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

FORM 10-K

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

For the Fiscal Year Ended December 31, 1998

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) 474-1122
(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[X] 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 $597.2 million as of February 22, 1999 based upon the closing price of $23.9375 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 February 22, 1999, 26,580,209 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 11, 1999.

MANUFACTURED HOME COMMUNITIES, INC.

TABLE OF CONTENTS

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. Manufactured home 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 manufactured home 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.

The Company was formed to continue the property operations, business objectives and acquisition strategies of an entity that has owned and operated manufactured home communities since 1969. As of December 31, 1998, the Company owned or controlled a portfolio of 154 manufactured home communities and recreational vehicle ("RV") resorts (the "Properties") located throughout the United States containing 53,391 residential sites. The Properties are located in 26 states (with the number of Properties in each state shown parenthetically) -- Florida (45), California (25), Arizona (19), 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, 1998, the Company also owned two commercial buildings 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 five regional vice presidents and five 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 50 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 manufactured home 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 engaged in the business of purchasing, selling, leasing and financing manufactured homes that are located or will be located in properties managed by the Company. RSI also provides brokerage services to residents at such properties. Typically residents move from a community but do not relocate their homes. RSI may provide brokerage services, in competition with other local brokers, by seeking buyers for the homes. RSI 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 RSI's and LP Management Corp.'s (collectively, "Affiliates") activities 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 manufactured home communities that have strong cash flow growth potential and expects to hold such properties for long-term investment and capital appreciation. 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:

- Aggressively managing the Properties to increase operating margins by maintaining competitive market rents, increasing occupancy and expense control;

- 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 manufactured home communities that have potential for long-term cash flow growth.

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 locations 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-five properties during 1997 and 1998, more than doubling its portfolio. The Company believes that opportunities for property acquisitions are particularly attractive at this time because of increasing acceptability of and demand for manufactured homes and continued constraints on development of new manufactured home communities. 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.

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 data base 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 interests ("OP Units") to finance acquisitions. The Company believes that an ownership structure which includes the Operating Partnership will permit the Company to acquire additional manufactured home 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 manufactured home communities and the potential for the construction of new communities in the area. The Company expects to purchase manufactured home communities with physical and market characteristics similar to the Properties in its current portfolio.

PROPERTY EXPANSIONS

The Company will seek to increase the income generated from the Properties and from any additional properties acquired by expanding the number of sites available to be leased to residents if justified by local market conditions and permitted by zoning and other applicable laws. Of the 154 Properties, ten may be expanded consistent with existing zoning regulations. In 1999, the Company expects to develop an additional 50 expansion sites within two of these Properties. In addition, where appropriate, the Company will consider upgrading or adding facilities and amenities to certain Properties in order to make those Properties more attractive in their markets. As of December 31, 1998, the Company had more than 1,050 expansion sites available for occupancy in eighteen of the Properties. The Company filled 207 of the expansion sites in 1998 and expects to fill an additional 200 to 300 sites in 1999.

LEASES

The typical lease entered into between the tenant and one of the Company's manufactured home communities for the rental of a site requires a security deposit and is month-to-month or year-to-year, 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 eleven 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. Manufactured home 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.

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. 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 which 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, like 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 manufactured home 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 business, and (ii) the fact that manufactured home 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 communities' 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 a number of years to achieve.

- Industry Consolidation: According to an industry analyst's manufactured home community industry report, there are approximately 50,000 manufactured home communities in the United States and approximately 24,000 of these communities have more than 60 sites. The Company believes that approximately 20% or 4,800 of the communities with more than 60 sites would be considered "investment-grade". The six public companies which own manufactured home communities own approximately 520 or about 10% of the "investment-grade" communities. In addition, based on a report prepared by one analyst, the top 50 owners of manufactured home communities own approximately 38% 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 manufactured home communities at favorable prices.

- Stable Tenant Base: The Company believes that manufactured home communities tend to achieve and maintain a stable rate of occupancy due to the following factors: (i) residents own their own homes, (ii) manufactured home 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.

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 1998 National Housing Survey ("FNMA 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.

- 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 the FNMA, among those people who are nearing retirement (age 40 to 54), approximately 33% plan on moving upon retirement. Approximately 44% of adults age 40 to 54 and 14% of adults age 55 and over are expected to become "empty nesters" within the next ten years. 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 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 due in part to this strategy.

