1,070)
Amortization of deferred compensation and other	3,668	2,623	1,563
(Decrease) increase in rents receivable	(102)	(667)	116
(Increase) in prepaid expenses and other assets	(9,389)	(844)	(3,359)
Increase in accounts payable and accrued expenses	2,545	2,491	5,188
(Decrease) increase in rents received in advance and security deposits.....	(1,647)	336	4,196
Net cash provided by operating activities	68,001	72,580	71,977
CASH FLOWS FROM INVESTING ACTIVITIES			
Collection of escrow proceeds on acquisition	--	--	14,295
(Contributions to) distributions from Affiliates	(7,250)	(1,959)	399
Collections (funding) of notes receivable	(700)	11,426	(14,563)
Investment in joint ventures	(3,758)	(2,279)	(7,584)
Proceeds from dispositions of assets	46,490	--	--
Return of escrow (funding) for acquisition of rental properties - net Improvements:	4,581	(30,640)	(241,076)
Improvements - corporate	(498)	(878)	(1,487)
Improvements - rental properties	(7,855)	(8,656)	(8,005)
Site development costs	(7,908)	(4,882)	(4,741)
Net cash provided by (used in) investing activities	23,102	(37,868)	(262,762)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds from stock options and employee stock purchase plan	4,142	3,229	3,313
Net proceeds from issuance of Perpetual Preferred OP Units	--	121,890	--
Distributions to Common Stockholders, Common OP Unitholders and Perpetual Preferred OP Unitholders	(56,298)	(40,445)	(46,491)
(Repurchase) issuance of Common Stock and OP Units	(54,595)	(99,847)	24,623
Collection of principal payments on employee notes	335	114	442
Line of credit:			
Proceeds	103,900	113,400	159,000
Repayments	(151,900)	(150,500)	(39,000)
Refinancing - net proceeds	65,998	16,248	107,847
Principal payments	(4,249)	(4,733)	(4,298)
Debt issuance costs	(2,265)	(1,049)	(1,903)
Net cash (used in) provided by financing activities	(94,932)	(41,693)	203,533

Net (decrease) increase in cash and cash equivalents	(3,829)	(6,981)	12,748
Cash and cash equivalents, beginning of year	6,676	13,657	909
	-----	-----	-----
Cash and cash equivalents, end of year	\$ 2,847	\$ 6,676	\$ 13,657
	=====	=====	=====
SUPPLEMENTAL INFORMATION			
Cash paid during the year for interest	\$ 52,947	\$ 52,323	\$ 45,674
	=====	=====	=====

The accompanying notes are an integral part of the financial statements

F-6

39

MANUFACTURED HOME COMMUNITIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - ORGANIZATION OF THE COMPANY AND BASIS OF PRESENTATION

Manufactured Home Communities, Inc. (together with its consolidated subsidiaries, the "Company"), formed in March 1993, is a Maryland corporation which has elected to be taxed as a real estate investment trust ("REIT"). The Company owns or has a controlling interest in 154 manufactured home communities (the "Properties") located in 26 states, consisting of 51,452 sites. The Company generally will not be subject to Federal income tax to the extent it distributes its REIT taxable income to its stockholders.

The operations of the Company are conducted through certain entities that are owned or controlled by the Company. MHC Operating Limited Partnership (the "Operating Partnership") is the entity through which the Company conducts substantially all of its operations. The Company contributed the proceeds from its initial public offering to the Operating Partnership for a general partnership interest. The limited partners of the Operating Partnership (the "Common OP Unitholders") receive an allocation of net income which is based on their respective ownership percentage of the Operating Partnership which is shown on the Consolidated Financial Statements as Minority Interest - Common OP Units. As of December 31, 2000, the Minority Interests - Common OP Units represented 5,514,330 units of limited partnership interest ("OP Units") which are convertible into an equivalent number of shares of the Company's stock. The issuance of additional shares of common stock or common OP Units changes the respective ownership of the Operating Partnership for both the Minority Interests and the Company.

Sub-partnerships of the Operating Partnership were created to (i) facilitate mortgage financing (the "Financing Partnerships"); (ii) facilitate the Company's ability to provide financing to owners of communities ("Lending Partnership"); (iii) own the management operations of the Company ("Management Partnerships"); and (iv) own the assets and operations of certain utility companies which service the Company's properties ("MHC Systems").

The accompanying financial statements represent the consolidated financial information of the Company and its subsidiaries. Due to the Company's ability as general partner to control either through ownership or by contract the Operating Partnership, the Financing Partnerships, the Lending Partnership, the Management Partnerships and MHC Systems, each such subsidiary has been consolidated with the Company for financial reporting purposes.

Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information" ("SFAS No. 131") requires certain disclosures of selected information about operating segments in the annual financial statements and related disclosures about products and services, geographic areas, and major customers. The adoption of SFAS No. 131 did not affect the results of operations or financial position of the Company. The Company has one reportable segment which is the operation of manufactured home communities. The Company has concentrations of Properties within the following states: Florida (45 Properties), California (25 Properties), Arizona (17 Properties), Michigan (11 Properties) and Colorado (10 Properties). These concentrations of Properties accounted for 35%, 17%, 9%, 4%, and 9%,

respectively, of the Company's total revenues for the year ended December 31, 2000. The Company also has Properties located in the following areas of the United States: Northeast, Northwest, Midwest, and Nevada/Utah/New Mexico. The Company's largest Property, Bay Indies, located in Venice, Florida, accounted for 3% of the Company's total revenues for the year ended December 31, 2000. The distribution of the Properties throughout the United States reflects the Company's belief that geographic diversification helps insulate the portfolio from regional economic influences. The Company intends to target new acquisitions in or near markets where the Properties are located and will also consider acquisitions of properties outside such markets.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Use of Estimates

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

F-7

40

MANUFACTURED HOME COMMUNITIES, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Real Estate

Real estate is recorded at cost less accumulated depreciation. The Company evaluates rental properties for impairment when conditions exist which may indicate that it is probable that the sum of expected future cash flows (undiscounted) from a property is less than its carrying value. Upon determination that a permanent impairment has occurred, rental properties are reduced to fair value. During the year ended December 31, 2000, MHC Acquisition One L.L.C., a consolidated subsidiary of the Company, recorded an impairment loss on the DeAnza Santa Cruz water and wastewater service company business (see Notes 5 and 17). For the year ended December 31, 1999, permanent impairment conditions did not exist at any of the Company's Properties.

Depreciation is computed on the straight-line basis over the estimated useful lives of the assets. The Company uses a 30-year estimated life for buildings acquired and structural and land improvements, a ten-to-fifteen-year estimated life for building upgrades and a three-to-seven-year estimated life for furniture, fixtures and equipment. Expenditures for ordinary maintenance and repairs are expensed to operations as incurred and significant renovations and improvements that improve the asset and extend the useful life of the asset are capitalized over their estimated useful life. Initial direct leasing costs are expensed as incurred. Total depreciation expense was \$35.6 million, \$35.5 million and \$29.4 million for the years ended December 31, 2000, 1999 and 1998, respectively.

(c) Cash and Cash Equivalents

The Company considers all demand and money market accounts and certificates of deposit with a maturity when purchased of three months or less to be cash equivalents.

(d) Notes Receivable

Notes receivable generally are stated at their outstanding unpaid

principal balances net of any deferred fees or costs on originated loans, or unamortized discounts or premiums. Interest income is accrued on the unpaid principal balance. Discounts or premiums are amortized to income using the interest method.

(e) Fair Value of Financial Instruments

Statement of Financial Accounting Standards No. 107, "Disclosures About Fair Value of Financial Instruments" requires disclosures about the fair value of financial instruments whether or not such instruments are recognized in the balance sheet. The Company's financial instruments include short-term investments, notes receivable, accounts receivable, accounts payable, other accrued expenses, mortgage notes payable and interest rate hedge arrangements. The fair values of all financial instruments, including notes receivable, were not materially different from their carrying values at December 31, 2000 and 1999.

(f) Deferred Financing Costs

Deferred financing costs include fees and costs incurred to obtain long-term financing. The costs are being amortized over the terms of the respective loans on a level yield basis. Unamortized deferred financing fees are written-off when debt is retired before the maturity date. Accumulated amortization for such costs was \$1.9 million and \$1.8 million at December 31, 2000 and 1999, respectively.

(g) Revenue Recognition

Rental income attributable to leases is recorded when earned from tenants.

F-8

41

MANUFACTURED HOME COMMUNITIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Minority Interests

Net income is allocated to Common OP Unitholders based on their respective ownership percentage of the Operating Partnership. An ownership percentage is represented by dividing the number of Common OP Units held by the Common OP Unitholders (5,514,330 and 5,633,183 at December 31, 2000 and 1999, respectively) by OP Units and common stock outstanding. Issuance of additional shares of common stock or common OP Units changes the percentage ownership of both the Minority Interests and the Company. Due in part to the exchange rights (which provide for the conversion of Common OP Units into Common Stock on a one-for-one basis), such transactions and the proceeds therefrom are treated as capital transactions and result in an allocation between stockholders' equity and Minority Interests to account for the change in the respective percentage ownership of the underlying equity of the Operating Partnership.

On September 30, 1999, the Operating Partnership completed a \$125 million private placement of 9.0% Series D Cumulative Perpetual Preferred Units ("POP Units") with two institutional investors. The POP Units, which are callable by the Company after five years, have no stated maturity or mandatory redemption, have no voting rights and are not convertible into OP Units or Common Stock. Income is allocated to the POP Units at a preferred rate per annum of 9.0% on the original capital contribution of \$125 million. Costs related to the placement of \$3.1 million were recorded as a reduction to additional paid-in capital.

(i) Income Taxes

Due to the structure of the Company as a REIT, the results of operations contain no provision for Federal income taxes. However, the Company may be subject to certain state and local income, excise or franchise taxes. The Company paid state and local taxes of approximately \$78,000, \$85,000 and \$78,000 during the years ended December 31, 2000, 1999 and 1998. As of December 31, 2000, net investment in real estate and notes receivable had a federal tax basis of approximately \$742 million and \$24 million, respectively.

(j) Reclassifications

Certain 1999 and 1998 amounts have been reclassified to conform to the 2000 financial presentation. Such reclassifications have no effect on the operations or equity as originally presented.

(k) Derivative Instruments and Hedging Activities

In June 1998, the Financial Accounting Standards Board ("FASB") issued Statement No. 133 ("SFAS No. 133"), "Accounting for Derivative Instruments and Hedging Activities". SFAS No. 133 permits early adoption as of the beginning of any fiscal quarter after its issuance. In June 1999, the FASB issued Statement No. 137 which deferred the effective date of SFAS No. 133 to all fiscal quarters for fiscal years beginning after June 15, 2000. The Company will adopt SFAS No. 133 on January 1, 2001. SFAS No. 133 will require the Company to recognize all derivatives on the balance sheet at fair value. Derivatives that are not hedges must be adjusted to fair value through income. If the derivative is a hedge, depending on the nature of the hedge, changes in the fair value of derivatives will either be offset against the change in fair value of the hedged assets, liabilities or firm commitments through earnings or recognized in other comprehensive income until the hedged item is recognized in earnings. The Company has determined that the effect of SFAS No. 133 on the earnings and financial position of the Company will not be significant when implemented.

F-9

42

MANUFACTURED HOME COMMUNITIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3 - EARNINGS PER COMMON SHARE

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

The following table sets forth the computation of basic and diluted earnings per share (amounts in thousands):

	2000 ----	1999 ----	1998 ----
NUMERATOR:			
Numerator for basic earnings per share -			
Net income	\$31,945	\$27,772	\$28,930
Effect of dilutive securities:			
Income allocated to Common OP Units			
(net of extraordinary loss on early			

extinguishment of debt)	8,199	6,219	6,733
	-----	-----	-----
Numerator for diluted earnings per share - income available to Common Stockholders after assumed conversions	\$40,144	\$33,991	\$35,663
	=====	=====	=====
DENOMINATOR:			
Denominator for basic earnings per share - Weighted average Common Stock outstanding .	21,469	25,224	25,626
Effect of dilutive securities:			
Weighted average Common OP Units	5,592	5,704	5,955
Employee stock options	347	324	381
	-----	-----	-----
Denominator for diluted earnings per share - adjusted weighted average Common Stock outstanding after assumed conversions	27,408	31,252	31,962
	=====	=====	=====

NOTE 4 - COMMON STOCK AND OTHER EQUITY RELATED TRANSACTIONS

The following table presents the changes in the Company's outstanding common stock for the years ended December 31, 2000, 1999 and 1998 (excluding OP Units of 5,514,330, 5,633,183 and 5,976,820 outstanding at December 31, 2000, 1999 and 1998, respectively):

	2000	1999	1998
	----	----	----
Shares outstanding at January 1,	22,813,357	26,417,029	24,771,180
Common Stock purchased by key employees of the Company	--	--	5,000
Common Stock issued through conversion of OP Units	59,190	143,637	99,552
Common Stock issued through exercise of Options	138,029	126,565	141,403
Common Stock issued through stock grants	92,070	95,666	328,831
Common Stock issued through Employee Stock Purchase Plan ...	68,739	59,060	44,804
Common Stock issued through Unit Trust Offering	--	--	1,048,059
Common Stock repurchased and retired	(2,106,600)	(4,028,600)	(21,800)
	-----	-----	-----
Shares outstanding at December 31,	21,064,785	22,813,357	26,417,029
	=====	=====	=====

As of December 31, 2000, the Company's percentage ownership of the Operating Partnership was approximately 79%. The remaining 21% is owned by the Common OP Unitholders.

F-10

43

MANUFACTURED HOME COMMUNITIES, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4 - COMMON STOCK AND OTHER EQUITY RELATED TRANSACTIONS (CONTINUED)

In March 1997, the Company's Board of Directors approved a common stock repurchase plan whereby the Company was authorized to repurchase and retire shares of its common stock. Under the plan, the Company repurchased approximately 2.2 million shares of Common Stock at an average price of \$24.06 per share during the year ended December 31, 2000, 4.1 million shares of Common Stock at an average price of \$23.40 per share during the year ended December 31, 1999 and 21,800 shares of Common Stock at an average price of \$23.48 per share during the year ended December 31, 1998 using proceeds from borrowings on the line of credit.

During 1998, the Company, as general partner of the Operating Partnership, approved the admission of new limited partners (the "1998 Acquisition Partners") to the Operating Partnership in connection with certain acquisitions of real estate and investments in joint ventures (see Notes 5 and 6). The 1998 Acquisition Partners received 342,438 OP Units, which are exchangeable on a one-for-one basis for shares of the Company's common stock.

On April 23, 1998, the Company completed an offering of 1,048,059 shares of common stock (the "Unit Trust Offering") and sold the shares to Merrill Lynch, Pierce, Fenner & Smith Incorporated (the "Underwriter"). The offering price per share was \$25.4375, the closing price for shares of the Company's common stock on April 23, 1998, resulting in gross offering proceeds of approximately \$26.7 million. Net of the Underwriter's discount and offering expenses, the Company received approximately \$25 million. The Underwriter deposited the shares of common stock with the trustee of the Equity Investor Fund Cohen & Steers Realty Majors Portfolio, a unit investment trust (the "Trust"), in exchange for units in the Trust.

On March 26, 1999, the Operating Partnership repurchased and cancelled 200,000 OP Units from a limited partner of the Operating Partnership. During the year ended December 31, 2000, the Operating Partnership repurchased and cancelled approximately 60,000 OP Units from various holders.

On September 30, 1999, the Operating Partnership completed a \$125 million private placement of 9.0% Series D Cumulative Perpetual Preferred Units ("POP Units") with two institutional investors. The POP Units, which are callable by the Company after five years, have no stated maturity or mandatory redemption. Net proceeds from the offering of \$121 million were used to repay amounts outstanding under the Company's line of credit facility and for other corporate purposes.

The following distributions have been declared and / or paid to common stockholders and minority interests since January 1, 1998.

DISTRIBUTION AMOUNT PER SHARE -----	FOR THE QUARTER ENDING -----	SHAREHOLDER RECORD DATE ----	PAYMENT DATE -----
\$0.3625	March 31, 1998	March 27, 1998	April 10, 1998
\$0.3625	June 30, 1998	June 26, 1998	July 10, 1998
\$0.3625	September 30, 1998	September 25, 1998	October 9, 1998
\$0.3625	December 31, 1998	December 16, 1998	December 30, 1998

\$0.3875	March 31, 1999	March 26, 1999	April 9, 1999
\$0.3875	June 30, 1999	June 25, 1999	July 9, 1999
\$0.3875	September 30, 1999	September 24, 1999	October 8, 1999
\$0.3875	December 31, 1999	December 31, 1999	January 14, 2000

\$0.4150	March 31, 2000	March 31, 2000	April 14, 2000
\$0.4150	June 30, 2000	June 30, 2000	July 14, 2000
\$0.4150	September 30, 2000	September 29, 2000	October 13, 2000
\$0.4150	December 31, 2000	December 29, 2000	January 12, 2001

The Operating Partnership paid distributions of 9.0% per annum on the \$125 million of POP Units. Distributions on the POP Units were paid quarterly on the last calendar day of each quarter beginning December 31, 1999.

F-11

MANUFACTURED HOME COMMUNITIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4 - COMMON STOCK AND OTHER EQUITY RELATED TRANSACTIONS (CONTINUED)

The Company adopted, effective July 1, 1997, the 1997 Non-Qualified Employee Stock Purchase Plan ("ESPP"). Pursuant to the ESPP, certain employees and directors of the Company may each annually acquire up to \$250,000 of common stock of the Company. The aggregate number of shares of common stock available under the ESPP shall not exceed 1,000,000, subject to adjustment by the Board of Directors. The common stock may be purchased monthly at a price equal to 85% of the lesser of: (a) the closing price for a share of Common Stock on the last day of such month; and (b) the greater of: (i) the closing price for a share of

Common Stock on the first day of such month, and (ii) the average closing price for a share of Common Stock for all the business days in the month. Shares of Common Stock issued through the ESPP for the years ended December 31, 2000, 1999 and 1998 were 68,739, 59,060 and 44,804, respectively.

NOTE 5 - INVESTMENT IN REAL ESTATE

Land improvements consist primarily of improvements such as grading, landscaping and infrastructure items such as streets, sidewalks or water mains. Depreciable property consists of permanent buildings in the Properties such as clubhouses, laundry facilities, maintenance storage facilities, and furniture, fixtures and equipment.

On September 4, 1997, the Company entered into a portfolio purchase agreement (as amended by a supplemental agreement on December 17, 1997) to acquire 37 manufactured home communities (the "Ellenburg Communities") from partnerships having Ellenburg Capital Corporation ("ECC") as the general partner, for a purchase price in excess of \$300 million. During 1997 and 1998, the Company closed on the acquisition of thirty-one of the Ellenburg Communities for an aggregate purchase price of approximately \$278 million and gained control of an additional five Ellenburg Communities with acquisition advances of approximately \$57 million to the partnerships which owned such Ellenburg Communities. All fundings related to the acquisition were funded by the Company with borrowings under the Company's line of credit, term bank facilities, assumed debt and the issuance of Common OP Units.

During 1998, the Company received approximately \$14.3 million, including approximately \$365,000 of interest income, which was being held subject to the completion of due diligence procedures on the Ellenburg Communities. The \$14.3 million was initially recorded as a liability until 1999 when a settlement of certain related issues was substantially complete and accordingly, in a non-cash transaction, relieved the liability and adjusted the purchase price of the Ellenburg Communities.

In April 2000, the California Superior Court approved a settlement agreement (the "Settlement") in connection with the dissolution proceeding of ECC and its affiliated partnerships. As part of the Settlement, the Company received \$13.5 million previously held in escrow in connection with the purchase of the Ellenburg Communities and recorded \$3.0 million of interest income related to these funds. In connection with the Settlement, the Company sold three communities - Mesa Regal RV Resort, Mon Dak and Naples Estates - for an aggregate sales price of \$59.0 million, including cash proceeds of \$40.0 million and assumption of debt by the purchaser of \$19.0 million. The Company recorded a \$9.1 million gain on the sale of these Properties. Proceeds from the Settlement and property sales were used to pay down the Company's line of credit. See Note 17 for further discussion of the Settlement.

On January 8, 1998, the Company acquired Quail Meadows, located in Riverbank, California, for a purchase price of approximately \$4.7 million. The acquisition was funded with a borrowing under the Company's line of credit. Quail Meadows consists of approximately 146 developed sites.

On April 30, 1998, the Company acquired Sherwood Forest RV Resort, located adjacent to one of the Ellenburg Communities in Kissimmee, Florida, for a purchase price of approximately \$7.0 million. The acquisition was funded with a borrowing under the Company's line of credit. Sherwood Forest RV Resort consists of approximately 512 developed sites and a 33 acre expansion parcel.

On May 14, 1998, the Company acquired Casa Del Sol Resort III, located adjacent to one of the Company's Properties in Peoria, Arizona, for a purchase price of approximately \$9.8 million. The acquisition was funded with a borrowing under the Company's line of credit. Casa Del Sol Resort III consists of 238 developed sites.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5 - INVESTMENT IN REAL ESTATE (CONTINUED)

On June 4, 1998, the Company entered into a joint venture agreement with Wolverine Investors L.L.C. to acquire eighteen manufactured home communities (the "College Heights Communities"). The aggregate purchase price for the College Heights Communities was approximately \$89 million. The Company contributed approximately \$19 million to the joint venture, Wolverine Investors L.L.C. contributed approximately \$2.0 million to the joint venture and the remainder of the acquisition was funded with a borrowing from a financial institution of approximately \$68 million. The Company's \$19 million contribution to the joint venture was funded with a borrowing under the Company's line of credit. Due to the Company's ability to control the joint venture through its approximate 95% interest, the College Heights Communities and related operations have been consolidated for financial reporting purposes.

On August 13, 1998, the Company acquired Sunset Oaks, located in Plant City, Florida, adjacent to one of the Company's existing Properties, for a purchase price of approximately \$3.6 million. The acquisition was funded with a borrowing under the Company's line of credit. Sunset Oaks consists of 168 developed sites.

On July 23, 1999, the Company acquired Coquina Crossing, located in St. Augustine, Florida, for a purchase price of approximately \$10.4 million. The acquisition was funded with a borrowing under the Company's line of credit. Coquina Crossing is a 748-site senior community with 269 developed sites and zoned expansion potential for 479 sites. In addition, RSI, an affiliate of the Company, purchased the model home inventory at the community for approximately \$1.1 million.

In March 2000, in accordance with SFAS No. 121 "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed of", MHC Acquisition One L.L.C., a consolidated subsidiary of the Company, recorded an impairment loss on the DeAnza Santa Cruz water and wastewater service company business. Recent negotiations for the sale of the business as well as management's estimates indicated that the undiscounted future cash flows from the business would be less than the carrying value of the business and its related assets. The Company recorded an asset impairment loss of \$701,000 (or \$0.03 per fully diluted share) which is included in other income on the accompanying statements of operations. This loss represents the difference between the carrying value of the DeAnza Santa Cruz water and wastewater service company business and its related assets and their estimated fair market value.

On February 29, 2000, MHC Systems, Inc., a consolidated subsidiary of the Company, disposed of the water and wastewater service company facilities known as FFEC-Six in a cash sale. Net proceeds from the sale of approximately \$4.2 million were used to pay down the Company's line of credit and a gain on the sale of \$719,000 (or \$0.03 per fully diluted share) was recorded in other income on the accompanying statements of operations.

The acquisitions have been accounted for utilizing the purchase method of accounting and, accordingly, the results of operations of acquired assets are included in the statement of operations from the dates of acquisition. The Company acquired all of the Properties from unaffiliated third parties.

The Company is actively seeking to acquire additional communities and currently is engaged in negotiations relating to the possible acquisition of a number of communities. At any time these negotiations are at varying stages which may include contracts outstanding to acquire certain manufactured home communities which are subject to satisfactory completion of the Company's due diligence review.

NOTE 6 - INVESTMENT IN JOINT VENTURE

On March 18, 1998, the Company joined Plantation Company, L.L.C. and Trails Associates, L.L.C., two 50% joint venture investments with the principals of

Meadows Management Company, to own two manufactured home communities known as "Plantation on the Lake" and "Trails West", for approximately \$6.5 million. Plantation on the Lake is located in Riverside, California and consists of 385 developed sites and 122 expansion sites. Trails West is located in Tucson, Arizona and consists of 488 developed sites. The Company's investments were funded with a \$3.9 million borrowing under the Company's line of credit and with the issuance of approximately \$2.6 million in OP Units. During the year ended December 31, 2000, the Company recorded approximately \$7,000 of net income from joint ventures and received approximately \$230,000 in cash flow distributions.

F-13

46

MANUFACTURED HOME COMMUNITIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6 - INVESTMENT IN JOINT VENTURE (CONTINUED)

On December 28, 2000, the Company, through a joint venture with the principals of Meadows Management Company (the "Voyager Joint Venture"), acquired a 50% economic interest in Voyager RV Resort, a 1,576 site RV resort in Tucson, Arizona, for total consideration of \$8.0 million. Voyager RV Resort is adjacent to Trails West. The Company's investment included cash of \$3.0 million, its 50% interest in land held through the joint venture valued at \$2.0 million and notes receivable from the principals of Meadows Management Company totaling \$3.0 million.

Due to the Company's inability to control the joint ventures, the Company accounts for its investment in the joint ventures on the equity method. During the year ended December 31, 2000, the Company recorded approximately \$7,000 of Net Income from joint ventures and received approximately \$230,000 in cash flow distributions.

NOTE 7 - INVESTMENT IN AND ADVANCES TO AFFILIATES

Investment in and advances to affiliates consists principally of preferred stock of RSI and LP Management Corp. (collectively "Affiliates") and advances under a line of credit between the Company and RSI. The Company accounts for the investment in and advances to Affiliates using the equity method of accounting.

Following is unaudited financial information for the Affiliates for the years ended December 31, 2000 and 1999 (amounts in thousands):

	2000 ----	1999 ----
Assets	\$ 34,200	\$ 23,201
Liabilities, net of amounts due to the Company	(12,985)	(11,512)
	-----	-----
Net investment in Affiliates	\$ 21,215 =====	\$ 11,689 =====
Home sales	\$ 42,645	\$ 34,662
Cost of sales	(29,819)	(27,029)
Other revenues and expenses, net	(10,418)	(5,568)
	-----	-----
Equity in income of Affiliates	\$ 2,408 =====	\$ 2,065 =====

NOTE 8 - NOTES RECEIVABLE

At December 31, 2000 and 1999, the Company had approximately \$5.0 million and \$4.3 million in notes receivable, respectively.

On January 6, 1998, the Company funded a \$12.3 million loan (the "Meadows Loan") to Meadows Preservation, Inc. The Meadows Loan was collateralized by The Meadows manufactured home community located in Palm Beach Gardens, Florida, bore interest at the lesser of 9% or the cash flow of the Property and matured on April 30, 1999, as amended. On April 1, 1999, the Company effectively exchanged The Meadows Loan for an equity interest in the partnership that owns The Meadows. The Company accounts for The Meadows as an acquisition and consolidates the Property and related results of operations.

On May 12, 1998, the Company entered into an agreement to loan \$5.9 million to Trails Associates, L.L.C. (the "Trails West Loan") for development of the Property known as Trails West. Subsequently, the Company had funded \$3.2 million under the Trails West Loan. However, pursuant to the aforementioned Voyager Joint Venture transaction much of the land under development by Trails Associates, L.L.C. was contributed to the Voyager Joint Venture and \$1.2 million of the Trails West Loan was repaid. The balance of \$1.9 million on the Trails West Loan is collateralized by the Property known as Trails West, bears interest at the rate of approximately 8.5%, requires monthly interest payments and matures on June 1, 2003.

F-14

47

MANUFACTURED HOME COMMUNITIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8 - NOTES RECEIVABLE (CONTINUED)

On December 28, 2000, the Company, in connection with the Voyager Joint Venture, entered into an agreement to loan \$3.0 million to certain principals of Meadows Management Company. The notes are collateralized with a combination of Common OP Units and partnership interests in this and other joint ventures. The notes bear interest at Prime plus 0.5%, require quarterly interest payments and mature on December 31, 2011.

NOTE 9 - EMPLOYEE NOTES RECEIVABLE

In December 1992, certain directors, officers and other individuals each entered into subscription agreements with the Company to acquire 440,000 shares of the Company's common stock at \$7.25 per share. The Company received from these individuals notes (the "1993 Employee Notes") in exchange for their shares. The 1993 Employee Notes accrue interest at 6.77%, mature on March 2, 2003, and are recourse against the employees in the event the pledged shares are insufficient to repay the obligations.

On January 2, 1996, certain members of management of the Company entered into subscription agreements with the Company to acquire a total of 270,000 shares of the Company's common stock at \$17.375 per share, the market price on that date. The Company received from these individuals notes (the "1996 Employee Notes") in exchange for their shares. The 1996 Employee Notes accrue interest at 5.91%, mature on January 2, 2005, and are recourse against the employees in the event the pledged shares are insufficient to repay the obligations.

On March 23, 1998, a member of management of the Company entered into a subscription agreement with the Company to acquire a total of 5,000 shares of the Company's common stock at \$25.75 per share, the market price on that date. The Company received from this individual a note in exchange for his shares. The note accrued interest at 5.97%, matured on March 23, 2008, and is recourse against the employee in the event the pledged shares are insufficient to repay the obligation. In January, 2000, the individual returned the shares of common stock and the note was cancelled.

NOTE 10 - LONG-TERM BORROWINGS

As of December 31, 2000 and December 31, 1999, the Company had outstanding mortgage indebtedness of approximately \$556.6 million and \$513.2 million, respectively, encumbering 73 and 72 of the Company's Properties, respectively. As of December 31, 2000 and December 31, 1999, the carrying value of such Properties was approximately \$631 million and \$638 million, respectively.

On February 24, 2000, the Company entered into mortgage agreements collateralizing two Properties for a total of \$14.6 million. The mortgage notes mature on March 1, 2010, amortize beginning March 1, 2000 over 30 years and bear interest at a rate of approximately 8.3% per annum.

On June 30, 2000, the Company obtained \$110 million in debt financing consisting of two mortgage notes - one for \$94.3 million and one for \$15.7 million - secured by seven Properties as discussed below. The proceeds of the financing were used to repay \$60 million of mortgage debt secured by the seven Properties, to repay amounts outstanding under the Company's line of credit and for working capital purposes. The Company recorded a \$1.3 million charge in connection with the early repayment of the \$60 million of mortgage debt.

The outstanding mortgage indebtedness consists of:

- A \$265.0 million mortgage note (the "\$265 Million Mortgage") collateralized by 29 Properties beneficially owned by MHC Financing Limited Partnership. The \$265 Million Mortgage has a maturity date of January 2, 2028 and pays interest at 7.015%. There is no principal amortization until February 1, 2008, after which principal and interest are to be paid from available cash flow and the interest rate will be reset at a rate equal to the then 10-year U.S. Treasury obligations plus 2.0%. The \$265 Million Mortgage is presented net of a settled hedge of \$3.0 million (net of accumulated amortization of \$110,000) which is being amortized into interest expense over the life of the loan.
- A \$66.5 million mortgage note (the "College Heights Mortgage") collateralized by the 18 College Heights Communities. The College Heights Mortgage bears interest at a rate of 7.19%, amortizes beginning July 1, 1999 over 30 years and matures July 1, 2008.

F-15

48

MANUFACTURED HOME COMMUNITIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 10 - LONG-TERM BORROWINGS (CONTINUED)

- A \$93.8 million mortgage note (the "DeAnza Mortgage") collateralized by 6 Properties beneficially owned by MHC-DeAnza Financing Limited Partnership. The DeAnza Mortgage bears interest at a rate of 7.82%, amortizes beginning August 1, 2000 over 30 years and matures July 1, 2010.
- A \$22.9 million mortgage note (the "Bay Indies Mortgage") collateralized by one Property beneficially owned by MHC-Bay Indies Financing Limited Partnership. The Bay Indies Mortgage bears interest at a rate of 7.48%, amortizes beginning August 1, 1994 over 27.5 years and matures July 1, 2004.
- A \$15.7 million mortgage note (the "Date Palm Mortgage") collateralized by one Property beneficially owned by MHC Date Palm, L.L.C. The Date Palm Mortgage bears interest at a rate of 7.96%, amortizes beginning August 1, 2000 over 30 years and matures July 1, 2010.
- Approximately \$94.8 million of mortgage debt on 18 other various Properties, which was recorded at fair market value with the related discount or premium being amortized over the life of the loan using the effective interest rate. Scheduled maturities for the outstanding indebtedness are at various dates through November 30, 2020, and fixed

interest rates range from 7.15% to 8.92%. Included in this debt, the Company has a \$2.4 million loan recorded to account for a direct financing lease entered into in May 1997.

On August 9, 2000, the Company amended its unsecured line of credit with a bank (the "Credit Agreement") bearing interest at the London Interbank Offered Rate ("LIBOR") plus 1.125%. Among other things, the amendment lowered the total facility under the Credit Agreement to \$150 million and extended the maturity to August 9, 2003. The Company pays a quarterly fee on the average unused amount of such credit equal to 0.15% of such amount. As of December 31, 2000, \$59.9 million was outstanding under the Credit Agreement.

The Company has a \$100 million unsecured term loan (the "Term Loan") with a group of banks with interest only payable monthly at a rate of LIBOR plus 1.0%. The Term Loan maturity has been extended to April 3, 2002.

The Company has approximately \$3.2 million of installment notes payable, secured by a letter of credit, each with an interest rate of 6.5%, maturing September 1, 2002. Approximately \$1.9 million of the notes pay principal annually and interest quarterly and the remaining \$1.3 million of the notes pay interest only quarterly.

In July 1995, the Company entered into an interest rate swap agreement (the "1998 Swap") fixing LIBOR on \$100 million of the Company's floating rate debt at 6.4% for the period 1998 through 2003. The value of the 1998 Swap was impacted by changes in the market rate of interest. The Company accounted for the 1998 Swap as a hedge. Payments and receipts under the 1998 Swap were accounted for as an adjustment to interest expense. On January 10, 2000, the Company terminated the 1998 Swap and received \$1.0 million of proceeds which is being amortized as an adjustment to interest expense through March 2003.

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

YEAR	AMOUNT
----	-----
2001	\$ 14,921
2002	105,667
2003	73,360
2004	32,677
2005	3,227
Thereafter	489,832

Total	\$ 719,684
	=====

F-16

49

MANUFACTURED HOME COMMUNITIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 11 - LEASE AGREEMENTS

The leases entered into between the tenant and the Company for the rental of a site are month-to-month or for a period of one to ten years, renewable upon the consent of the parties or, in some instances, as provided by statute. Noncancelable long-term leases, with remaining terms up to eleven years, are in effect at certain sites within nineteen of the Properties. Rental rate increases at these Properties are primarily a function of increases in the Consumer Price Index taking into consideration certain floors and ceilings. Additionally, periodic market rate adjustments are made as deemed necessary. Future minimum

rents are scheduled to be received under noncancelable tenant leases at December 31, 2000 as follows (amounts in thousands):

YEAR	AMOUNT
----	-----
2001	\$ 37,389
2002	20,016
2003	8,213
2004	4,272
2005	4,393
Thereafter	23,921

Total	\$ 98,204
	=====

NOTE 12 - GROUND LEASES

The Company leases land under noncancellable operating leases at certain of the Properties expiring in various years from 2022 to 2031 with terms which require twelve equal payments per year plus additional rents calculated as a percent of gross revenues. For the years ended December 31, 2000, 1999 and 1998, ground lease rent was \$1.6 million. Minimum future rental payments under the ground leases are \$1.6 million for each of the next five years and \$29.5 million thereafter.

