FORM 10-Q

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

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

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2002

[ ] 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)

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

APPLICABLE ONLY TO CORPORATE ISSUERS:

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

21,794,617 shares of Common Stock as of May 2, 2002.

MANUFACTURED HOME COMMUNITIES, INC.

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ITEM 1. FINANCIAL STATEMENTS

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MANUFACTURED HOME COMMUNITIES, INC.
CONSOLIDATED BALANCE SHEETS
AS OF MARCH 31, 2002 AND DECEMBER 31, 2001
(AMOUNTS IN THOUSANDS, EXCEPT SHARE DATA)

	MARCH 31, 2002 (UNAUDITED)	DECEMBER 31, 2001
ASSETS		
Investment in real estate:		
Land	$ 274,006	$ 271,871
Land improvements	869,117	855,296
Buildings and other depreciable property	116,873	110,971
	1,259,996	1,238,138
Accumulated depreciation	(221,925)	(211,878)
Net investment in real estate	1,038,071	1,026,260
Cash and cash equivalents	6,981	1,354
Notes receivable	7,128	1,506
Investment in and advances to affiliates	---	34,387
Investment in joint ventures	12,059	11,853
Rents receivable	2,197	1,966
Deferred financing costs, net	6,019	5,867
Inventory	33,372	---
Prepaid expenses and other assets	21,295	16,770
Total assets	$ 1,127,122	$ 1,099,963
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Mortgage notes payable	$ 588,132	$ 590,371
Unsecured term loan	100,000	100,000
Unsecured line of credit	25,250	16,250
Other notes payable	14,514	2,236
Accounts payable and accrued expenses	27,145	23,000
Accrued interest payable	4,814	4,582
Rents received in advance and security deposits	8,927	5,133
Distributions payable	12,956	12,062
Due to affiliates	56	32
Total liabilities	781,794	753,666
Commitments and contingencies		
Minority interest - Common OP Units and other	45,673	46,147
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; 21,742,948 and 21,562,343 shares issued and outstanding for 2002 and 2001, respectively	216	215
Paid-in capital	249,861	245,827
Deferred compensation	(5,722)	(4,062)
Employee notes	(3,841)	(3,841)
Distributions in excess of accumulated earnings	(66,690)	(63,478)
Accumulated other comprehensive income	831	489
Total stockholders' equity	174,655	175,150
Total liabilities and stockholders' equity	$ 1,127,122	$ 1,099,963

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

MANUFACTURED HOME COMMUNITIES, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE QUARTERS ENDED MARCH 31, 2002 AND 2001
(AMOUNTS IN THOUSANDS, EXCEPT PER SHARE DATA)
(UNAUDITED)

	MARCH 31, 2002	MARCH 31, 2001
PROPERTY OPERATIONS:		
Base rental income	$ 50,384	$ 49,013
RV base rental income	2,437	1,850
Utility and other income	5,301	5,755
Property operating revenues	58,122	56,618
Property operating and maintenance	16,172	15,993
Real estate taxes	4,621	4,601
Property management	2,407	2,248
Property operating expenses	23,200	22,842
Income from property operations	34,922	33,776
HOME SALES OPERATIONS:		
Gross revenues and inventory home sales	4,726	---
Cost of inventory home sales	(3,735)	---
Gross profit from inventory home sales	991	---
Brokered resale revenues, net	431	---
Home selling expenses	(2,118)	---
Ancillary services revenues, net	557	---
Income from home sales and other	(139)	---
OTHER INCOME AND EXPENSES:		
Interest income	264	214
Equity in income of affiliates	---	23
Other corporate income	375	677
General and administrative	(1,880)	(1,655)
Interest and related amortization	(12,550)	(13,406)
Depreciation on corporate assets	(326)	(304)
Depreciation on real estate assets and other costs	(8,971)	(8,679)
Total other income and expenses	(23,088)	(23,130)
Income from operations	11,695	10,646
Gain on sale of Properties and other	---	8,093
Income before allocation to Minority Interests	11,695	18,739
(Income) allocated to Common OP Units	(1,767)	(3,282)
(Income) allocated to Perpetual Preferred OP Units	(2,813)	(2,813)
NET INCOME	$ 7,115	$ 12,644
Net income per Common Share - basic	$ .33	$ .61
Net income per Common Share - diluted	$ .32	$ .59
Distributions declared per Common Share outstanding	$ .475	$ .445
Weighted average Common Shares outstanding - basic	21,433	20,793
Weighted average Common Shares outstanding - diluted (see Note 2)	27,508	26,771