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 (45 Properties), California (25 Properties), Arizona (19 Properties), Michigan (11 Properties) and Colorado (10 Properties). These markets accounted for 34%, 17%, 11%, 4%, and 8%, respectively, of the Company's total revenues for the year ended December 31, 1998. 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, 1998.

The following tables set forth certain information relating to the Properties owned by the Company as of December 31, 1998, categorized by the Company's major markets. "Core Portfolio" represents an analysis of Properties owned as of the beginning of both years under comparison. The table excludes the following RV resort Properties at which rents and occupancy vary based on seasonality: Sherwood Forest RV (Kissimmee, Florida); Southern Palms (Eustis, Florida); Mesa Regal (Mesa, Arizona) and Fun & Sun (San Benito, Texas). The table excludes five Properties in which the Company has a non-controlling joint venture interest and accounts for using the equity method of accounting.

Community	Location City, State		Number of Sites as of 12/31/98	Occupancy as of 12/31/98	Occupancy as of 12/31/97	Monthly Base Rent as of 12/31/98	Monthly Base Rent as of 12/31/97
			FLORIDA				
TAMPA/NAPLES CORRIDOR:							
Bay Indies	Venice	FL (b)	1,309	100%	100%	$299	$292
Bay Lake Estates	Nokomis	FL (b)	228	100%	100%	$330	$320
Boulevard Estates	Clearwater	FL	288	97%	(a)	$263	(a)
Buccaneer Estates	N. Ft. Myers	FL (b)	971	100%	100%	$293	$286
Chalet Village	Tampa	FL	60	92%	(a)	$291	(a)
Country Meadows	Plant City	FL	736	99%	(a)	$261	(a)
Country Place	New PortRichey	FL (b)	515	78% (c)	72% (c)	$213	$205
Down Yonder	Largo	FL	361	98%	(a)	$326	(a)
East Bay Oaks	Largo	FL (b)	328	99%	99%	$328	$314
Eldorado Village	Largo	FL (b)	227	97%	100%	$331	$314
Friendly Village of Kapok	Clearwater	FL	236	87%	(a)	$258	(a)
Hillcrest	Clearwater	FL	279	84%	82%	$304	$278
Holiday Ranch	Largo	FL	150	95%	89%	$311	$288
Lake Fairways	N. Ft. Myers	FL (b)	896	100%	100%	$331	$323
Lake Haven	Dunedin	FL (b)	379	97%	98%	$351	$336
Naples Estates	Naples	FL	484	100%	(a)	$320	(a)
Pine Lakes	N. Ft. Myers	FL (b)	585	100%	100%	$402	$392
Satellite Park	Clearwater	FL	87	94%	(a)	$231	(a)
Sunset Oaks	Plant City	FL	167	41% (c)	(a)	$222	(a)
The Heritage	N. Ft. Myers	FL (b)	455	72% (c)	67% (c)	$274	$270
Windmill Manor	Bradenton	FL	292	95%	98%	$340	$334
Windmill Village	N. Ft. Myers	FL (b)	491	99%	100%	$282	$274
Windmill Village North	Sarasota	FL (b)	471	100%	100%	$298	$287
Windmill Village South	Sarasota	FL (b)	306	100%	100%	$301	$288
NORTHERN, CENTRAL AND EASTERN FLORIDA:							
Arrowhead Village	Lantana	FL	602	95%	96%	$381	$362
Brittany Estates	Tallahassee	FL	298	88%	(a)	$202	(a)
Bulow Village	Flagler Beach	FL (b)	276	76% (c)	65% (c)	$215	$196
Carriage Cove	Daytona Beach	FL	419	98%	99%	$347	$334
Colonies of Margate	Margate	FL (b)	819	97%	98%	$404	$392
Countryside North	Vero Beach	FL	646	92%	(a)	$277	(a)
Fernwood	Deland	FL	92	96%	(a)	$207	(a)
Heritage Village	Vero Beach	FL (b)	436	98%	98%	$281	$269
Holiday Village	Vero Beach	FL	128	82%	(a)	$250	(a)
Indian Oaks	Rockledge	FL	211	82% (c)	80% (c)	$228	$221
Lakewood Village	Melbourne	FL (b)	349	96%	96%	$318	$306
Mid-Florida Lakes	Leesburg	FL (b)	1,195	96% (c)	95% (c)	$296	$288
Oak Bend	Ocala	FL (b)	262	82% (c)	79% (c)	$219	$208
Pickwick Village	Port Orange	FL	432	95%	94%	$283	$277
Sherwood Forest	Kissimmee	FL	769	84%	(a)	$299	(a)
Spanish Oaks	Ocala	FL (b)	459	97%	98%	$274	$260
The Landings	Port Orange	FL	436	88%	91%	$277	$274
Total Florida Market			18,130	94%	95%	$303	$301
Florida Core Portfolio			10,957	95%	95%	$309	$300