NOTE 13 - TRANSACTIONS WITH RELATED PARTIES

Equity Group Investments, Inc. ("EGI"), an entity controlled by Mr. Samuel Zell, Chairman of the Board of Directors, and certain of its affiliates have provided services such as administrative support, investor relations, corporate secretarial, real estate tax evaluation services, market consulting and research services, and computer and support services. Fees paid to EGI and its affiliates amounted to approximately \$26,000, \$74,000 and \$104,000 for the years ended December 31, 2000, 1999 and 1998, respectively. There were no significant amounts due to these affiliates as of December 31, 2000 and 1999, respectively.

Certain related entities, owned by persons affiliated with Mr. Zell, have provided services to the Company. These entities include, but are not limited to, Rosenberg & Liebentritt, P.C. which provided legal services including property acquisition services in 1999 and 1998; The Riverside Agency, Inc. which provided insurance brokerage services and Equity Office Properties Trust which provided office space to the Company. Fees paid to these entities amounted to approximately \$442,000, \$473,000 and \$850,000 for the years December 31, 2000, 1999 and 1998, respectively. Amounts due to these affiliates were approximately \$32,000 and \$33,000 as of December 31, 2000 and 1999, respectively. Of the amounts charged by these affiliates during the years ended December 31, 2000, 1999 and 1998, approximately \$0, \$12,000 and \$175,000, respectively, were capitalized.

Related party agreements or fee arrangements are generally for a term of one year and approved by independent members of the Board of Directors.

F-17

50

MANUFACTURED HOME COMMUNITIES, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 14 - STOCK OPTION PLAN AND STOCK GRANTS

A Stock Option Plan (the "Plan") was adopted by the Company in December 1992. Pursuant to the Plan, certain officers, directors, employees and

consultants of the Company may be offered the opportunity to acquire shares of common stock through the grant of stock options ("Options"), including non-qualified stock options and, for key employees, incentive stock options within the meaning of Section 422 of the Code. The Compensation Committee will determine the vesting schedule, if any, of each Option and the term, which term shall not exceed ten years from the date of grant. As to the Options that have been granted through December 31, 2000, generally, one-third are exercisable one year after the initial grant, one-third are exercisable two years following the date such Options were granted and the remaining one-third are exercisable three years following the date such Options were granted. The Plan allows for 10,000 Options to be granted annually to each director. The common stock with respect to which the Options may be granted during any calendar year to any grantee shall not exceed 250,000 shares. In addition, the Plan provides for the granting of stock appreciation rights ("SARs") and restricted stock grants ("Stock Grants"). A maximum of 4,000,000 shares of common stock was available for grant under the Plan as of December 31, 2000.

In 2000, 1999 and 1998, the Company issued 19,181, 14,666 and 18,238 shares related to Stock Grants, respectively, which represented a portion of certain employee bonuses. The fair market value of these Stock Grants of approximately \$525,000, \$352,000 and \$445,000 at the date of grant was recorded as compensation expense by the Company in 2000, 1999 and 1998, respectively.

In 1998, the Company awarded 233,500 Stock Grants to certain members of senior management of the Company. These Stock Grants vest over five years, but may be restricted for a period of up to ten years depending upon certain performance benchmarks tied to increases in funds from operations being met. The fair market value of these Stock Grants of approximately \$5.7 million as of the date of grant was treated in 1998 as deferred compensation. The Company amortized approximately \$593,000 and \$569,000 related to these Stock Grants in 2000 and 1999, respectively, and Stock Grants totaling approximately 12,000 shares valued at \$295,000 were cancelled.

In 1999, the Company awarded 65,000 Stock Grants to certain members of senior management of the Company. These Stock Grants vest over three years with one-half vesting in 1999. The fair market value of these Stock Grants of approximately \$1.5 million as of the date of grant was treated in 1999 as deferred compensation. The Company amortized approximately \$385,000 and \$770,000 related to these Stock Grants in 2000 and 1999, respectively.

In 2000, the Company awarded 69,750 Stock Grants to certain members of senior management of the Company. These Stock Grants vest over three years with one-half vesting in 2000. The fair market value of these Stock Grants of approximately \$1.9 million as of the date of grant was treated in 2000 as deferred compensation. The Company amortized approximately \$955,000 related to these Stock Grants in 2000.

In 1999, the Plan was amended to provide a Stock Grant of 2,000 shares vesting over three years in lieu of the 10,000 Options granted after the amendment to each director, if the director so elects. The Company recognized approximately \$134,000 and \$129,000 of expense and recorded approximately \$267,000 and \$257,000 of deferred compensation in 2000 and 1999, respectively, related to 16,000 Stock Grants in both 2000 and 1999.

The Company has elected to follow Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25") and related Interpretations in accounting for its Options and Stock Grants because, as discussed below, the alternative fair value accounting provided for under FASB Statement No. 123, "Accounting for Stock-Based Compensation," ("SFAS No. 123") requires use of option valuation models that were not developed for use in valuing employee stock options. Under APB 25, because the exercise price of the Company's Options equals the market price of the underlying stock on the date of grant, no compensation expense is recognized. Additionally, the amount recognized as expense for the Stock Grants during any given year of the performance period is dependent on certain performance benchmarks being met.

MANUFACTURED HOME COMMUNITIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 14 - STOCK OPTION PLAN AND STOCK GRANTS (CONTINUED)

Pro forma information regarding net income and earnings per share is required by SFAS No. 123, and has been determined as if the Company had accounted for its Options and Stock Grants under the fair value method of that Statement. The fair value for the Options was estimated at the date of grant using a Black-Scholes option pricing model with the following weighted-average assumptions for 2000, 1999 and 1998, respectively: risk-free interest rates of 5.5%, 6.3% and 5.7%; dividend yields of 6.3%, 6.3% and 5.8%; volatility factors of the expected market price of the Company's common stock of .20, .21 and .23; and a weighted-average expected life of the Options of 5 years. The fair value of the Stock Grants granted in 2000, 1999 and 1998 has been estimated at approximately 30% below the calculated fair market value on the date of grant because these Stock Grants may remain restricted even after they become fully vested.

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because the Company's Options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of the Company's Options. In addition, the existing models are not representative of the effects on reported net income for future years.

For purposes of pro forma disclosures, the estimated fair value of the Options is amortized to expense over the Options' vesting period and the estimated fair value of the Stock Grants is amortized to expense over the same period. The pro forma effect of SFAS No. 123 on the Company's net income for the years ended December 31, 2000, 1999 and 1998 was (\$134,000) (\$0 per share), (\$138,000) (\$0 per share) and \$225,000 (\$0.01 per share), respectively.

A summary of the Company's stock option activity, and related information for the years ended December 31, 2000, 1999 and 1998 follows:

	Shares Subject to Options Share	Weighted Average Exercise Price Per Share
	-----	-----
Balance at December 31, 1997	1,690,493	\$19.91
Options granted	378,986	22.04
Options exercised	(141,403)	18.07
Options canceled	(28,697)	24.09
	-----	-----
Balance at December 31, 1998	1,899,379	21.08
Options granted	313,400	23.91
Options exercised	(126,565)	19.25
Options canceled	(66,767)	24.08
	-----	-----
Balance at December 31, 1999	2,019,447	\$21.72
Options granted	440,077	25.94
Options exercised	(250,092)	23.17
Options canceled	(101,227)	24.33
	-----	-----
Balance at December 31, 2000	2,108,205	\$22.30
	=====	=====

As of December 31, 2000, 1999 and 1998, 416,603 shares, 747,258 shares and 1,075,091 shares remained available for grant, respectively, and 1,562,074 shares, 1,426,072 shares and 1,269,982 shares were exercisable, respectively. Exercise prices for Options outstanding as of December 31, 2000 ranged from

\$12.875 to \$26.750, with the substantial majority of the exercise prices exceeding \$17.25. The remaining weighted-average contractual life of those Options was 6.3 years.

NOTE 15 - PREFERRED STOCK

The Company's Board of Directors is authorized under the Company's charter, without further stockholder approval, to issue, from time to time, in one or more series, 10,000,000 shares of \$.01 par value preferred stock (the "Preferred Stock"), with specific rights, preferences and other attributes as the Board may determine, which may include preferences, powers and rights that are senior to the rights of holders of the Company's common stock. However, under certain circumstances, the issuance of preferred stock may require stockholder approval pursuant to the rules and regulations of the New York Stock Exchange. As of December 31, 2000 and 1999, no Preferred Stock was issued by the Company.

F-19

52

MANUFACTURED HOME COMMUNITIES, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 16 - SAVINGS PLAN

The Company has a qualified retirement plan, with a salary deferral feature designed to qualify under Section 401 of the Code (the "401(k) Plan"), to cover its employees and those of its Subsidiaries, if any. The 401(k) Plan permits eligible employees of the Company and those of any Subsidiary to defer up to 16% of their eligible compensation on a pre-tax basis subject to certain maximum amounts. In addition, the Company will match dollar-for-dollar the participant's contribution up to 4% of the participant's eligible compensation.

In addition, amounts contributed by the Company will vest, on a prorated basis, according to the participant's vesting schedule. After five years of employment with the Company, the participants will be 100% vested for all amounts contributed by the Company. Additionally, a discretionary profit sharing component of the 401(k) Plan provides for a contribution to be made annually for each participant in an amount, if any, as determined by the Company. All employee contributions are 100% vested. The Company's contribution to the 401(k) Plan was approximately \$315,000, \$385,000 and \$256,000, for the years ended December 31, 2000, 1999 and 1998, respectively. The Company's anticipated plan contribution for the profit sharing component of the 401(k) Plan is approximately \$85,000 for the year ended December 31, 2000.

NOTE 17 - COMMITMENTS AND CONTINGENCIES

DEANZA SANTA CRUZ MOBILE ESTATES

The residents of DeAnza Santa Cruz Mobile Estates, a property located in Santa Cruz, California (the "City") previously brought several actions opposing certain fees and charges in connection with water service at the Property. The trial of the ongoing utility charge dispute with the residents of this Property concluded on January 22, 1999. This summary provides the history and reasoning underlying the Company's defense of the residents' claims and explains the Company's decision to continue to defend its position, which the Company believes is fair and accurate.

DeAnza Santa Cruz Mobile Estates is a 198-site community overlooking the Pacific Ocean. It is subject to the City's rent control ordinance which limits annual rent increases to 75% of CPI. The Company purchased this Property in August 1994 from certain unaffiliated DeAnza entities ("DeAnza"). Prior to the Company's purchase in 1994, DeAnza made the decision to submeter and separately bill tenants at the Property for both water and sewer in 1993 in the face of the City's rapidly rising utility costs.

Under California Civil Code Section 798.41, DeAnza was required to reduce rent by an amount equal to the average cost of usage over the preceding 12

months. This was done. With respect to water, not looking to submit to jurisdiction of the California Public Utility Commission ("CPUC"), DeAnza relied on California Public Utilities Code Section 2705.5 ("CPUC Section 2705.5") to determine what rates would be charged for water on an ongoing basis without becoming a public utility. DeAnza and the Company interpreted the statute as providing that in a submetered mobile home park, the property owner is not subject to regulation and control of the CPUC so long as the users are charged what they would be charged by the utility company if users received their water directly from the utility company. In Santa Cruz, customers receiving their water directly from the city's water utility were charged a certain lifeline rate for the first 400 ccfs of water and a greater rate for usage over 400 ccfs of water, a readiness to serve charge of \$7.80 per month and tax on the total. In reliance on CPUC Section 2705.5, DeAnza implemented its billings on this schedule notwithstanding that it did not receive the discount for the first 400 ccfs of water because it was a commercial and not a residential customer.

A dispute with the residents ensued over the readiness to serve charge and tax thereon. The residents argued that California Civil Code Section 798.41 required that the Property owner could only pass through its actual costs of water (and that the excess charges over the amount of the rent rollback were an improper rent increase) and that CPUC Section 2705.5 was not applicable. DeAnza unbundled the utility charges from rent consistent with California Civil Code Section 798.41 and it has generally been undisputed that the rent rollback was accurately calculated.

In August 1994, when the Company acquired the Property, the Company reviewed the respective legal positions of the Santa Cruz Homeowners Association ("HOA") and DeAnza and concurred with DeAnza. Their reliance on CPUC Section 2705.5 made both legal and practical sense in that residents paid only what they would pay if they lived in a residential neighborhood within the City and permitted DeAnza to recoup part of the expenses of operating a submetered system through the readiness to serve charge.

F-20

53

MANUFACTURED HOME COMMUNITIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 17 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

Over a period of 18 months from 1993 into May of 1995, a series of complaints were filed by the HOA and Herbert Rossman, a resident, against DeAnza, and later, the Company. DeAnza and the Company demurred to each of these complaints on the grounds that the CPUC had exclusive jurisdiction over the setting of water rates and that residents under rent control had to first exhaust their administrative remedies before proceeding in a civil action. At one point, the case was dismissed (with leave to amend) on the basis that jurisdiction was with the CPUC and, at another point, Mr. Rossman was dismissed from the case because he had not exhausted his administrative remedies.

On June 29, 1995, a hearing was held before a Santa Cruz rent control officer on billing and submetering issues related to both water and sewer. The Company and DeAnza prevailed on all issues related to sewer and the rent rollback related to water, but the hearing officer determined that the Company could only pass through its actual cost of water, i.e., a prorated readiness to serve charge and tax thereon. The hearing officer did not deal with the subsidy being given to residents through the quantity charge and ordered a rebate in a fixed amount per resident. The Company and DeAnza requested reconsideration on this issue, among others, which reconsideration was denied by the hearing officer.

The Company then took a writ of mandate (an appeal from an administrative order) to the Superior Court and, pending this appeal, the residents, the Company and the City agreed to stay the effect of the hearing officer's decision until the Court rendered judgment.

In July 1996, the Superior Court affirmed the hearing officer's decision without addressing concerns about the failure to take the subsidy on the quantity charge into account.

The Company requested that the City and the HOA agree to a further stay pending appeal to the court of appeal, but they refused and the appeal court denied the Company's request for a stay in late November 1996. Therefore, on January 1, 1997, the Company reduced its water charges at this Property to reflect a pass-through of only the readiness to serve charge and tax at the master meter (approximately \$0.73) and to eliminate the subsidy on the water charges. On their March 1, 1997 rent billings, residents were credited for amounts previously "overcharged" for readiness to serve charge and tax. The amount of the rebate given by the Company and DeAnza was \$36,400. In calculating the rebate, the Company and DeAnza took into account the previous subsidy on water usage although this issue had not yet been decided by the court of appeal. The Company and DeAnza felt legally safe in so doing based on language in the hearing officer's decision that actual costs could be passed through.

On March 12, 1997, the Company also filed an application with the CPUC to dedicate the water system at this Property to public use and have the CPUC set cost-based rates for water usage. The Company believed it was obligated to take this action because of its consistent reliance on CPUC Section 2705.5 as a safe harbor from CPUC jurisdiction. That is, when the Company could no longer charge for water as the local serving utility would charge, it was no longer exempt from the CPUC's jurisdiction and control under CPUC Section 2705.5.

On March 20, 1997, the court of appeal issued the writ of mandate requested by the Company on the grounds that the hearing officer had improperly calculated the amount of the rebate (meaning the Company had correctly calculated the rent credits), but also ruling that the hearing officer was correct when he found that the readiness to serve charge and tax thereon as charged by DeAnza and the Company were an inappropriate rent increase. The court of appeal further agreed with the Company that the City's hearing officer did not have the authority under California Civil Code Section 798.41 to establish rates that could be charged in the future.

Following this decision, the CPUC granted the Company its certificate of convenience and necessity on December 17, 1998 and approved cost-based rates and charges for water that exceed what residents were paying under the Company's reliance on CPUC Section 2705.5. Concurrently, the CPUC also issued an Order Instituting Investigation ("OII") confirming its exclusive jurisdiction over the issue of water rates in a submetered system and commencing an investigation into the confusion and turmoil over billings in submetered properties. Specifically, the OII states: "The Commission has exclusive and primary jurisdiction over the establishment of rates for water and sewer services provided by private entities."

Specifically, the CPUC ruling regarding the Company's application stated: "The ultimate question of what fees and charges may or may not be assessed, beyond external supplier pass-through charges, for in-park facilities when a mobile home park does not adhere to the provisions of CPUC Section 2705.5, must be decided by the Commission."

F-21

54

MANUFACTURED HOME COMMUNITIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 17 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

After the court of appeal decision, the HOA brought all of its members back into the underlying civil action for the purpose of determining damages, including punitive damages, against the Company. The trial was continued from July 1998 to January 1999 to give the CPUC time to act on the Company's application. Notwithstanding the action taken by the CPUC in issuing the OII in December 1998, the trial court denied the Company's motion to dismiss on

jurisdictional grounds and trial commenced before a jury on January 11, 1999.

Not only did the trial court not consider the Company's motion to dismiss, the trial court refused to allow evidence of the OII or the Company's CPUC approval to go before the jury. Notwithstanding the Company's strenuous objections, the judge also allowed evidence of the Company's and DeAnza's litigation tactics to be used as evidence of bad faith and oppressive actions (including evidence of the application to the CPUC requesting a \$22.00 readiness to serve charge). The Company's motion for a mistrial based upon these evidentiary rulings was denied. On January 22, 1999, the jury returned a verdict awarding \$6.0 million of punitive damages against the Company and DeAnza. The Company had previously agreed to indemnify DeAnza on the matter.

The Company has bonded the judgment pending appeal in accordance with California procedural rules, which require a bond equal to 150% of the amount of the judgment. Post-judgment interest will accrue at the statutory rate of 10.0% per annum.

On April 19, 1999, the trial court denied all of the Company's and DeAnza's post-trial motions for judgement notwithstanding the verdict, new trial and remittitur. The trial court also awarded \$700,000 of attorneys' fees to plaintiffs. The Company has appealed the jury verdict and attorneys' fees award (which also accrues interest at the statutory rate of 10.0% per annum) and the appeal has been fully briefed by both parties. The Company is awaiting notice of scheduling of oral argument on the appeal.

In two related appeals, the Company had argued that the trial court's ability to enter an award of attorneys' fees in favor of the HOA and to take certain other actions was preempted by the exercise of exclusive jurisdiction by the CPUC over the issue of how to set rates for water in a submetered mobile home park. During 2000, the California court of appeal rejected the Company's preemption argument with respect to these prior rulings in favor of plaintiffs, one of which had awarded plaintiffs approximately \$100,000 of attorneys' fees. The California Supreme Court declined to accept the case for review and the Company paid the judgment, including post-judgment interest thereon, and settled the matter for approximately \$200,000 late in 2000.

The jury verdict appeal also raises a similar jurisdictional argument as well as several other arguments for reversal or reduction of the punitive damage award or for a new trial. An important distinction between the appellate ruling in 2000 and the preemption issue as it is presented on appeal in the jury verdict case is that the preemption argument rejected was "retroactive" while the preemption issue remaining on appeal is prospective. One of the other arguments raised by the Company in the jury verdict appeal is that punitive damages are not available in a case brought under Section 798.41 of the California Mobilehome Residency Law ("MRL") since the MRL contains its own penalty provisions. Although no assurances can be given, the Company believes the appeal will be successful.

Subsequently, in December 2000 the HOA and certain individual residents of the Property filed a complaint in the Superior Court of California, County of Santa Cruz (No. CV 139825) against the Company, certain affiliates of the Company and certain employees of the Company. The new lawsuit seeks damages, including punitive damages, for intentional infliction of emotional distress, unfair business practices, and unlawful retaliation purportedly arising from allegedly retaliatory rent increases which were noticed by the Company to certain residents in September 2000. The Company believes that the residents who received rent increase notices with respect to rent increases above those permitted by the local rent control ordinance were not covered by the ordinance either because they did not comply with the provisions of the ordinance or because they are exempted by state law. On December 29, 2000, the Superior Court of California, County of Santa Cruz enjoined such rent increases. The Company intends to vigorously defend the matter, which may go to trial in the summer of 2001.

MANUFACTURED HOME COMMUNITIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 17 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

ELLENBURG COMMUNITIES

The Company and certain other parties entered into a settlement agreement, which was approved by the court in April 2000. The settlement resolved substantially all of the litigation and appeals involving the Ellenburg Properties, and transactions arising out of the settlement closed on May 22, 2000 (see Note 5).

In connection with the Ellenburg Acquisition, on September 8, 1999, Ellenburg Fund 20 ("Fund 20") filed a cross complaint in the Ellenburg dissolution proceeding against the Company and certain of its affiliates alleging causes of action for fraud and other claims in connection with the Ellenburg acquisition. The Company subsequently successfully had the cross complaint against the Company and its affiliates dismissed with prejudice by the California Superior Court. However, Fund 20 has appealed. This appeal was not resolved by the Settlement. The Company believes Fund 20's allegations are without merit and will vigorously defend itself.

CANDLELIGHT PROPERTIES, L.L.C

In 1996, 1997 and 1998, the Lending Partnership made loans to Candlelight Properties, L.L.C. ("Borrower") in the aggregate principal amount of \$8,050,000 (collectively, the "Loan". The Loan is secured by a mortgage on Candlelight Village ("Candlelight"), a Property in Columbus, Indiana, and is guaranteed by Ronald E. Farren ("Farren"), the 99% owner of Borrower. The Company accounts for the Loan as an investment in real estate and, accordingly, Candlelight's results of operations are consolidated with the Company's for financial reporting purposes. Concurrently with the funding of the Loan, Borrower granted the Operating Partnership the option to acquire Candlelight upon the maturity of the Loan. The Operating Partnership notified Borrower that it was exercising its option to acquire Candlelight in March 1999, and the Loan subsequently matured on May 3, 1999. However, Borrower failed to repay the Loan and refused to convey Candlelight to the Operating Partnership.

Borrower filed suit in the Circuit Court of Bartholomew County, Indiana ("Court") on May 5, 1999, seeking declaratory judgment on the validity of the exercise of the option. The Lending Partnership filed suit in the Court the next day, seeking to foreclose its mortgage, and the suits were consolidated (collectively, the "State Court Litigation") by the Court. The Court issued an Order on December 1, 1999, finding, among other things, that the Operating Partnership had validly exercised the option. Both parties filed motions to correct errors in the Order, and on May 15, 2000, the Court issued judgments against Borrower and Farren and in favor of the Operating Partnership in the option case and the Lending Partnership in the foreclosure case. Borrower and Farren appealed both judgments, and the Court has stayed the judgments pending such appeals. The Operating Partnership and the Lending Partnership intend to continue vigorously pursuing this matter and believe that, while no assurance can be given, such efforts will be successful.

On May 3, 2000, Hanover Group, Inc. ("Hanover") and Farren filed suit against the Company and certain executive and senior officers of the Company in the United States District Court for Southern District of Indiana, Indianapolis Division. The complaint alleges violations of securities laws and fraud arising from the loan transaction being litigated in the State Court Litigation and seeks damages, including treble damages. The Company believes that the complaint is related to rulings made by the Court and is without merit. The Company has filed a motion for judgment on the pleadings (which has been fully briefed), and will continue to vigorously defend itself and the officers of the Company.

On May 24, 2000, Hanover and Farren filed suit against the Operating Partnership in the Superior Court of Marion County, Indiana. The complaint seeks declaratory relief and specific performance with respect to the Operating Partnership's

alleged obligation to reconvey to Hanover the Operating Partnership's 1% ownership interest in Borrower. The Company believes that the complaint is related to rulings made by the Court and is without merit. The parties have agreed to a stay in this proceeding pending the outcome of the appeals in the State Court Litigation.

The Company is involved in various other legal proceedings arising in the ordinary course of business. Management believes that all proceedings herein described or referred to, taken together, are not expected to have a material adverse impact on the Company.

F-23

56

MANUFACTURED HOME COMMUNITIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 18 - SUBSEQUENT EVENTS

On January 3, 2001, the Company acquired two Florida communities, totaling 729 sites, for an aggregate purchase price of approximately \$16.3 million. Golden Lakes is a 421-site community in Plant City, near Tampa, Florida and includes approximately 23 acres for expansion. Chain O' Lakes is a 308-site community in Grand Island, near Orlando, Florida, and includes a marina with 50 boat docks.

On February 13, 2001, the Company closed the sale of seven communities, totaling 1,282 sites, in Kansas, Missouri and Oklahoma for a total sale price of approximately \$19.1 million.

F-24

57

MANUFACTURED HOME COMMUNITIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 19 - QUARTERLY FINANCIAL DATA (UNAUDITED)

The following is unaudited quarterly data for 2000, 1999 and 1998 (amounts in thousands, except for per share amounts):

2000 ----	FIRST QUARTER 3/31 ----	SECOND QUARTER 6/30 ----	THIRD QUARTER 9/30 ----	FOURTH QUARTER 12/31 ----
Total Revenues.....	\$57,148	\$54,271	\$53,875	\$55,384
Income before allocation to Minority Interests and extraordinary loss on early extinguishment of debt.....	\$10,743	\$21,547	\$9,715	\$10,696
Net income available to common shareholders.....	\$6,331	\$13,921	\$5,451	\$6,244
Weighted average Common Shares outstanding - Basic.....	22,297	21,871	21,166	20,559
Weighted average Common Shares outstanding - Diluted.....	28,242	27,809	27,077	26,520
Net income per Common Share outstanding - Basic.....	\$0.28	\$0.64	\$0.26	\$0.30
Net income per Common Share outstanding - Diluted.....	\$0.28	\$0.63	\$0.25	\$0.30

1999 ----	FIRST QUARTER 3/31 ----	SECOND QUARTER 6/30 ----	THIRD QUARTER 9/30 ----	FOURTH QUARTER 12/31 ----
Total Revenues.....	\$54,390	\$52,446	\$53,537	\$54,654
Income before allocation to Minority Interests.....	\$10,078	\$8,477	\$8,417	\$7,056
Net income available to common shareholders.....	\$8,234	\$6,968	\$6,877	\$5,693
Weighted average Common Shares outstanding - Basic.....	26,157	25,773	25,613	23,381
Weighted average Common Shares outstanding - Diluted.....	32,340	31,829	31,586	29,281
Net income per Common Share outstanding - Basic.....	\$0.31	\$0.27	\$0.27	\$0.24
Net income per Common Share outstanding - Diluted.....	\$0.31	\$0.27	\$0.27	\$0.24

1998 ----	FIRST QUARTER 3/31 ----	SECOND QUARTER 6/30 ----	THIRD QUARTER 9/30 ----	FOURTH QUARTER 12/31 ----
Total Revenues.....	\$44,872	\$47,894	\$50,809	\$51,254
Income before allocation to Minority Interests.....	\$9,586	\$9,066	\$8,440	\$8,570
Net income available to common shareholders.....	\$7,765	\$7,343	\$6,837	\$6,984
Weighted average Common Shares outstanding - Basic.....	24,805	25,659	25,988	26,033
Weighted average Common Shares outstanding - Diluted.....	31,095	32,095	32,339	32,382
Net income per Common Share outstanding - Basic.....	\$0.31	\$0.29	\$0.26	\$0.27
Net income per Common Share outstanding - Diluted.....	\$0.31	\$0.28	\$0.26	\$0.26

F-25

58

SCHEDULE II
MANUFACTURED HOME COMMUNITIES, INC.
VALUATION AND QUALIFYING ACCOUNTS
DECEMBER 31, 2000

	BALANCE AT BEGINNING OF PERIOD -----	ADDITIONS ----- CHARGED TO INCOME -----	CHARGED TO OTHER ACCOUNTS -----	DEDUCTIONS (1) -----	BALANCE AT END OF PERIOD -----
For the year ended December 31, 1998:					
Allowance for doubtful accounts.....	\$250,000	\$167,774	\$ --	(\$167,774)	\$250,000
For the year ended December 31, 1999:					
Allowance for doubtful accounts.....	\$250,000	\$413,573	\$ --	(\$363,573)	\$300,000
For the year ended December 31, 2000:					
Allowance for doubtful accounts.....	\$300,000	\$322,574	\$ --	(\$322,574)	\$300,000

(1) Deductions represent tenant receivables deemed uncollectible.

S-1

59

SCHEDULE III
MANUFACTURED HOME COMMUNITIES, INC.
REAL ESTATE AND ACCUMULATED DEPRECIATION
DECEMBER 31, 2000
(AMOUNTS IN THOUSANDS)

Real Estate -----	Location -----	Encumbrances -----	Initial Cost to Company ----- Land -----	Depreciable Property -----	Costs Capitalized Subsequent to Acquisition (Improvements) ----- Land -----	Depreciable Property -----
Apollo Village	Phoenix AZ	0	932	3,219	0	363
Brentwood Manor	Mesa AZ	4,701	1,998	6,024	0	240
Carefree Manor	Phoenix AZ	0	706	3,040	0	85
Casa del Sol #1	Peoria AZ	6,783	2,215	6,467	0	193
Casa del Sol #2	Glendale AZ	6,917	2,104	6,283	0	133
Casa del Sol #3	Glendale AZ	0	2,450	7,452	0	67
Central Park	Phoenix AZ	7,182	1,612	3,784	0	387
Desert Skies	Phoenix AZ	0	792	3,126	0	42
Fairview Manor	Tucson AZ	0	1,674	5,100	0	426
Hacienda De Valencia	Mesa AZ	8,417	833	2,701	0	753
Palm Shadows	Glendale AZ	3,208	1,400	4,218	0	288
Sedona Shadows	Sedona AZ	2,666	1,096	3,431	0	180
Sunrise Heights	Phoenix AZ	0	1,000	3,016	0	235
The Mark	Mesa AZ	0	1,354	4,660	6	615
The Meadows	Tempe AZ	9,256	2,613	7,887	0	388
Whispering Palms	Phoenix AZ	0	670	2,141	0	60
California Hawaiian	San Jose CA	17,968	5,825	17,755	0	776
Colony Park	Ceres CA	0	890	2,837	0	42

Concord Cascade	Pacheco	CA	10,377	985	3,016	0	540
Contempo Marin	San Rafael	CA	16,142	4,788	16,379	0	1,353
Coralwood	Modesto	CA	0	0	5,047	0	110
Date Palm Country Club	Cathedral City	CA	15,717	4,138	14,064	(23)	1,316
Four Seasons	Fresno	CA	0	756	2,348	0	90
Laguna Lake	San Luis Obispo	CA	5,669	2,845	6,520	0	49
Lamplighter	Spring Valley	CA	9,389	633	2,201	0	436
Meadowbrook	Santee	CA	0	4,345	13,139	0	232
Monte del Lago	Castroville	CA	8,300	3,150	9,469	0	484
Quail Meadows	Riverbank	CA	0	1,155	3,469	0	137
Nicholson Plaza	San Jose	CA	0	0	4,512	0	(3)
Rancho Mesa	El Cajon	CA	0	2,130	6,389	0	39
Rancho Valley	El Cajon	CA	4,643	685	1,902	0	367
Royal Holiday	Hemet	CA	0	778	2,643	0	140
Royal Oaks	Visalia	CA	0	602	1,921	0	88
DeAnza Santa Cruz	Santa Cruz	CA	5,629	2,103	7,201	0	(418)
Santiago Estates	Sylmar	CA	0	3,562	10,767	0	146
Sea Oaks	Los Osos	CA	0	871	2,703	0	105

Gross Amount Carried
at Close of
Period 12/31/00

Real Estate	Location		Land	Depreciable Property	Total	Accumulated Depreciation	Date of Acquisition
-----	-----		----	-----	-----	-----	-----
Apollo Village	Phoenix	AZ	932	3,582	4,514	(749)	1994
Brentwood Manor	Mesa	AZ	1,998	6,264	8,262	(1,626)	1993
Carefree Manor	Phoenix	AZ	706	3,125	3,831	(312)	1998
Casa del Sol #1	Peoria	AZ	2,215	6,660	8,875	(741)	1996
Casa del Sol #2	Glendale	AZ	2,104	6,416	8,520	(696)	1996
Casa del Sol #3	Glendale	AZ	2,450	7,519	9,969	(649)	1998
Central Park	Phoenix	AZ	1,612	4,171	5,783	(2,281)	1983
Desert Skies	Phoenix	AZ	792	3,168	3,960	(310)	1998
Fairview Manor	Tucson	AZ	1,674	5,526	7,200	(519)	1998
Hacienda De Valencia	Mesa	AZ	833	3,454	4,287	(1,787)	1984
Palm Shadows	Glendale	AZ	1,400	4,506	5,906	(1,155)	1993
Sedona Shadows	Sedona	AZ	1,096	3,611	4,707	(415)	1997
Sunrise Heights	Phoenix	AZ	1,000	3,251	4,251	(744)	1994
The Mark	Mesa	AZ	1,360	5,275	6,635	(1,086)	1994
The Meadows	Tempe	AZ	2,613	8,275	10,888	(1,911)	1994
Whispering Palms	Phoenix	AZ	670	2,201	2,871	(218)	1998
California Hawaiian	San Jose	CA	5,825	18,531	24,356	(2,254)	1997
Colony Park	Ceres	CA	890	2,879	3,769	(277)	1998
Concord Cascade	Pacheco	CA	985	3,556	4,541	(1,878)	1983
Contempo Marin	San Rafael	CA	4,788	17,732	22,520	(3,668)	1994
Coralwood	Modesto	CA	0	5,157	5,157	(577)	1997
Date Palm Country Club	Cathedral City	CA	4,115	15,380	19,495	(3,191)	1994
Four Seasons	Fresno	CA	756	2,438	3,194	(278)	1997
Laguna Lake	San Luis Obispo	CA	2,845	6,569	9,414	(762)	1998
Lamplighter	Spring Valley	CA	633	2,637	3,270	(1,403)	1983
Meadowbrook	Santee	CA	4,345	13,371	17,716	(1,217)	1998
Monte del Lago	Castroville	CA	3,150	9,953	13,103	(1,113)	1997
Quail Meadows	Riverbank	CA	1,155	3,606	4,761	(329)	1998
Nicholson Plaza	San Jose	CA	0	4,509	4,509	(504)	1997
Rancho Mesa	El Cajon	CA	2,130	6,428	8,558	(600)	1998
Rancho Valley	El Cajon	CA	685	2,269	2,954	(1,231)	1983
Royal Holiday	Hemet	CA	778	2,783	3,561	58	1998
Royal Oaks	Visalia	CA	602	2,009	2,611	(223)	1997
DeAnza Santa Cruz	Santa Cruz	CA	2,103	6,783	8,886	(1,402)	1994
Santiago Estates	Sylmar	CA	3,562	10,913	14,475	(867)	1998
Sea Oaks	Los Osos	CA	871	2,808	3,679	(310)	1997

S-2

60

SCHEDULE III
MANUFACTURED HOME COMMUNITIES, INC.
REAL ESTATE AND ACCUMULATED DEPRECIATION
DECEMBER 31, 2000
(AMOUNTS IN THOUSANDS)

					Costs		
					Capitalized Subsequent to Acquisition (Improvements)		

				Initial Cost to Company			
				-----	-----		
Real Estate	Location	Encumbrances	Land	Depreciable Property	Land	Depreciable Property	
-----	-----	-----	----	-----	----	-----	
Sunshadow	San Jose	CA	0	0	5,707	0	73
Westwinds (4 properties)	San Jose	CA	0	0	17,616	0	3,946
Bear Creek	Sheridan	CO	0	1,100	3,359	0	69
Cimarron	Broomfield	CO	8,083	863	2,790	0	410