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

MANUFACTURED HOME COMMUNITIES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE QUARTERS ENDED MARCH 31, 2002 AND 2001
(AMOUNTS IN THOUSANDS)
(UNAUDITED)

	MARCH 31, 2002	MARCH 31, 2001
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 7,115	$ 12,644
Adjustments to reconcile net income to cash provided by operating activities:		
Income allocated to Minority Interests	4,580	6,095
Gain on sale of Properties and other	---	(8,093)
Depreciation and amortization expense	9,247	9,254
Equity in income of affiliates and joint ventures	(353)	(613)
Amortization of deferred compensation and other	741	525
Increase in inventory	(462)	---
Increase in rents receivable	(231)	(102)
Decrease (increase) in prepaid expenses and other assets	1,585	(2,840)
Increase in accounts payable and accrued expenses	246	1,193
Increase in rents received in advance and security deposits	3,733	3,258
Net cash provided by operating activities	26,201	21,321
CASH FLOWS FROM INVESTING ACTIVITIES:		
Contributions to affiliates	---	(1,045)
(Funding) collection of notes receivable	(855)	18
Investment in joint ventures net of distributions received	167	85
Proceeds from disposition of rental Properties and other assets	---	16,864
Purchase of Realty Systems, Inc. common stock	(674)	---
Cash received in acquisition of Realty Systems, Inc.	2,374	---
Acquisition of rental Properties	(7,325)	(16,825)
Improvements:		
Improvements - corporate	(222)	(146)
Improvements - rental properties	(2,475)	(996)
Site development costs	(4,240)	(1,514)
Net cash used in investing activities	(13,250)	(3,559)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net proceeds from stock options and employee stock purchase plan	1,948	2,403
Distributions to Common Stockholders, Common OP Unitholders and Perpetual Preferred OP Unitholders	(14,851)	(13,824)
Collection of principal payments on employee notes	60	73
Line of credit:		
Proceeds	11,000	18,000
Repayments	(2,000)	(23,000)
Refinancing - net proceeds	---	---
Principal payments	(3,043)	(1,046)
Debt issuance costs	(438)	---
Net cash used in financing activities	(7,324)	(17,394)
Net increase in cash and cash equivalents	5,627	368
Cash and cash equivalents, beginning of period	1,354	2,847
Cash and cash equivalents, end of period	$ 6,981	$ 3,215
SUPPLEMENTAL INFORMATION:		
Cash paid during the period for interest	$ 11,928	$ 13,339

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

DEFINITION OF TERMS:

Capitalized terms used but not defined herein are as defined in the Company's Annual Report on Form 10-K for the year ended December 31, 2001.

PRESENTATION:

These unaudited Consolidated Financial Statements of Manufactured Home Communities, Inc., a Maryland corporation, and its subsidiaries (collectively, the "Company"), have been prepared pursuant to the Securities and Exchange Commission ("SEC") rules and regulations and should be read in conjunction with the financial statements and notes thereto included in the Company's 2001 Annual Report on Form 10-K (the "2001 Form 10-K"). The following Notes to Consolidated Financial Statements highlight significant changes to the Notes included in the 2001 Form 10-K and present interim disclosures as required by the SEC. The accompanying Consolidated Financial Statements reflect, in the opinion of management, all adjustments necessary for a fair presentation of the interim financial statements. All such adjustments are of a normal and recurring nature. Certain reclassifications have been made to the prior periods' financial statements in order to conform with current period presentation.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

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.

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, in June 1998, did not affect the results of operations or financial position of the Company. The Company manages operations on a property by property basis. Since each property has similar economic and operational characteristics, the Company has one reportable segment, which is the operation of manufactured home communities.

Inventory consists of completed new and used homes, is stated at the lower of cost or market and is net of a valuation allowance calculated after consideration of the N.A.D.A. (National Automobile Dealers Association), Manufactured Housing Appraisal Guide and the current market value of the manufactured home inventory. Inventory sales revenues and resale revenues are recognized when the home sale is closed. Resale revenues are stated net of commissions paid to employees of $139,000 for the quarter ended March 31, 2002.

Notes receivable are stated net of an allowance for doubtful accounts.

NOTE 2 - EARNINGS PER COMMON SHARE

Earnings per common share are based on the weighted average number of common shares outstanding during each period. 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 period 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.