Community	Location City, State			Number of Sites as of 12/31/98	Occupancy as of 12/31/98		Occupancy as of 12/31/97		Monthly Base Rent as of 12/31/98	Monthly Base Rent as of 12/31/97
				CALIFORNIA						
NORTHERN CALIFORNIA:										
California Hawaiian	San Jose	CA		413	99%		100%		$565	$544
Colony Park	Ceres	CA		186	73%		72%		$316	$319
Concord Cascade	Pacheco	CA	(b)	283	100%		99%		$476	$473
Contempo Marin	San Rafael	CA	(b)	396	99%		100%		$595	$582
Coralwood	Modesto	CA		194	92%		93%		$397	$373
De Anza Santa Cruz	Santa Cruz	CA	(b)	198	100%		100%		$473	$460
Four Seasons	Fresno	CA		242	69%		67%		$229	$226
Laguna Lakes	San Luis Obispo	CA		290	100%		(a)		$285	(a)
Monte del Lago	Castroville	CA		314	95%	(c)	86%	(c)	$447	$431
Quail Meadows	Riverbank	CA		146	95%		(a)		$319	(a)
Royal Oaks	Visalia	CA		149	83%		85%		$242	$240
Westwinds I-IV (d)	San Jose	CA		724	99%		100%		$534	$501
Sea Oaks	Los Osos	CA		125	100%		100%		$331	$323
Sun Shadow	San Jose	CA		121	99%		100%		$542	$527
SOUTHERN CALIFORNIA:										
Date Palm	Cathedral City	CA	(b)	538	90%		90%		$589	$573
Lamplighter	Spring Valley	CA	(b)	270	96%		96%		$486	$477
Meadowbrook	Santee	CA		340	93%		(a)		$554	(a)
Rancho Mesa	El Cajon	CA		158	92%		(a)		$492	(a)
Rancho Valley	El Cajon	CA	(b)	140	97%		94%		$481	$474
Santiago Estates	Sylmar	CA		305	93%		(a)		$549	(a)
Total California Market				5,532	94%		94%		$482	$474
California Core Portfolio				1,825	96%		96%		$536	$523
				ARIZONA						
Apollo Village	Phoenix	AZ	(b)	238	93%	(c)	93%	(c)	$334	$316
Brentwood Manor	Mesa	AZ	(b)	275	97%		99%		$403	$386
Carefree Manor	Phoenix	AZ		126	96%		98%		$265	$264
Casa del Sol Resort #1	Peoria	AZ	(b)	246	95%		97%		$377	$368
Casa del Sol Resort #2	Glendale	AZ	(b)	239	98%		100%		$408	$393
Casa del Sol Resort #3	Glendale	AZ		238	96%		(a)		$386	(a)
Central Park	Phoenix	AZ	(b)	293	95%		94%		$340	$329
Desert Skies	Phoenix	AZ		164	96%		97%		$259	$256
Fairview Manor	Tucson	AZ		235	96%		99%		$279	$274
Hacienda De Valencia	Mesa	AZ	(b)	366	95%		94%		$329	$316
Mon Dak	Mesa	AZ		212	88%		(a)		$255	(a)
Palm Shadows	Glendale	AZ	(b)	294	97%		98%		$311	$297
Sedona Shadows	Sedona	AZ		200	87%		86%		$279	$267
Sunrise Heights	Phoenix	AZ	(b)	200	95%		94%		$314	$304
The Mark	Mesa	AZ	(b)	410	99%		99%		$316	$295
The Meadows	Tempe	AZ	(b)	391	96%		96%		$384	$366
Whispering Palms (d)	Phoenix	AZ		116	97%		100%		$237	$227
Total Arizona Market				4,243	95%		96%		$332	$317
Arizona Core Portfolio				2,952	96%		96%		$351	$336