Golden Terrace	Golden	CO	8,038	826	2,415	0	306
Golden Terrace South	Golden	CO	2,400	750	2,265	0	341
Golden Terrace West	Golden	CO	9,733	1,694	5,065	0	723
Hillcrest Village	Aurora	CO	15,470	1,912	5,202	289	1,744
Holiday Hills	Denver	CO	19,429	2,159	7,780	0	2,695
Holiday Village CO	Co. Springs	CO	6,261	567	1,759	0	425
Pueblo Grande	Pueblo	CO	3,475	241	1,069	0	287
Woodland Hills	Denver	CO	0	1,928	4,408	0	2,060
Aspen	Rehoboth	DE	0	1,148	3,460	0	114
Camelot Acres	Rehoboth	DE	7,000	1,778	5,423	0	218
Mariners Cove	Millsboro	DE	0	990	2,971	0	2,738
McNicol	Rehoboth	DE	0	563	1,710	0	37
Sweetbriar	Rehoboth	DE	0	498	1,527	0	95
Waterford	Bear	DE	0	5,250	16,202	0	271
Whispering Pines	Lewes	DE	0	1,536	4,609	0	638
Arrowhead	Lantana	FL	0	5,325	15,420	0	535
Bay Indies	Venice	FL	23,000	10,483	3,390	0	29,290
Bay Lake Estates	Nokomis	FL	4,691	990	3,304	0	(24)
Buccaneer	N. Ft. Myers	FL	19,702	4,207	14,410	0	668
Bulow Village	Flagler Beach	FL	1,220	3,637	949	0	3,266
Carriage Cove	Daytona Beach	FL	8,281	2,914	8,682	0	218
Colonies of Margate	Margate	FL	16,887	5,890	20,211	0	781
Coquina	St Augustine	FL	0	5,286	5,545	0	1,611
Country Meadows	Plant City	FL	0	4,514	13,542	0	575
Country Place	New Port Richey	FL	4,006	663	0	18	5,992
Country Side North	Vero Beach	FL	0	3,711	11,133	0	608
East Bay Oaks	Largo	FL	6,671	1,240	3,322	0	314
Eldorado Village	Largo	FL	4,574	778	0	0	2,607
Heritage Village	Vero Beach	FL	0	2,403	7,259	0	248
Hillcrest	Clearwater	FL	0	1,278	3,928	0	148
Holiday Ranch	Largo	FL	0	925	2,866	0	90
Holiday Village FL	Vero Beach	FL	0	350	1,374	0	88

Gross Amount Carried
at Close of
Period 12/31/00

Real Estate	Location		Land	Depreciable Property	Total	Accumulated Depreciation	Date of Acquisition
-----	-----		----	-----	-----	-----	-----
Sunshadow	San Jose	CA	0	5,780	5,780	(646)	1997
Westwinds (4 properties)	San Jose	CA	0	21,562	21,562	(2,142)	1997
Bear Creek	Sheridan	CO	1,100	3,428	4,528	(338)	1998
Cimarron	Broomfield	CO	863	3,200	4,063	(1,739)	1983
Golden Terrace	Golden	CO	826	2,721	3,547	(1,406)	1983
Golden Terrace South	Golden	CO	750	2,606	3,356	(301)	1997
Golden Terrace West	Golden	CO	1,694	5,788	7,482	(2,565)	1986
Hillcrest Village	Aurora	CO	2,201	6,946	9,147	(3,593)	1983
Holiday Hills	Denver	CO	2,159	10,475	12,634	(5,240)	1983
Holiday Village CO	Co. Springs	CO	567	2,184	2,751	(1,170)	1983
Pueblo Grande	Pueblo	CO	241	1,356	1,597	(724)	1983
Woodland Hills	Denver	CO	1,928	6,468	8,396	(1,517)	1994
Aspen	Rehoboth	DE	1,148	3,574	4,722	(366)	1998
Camelot Acres	Rehoboth	DE	527	2,569	3,096	(1,346)	1983
Mariners Cove	Millsboro	DE	990	5,709	6,699	(1,821)	1987
McNicol	Rehoboth	DE	563	1,747	2,310	(173)	1998
Sweetbriar	Rehoboth	DE	498	1,622	2,120	(154)	1998
Waterford	Bear	DE	5,250	16,473	21,723	(1,617)	1996
Whispering Pines	Lewes	DE	1,536	5,247	6,783	(2,034)	1998
Arrowhead	Lantana	FL	5,325	15,955	21,280	(1,724)	1997
Bay Indies	Venice	FL	10,483	32,680	43,163	(7,502)	1994
Bay Lake Estates	Nokomis	FL	990	3,280	4,270	(819)	1994
Buccaneer	N. Ft. Myers	FL	4,207	15,078	19,285	(3,181)	1994
Bulow Village	Flagler Beach	FL	3,637	4,215	7,852	(606)	1994
Carriage Cove	Daytona Beach	FL	2,914	8,900	11,814	(889)	1998
Colonies of Margate	Margate	FL	5,890	20,992	26,882	(4,450)	1994
Coquina	St Augustine	FL	5,286	7,156	12,442	(181)	1999
Country Meadows	Plant City	FL	4,514	14,117	18,631	(1,434)	1998
Country Place	New Port Richey	FL	681	5,992	6,673	(1,737)	1986
Country Side North	Vero Beach	FL	3,711	11,741	15,452	(1,180)	1998
East Bay Oaks	Largo	FL	1,240	3,636	4,876	(2,018)	1983
Eldorado Village	Largo	FL	778	2,607	3,385	(1,443)	1983
Heritage Village	Vero Beach	FL	2,403	7,507	9,910	(1,677)	1994
Hillcrest	Clearwater	FL	1,278	4,076	5,354	(395)	1998
Holiday Ranch	Largo	FL	925	2,956	3,881	(291)	1998
Holiday Village FL	Vero Beach	FL	350	1,462	1,812	(99)	1998

S-3

SCHEDULE III
MANUFACTURED HOME COMMUNITIES, INC.
REAL ESTATE AND ACCUMULATED DEPRECIATION
DECEMBER 31, 2000
(AMOUNTS IN THOUSANDS)

Costs
Capitalized

Real Estate -----	Location -----	Encumbrances -----	Initial Cost to Company -----		Subsequent to Acquisition (Improvements) -----		
			Land ----	Depreciable Property -----	Land ----	Depreciable Property -----	
Indian Oaks	Rockledge	FL	1,658	1,089	3,376	0	536
Lake Fairways	N. Ft. Myers	FL	0	6,075	18,134	0	480
Lake Haven	Dunedin	FL	8,068	1,135	4,047	0	482
Lakewood Village	Melbourne	FL	0	1,863	5,627	0	263
Landings	Port Orange	FL	0	2,446	7,483	0	294
Mid-Florida Lakes	Leesburg	FL	25,330	5,997	20,635	0	2,184
Oak Bend	Ocala	FL	0	850	2,572	0	466
Pickwick	Port Orange	FL	6,374	2,803	8,497	0	173
Pine Lakes	N. Ft. Myers	FL	0	6,306	14,579	0	4,636
Sherwood Forest	Kissimmee	FL	10,012	4,852	14,596	0	1,852
Sherwood Forest RV Park	Kissimmee	FL	0	2,870	3,621	568	347
Southern Palms	Eustis	FL	0	2,169	6,492	0	325
Spanish Oaks	Ocala	FL	7,570	2,250	6,922	0	394
Sunset Oaks	Plant City	FL	0	1,111	2,513	(340)	120
The Heritage	N. Ft. Myers	FL	0	1,438	4,371	249	1,838
The Meadows, FL	Palm Beach Gardens	FL	6,246	3,229	9,870	0	(69)
Windmill Manor	Bradenton	FL	4,285	2,153	6,842	0	126
Windmill Village - Ft. Myers	N. Ft. Myers	FL	9,402	1,417	5,440	0	827
Windmill Village North	Sarasota	FL	9,065	1,523	5,063	0	462
Windmill Village South	Sarasota	FL	5,561	1,106	3,162	0	223
Five Seasons	Cedar Rapids	IA	0	1,053	3,436	0	421
Holiday Village, IA	Sioux City	IA	0	313	3,744	0	319
Golf Vistas	Monee	IL	0	2,843	4,719	0	2,476
Willow Lake Estates	Elgin	IL	21,578	6,138	21,033	0	1,405
Burns Harbor Estates	Chesterton	IN	0	916	2,909	0	1,363
Candlelight Village	Columbus	IN	0	1,513	4,538	250	1,949
Oak Tree Village	Portage	IN	6,089	0	0	569	3,400
Windsong	Indianapolis	IN	0	1,482	4,480	0	104
Bonner Springs	Bonner Springs	KS	0	343	1,041	0	200
Carriage Park	Kansas City	KS	0	309	938	0	418
Quivira Hills	Kansas City	KS	0	376	1,139	0	184
Pheasant Ridge	Mt. Airy	MD	0	376	1,779	0	181
Creekside	Wyoming	MI	0	1,109	3,416	0	163
Camelot	Burnsville	MN	0	527	2,058	0	511
Briarwood	Brookline	MO	0	423	1,282	0	189
Dellwood Estates	Warrensburg	MO	0	300	912	0	110

Gross Amount Carried
at Close of
Period 12/31/00

Real Estate -----	Location -----		Depreciable Property -----		Total -----	Accumulated Depreciation -----	Date of Acquisition -----
			Land ----	Property -----			
Indian Oaks	Rockledge	FL	1,089	3,912	5,001	(375)	1998
Lake Fairways	N. Ft. Myers	FL	6,075	18,614	24,689	(3,852)	1994
Lake Haven	Dunedin	FL	1,135	4,529	5,664	(2,470)	1983
Lakewood Village	Melbourne	FL	1,863	5,890	7,753	(1,320)	1994
Landings	Port Orange	FL	2,446	7,777	10,223	(788)	1998
Mid-Florida Lakes	Leesburg	FL	5,997	22,819	28,816	(4,677)	1994
Oak Bend	Ocala	FL	850	3,038	3,888	(731)	1993
Pickwick	Port Orange	FL	2,803	8,670	11,473	(860)	1998
Pine Lakes	N. Ft. Myers	FL	6,306	19,215	25,521	(3,839)	1994
Sherwood Forest	Kissimmee	FL	4,852	16,448	21,300	(1,462)	1998
Sherwood Forest RV Park	Kissimmee	FL	3,438	3,968	7,406	(342)	1998
Southern Palms	Eustis	FL	2,169	6,817	8,986	(406)	1998
Spanish Oaks	Ocala	FL	2,250	7,316	9,566	(1,734)	1993
Sunset Oaks	Plant City	FL	771	2,633	3,404	(194)	1998
The Heritage	N. Ft. Myers	FL	1,687	6,209	7,896	(1,415)	1993
The Meadows, FL	Palm Beach Gardens	FL	3,229	9,801	13,030	(477)	1999
Windmill Manor	Bradenton	FL	2,153	6,968	9,121	(694)	1998
Windmill Village - Ft. Myers	N. Ft. Myers	FL	1,417	6,267	7,684	(3,319)	1983
Windmill Village North	Sarasota	FL	1,523	5,525	7,048	(3,025)	1983
Windmill Village South	Sarasota	FL	1,106	3,385	4,491	(1,900)	1983
Five Seasons	Cedar Rapids	IA	1,053	3,857	4,910	(412)	1998
Holiday Village, IA	Sioux City	IA	313	4,063	4,376	(1,914)	1986
Golf Vistas	Monee	IL	2,843	7,195	10,038	(642)	1997
Willow Lake Estates	Elgin	IL	6,138	22,438	28,576	(4,621)	1994
Burns Harbor Estates	Chesterton	IN	916	4,272	5,188	(1,015)	1993
Candlelight Village	Columbus	IN	1,763	6,487	8,250	(661)	1996
Oak Tree Village	Portage	IN	569	3,400	3,969	(1,092)	1987
Windsong	Indianapolis	IN	1,482	4,584	6,066	(401)	1998
Bonner Springs	Bonner Springs	KS	343	1,241	1,584	(448)	1989
Carriage Park	Kansas City	KS	309	1,356	1,665	(507)	1989
Quivira Hills	Kansas City	KS	376	1,323	1,699	(480)	1989
Pheasant Ridge	Mt. Airy	MD	376	1,960	2,336	(1,150)	1988
Creekside	Wyoming	MI	1,109	3,579	4,688	(351)	1998
Camelot	Burnsville	MN	1,778	5,641	7,419	(564)	1998
Briarwood	Brookline	MO	423	1,471	1,894	(545)	1989
Dellwood Estates	Warrensburg	MO	300	1,022	1,322	(378)	1989

SCHEDULE III
MANUFACTURED HOME COMMUNITIES, INC.
REAL ESTATE AND ACCUMULATED DEPRECIATION
DECEMBER 31, 2000
(AMOUNTS IN THOUSANDS)

Real Estate -----	Location -----	Encumbrances -----	Land -----	Initial Cost to	Costs		
				Company -----	Capitalized		
					Subsequent to Acquisition (Improvements) -----		
				Depreciable Property -----	Depreciable Property -----		
North Star	Kansas City	MO	451	1,365	0	263	
Casa Village	Billings	MT	8,037	1,011	181	1,654	
Del Rey	Albuquerque	NM	0	1,926	0	534	
Bonanza	Las Vegas	NV	9,984	908	0	542	
Boulder Cascade	Las Vegas	NV	8,027	2,995	0	399	
Cabana	Las Vegas	NV	0	2,648	0	136	
Flamingo West	Las Vegas	NV	0	1,730	0	585	
Villa Borega	Las Vegas	NV	7,598	2,896	0	124	
Brook Gardens	Lackawanna	NY	0	3,828	0	311	
Greenwood	Manorville	NY	0	3,667	0	539	
Rockwood	Tulsa	OK	0	645	0	290	
Falcon Wood Village	Eugene	OR	7	1,112	0	63	
Quail Hollow	Fairview	OR	0	0	0	69	
Shadowbrook	Clackamas	OR	0	1,197	0	68	
Green Acres	Breinigsville	PA	16,007	2,680	0	1,992	
Fun n Sun RV Park	San Benito	TX	0	2,533	0	567	
All Seasons	Salt Lake City	UT	0	510	0	112	
Westwood Village	Farr West	UT	0	1,346	0	845	
Meadows of Chantilly	Chantilly	VA	0	5,430	0	1,321	
Kloshe Illahee	Federal Way	WA	6,580	2,408	0	49	
Independence Hill	Morgantown	WV	0	299	0	198	
College Heights Consolidated	(18 properties)	Various	66,484	17,045	0	523	
Management Business	Chicago	IL	0	0	0	6,703	
			-----	-----	-----	-----	
			\$555,847	\$270,055	\$824,426	\$1,767	\$121,928

Gross Amount Carried
at Close of
Period 12/31/00

Real Estate -----	Location -----		Land ----	Depreciable Property -----	Total -----	Accumulated Depreciation -----	Date of Acquisition -----
North Star	Kansas City	MO	451	1,628	2,079	(601)	1989
Casa Village	Billings	MT	1,192	4,763	5,955	(2,173)	1983
Del Rey	Albuquerque	NM	1,926	6,334	8,260	(1,646)	1993
Bonanza	Las Vegas	NV	908	3,185	4,093	(1,668)	1983
Boulder Cascade	Las Vegas	NV	2,995	9,419	12,414	(846)	1998
Cabana	Las Vegas	NV	2,648	8,125	10,773	(1,791)	1994
Flamingo West	Las Vegas	NV	1,730	5,851	7,581	(1,207)	1994
Villa Borega	Las Vegas	NV	2,896	8,898	11,794	(1,006)	1997
Brook Gardens	Lackawanna	NY	3,828	11,356	15,184	(1,169)	1998
Greenwood	Manorville	NY	3,667	11,900	15,567	(1,130)	1998
Rockwood	Tulsa	OK	645	1,912	2,557	(1,022)	1983
Falcon Wood Village	Eugene	OR	1,112	3,489	4,601	(389)	1997
Quail Hollow	Fairview	OR	0	3,318	3,318	(372)	1997
Shadowbrook	Clackamas	OR	1,197	3,761	4,958	(438)	1997
Green Acres	Breinigsville	PA	2,680	9,471	12,151	(3,673)	1988
Fun n Sun RV Park	San Benito	TX	2,533	8,139	10,672	(841)	1998
All Seasons	Salt Lake City	UT	510	1,735	2,245	(204)	1997
Westwood Village	Farr West	UT	1,346	5,024	6,370	(547)	1997
Meadows of Chantilly	Chantilly	VA	5,430	17,761	23,191	(4,045)	1994
Kloshe Illahee	Federal Way	WA	2,408	7,335	9,743	(821)	1997
Independence Hill	Morgantown	WV	299	1,096	1,395	(403)	1990
College Heights Consolidated	(18 properties)	Various	17,045	71,905	88,950	(5,904)	1998
Management Business	Chicago	IL	0	7,139	7,139	(4,880)	
			-----	-----	-----	-----	
			\$271,822	\$946,354	\$1,218,176	(\$181,580)	
			-----	-----	-----	-----	

NOTES:

- (1) For depreciable property, the Company uses a 30-year estimated life for buildings acquired and structural and land improvements, a ten-to-fifteen year estimated life for building upgrades and a three-to-seven year estimated life for furniture and fixtures.

- (2) The schedule excludes five Properties in which the Company has a non-controlling joint venture interest and accounts for using the equity method of accounting.
- (3) The balance of furniture and fixtures included in the total amounts was approximately \$12.2 million as of December 31, 2000.
- (4) The aggregate cost of land and depreciable property for Federal income tax purposes was approximately \$1.1 billion, as of December 31, 2000.
- (5) All Properties were acquired, except for Country Place Village, which was constructed.

S-5

63

SCHEDULE III
MANUFACTURED HOME COMMUNITIES, INC.
REAL ESTATE AND ACCUMULATED DEPRECIATION
DECEMBER 31, 2000
(AMOUNTS IN THOUSANDS)

The changes in total real estate for the years ended December 31, 2000, 1999 and 1998 were as follows:

	2000 ----	1999 ----	1998 ----
Balance, beginning of year	\$ 1,264,343	\$ 1,237,431	\$ 936,318
Acquisitions (1)	(4,581)	12,496	286,880
Improvements	16,261	16,700	14,566
Dispositions (2) and other ..	(57,847)	(2,284)	(333)
	-----	-----	-----
Balance, end of year	\$ 1,218,176 =====	\$ 1,264,343 =====	\$ 1,237,431 =====

- (1) Acquisitions for the year ended December 31, 2000 include return of escrow proceeds.
- (2) Dispositions includes the non-cash assumption of \$19.0 million of debt by the purchaser of a Property.

The changes in accumulated depreciation for the years ended December 31, 2000, 1999 and 1998 were as follows:

	2000 ----	1999 ----	1998 ----
Balance, beginning of year ..	\$ 150,757	\$ 118,021	\$ 89,208
Depreciation expense	35,548	35,020	29,146
Dispositions and other ..	(4,725)	(2,284)	(333)
	-----	-----	-----
Balance, end of year	\$ 181,580 =====	\$ 150,757 =====	\$ 118,021 =====

S-6

EXHIBIT 10.35

SECOND AMENDMENT TO SECOND
AMENDED AND RESTATED CREDIT AGREEMENT

THIS SECOND AMENDMENT TO SECOND AMENDED AND RESTATED CREDIT AGREEMENT is dated as of August 9, 2000 (this "Amendment"), and is among MHC OPERATING LIMITED PARTNERSHIP, an Illinois limited partnership ("Borrower"), MANUFACTURED HOME COMMUNITIES, INC., a Maryland corporation (the "REIT"), each of the undersigned "Lenders", WELLS FARGO BANK, NATIONAL ASSOCIATION, in its capacity as "Agent", "Swingline Lender" and "Issuing Lender", BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION, in its capacity as "Syndication Agent", and MORGAN GUARANTY TRUST COMPANY OF NEW YORK, as "Documentation Agent". Capitalized terms used herein and not defined herein shall have the meanings ascribed to them in the Credit Agreement referenced below.

WHEREAS, certain of the parties hereto have previously entered into that certain Second Amended and Restated Credit Agreement dated as of April 28, 1998 (as heretofore amended, the "Credit Agreement");

WHEREAS, the Credit Agreement has been previously amended by that certain First Amendment to Second Amended and Restated Credit Agreement dated as of December 18, 1998;

WHEREAS, Commerzbank Aktiengesellschaft, New York Branch, has succeeded to the rights and obligations of Commerzbank Aktiengesellschaft, Chicago Branch under the Credit Agreement;

WHEREAS, Morgan Guaranty Trust Company of New York ("Morgan") has assigned to LaSalle Bank National Association ("LaSalle") a portion of its Commitment in the amount of Eight Million Three Hundred Thirty Three Thousand Three Hundred Thirty Three and 34/100 Dollars (\$8,333,333.34), thereby increasing the Commitment of LaSalle to Thirty Three Million Three Hundred Thirty Three Thousand Three Hundred Thirty Three and 34/100 Dollars (\$33,333,333.34);

WHEREAS, the parties hereto desire to (i) reduce the amount of the Facility from One Hundred Seventy Five Million Dollars (\$175,000,000) to One Hundred Fifty Million Dollars (\$150,000,000), (ii) terminate the remaining Commitment of Morgan, (iii) appoint LaSalle as the replacement Documentation Agent, (iv) appoint Wells Fargo Bank, N.A. ("Wells Fargo") as "Sole Lead Arranger" for the Facility, and (v) otherwise amend the Credit Agreement as provided herein.

NOW, THEREFORE, in consideration of the foregoing and the mutual agreements herein contained, the parties hereto agree as follows:

1. DEFINITIONS. Section 1.01 of the Credit Agreement is hereby amended as follows:

a. APPLICABLE MARGIN. The last sentence of the definition of "Applicable Margin" is hereby deleted in its entirety.

b. DEBT SERVICE. The definition of "Debt Service" is hereby deleted in its entirety and replaced with the following language:

"Debt Service" means, for any period, Interest Expense for such period plus scheduled principal amortization (exclusive of Balloon Payments) for such period on all Indebtedness of the REIT, on a consolidated basis.

c. EBITDA. The definition of "EBITDA" is hereby amended to add

the following language after clause (vi) thereof and before the period:

", plus (or minus in the case of a loss) (vii) Borrower's Share of the net income (or loss) of each Investment Affiliate for such period calculated in conformity with GAAP before depreciation, minus (or plus in the case of a loss) (viii) Borrower's Share of the gains (or losses) from extraordinary or unusual items or asset sales or write-ups or forgiveness of indebtedness included in the calculation of the net income of each Investment Affiliate for such period."

d. FIRST EXTENDED MATURITY DATE. The following defined term is hereby added:

"First Extended Maturity Date" has the meaning set forth in Section 3.01.

e. GROSS ASSET VALUE. The parenthetical phrase in the definition of "Gross Asset Value" is hereby deleted and replaced with the following language: "(subject to the last sentence of Section 9.08)".

f. INITIAL MATURITY DATE. The following defined term is hereby added:

"Initial Maturity Date" means August 9, 2003.

g. INTEREST EXPENSE. The definition of "Interest Expense" is hereby deleted and replaced with the following language:

2

3

"Interest Expense" means, for any period and without duplication, total interest expense, whether paid, accrued or capitalized (including the interest component of Capital Leases but excluding interest expense covered by an interest reserve established under a loan facility) of the REIT, on a consolidated basis and determined in accordance with GAAP.

h. LOANS. The definition of "Loans" is hereby deleted in its entirety and replaced with the following language:

"Loans" means the loans made pursuant to the Facility, including, without limitation, loans made pursuant to Section 2.01 hereof, Swingline Loans and Loans made pursuant to Mandatory Borrowings.

i. MATURITY DATE. The definition of "Maturity Date" is hereby deleted in its entirety and replaced with the following language:

"Maturity Date" means the Initial Maturity Date as such date may be extended pursuant to Article III.

j. NET INCOME. The definition of "Net Income" is hereby amended to add the following language at the end thereof and before the period:

"; provided, however, that Net Income shall not include the net income (or loss) of Investment Affiliates"

k. NET WORTH. The definition of "Net Worth" is hereby amended to delete the last sentence thereof in its entirety and to replace the reference to "September 30, 1996" with "March 31, 2000."

l. NON-MANUFACTURED HOME COMMUNITY PROPERTY. The definition of "Non-Manufactured Home Community Property" is hereby amended to delete the word "or" before clause (v) thereof and replace it with a comma, and to add the following language at the end thereof before the period: "or (vi)

Taxable REIT Subsidiary Interests."

m. NON-RECOURSE INDEBTEDNESS. The definition of "Non-Recourse Indebtedness" is hereby deleted and replaced with the following:

"Non-Recourse Indebtedness" means any single loan with respect to which recourse for payment is limited to specific assets related to a particular Property or group of Properties encumbered by a Lien securing such Indebtedness, so long as the Adjusted Asset Value for such Property, or the total of the Adjusted Asset Values for such group of Properties, does not exceed One Hundred Million

3

4

Dollars (\$100,000,000); provided, however, that personal recourse to the REIT, Borrower or any Subsidiary by a holder of any such loan for fraud, misrepresentation, misapplication of cash, waste, environmental claims and liabilities and other circumstances customarily excluded by institutional lenders from exculpation provisions and/or included in separate indemnification agreements in non-recourse financing of real estate shall not, by itself, prevent such loan from being characterized as Non-Recourse Indebtedness.

n. PRE-EXTENSION TERM LOAN. The definition of "Pre-Extension Term Loan" is hereby deleted in its entirety.

o. RECOURSE INDEBTEDNESS. The following defined term is hereby add:

"Recourse Indebtedness" means, with respect to any Person, Indebtedness which is not Non-Recourse Indebtedness.

p. REQUISITE LENDERS. The definition of "Requisite Lenders" is hereby deleted in its entirety and replaced with the following language:

"Requisite Lenders" means, collectively Lenders whose Pro Rata Shares, in the aggregate, are at least sixty-six and two-thirds percent (66 2/3%); provided, however, that, in determining such percentage at any given time, all then existing Defaulting Lenders will be disregarded and excluded and the Pro Rata Shares of Lenders shall be redetermined, for voting purposes only, to exclude the Pro Rata Shares of such Defaulting Lenders; and provided, further, that, so long as there are at least two (2) Lenders who are not Defaulting Lenders, the Requisite Lenders must be comprised of a minimum of two (2) Lenders; and provided, further, that for purposes of any amendment, modification or waiver of the requirements of Article IX, the Requisite Lenders must include Agent in its capacity as a Lender (provided Agent is not a Defaulting Lender)."

q. SECOND EXTENDED MATURITY DATE. The following defined term is hereby added:

"Second Extended Maturity Date" has the meaning set forth in Section 3.02.

r. SUPERMAJORITY LENDERS. The definition of "Supermajority Lenders" is hereby deleted in its entirety and replaced with the following language:

"Supermajority Lenders" means, collectively Lenders whose Pro Rata Shares, in the aggregate, are at least eight five percent (85%); provided, however,

4

that, in determining such percentage at any given time, all then existing Defaulting Lenders will be disregarded and excluded and the Pro Rata Shares of Lenders shall be redetermined, for voting purposes only, to exclude the Pro Rata Shares of such Defaulting Lenders; and provided, further, that, so long as there are at least two (2) Lenders who are not Defaulting Lenders, the Supermajority Lenders must be comprised of a minimum of two (2) Lenders; and provided, further, that for purposes of any amendment, modification or waiver of the requirements of Article IX, the Supermajority Lenders must include Agent in its capacity as a Lender (provided Agent is not a Defaulting Lender)."

s. TAXABLE REIT SUBSIDIARY INTERESTS. The following defined term is hereby added:

"Taxable REIT Subsidiary Interests" means equity interests in Subsidiaries not engaged in the development, ownership or operation of real estate and permitted to be held by Borrower and the REIT pursuant to Section 856(l) of the Internal Revenue Code (as amended from time to time) without violating the REIT's status as a real estate investment trust."

t. TOTAL LIABILITIES. The definition of "Total Liabilities" is hereby deleted in its entirety and replaced with the following language:

"Total Liabilities" means, without duplication, all Indebtedness of the REIT, on a consolidated basis, plus all other items which, in accordance with GAAP, would be included as liabilities on the liability side of the balance sheet of the REIT (including, without limitation, accounts payable incurred in the ordinary course of business), on a consolidated basis; provided, however, that "Total Liabilities" shall not include dividends declared by the REIT or Borrower which are permitted under Section 8.01(d) but not yet paid.

u. WHOLLY-OWNED SUBSIDIARY. The following defined term is hereby added:

"Wholly-Owned Subsidiary" means any Subsidiary which is wholly-owned directly or indirectly by Borrower or the REIT.

2. SWINGLINE LOANS. The last sentence of Section 2.10(b)(ii) of the Credit Agreement is hereby deleted in its entirety and replaced with the following: "Swingline Loans shall be available no more frequently than six (6) times in any month."

3. PRE-EXTENSION TERM LOAN. Section 2.11 of the Credit Agreement is hereby deleted in its entirety.

4. EXTENSION OPTIONS. Sections 3.01 and 3.02 of the Credit Agreement are hereby deleted in their entirety and replaced with the following language:

3.01. First Extension Option. At the written request of Borrower made at least thirty (30) days prior to the Initial Maturity Date, the Maturity Date shall be extended to the one-year anniversary of the Initial Maturity Date (the "First Extended Maturity Date") provided that the following conditions are satisfied:

(a) no Event of Default or Unmatured Event of Default shall have occurred and be continuing as of the Initial Maturity Date;

(b) all representations and warranties contained in this

Agreement and the other Loan Documents shall be true and correct in all material respects as of the Initial Maturity Date except to the extent they related to a specific date;

(c) Agent shall have received Officer's Certificates of the REIT dated as of the Initial Maturity Date stating that the executive officer who is the signatory thereto, which officer shall be the chief executive officer or the chief financial officer of the REIT, has reviewed, or caused under his supervision to be reviewed, the terms of this Agreement and the other Loan Documents, and has made, or caused to be made under his supervision, a review in reasonable detail of the transactions and condition of Borrower, the REIT, the Subsidiaries, and the Agreement Parties, and that (A) such review has not disclosed the existence as of the date of such Officer's Certificate, and that the signers do not have knowledge of the existence as of the date of such Officer's Certificate, of any condition or event which constitutes an Event of Default or Unmatured Event of Default and (B) all representations and warranties contained in this Agreement and the other Loan Documents are true and correct in all material respects as of the date of such Officer's Certificate except to the extent they relate to a specific date; and

(d) on or before the Initial Maturity Date, Agent shall have received, on behalf of Agent and Lenders, an extension fee in the amount of one-fourth of one percent (0.25%) of the amount of the Facility.

3.02. Second Extension Option. At the written request of Borrower made at least thirty (30) days prior to the First Extended Maturity Date, the Maturity Date shall be further extended to the one-year anniversary of the First Extended Maturity Date (the "Second Extended Maturity Date") provided that the following conditions are satisfied:

(a) no Event of Default or Unmatured Event of Default shall have occurred and be continuing as of the First Extended Maturity Date;

6

7

(b) all representations and warranties contained in this Agreement and the other Loan Documents shall be true and correct in all material respects as of the First Extended Maturity Date except to the extent they related to a specific date;

(c) Agent shall have received Officer's Certificates of the REIT dated as of the First Extended Maturity Date stating that the executive officer who is the signatory thereto, which officer shall be the chief executive officer or the chief financial officer of the REIT, has reviewed, or caused under his supervision to be reviewed, the terms of this Agreement and the other Loan Documents, and has made, or caused to be made under his supervision, a review in reasonable detail of the transactions and condition of Borrower, the REIT, the Subsidiaries, and the Agreement Parties, and that (A) such review has not disclosed the existence as of the date of such Officer's Certificate, and that the signers do not have knowledge of the existence as of the date of such Officer's Certificate, of any condition or event which constitutes an Event of Default or Unmatured Event of Default and (B) all representations and warranties contained in this Agreement and the other Loan Documents are true and correct in all material respects as of the date of such Officer's Certificate except to the extent they relate to a specific date; and

(d) on or before the First Extended Maturity Date, Agent shall have received, on behalf of Agent and Lenders, an extension

fee in the amount of thirty-five hundredths of one percent (0.35%) of the amount of the Facility.

5. REPRESENTATIONS AND WARRANTIES. Subsections 5.01(x) and 5.02(t) of the Credit Agreement are hereby deleted in their entirety.

6. NEGATIVE COVENANTS. Article VIII of the Credit Agreement is hereby amended as follows:

a. BORROWER'S COVENANT WITH RESPECT TO INDEBTEDNESS.

Subsection 8.01(a) is hereby deleted in its entirety and replaced with the following language:

(a) Indebtedness. Borrower shall not, and shall not permit any of its Subsidiaries to, directly or indirectly create, incur, assume or otherwise become or remain directly or indirectly liable with respect to, any Indebtedness, except:

(i) the Obligations;

7

8

(ii) trade debt incurred in the normal course of business;

(iii) intercompany payables and receivables owing between Subsidiaries in the nature of trade debt incurred in the normal course of business;

(iv) Indebtedness which, after giving effect thereto, may be incurred or may remain outstanding without giving rise to an event of Default or Unmatured Event of Default under any provision of Articles VIII and IX; provided, however, that (A) Borrower shall not, and shall not permit any of its Subsidiaries to, guarantee or otherwise become or remain directly or indirectly liable with respect to the Indebtedness of any Investment Affiliate, and (B) Borrower shall not permit any Wholly-Owned Subsidiary to create, incur, assume or otherwise become or remain directly or indirectly liable with respect to, any Recourse Indebtedness in excess of Ten Million Dollars (\$10,000,000) per Wholly-Owned Subsidiary at any time or Thirty Million Dollars (\$30,000,000) in the aggregate for all Wholly-Owned Subsidiaries at any time.

b. BORROWER'S COVENANT WITH RESPECT TO LIENS. Clause (iii) of Subsection 8.01(b) is hereby deleted in its entirety and replaced with the following language:

(iii) Liens securing Indebtedness permitted to be incurred and remain outstanding pursuant to Section 8.01(a) (iv).

c. REIT'S COVENANT WITH RESPECT TO INDEBTEDNESS. Subsection 8.02(a) is hereby deleted in its entirety and replaced with the following language:

(a) Indebtedness. The REIT shall not, and shall not permit any of its Subsidiaries to, directly or indirectly create, incur, assume or otherwise become or remain directly or indirectly liable with respect to, any Indebtedness, except:

(i) the Obligations; and

(ii) Indebtedness which, after giving effect thereto, may be incurred or may remain outstanding without giving rise to an

event of Default or Unmatured Event of Default under any provision of Articles VIII and IX; provided, however, that (A) the REIT shall not, and shall not permit any of its Subsidiaries to, guarantee or otherwise become or remain directly or indirectly liable with respect to the Indebtedness of any Investment Affiliate, and (B) the REIT shall not permit any Wholly-Owned Subsidiary to create, incur, assume or otherwise become or remain directly or indirectly liable with respect to, any

8

9

Recourse Indebtedness in excess of Ten Million Dollars (\$10,000,000) per Wholly-Owned Subsidiary at any time or Thirty Million Dollars (\$30,000,000) in the aggregate for all Wholly-Owned Subsidiaries at any time.