NOTE 2 - EARNINGS PER COMMON SHARE (CONTINUED)

The following table sets forth the computation of basic and diluted earnings per share for the quarters ended March 31, 2002 and 2001 (amounts in thousands):

	MARCH 31, 2002	MARCH 31, 2001
NUMERATOR:		
Numerator for basic earnings per share - Net income	$ 7,115	$12,644
Effect of dilutive securities:		
Income allocated to Common OP Units	1,767	3,282
Numerator for diluted earnings per share- income available to common shareholders after assumed conversions	$ 8,882	$15,926
DENOMINATOR:		
Denominator for basic earnings per share - Weighted average Common Stock outstanding	21,433	20,793
Effect of dilutive securities:		
Weighted average Common OP Units	5,423	5,506
Employee stock options	652	472
Denominator for diluted earnings per share- adjusted weighted average shares and assumed conversions	27,508	26,771

NOTE 3 - COMMON STOCK AND RELATED TRANSACTIONS

On April 12, 2002, the Company paid a $.475 per share distribution for the quarter ended March 31, 2002 to stockholders of record on March 29, 2002.

NOTE 4 - ACQUISITION OF REALTY SYSTEMS, INC.

On January 1, 2002, the Company purchased all of the common stock of Realty Systems, Inc. ("RSI"). The Company previously owned the non-voting preferred stock and had notes receivable from RSI which were recorded as an investment in affiliate. The Company purchased the common stock of RSI from affiliated and non-affiliated owners for approximately $675,000. As a result of this acquisition, the Company owns and controls RSI and consolidates the financial results of RSI with those of the Company. Certain costs included in the acquisition are based on management's estimates and are subject to adjustment within one year of the closing date of January 1, 2002.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition:

	(amounts in thousands)
ASSETS	
Buildings and other depreciable property	$ 7,598
Accumulated depreciation	(1,262)
Cash and cash equivalents	2,374
Notes receivable	4,767
Investment in joint ventures	195
Inventory	32,910
Prepaid expenses and other assets	5,769
Total assets acquired	52,351
LIABILITIES	
Other notes payable	(13,082)
Accounts payable and accrued expenses	(4,083)
Accrued interest payable	(73)
Rents received in advance and security deposits	(61)
Distributions payable	10
Total liabilities assumed	(17,289)
Conversion of previous investment	(34,387)
Cash paid for common equity interest	(675)

NOTE 5 - REAL ESTATE

On March 12, 2002, the Company acquired Mt. Hood Village, a recreational vehicle ("RV") community, with a total of 450 sites, for approximately $6.8 million. Mt. Hood Village is located in Welches, Oregon and has land available for up to 120 expansion sites. The acquisition was funded by a borrowing on the Company's line of credit.

Certain costs, including legal costs, relative to efforts by the Company to effectively change the use and operations of several Properties are currently recorded in other assets. These costs, to the extent these efforts are successful, will be capitalized and included in the net investment in real estate for the appropriate Properties. To the extent these efforts are not successful, these costs will be expensed.

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

NOTE 6 - NOTES RECEIVABLE

As of March 31, 2002 and December 31, 2001, the Company had approximately $7.1 million and $1.5 million in notes receivable, respectively. The Company has approximately $1.5 million in notes which bear interest at a per annum rate of prime plus 0.5% and mature on December 31, 2011. The notes are collateralized with a combination of Common OP Units and partnership interest in certain joint ventures. The Company has approximately $5.6 million in notes which yield a per annum rate of approximately 11.5% and are collateralized by manufactured homes.

NOTE 7 - LONG-TERM BORROWINGS

As of March 31, 2002 and December 31, 2001, the Company had outstanding mortgage indebtedness of approximately $588.1 million and $590.4 million, respectively, encumbering 77 of the Company's Properties. As of March 31, 2002 and December 31, 2001, the carrying value of such Properties was approximately $663 million and $693 million, respectively.

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 a rate of 7.015% per annum. 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 recorded net of a hedge of $3.0 million (net of accumulated amortization of $164,000) which is being amortized into interest expense over the life of the loan.

- A $65.7 million mortgage note (the "College Heights Mortgage") collateralized by 18 Properties owned in a joint venture formed by the Company and Wolverine Investors, LLC. The College Heights Mortgage bears interest at a rate of 7.19% per annum, amortizes beginning July 1, 1999 over 30 years and matures July 1, 2008.