Community	Location City, State			Number of Sites as of 12/31/98	Occupancy as of 12/31/98	Occupancy as of 12/31/97	Monthly Base Rent as of 12/31/98	Monthly Base Rent as of 12/31/97
				MICHIGAN				
Americana Estates	Kalamazoo	MI		161	98%	(a)	$254	(a)
Appletree	Walker	MI		238	94%	(a)	$292	(a)
Brighton	Brighton	MI		196	92%	(a)	$306	(a)
College Heights	Auburn Hills	MI		161	94%	(a)	$316	(a)
Creekside	Wyoming	MI		165	96%	98%	$342	$340
Groveland Manor	Holly	MI		186	95%	(a)	$293	(a)
Hillcrest Acres	Kalamazoo	MI		150	98%	(a)	$258	(a)
Metro Park	Romulus	MI		227	86%	(a)	$290	(a)
Riverview	Bay City	MI		198	87%	(a)	$210	(a)
Willow Run	Ypsilanti	MI		185	91%	(a)	$257	(a)
South Lyon Woods	South Lyon	MI		211	100%	(a)	$370	(a)
Total Michigan Market				2,078	93%	98%	$292	$340
				COLORADO				
Bear Creek	Sheridan	CO		126	98%	99%	$357	$354
Cimarron	Broomfield	CO	(b)	327	98%	98%	$350	$332
Golden Terrace	Golden	CO	(b)	265	96%	99%	$398	$369
Golden Terrace West	Golden	CO	(b)	317	97%	98%	$388	$362
Golden Terrace South	Golden	CO		80	98%	99%	$366	$337
Hillcrest Village	Aurora	CO	(b)	603	95%	95%	$380	$359
Holiday Hills	Denver	CO	(b)	737	96%	97%	$368	$346
Holiday Village - CO	Co. Springs	CO	(b)	240	97%	97%	$368	$348
Pueblo Grande	Pueblo	CO	(b)	252	98%	98%	$241	$226
Woodland Hills	Denver	CO	(b)	434	98%	99%	$353	$336
Total Colorado Market				3,381	97%	97%	$360	$340
Colorado Core Portfolio				3,175	97%	97%	$360	$340
				NORTHEAST				
Aspen Meadows	Rehoboth	DE		199	95%	(a)	$228	(a)
Camelot	Rehoboth	DE		302	97%	(a)	$228	(a)
Mariner's Cove	Millsboro	DE	(b)	375	84% (c)	83% (c)	$314	$302
McNicol	Rehoboth	DE		93	100%	(a)	$239	(a)
Sweetbriar	Rehoboth	DE		142	98%	(a)	$189	(a)
Waterford	Wilmington	DE	(b)	731	92% (c)	89% (c)	$350	$337
Whispering Pines (d)	Lewes	DE	(b)	392	94%	97%	$246	$241
Pheasant Ridge	Mt. Airy	MD	(b)	101	100%	100%	$389	$368
Meadows of Chantilly	Chantilly	VA	(b)	500	82%	86%	$466	$457
Independence Hill	Morgantown	WV	(b)	203	89%	98%	$187	$178
Green Acres	Breinigsville	PA	(b)	595	98% (c)	98% (c)	$369	$357
Brook Gardens	Lackawanna	NY		426	98%	99%	$392	$388
Greenwood Village	Manorville	NY		477	88% (c)	(a)	$358	(a)
Total Northeast Market				4,536	92%	92%	$329	$340
Northeast Core Portfolio				2,897	91%	91%	$344	$332