7. FINANCIAL COVENANTS. Article IX of the Credit Agreement is hereby amended as follows:

a. SECURED DEBT TO GROSS ASSET VALUE. The numerical reference in Section 9.02 to "0.40:1" is hereby deleted and replaced with the following: "0.50:1".

b. MINIMUM NET WORTH. Section 9.07 is hereby deleted in its entirety and replaced with the following language:

"9.07. Minimum Net Worth. Borrower will maintain a Net Worth of not less than Three Hundred Twenty Two Million Dollars (\$322,000,000) plus ninety percent (90%) of all Net Offering Proceeds receiving by the REIT or Borrower after August 9, 2000."

c. PERMITTED HOLDINGS. Taxable REIT Subsidiary Interests are hereby added as a category of Permitted Holdings under Section 9.08 with a Maximum Percentage of Gross Asset Value of five percent (5%). The last sentence of Section 9.08 is hereby deleted in its entirety and replaced with the following language:

"Gross Asset Value as it relates to the foregoing categories of Permitted Holdings shall be calculated as follows: (i) the Gross Asset Value attributable to any Non-Manufactured Home Community Property (other than cash or Cash Equivalents), any Manufactured Home Community Mortgage (other than mortgage indebtedness which is either eliminated in the consolidation of the REIT, Borrower and the Subsidiaries or accounted for as investment in real estate under GAAP) or any Manufactured Home Community Partnership Interest (other than a Controlled Partnership Interest) shall be calculated based upon its Adjusted Asset Value; (ii) the Gross Asset Value attributable to any Land or any Security issued by a real estate investment trust primarily engaged in the development, ownership and management of manufactured home communities shall be equal to the lesser of (A) the acquisition cost thereof or (B) the current market value thereof (such market value to be determined in a manner reasonably acceptable to Agent); (iii) the Gross Asset Value attributable to any Taxable REIT Subsidiary Interest shall be the acquisition or investment cost thereof; and (iv) the Gross Asset Value attributable to any Development Activity shall be determined in accordance with GAAP."

8. AGENCY PROVISIONS. The second sentence of Section 11.08 of the Credit Agreement is hereby deleted in its entirety and replaced with the following language:

9

10

"The terms "Lenders", "Requisite Lenders", "Supermajority Lenders", or any similar terms may include Agent in its individual capacity as a Lender, one of the Requisite Lenders or one of the Supermajority Lenders, but Requisite Lenders and Supermajority Lenders shall not include Agent solely in its capacity as Agent."

9. REDUCTION OF FACILITY; APPOINTMENT OF REPLACEMENT OF DOCUMENTATION AGENT AND SOLE LEAD ARRANGER

a. FACILITY REDUCTION. The amount of the Facility is hereby reduced from One Hundred Seventy-Five Million Dollars (\$175,000,000) to One Hundred Fifty Million Dollars (\$150,000,000).

b. TERMINATION OF MORGAN'S COMMITMENT. The Commitment of Morgan is hereby terminated, and Morgan hereby relinquishes its rights and is hereby released from its obligations under the Credit Agreement. Morgan shall return to Borrower its original Loan Note.

c. RESTATEMENTS OF COMMITMENTS. As of the date hereof, the Commitment and Pro Rata Share of each of the undersigned Lenders shall be as set out under such Lender's name on the counterpart signature pages attached to this Amendment. Borrower shall issue to LaSalle a replacement Loan Note in the face amount of its Commitment noted on its counterpart signature page attached hereto.

d. APPOINTMENT OF REPLACEMENT DOCUMENTATION AGENT. From and after the date hereof, LaSalle shall be the Documentation Agent for the Facility.

e. APPOINTMENT OF SOLE LEAD ARRANGER. From and after the date hereof, Wells Fargo shall be the "Sole Lead Arranger" for the Facility. The Sole Lead Arranger shall not be required to take any action or assume any liability except as may be required in its capacity as a Lender, Agent, Swingline Lender or Issuing Lender under the Credit Agreement. For purposes of the indemnifications set forth in the Credit Agreement, the term "Agent" shall be deemed to include the Sole Lead Arranger.

10. CONDITIONS TO EFFECTIVENESS. The effectiveness of this Amendment is subject to satisfaction of each of the following conditions precedent:

a. LEGAL OPINION. Borrower shall have delivered to Agent for the benefit of the Lenders a favorable opinion of counsel for Borrower and the REIT in form and substance reasonably satisfactory to Agent and its counsel;

b. EVIDENCE OF AUTHORITY. Borrower shall have delivered to Agent for the benefit of the Lenders such evidence as Agent shall reasonably require of the

10

11

existence, good standing and authority of Borrower and the REIT and the incumbency and authority of their respective signatories; and

c. EXTENSION FEES. Each Lender shall have received an extension fee in the amount set forth below its signature to this Amendment.

11. CONSENT OF THE REIT AND REAFFIRMATION OF THE REIT GUARANTY. The REIT hereby consents to the terms of this Amendment and agrees that the REIT Guaranty remains valid and enforceable and that the REIT has no defenses or offsets to enforcement against the REIT under the REIT Guaranty.

12. REPRESENTATIONS AND WARRANTIES. Borrower hereby represents and warrants as follows:

a. AUTHORITY OF BORROWER. Borrower has the requisite partnership power and authority to execute, deliver and perform this Amendment. The execution, delivery and performance thereof, and the consummation of the transactions contemplated hereby, have been duly approved by the general partner of Borrower, and no other partnership proceedings or authorizations on the part of Borrower or its general or limited partners are necessary to consummate such transactions. This Amendment has been duly executed and delivered by Borrower and constitutes its legal, valid and binding obligation, enforceable against it in accordance with its terms, subject to bankruptcy, insolvency and other laws affecting creditors' rights generally and general equitable principles.

b. AUTHORITY OF THE REIT. The REIT has the requisite corporate power and authority to execute, deliver and perform this Amendment. The execution, delivery and performance hereof, and the consummation of the transactions contemplated hereby, have been duly approved by the Board of Directors of the REIT, and no other corporate proceedings on the part of the REIT are necessary to consummate such transactions. This Amendment has been duly executed and delivered by the REIT and constitutes its legal, valid and binding obligation, enforceable against it in accordance with its terms, subject to bankruptcy, insolvency and other laws affecting creditors' rights generally and general equitable principles.

c. NO CONFLICT AS TO BORROWER. The execution, delivery and performance by Borrower of this Amendment, and each of the transactions contemplated hereby, do not and will not (i) conflict with or violate Borrower's limited partnership agreement or Certificate of Limited Partnership or other organizational documents, as the case may be, or the organizational documents of any Subsidiary of Borrower or (ii) conflict with, result in a breach of or constitute (with or without notice or lapse of time or both) a default under any Requirement of Law, Contractual Obligation or Court Order of or binding upon Borrower or any of its Subsidiaries, or require termination of any such Contractual Obligation, the consequences of which conflict or breach or default or

11

12

termination would have a Material Adverse Effect, or result in or require the creation or imposition of any Lien whatsoever upon any Property (except as contemplated herein).

d. NO CONFLICT AS TO THE REIT. The execution, delivery and performance by the REIT of this Amendment, and each of the transactions contemplated hereby, do not and will not (i) conflict with or violate its Articles or Certificate of Incorporation or by-laws, or other organizational documents, as the case may be, or the organizational documents of Borrower or any Subsidiary, (ii) conflict with, result in a breach of or constitute (with or without notice or lapse of time or both) a default under any Requirement of Law, Contractual Obligation or Court Order of the REIT, Borrower or any Subsidiary, or require termination of any such Contractual Obligation, the consequences of which conflict or breach or default or termination will have a Material Adverse Effect, or result in or require the creation or imposition of any Lien whatsoever upon any of its Property, or (iii) require any approval of the stockholders of the REIT.

e. CONSENTS AND AUTHORIZATIONS. Each of Borrower and the REIT has obtained all consents and authorizations required pursuant to its Contractual Obligations with any other Person, the failure of which to obtain would have a Material Adverse Effect, and has obtained all consents and authorizations of, and effected all notices to and filings with, any Governmental Authority necessary to allow Borrower or the REIT, as applicable, to lawfully execute, deliver and perform its obligations under this Amendment.

f. DATE DOWN OF REPRESENTATIONS AND WARRANTIES. All of the representations and warranties contained in the Credit Agreement and in the other Loan Documents are true and correct in all material respects on and as of the date hereof except to the extent such representation and warranty is made as of a specified date, in which case such representation and warranty is true and correct as of such specified date.

g. NO EVENT OF DEFAULT OR UNMATURED EVENT OF DEFAULT. No Event of Default or Unmatured Event of Default exists as of the date hereof.

h. NET WORTH. The Net Worth as of March 31, 2000 was Three Hundred Seventy Eight Million Eight Hundred Seventy Thousand Dollars (\$378,870,000).

13. EFFECT ON CREDIT AGREEMENT. The Credit Agreement and all other Loan Documents (each as amended, supplemented or otherwise modified hereby) shall remain in full force and effect and are hereby ratified and confirmed in all respects. Except as expressly provided herein or pursuant hereto, the execution, delivery, performance and effectiveness of this Amendment shall not operate as a waiver of any right, power or remedy of Agent or any Lender under the Loan Documents, nor constitute a waiver of any provisions of any of the Loan Documents.

12

13

14. MISCELLANEOUS

a. EXECUTION IN COUNTERPARTS. This Amendment may be executed in any number of counterparts, and each such counterpart, when so executed and delivered, shall be deemed to be an original and binding upon the party signing such counterpart; all such counterparts taken together shall constitute one and the same instrument.

b. GOVERNING LAW. THIS AMENDMENT SHALL BE GOVERNED BY, AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF ILLINOIS.

c. HEADINGS. Section headings in this Amendment are included herein for convenience of reference only and shall not constitute a part of this Amendment for any other purpose.

d. ENTIRE AGREEMENT. This Amendment is the entire agreement among the parties with respect to the matters addressed herein, and may not be modified except by written modification signed by all parties hereto.

e. SUCCESSORS AND ASSIGNS. This Amendment shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, successors, personal representatives and assigns (as permitted under the Credit Agreement).

f. EXPENSES. Pursuant to Section 12.01(a) of the Credit Agreement, Borrower hereby agrees to promptly pay all reasonable attorneys' fees and expenses or other costs or expenses incurred by Agent in connection with this Amendment and the transactions contemplated hereby.

g. CONSENT TO ASSIGNMENT. Agent and Borrower hereby consent to the Assignment, and Agent hereby waives the payment of any processing fee payable in connection therewith.

[SIGNATURE PAGES FOLLOW]

13

IN WITNESS WHEREOF, this Amendment has been duly executed as of the date set forth above.

MHC OPERATING LIMITED PARTNERSHIP, an Illinois limited partnership

By: MANUFACTURED HOME COMMUNITIES, INC., a Maryland corporation, as General Partner

By: /s/ John M. Zoeller

Name: John M. Zoeller

Title: Vice President

MANUFACTURED HOME COMMUNITIES, INC., a Maryland corporation

By: /s/ John M. Zoeller

Name: John M. Zoeller

Title: Vice President

S-1

WELLS FARGO BANK, NATIONAL ASSOCIATION, as Agent, Swingline Lender, Issuing Lender and a Lender

By: /s/ Steven R. Lowery

Name: Steven R. Lowery

Title: Vice President

Commitment:	\$ 50,000,000.00
Extension Fee:	\$ 250,000.00
Pro Rata Share:	33.33334%

S-2

BANK OF AMERICA N.A., formerly known as BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION, as Syndication Agent and a Lender

By: /s/ Megan McBride

Name: Megan McBride

Title: Principal

Commitment:	\$33,333,333.33
Extension Fee:	\$ 150,000.00
Pro Rata Share:	22.22222%

S-3

COMMERZBANK AKTIENGESELLSCHAFT, Chicago Branch, as a Lender

By: /s/ Douglas P. Traynor /s/ David Buettner

Name: Douglas P. Traynor David Buettner
Title: Vice President Assistant Vice President

Commitment: \$33,333,333.33
Extension Fee: \$ 150,000.00
Pro Rata Share: 22.22222%

S-4

18

LASALLE BANK NATIONAL ASSOCIATION, as a Lender and
as Documentation Agent

By: /s/ John C. Hein

Name: John C. Hein
Title: SVP

Commitment: \$33,333,333.34
Extension Fee: \$ 150,000.00
Pro Rata Share: 22.22222%

S-5

19

MORGAN GUARANTY TRUST COMPANY OF NEW YORK

By: /s/ Robert Bottamedi

Name: Robert Bottamedi
Title: Vice President

Commitment: \$0
Extension Fee: \$0

S-6

FIRST AMENDMENT TO AMENDED
AND RESTATED CREDIT AGREEMENT

THIS FIRST AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT is dated as of November 21, 2000 (this "Amendment"), and is among MHC OPERATING LIMITED PARTNERSHIP, an Illinois limited partnership ("Borrower"), MANUFACTURED HOME COMMUNITIES, INC., a Maryland corporation (the "REIT"), each of the undersigned "Lenders", WELLS FARGO BANK, NATIONAL ASSOCIATION, in its capacity as "Agent", BANK OF AMERICA N.A., formerly known as BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION, in its capacity as "Syndication Agent", and MORGAN GUARANTY TRUST COMPANY OF NEW YORK, as "Documentation Agent". Capitalized terms used herein and not defined herein shall have the meanings ascribed to them in the Credit Agreement referenced below.

WHEREAS, the parties hereto have previously entered into that certain Amended and Restated Credit Agreement dated as of April 28, 1998 (as heretofore amended, the "Credit Agreement");

WHEREAS, Commerzbank Aktiengesellschaft, New York Branch, has succeeded to the rights and obligations of Commerzbank Aktiengesellschaft, Chicago Branch under the Credit Agreement;

WHEREAS, pursuant to Section 2.01(d) of the Credit Agreement, the maturity of the Loan has been extended to April 3, 2002; and

WHEREAS, the parties hereto desire to (i) appoint Wells Fargo Bank, N.A. ("Wells Fargo") as "Sole Lead Arranger" for the Facility, and (ii) otherwise amend the Credit Agreement as provided herein.

NOW, THEREFORE, in consideration of the foregoing and the mutual agreements herein contained, the parties hereto agree as follows:

1. DEFINITIONS. Section 1.01 of the Credit Agreement is hereby amended as follows:

a. DEBT SERVICE. The definition of "Debt Service" is hereby deleted in its entirety and replaced with the following language:

"Debt Service" means, for any period, Interest Expense for such period plus scheduled principal amortization (exclusive of Balloon Payments) for such period on all Indebtedness of the REIT, on a consolidated basis.

2

b. EBITDA. The definition of "EBITDA" is hereby amended to add the following language after clause (vi) thereof and before the period:

", plus (or minus in the case of a loss) (vii) Borrower's Share of the net income (or loss) of each Investment Affiliate for such period calculated in conformity with GAAP before depreciation, minus (or plus in the case of a loss) (viii) Borrower's Share of the gains (or losses) from extraordinary or unusual items or asset sales or write-ups or forgiveness of indebtedness included in the calculation of the net income of each Investment Affiliate for such period."

c. GROSS ASSET VALUE. The parenthetical phrase in the definition of "Gross Asset Value" is hereby deleted and replaced with the following language: "(subject to the last sentence of Section 8.08)".

d. INTEREST EXPENSE. The definition of "Interest Expense" is hereby deleted and replaced with the following language:

"Interest Expense" means, for any period and without duplication, total interest expense, whether paid, accrued or capitalized (including the interest component of Capital Leases but excluding interest expense covered by an interest reserve established under a loan facility) of the REIT, on a consolidated basis and determined in accordance with GAAP.

e. NET INCOME. The definition of "Net Income" is hereby amended to add the following language at the end thereof and before the period:

"; provided, however, that Net Income shall not include the net income (or loss) of Investment Affiliates"

f. NET WORTH. The definition of "Net Worth" is hereby amended to delete the last sentence thereof in its entirety and to replace the reference to "September 30, 1996" with "March 31, 2000."

g. NON-MANUFACTURED HOME COMMUNITY PROPERTY. The definition of "Non-Manufactured Home Community Property" is hereby amended to delete the word "or" before clause (v) thereof and replace it with a comma, and to add the following language at the end thereof before the period: "or (vi) Taxable REIT Subsidiary Interests."

h. NON-RECOURSE INDEBTEDNESS. The definition of "Non-Recourse Indebtedness" is hereby deleted and replaced with the following:

"Non-Recourse Indebtedness" means any single loan with respect to which recourse for payment is limited to specific assets related to a particular Property or

2

3

group of Properties encumbered by a Lien securing such Indebtedness, so long as the Adjusted Asset Value for such Property, or the total of the Adjusted Asset Values for such group of Properties, does not exceed One Hundred Million Dollars (\$100,000,000); provided, however, that personal recourse to the REIT, Borrower or any Subsidiary by a holder of any such loan for fraud, misrepresentation, misapplication of cash, waste, environmental claims and liabilities and other circumstances customarily excluded by institutional lenders from exculpation provisions and/or included in separate indemnification agreements in non-recourse financing of real estate shall not, by itself, prevent such loan from being characterized as Non-Recourse Indebtedness.

i. RECOURSE INDEBTEDNESS. The following defined term is hereby added:

"Recourse Indebtedness" means, with respect to any Person, Indebtedness which is not Non-Recourse Indebtedness.

j. REQUISITE LENDERS. The definition of "Requisite Lenders" is hereby deleted in its entirety and replaced with the following language:

"Requisite Lenders" means, collectively Lenders whose Pro Rata Shares, in the aggregate, are at least sixty-six and two-thirds percent (66 2/3%); provided, however, that the Requisite Lenders must be comprised of a minimum of two (2) Lenders; and provided, further, that for purposes of any amendment, modification or waiver of the requirements of Article VIII, the Requisite Lenders must include Agent in its capacity as a Lender."

k. SUPERMAJORITY LENDERS. The definition of "Supermajority Lenders" is hereby deleted in its entirety and replaced with the following language:

"Supermajority Lenders" means, collectively Lenders whose Pro Rata Shares, in the aggregate, are at least eighty five percent (85%); provided, however, that the Supermajority Lenders must be comprised of a minimum of two (2) Lenders; and provided, further, that for purposes of any amendment, modification or waiver of the requirements of Article VIII, the Supermajority Lenders must include Agent in its capacity as a Lender."

1. TAXABLE REIT SUBSIDIARY INTERESTS. The following defined term is hereby added:

"Taxable REIT Subsidiary Interests" means equity interests in Subsidiaries not engaged in the development, ownership or operation of real estate and permitted to be held by Borrower and the REIT pursuant to Section 856(1) of the

3

4

Internal Revenue Code (as amended from time to time) without violating the REIT's status as a real estate investment trust."

m. TOTAL LIABILITIES. The definition of "Total Liabilities" is hereby deleted in its entirety and replaced with the following language:

"Total Liabilities" means, without duplication, all Indebtedness of the REIT, on a consolidated basis, plus all other items which, in accordance with GAAP, would be included as liabilities on the liability side of the balance sheet of the REIT (including, without limitation, accounts payable incurred in the ordinary course of business), on a consolidated basis; provided, however, that "Total Liabilities" shall not include dividends declared by the REIT or Borrower which are permitted under Section 7.01(d) but not yet paid.

n. WHOLLY-OWNED SUBSIDIARY. The following defined term is hereby added:

"Wholly-Owned Subsidiary" means any Subsidiary which is wholly-owned directly or indirectly by Borrower or the REIT.

2. REPRESENTATIONS AND WARRANTIES. Subsections 4.01(w) and 4.02(t) of the Credit Agreement are hereby deleted in their entirety.

3. NEGATIVE COVENANTS. Article VII of the Credit Agreement is hereby amended as follows:

a. BORROWER'S COVENANT WITH RESPECT TO INDEBTEDNESS. Subsection 7.01(a) is hereby deleted in its entirety and replaced with the following language:

(a) Indebtedness. Borrower shall not, and shall not permit any of its Subsidiaries to, directly or indirectly create, incur, assume or otherwise become or remain directly or indirectly liable with respect to, any Indebtedness, except:

(i) the Obligations;

(ii) trade debt incurred in the normal course of business;

(iii) intercompany payables and receivables owing between Subsidiaries in the nature of trade debt incurred in the normal course of business;

(iv) Indebtedness which, after giving effect

thereto, may be incurred or may remain outstanding without giving rise to an Event of

4

5

Default or Unmatured Event of Default under any provision of Articles VII and VIII; provided, however, that (A) Borrower shall not, and shall not permit any of its Subsidiaries to, guarantee or otherwise become or remain directly or indirectly liable with respect to the Indebtedness of any Investment Affiliate, and (B) Borrower shall not permit any Wholly-Owned Subsidiary to create, incur, assume or otherwise become or remain directly or indirectly liable with respect to, any Recourse Indebtedness in excess of Ten Million Dollars (\$10,000,000) per Wholly-Owned Subsidiary at any time or Thirty Million Dollars (\$30,000,000) in the aggregate for all Wholly-Owned Subsidiaries at any time.

b. BORROWER'S COVENANT WITH RESPECT TO LIENS. Clause (ii) of Subsection 7.01(b) is hereby deleted in its entirety and replaced with the following language:

(ii) Liens securing Indebtedness permitted to be incurred and remain outstanding pursuant to Section 7.01(a) (iv).

c. REIT'S COVENANT WITH RESPECT TO INDEBTEDNESS. Subsection 7.02(a) is hereby deleted in its entirety and replaced with the following language:

(a) Indebtedness. The REIT shall not, and shall not permit any of its Subsidiaries to, directly or indirectly create, incur, assume or otherwise become or remain directly or indirectly liable with respect to, any Indebtedness, except:

(i) the Obligations; and

(ii) Indebtedness which, after giving effect thereto, may be incurred or may remain outstanding without giving rise to an Event of Default or Unmatured Event of Default under any provision of Articles VII and VIII; provided, however, that (A) the REIT shall not, and shall not permit any of its Subsidiaries to, guarantee or otherwise become or remain directly or indirectly liable with respect to the Indebtedness of any Investment Affiliate, and (B) the REIT shall not permit any Wholly-Owned Subsidiary to create, incur, assume or otherwise become or remain directly or indirectly liable with respect to, any Recourse Indebtedness in excess of Ten Million Dollars (\$10,000,000) per Wholly-Owned Subsidiary at any time or Thirty Million Dollars (\$30,000,000) in the aggregate for all Wholly-Owned Subsidiaries at any time.

4. FINANCIAL COVENANTS. Article VIII of the Credit Agreement is hereby amended as follows:

5

6

a. SECURED DEBT TO GROSS ASSET VALUE. The numerical reference in Section 8.02 to "0.4:1" is hereby deleted and replaced with the following: "0.5:1".

b. MINIMUM NET WORTH. Section 8.07 is hereby deleted in its entirety and replaced with the following language:

"9.07. Minimum Net Worth. Borrower will maintain a Net Worth of not less than Three Hundred Twenty Two Million Dollars (\$322,000,000) plus ninety percent (90%) of all Net Offering Proceeds received by the REIT or Borrower after August 9, 2000."

c. PERMITTED HOLDINGS. Taxable REIT Subsidiary Interests are hereby added as a category of Permitted Holdings under Section 8.08 with a Maximum Percentage of Gross Asset Value of five percent (5%). The last sentence of Section 8.08 is hereby deleted in its entirety and replaced with the following language:

"Gross Asset Value as it relates to the foregoing categories of Permitted Holdings shall be calculated as follows: (i) the Gross Asset Value attributable to any Non-Manufactured Home Community Property (other than cash or Cash Equivalents), any Manufactured Home Community Mortgage (other than mortgage indebtedness which is either eliminated in the consolidation of the REIT, Borrower and the Subsidiaries or accounted for as investment in real estate under GAAP) or any Manufactured Home Community Partnership Interest (other than a Controlled Partnership Interest) shall be calculated based upon its Adjusted Asset Value; (ii) the Gross Asset Value attributable to any Land or any Security issued by a real estate investment trust primarily engaged in the development, ownership and management of manufactured home communities shall be equal to the lesser of (A) the acquisition cost thereof or (B) the current market value thereof (such market value to be determined in a manner reasonably acceptable to Agent); (iii) the Gross Asset Value attributable to any Taxable REIT Subsidiary Interest shall be the acquisition or investment cost thereof; and (iv) the Gross Asset Value attributable to any Development Activity shall be determined in accordance with GAAP."

5. AGENCY PROVISIONS. The second sentence of Section 10.08 of the Credit Agreement is hereby deleted in its entirety and replaced with the following language:

"The terms "Lenders", "Requisite Lenders", "Supermajority Lenders", or any similar terms may include Agent in its individual capacity as a Lender, one of the Requisite Lenders or one of the Supermajority Lenders, but Requisite Lenders and Supermajority Lenders shall not include Agent solely in its capacity as Agent."

6. APPOINTMENT OF SOLE LEAD ARRANGER. From and after the date hereof, Wells Fargo shall be the "Sole Lead Arranger" for the Facility. The Sole Lead Arranger shall not

6

7

be required to take any action or assume any liability except as may be required in its capacity as a Lender or Agent under the Credit Agreement. For purposes of the indemnifications set forth in the Credit Agreement, the term "Agent" shall be deemed to include the Sole Lead Arranger.

7. CONDITIONS TO EFFECTIVENESS. The effectiveness of this Amendment is subject to satisfaction of each of the following conditions precedent:

a. LEGAL OPINION. Borrower shall have delivered to Agent for the benefit of the Lenders a favorable opinion of counsel for Borrower and the REIT in form and substance reasonably satisfactory to Agent and its counsel; and

b. EVIDENCE OF AUTHORITY. Borrower shall have delivered to Agent for the benefit of the Lenders such evidence as Agent shall reasonably require of the existence, good standing and authority of Borrower and the REIT and the incumbency and authority of their respective signatories.

8. CONSENT OF THE REIT AND REAFFIRMATION OF THE REIT Guaranty. The REIT hereby consents to the terms of this Amendment and agrees that the REIT Guaranty remains valid and enforceable and that the REIT has no defenses or offsets to enforcement against the REIT under the REIT Guaranty.

9. REPRESENTATIONS AND WARRANTIES. Borrower hereby represents and warrants as follows:

a. AUTHORITY OF BORROWER. Borrower has the requisite partnership power and authority to execute, deliver and perform this Amendment. The execution, delivery and performance thereof, and the consummation of the transactions contemplated hereby, have been duly approved by the general partner of Borrower, and no other partnership proceedings or authorizations on the part of Borrower or its general or limited partners are necessary to consummate such transactions. This Amendment has been duly executed and delivered by Borrower and constitutes its legal, valid and binding obligation, enforceable against it in accordance with its terms, subject to bankruptcy, insolvency and other laws affecting creditors' rights generally and general equitable principles.

b. AUTHORITY OF THE REIT. The REIT has the requisite corporate power and authority to execute, deliver and perform this Amendment. The execution, delivery and performance hereof, and the consummation of the transactions contemplated hereby, have been duly approved by the Board of Directors of the REIT, and no other corporate proceedings on the part of the REIT are necessary to consummate such transactions. This Amendment has been duly executed and delivered by the REIT and constitutes its legal, valid and binding obligation, enforceable against it in accordance with its terms, subject to bankruptcy, insolvency and other laws affecting creditors' rights generally and general equitable principles.

7

8

c. NO CONFLICT AS TO BORROWER. The execution, delivery and performance by Borrower of this Amendment, and each of the transactions contemplated hereby, do not and will not (i) conflict with or violate Borrower's limited partnership agreement or Certificate of Limited Partnership or other organizational documents, as the case may be, or the organizational documents of any Subsidiary of Borrower or (ii) conflict with, result in a breach of or constitute (with or without notice or lapse of time or both) a default under any Requirement of Law, Contractual Obligation or Court Order of or binding upon Borrower or any of its Subsidiaries, or require termination of any such Contractual Obligation, the consequences of which conflict or breach or default or termination would have a Material Adverse Effect, or result in or require the creation or imposition of any Lien whatsoever upon any Property (except as contemplated herein).

d. NO CONFLICT AS TO THE REIT. The execution, delivery and performance by the REIT of this Amendment, and each of the transactions contemplated hereby, do not and will not (i) conflict with or violate its Articles or Certificate of Incorporation or by-laws, or other organizational documents, as the case may be, or the organizational documents of Borrower or any Subsidiary, (ii) conflict with, result in a breach of or constitute (with or without notice or lapse of time or both) a default under any Requirement of Law, Contractual Obligation or Court Order of the REIT, Borrower or any Subsidiary, or require termination of any such Contractual Obligation, the consequences of which conflict or breach or default or termination will have a Material Adverse Effect, or result in or require the creation or imposition of any Lien whatsoever upon any of its Property, or (iii) require any approval of the stockholders of the REIT.

e. CONSENTS AND AUTHORIZATIONS. Each of Borrower and the REIT

has obtained all consents and authorizations required pursuant to its Contractual Obligations with any other Person, the failure of which to obtain would have a Material Adverse Effect, and has obtained all consents and authorizations of, and effected all notices to and filings with, any Governmental Authority necessary to allow Borrower or the REIT, as applicable, to lawfully execute, deliver and perform its obligations under this Amendment.

f. DATE DOWN OF REPRESENTATIONS AND WARRANTIES. All of the representations and warranties contained in the Credit Agreement and in the other Loan Documents are true and correct in all material respects on and as of the date hereof except to the extent such representation and warranty is made as of a specified date, in which case such representation and warranty is true and correct as of such specified date.

g. NO EVENT OF DEFAULT OR UNMATURED EVENT OF DEFAULT. No Event of Default or Unmatured Event of Default exists as of the date hereof.

h. NET WORTH. The Net Worth as of March 31, 2000 was Three Hundred Seventy Eight Million Eight Hundred Seventy Thousand Dollars (\$378,870,000).

8

9

10. EFFECT ON CREDIT AGREEMENT. The Credit Agreement and all other Loan Documents (each as amended, supplemented or otherwise modified hereby) shall remain in full force and effect and are hereby ratified and confirmed in all respects. Except as expressly provided herein or pursuant hereto, the execution, delivery, performance and effectiveness of this Amendment shall not operate as a waiver of any right, power or remedy of Agent or any Lender under the Loan Documents, nor constitute a waiver of any provisions of any of the Loan Documents.

11. MISCELLANEOUS

a. EXECUTION IN COUNTERPARTS. This Amendment may be executed in any number of counterparts, and each such counterpart, when so executed and delivered, shall be deemed to be an original and binding upon the party signing such counterpart; all such counterparts taken together shall constitute one and the same instrument.

b. GOVERNING LAW. THIS AMENDMENT SHALL BE GOVERNED BY, AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF ILLINOIS.

c. HEADINGS. Section headings in this Amendment are included herein for convenience of reference only and shall not constitute a part of this Amendment for any other purpose.

d. ENTIRE AGREEMENT. This Amendment is the entire agreement among the parties with respect to the matters addressed herein, and may not be modified except by written modification signed by all parties hereto.

e. SUCCESSORS AND ASSIGNS. This Amendment shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, successors, personal representatives and assigns (as permitted under the Credit Agreement).

f. EXPENSES. Pursuant to Section 11.01(a) of the Credit Agreement, Borrower hereby agrees to promptly pay all reasonable attorneys' fees and expenses or other costs or expenses incurred by Agent in connection with this Amendment and the transactions contemplated hereby.

[SIGNATURE PAGES FOLLOW]

10

IN WITNESS WHEREOF, this Amendment has been duly executed as of the date set forth above.

MHC OPERATING LIMITED PARTNERSHIP, an Illinois limited partnership

By: MANUFACTURED HOME COMMUNITIES, INC.,
a Maryland corporation, as General Partner

By: /s/ John M. Zoeller

Name: John M. Zoeller
Title: VP and Chief Financial Officer

MANUFACTURED HOME COMMUNITIES, INC., a Maryland corporation

By: /s/ John M. Zoeller

Name: John M. Zoeller
Title: VP and Chief Financial Officer

S-1

11

WELLS FARGO BANK, NATIONAL ASSOCIATION, as Agent, Sole Lead Arranger and a Lender

By: /s/ Steven R. Lowery

Name: Steven R. Lowery
Title: Vice President

Commitment: \$40,000,000.00
Pro Rata Share: 40%

S-2

12

BANK OF AMERICA N.A., formerly known as BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION, as Syndication Agent and a Lender

By: /s/ Megan McBride

Name: Megan McBride
Title: Principal

Commitment: \$20,000,000.00
Pro Rata Share: 20%

S-3

13

COMMERZBANK AKTIENGESELLSCHAFT, New York Branch, as a Lender

By: /s/ Douglas P. Traynor

Name: Douglas P. Traynor
Title: Vice President

By: /s/ David Buettner

Name: David Buettner
Title: Assistant Vice President

Commitment: \$20,000,000.00
Pro Rata Share: 20%

S-4

14

MORGAN GUARANTY TRUST COMPANY OF NEW YORK, as
Documentation Agent and a Lender

By: /s/ Carl J. Mehldau, Jr.

Name: Carl J. Mehldau, Jr.
Title: Associate

Commitment: \$20,000,000.00
Pro Rata Share: 20%

S-5

1
WELLS
FARGO

AMENDED, RESTATED AND CONSOLIDATED PROMISSORY NOTE

\$110,000,000.00

Loan No. 31-0900140R
San Francisco, California
June 28, 2000

THIS AMENDED, RESTATED AND CONSOLIDATED PROMISSORY NOTE (this "Note") is made and entered into by and between MHC-DEANZA FINANCING LIMITED PARTNERSHIP, an Illinois limited partnership ("DeAnza"), SNOWBIRDLAND VISTAS, INC., an Illinois corporation ("Snowbirdland") and MHC DATE PALM, L.L.C., a Delaware limited liability company ("Date Palm") (DeAnza, Date Palm and Snowbirdland are individually and collectively, as the context requires and with such determination to be made in the sole discretion of Lender, referred to herein as the "Borrower"), and WELLS FARGO NATIONAL BANK, NATIONAL ASSOCIATION ("Lender").

RECITALS A. Lender is the holder of (a) that certain Secured Promissory Note dated August 14, 1994, in the original principal amount of \$2,218,975.33 and having a current outstanding principal balance of \$2,015,403.20 ("Bay Lake Note") made by Snowbirdland, as Agent for DeAnza, and DeAnza and payable to Pacific Life Insurance Company, formerly known as Pacific Mutual Life Insurance Company, a California Corporation ("Pacific"), (b) that certain Secured Promissory Note dated August 14, 1994, in the original principal amount of \$8,081,491.39 and having a current outstanding principal balance of \$7,340,082.86 ("Buccaneer Note") made by Snowbirdland, as Agent for DeAnza, and DeAnza and payable to Pacific, (c) that certain Secured Promissory Note dated August 14, 1994, in the original principal amount of \$13,323,714.75 and having a current outstanding principal balance of \$12,101,376.45 ("Colonies Note") made by Snowbirdland, as Agent for DeAnza, and DeAnza and payable to Pacific and (d) that certain Secured Promissory Note dated August 14, 1994, in the original principal amount of \$13,435,390.10 and having a current outstanding principal balance of \$12,202,806.43 ("Mid-Florida Lakes Note") made by Snowbirdland, as Agent for DeAnza, and DeAnza and payable to Pacific. The Bay Lake Note, Buccaneer Note, Colonies Note and Mid-Florida Lakes Note are referred to collectively herein as the "Original Note."