- A $92.9 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% per annum, amortizes beginning August 1, 2000 over 30 years and matures July 1, 2010.

- A $22.4 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% per annum, amortizes beginning August 1, 1994 over 27.5 years and matures July 1, 2004.

- A $15.6 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 per annum rate of 7.96%, amortizes beginning August 1, 2000 over 30 years and matures July 1, 2010.

- A $49.8 million mortgage note (the "Stagecoach Mortgage") collateralized by 7 Properties beneficially owed by MHC Stagecoach L.L.C. The Stagecoach Mortgage bears interest at a per annum rate of 6.98%, amortizes beginning September 1, 2001 over 10 years and matures September 1, 2011.

NOTE 7 - LONG-TERM BORROWINGS (CONTINUED)

- - Approximately $74.3 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% per annum. In addition, the Company has a $2.4 million loan recorded to account for a direct financing lease entered into in May 1997.

The Company has a $150 million unsecured line of credit with a group of banks (the "Credit Agreement") bearing interest at the London Interbank Offered Rate ("LIBOR") plus 1.125%, maturing on 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 March 31, 2002 and December 31, 2001, the Company had $25.3 million and $16.3 million, respectively, 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 matures on August 9, 2003.

On October 29, 2001, the Company entered into an interest rate swap agreement, fixing LIBOR on $100 million of the Company's floating rate debt at approximately 3.7% for the period October 2001 through August 2004. The terms of the swap require monthly settlements on the same dates that interest payments are due on the debt. Effective January 1, 2001, the Company adopted Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS No. 133) and its amendments, SFAS No. 137 and SFAS No. 138. In accordance with SFAS No. 133, the interest rate swap is reflected at market value. The Company believes the swap is a perfectly effective cash flow hedge per SFAS No. 133 and there will be no effect on net income as a result of the mark-to-market adjustment. The value of the hedge as of March 31, 2002 was approximately $831,000 and is recorded as an asset and included in other assets. Mark-to-market change in the value of the swap are included in other comprehensive income.

The Company has a $12.3 million note ("Conseco Financing Note"), collateralized by manufactured home inventory. The Conseco Financing Note bears interest at the prime rate and matures at various dates through March 2004 or when the inventory homes are sold. Future purchases of inventory will be funded with the Company's existing line of credit.

The Company has approximately $2.2 million of installment notes payable, secured by a letter of credit, each with an interest rate of 6.5% per annum, maturing September 1, 2002. Approximately $900,000 of the notes pay principal annually and interest quarterly and the remaining $1.3 million of the notes pay interest only quarterly.

NOTE 8 - STOCK OPTIONS

Pursuant to the Stock Option Plan as discussed in Note 14 to the 2001 Form 10-K, certain officers, directors, employees and consultants have been offered the opportunity to acquire shares of common stock of the Company through stock options ("Options"). During the quarter ended March 31, 2002, Options for 76,097 shares of common stock were exercised.

NOTE 9 - 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. 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 charges, because DeAnza did not want to be regulated by 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. DeAnza's 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.

NOTE 9 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

On June 29, 1995, a hearing was held before a City 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, 1998, 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 decision primarily reflected the court of appeal's view that CPUC Section 2705.5 operated as a ceiling and that California Civil Code Section 798.41 allowed for a charge based on actual costs, including costs of administration, operation and maintenance of the system, but that the Company did not have to provide evidence of such costs. 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."

NOTE 9 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

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.

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 remittur. The trial court also awarded $700,000 of attorneys' fees to plaintiffs. The Company appealed the jury verdict and attorneys' fees award (which also accrues interest at the statutory rate of 10.0% per annum). The Company 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 December 21, 2001 the California Court of Appeal for the Sixth District reversed the $6.0 million punitive damage award, the related award of attorneys' fees, and, as a result, all post-judgement interest thereon, on the basis that punitive damages are not available as a remedy for a statutory violation of the MRL. The decision of the appellate court left the HOA with the right to seek a new trial in which it must prove its entitlement to either the statutory penalty and attorneys' fees available under the MRL or punitive damages based on causes of action for fraud, misrepresentation or other tort. The HOA has filed two motions in Superior Court, seeking statutory penalties and attorneys' fees, which may be heard in July, 2002. The Company intends to vigorously defend itself against these claims and has filed motions for summary adjudication of the statutory penalty issue in favor of the Company and a motion to be declared the prevailing party in this litigation. These motions are also currently scheduled for July 2002. In addition, the Superior Court has scheduled a settlement conference for July 2002 in the matter.