Community	Location City, State			Number of Sites as of 12/31/98	Occupancy as of 12/31/98		Occupancy as of 12/31/97		Monthly Base Rent as of 12/31/98	Monthly Base Rent as of 12/31/97
				MIDWEST						
Five Seasons	Cedar Rapids	IA		390	83%	(c)	91%	(c)	$238	$228
Holiday Village - IA	Sioux City	IA	(b)	519	93%		95%		$216	$204
Camelot Acres	Burnsville	MN	(b)	319	95%		96%		$351	$335
Golf Vista Estates	Monee	IL		319	67%	(c)	86%	(c)	$301	$283
Willow Lake Estates	Elgin	IL	(b)	616	98%		99%		$538	$527
Burns Harbor	Chesterton	IN	(b)	228	95%		97%		$276	$268
Candlelight Village	Columbus	IN	(b)	585	99%	(c)	97%	(c)	$188	$164
Oak Tree Village	Portage	IN	(b)	380	96%		98%		$255	$250
Windsong	Indianapolis	IN		268	96%		(a)		$252	(a)
Royal Village	Toledo	OH		233	96%		(a)		$234	(a)
Bonner Springs	Bonner Springs	KS	(b)	210	90%		77%		$186	$175
Carriage Park	Kansas City	KS	(b)	143	66%	(e)	67%	(e)	$187	$172
Quivira Hills	Kansas City	KS	(b)	142	82%		80%		$220	$212
Rockwood Village	Tulsa	OK	(b)	265	100%		99%		$204	$191
Briarwood	Brookline	MO	(b)	166	96%		95%		$173	$169
Dellwood Manor	Warrensburg	MO	(b)	136	82%		89%		$165	$156
Northstar Village	Kansas City	MO	(b)	219	89%		85%		$232	$219
Total Midwest Market				5,138	92%		93%		$272	$263
Midwest Core Portfolio				3,928	94%		93%		$277	$266
				NEVADA, UTAH, NEW MEXICO						
Del Rey	Albuquerque	NM	(b)	407	89%		95%		$351	$337
All Seasons	Salt Lake City	UT		121	99%		100%		$267	$251
Westwood Village	Farr West	UT		294	100%		100%		$206	$204
Bonanza	Las Vegas	NV	(b)	353	95%		99%		$439	$415
Boulder Cascade	Las Vegas	NV		299	98%		(a)		$428	(a)
Flamingo West	Las Vegas	NV	(b)	205	100%		100%		$379	$375
The Cabana	Las Vegas	NV	(b)	263	100%		100%		$387	$378
Villa Borega	Las Vegas	NV		293	99%		98%		$413	$403
Total Nevada, Utah, New Mexico Market				2,235	97%		98%		$366	$348
Nevada, Utah, New Mexico Core Portfolio				1,228	95%		98%		$389	$380
				NORTHWEST						
Kloshe Illahee	Federal Way	WA		258	100%		100%		$413	$397
Falconwood	Eugene	OR		183	98%		98%		$312	$285
Quail Hollow	Fairview	OR		137	100%		100%		$394	$373
Shadowbrook	Clackamas	OR		156	100%		100%		$390	$384
Casa Village	Billings	MT	(b)	497	93%	(c)	97%	(c)	$257	$240
Total Northwest Market				1,231	97%		98%		$332	$313
Northwest Core Portfolio				497	93%		97%		$257	$240
Grand Total Company Portfolio				46,504	94%	(f)	95%	(f)	$334	$329
Grand Total Core Portfolio				27,459	95%		95%		$337	$325

(a) The Company acquired this Property in 1998.
(b) Represents a Property which is part of the Core Portfolio.
(c) The process of filling expansion sites at these properties is ongoing.
(d) Westwinds I-IV formerly known as San Jose I-IV; Whispering Palms formerly known as Em Ja Ha; and Whispering Pines formerly known as Nassau.
(e) Carriage Park suffered damage to approximately 85 homes in 1993 due to flooding; the process of releasing these sites is ongoing.
(f) 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.

ITEM 3. LEGAL PROCEEDINGS

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 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 Public Utility Commission ("PUC"), DeAnza relied on Public Utilities Code Section 2705.5 ("PUC Section 2705.5") to determine what rates would be charged for water on an ongoing basis without becoming a public utility. This statute provides that in a submetered mobilehome park, the property owner is not subject to regulation and control of the PUC 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 PUC 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 park 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 PUC 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 PUC 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 of Santa Cruz 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 PUC 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 PUC 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 the submetering of 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 appeals, but they refused and the appeals 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 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 appeals. 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 PUC to dedicate the water system at this Property to public use and have the PUC set cost based rates for water usage. The Company believed it was obligated to take this action because of its consistent reliance on PUC Section 2705.5 as a safe harbor from PUC 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 PUC's jurisdiction and control under PUC Section 2705.5.

On March 20, 1997, the court of appeals 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 appeals 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 PUC 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 PUC Section 2705.5. Concurrently, the PUC 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 PUC 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 PUC Section 2705.5, must be decided by the Commission."

After the court of appeals 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 PUC time to act on the Company's application. Notwithstanding the action taken by the PUC 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 PUC 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 PUC 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 is preparing to bond 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.