B. Concurrently with the execution and delivery of this Note, Lender is advancing to Snowbirdland and DeAnza, as an additional loan, the sum of \$2,774,596.80 pursuant to that certain Future Advance Promissory Note Secured by Mortgage (the "Bay Lake Future Advance Note"), the sum of \$11,959,917.14 pursuant to that certain Future Advance Promissory Note Secured by Mortgage (the "Buccaneer Future Advance Note"), the sum of \$8,398,623.55 pursuant to that certain Future Advance Promissory Note Secured by Mortgage (the "Colonies Future Advance Note") and the sum of \$11,797,193.57 pursuant to that certain Future Advance Promissory Note Secured by Mortgage (the "Mid-Florida Lakes Future Advance Note"), the aggregate of such sums collectively referred to herein as the "Additional Florida Loan." The Bay Lake Future Advance Note, Buccaneer Future Advance Note, Colonies Future Advance Note and Mid-Florida Lakes Future Advance Note are collectively referred to herein as the "Future Advance Note."

C. Borrower and Lender desire to amend, restate and consolidate the Original Note and the Future Advance Note in their entirety to reflect, among other things, (i) the increase in Borrower's indebtedness to Lender by the amount of the Additional Florida Loan pursuant to the Future Advance Note, as well as the additional sums advanced hereunder in the amount of \$41,410,000.00, (ii) a change in the interest rate and the terms of payment and (iii) additional modifications of, additions to, and deletions of, the terms of the Original Note and the Future Advance Note.

1. PROMISE TO PAY. For value received, Borrower promises to pay to the order of Lender, at 1320 Willow Pass Road, Suite 205, Concord, California 94520, or at such other place as may be designated in writing by Lender, the

principal sum of ONE HUNDRED TEN MILLION AND NO/100THS DOLLARS (\$110,000,000.00) ("Loan"), with interest thereon as specified herein. All sums owing hereunder are payable in lawful money of the United States of America, in immediately available funds, without offset, deduction or counterclaim of any kind.

2. SECURED BY MORTGAGE. This Note is secured by, among other things: (i) that certain Amended, Consolidated and Restated Mortgage and Absolute Assignment of Rents and Leases and Security Agreement (And Fixture Filing) ("Mid-Florida Lakes Mortgage") of even date herewith, executed by Snowbirdland and DeAnza encumbering certain

1

2

real property and improvements located in Leesburg, Florida, as more particularly described therein ("Mid-Florida Lakes Property"); (ii) that certain Amended, Consolidated and Restated Mortgage and Absolute Assignment of Rents and Leases and Security Agreement (And Fixture Filing) ("Bay Lake Mortgage") of even date herewith, executed by Snowbirdland and DeAnza encumbering certain real property and improvements located in Nokomis, Florida, as more particularly described therein ("Bay Lake Estates Property"); (iii) that certain Amended, Consolidated and Restated Mortgage and Absolute Assignment of Rents and Leases and Security Agreement (And Fixture Filing) ("Buccaneer Mortgage") of even date herewith, executed by Snowbirdland and DeAnza encumbering certain real property and improvements located in North Fort Myers, Florida, as more particularly described therein ("Buccaneer Estates Property"); (iv) that certain Amended, Consolidated and Restated Mortgage and Absolute Assignment of Rents and Leases and Security Agreement (And Fixture Filing) ("Colonies Mortgage") of even date herewith, executed by Snowbirdland and DeAnza encumbering certain real property and improvements located in Margate, Florida and as more particularly described therein ("Colonies of Margate Property"); (v) that certain Mortgage and Absolute Assignment of Rents and Leases and Security Agreement (And Fixture Filing) ("Willow Lake Mortgage") of even date herewith, executed by DeAnza encumbering certain real property and improvements located in Elgin, Illinois, as more particularly described therein ("Willow Lake Estates Property"); (vi) that certain Deed of Trust and Absolute Assignment of Rents and Leases and Security Agreement (And Fixture Filing) ("DeAnza Deed of Trust") of even date herewith, executed by DeAnza encumbering certain real property and improvements located in Santa Cruz, California, as more particularly described therein ("DeAnza Santa Cruz Property"); (vii) that certain Leasehold Deed of Trust and Absolute Assignment of Rents and Leases and Security Agreement (And Fixture Filing) ("Date Palm Leasehold Deed of Trust") of even date herewith, executed by Date Palm encumbering certain real property and improvements located in Cathedral City, California, as more particularly described therein ("Date Palm Country Club Property"); and (viii) those certain Stock Pledge Agreements executed by Benjamin J. Randall and Rosalind Reed in favor of Lender (collectively referred to herein as the "Stock Pledge Agreements"). The Mid-Florida Lakes Mortgage, Bay Lake Mortgage, Buccaneer Mortgage, Colonies Mortgage, Willow Lake Mortgage, DeAnza Deed of Trust and Date Palm Leasehold Deed of Trust are referred to herein collectively and individually, as applicable, and as modified, extended or renewed, as the "Mortgage" or the "Mortgages." The Mid-Florida Lakes Property, the Bay Lake Estates Property, the Buccaneer Estates Property, the Colonies of Margate Property, the Willow Lake Estates Property, the DeAnza Santa Cruz Property and the Date Palm Country Club Property are referred to herein collectively and individually, as applicable, as the "Property" or the "Properties."

3. DEFINITIONS. For the purposes of this Note, the following terms shall have the following meanings:

"Affiliate" shall mean, as to any specified Person, any other Person that, directly or indirectly, is in Control of, is Controlled by or is under common Control with such specified Person.

"Business Day" shall mean any day other than a Saturday, Sunday, legal holiday or other day on which commercial banks in California are authorized or required by law to close. All references in this Note to a "day" or a "date" shall be to a calendar day unless specifically referenced as a Business Day.

"Control" shall mean with respect to such Person either (i) ownership directly or through other entities of more than 100% of all beneficial equity interest in such Person and (ii) the power to direct the management, operation and business of such person.

"Debt Service Coverage Ratio" shall mean, as of the last day of the calendar month immediately preceding the applicable calculation date, the ratio in which (a) the numerator is the sum of the Net Operating Income for each of the applicable Properties for the immediately preceding twelve month period and (b) the denominator is the aggregate amount of principal and interest that would be due under this Note for such period based upon a debt service constant of eight and sixty-six one-hundredths percent (8.66%).

"Default" shall have the meaning set forth in the Mortgages.

"Disbursement Date" shall mean the date upon which the Loan proceeds are funded into escrow in connection with the closing of the Loan.

"Effective Date" shall mean the date Lender authorizes the Loan proceeds to be released to Borrower.

"Loan Documents" shall mean the documents listed in Exhibit B attached hereto and incorporated herein by this reference.

2

3

"Loan-to-Value Ratio" shall mean, as of the last day of the calendar month immediately preceding the applicable calculation date, the ratio in which (a) the numerator is the aggregate amount of principal and interest then due under this Note and (b) the denominator is the "as-is" value of the applicable Properties as set forth in the appraisals for such Properties.

"Maturity Date" shall mean July 1, 2010.

"Net Operating Income" shall mean, with respect to a Property, (i) the rental payments actually received by the applicable Borrower ("Gross Rents"); plus (ii) the expense reimbursements actually received by the applicable Borrower ("Expense Reimbursements"); minus the sum of (w) an adjustment for vacancy/collection losses equal to the greater of actual, market or five percent (5%) of the Gross Rents and Expense Reimbursements; and (x) the actual Operating Expenses (as defined below); and (y) an amount for reasonable management expenses equal to the greater of (A) four percent (4%) of Gross Rents or (B) actual management expenses; and (z) a capital improvement reserve equal to \$61,300.00 for the Mid-Florida Lakes Property, \$11,400.00 for the Bay Lake Estates Property, \$48,550.00 for the Buccaneer Estates Property, \$40,950.00 for the Colonies of Margate Property, \$51,824.00 for the Willow Lake Estates Property, \$12,650.00 for the DeAnza Santa Cruz Property, \$26,900.00 for the Date Palm Country Club Property, and such amount as shall be reasonably determined by Lender for any Replacement Property (as hereinafter defined).

"Operating Expenses" shall mean all reasonable operating expenses of such Property, including without limitation, those for maintenance, repairs, annual taxes, bond assessments, ground lease payments, insurance, utilities, and other annual expenses (but not capital expenses) that are standard and customary for properties of this type. Operating Expenses for this purpose shall not include any interest or principal payments on the Loan or any allowance for depreciation.

"Person" shall mean any individual, corporation, partnership, joint venture, estate, trust, unincorporated association, any federal, state, county or municipal government or any bureau, department or agency thereof and any fiduciary acting in such capacity on behalf of any of the foregoing.

"Property Worth" shall mean, with respect to each Borrower, the fair market value of the Property or Properties owned by such Borrower as of the Disbursement Date.

"Rating Agency" shall mean each of Standard & Poor's Ratings Group, Moody's Investors Service, Inc., Duff & Phelps Rating Co., and Fitch Investors Service, Inc., and their successors or assigns, or any other nationally recognized statistical rating agency which rates securities in connection with a securitization.

"Remaining Properties" shall mean all of the Properties other than those that have been released or requested to be released from the lien of the applicable Mortgage pursuant to a Defeasance (hereinafter defined in Section 14) or in exchange for a Replacement Property.

4. INTEREST; PAYMENTS.

4.1 DEFINITIONS. The following terms shall have the meanings indicated:

"Actual/360 Basis" shall mean on the basis of a 360-day year and charged on the basis of actual days elapsed for any whole or partial month in which interest is being calculated.

"30/360 Basis" shall mean on the basis of a 360-day year consisting of 12 months of 30 days each.

"Interest Rate" shall mean a fixed interest rate equal to 7.82%.

4.2 INTEREST ACCRUAL. Interest on the outstanding principal balance of this Note shall accrue from the Disbursement Date at an annual rate equal to the Interest Rate calculated on an Actual/360 Basis.

4.3 PAYMENTS. Monthly payments hereunder shall commence on the first day of the calendar month following the Disbursement Date and continue on the first day of each calendar month thereafter through the Maturity Date. If the Disbursement Date is a date other than the first day of a calendar month, the first monthly payment shall be interest only. Subsequent monthly payments shall be calculated on the basis of an equal-payment thirty (30) year

amortization of principal and interest. Notwithstanding that interest on this Note accrues on an Actual/360 Basis, the total amount of each such amortized monthly payment of principal and interest shall be determined using a 30/360 Basis. On the Maturity Date, all unpaid principal and accrued but unpaid interest shall be due and owing in full. All interest shall be paid in arrears.

4.4 ACKNOWLEDGMENTS. Borrower acknowledges that interest calculated on an Actual/360 Basis exceeds interest calculated on a 30/360 Basis and, therefore: (a) a greater portion of each monthly installment of principal and interest will be applied to interest using the Actual/360 Basis than would be the case if interest accrued on a 30/360 Basis; and (b) the unpaid principal balance of this Note on the Maturity Date will be greater using the Actual/360 Basis than would be the case if interest accrued on a 30/360 Basis.

4.5 APPLICATION OF PAYMENTS. In the absence of a specific determination

by Lender to the contrary, all payments paid by Borrower to Lender in connection with the obligations of Borrower under this Note and under the other Loan Documents shall be applied in the following order of priority: (a) to amounts, other than principal and interest, due to Lender pursuant to this Note or the other Loan Documents; (b) to accrued but unpaid interest on this Note; and (c) to the unpaid principal balance of this Note. Upon the occurrence of a Default: (i) Borrower irrevocably waives the right to direct the application of any and all payments at any time thereafter received by Lender from or on behalf of Borrower, and (ii) Borrower irrevocably agrees that Lender shall have the continuing exclusive right to apply any and all such payments against the then due and owing obligations of Borrower in such order of priority as Lender may deem advisable.

5. LATE CHARGE; DEFAULT RATE.

5.1 LATE CHARGE. If any payment required hereunder is not paid on or before the fifth calendar day of the month in which it is due, Borrower shall pay a late or collection charge, as liquidated damages, equal to 4% of the amount of such unpaid payment. Borrower acknowledges that Lender will incur additional expenses as a result of any late payments hereunder, which expenses would be impracticable to quantify, and that Borrower's payments under this paragraph are a reasonable estimate of such expenses. The foregoing to the contrary notwithstanding, no late or collection charge shall be payable by Borrower as a result of any delay in the payment of any sum due and payable on the Maturity Date.

5.2 DEFAULT RATE. Commencing upon a Default and continuing until such Default shall have been cured by Borrower, all sums owing on this Note shall bear interest until paid in full at a rate per annum equal to 5% plus the Interest Rate ("Default Rate").

6. MAXIMUM RATE PERMITTED BY LAW. Neither this Note nor any of the other Loan Documents shall require the payment or permit the collection of any interest or any late payment charge in excess of the maximum rate permitted by law. If any such excess interest or late payment charge is provided for under this Note or any of the other Loan Documents or if this Note or any of the other Loan Documents shall be adjudicated to provide for such excess, neither Borrower nor Borrower's successors or assigns shall be obligated to pay such excess, and the right to demand the payment of any such excess shall be and hereby is waived, and this provision shall control any other provision of this Note or any of the other Loan Documents. If Lender shall collect amounts which are deemed to constitute interest and which would increase the effective interest rate to a rate in excess of the maximum rate permitted by law, all such amounts deemed to constitute interest in excess of the maximum legal rate shall, upon such determination, at the option of Lender, be returned to Borrower or credited against the outstanding principal balance of this Note.

7. ACCELERATION. If (a) Borrower shall fail to pay when due, subject to any applicable grace or cure period, any sums payable under this Note; (b) any other Default shall occur; or (c) any other event or condition shall occur which, under the terms of any of the Mortgages or any other Loan Document, gives rise to a right of acceleration of sums owing under this Note, then Lender, at its sole option, shall have the right to declare all sums owing under this Note immediately due and payable; provided, however, that if any of the Mortgages or any other Loan Document provides for the automatic acceleration of payment of sums owing under this Note, all sums owing under this Note shall be automatically due and payable in accordance with the terms of such of the Mortgages or such other Loan Document.

8. BORROWER'S LIABILITY.

- 8.1 LIMITATION. Except as otherwise provided in this Section 8, Lender's recovery against Borrower under this Note and the other Loan Documents shall be limited solely to the Properties and the "Collateral" (as defined in the Mortgages).
- 8.2 EXCEPTIONS. Nothing contained in Section 8.1 or elsewhere in this Note or the other Loan Documents, however, shall limit in any way the personal liability of Borrower owed to Lender for any losses or damages incurred by Lender (including, without limitation, any impairment of Lender's security for the Loan) with respect to any of the following matters: (a) fraud or willful misrepresentation; (b) material physical waste of the Properties (or any portions thereof) or the Collateral; (c) failure to pay property or other taxes, assessments or charges (other than amounts paid to Lender for taxes, assessments or charges pursuant to Impounds as defined in Exhibit A and where Lender elects not to apply such funds toward payment of the taxes, assessments or charges owed) which may create liens senior to the lien of any of the Mortgages on all or any portion of the Properties; (d) failure to deliver any insurance or condemnation proceeds or awards or any security deposits received by Borrower to Lender as required under the terms of the Loan Documents or any other instrument now or hereafter securing this Note or to otherwise apply such sums as required under the terms of the Loan Documents or any other instrument now or hereafter securing this Note; (e) failure to apply any rents, royalties, accounts, revenues, income, issues, profits and other benefits from the Properties (or any portion thereof) which are collected or received by Borrower during the period of any Default or after acceleration of the indebtedness and other sums owing under the Loan Documents to the payment of either (i) such indebtedness or other sums or (ii) the normal and necessary operating expenses of the Properties; (f) any breach by Borrower of any covenant in this Note or in any of the Mortgages regarding Hazardous Materials (as defined in the Mortgages) or any representation or warranty of Borrower regarding Hazardous Materials proving to have been untrue when made; (g) failure to pay any judgments, costs, expenses, fees and any other amounts whatsoever owing pursuant to, as a result of or in connection with the litigation matters pending, and that have been disclosed to Lender prior to the Effective Date, at the Buccaneer Estates Property, the Willow Lake Estates Property or the DeAnza Santa Cruz Property, respectively; or (h) failure of any of the Date Palm Ground Lease Documents (as hereinafter defined) required to be executed by the ground lessors in connection with the release of the Date Palm Escrow to be legally binding on all of the ground lessors under the ground lease encumbering the Date Palm Country Club Property.
- 8.3 NO RELEASE OR IMPAIRMENT. Nothing contained in Section 8.1 shall be deemed to release, affect or impair the indebtedness evidenced by this Note or the obligations of Borrower under, or the liens and security interests created by the Loan Documents, or Lender's rights to enforce its remedies under this Note and the other Loan Documents, including, without limitation, the right to pursue any remedy for injunctive or other equitable relief, or any suit or action in connection with the preservation, enforcement or foreclosure of the liens, mortgages, deeds of trust, assignments and security interests which are now or at any time hereafter security for the payment and performance of all obligations under this Note or the other Loan Documents.
- 8.4 PREVAIL AND CONTROL. The provisions of this Section 8 shall prevail and control over any contrary provisions elsewhere in this Note or the other Loan Documents.
9. NON-MORTGAGOR BORROWER. If any Borrower is not also a "Mortgagor" under the Mortgages, such Borrower hereby makes all representations and warranties in favor of Lender contained in Article 5 of the Mortgages, all covenants contained in Section 6.15 of the Mortgages, and all indemnities

of Lender contained in Section 6.19 of the Mortgages, jointly and severally with the "Mortgagor" under each of the Mortgages.

10. MISCELLANEOUS.

10.1 JOINT AND SEVERAL LIABILITY. If this Note is executed by more than one person or entity as Borrower, the obligations of each such person or entity shall be joint and several. No person or entity shall be a mere accommodation maker, but each shall be primarily and directly liable hereunder.

10.2 WAIVER OF PRESENTMENT. Except as otherwise provided herein or in any other Loan Document, Borrower hereby waives presentment, demand, notice of dishonor, notice of default or delinquency, notice of acceleration, notice of nonpayment, notice of costs, expenses or losses and interest thereon, and notice of interest on interest and late charges.

5

6

10.3 DELAY IN ENFORCEMENT. No previous waiver or failure or delay by Lender in acting with respect to the terms of this Note or the Mortgages shall constitute a waiver of any breach, default or failure of condition under this Note, the Mortgages or the obligations secured thereby. A waiver of any term of this Note, the Mortgages or of any of the obligations secured thereby must be made in writing signed by Lender, shall be limited to the express terms of such waiver, and shall not constitute a waiver of any subsequent obligation of Borrower. The acceptance at any time by Lender of any past-due amount shall not be deemed to be a waiver of the right to require prompt payment when due of any other amounts then or thereafter due and payable.

10.4 TIME OF THE ESSENCE. Time is of the essence with respect to every provision hereof.

10.5 GOVERNING LAW. This Note was accepted by Lender in the state of California and the proceeds of this Note were disbursed from the state of California, which state the parties agree has a substantial relationship to the parties and to the underlying transaction embodied hereby. Accordingly, in all respects, including, without limiting the generality of the foregoing, matters of construction, validity, enforceability and performance, this Note, the Mortgages and the other Loan Documents and the obligations arising hereunder and thereunder shall be governed by, and construed in accordance with, the laws of the state of California applicable to contracts made and performed in such state and any applicable law of the United States of America, except that at all times the provisions for the foreclosure of the liens granted under the Mortgages securing this Note and the creation, perfection and enforcement of the security interests created pursuant thereto and pursuant to the other Loan Documents shall be governed by and construed according to the law of the states where the Properties are located. Except as provided in the immediately preceding sentence, Borrower hereby unconditionally and irrevocably waives, to the fullest extent permitted by law, any claim to assert that the law of any jurisdiction other than California governs the Mortgages, this Note and the other Loan Documents.

10.6 CONSENT TO JURISDICTION. Borrower irrevocably submits to the jurisdiction of: (a) any state or federal court sitting in the state of California over any suit, action, or proceeding, brought by Borrower against Lender, arising out of or relating to this Note or the Loan evidenced hereby; (b) any state or federal court sitting in any of the states where the Properties are located or the state in which Borrower's principal place of business is located over any

suit, action or proceeding, brought by Lender against Borrower, arising out of or relating to this Note or the Loan evidenced hereby; and (c) any state court sitting in any of the counties of the states where the Properties are located over any suit, action, or proceeding, brought by Lender to exercise its rights of foreclosure under the applicable Mortgage or any action brought by the Lender to enforce its rights with respect to the Collateral. Borrower irrevocably waives, to the fullest extent permitted by law, any objection that Borrower may now or hereafter have to the laying of venue of any such suit, action, or proceeding brought in any such court and any claim that any such suit, action, or proceeding brought in any such court has been brought in an inconvenient forum.

- 10.7 COUNTERPARTS. This Note may be executed in any number of counterparts, each of which when executed and delivered shall be deemed an original and all of which taken together shall be deemed to be one and the same Note.
- 10.8 HEIRS, SUCCESSORS AND ASSIGNS. All of the terms, covenants, conditions and indemnities contained in this Note and the other Loan Documents shall be binding upon the heirs, successors and assigns of Borrower and shall inure to the benefit of the successors and assigns of Lender. The foregoing sentence shall not be construed to permit Borrower to assign the Loan except as otherwise permitted in this Note or the other Loan Documents.
- 10.9 SEVERABILITY. If any term of this Note, or the application thereof to any person or circumstances, shall, to any extent, be invalid or unenforceable, the remainder of this Note, or the application of such term to persons or circumstances other than those as to which it is invalid or unenforceable, shall not be affected thereby, and each term of this Note shall be valid and enforceable to the fullest extent permitted by law.
- 10.10 CONSENTS, APPROVALS AND EXPENSES. Wherever Lender's consent, approval, acceptance or satisfaction is required under any provision of this Note or any of the other Loan Documents, such consent, approval, acceptance or satisfaction shall not be unreasonably withheld, conditioned or delayed by Lender unless such provision expressly so provides. Wherever costs or expenses are required to be paid under any provision of this Note or any of the other Loan Documents, such costs or expenses shall be reasonable.

6

7

11. NOTICES. All requests, demands, notices and other communications that are required or permitted to be given to a party under this Note shall be in writing and shall be sent to such party, either by personal delivery, by overnight delivery service, by certified first class mail, return receipt requested, or by facsimile transmission to the address or facsimile number below. All such notices and communications shall be effective upon receipt of such delivery or facsimile transmission, together with a printed receipt of the successful delivery of such facsimile transmission. The addresses and facsimile numbers of the parties shall be:

Borrower:

c/o Manufactured Home Communities, Inc.
Two North Riverside Plaza
Suite 800
Chicago, Illinois 60606
Attention: General Counsel
FAX No.: (312) 279-1715

Lender:

Wells Fargo Bank, N.A.
1320 Willow Pass Road, Suite 205
Concord, CA 94520
Loan No. 31-0900140R
FAX No.: (925) 691-5947

With a copy to:

Katz Randall Weinberg & Richmond
333 West Wacker Drive
Suite 1800
Chicago, IL 60606-1288
Attention: Benjamin J. Randall
FAX No.: (312) 807-3903

12. ADDITIONAL TERMS AND CONDITIONS. The additional terms and conditions set forth in Exhibit A and Exhibit B attached hereto are incorporated herein by this reference.
13. PREPAYMENT. Borrower acknowledges that any prepayment of this Note will cause Lender to lose its interest rate yield on this Note and will possibly require that Lender reinvest any such prepayment amount in loans of a lesser interest rate yield (including, without limitation, in debt obligations other than first mortgage loans on commercial properties). As a consequence, Borrower agrees as follows, as an integral part of the consideration for Lender's making the Loan:
- 13.1 RESTRICTIONS. Except for the Date Palm Repayment Option (as hereinafter defined), any voluntary prepayment of this Note: (a) is prohibited except during the last 3 months of the term, (b) is permitted in full only, and not in part, and (c) may only be made on the first day of a month.
- 13.2 PREPAYMENT CHARGE. Except as provided below, if this Note is prepaid prior to the last three (3) months of the term, whether such prepayment is involuntary or upon acceleration of the principal amount of this Note by Lender following a Default, Borrower shall pay to Lender on the prepayment date (in addition to all other sums then due and owing to Lender under the Loan Documents) a prepayment charge equal to the greater of the following two amounts: (a) an amount equal to 1% of the then outstanding principal balance of the Loan; or (b) an amount equal to (i) the amount, if any, by which the sum of the present values as of the prepayment date of all unpaid principal and interest payments required under this Note, calculated by discounting such payments from their respective scheduled payment dates back to the prepayment date at a discount rate equal to the Periodic Treasury Yield (defined below) exceeds the outstanding principal balance of the Loan as of the prepayment date, multiplied by (ii) a fraction whose numerator is the amount of the prepayment and whose denominator is the outstanding principal balance of the Loan as of the prepayment date. Notwithstanding the foregoing, no prepayment charge shall apply in respect to any insurance or condemnation proceeds received by Lender and applied by Lender to the outstanding principal balance of the Loan. For purposes of the foregoing, "Periodic Treasury Yield" means (c) the annual yield to maturity of the actively traded non-callable United States Treasury fixed interest rate security (other than any such security which can be surrendered at the option of the holder at face value in payment of federal estate tax or which was issued at a substantial discount) that has a maturity closest to (whether before, on or after) the Maturity Date (or if two or more such securities have

maturity dates equally close to the Maturity Date, the average annual yield to maturity of all such securities), as reported in The Wall Street Journal or other authoritative publication or news retrieval service on the fifth Business Day preceding the prepayment date, divided by (d) 12, if scheduled payment dates are monthly, or 4, if scheduled payment dates are quarterly. Notwithstanding the

foregoing, no prepayment charge shall be required in connection with the Date Palm Repayment Option.

- 13.3 WAIVER. Borrower waives any right to prepay this Note except under the terms and conditions set forth in this Section and agrees that if this Note is prepaid, Borrower will pay the prepayment charge set forth above. Borrower hereby acknowledges that: (a) the inclusion of this waiver of prepayment rights and agreement to pay the prepayment charge for the right to prepay this Note was separately negotiated with Lender; (b) the economic value of the various elements of this waiver and agreement was discussed; (c) the consideration given by Borrower for the Loan was adjusted to reflect the specific waiver and agreement negotiated between Borrower and Lender and contained herein; and (d) this waiver is intended to comply with California Civil Code Section 2954.10.

Borrower's Initials: _____

- 13.4 INSURANCE PROCEEDS; CONDEMNATION AWARDS. Notwithstanding anything herein to the contrary, no prepayment charge shall be due and owing with respect to any involuntary prepayment resulting from Lender's application of any insurance proceeds or condemnation awards to the Loan.
14. DEFEASANCE. At any time after the Lockout Expiration Date (defined below), Borrower may elect to cause Lender to release one or more of the Properties from the lien of any of the Mortgages and the other Loan Documents and to accept other collateral in substitution therefor, in accordance with the provisions of this Section ("Defeasance"), at Borrower's sole cost and expense. "Lockout Expiration Date" means the earlier of (a) the second anniversary of the "startup day" (as defined in Internal Revenue Code Section 860(G)(a)(9)) of any "real estate mortgage investment conduit" (as defined in Internal Revenue Code Section 860D) that holds this Note and (b) the third anniversary of the date of this Note. For purposes of this Section 14 only, (a) the values of the Mid-Florida Lakes Property, the Bay Lake Estates Property, the Buccaneer Estates Property, the Colonies of Margate Property, the Willow Lake Estates Property, the DeAnza Santa Cruz Property and the Date Palm Country Club Property, respectively, expressed as a percentage of the total principal amount of the Loan ("Allocated Loan Percentage"), shall be deemed to be 21.8182%, 4.3544%, 17.5455%, 18.6364%, 17.7273%, 5.60%, and 14.3182%; and (b) the portion of the principal amount of the Loan allocable to each of the Properties ("Allocated Loan Amount") shall be deemed initially to be the Allocated Loan Percentage for such Property multiplied by the initial total principal amount of the Loan and, thereafter, the same such amount as the same shall be reduced by ratable application of payments of principal made under this Note from time to time.
- 14.1 CONDITIONS. Borrower shall only have the right to cause a Defeasance if no Default has occurred and is continuing and all of the following conditions have been satisfied:
- a. Notice. Borrower shall give at least 60 days but not more than 90 days' written notice to Lender specifying the date of Borrower's intended Defeasance ("Release Date"), which date shall be a scheduled payment date and such notice shall indicate the principal amount of the Note to be defeased;
 - b. Payments. Borrower shall pay in full, on or before the Release Date, all accrued and unpaid interest and all other sums due under this Note and the other Loan Documents on or before the Release Date, including without limitation, (i) all costs and expenses paid or incurred by Lender or its agents in connection with the Defeasance, the purchase of the Defeasance Collateral (defined below), the release of the applicable Properties, the review of the proposed Defeasance Collateral and the preparation of the Defeasance Security Agreement

(defined below) and related documentation, and (ii) any revenue, documentary stamp, intangible or other taxes, charges or fees due in connection with the transfer or assumption of this Note or the Defeasance;

- c. Deliveries. Borrower shall deliver the following items to Lender on or before the Release Date:
- (i) immediately available funds ("Defeasance Deposit") in an amount sufficient to enable Lender to purchase, through means and sources customarily employed and available to Lender, for the account of Borrower, direct, non-callable obligations of the United States of America that

8

9

provide for payments prior, but as close as possible, to all successive scheduled payment dates occurring after the Release Date, with each such payment being equal to or greater than one hundred twenty five percent (125%) of the product of the Allocated Loan Percentage for the Properties that are the subject of the applicable Defeasance multiplied by the installments of principal and interest required to be paid under this Note (including, without limitation, all amounts due on the Maturity Date) for the balance of the term hereof ("Defeasance Collateral"), each of which shall be duly endorsed by the holder as directed by Lender or accompanied by a written instrument of transfer in form and substance satisfactory to Lender in its sole discretion (including, without limitation, such instruments as may be required by the depository institution holding such securities or the issuer of such securities, as the case may be, to effectuate book-entry transfers and pledges through the book-entry facilities of such institution) in order to perfect upon the delivery of the Defeasance Security Agreement (as defined below) the first priority security interest in the Defeasance Collateral in favor of Lender.

- (ii) a pledge and security agreement, in form and substance satisfactory to Lender in its reasonable discretion, creating a first priority security interest in favor of Lender in the Defeasance Collateral ("Defeasance Security Agreement"), which shall provide, among other things, that any payments generated by the applicable Defeasance Collateral shall be paid directly to Lender and applied by Lender to amounts then due and payable under this Note allocable to the Allocated Loan Amount for the Properties that are the subject of the applicable Defeasance and that any excess received by Lender from the applicable Defeasance Collateral over the amounts payable by Borrower under this Note allocable to the Allocated Loan Amount for the Properties that are the subject of the applicable Defeasance shall be first, paid to Lender and applied by Lender to any other amounts then due and payable under this Note, and second, refunded to Borrower promptly after each scheduled payment date;
- (iii) a certificate of Borrower certifying that all of the requirements of this Section 14.1 have been satisfied;
- (iv) an opinion of counsel for Borrower in form and substance

and delivered by counsel satisfactory to Lender in its sole discretion, subject, however, to standard enforceability opinion qualifications and limitations, stating, among other things, that (aa) Lender has a perfected first priority security interest in the Defeasance Collateral, (bb) the Defeasance Security Agreement is enforceable against Borrower in accordance with its terms and (cc) any REMIC Trust formed pursuant to a securitization will not fail to maintain its status as a "real estate mortgage investment conduit" within the meaning of Internal Revenue Code Section 860D, as amended from time to time, or any successor statute, as a result of the Defeasance;

- (v) a certificate from a firm of independent certified public accountants acceptable to Lender certifying that the Defeasance Collateral satisfies the requirements of Section 14.1c(i);
- (vi) written evidence from the applicable Rating Agencies that the Defeasance will not result in a downgrading, withdrawal or qualification of the respective ratings in effect immediately prior to the Defeasance for any securities issued in connection with the securitization which are then outstanding;
- (vii) if the Property to be released pursuant to this Section is either the Mid-Florida Lakes Property, the Bay Lake Estates Property, the Buccaneer Estates Property or the Colonies of Margate Property, then a conveyance of title to the Property to be released to a Person other than a Borrower;
- (viii) such other certificates, documents or instruments as Lender may reasonably require, including, without limitation, such amendments to this Note and the other Loan Documents as Lender reasonably deems appropriate to reflect the Defeasance.

- 14.2 RELEASE OF LIEN. Upon satisfaction of all conditions specified above with respect to any Defeasance, the Property subject to such Defeasance shall be released from the lien of the applicable Mortgage and the other Loan Documents to which it is subject, and the applicable Defeasance Collateral, any Defeasance Collateral previously delivered to Lender under this Note, the Remaining Properties and the proceeds thereof shall constitute the only collateral which shall secure the obligations of Borrower under this Note and the other Loan Documents. Simultaneously with the release of a Property pursuant to this Section, Lender shall release that portion of all cash or other accounts maintained pursuant to the Loan Documents relating to such Property. Lender shall, at Borrower's expense, execute and deliver any agreements reasonably requested by Borrower to release the lien of the applicable Mortgage from the applicable Property.
- 14.3 DEFEASANCE DEPOSIT. Borrower hereby authorizes and directs Lender, using the means and sources customarily employed and available to Lender, to use the Defeasance Deposit to purchase the Defeasance Collateral as agent and for the account of Borrower. Payments from the Defeasance Collateral shall be made directly to Lender for application to the Loan as provided hereinabove. Any part of the Defeasance Deposit exceeding the amount necessary to purchase the Defeasance Collateral and to pay the other costs which Borrower is obligated to pay under this Section 14 shall be refunded to

Borrower. Borrower agrees to pay all sums referred to in Section 14.1b above on or before the Release Date.

14.4 ASSIGNMENT AND ASSUMPTION. Upon the release of any of the Properties in accordance with this Section 14, Borrower shall, at the request of Lender, assign all of its right, title and interest in and to the pledged Defeasance Collateral, any Defeasance Collateral previously delivered to Lender under this Note and all its obligations and rights under this Note, the Defeasance Security Agreement, any Defeasance Security Agreement previously delivered to Lender under this Note and the other Loan Documents, to a successor entity designated by Borrower and approved by Lender in its sole discretion. Such successor entity shall execute an assumption agreement in form and substance satisfactory to Lender in its sole discretion pursuant to which it shall assume Borrower's obligations under this Note, the Defeasance Security Agreement, any Defeasance Security Agreement previously delivered to Lender under this Note and the other Loan Documents. As conditions to such assignment and assumption, Borrower shall: (a) deliver to Lender a new limited guaranty in form and substance satisfactory to Lender in its sole discretion executed by the principals of such successor entity; (b) deliver to Lender an opinion of counsel in form and substance and delivered by counsel satisfactory to Lender in its sole discretion subject, however, to standard enforceability opinion qualifications and limitations, stating, among other things, that such assumption agreement is enforceable against Borrower and such successor entity in accordance with its terms and that this Note, the Defeasance Security Agreement, any Defeasance Security Agreement previously delivered to Lender under this Note and the other Loan Documents, as so assumed, are enforceable against such successor entity in accordance with their respective terms; and (c) pay all costs and expenses incurred by Lender or its agents in connection with such assignment and assumption (including, without limitation, the review of the proposed transferee and the preparation of the assumption agreement and related documentation). Upon such assumption, Borrower shall be relieved of its obligations under this Note, the Defeasance Security Agreement, any Defeasance Security Agreement previously delivered to Lender under this Note and the other Loan Documents other than those obligations which are specifically intended to survive the payment of the Loan or other termination, satisfaction or assignment of this Note, the Defeasance Security Agreement, any Defeasance Security Agreement previously delivered to Lender under this Note or the other Loan Documents or Lender's exercise of its rights and remedies under any of such documents and instruments.