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.

NOTE 9 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

In a separate matter, 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 is engaged in lengthy settlement discussions on the matter before a Superior Court judge which settlement discussions have not yet resulted in a definitive settlement agreement. If the case is not settled, the Company intends to vigorously defend the matter, which may go to trial in September 2002.

ELLENBURG COMMUNITIES

The Company and certain other parties entered into a settlement agreement ("the Settlement"), which was approved by the Los Angeles County Superior 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. Only the appeal of one entity remains, the outcome of which is not expected to materially affect the Company.

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 one not resolved by the Settlement. The Company believes Fund 20's allegations are without merit and will vigorously defend itself.

In October 2001, Fund 20 sued the Company and certain of its affiliates again, this time in Almeda County, California making substantially the same allegations. The Company obtained an injunction preventing the case from proceeding until the Fund 20 appeal is decided and other related proceedings in Arizona (from which the Company has already been dismissed with prejudice) are concluded.

NOTE 9 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

WESTWINDS

The Operating Partnership is the ground lessee ("Lessee") of certain property in San Jose, California under ground leases ("Leases") from the Nicholson Family Trust ("Lessor"). On February 13, 2001, Lessor filed a petition for arbitration of disputes over whether certain items constitute "gross revenue" under the Leases in which petition Lessor seeks damages and termination of the Leases. Lessee responded on March 12, 2001 disputing Lessor's contentions. Lessor claims that "gross revenue" for the purpose of calculating percentage rent owing to Lessor under the Leases includes certain amounts Lessee has recouped from tenants of the Property (who are protected by rent control) related to ground rent already paid to Lessor. Lessee has successfully been able to pass-through to tenants at the Property increases in ground rent under the Leases. Lessee contends that this pass-through results in reimbursement of lease expense, not "gross revenue." Lessor also contends that the "net income" of RSI from the Property should be included in the gross revenue calculation. Lessee disputes this for many reasons, including, but not limited to, the fact that RSI is not a lessee under the Leases, the sales activity is not conducted by Lessee, and RSI is a separate company from Lessee.

Lessor's motion for summary judgment on the pass-through issue was denied by an arbitration panel on November 2, 2001. Lessor and Lessee agreed to mediate the dispute and the matter was settled and the lease was amended in early 2002. Pursuant to the settlement and amendment, Lessee agreed to pay $338,000 related to prior period rent and to prepay rent of $632,000 based on a recalculation of rent in the amended lease. The rent prepayment and related legal costs will be amortized into ground rent expense over the remaining life of the lease.

OTHER

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

OVERVIEW

The following is a discussion of the interim results of operations, financial condition and liquidity and capital resources of the Company for the three months ended March 31, 2002 compared to the corresponding period in 2001. It should be read in conjunction with the Consolidated Financial Statements and Notes thereto included herein and the 2001 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, 2001. 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, 2001		51,387
ACQUISITIONS:		
Golden Lakes	January 3, 2001	422
Chain O'Lakes	January 3, 2001	308
Bulow Resort RV	July 1, 2001	352
Mt. Hood Village	March 12, 2002	450
EXPANSION SITE DEVELOPMENT:		
Sites added in 2001		143
Sites added in 2002		---
DISPOSITIONS:		
Dellwood Estates	February 13, 2001	(136)
Briarwood	February 13, 2001	(166)
Bonner Springs	February 13, 2001	(211)
Carriage Park	February 13, 2001	(143)
North Star	February 13, 2001	(219)
Quivira Hills	February 13, 2001	(142)
Rockwood	February 13, 2001	(264)
Candlelight	October 5, 2001	(585)
TOTAL SITES AS OF MARCH 31, 2002		51,196

RESULTS OF OPERATIONS (CONTINUED)

COMPARISON OF THE QUARTER ENDED MARCH 31, 2002 TO THE QUARTER ENDED MARCH 31, 2001

Since December 31, 2000, the gross investment in real estate has increased from $1,218 million to $1,260 million. The total number of sites owned or controlled has decreased from 51,273 as of December 31, 2000 to 51,387 as of March 31, 2002.

PROPERTY OPERATIONS:

The following table summarizes certain financial and statistical data for the Property Operations for the Core Portfolio and the Total Portfolio for the quarters ended March 31, 2002 and 2001.