The Company will participate in post trial motions including a case management conference before March 15, 1999. The post trial motions will include a motion for judgment notwithstanding the verdict, new trial and remittitur (a procedure whereby the trial judge could unilaterally reduce the punitive damages award). To the extent the Company is unable to obtain relief in the form of reversal or reduction of the award in the trial court pursuant to post trial motions, relief from the verdict, if any, will have to come on appeal.

Generally, the Company's appeal will focus on two areas: 1) lack of jurisdiction in the trial court; and 2) trial error. Given that the PUC has issued an OII confirming its exclusive jurisdiction over the issue of water rates in a submetered system, that there was generally no dispute with respect to the rent roll back to achieve relief from rent control, the magnitude of the verdict in light of reasonable reliance on the PUC's statutory authority, use of prejudicial evidence against the Company and denial of the Company's rights to present the PUC decision and related evidence, the Company believes the court of appeals will reverse or substantially reduce the punitive damage award. However, there can be no assurances that this will occur.

The Company's view is that the range of possible loss on this matter at this time based on the opposing legal theories is from 0 (zero) (without considering the Company's litigation expense which is not expected to be material) to $6 million (plus costs which the Company expect plaintiffs' counsel to claim, the Company's litigation expense, cost of the bond and post-judgment interest). The HOA is also seeking to recover attorneys fees in connection with the trial, including a multiplier of such fees which may result in an attorneys fee award in the range of $700,000 to $900,000. This is in addition to the $100,000 award referred to above. The Company will vigorously oppose such award of attorney fees.

Under the Company's theory of the case, once appropriate unbundling of the utility service from rent has occurred, only the PUC has exclusive jurisdiction regarding rates that may be charged for utility services on a prospective basis. The Company believes the actions by the PUC in reiterating its exclusive jurisdiction, agreeing with the Company's interpretation of PUC Section 2705.5, and in certificating the Company's utility company through the establishment of cost based rates for the Property validate its previous reliance on PUC Section 2705.5 as a means of recovering a portion of the cost of providing water at the Property. Based on the PUC's rulings, while legal expense will be incurred in further defense, it follows that residents did not incur any actual damages (in the form of "overcharges") and may be liable to return amounts previously repaid by the Company and DeAnza.

Obviously, plaintiff's theory as described herein has resulted not only in a refund to residents of amounts "overcharged", but also in the punitive damage award. To avoid trying this case on the merits, plaintiffs introduced substantial evidence of legal strategy and objected strenuously (and successfully) to introduction of evidence supporting the Company on the merits.

Currently, there is little or no settlement potential unless the trial court indicates to plaintiffs at a scheduled case management conference (February 24, 1999) that it is seriously considering granting a new trial or other relief to the Company based on post trial motions. Estimated legal expense, if this matter is not resolved prior to appeal, during the next 15 months could reach between $300,000 and $500,000.

In a separate matter, on September 29, 1995, the United States Environmental Protection Agency ("USEPA") issued its Findings of Violations and Order for Compliance with respect to the National Pollution Discharge Elimination System ("NPDES") Permit governing the operation of the on-site waste water treatment plant at one of the Company's Properties. On October 6, 1995, the USEPA issued its Findings of Violation and Order for Compliance with respect to the NPDES Permit governing the operation of the on-site waste water treatment plant at another of the Company's Properties. The Company and USEPA have reached a tentative agreement to resolve the matter in which the operation of the remaining waste water treatment plant would be subject to a consent decree that would provide for fines and penalties in the event of future violations and the Company would contribute monies to a supplemental environmental project and pay a fine. The tentative agreement has not yet been reduced to writing and therefore remains subject to change. The Company does not believe the impact of the settlement will be material and the Company believes it has established adequate reserves for any amounts that may be paid.

In another matter, in connection with the acquisition of the Ellenburg Communities and pursuant to orders of the California Superior Court, approximately $30 million of the amounts paid by the Company have been deposited with the court appointed winding up agents (the "Winding Up Agents"). The deposited amounts relate to claims (the "Karno Claims") of Norton S. Karno (and related entities) who at various times has been a creditor, advisor, lawyer and shareholder of certain of the entities related to the Ellenburg Communities. The Winding Up Agents have disputed the claims and have filed a complaint against Mr. Karno (and related entities) requesting that the court determine that the claims be reduced or eliminated.