15. WAIVER OF JURY TRIAL. LENDER AND BORROWER HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVE ANY RIGHTS THEY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION BASED HEREON, OR ARISING OUT OF, UNDER, OR IN CONNECTION WITH, THIS NOTE OR ANY OTHER LOAN DOCUMENT, OR ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENTS (WHETHER ORAL OR WRITTEN), OR ACTIONS OF LENDER OR BORROWER. THIS PROVISION IS A MATERIAL INDUCEMENT FOR LENDER TO MAKE THE LOAN TO BORROWER. BY ACCEPTANCE OF THIS EXECUTED NOTE, LENDER AGREES TO THE FOREGOING WAIVER.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

Name: Jennifer Usher

Its: AVP/Secretary

MHC DATE PALM, L.L.C.,
a Delaware limited liability company

By: MHC-QRS DATE PALM, INC.,
a Delaware corporation, its Managing Member

By: /s/ John M Zoeller

Name: John M Zoeller

Its: VP

MHC-DEANZA FINANCING LIMITED PARTNERSHIP,
an Illinois limited partnership

By: MHC-QRS DEANZA, INC.,
an Illinois corporation, its General Partner

By: /s/ John M Zoeller

Name: John M Zoeller

Its: VP

11

12

EXHIBIT A TO PROMISSORY NOTE
ADDITIONAL TERMS AND CONDITIONS

This Exhibit A is attached to and forms a part of that Amended, Restated and Consolidated Promissory Note ("Note") executed by MHC-DEANZA FINANCING LIMITED PARTNERSHIP, an Illinois limited partnership ("DeAnza"), SNOWBIRDLAND VISTAS, INC., an Illinois corporation ("Snowbirdland") and MHC DATE PALM, L.L.C., a Delaware limited liability company ("Date Palm") (DeAnza, Date Palm and Snowbirdland are individually and collectively, as the context requires and with such determination to be made in the sole discretion of Lender, referred to herein as the "Borrower") in favor of WELLS FARGO BANK, NATIONAL ASSOCIATION ("Lender").

1. DISBURSEMENT OF LOAN PROCEEDS; LIMITATION OF LIABILITY. Borrower hereby authorizes Lender to disburse the proceeds of the Loan, after deducting any and all fees owed by Borrower to Lender in connection with the Loan, to Commonwealth Land Title Insurance Company (the "Title Company"). With respect to such disbursement, Borrower understands and agrees that Lender does not accept responsibility for errors, acts or omissions of others, including, without limitation, the escrow company, other banks, communications carriers or clearinghouses through which the transfer of Loan proceeds may be made or through which Lender receives or transmits information, and no such entity shall be deemed Lender's agent. As a consequence, Lender shall not be liable to Borrower for any actual (whether direct or indirect), consequential or punitive damages which may arise with respect to the disbursement of Loan proceeds, whether or not (a) any claim for such damages is based on tort or contract, or (b) either Lender or Borrower knew or should have known of the likelihood of such damages in any situation.
2. FINANCIAL STATEMENTS.

- 2.1 STATEMENTS REQUIRED. During the term of the Loan and while any liabilities of Borrower to Lender under any of the Loan Documents remain outstanding and unless Lender otherwise consents in writing, Borrower shall provide to Lender the following:
- a. OPERATING STATEMENT. Not later than 10 days after and as of each calendar month during the first 6 months of the term of the Loan, and thereafter not later than 30 days after and as of the end of each calendar quarter, an operating statement, signed and dated by Borrower and in a form acceptable to Lender, showing all revenues and expenses during such month or quarter and year-to-date, relating to each of the Properties, including, without limitation, all information requested under any of the Loan Documents;
 - b. RENT ROLL. Not later than 10 days after and as of each calendar month during the first 6 months of the term of the Loan, and thereafter not later than 30 days after and as of the end of each calendar quarter, a rent roll signed and dated by Borrower and in a form acceptable to Lender, showing the following lease information with regard to each tenant: the name of the tenant, monthly or other periodic rental amount, date of commencement of the lease, and payment status;
 - c. BALANCE SHEET. If requested by Lender, not later than 90 days after and as of the end of each fiscal year, a balance sheet, signed and dated by Borrower and in a form acceptable to Lender (or audited financial statements if Borrower obtains them), showing all assets and liabilities of Borrower; and
 - d. OTHER INFORMATION. From time to time, upon Lender's delivery to Borrower of at least 10 days' prior written notice, such other information with regard to Borrower, principals of Borrower, guarantors or the Properties as Lender may reasonably request in writing.
- 2.2 FORM; WARRANTY. Borrower agrees that all financial statements to be delivered to Lender pursuant to Section 2.1 shall: (a) be complete and correct in all material respects; (b) present fairly the financial condition of the party; (c) disclose all liabilities that are required to be reflected or reserved against; and (d) be prepared in accordance with the same accounting standard used by Borrower to prepare the financial statements delivered to and approved by Lender in connection with the making of the Loan or other accounting standards

EXHIBIT A

1

13

acceptable to Lender. Borrower shall be deemed to warrant and represent that, as of the date of delivery of any such financial statement, there has been no material adverse change in financial condition, nor have any assets or properties been sold, transferred, assigned, mortgaged, pledged or encumbered since the date of such financial statement except as disclosed by Borrower in a writing delivered to Lender. Borrower agrees that all rent rolls and other information to be delivered to Lender pursuant to Section 2.1 shall not contain any misrepresentation or omission of a material fact.

- 2.3 LATE CHARGE. If any financial statement, leasing schedule or other item required to be delivered to Lender pursuant to Section 2.1 is not timely delivered, Borrower shall promptly pay to Lender, as a late charge, the sum of \$500 per item. In addition, Borrower shall promptly pay to Lender an additional late charge of \$500 per item for each full month during which such item remains undelivered

following written notice from Lender. Borrower acknowledges that Lender will incur additional expenses as a result of any such late deliveries, which expenses would be impracticable to quantify, and that Borrower's payments under this Section 2.3 are a reasonable estimate of such expenses. Notwithstanding anything to the contrary contained herein, once during each year of the term of the Loan Lender will give notice to Borrower of its failure to provide any item required to be delivered to Lender pursuant to Section 2.1 and if any such items are not delivered within three (3) Business Days following such notice, then at such time the late charge specified herein shall take effect.

3. IMPOUNDS.

3.1 AMOUNTS. Borrower shall deposit with Lender the amounts ("Impounds") stated below on the dates stated below, for the purpose of paying the costs stated below:

- a. TAXES. (i) \$1,549,779.00 on the Disbursement Date, and (ii) on the first payment date on which both principal and interest under the Loan are payable and on each payment date thereafter, an amount estimated from time to time by Lender in its reasonable discretion to be sufficient to pay for taxes and other liabilities payable by Borrower under Section 6.9 of each of the Mortgages. The initial estimated monthly amount to be deposited by Borrower on each payment date is \$210,110.00.
- b. INSURANCE. (i) \$56,600.00 on the Disbursement Date, and (ii) on the first payment date on which both principal and interest under the Loan are payable and on each payment date thereafter, an amount estimated from time to time by Lender in its reasonable discretion to be sufficient to pay for premiums for insurance payable by Borrower under Section 6.10 of each of the Mortgages. The initial estimated monthly amount to be deposited by Borrower on each payment date is \$7,075.00.
- c. DEFERRED MAINTENANCE. \$78,413.00 on the Disbursement Date for Deferred Maintenance Work (defined below).
- d. CAPITAL EXPENDITURES. \$21,131.17 on the first payment date on which both principal and interest under the Loan are payable and on each payment date thereafter for payment or reimbursement of Capital Expenditures (defined below). Notwithstanding the foregoing, once \$760,722.12 is held in this account (the "Capped Amount"), Borrower may temporarily cease making payments to this account; provided, however, that upon a release of Impounds from this account causing the amount held in such account to drop beneath the Capped Amount, Borrower must immediately resume payments on each payment date until such time as the Capped Amount has been reached.

3.2 APPLICATION.

- a. TAXES. If no Default exists, Lender shall apply the Impounds in a timely fashion to the payment of the taxes and other liabilities stated above.
- b. INSURANCE. If no Default exists, Lender shall apply the Impounds to the payment of the insurance premiums stated above.
- c. DEFERRED MAINTENANCE WORK. If no Default exists, Lender shall release the Impounds to Borrower once a quarter, no less than \$25,000.00 per release, to pay or reimburse Borrower for the Deferred

Maintenance Work (defined below); provided, however, that Lender shall have received and approved each of the following:

- (i) Borrower's written request for such release, describing the Deferred Maintenance Work and a cost breakdown thereof in reasonable detail, and certifying that all such Deferred Maintenance Work has been completed lien-free and in a workmanlike manner; and
- (ii) an inspection report signed by an inspector selected by Lender, whose fees and expenses shall be paid by Borrower, and such other evidence as Lender shall require, confirming Borrower's certification.

d. CAPITAL EXPENDITURES. If no Default exists, Lender shall release the Impounds to Borrower once a quarter, no less than \$50,000.00 per release, to pay or reimburse Borrower for the Capital Expenditures (defined below); provided, however, that Lender shall have received and approved each of the following:

- (i) Borrower's written request for such release, describing the Capital Expenditures and certifying that all Capital Expenditures have been paid or incurred by Borrower for work completed lien-free and in a workmanlike manner;
- (ii) copies of invoices supporting the request for such release; and
- (iii) if deemed necessary by Lender, an inspection report signed by an inspector selected by Lender, whose fees and expenses shall be paid by Borrower, and such other evidence as Lender shall reasonably require, confirming borrower's certification.

3.3 GENERAL. Any portion of the Impounds that exceeds the amount required for payment of the foregoing costs shall be repaid to Borrower upon Borrower's compliance with the foregoing. Reference is made to Section 6.12(b) of each of the Mortgages for a description of the account into which the Impounds shall be deposited and for a description of certain rights and remedies of Lender with respect to amounts in such account.

3.4 MAINTENANCE AND CONSTRUCTION.

- a. DEFERRED MAINTENANCE WORK. Borrower shall complete the lien-free performance of the Deferred Maintenance Work (as defined below) on or before December 31, 2000. Borrower shall perform the Deferred Maintenance Work in a workmanlike manner and in accordance with all applicable laws, ordinances, rules and regulations. "Deferred Maintenance Work" shall mean the repairs to the roof drain, gazebo, waste water treatment plant, asphalt, pool, fence and water heater all as more fully described in the Property Condition Survey dated May 22, 2000, prepared by National Assessment Corporation with respect to the Colonies of Margate Property and Mid-Florida Lakes Property, and prepared by Integrated Property Analysis, Inc. with respect to the DeAnza Santa Cruz Property.
- b. CAPITAL EXPENDITURES. Borrower shall complete the lien-free performance or installation of the Capital Expenditures (as defined below) from time to time as necessary, in a workmanlike manner and in accordance with all applicable laws, ordinances, rules and regulations. "Capital Expenditures" shall mean major repairs and replacements to maintain or improve the Properties, including, without limitation, structural repairs, roof replacements, HVAC repairs and replacements, mechanical and plumbing repairs and replacements and boiler repair and replacements.
- c. RIGHT OF INSPECTION. Lender shall have the right to enter upon the

Properties at all reasonable times, subject to reasonable notice except in the event of an emergency, in which case no notice shall be required, to inspect all work for the purpose of verifying information disclosed or required pursuant to this Note, in a manner which does not unreasonably interfere with the operations on the Properties. Notwithstanding the foregoing, Lender shall not be obligated to supervise or inspect any work or to inform Borrower or any third party regarding any aspect of any work.

EXHIBIT A

3

15

- 3.5 RELEASE. Lender shall release any Impounds to Borrower through a funds transfer of such Impounds initiated by Lender to the following account or such other account as Borrower specifies in a notice to Lender:

Bank Name: Bank of America
ABA Routing No.: 071-000039
Account Name: 7366-9-01095
Reference: MHC Operating Limited Partnership
Advise: Megan McBride (312) 828-6274

Lender will determine the funds transfer system and other means to be used in making each such release. Borrower agrees that each such funds transfer initiated by Lender will be deemed to be a funds transfer properly authorized by Borrower, even if the transfer is not actually properly authorized by Borrower. Borrower acknowledges that Lender will rely on the account number and ABA routing number set forth above or specified in a notice from Borrower to Lender, even if such account number identifies an account with a name different from the name so specified, or the routing number identifies a bank different from the bank so specified. If Borrower learns of any error in the transfer of any Impounds or of any transfer which was not properly authorized, Borrower shall notify Lender as soon as possible in writing but in no case more than 14 days after Lender's first confirmation to Borrower of such transfer.

4. ONE-TIME RIGHT OF TRANSFER OF PROPERTY TO THIRD PARTY. Notwithstanding anything to the contrary contained in Section 6.15 of the Mortgages, Lender shall, one time only, consent to the voluntary sale or exchange of all (but not less than all) of the Properties to a bona-fide third party purchaser ("Transfer"), if no Default has occurred and is continuing, no event has occurred which, with the giving of notice or the passage of time, or both, would constitute a Default and all of the following conditions have been satisfied:
- 4.1 Lender receives at least sixty-five (65) days prior written notice of the proposed Transfer;
- 4.2 Lender's reasonable determination that the proposed purchaser, the proposed guarantor, if any, and the Properties all satisfy Lender's then applicable credit review and underwriting standards, taking into consideration, among other things, (a) any decrease in the Properties' cash flow which would result from any increase in real property taxes due to any anticipated reassessment of the Properties for tax purposes and (b) any then applicable requirement of Lender that such proposed borrowing entity constitute a single purpose asset and bankruptcy remote entity which, at the time of the Transfer, shall be in full compliance with the representations and covenants set forth in Section 5.2 of the Mortgages (as such representations may be reasonably modified by Lender after reviewing the ownership structure of the proposed borrowing entity);
- 4.3 if required by Lender, delivery to Lender of a non-consolidation opinion from a law firm reasonably acceptable to Lender and in form and substance reasonably satisfactory to Lender;

- 4.4 Lender's reasonable determination that the proposed purchaser possesses satisfactory recent experience in the ownership and operation of properties comparable to the Properties;
- 4.5 the execution and delivery to Lender of such documents and instruments as Lender shall reasonably require, in form and content reasonably satisfactory to Lender, including, without limitation, (i) an assumption agreement under which the purchaser assumes all obligations and liabilities of Borrower under this Note and the other Loan Documents and agrees to periodically pay such new or additional Impounds to Lender as Lender may reasonably require, and (ii) a consent to the Transfer by any existing guarantor and a reaffirmation of such guarantor's obligations and liabilities under any guaranty made in connection with the Loan or a new guaranty executed by a new guarantor reasonably satisfactory to Lender;
- 4.6 if required by Lender, delivery to Lender of evidence of title insurance reasonably satisfactory to Lender insuring Lender that the liens of the Mortgages and the priority thereof will not be impaired or affected by reason of such Transfer of the Properties;
- 4.7 payment to Lender of an assumption fee equal to 0.5% of the then outstanding principal balance of this Note;
- 4.8 if reasonably required by Lender, deposit with Lender of any new or additional Impounds;

EXHIBIT A

4

16

- 4.9 reimbursement to Lender of any and all costs and expenses paid or incurred by Lender in connection with such Transfer, including, without limitation, all in-house or outside counsel attorneys' fees, title insurance fees, appraisal fees, inspection fees, environmental consultant's fees and any fees or charges of the applicable Rating Agencies;
- 4.10 if required by Lender, delivery to Lender of written evidence from the applicable Rating Agencies that such Transfer will not result in a downgrading, withdrawal or qualification of the respective ratings in effect immediately prior to the Transfer for any securities issued in connection with the securitization of the Loan which are then outstanding; and
- 4.11 any third party consents or approvals that are required in order to consummate the contemplated transaction shall have been obtained and Lender shall be provided with satisfactory evidence of same.

Lender shall fully release Borrower and any existing guarantor from any further obligation or liability to Lender under this Note and the other Loan Documents upon the assumption by the purchaser and any new guarantor of all such obligations and liabilities and the satisfaction of all other conditions precedent to a Transfer in accordance with the provisions of this Section.

- 5. TRANSFER OF PROPERTY TO AN AFFILIATE. Notwithstanding anything to the contrary contained in Section 6.15 of the Mortgage, Lender shall one time only with respect to each of the Properties consent to either (a) the voluntary sale or exchange of such Property by deed to an Affiliate of Manufactured Home Communities, Inc. ("MHC") or (b) the assignment by DeAnza of any Nominee Agreement executed by and between DeAnza, as Principal, and Snowbirdland, as Agent, pertaining to such Property, to an Affiliate of MHC (both of which are referred to herein as an "Affiliate Transfer"), if no Default has occurred and is continuing, no event has occurred which, with the giving of notice or the passage of time, or both, would constitute a Default and all of the following conditions have been

satisfied:

- 5.1 Lender receives at least sixty-five (65) days prior written notice of the proposed Affiliate Transfer;
- 5.2 Lender's reasonable determination that (a) such Property's cash flow will not be materially and adversely impacted due to any increase in real property taxes resulting from the Affiliate Transfer and (b) the Affiliate of MHC satisfies any then applicable requirement of Lender that such proposed borrowing entity constitute a single purpose asset and bankruptcy remote entity which, at the time of the transfer, shall be in full compliance with the representations and covenants set forth in Section 5.2 of the Mortgage encumbering such Property (as such representations may be reasonably modified by Lender after reviewing the ownership structure of the proposed borrowing entity);
- 5.3 if required by Lender, delivery to Lender of a non-consolidation opinion from a law firm reasonably acceptable to Lender and in form and substance reasonably satisfactory to Lender;
- 5.4 the execution and delivery to Lender of such documents and instruments as Lender shall reasonably require, in form and content reasonably satisfactory to Lender, including, without limitation, (i) an assumption agreement under which the purchaser assumes all obligations and liabilities of Borrower under this Note and the other Loan Documents and agrees to periodically pay such new or additional Impounds to Lender as Lender may reasonably require, and (ii) a consent to the Affiliate Transfer by any existing guarantor and a reaffirmation of such guarantor's obligations and liabilities under any guaranty made in connection with the Loan or a new guaranty executed by a new guarantor reasonably satisfactory to Lender;
- 5.5 if required by Lender, delivery to Lender of evidence of title insurance reasonably satisfactory to Lender insuring Lender that the lien of such Mortgage and the priority thereof will not be impaired or affected by reason of such Affiliate Transfer of any such Property;
- 5.6 reimbursement to Lender of any and all costs and expenses paid or incurred by Lender in connection with such Affiliate Transfer, including, without limitation, all in-house or outside counsel attorneys' fees, title insurance fees, appraisal fees, inspection fees, environmental consultant's fees and any fees or charges of the applicable Rating Agencies;
- 5.7 if required by Lender, delivery to Lender of written evidence from the applicable Rating Agencies that such Affiliate Transfer will not result in a downgrading, withdrawal or qualification of the respective ratings in

EXHIBIT A

5

17

effect immediately prior to the Affiliate Transfer for any securities issued in connection with the securitization of the Loan which are then outstanding; and

- 5.8 any third party consents or approvals that are required in order to consummate the contemplated transaction shall have been obtained and Lender shall be provided with satisfactory evidence of same.

Lender shall fully release Borrower from any further obligation or liability to Lender under this Note and the other Loan Documents upon the assumption by the Affiliate of all such obligations and liabilities and

the satisfaction of all other conditions precedent to an Affiliate Transfer in accordance with the provisions of this Section. In addition to the Affiliate Transfer permitted above, Lender's consent shall not be required for the normal day to day trading of shares of MHC in the public securities market and such transactions shall not constitute an Affiliate Transfer hereunder.

6. REPLACEMENT PROPERTIES. Upon at least 65 days' but not more than 90 days' written notice to Lender specifying the date of Borrower's intended substitution ("Substitution Date"), which date shall be a scheduled payment date, Borrower may elect to cause Lender to release one or more of the Properties from the lien of the Mortgage encumbering such Property, provided that simultaneously with such release, Borrower shall execute and deliver to Lender, as security for the Loan, a mortgage, deed of trust or deed to secure debt, as applicable ("Replacement Mortgage"), encumbering a manufactured housing community property ("Replacement Property"), in substantially the same form as the Mortgage to be released, such other documents as Lender may reasonably require for the purpose of granting Lender a first priority, perfected lien on and security interest in such Replacement Property and all related rents, personal property, reserves and escrows on the same terms and conditions as the liens and security interests granted to Lender in such Property on the Effective Date, and such other modifications and amendments to the Loan Documents as may be necessitated due to the substitution of the Replacement Property for the Property that will be released (all of the foregoing, together with the Replacement Mortgage, the "Replacement Documents").

6.1 Borrower's right to obtain a release of a Property shall also be subject to the following conditions and restrictions:

- a. no Default shall have occurred and be continuing and no event has occurred which, with the giving of notice or the passage of time, or both, would constitute a Default;
- b. Borrower shall not, over the life of the Loan, be entitled to replace Properties having, in the aggregate, an Allocated Loan Amount of more thirty percent (30%) of the Loan;
- c. at least sixty-five (65) days prior to the proposed date of such release, Lender shall have obtained an appraisal of the Replacement Property and, if required by Lender, updated appraisals of the Remaining Properties, prepared by Cushman & Wakefield, or such other third-party real estate professional that is approved by the Rating Agencies, indicating that the Loan-to-Value Ratio as of the date of such release, obtained by using the "as-is" value of the proposed Replacement Property set forth in such appraisal together with the "as-is" value of the Remaining Properties as of the date of such proposed release if new appraisals are required by Lender for the Remaining Properties, or as of the Disbursement Date if new appraisals are not required by Lender, is at least equal to the Loan-to-Value Ratio existing on the Disbursement Date which is sixty-three percent (63%);
- d. Lender shall have obtained a Phase I environmental report and, if recommended by such Phase I report, a Phase II environmental report prepared by The SI Group, Inc., or such other environmental consultant as is approved by the Rating Agencies, stating that the Replacement Property complies with all applicable environmental laws;
- e. Lender shall have obtained an engineering report, prepared by National Assessment Corporation, or such other consulting engineer as is approved by the Rating Agencies, stating that the Replacement Property complies with all applicable building laws and does not require performance of deferred maintenance, or if remedial steps are required to effect such compliance or such deferred maintenance, identifying such steps and

projecting the cost thereof, which may not exceed \$50,000.00, and in which case Borrower shall be required to deposit with Lender an amount equal to one hundred fifty percent (150%) of such projected costs, which shall be deemed Impounds to be released substantially in accordance with the provisions contained in Section 3 of Exhibit A to this Note;

EXHIBIT A

6

18

- f. Borrower shall have caused to be delivered all leases, title commitments, title insurance policies, surveys, hazard and liability insurance, evidence of compliance with zoning and other laws, legal opinions and other items of due diligence with respect to the Replacement Property as the Rating Agencies may require, all of which shall be in form and substance acceptable to the Rating Agencies;
- g. the Debt Service Coverage Ratio, calculated by substituting the Net Operating Income of the Replacement Property for the Net Operating Income of the Property to be released, combined with the Net Operating Income of the Remaining Properties, as of the time of such release shall be at least equal to the Debt Service Coverage Ratio existing on the Disbursement Date which is 1.41 to 1;
- h. the Person transferring the Replacement Property to a Borrower shall be solvent and shall be making such transfer on an arm's length basis and for fair consideration, and such Borrower and such Person shall deliver certifications and evidence to such effect and such other certifications as Lender shall reasonably require to assure itself that the substitution does not constitute a fraudulent conveyance on the part of any Person (assuming such Person was not solvent at the time of substitution);
- i. Borrower shall comply with such other terms and conditions as the Rating Agencies shall require in connection with such substitution;
- j. the organizational documents of the applicable Borrower shall, if required, be modified to permit the ownership and operation of the Replacement Property;
- k. an opinion of counsel for Borrower in form and substance and delivered by counsel satisfactory to Lender in its sole discretion stating, among other things, that any REMIC Trust formed pursuant to a securitization will not fail to maintain its status as a "real estate mortgage investment conduit" within the meaning of Internal Revenue Code Section 860D, as amended from time to time, or any successor statute, as a result of the release of such Property and the substitution of the Replacement Property;
- l. the applicable Borrower shall transfer title to the Property to be released to a Person other than such Borrower or any other Borrower;
- m. written evidence from the applicable Rating Agencies that the proposed release of such Property and substitution of the Replacement Property will not result in a downgrading, withdrawal or qualification of the respective ratings in effect immediately prior to such release and substitution for any securities issued in connection with the securitization which are then outstanding;
- n. any third party consents or approvals that are required in

order to consummate the contemplated transaction shall have been obtained and Lender shall be provided with satisfactory evidence of same;

- o. delivery to Lender of evidence of title insurance reasonably satisfactory to Lender; and
- p. reimbursement to Lender of any and all costs and expenses paid or incurred by Lender in connection with the request to substitute a Replacement Property, including, without limitation, all in-house or outside counsel attorneys' fees, title insurance fees, appraisal fees, inspection fees, environmental consultant's fees and any fees or charges of the applicable Rating Agencies.

7. CONTRIBUTION AMONG THE ENTITIES THAT COMPRISE THE BORROWER.

- 7.1 CONTRIBUTION. To provide for just and equitable contribution among the entities that comprise the Borrower, if any payment is made by a Borrower (a "Funding Borrower") hereunder or under any other Loan Document in respect of the Secured Obligations (as defined in each of the Mortgages), such Funding Borrower shall be entitled to a contribution from the other entities that comprise the Borrower for all payments, damages and expenses incurred by such Funding Borrower under or in connection with such Secured Obligations, such contributions to be made in the manner and to the extent set forth below. Any amount payable as a contribution under this Note shall be determined as of the date on which the related payment is made by a Funding Borrower.

EXHIBIT A

7

19

- 7.2 CALCULATION OF CONTRIBUTIONS. Each Borrower shall be liable for contribution to each Funding Borrower in respect of all payments, damages and expenses incurred by such Funding Borrower hereunder or under any other Loan Document in an aggregate amount, subject to Section 7.3 hereof, equal to (i) the ratio of (x) the Property Worth of the applicable Property owned by such Borrower to (y) the Property Worth of the Properties owned by all of the entities that comprise the Borrower, multiplied by (ii) the aggregate amount of such payments, damages and expenses incurred by such Funding Borrower under or in connection with the Secured Obligations.
- 7.3 RIGHTS TO CONTRIBUTION SUBORDINATED. Each Borrower agrees that all of its rights to receive contributions under this Section 7 (whether for payments, damages, expenses or otherwise) and all of its rights, if any, to be subrogated to any of the rights of Lender shall be subordinated in right of payment (in liquidation or otherwise) to the prior payment in full in cash of all of the Secured Obligations (whether for principal, interest, premium or otherwise). If any amount shall at any time be paid to a Borrower on account of such rights of contribution or subrogation, or in contravention of the provisions of this Section 7.3 at any time, such amount shall be held in trust, segregated from the other assets of such Borrower, for the benefit of the Lender and shall promptly be paid to the Lender. The foregoing shall constitute a continuing offer to, and agreement with, all persons that from time to time may become holders of, or continue to hold, Secured Obligations under this Note, and the provisions of the foregoing sentence are made for the benefit of such holders and such holders, as third party beneficiaries hereunder, are entitled to enforce such provisions.

8. DATE PALM COUNTRY CLUB PROPERTY TRANSFERS. Notwithstanding anything to the contrary contained in Section 6.15 of the Mortgage, and in addition to the rights contained in Section 5 of this Exhibit A, Lender shall one time only with respect to the Date Palm Country Club Property consent to either

(a) the voluntary transfer of the Date Palm Country Club Property by assignment of lease to DeAnza or (b) the assignment of all or any portion of the membership interests in Date Palm to DeAnza (both of which are referred to herein as the "Date Palm Transfer"), if no Default has occurred and is continuing, no event has occurred which, with the giving of notice or the passage of time, or both, would constitute a Default and all of the following conditions have been satisfied:

- 8.1 Lender receives at least sixty-five (65) days prior written notice of the proposed Date Palm Transfer;
- 8.2 if required by Lender, delivery to Lender of a non-consolidation opinion from a law firm reasonably acceptable to Lender and in form and substance reasonably satisfactory to Lender;
- 8.3 the execution and delivery to Lender of such documents and instruments as Lender shall reasonably require, in form and content reasonably satisfactory to Lender, including, without limitation, a consent to the Date Palm Transfer by any existing guarantor and a reaffirmation of such guarantor's obligations and liabilities under any guaranty made in connection with the Loan or a new guaranty executed by a new guarantor reasonably satisfactory to Lender;
- 8.4 if required by Lender, delivery to Lender of evidence of title insurance reasonably satisfactory to Lender insuring Lender that the lien of such Mortgage and the priority thereof will not be impaired or affected by reason of such Date Palm Transfer;
- 8.5 reimbursement to Lender of any and all costs and expenses paid or incurred by Lender in connection with such Date Palm Transfer, including, without limitation, all in-house or outside counsel attorneys' fees, title insurance fees, appraisal fees, inspection fees, environmental consultant's fees and any fees or charges of the applicable Rating Agencies;
- 8.6 if required by Lender, delivery to Lender of written evidence from the applicable Rating Agencies that such Date Palm Transfer will not result in a downgrading, withdrawal or qualification of the respective ratings in effect immediately prior to the Date Palm Transfer for any securities issued in connection with the securitization of the Loan which are then outstanding; and
- 8.7 any third party consents or approvals that are required in order to consummate the contemplated transaction shall have been obtained and Lender shall be provided with satisfactory evidence of same.

If the Date Palm Transfer consists of an assignment of lease to DeAnza, then Lender shall fully release Date Palm from any further obligation or liability to Lender under this Note and the other Loan Documents upon the assumption by DeAnza of all

EXHIBIT A

8

20

such obligations and liabilities and the satisfaction of all other conditions precedent to the Date Palm Transfer in accordance with the provisions of this Section.

9. DATE PALM APPROVAL, REPLACEMENT OR REPAYMENT. In the event that Borrower has not obtained the approval of the Bureau of Indian Affairs with respect to the Loan (the "Date Palm Approval") by the Effective Date, then the Title Company will not record the Date Palm Leasehold Deed of Trust and Lender will not disburse to Borrower the Allocated Loan Amount attributable to the Date Palm Country Club Property in the amount of \$15,750,000 (the "Date Palm Escrow"). Instead, Lender shall disburse the Date Palm Escrow into an interest-bearing pledged account maintained by

Lender for the benefit of Borrower until such time as Borrower has delivered evidence of the Date Palm Approval to Lender in form and substance satisfactory to Lender, together with such other documents and instruments that were to be delivered to Lender on or before the Effective Date if the Date Palm Approval had been obtained on or before the Effective Date (the "Date Palm Ground Lease Documents"). Upon delivery of the Date Palm Approval and the Date Palm Ground Lease Documents, Lender shall disburse the Date Palm Escrow and the Title Company will be directed to record the Date Palm Leasehold Deed of Trust.

The Date Palm Escrow shall constitute Collateral (as defined in the Mortgages). Upon any Default, Lender shall have the right, in addition to any other rights of Lender under the Loan Documents, to foreclose its security interest in the Date Palm Escrow and apply the sums in the Date Palm Escrow to the repayment of the indebtedness outstanding under this Note in such order as Lender shall determine. At any time and from time to time, promptly upon Lender's request, Borrower shall execute such additional documents and instruments as Lender shall reasonably deem necessary or desirable for the purpose of confirming and perfecting Lender's security interest in the Date Palm Escrow.

In the event Borrower is unable to obtain the Date Palm Approval and the Date Palm Ground Lease Documents by September 1, 2000 (the "Date Palm Determination Date"), then on the Date Palm Determination Date Borrower must either: (1) pay down the Loan ("Date Palm Repayment Option") in the amount of the Date Palm Escrow with no prepayment charge, but subject to the payment of Hedge Losses (as hereinafter defined) or (2) substitute for the Date Palm Country Club Property a Replacement Property ("Date Palm Replacement Option") by providing written notice to Lender on or before August 1, 2000 ("Date Palm Notification Date") specifying Borrower's intention to replace the Date Palm Country Club Property with the Replacement Property. Borrower shall reimburse Lender for any and all costs and expenses paid or incurred by Lender in connection with the Date Palm Approval, the Date Palm Repayment Option and the Date Palm Replacement Option, including, without limitation, all in-house or outside counsel attorneys' fees and any title insurance fees, appraisal fees, inspection fees and environmental consultant's fees.

9.1 In the event Borrower exercises the Date Palm Repayment Option, at such time as Lender has received payment of the Hedge Losses, Lender shall direct the Title Company to return the Date Palm Leasehold Deed of Trust to Borrower, together with such other documents held in escrow by the Title Company pertaining to the Date Palm Country Club Property. Lender shall fully release Date Palm from any further obligation or liability to Lender under this Note and the other Loan Documents upon the satisfaction of all other conditions precedent to the Date Palm Repayment Option in accordance with the provisions of this Section. Borrower acknowledges that, in connection with the making of this Loan, Lender has initiated either a short sale or purchase of United States Treasury Note future or option contracts, as well as other interest rate arrangements (collectively referred to herein as the "Hedge Agreements") based upon the full amount of the Loan and the full term of the Loan. Accordingly, the Date Palm Repayment Option may cause Lender to incur certain losses, costs, and expenses in connection with the Hedge Agreements attributable to the funds on deposit in the Date Palm Escrow ("Hedge Losses"). Borrower agrees to be liable for the Hedge Losses, if any, in the event it exercises the Date Palm Repayment Option.

9.2 In the event that Borrower exercises the Date Palm Replacement Option, then Lender will direct the Title Company to return the Date Palm Leasehold Deed of Trust to Borrower, together with such other documents held in escrow by the Title Company pertaining to the Date Palm Country Club Property, provided that simultaneously with such return, Borrower shall execute and deliver to Lender, as security for the Loan, a Replacement Mortgage encumbering the Replacement Property, in substantially the same form as the other Mortgages, and such other documents as Lender may reasonably require for the

purpose of granting Lender a first priority, perfected lien on and security interest in such Replacement Property and all related rents, personal property, reserves and escrows on the same terms and conditions as the liens and security interests granted to Lender in the other Properties on the Effective Date, and such other modifications and amendments to the Loan Documents as may be necessitated due to the substitution of the Replacement Property for the Date

21

Palm Country Club Property (all of the foregoing, together with the Replacement Mortgage, the "Date Palm Replacement Documents").