(dollars in thousands)	CORE PORTFOLIO 2002	2001	INCREASE/ (DECREASE)	% CHANGE	TOTAL PORTFOLIO 2002	2001	INCREASE/ (DECREASE)	% CHANGE
Base rental income	$49,857	$47,774	$ 2,083	4.4%	$50,384	$49,013	$ 1,371	2.8%
Utility and other income	5,076	5,514	(438)	(7.9%)	7,738	7,605	133	1.7%
Total revenues	54,933	53,288	1,645	3.1%	58,122	56,618	1,504	2.7%
Property operating and maintenance	14,905	14,830	75	0.5%	16,172	15,993	179	1.1%
Real estate taxes	4,462	4,421	41	0.9%	4,621	4,601	20	0.4%
Property management	2,275	2,115	160	7.6%	2,407	2,248	159	7.1%
Total operating expenses	21,642	21,366	276	1.3%	23,200	22,842	358	1.6%
Income from property operations before interest, depreciation and amortization expenses	$33,291	$31,922	$ 1,369	4.3%	$34,922	$33,776	$ 1,146	3.4%
Site and Occupancy Information (1):								
Average total sites	45,003	44,884	119	0.3%	45,735	46,626	(891)	(1.9%)
Average occupied sites	42,247	42,573	(326)	(0.8%)	42,896	44,217	(1,321)	(3.0%)
Occupancy %	93.9%	94.9%	(1.0%)	(1.1%)	93.8%	94.8%	(1.0%)	(1.1%)
Monthly base rent per site	$393.38	$374.05	$ 19.33	5.2%	$391.52	$369.50	$ 22.02	6.0%
Total sites As of March 31, ...	44,996	44,939	57	0.1%	45,728	46,254	(526)	(1.1%)
Total occupied sites As of March 31, ...	42,184	42,541	(357)	(0.8%)	42,831	43,795	(964)	(2.2%)

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

RESULTS OF OPERATIONS (CONTINUED)

Property Operating Revenues

The 4.4% increase in base rental income for the Core Portfolio reflects a 5.2% increase in monthly base rent per site coupled with a 0.8% decrease in average occupied sites. The decrease in utility and other income for the Core Portfolio is due primarily to decreases in pass through income, which resulted from lower expenses for these items.

Property Operating Expenses

The increase in property operating and maintenance expense for the Core Portfolio is due primarily to increases in property payroll, insurance and other expenses and administrative expenses, partially offset by decreased utility expense. The increase in Core Portfolio real estate taxes is generally due to higher property assessments on certain 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 by 7.6% due to increased office expense, rents, payroll and management fees.

RESULTS OF OPERATIONS (CONTINUED)

HOME SALES OPERATIONS:

The following table summarizes certain financial and statistical data for the Home Sales Operations for the quarters ended March 31, 2002 and 2001.

	HOME SALES OPERATIONS (PROFORMA)			
	2002	2001	INCREASE / (DECREASE)	% CHANGE
(dollars in thousands)				
Gross revenues from new home sales	$ 4,309	$ 5,265	(956)	(18.2%)
Cost of new home sales	(3,405)	(4,072)	667	(16.4%)
Gross profit from new home sales ..	904	1,193	(289)	(24.2%)
Gross revenues from used home sales	417	677	(260)	(38.4%)
Cost of used home sales	(330)	(481)	151	(31.4%)
Gross profit from used home sales .	87	196	(109)	(55.6%)
Brokered resale revenues, net	431	389	42	10.8%
Home selling expense	(2,118)	(2,276)	158	(6.9%)
Ancillary services revenues, net ..	557	675	(118)	(17.5%)
Income from home sales and other ..	(139)	177	(316)	(178.5%)
HOME SALES VOLUMES:				
New home sales	57	78	(21)	(26.9%)
Used home sales	37	58	(21)	(36.2%)
Brokered home resales	231	270	(39)	(14.4%)

The 24.2% decrease in gross profits from new home sales reflects a decrease in the volume of new home sales. The 55.6% decrease in gross profits from used home reflects a decrease in volume of used home sales. The 10.8% increase in brokered resale revenues reflects an increase in the resale commission, resulting from increased resale values for the homes sold. The increase is partially offset by a decrease in the volume of brokered sales. The 6.9% decrease in home selling expenses reflects a decrease in payroll and administrative expense. The 17.5% decrease in ancillary services revenues reflects an increase in expenses for the home rental program.