On October 30, 1998, the Company received notice of a lawsuit filed against the Company and certain Executive Officers of the Company in the Los Angeles Superior Court alleging, among other causes of action, that the Company breached certain agreements in connection with the acquisition of the Ellenburg Communities and claiming damages in excess of $50 million plus punitive damages. Based upon jurisdictional issues, in February 1999 the claims against the Executive Officers of the Company were dismissed. The Company believes most of the claim relates to the disputed Karno Claims discussed above. The Company believes the claims are without merit, intends to vigorously defend the defendants in this matter and does not believe the impact of this matter will be material.

In connection with the acquisition of the Ellenburg Communities, Mr. Karno and others have appealed various court orders on which the Company has relied. The court of appeals has recently requested briefing on the issue of whether certain appeals are moot. Mr. Karno has also sought before both the California Superior Court and Court of Appeals to take control of ECC, but to date none of his attempts have been successful.

The Company is involved in various other legal proceedings arising in the ordinary course of business. 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.

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)
1998					
1st Quarter	$25.8750	$27.1250	$24.5625	$.3625	$.05
2nd Quarter	24.1250	27.0000	24.0000	.3625	.08
3rd Quarter	25.4375	27.2500	22.0000	.3625	.10
4th Quarter	25.0625	25.6875	22.8750	.3625	.10
1997					
1st Quarter	$21.8750	$24.2500	$21.3750	$ .33	$.05
2nd Quarter	23.0625	23.7500	20.1250	.33	.04
3rd Quarter	26.0000	26.4375	23.0625	.33	.02
4th Quarter	27.0000	27.5000	25.6250	.33	.04

(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, 1998 was approximately 5,600.

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, 1998, 1997 and 1996 has been derived from the historical Financial Statements of the Company audited by Ernst & Young LLP, independent auditors. The historical operating data for the years ended December 31, 1995 and 1994 has been derived from the historical Financial Statements of the Company audited by Coopers & Lybrand, L.L.P., independent auditors.

On April 22, 1994, a two-for-one stock split became effective. For purposes of presenting outstanding shares, distribution per share and OP Units, the impact of the stock split has been given retroactive treatment.

Manufactured Home Communities, Inc. Consolidated Historical

	1998	1997	1996	1995	1994
	(1) Years ended December 31,				
	(Amounts in thousands, except for per share and property data)				
OPERATING DATA:					
REVENUES					
Base rental income	$ 165,340	$ 108,984	$ 93,109	$ 85,242	$ 60,085
Utility and other income	25,372	11,785	8,821	8,481	4,348
Equity in income of affiliates	1,070	800	853	885	727
Interest income	3,048	1,941	2,420	2,296	3,599
Total revenues	194,830	123,510	105,203	96,904	68,759
EXPENSES					
Property operating and maintenance	53,064	32,343	28,399	27,057	19,203
Real estate taxes	14,470	8,352	7,947	7,241	4,214
Property management	7,108	5,079	4,338	4,675	4,099
General and administrative	5,411	4,559	4,062	4,537	3,668
Depreciation and other costs (2)	29,421	17,955	15,732	16,122	9,520
Interest and related amortization (3)	49,693	21,753	17,782	18,527	11,146
Total expenses	159,167	90,041	78,260	78,159	51,850
Income from operations	35,663	33,469	26,943	18,745	16,909
Gain (loss) on sale of property	---	---	---	1,278	(293)
Income before allocation to minority interests and extraordinary item	35,663	33,469	26,943	20,023	16,616
Income allocated to minority interests	(6,733)	(4,373)	(2,671)	(2,006)	(1,568)
Income before extraordinary item	28,930	29,096	24,272	18,017	15,048
Extraordinary loss on early extinguishment of debt (net of income allocated to minority interests)	---	(451)	---	---	---
Net income	$ 28,930	$ 28,645	$ 24,272	$ 18,017	$ 15,048
Net income per common share before extraordinary item - basic	$ 1.13	$ 1.18	$ .98	$ .74	$ .70
Net income per common share before extraordinary item - diluted	$ 1.12	$ 1.15	$ .98	$ .74	$ .70
Net income per common share - basic	$ 1.13	$ 1.16	$ .98	$ .74	$ .70
Net income per common share - diluted	$ 1.12	$ 1.15	$ .98	$ .74	$ .70
Dividend per share	$ 1.45	$ 1.32	$ 1.22	$ 1.18	$ 1.14
Weighted average common shares outstanding - basic, excluding OP Units of 5,977, 3,749, 2,715, 2,717 and 2,397, respectively	25,626	24,689	24,693	24,353	21,508
Weighted average common shares outstanding - diluted, including OP Units of 5,977, 3,749, 2,715, 2,717 and 2,397, respectively	31,962	28,762	27,546	27,138	23,942
OTHER DATA:					
Funds from operations (4)	$ 64,089	$ 50,834	$ 42,187	$ 34,518	$ 26,186
Net cash flow:					
Operating activities	$ 71,977	$ 54,581	$ 49,660	$ 40,161	$ 24,910
Investing activities	$(262,762)	$(239,445)	$(60,954)	$ 4,382	$(220,707)
Financing activities	$ 203,533	$ 185,449	$ 10,858	$(45,707)	$ 170,427
Total Properties (at end of period) (5)	154	121	69	65	67
Total sites (at end of period)	53,391	44,108	27,356	25,552	25,860
Total sites (weighted average)	49,932	29,323	26,621	25,375	18,164