9.3 Borrower's right to replace the Date Palm Country Club Property with a Replacement Property shall also be subject to the following conditions and restrictions, which if not met by the Date Palm Determination Date will result in a determination that Borrower has elected the Date Palm Repayment Option:

- a. as of the Date Palm Determination Date, no Default shall have occurred and be continuing and no event has occurred which, with the giving of notice or the passage of time, or both, would constitute a Default;
- b. Lender shall have obtained an appraisal of the Replacement Property and, if required by Lender, updated appraisals of the Remaining Properties, prepared by Cushman & Wakefield, or such other third-party real estate professional that is approved by Lender, indicating that the Loan-to-Value Ratio as of the Date Palm Determination Date, obtained by using the "as-is" value of the proposed Replacement Property set forth in such appraisal together with the "as-is" value of the Remaining Properties as of the Date Palm Determination Date if new appraisals are required by Lender for the Remaining Properties, or as of the Disbursement Date if new appraisals are not required by Lender, is at least equal to the Loan-to-Value Ratio existing on the Disbursement Date which is sixty-three percent (63%);
- c. Lender shall have obtained a Phase I environmental report and, if recommended by such Phase I report, a Phase II environmental report prepared by The SI Group, Inc., or such other environmental consultant as is approved by Lender, stating that the Replacement Property complies with all applicable environmental laws;
- d. Lender shall have obtained an engineering report, prepared by National Assessment Corporation, or such other consulting engineer as is approved by Lender, stating that the Replacement Property complies with all applicable building laws and does not require performance of deferred maintenance, or if remedial steps are required to effect such compliance or such deferred maintenance, identifying such steps and projecting the cost thereof, which may not exceed \$50,000.00, and in which case Borrower shall be required to deposit with Lender an amount equal to one hundred fifty percent (150%) of such projected costs, which shall be deemed Impounds to be released substantially in accordance with the provisions contained in Section 3 of Exhibit A to this Note;
- e. Borrower shall have caused to be delivered on or before the Date Palm Notification Date all leases, title commitments, title insurance policies, surveys, hazard and liability insurance, evidence of compliance with zoning and other laws, legal opinions and other items of due diligence with respect

to the Replacement Property as Lender may require, and which were delineated in the loan application letter between Lender and Borrower, all of which shall be in form and substance acceptable to Lender;

- f. the Debt Service Coverage Ratio, calculated by substituting the Net Operating Income of the Replacement Property for the Net Operating Income of the Date Palm Country Club Property, combined with the Net Operating Income of the Remaining Properties, as of the Date Palm Determination Date shall be at least equal to the Debt Service Coverage Ratio existing on the Disbursement Date which is 1.41 to 1;
- g. the Person transferring the Replacement Property to a Borrower shall be solvent and shall be making such transfer on an arm's length basis and for fair consideration, and such Borrower and such Person shall deliver certifications and evidence to such effect and such other certifications as Lender shall reasonably require to assure itself that the substitution does not constitute a fraudulent conveyance on the part of any Person (assuming such Person was not solvent at the time of substitution);
- h. the organizational documents of the applicable Borrower shall, if required, be modified to permit the ownership and operation of the Replacement Property;
- i. if the Replacement Property is acquired by Date Palm, then Date Palm shall transfer title to the Date Palm Country Club Property to a Person other than Date Palm or any other Borrower;

EXHIBIT A

10

22

- j. if the Replacement Property is acquired by a Borrower other than Date Palm, then Date Palm shall be fully released from any further obligation or liability to Lender under this Note and the other Loan Documents upon the satisfaction of all other conditions precedent to the Date Palm Replacement Option in accordance with the provisions of this Section;
- k. any third party consents or approvals that are required in order to consummate the contemplated transaction shall have been obtained and Lender shall be provided with satisfactory evidence of same; and
- l. delivery to Lender of evidence of title insurance reasonably satisfactory to Lender.

Borrower acknowledges and agrees that in order for Lender to obtain and analyze the third party reports specified in Subsections 9.3(b), (c) and (d) of Exhibit A of this Note before the Date Palm Determination Date, Borrower will need to identify the Replacement Property to Lender before the Date Palm Notification Date. Borrower further acknowledges and agrees that in no event shall Lender be liable to Borrower in any aspect whatsoever in the event that the conditions specified in 9.3(b), (c) and (d) of Exhibit A of this Note have not been satisfied by the Date Palm Determination Date thus requiring Borrower to elect the Date Palm Repayment Option.

EXHIBIT A

11

23

EXHIBIT B TO PROMISSORY NOTE

LOAN DOCUMENTS AND OTHER RELATED DOCUMENTS

This Exhibit B is attached to and forms a part of that Amended, Restated and Consolidated Promissory Note ("Note") executed by MHC-DEANZA FINANCING LIMITED PARTNERSHIP, an Illinois limited partnership ("DeAnza"), SNOWBIRDLAND VISTAS, INC., an Illinois corporation ("Snowbirdland") and MHC DATE PALM, L.L.C., a Delaware limited liability company ("Date Palm") (DeAnza, Date Palm and Snowbirdland are individually and collectively, as the context requires and with such determination to be made in the sole discretion of Lender, referred to herein as the "Borrower") in favor of WELLS FARGO BANK, NATIONAL ASSOCIATION ("Lender").

1. LOAN DOCUMENTS. The documents numbered 1.1 through 1.21 below of even date herewith (unless otherwise specified) and any amendments, modifications and supplements thereto which have received the prior written approval of Lender and any documents executed in the future that are approved by Lender and that recite that they are "Loan Documents" for purposes of this Note are collectively referred to as the "Loan Documents".

1.1 This Note;

1.2 Mid-Florida Lakes Mortgage, Bay Lake Mortgage, Buccaneer Mortgage, Colonies Mortgage, Willow Lake Mortgage, DeAnza Deed of Trust and Date Palm Leasehold Deed of Trust;

1.3 Bay Lake Note, Buccaneer Note, Colonies Note and Mid-Florida Lakes Note, each endorsed to the order of Lender pursuant to those certain Allonge Endorsements to Promissory Note executed by Pacific;

1.4 Notices and Acknowledgements of Future Advance executed by Snowbirdland and DeAnza respectively for the Mid-Florida Lakes Property, Bay Lake Estates Property, Buccaneer Estates Property and Colonies of Margate Property;

1.5 (a) The Florida real estate mortgage dated August 14, 1994, in the original principal amount of \$2,218,975.33, executed by Snowbirdland, as Agent for DeAnza, and DeAnza in favor of Pacific ("Bay Lake Original Mortgage"); (b) the Assignment of Rents and Leases dated August 14, 1994, pertaining to property located in Nokomis, Florida, executed by Snowbirdland, as Agent for DeAnza, and DeAnza in favor of Pacific ("Bay Lake Assignment of Rents"); (c) the Florida real estate mortgage dated August 14, 1994, in the original principal amount of \$8,081,491.39, executed by Snowbirdland, as Agent for DeAnza, and DeAnza in favor of Pacific ("Buccaneer Original Mortgage"); (d) the Assignment of Rents and Leases dated August 14, 1994, pertaining to property located in North Fort Myers, Florida, executed by Snowbirdland, as Agent for DeAnza, and DeAnza in favor of Pacific ("Buccaneer Assignment of Rents"); (e) the Florida real estate mortgage dated August 14, 1994, in the original principal amount of \$13,323,714.75, executed by Snowbirdland, as Agent for DeAnza, and DeAnza in favor of Pacific ("Colonies Original Mortgage"); (f) the Assignment of Rents and Leases dated August 14, 1994, pertaining to property located in Margate, Florida, executed by Snowbirdland, as Agent for DeAnza, and DeAnza in favor of Pacific ("Colonies Assignment of Rents"); (g) the Florida real estate mortgage dated August 14, 1994, in the original principal amount of \$13,435,390.10, executed by Snowbirdland, as Agent for DeAnza, and DeAnza in favor of Pacific ("Mid-Florida Lakes Original Mortgage"); (h) the Assignment of Rents and Leases dated August 14, 1994, pertaining to property located in Leesburg, Florida, executed by Snowbirdland, as Agent for DeAnza, and DeAnza in favor of Pacific ("Mid-Florida Lakes Assignment of Rents"); each of the foregoing, as assigned to Lender by an Assignment of Mortgage and Other Loan Documents from Pacific to Lender, are collectively referred to as the "Original Mortgages";

1.6 Bay Lake Future Advance Note, Buccaneer Future Advance Note, Colonies Future Advance Note and Mid-Florida Lakes Future Advance

Note;

- 1.7 State of Illinois Commercial Code - Financing Statements - Form UCC-1;
- 1.8 State of Florida Uniform Commercial Code - Financing Statements - Form UCC-1;

EXHIBIT B

1

24

- 1.9 State of California Uniform Commercial Code - Financing Statements - Form UCC-1;
- 1.10 Corporate Borrowing Resolutions and Certificates of Incumbency;
- 1.11 Limited Liability Company Borrowing Certificate;
- 1.12 Partnership Borrowing Certificate;
- 1.13 Corporate Resolution Authorizing Limited Liability Company Activity and Certificate of Incumbency;
- 1.14 Corporate Resolution Authorizing Partnership Activity and Certificate of Incumbency;
- 1.15 Corporate Resolutions Authorizing Execution of Guaranty and Endorsement and Hypothecation of Property and Certificate of Incumbency;
- 1.16 Ground Lease Estoppel Certificate and Agreement;
- 1.17 Supplemental Agreement No. 5;
- 1.18 Subordination and Estoppel Agreement, executed for the Bay Lake Estates Property, Mid-Florida Lakes Property, Buccaneer Estates Property and Colonies of Margate Property, respectively;
- 1.19 Assignment of Water Services Agreements and Consent and Subordination of Water Service Provider, executed for the Buccaneer Estates Property, and the Assignments of Water and Sanitary Sewer Services Agreements and Consent and Subordination of Water and Sanitary Sewer Service Provider, executed for the Colonies of Margate Property and the DeAnza Santa Cruz Property, respectively;
- 1.20 Assignment of Management Contracts and Consent and Subordination of Manager;
- 1.21 Stock Pledge Agreements; and
- 1.22 O&M Plan Letters executed for the Mid-Florida Lakes Property, Buccaneer Estates Property, Colonies of Margate Property, Willow Lake Estates Property, DeAnza Santa Cruz Property and Date Palm Country Club Property, respectively.

2. OTHER RELATED DOCUMENTS WHICH ARE NOT LOAN DOCUMENTS.

- 2.1 Flood Hazard Notices with respect to the Bay Lake Estates Property, and Colonies of Margate Property, respectively;

EXHIBIT B

2

25

- 2.2 Limited Guaranty; and

2.3 Bankruptcy Non-Consolidation Opinion of Borrower's legal counsel.

EXHIBIT B

3

[WELLS FARGO LOGO]

PROMISSORY NOTE SECURED BY LEASEHOLD DEED OF TRUST

EXHIBIT 10.40

\$15,750,000.00

Loan No. 31-0900195R
 San Francisco, California
 July 13, 2000

THIS PROMISSORY NOTE SECURED BY LEASEHOLD DEED OF TRUST (this "Note") is made and entered into by and between MHC DATE PALM, L.L.C., a Delaware limited liability company ("Borrower"), and WELLS FARGO NATIONAL BANK, NATIONAL ASSOCIATION ("Lender").

1. **PROMISE TO PAY.** For value received, Borrower promises to pay to the order of Lender, at 1320 Willow Pass Road, Suite 205, Concord, California 94520, or at such other place as may be designated in writing by Lender, the principal sum of FIFTEEN MILLION SEVEN HUNDRED FIFTY THOUSAND AND NO/100THS DOLLARS (\$15,750,000.00) ("Loan"), with interest thereon as specified herein. All sums owing hereunder are payable in lawful money of the United States of America, in immediately available funds, without offset, deduction or counterclaim of any kind.
2. **SECURED BY LEASEHOLD DEED OF TRUST.** This Note is secured by, among other things, that certain Leasehold Deed of Trust and Absolute Assignment of Rents and Leases and Security Agreement (And Fixture Filing) ("Leasehold Deed of Trust") of even date herewith, executed by Borrower encumbering certain real property and improvements located in Cathedral City, California, as more particularly described therein ("Property").
3. **DEFINITIONS.** For the purposes of this Note, the following terms shall have the following meanings:

"Affiliate" shall mean, as to any specified Person, any other Person that, directly or indirectly, is in Control of, is Controlled by or is under common Control with such specified Person.

"Business Day" shall mean any day other than a Saturday, Sunday, legal holiday or other day on which commercial banks in California are authorized or required by law to close. All references in this Note to a "day" or a "date" shall be to a calendar day unless specifically referenced as a Business Day.

"Control" shall mean with respect to such Person either (i) ownership directly or through other entities of more than 100% of all beneficial equity interest in such Person and (ii) the power to direct the management, operation and business of such person.

"Default" shall have the meaning set forth in the Leasehold Deed of Trust.

"Disbursement Date" shall mean the date upon which the Loan proceeds are funded into escrow in connection with the closing of the Loan.

"Effective Date" shall mean the date Lender authorizes the Loan proceeds to be released to Borrower.

"Loan Documents" shall mean the documents listed in Exhibit B attached hereto and incorporated herein by this reference.

"Maturity Date" shall mean July 1, 2010.

"Person" shall mean any individual, corporation, partnership, joint venture, estate, trust, unincorporated association, any federal, state,

county or municipal government or any bureau, department or agency thereof and any fiduciary acting in such capacity on behalf of any of the foregoing.

4. INTEREST; PAYMENTS.

- 4.1 DEFINITIONS. The following terms shall have the meanings indicated:

1

2

"Actual/360 Basis" shall mean on the basis of a 360-day year and charged on the basis of actual days elapsed for any whole or partial month in which interest is being calculated.

"30/360 Basis" shall mean on the basis of a 360-day year consisting of 12 months of 30 days each.

"Interest Rate" shall mean a fixed interest rate equal to 7.96%.

- 4.2 INTEREST ACCRUAL. Interest on the outstanding principal balance of this Note shall accrue from the Disbursement Date at an annual rate equal to the Interest Rate calculated on an Actual/360 Basis.
- 4.3 PAYMENTS. Monthly payments hereunder shall commence on the first day of the calendar month following the Disbursement Date and continue on the first day of each calendar month thereafter through the Maturity Date. If the Disbursement Date is a date other than the first day of a calendar month, the first monthly payment shall be interest only. Subsequent monthly payments shall be calculated on the basis of an equal-payment thirty (30) year amortization of principal and interest. Notwithstanding that interest on this Note accrues on an Actual/360 Basis, the total amount of each such amortized monthly payment of principal and interest shall be determined using a 30/360 Basis. On the Maturity Date, all unpaid principal and accrued but unpaid interest shall be due and owing in full. All interest shall be paid in arrears.
- 4.4 ACKNOWLEDGMENTS. Borrower acknowledges that interest calculated on an Actual/360 Basis exceeds interest calculated on a 30/360 Basis and, therefore: (a) a greater portion of each monthly installment of principal and interest will be applied to interest using the Actual/360 Basis than would be the case if interest accrued on a 30/360 Basis; and (b) the unpaid principal balance of this Note on the Maturity Date will be greater using the Actual/360 Basis than would be the case if interest accrued on a 30/360 Basis.
- 4.5 APPLICATION OF PAYMENTS. In the absence of a specific determination by Lender to the contrary, all payments paid by Borrower to Lender in connection with the obligations of Borrower under this Note and under the other Loan Documents shall be applied in the following order of priority: (a) to amounts, other than principal and interest, due to Lender pursuant to this Note or the other Loan Documents; (b) to accrued but unpaid interest on this Note; and (c) to the unpaid principal balance of this Note. Upon the occurrence of a Default: (i) Borrower irrevocably waives the right to direct the application of any and all payments at any time thereafter received by Lender from or on behalf of Borrower, and (ii) Borrower irrevocably agrees that Lender shall have the continuing exclusive right to apply any and all such payments against the then due and owing obligations of Borrower in such

order of priority as Lender may deem advisable.

5. LATE CHARGE; DEFAULT RATE.

5.1 LATE CHARGE. If any payment required hereunder is not paid on or before the fifth calendar day of the month in which it is due, Borrower shall pay a late or collection charge, as liquidated damages, equal to 4% of the amount of such unpaid payment. Borrower acknowledges that Lender will incur additional expenses as a result of any late payments hereunder, which expenses would be impracticable to quantify, and that Borrower's payments under this paragraph are a reasonable estimate of such expenses. The foregoing to the contrary notwithstanding, no late or collection charge shall be payable by Borrower as a result of any delay in the payment of any sum due and payable on the Maturity Date.

5.2 DEFAULT RATE. Commencing upon a Default and continuing until such Default shall have been cured by Borrower, all sums owing on this Note shall bear interest until paid in full at a rate per annum equal to 5% plus the Interest Rate ("Default Rate").

6. MAXIMUM RATE PERMITTED BY LAW. Neither this Note nor any of the other Loan Documents shall require the payment or permit the collection of any interest or any late payment charge in excess of the maximum rate permitted by law. If any such excess interest or late payment charge is provided for under this Note or any of the other Loan Documents or if this Note or any of the other Loan Documents shall be adjudicated to provide for such excess, neither Borrower nor Borrower's successors or assigns shall be obligated to pay such excess, and the right to demand the payment of any such excess shall be and hereby is waived, and this provision shall control any other provision of this Note or any of the other Loan Documents. If Lender shall collect amounts which are deemed to constitute interest and which would increase the effective interest rate to a rate in excess of the maximum rate permitted by law, all such

2

3

amounts deemed to constitute interest in excess of the maximum legal rate shall, upon such determination, at the option of Lender, be returned to Borrower or credited against the outstanding principal balance of this Note.

7. ACCELERATION. If (a) Borrower shall fail to pay when due, subject to any applicable grace or cure period, any sums payable under this Note; (b) any other Default shall occur; or (c) any other event or condition shall occur which, under the terms of the Leasehold Deed of Trust or any other Loan Document, gives rise to a right of acceleration of sums owing under this Note, then Lender, at its sole option, shall have the right to declare all sums owing under this Note immediately due and payable; provided, however, that if the Leasehold Deed of Trust or any other Loan Document provides for the automatic acceleration of payment of sums owing under this Note, all sums owing under this Note shall be automatically due and payable in accordance with the terms of the Leasehold Deed of Trust or such other Loan Document.

8. BORROWER'S LIABILITY.

8.1 LIMITATION. Except as otherwise provided in this Section 8, Lender's recovery against Borrower under this Note and the other Loan Documents shall be limited solely to the Property and the "Collateral" (as defined in the Leasehold Deed of Trust).

8.2 EXCEPTIONS. Nothing contained in Section 8.1 or elsewhere in this Note or the other Loan Documents, however, shall limit in any way the personal liability of Borrower owed to Lender for any losses or damages incurred by Lender (including, without

limitation, any impairment of Lender's security for the Loan) with respect to any of the following matters: (a) fraud or willful misrepresentation; (b) material physical waste of the Property or the Collateral; (c) failure to pay property or other taxes, assessments or charges (other than amounts paid to Lender for taxes, assessments or charges pursuant to Impounds as defined in Exhibit A and where Lender elects not to apply such funds toward payment of the taxes, assessments or charges owed) which may create liens senior to the lien of the Leasehold Deed of Trust on all or any portion of the Property; (d) failure to deliver any insurance or condemnation proceeds or awards or any security deposits received by Borrower to Lender as required under the terms of the Loan Documents or any other instrument now or hereafter securing this Note or to otherwise apply such sums as required under the terms of the Loan Documents or any other instrument now or hereafter securing this Note; (e) failure to apply any rents, royalties, accounts, revenues, income, issues, profits and other benefits from the Property which are collected or received by Borrower during the period of any Default or after acceleration of the indebtedness and other sums owing under the Loan Documents to the payment of either (i) such indebtedness or other sums or (ii) the normal and necessary operating expenses of the Property; (f) any breach by Borrower of any covenant in this Note or in the Leasehold Deed of Trust regarding Hazardous Materials (as defined in the Leasehold Deed of Trust) or any representation or warranty of Borrower regarding Hazardous Materials proving to have been untrue when made; or (g) failure of any of the Date Palm Ground Lease Documents (as hereinafter defined) required to be executed by the ground lessors in connection with this Loan to be legally binding on all of the ground lessors under the ground lease encumbering the Property.

8.3 NO RELEASE OR IMPAIRMENT. Nothing contained in Section 8.1 shall be deemed to release, affect or impair the indebtedness evidenced by this Note or the obligations of Borrower under, or the liens and security interests created by the Loan Documents, or Lender's rights to enforce its remedies under this Note and the other Loan Documents, including, without limitation, the right to pursue any remedy for injunctive or other equitable relief, or any suit or action in connection with the preservation, enforcement or foreclosure of the liens, mortgages, deeds of trust, assignments and security interests which are now or at any time hereafter security for the payment and performance of all obligations under this Note or the other Loan Documents.

8.4 PREVAIL AND CONTROL. The provisions of this Section 8 shall prevail and control over any contrary provisions elsewhere in this Note or the other Loan Documents.

9. NON-TRUSTOR BORROWER. If any Borrower is not also a "Trustor" under the Leasehold Deed of Trust, such Borrower hereby makes all representations and warranties in favor of Lender contained in Article 5 of the Leasehold Deed of Trust, all covenants contained in Section 6.15 of the Leasehold Deed of Trust, and all indemnities of Lender contained in Section 6.19 of the Leasehold Deed of Trust, jointly and severally with "Trustor".

4
10. MISCELLANEOUS.

10.1 JOINT AND SEVERAL LIABILITY. If this Note is executed by more than one person or entity as Borrower, the obligations of each

such person or entity shall be joint and several. No person or entity shall be a mere accommodation maker, but each shall be primarily and directly liable hereunder.

- 10.2 WAIVER OF PRESENTMENT. Except as otherwise provided herein or in any other Loan Document, Borrower hereby waives presentment, demand, notice of dishonor, notice of default or delinquency, notice of acceleration, notice of nonpayment, notice of costs, expenses or losses and interest thereon, and notice of interest on interest and late charges.
- 10.3 DELAY IN ENFORCEMENT. No previous waiver or failure or delay by Lender in acting with respect to the terms of this Note or the Leasehold Deed of Trust shall constitute a waiver of any breach, default or failure of condition under this Note, the Leasehold Deed of Trust or the obligations secured thereby. A waiver of any term of this Note, the Leasehold Deed of Trust or of any of the obligations secured thereby must be made in writing signed by Lender, shall be limited to the express terms of such waiver, and shall not constitute a waiver of any subsequent obligation of Borrower. The acceptance at any time by Lender of any past-due amount shall not be deemed to be a waiver of the right to require prompt payment when due of any other amounts then or thereafter due and payable.
- 10.4 TIME OF THE ESSENCE. Time is of the essence with respect to every provision hereof.
- 10.5 GOVERNING LAW. This Note was accepted by Lender in the state of California and the proceeds of this Note were disbursed from the state of California, which state the parties agree has a substantial relationship to the parties and to the underlying transaction embodied hereby. Accordingly, in all respects, including, without limiting the generality of the foregoing, matters of construction, validity, enforceability and performance, this Note, the Leasehold Deed of Trust and the other Loan Documents and the obligations arising hereunder and thereunder shall be governed by, and construed in accordance with, the laws of the state of California applicable to contracts made and performed in such state and any applicable law of the United States of America, except that at all times the provisions for the enforcement of Lender's STATUTORY POWER OF SALE granted under the Leasehold Deed of Trust securing this Note and the creation, perfection and enforcement of the security interests created pursuant thereto and pursuant to the other Loan Documents shall be governed by and construed according to the law of the state where the Property is located. Except as provided in the immediately preceding sentence, Borrower hereby unconditionally and irrevocably waives, to the fullest extent permitted by law, any claim to assert that the law of any jurisdiction other than California governs the Leasehold Deed of Trust, this Note and the other Loan Documents.
- 10.6 CONSENT TO JURISDICTION. Borrower irrevocably submits to the jurisdiction of: (a) any state or federal court sitting in the state of California over any suit, action, or proceeding, brought by Borrower against Lender, arising out of or relating to this Note or the Loan evidenced hereby; (b) any state or federal court sitting in the state where the Property is located or the state in which Borrower's principal place of business is located over any suit, action or proceeding, brought by Lender against Borrower, arising out of or relating to this Note or the Loan evidenced hereby; and (c) any state court sitting in the county of the state where the Property is located over any suit, action, or proceeding, brought by Lender to exercise its STATUTORY POWER OF SALE under the Leasehold of Deed of Trust or any action brought by the Lender to enforce its rights with respect to the Collateral. Borrower irrevocably waives, to the

fullest extent permitted by law, any objection that Borrower may now or hereafter have to the laying of venue of any such suit, action, or proceeding brought in any such court and any claim that any such suit, action, or proceeding brought in any such court has been brought in an inconvenient forum.

- 10.7 COUNTERPARTS. This Note may be executed in any number of counterparts, each of which when executed and delivered shall be deemed an original and all of which taken together shall be deemed to be one and the same Note.
- 10.8 HEIRS, SUCCESSORS AND ASSIGNS. All of the terms, covenants, conditions and indemnities contained in this Note and the other Loan Documents shall be binding upon the heirs, successors and assigns of Borrower and shall inure to the benefit of the successors and assigns of Lender. The foregoing sentence shall not be construed to permit Borrower to assign the Loan except as otherwise permitted in this Note or the other Loan Documents.

4

5

- 10.9 SEVERABILITY. If any term of this Note, or the application thereof to any person or circumstances, shall, to any extent, be invalid or unenforceable, the remainder of this Note, or the application of such term to persons or circumstances other than those as to which it is invalid or unenforceable, shall not be affected thereby, and each term of this Note shall be valid and enforceable to the fullest extent permitted by law.
- 10.10 CONSENTS, APPROVALS AND EXPENSES. Wherever Lender's consent, approval, acceptance or satisfaction is required under any provision of this Note or any of the other Loan Documents, such consent, approval, acceptance or satisfaction shall not be unreasonably withheld, conditioned or delayed by Lender unless such provision expressly so provides. Wherever costs or expenses are required to be paid under any provision of this Note or any of the other Loan Documents, such costs or expenses shall be reasonable.

11. NOTICES. All requests, demands, notices and other communications that are required or permitted to be given to a party under this Note shall be in writing and shall be sent to such party, either by personal delivery, by overnight delivery service, by certified first class mail, return receipt requested, or by facsimile transmission to the address or facsimile number below. All such notices and communications shall be effective upon receipt of such delivery or facsimile transmission, together with a printed receipt of the successful delivery of such facsimile transmission. The addresses and facsimile numbers of the parties shall be:

Borrower:
c/o Manufactured Home Communities, Inc.
Two North Riverside Plaza
Suite 800
Chicago, Illinois 60606
Attention: General Counsel
FAX No.: (312) 279-1715

Lender:
Wells Fargo Bank, N.A.
1320 Willow Pass Road, Suite 205
Concord, CA 94520
Loan No. 31-0900195R
FAX No.: (925) 691-5947

With a copy to:

Katz Randall Weinberg & Richmond

333 West Wacker Drive
Suite 1800
Chicago, IL 60606-1288
Attention: Benjamin J. Randall
FAX No.: (312) 807-3903

12. ADDITIONAL TERMS AND CONDITIONS. The additional terms and conditions set forth in Exhibit A and Exhibit B attached hereto are incorporated herein by this reference.
13. PREPAYMENT. Borrower acknowledges that any prepayment of this Note will cause Lender to lose its interest rate yield on this Note and will possibly require that Lender reinvest any such prepayment amount in loans of a lesser interest rate yield (including, without limitation, in debt obligations other than first mortgage loans on commercial properties). As a consequence, Borrower agrees as follows, as an integral part of the consideration for Lender's making the Loan:
- 13.1 RESTRICTIONS. Any voluntary prepayment of this Note: (a) is prohibited except during the last 3 months of the term, (b) is permitted in full only, and not in part, and (c) may only be made on the first day of a month.
- 13.2 PREPAYMENT CHARGE. Except as provided below, if this Note is prepaid prior to the last three (3) months of the term, whether such prepayment is involuntary or upon acceleration of the principal amount of this Note by Lender following a Default, Borrower shall pay to Lender on the prepayment date (in addition to all other sums then due and owing to Lender under the Loan Documents) a prepayment charge equal to the greater of the following two amounts: (a) an amount equal to 1% of the then outstanding principal balance of the Loan; or (b) an amount equal to (i) the amount, if any, by which the sum of the present values as of the prepayment date of all unpaid principal and interest payments required under this Note, calculated by discounting such

payments from their respective scheduled payment dates back to the prepayment date at a discount rate equal to the Periodic Treasury Yield (defined below) exceeds the outstanding principal balance of the Loan as of the prepayment date, multiplied by (ii) a fraction whose numerator is the amount of the prepayment and whose denominator is the outstanding principal balance of the Loan as of the prepayment date. Notwithstanding the foregoing, no prepayment charge shall apply in respect to any insurance or condemnation proceeds received by Lender and applied by Lender to the outstanding principal balance of the Loan. For purposes of the foregoing, "Periodic Treasury Yield" means (c) the annual yield to maturity of the actively traded non-callable United States Treasury fixed interest rate security (other than any such security which can be surrendered at the option of the holder at face value in payment of federal estate tax or which was issued at a substantial discount) that has a maturity closest to (whether before, on or after) the Maturity Date (or if two or more such securities have maturity dates equally close to the Maturity Date, the average annual yield to maturity of all such securities), as reported in The Wall Street Journal or other authoritative publication or news retrieval service on the fifth Business Day preceding the prepayment date, divided by (d) 12, if scheduled payment dates are monthly, or 4, if scheduled payment dates are quarterly.

13.3 WAIVER. Borrower waives any right to prepay this Note except under the terms and conditions set forth in this Section and agrees that if this Note is prepaid, Borrower will pay the prepayment charge set forth above. Borrower hereby acknowledges that: (a) the inclusion of this waiver of prepayment rights and agreement to pay the prepayment charge for the right to prepay this Note was separately negotiated with Lender; (b) the economic value of the various elements of this waiver and agreement was discussed; (c) the consideration given by Borrower for the Loan was adjusted to reflect the specific waiver and agreement negotiated between Borrower and Lender and contained herein; and (d) this waiver is intended to comply with California Civil Code Section 2954.10.

Borrower's Initials: _____

13.4 INSURANCE PROCEEDS; CONDEMNATION AWARDS. Notwithstanding anything herein to the contrary, no prepayment charge shall be due and owing with respect to any involuntary prepayment resulting from Lender's application of any insurance proceeds or condemnation awards to the Loan.

14. DEFEASANCE. At any time after the Lockout Expiration Date (defined below), Borrower may elect to cause Lender to release the Property from the lien of the Leasehold Deed of Trust and the other Loan Documents and to accept other collateral in substitution therefor, in accordance with the provisions of this Section ("Defeasance"), at Borrower's sole cost and expense. "Lockout Expiration Date" means the earlier of (a) the second anniversary of the "startup day" (as defined in Internal Revenue Code Section 860(G)(a)(9)) of any "real estate mortgage investment conduit" (as defined in Internal Revenue Code Section 860D) that holds this Note and (b) the third anniversary of the date of this Note.

14.1 CONDITIONS. Borrower shall only have the right to cause a Defeasance if no Default has occurred and is continuing and all of the following conditions have been satisfied:

- a. Notice. Borrower shall give at least 60 days but not more than 90 days' written notice to Lender specifying the date of Borrower's intended Defeasance ("Release Date"), which date shall be a scheduled payment date and such notice shall indicate the principal amount of the Note to be defeased;
- b. Payments. Borrower shall pay in full, on or before the Release Date, all accrued and unpaid interest and all other sums due under this Note and the other Loan Documents on or before the Release Date, including without limitation, (i) all costs and expenses paid or incurred by Lender or its agents in connection with the Defeasance, the purchase of the Defeasance Collateral (defined below), the release of the Property, the review of the proposed Defeasance Collateral and the preparation of the Defeasance Security Agreement (defined below) and related documentation, and (ii) any revenue, documentary stamp, intangible or other taxes, charges or fees due in connection with the transfer or assumption of this Note or the Defeasance;
- c. Deliveries. Borrower shall deliver the following items to Lender on or before the Release Date:
 - (i) immediately available funds ("Defeasance Deposit") in an amount sufficient to enable Lender to purchase, through means and sources customarily employed and available to Lender, for the

account of Borrower, direct, non-callable obligations of the United States of America that provide for payments prior, but as close as possible, to all successive scheduled payment dates occurring after the Release Date, with each such payment being equal to or greater than the amount of the corresponding installment of principal and interest required to be paid under this Note (including, without limitation, all amounts due on the Maturity Date) for the balance of the term hereof ("Defeasance Collateral"), each of which shall be duly endorsed by the holder as directed by Lender or accompanied by a written instrument of transfer in form and substance satisfactory to Lender in its sole discretion (including, without limitation, such instruments as may be required by the depository institution holding such securities or the issuer of such securities, as the case may be, to effectuate book-entry transfers and pledges through the book-entry facilities of such institution) in order to perfect upon the delivery of the Defeasance Security Agreement (as defined below) the first priority security interest in the Defeasance Collateral in favor of Lender.

- (ii) a pledge and security agreement, in form and substance satisfactory to Lender in its reasonable discretion, creating a first priority security interest in favor of Lender in the Defeasance Collateral ("Defeasance Security Agreement"), which shall provide, among other things, that any payments generated by the Defeasance Collateral shall be paid directly to Lender and applied by Lender to amounts then due and payable under this Note and that any excess received by Lender from the Defeasance Collateral over the amounts payable by Borrower under this Note shall be first, paid to Lender and applied by Lender to any other amounts then due and payable under this Note, and second, refunded to Borrower promptly after each scheduled payment date;
- (iii) a certificate of Borrower certifying that all of the requirements of this Section 14.1 have been satisfied;
- (iv) an opinion of counsel for Borrower in form and substance and delivered by counsel satisfactory to Lender in its sole discretion, subject, however, to standard enforceability opinion qualifications and limitations, stating, among other things, that (aa) Lender has a perfected first priority security interest in the Defeasance Collateral, (bb) the Defeasance Security Agreement is enforceable against Borrower in accordance with its terms and (cc) any REMIC Trust formed pursuant to a securitization will not fail to maintain its status as a "real estate mortgage investment conduit" within the meaning of Internal Revenue Code Section 860D, as amended from time to time,

or any successor statute, as a result of the Defeasance;

- (v) a certificate from a firm of independent certified public accountants acceptable to Lender certifying that the Defeasance Collateral satisfies the requirements of Section 14.1c(i);
- (vi) written evidence from the applicable Rating Agencies that the Defeasance will not result in a downgrading, withdrawal or qualification of the respective ratings in effect immediately prior to the Defeasance for any securities issued in connection with the securitization which are then outstanding;
- (vii) such other certificates, documents or instruments as Lender may reasonably require, including, without limitation, such amendments to this Note and the other Loan Documents as Lender reasonably deems appropriate to reflect the Defeasance.

14.2 RELEASE OF LIEN. Upon satisfaction of all conditions specified above with respect to the Defeasance, the Property shall be released from the lien of the Leasehold Deed of Trust and the other Loan Documents to which it is subject, and the Defeasance Collateral and the proceeds thereof shall constitute the only collateral which shall secure the obligations of Borrower under this Note and the other Loan Documents. Simultaneously with the release of the Property pursuant to this Section, Lender shall release that portion of all cash or other accounts maintained pursuant to the Loan Documents relating to the Property. Lender shall, at Borrower's expense, execute and deliver any agreements reasonably requested by Borrower to release the lien of the Leasehold Deed of Trust from the Property.

14.3 DEFEASANCE DEPOSIT. Borrower hereby authorizes and directs Lender, using the means and sources customarily employed and available to Lender, to use the Defeasance Deposit to purchase the Defeasance Collateral as agent and for the account of Borrower. Payments from the Defeasance Collateral shall be made directly to Lender for application to the Loan as provided hereinabove. Any part of the Defeasance Deposit exceeding the amount necessary to purchase the Defeasance Collateral and to pay the other costs which Borrower is obligated to pay under this Section 14 shall be refunded to Borrower. Borrower agrees to pay all sums referred to in Section 14.1b above on or before the Release Date.