The proforma income from home sales and other for 2001 does not include $137,000 of interest income and $292,000 of interest expense. Interest income and interest expense were previously included in income from affiliates for 2001 and are now included in other income and expenses.

OTHER INCOME AND EXPENSES:

The decrease in other income and expenses reflects a decrease in interest expense due to a decrease in the weighted average balance of outstanding debt and a decrease in the weighted average interest rate for outstanding debt. This decrease is partially offset by an increase in general and administrative expenses and depreciation on real estate assets and a decrease in other corporate income.

LIQUIDITY AND CAPITAL RESOURCES

LIQUIDITY

As of March 31, 2002, the Company had $7.1 million in cash and cash equivalents and $124.7 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.

On April 12, 2002, the Company paid a $.475 per share distribution for the quarter ended March 31, 2002, to stockholders of record on March 29, 2002. 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 on March 29, 2002.

MORTGAGES AND CREDIT FACILITIES

Throughout the quarter the Company borrowed $11.0 million on its line of credit and paid down $2.0 million on the line of credit. The line of credit bears interest at a rate of LIBOR plus 1.125%.

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 March 12, 2002, the Company acquired Mt. Hood Village, a recreational vehicle ("RV") community, with a total of 450 sites, for approximately $6.8 million. Mt. Hood Village is located in Welches, Oregon and has land available for up to 120 expansion sites. The acquisition was funded by a borrowing on the Company's line of credit.

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 $2.5 million for the quarter ended March 31, 2002. Site development costs were approximately $4.2 million for the quarter ended March 31, 2002, and represent costs to develop expansion sites at certain of the Company's Properties.

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.

LIQUIDITY AND CAPITAL RESOURCES (CONTINUED)

FUNDS FROM OPERATIONS

Funds From Operations ("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 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 quarters ended March 31, 2002 and 2001 (amounts in thousands):

	2002	2001
COMPUTATION OF FUNDS FROM OPERATIONS:		
Net Income	$ 7,115	$ 12,644
Income allocated to Common OP Units	1,767	3,282
Depreciation on real estate assets and other costs	8,971	8,679
Gain on sale of property and other	---	(8,093)
Funds from operations	$ 17,853	$ 16,512
Weighted average Common Stock outstanding - diluted	27,508	26,771
COMPUTATION OF FUNDS AVAILABLE FOR DISTRIBUTION:		
Funds from operations	$ 17,853	$ 16,512
Non-revenue producing improvements to real estate	(2,476)	(996)
Funds available for distribution	$ 15,377	$ 15,516
Weighted average Common Stock outstanding - diluted	27,508	26,771

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT 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 ($25.3 million outstanding at March 31, 2002) bears interest at LIBOR plus 1.125%, the Company's $100 million Term Loan bears interest at LIBOR plus 1.0% and the Company's $12.3 million Conseco Financing Notes bears interest at prime. If LIBOR increased/decreased by 1.0% during the quarter ended March 31, 2002, interest expense would have increased/decreased by approximately $325,000 based on the combined average balance outstanding under the Company's line of credit, Term Loan and Conseco Financing Notes during the period.

On October 29, 2001, the Company entered into an interest rate swap agreement, fixing LIBOR on $100 million of the Company's floating rate debt at approximately 3.7% for the period October 2001 through August 2004. The terms of the swap require monthly settlements on the same dates that interest payments are due on the debt. Effective January 1, 2001, the Company adopted Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS No. 133) and its amendments, SFAS No. 137 and SFAS No. 138. In accordance with SFAS No. 133, the interest rate swap is reflected at market value. The Company believes the swap is a perfectly effective cash flow hedge per SFAS No. 133 and there will be no effect on net income as a result of the mark-to-market adjustment. The value of the hedge as of March 31, 2002 was approximately $831,000 and is recorded as an asset and included in other assets. Mark-to-market change in the value of the swap are included in other comprehensive income.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

(see Note 8 of the Consolidated Financial Statements contained herein)

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K.

(a) Exhibits:

None.

(b) Reports on Form 8-K:

None.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned thereunto duly authorized.

MANUFACTURED HOME COMMUNITIES, INC.

BY: /s/ John M. Zoeller

John M. Zoeller
Executive Vice President, Treasurer
and Chief Financial Officer

BY: /s/ Mark Howell

Mark Howell
Principal Accounting Officer and
Assistant Treasurer

DATE: May 15, 2002