14.4 ASSIGNMENT AND ASSUMPTION. Upon the release of the Property in accordance with this Section 14, Borrower shall, at the request of Lender, assign all of its right, title and interest in and to the pledged Defeasance Collateral and all its obligations and rights under this Note, the Defeasance Security Agreement and the other Loan Documents, to a successor entity designated by Borrower and approved by Lender in its sole discretion. Such successor entity shall execute an assumption agreement in form and substance satisfactory to Lender in its sole discretion pursuant to which it shall assume Borrower's obligations under this Note, the Defeasance Security Agreement and the other Loan Documents. As conditions to such assignment and assumption, Borrower shall: (a) deliver to Lender a new limited guaranty in

form and substance satisfactory to Lender in its sole discretion executed by the principals of such successor entity; (b) deliver to Lender an opinion of counsel in form and substance and delivered by counsel satisfactory to Lender in its sole discretion subject, however, to standard enforceability opinion qualifications and limitations, stating, among other things, that such assumption agreement is enforceable against Borrower and such successor entity in accordance with its terms and that this Note, the Defeasance Security Agreement and the other Loan Documents, as so assumed, are enforceable against such successor entity in accordance with their respective terms; and (c) pay all costs and expenses incurred by Lender or its agents in connection with such assignment and assumption (including, without limitation, the review of the proposed transferee and the preparation of the assumption agreement and related documentation). Upon such assumption, Borrower shall be relieved of its obligations under this Note, the Defeasance Security Agreement and the other Loan Documents other than those obligations which are specifically intended to survive the payment of the Loan or other termination, satisfaction or assignment of this Note, the Defeasance Security Agreement or the other Loan Documents or Lender's exercise of its rights and remedies under any of such documents and instruments.

15. WAIVER OF JURY TRIAL. LENDER AND BORROWER HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVE ANY RIGHTS THEY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION BASED HEREON, OR ARISING OUT OF, UNDER, OR IN CONNECTION WITH, THIS NOTE OR ANY OTHER LOAN DOCUMENT, OR ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENTS (WHETHER ORAL OR WRITTEN), OR ACTIONS OF LENDER OR BORROWER. THIS PROVISION IS A MATERIAL INDUCEMENT FOR LENDER TO MAKE THE LOAN TO BORROWER. BY ACCEPTANCE OF THIS EXECUTED NOTE, LENDER AGREES TO THE FOREGOING WAIVER.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

8

9

"BORROWER"

MHC DATE PALM, L.L.C.,
a Delaware limited liability company

By: MHC-QRS DATE PALM, INC.,
a Delaware corporation, its Managing Member

By: /s/ John Zoeller

Name: John Zoeller

Its: Vice President

9

10

Loan No. 31-0900195R

EXHIBIT A TO PROMISSORY NOTE
ADDITIONAL TERMS AND CONDITIONS

This Exhibit A is attached to and forms a part of that Promissory Note Secured by Leasehold Deed of Trust ("Note") executed by MHC DATE PALM, L.L.C., a Delaware limited liability company ("Borrower") in favor of WELLS FARGO BANK, NATIONAL ASSOCIATION ("Lender").

1. DISBURSEMENT OF LOAN PROCEEDS; LIMITATION OF LIABILITY. Borrower hereby authorizes Lender to disburse the proceeds of the Loan, after deducting any and all fees owed by Borrower to Lender in connection with the Loan, to Commonwealth Land Title Insurance Company (the "Title Company"). With respect to such disbursement, Borrower understands and agrees that Lender does not accept responsibility for errors, acts or omissions of others, including, without limitation, the escrow company, other banks, communications carriers or clearinghouses through which the transfer of Loan proceeds may be made or through which Lender receives or transmits information, and no such entity shall be deemed Lender's agent. As a consequence, Lender shall not be liable to Borrower for any actual (whether direct or indirect), consequential or punitive damages which may arise with respect to the disbursement of Loan proceeds, whether or not (a) any claim for such damages is based on tort or contract, or (b) either Lender or Borrower knew or should have known of the likelihood of such damages in any situation.
2. FINANCIAL STATEMENTS.
 - 2.1 STATEMENTS REQUIRED. During the term of the Loan and while any liabilities of Borrower to Lender under any of the Loan Documents remain outstanding and unless Lender otherwise consents in writing, Borrower shall provide to Lender the following:
 - a. OPERATING STATEMENT. Not later than 10 days after and as of each calendar month during the first 6 months of the term of the Loan, and thereafter not later than 30 days after and as of the end of each calendar quarter, an operating statement, signed and dated by Borrower and in a form acceptable to Lender, showing all revenues and expenses during such month or quarter and year-to-date, relating to the Property, including, without limitation, all information requested under any of the Loan Documents;
 - b. RENT ROLL. Not later than 10 days after and as of each calendar month during the first 6 months of the term of the Loan, and thereafter not later than 30 days after and as of the end of each calendar quarter, a rent roll signed and dated by Borrower and in a form acceptable to Lender, showing the following lease information with regard to each tenant: the name of the tenant, monthly or other periodic rental amount, date of commencement of the lease, and payment status;
 - c. BALANCE SHEET. If requested by Lender, not later than 90 days after and as of the end of each fiscal year, a balance sheet, signed and dated by Borrower and in a form acceptable to Lender (or audited financial statements if Borrower obtains them), showing all assets and liabilities of Borrower; and
 - d. OTHER INFORMATION. From time to time, upon Lender's delivery to Borrower of at least 10 days' prior written notice, such other information with regard to Borrower, principals of Borrower, guarantors or the Property as Lender may reasonably request in writing.

- 2.2 FORM; WARRANTY. Borrower agrees that all financial statements to be delivered to Lender pursuant to Section 2.1 shall: (a) be complete and correct in all material respects; (b) present fairly the financial condition of the party; (c) disclose all liabilities that are required to be reflected or reserved against; and (d) be prepared in accordance with the same accounting standard used by Borrower to prepare the financial statements delivered to and approved by Lender in connection with the making of the Loan or other accounting standards acceptable to Lender. Borrower shall be deemed to warrant and represent that, as of the date of delivery of any such financial statement, there has been no material adverse change in financial condition, nor have any assets or properties been sold, transferred, assigned, mortgaged, pledged or encumbered since the date of such financial statement except as disclosed by Borrower in a writing delivered to Lender. Borrower agrees that all

EXHIBIT A

1

11

rent rolls and other information to be delivered to Lender pursuant to Section 2.1 shall not contain any misrepresentation or omission of a material fact.

- 2.3 LATE CHARGE. If any financial statement, leasing schedule or other item required to be delivered to Lender pursuant to Section 2.1 is not timely delivered, Borrower shall promptly pay to Lender, as a late charge, the sum of \$500 per item. In addition, Borrower shall promptly pay to Lender an additional late charge of \$500 per item for each full month during which such item remains undelivered following written notice from Lender. Borrower acknowledges that Lender will incur additional expenses as a result of any such late deliveries, which expenses would be impracticable to quantify, and that Borrower's payments under this Section 2.3 are a reasonable estimate of such expenses. Notwithstanding anything to the contrary contained herein, once during each year of the term of the Loan Lender will give notice to Borrower of its failure to provide any item required to be delivered to Lender pursuant to Section 2.1 and if any such items are not delivered within three (3) Business Days following such notice, then at such time the late charge specified herein shall take effect.

3. IMPOUNDS.

- 3.1 AMOUNTS. Borrower shall deposit with Lender the amounts ("Impounds") stated below on the dates stated below, for the purpose of paying the costs stated below:
- a. TAXES. on the first payment date on which both principal and interest under the Loan are payable and on each payment date thereafter, an amount estimated from time to time by Lender in its reasonable discretion to be sufficient to pay for taxes and other liabilities payable by Borrower under Section 6.9 of the Leasehold Deed of Trust. The initial estimated monthly amount to be deposited by Borrower on each payment date is \$24,865.00.
 - b. INSURANCE. on the first payment date on which both principal and interest under the Loan are payable and on each payment date thereafter, an amount estimated from time to time by Lender in its reasonable discretion to be sufficient to pay for premiums for insurance payable

by Borrower under Section 6.10 of the Leasehold Deed of Trust. The initial estimated monthly amount to be deposited by Borrower on each payment date is \$833.00.

- c. INTENTIONALLY DELETED.
- d. CAPITAL EXPENDITURES. \$2,241.67 on the first payment date on which both principal and interest under the Loan are payable and on each payment date thereafter for payment or reimbursement of Capital Expenditures (defined below). Notwithstanding the foregoing, once \$80,700.00 is held in this account (the "Capped Amount"), Borrower may temporarily cease making payments to this account; provided, however, that upon a release of Impounds from this account causing the amount held in such account to drop beneath the Capped Amount, Borrower must immediately resume payments on each payment date until such time as the Capped Amount has been reached.

3.2 APPLICATION.

- a. TAXES. If no Default exists, Lender shall apply the Impounds in a timely fashion to the payment of the taxes and other liabilities stated above.
- b. INSURANCE. If no Default exists, Lender shall apply the Impounds to the payment of the insurance premiums stated above.
- c. INTENTIONALLY DELETED.
- d. CAPITAL EXPENDITURES. If no Default exists, Lender shall release the Impounds to Borrower once a quarter, no less than \$50,000.00 per release, to pay or reimburse Borrower for the Capital Expenditures (defined below); provided, however, that Lender shall have received and approved each of the following:

EXHIBIT A

2

12

- (i) Borrower's written request for such release, describing the Capital Expenditures and certifying that all Capital Expenditures have been paid or incurred by Borrower for work completed lien-free and in a workmanlike manner;
 - (ii) copies of invoices supporting the request for such release; and
 - (iii) if deemed necessary by Lender, an inspection report signed by an inspector selected by Lender, whose fees and expenses shall be paid by Borrower, and such other evidence as Lender shall reasonably require, confirming borrower's certification.
- 3.3 GENERAL. Any portion of the Impounds that exceeds the amount required for payment of the foregoing costs shall be repaid to Borrower upon Borrower's compliance with the foregoing. Reference is made to Section 6.12(b) of the Leasehold Deed of Trust for a description of the account into which the Impounds shall be deposited and for a description of certain rights and remedies of Lender with respect to amounts in such account.
- 3.4 MAINTENANCE AND CONSTRUCTION.
- a. INTENTIONALLY DELETED.

- b. CAPITAL EXPENDITURES. Borrower shall complete the lien-free performance or installation of the Capital Expenditures (as defined below) from time to time as necessary, in a workmanlike manner and in accordance with all applicable laws, ordinances, rules and regulations. "Capital Expenditures" shall mean major repairs and replacements to maintain or improve the Property, including, without limitation, structural repairs, roof replacements, HVAC repairs and replacements, mechanical and plumbing repairs and replacements and boiler repair and replacements.
- c. RIGHT OF INSPECTION. Lender shall have the right to enter upon the Property at all reasonable times, subject to reasonable notice except in the event of an emergency, in which case no notice shall be required, to inspect all work for the purpose of verifying information disclosed or required pursuant to this Note, in a manner which does not unreasonably interfere with the operations on the Property. Notwithstanding the foregoing, Lender shall not be obligated to supervise or inspect any work or to inform Borrower or any third party regarding any aspect of any work.

- 3.5 RELEASE. Lender shall release any Impounds to Borrower through a funds transfer of such Impounds initiated by Lender to the following account or such other account as Borrower specifies in a notice to Lender:

Bank Name: Bank of America
ABA Routing No.: 071-000039
Account Name: 7366-9-01095
Reference: MHC Operating Limited Partnership
Advise: Megan McBride (312) 828-6274

Lender will determine the funds transfer system and other means to be used in making each such release. Borrower agrees that each such funds transfer initiated by Lender will be deemed to be a funds transfer properly authorized by Borrower, even if the transfer is not actually properly authorized by Borrower. Borrower acknowledges that Lender will rely on the account number and ABA routing number set forth above or specified in a notice from Borrower to Lender, even if such account number identifies an account with a name different from the name so specified, or the routing number identifies a bank different from the bank so specified. If Borrower learns of any error in the transfer of any Impounds or of any transfer which was not properly authorized, Borrower shall notify Lender as soon as possible in writing but in no case more than 14 days after Lender's first confirmation to Borrower of such transfer.

4. ONE-TIME RIGHT OF TRANSFER OF PROPERTY TO THIRD PARTY. Notwithstanding anything to the contrary contained in Section 6.15 of the Leasehold Deed of Trust, Lender shall, one time only, consent to the voluntary sale or exchange of the Property by assignment of lease to a bona-fide third party purchaser ("Transfer"), if

EXHIBIT A

no Default has occurred and is continuing, no event has occurred which, with the giving of notice or the passage of time, or both, would constitute a Default and all of the following conditions have been satisfied:

- 4.1 Lender receives at least sixty-five (65) days prior written notice of the proposed Transfer;
- 4.2 Lender's reasonable determination that the proposed purchaser, the proposed guarantor, if any, and the Property all satisfy Lender's then applicable credit review and underwriting standards, taking into consideration, among other things, (a) any decrease in the Property's cash flow which would result from any increase in real property taxes due to any anticipated reassessment of the Properties for tax purposes and (b) any then applicable requirement of Lender that such proposed borrowing entity constitute a single purpose asset and bankruptcy remote entity which, at the time of the Transfer, shall be in full compliance with the representations and covenants set forth in Section 5.2 of the Leasehold Deed of Trust (as such representations may be reasonably modified by Lender after reviewing the ownership structure of the proposed borrowing entity);
- 4.3 if required by Lender, delivery to Lender of a non-consolidation opinion from a law firm reasonably acceptable to Lender and in form and substance reasonably satisfactory to Lender;
- 4.4 Lender's reasonable determination that the proposed purchaser possesses satisfactory recent experience in the ownership and operation of properties comparable to the Property;
- 4.5 the execution and delivery to Lender of such documents and instruments as Lender shall reasonably require, in form and content reasonably satisfactory to Lender, including, without limitation, (i) an assumption agreement under which the purchaser assumes all obligations and liabilities of Borrower under this Note and the other Loan Documents and agrees to periodically pay such new or additional Impounds to Lender as Lender may reasonably require, and (ii) a consent to the Transfer by any existing guarantor and a reaffirmation of such guarantor's obligations and liabilities under any guaranty made in connection with the Loan or a new guaranty executed by a new guarantor reasonably satisfactory to Lender;
- 4.6 if required by Lender, delivery to Lender of evidence of title insurance reasonably satisfactory to Lender insuring Lender that the lien of the Leasehold Deed of Trust and the priority thereof will not be impaired or affected by reason of such Transfer of the Property;
- 4.7 payment to Lender of an assumption fee equal to 0.5% of the then outstanding principal balance of this Note;
- 4.8 if reasonably required by Lender, deposit with Lender of any new or additional Impounds;
- 4.9 reimbursement to Lender of any and all costs and expenses paid or incurred by Lender in connection with such Transfer, including, without limitation, all in-house or outside counsel attorneys' fees, title insurance fees, appraisal fees, inspection fees, environmental consultant's fees and any fees or charges of the applicable Rating Agencies;
- 4.10 if required by Lender, delivery to Lender of written evidence from the applicable Rating Agencies that such Transfer will not result in a downgrading, withdrawal or qualification of the respective ratings in effect immediately prior to the Transfer for any securities issued in connection with the securitization of the Loan which are then outstanding; and
- 4.11 any third party consents or approvals that are required in order to consummate the contemplated transaction shall have been

obtained and Lender shall be provided with satisfactory evidence of same.

Lender shall fully release Borrower and any existing guarantor from any further obligation or liability to Lender under this Note and the other Loan Documents upon the assumption by the purchaser and any new guarantor of all such obligations and liabilities and the satisfaction of all other conditions precedent to a Transfer in accordance with the provisions of this Section.

5. AFFILIATE TRANSFERS. Notwithstanding anything to the contrary contained in Section 6.15 of the Leasehold Deed of Trust and in addition to the right contained in Section 4 of Exhibit A to this Note, Lender shall one time only with respect to the Property consent to either (a) the voluntary transfer of the Property by assignment of lease to an Affiliate of Manufactured Home Communities, Inc. ("MHC") or (b) the assignment of all or any portion of the membership interests in Borrower, except for the one percent (1%) managing membership interest held by MHC-QRS

EXHIBIT A

4

14

Date Palm, Inc., to an Affiliate of MHC (both of which are referred to herein as the "Affiliate Transfer"), if no Default has occurred and is continuing, no event has occurred which, with the giving of notice or the passage of time, or both, would constitute a Default and all of the following conditions have been satisfied:

- 5.1 Lender receives at least sixty-five (65) days prior written notice of the proposed Affiliate Transfer;
- 5.2 Lender's reasonable determination that the proposed purchaser, the proposed guarantor, if any, and the Property all satisfy Lender's then applicable credit review and underwriting standards, taking into consideration, among other things, (a) any decrease in the Property's cash flow which would result from any increase in real property taxes due to any anticipated reassessment of the Property for tax purposes and (b) any then applicable requirement of Lender that such proposed borrowing entity constitute a single purpose asset and bankruptcy remote entity which, at the time of the Affiliate Transfer, shall be in full compliance with the representations and covenants set forth in Section 5.2 of the Leasehold Deed of Trust (as such representations may be reasonably modified by Lender after reviewing the ownership structure of the proposed borrowing entity);
- 5.3 if required by Lender, delivery to Lender of a non-consolidation opinion from a law firm reasonably acceptable to Lender and in form and substance reasonably satisfactory to Lender;
- 5.4 the execution and delivery to Lender of such documents and instruments as Lender shall reasonably require, in form and content reasonably satisfactory to Lender, including, without limitation, (i) an assumption agreement under which the purchaser assumes all obligations and liabilities of Borrower under this Note and the other Loan Documents and agrees to periodically pay such new or additional Impounds to Lender as Lender may reasonably require, and (ii) a consent to the Affiliate Transfer by any existing guarantor and a reaffirmation of such guarantor's obligations and liabilities under any guaranty made in connection with the Loan or a new guaranty executed by a new guarantor reasonably satisfactory to Lender;
- 5.5 if required by Lender, delivery to Lender of evidence of title insurance reasonably satisfactory to Lender insuring Lender that

the lien of such Leasehold Deed of Trust and the priority thereof will not be impaired or affected by reason of the Affiliate Transfer;

- 5.6 reimbursement to Lender of any and all costs and expenses paid or incurred by Lender in connection with such Affiliate Transfer, including, without limitation, all in-house or outside counsel attorneys' fees, title insurance fees, appraisal fees, inspection fees, environmental consultant's fees and any fees or charges of the applicable Rating Agencies;
- 5.7 if required by Lender, delivery to Lender of written evidence from the applicable Rating Agencies that such Affiliate Transfer will not result in a downgrading, withdrawal or qualification of the respective ratings in effect immediately prior to the Affiliate Transfer for any securities issued in connection with the securitization of the Loan which are then outstanding; and
- 5.8 any third party consents or approvals that are required in order to consummate the contemplated transaction shall have been obtained and Lender shall be provided with satisfactory evidence of same.

If the Affiliate Transfer consists of an assignment of lease to an Affiliate of MHC, then Lender shall fully release Borrower from any further obligation or liability to Lender under this Note and the other Loan Documents upon the assumption by an Affiliate of MHC of all such obligations and liabilities and the satisfaction of all other conditions precedent to the Affiliate Transfer in accordance with the provisions of this Section. In addition to the Affiliate Transfer permitted above, Lender's consent shall not be required for the normal day to day trading of shares of MHC in the public securities market and such transactions shall not constitute a Affiliate Transfer hereunder.

EXHIBIT A

5

15

Loan No. 31-0900195R

EXHIBIT B TO PROMISSORY NOTE LOAN DOCUMENTS AND OTHER RELATED DOCUMENTS

This Exhibit B is attached to and forms a part of that Promissory Note Secured by Leasehold Deed of Trust ("Note") executed by MHC DATE PALM, L.L.C., a Delaware limited liability company ("Borrower") in favor of WELLS FARGO BANK, NATIONAL ASSOCIATION ("Lender").

- 1. LOAN DOCUMENTS. The documents numbered 1.1 through 1.11 below of even date herewith (unless otherwise specified) and any amendments, modifications and supplements thereto which have received the prior written approval of Lender and any documents executed in the future that are approved by Lender and that recite that they are "Loan Documents" for purposes of this Note are collectively referred to as the "Loan Documents".
 - 1.1 This Note;
 - 1.2 Leasehold Deed of Trust;
 - 1.3 State of Illinois Commercial Code - Financing Statement - Form UCC-1;
 - 1.4 State of California Uniform Commercial Code - Financing Statement - Form UCC-1;
 - 1.5 Limited Liability Company Borrowing Certificate;

- 1.6 Corporate Resolution Authorizing Limited Liability Company Activity and Certificate of Incumbency;
 - 1.7 Corporate Resolutions Authorizing Execution of Guaranty and Certificate of Incumbency;
 - 1.8 Ground Lease Estoppel Certificate and Agreement ("Estoppel") executed by the requisite ground lessors thereunder and approved by the Bureau of Indian Affairs ("BIA");
 - 1.9 Supplemental Agreement No. 5 ("Supplemental Agreement") executed by the requisite ground lessors thereunder the approved by the BIA;
 - 1.10 Assignment of Management Contracts and Consent and Subordination of Manager; and
 - 1.11 O&M Plan Letter.
2. OTHER RELATED DOCUMENTS WHICH ARE NOT LOAN DOCUMENTS.
- 2.1 Limited Guaranty;
 - 2.2 Bankruptcy Non-Consolidation Opinion of Borrower's legal counsel;
 - 2.3 Consent and Approval of the Loan executed by the BIA;
 - 2.4 Sublease by and between Borrower and LP Management Corp. approved by the BIA; and
 - 2.5 Assignment and Assumption of Business Lease by and between MHC Operating Limited Partnership and Community Systems, Inc., as assignor, and Borrower, as assignee ("Assignment of Ground Lease"), consented to by the requisite ground lessors thereunder and approved by the BIA (the Assignment of Ground Lease, Supplemental Agreement and Estoppel are referred to collectively herein as the "Date Palm Ground Lease Documents").

EXHIBIT B

MANUFACTURED HOME COMMUNITIES, INC.
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
(Dollar amounts in thousands)

	2000	For the Years Ended December 31,			1996
		1999	1998	1997	
Income before allocation to Minority Interests and extraordinary loss on early extinguishment of debt	\$ 52,701	\$ 36,835	\$ 35,663	\$ 33,469	\$ 26,943
Fixed Charges	64,532	56,619	49,693	21,753	18,264
Earnings	\$117,233	\$ 93,454	\$ 85,356	\$ 55,222	\$ 45,207
Interest incurred	\$ 52,317	\$ 53,134	\$ 49,160	\$ 20,708	\$ 16,794
Amortization of deferred financing costs	963	641	533	1,045	1,470
Perpetual Preferred OP Unit Distributions	11,252	2,844			
Fixed Charges	\$ 64,532	\$ 56,619	\$ 49,693	\$ 21,753	\$ 18,264
Earnings/Fixed Charges	1.82	1.65	1.72	2.54	2.48

EXHIBIT 21

MANUFACTURED HOME COMMUNITIES, INC.
SUBSIDIARIES OF THE REGISTRANTState of Incorporation
or Organization

MHC Operating Limited Partnership	Illinois
MHC Financing Limited Partnership	Illinois
MHC Management Limited Partnership	Illinois
MHC Financing Limited Partnership Two	Delaware
Blue Ribbon Communities Limited Partnership	Delaware
LP Management Corporation	Delaware
MHC-QRS, Inc.	Delaware
MHC-QRS Two, Inc.	Delaware
MHC-QRS Blue Ribbon Communities, Inc.	Delaware
MHC Lending Limited Partnership	Illinois
MHC-Lending QRS, Inc.	Illinois
MHC-DeAnza Financing Limited Partnership	Illinois
MHC-QRS DeAnza, Inc.	Illinois
MHC-DAG Management Limited Partnership	Illinois
MHC-Bay Indies Financing Limited Partnership	Illinois
MHC-QRS Bay Indies, Inc.	Illinois
MHC Systems, Inc.	Illinois

MANUFACTURED HOME COMMUNITIES, INC.
CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in the Registration Statements (Form S-8 No. 333-68473, No. 333-28469, No. 333-25295, and No. 33-76486, and Form S-3 No. 333-90813, No. 333-65515, No. 333-25297, No. 333-1710, No. 33-82902 and No. 33-97288) of Manufactured Home Communities, Inc., and in the related Prospectuses, of our report dated January 25, 2001, except for Note 18 as to which the date is February 13, 2001, with respect to the consolidated financial statements and schedules of Manufactured Home Communities, Inc., and to the reference to our firm under the caption "Selected Financial and Operating Information" included in this Annual Report (Form 10-K) for the year ended December 31, 2000.

ERNST & YOUNG LLP

Chicago, Illinois
March 26, 2001

POWER OF ATTORNEY

Exhibit 24.1

STATE OF ILLINOIS)
) SS
 COUNTY OF COOK)

KNOW ALL MEN BY THESE PRESENTS that John F. Podjasek, Jr., having an address at Barrington, Illinois, has made, constituted and appointed and BY THESE PRESENTS, does make, constitute and appoint John M. Zoeller and Howard Walker, or either of them, having an address at Two North Riverside Plaza, Chicago, Illinois 60606, his true and lawful Attorney-in-Fact for him and in his name, place and stead to sign and execute in any and all capacities this Annual Report on Form 10-K and any or all amendments to this Annual Report on Form 10-K, and to file the same with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, giving and granting unto each of such, Attorney-in-Fact, full power and authority to do and perform each and every act and thing, requisite and necessary to be done in and about the premises, as fully, to all intents and purposes as he might or could do if personally present at the doing thereof, with full power of substitution and revocation, hereby ratifying and confirming all that each of such Attorney-in-Fact or his substitutes shall lawfully do or cause to be done by virtue hereof.

This power of Attorney shall remain in full force and effect until terminated by the undersigned through the instrumentality of a signed writing.

IN WITNESS WHEREOF, John F. Podjasek, Jr., has hereunto, set his hand this 7th day of March, 2001.

/s/ John F. Podjasek, Jr.

 John F. Podjasek, Jr.

I, Jennifer L. Usher, a Notary Public in and for said County in the State aforesaid, do hereby certify that John F. Podjasek, Jr., personally know to me to be the same person whose name is subscribed to the foregoing instrument appeared before me this day in person and acknowledged that he signed and delivered said instrument as his own free voluntary act for the uses and purposes therein set forth.

Given under my hand and notarial seal this 7th day of March, 2001.

/s/ Jennifer L. Usher

 (Notary Public)

My Commission Expires:

January 6, 2003

POWER OF ATTORNEY

Exhibit 24.2

STATE OF CALIFORNIA)
) SS
 COUNTY OF ALAMEDA)

KNOW ALL MEN BY THESE PRESENTS that Michael A. Torres, having an address at Alameda, California, has made, constituted and appointed and BY THESE PRESENTS, does make, constitute and appoint John M. Zoeller and Howard Walker, or either of them, having an address at Two North Riverside Plaza, Chicago, Illinois 60606, his true and lawful Attorney-in-Fact for him and in his name, place and stead to sign and execute in any and all capacities this Annual Report on Form 10-K and any or all amendments to this Annual Report on Form 10-K, and to file the same with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, giving and granting unto each of such, Attorney-in-Fact, full power and authority to do and perform each and every act and thing, requisite and necessary to be done in and about the premises, as fully, to all intents and purposes as he might or could do if personally present at the doing thereof, with full power of substitution and revocation, hereby ratifying and confirming all that each of such Attorney-in-Fact or his substitutes shall lawfully do or cause to be done by virtue hereof.

This power of Attorney shall remain in full force and effect until terminated by the undersigned through the instrumentality of a signed writing.

IN WITNESS WHEREOF, Michael A. Torres, has hereunto, set his hand this 23rd day of March, 2001.

/s/ Michael A. Torres

 Michael A. Torres

I, Nancy K. Hagel, a Notary Public in and for said County in the State aforesaid, do hereby certify that Michael A. Torres, personally know to me to be the same person whose name is subscribed to the foregoing instrument appeared before me this day in person and acknowledged that he signed and delivered said instrument as his own free voluntary act for the uses and purposes therein set forth.

Given under my hand and notarial seal this 23rd day of March, 2001.

/s/ Nancy K. Hagel

 (Notary Public)

My Commission Expires:

March 16, 2005

POWER OF ATTORNEY

Exhibit 24.3

STATE OF NEW YORK)
) SS
 COUNTY OF NEW YORK)

KNOW ALL MEN BY THESE PRESENTS that Thomas E. Dobrowski, having an address at New York, New York, has made, constituted and appointed and BY THESE PRESENTS, does make, constitute and appoint John M. Zoeller and Howard Walker, or either of them, having an address at Two North Riverside Plaza, Chicago, Illinois 60606, his true and lawful Attorney-in-Fact for him and in his name, place and stead to sign and execute in any and all capacities this Annual Report on Form 10-K and any or all amendments to this Annual Report on Form 10-K, and to file the same with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, giving and granting unto each of such, Attorney-in-Fact, full power and authority to do and perform each and every act and thing, requisite and necessary to be done in and about the premises, as fully, to all intents and purposes as he might or could do if personally present at the doing thereof, with full power of substitution and revocation, hereby ratifying and confirming all that each of such Attorney-in-Fact or his substitutes shall lawfully do or cause to be done by virtue hereof.

This power of Attorney shall remain in full force and effect until terminated by the undersigned through the instrumentality of a signed writing.

IN WITNESS WHEREOF, Thomas E. Dobrowski, has hereunto, set his hand this 6th day of March, 2001.

/s/ Thomas E. Dobrowski

 Thomas E. Dobrowski

I, Cynthia L. Morra, a Notary Public in and for said County in the State aforesaid, do hereby certify that Thomas E. Dobrowski, personally know to me to be the same person whose name is subscribed to the foregoing instrument appeared before me this day in person and acknowledged that he signed and delivered said instrument as his own free voluntary act for the uses and purposes therein set forth.

Given under my hand and notarial seal this 6th day of March, 2001.

/s/ Cynthia L. Morra

 (Notary Public)

My Commission Expires:

March 30, 2001

POWER OF ATTORNEY

Exhibit 24.4

STATE OF WASHINGTON)
) SS
 COUNTY OF KITSAP)

KNOW ALL MEN BY THESE PRESENTS that Gary L. Waterman, having an address at Bainbridge, Washington, has made, constituted and appointed and BY THESE PRESENTS, does make, constitute and appoint John M. Zoeller and Howard Walker, or either of them, having an address at Two North Riverside Plaza, Chicago, Illinois 60606, his true and lawful Attorney-in-Fact for him and in his name, place and stead to sign and execute in any and all capacities this Annual Report on Form 10-K and any or all amendments to this Annual Report on Form 10-K, and to file the same with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, giving and granting unto each of such, Attorney-in-Fact, full power and authority to do and perform each and every act and thing, requisite and necessary to be done in and about the premises, as fully, to all intents and purposes as he might or could do if personally present at the doing thereof, with full power of substitution and revocation, hereby ratifying and confirming all that each of such Attorney-in-Fact or his substitutes shall lawfully do or cause to be done by virtue hereof.

This power of Attorney shall remain in full force and effect until terminated by the undersigned through the instrumentality of a signed writing.

IN WITNESS WHEREOF, Gary L. Waterman, has hereunto, set his hand this 14th day of March, 2001.

/s/ Gary L. Waterman

 Gary L. Waterman

I, Judy S. Cooley, a Notary Public in and for said County in the State aforesaid, do hereby certify that Gary L. Waterman, personally know to me to be the same person whose name is subscribed to the foregoing instrument appeared before me this day in person and acknowledged that he signed and delivered said instrument as his own free voluntary act for the uses and purposes therein set forth.

Given under my hand and notarial seal this 14th day of March, 2001.

/s/ Judy S. Cooley

 (Notary Public)

My Commission Expires:

August 29, 2002

POWER OF ATTORNEY

Exhibit 24.5

STATE OF MICHIGAN)
) SS
 COUNTY OF WASHTENAW)

KNOW ALL MEN BY THESE PRESENTS that Donald S. Chisholm, having an address at Ann Arbor, Michigan, has made, constituted and appointed and BY THESE PRESENTS, does make, constitute and appoint John M. Zoeller and Howard Walker, or either of them, having an address at Two North Riverside Plaza, Chicago, Illinois 60606, his true and lawful Attorney-in-Fact for him and in his name, place and stead to sign and execute in any and all capacities this Annual Report on Form 10-K and any or all amendments to this Annual Report on Form 10-K, and to file the same with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, giving and granting unto each of such, Attorney-in-Fact, full power and authority to do and perform each and every act and thing, requisite and necessary to be done in and about the premises, as fully, to all intents and purposes as he might or could do if personally present at the doing thereof, with full power of substitution and revocation, hereby ratifying and confirming all that each of such Attorney-in-Fact or his substitutes shall lawfully do or cause to be done by virtue hereof.

This power of Attorney shall remain in full force and effect until terminated by the undersigned through the instrumentality of a signed writing.

IN WITNESS WHEREOF, Donald S. Chisholm, has hereunto, set his hand this 2nd day of March, 2001.

/s/ Donald S. Chisholm

 Donald S. Chisholm

I, Nancy C. Gross, a Notary Public in and for said County in the State aforesaid, do hereby certify that Donald S. Chisholm, personally know to me to be the same person whose name is subscribed to the foregoing instrument appeared before me this day in person and acknowledged that he signed and delivered said instrument as his own free voluntary act for the uses and purposes therein set forth.

Given under my hand and notarial seal this 2nd day of March, 2001.

/s/ Nancy C. Gross

 (Notary Public)

My Commission Expires:

July 16, 2002

POWER OF ATTORNEY

Exhibit 24.6

STATE OF CALIFORNIA)
) SS
 COUNTY OF SONOMA)

KNOW ALL MEN BY THESE PRESENTS that Louis H. Masotti, having an address at Healdsburg, California, has made, constituted and appointed and BY THESE PRESENTS, does make, constitute and appoint John M. Zoeller and Howard Walker, or either of them, having an address at Two North Riverside Plaza, Chicago, Illinois 60606, his true and lawful Attorney-in-Fact for him and in his name, place and stead to sign and execute in any and all capacities this Annual Report on Form 10-K and any or all amendments to this Annual Report on Form 10-K, and to file the same with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, giving and granting unto each of such, Attorney-in-Fact, full power and authority to do and perform each and every act and thing, requisite and necessary to be done in and about the premises, as fully, to all intents and purposes as he might or could do if personally present at the doing thereof, with full power of substitution and revocation, hereby ratifying and confirming all that each of such Attorney-in-Fact or his substitutes shall lawfully do or cause to be done by virtue hereof.

This power of Attorney shall remain in full force and effect until terminated by the undersigned through the instrumentality of a signed writing.

IN WITNESS WHEREOF, Louis H. Masotti, has hereunto, set his hand this 5th day of March, 2001.

/s/ Louis H. Masotti

 Louis H. Masotti

I, Leigh Mateas, a Notary Public in and for said County in the State aforesaid, do hereby certify that Louis H. Masotti, personally know to me to be the same person whose name is subscribed to the foregoing instrument appeared before me this day in person and acknowledged that he signed and delivered said instrument as his own free voluntary act for the uses and purposes therein set forth.

Given under my hand and notarial seal this 5th day of March, 2001.

/s/ Leigh Mateas

 (Notary Public)

My Commission Expires:

December 24, 2002