	(1) December 31,				
	1998	1997	1996	1995	1994
			(In thousands)		
BALANCE SHEET DATA:					
Real estate, before accumulated depreciation (6)	$1,237,431	$936,318	$597,650	$543,229	$541,775
Total assets	1,176,841	864,365	567,874	523,125	544,106
Total debt	750,849	495,172	254,982	211,966	226,670
Minority interests	70,468	67,453	28,640	29,305	30,507
Stockholders' equity	310,441	280,575	257,952	261,500	270,602

(1) See the Consolidated Financial Statements of the Company included elsewhere herein.

(2) Depreciation and other costs include depreciation on corporate assets of approximately $995,000, $590,000, $488,000, $349,000 and $243,000 for the years ended December 31, 1998, 1997, 1996, 1995 and 1994, respectively.

(3) The $265 million mortgage note payable (the "Mortgage Debt") bears interest at 7.015% through February 1, 2008.

The Company has a $175 million credit facility bearing interest at the London Interbank Offered Rate ("LIBOR") plus 1.125% ($145 million was outstanding at December 31, 1998).

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. By fixing the rate on $100 million of debt, the Company avoids the general uncertainty relating to the floating interest rate on the Company's variable rate debt through such time.

(4) The Company generally considers Funds From Operations ("FFO") to be an appropriate measure of the performance of an equity REIT. FFO was defined by the National Association of Real Estate Investment Trusts ("NAREIT") in March 1995 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 significant non-recurring items, if any. In the first quarter of 1996, the Company adopted this new definition of FFO which is effective for periods ending after December 31, 1995. For purposes of presenting FFO, the revised definition of FFO has been given retroactive treatment. Prior to this adoption, FFO was defined as income before allocation to minority interests plus certain non-cash items, primarily depreciation and amortization. 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. 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.

(5) During 1994, 23 Properties were acquired, which had an aggregate net operating income of $10.3 million in 1994, which included approximately $3.7 million of depreciation and amortization expense. Also during 1994, three properties were sold; net operating income attributable to such properties was approximately $30,500, which included approximately $32,000 of depreciation and amortization expense. During the year ended December 31, 1995, two properties were sold; net operating income attributable to such properties was approximately $235,000, which included approximately $83,000 of depreciation and amortization expense. 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.

(6) During 1994, 23 Properties were acquired, which had an aggregate net The Company believes that the book value of the Properties, which reflectsx historical costs of such real estate assets less accumulated depreciation, is less than the current market value of the Properties.

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

COMPARISON OF YEAR ENDED DECEMBER 31, 1998 TO YEAR ENDED DECEMBER 31, 1997

Since December 31, 1997, the gross investment in rental property has increased from $936 million to $1,237 million as of December 31, 1998 due to the acquisition of the following properties (collectively, the "1998 Acquisition Properties"): (i) the Ellenburg Communities; (ii) Quail Meadows on January 8, 1998; (iii) Sherwood Forest RV Resort on April 30, 1998; (iv) Casa Del Sol Resort III on May 14, 1998; (v) a portfolio of eighteen properties (the "College Heights Communities") on June 4, 1998; and (vi) Sunset Oaks on August 13, 1998. The total number of sites owned and controlled has increased from 44,108 as of December 31, 1997 to 53,391 as of December 31, 1998.

The following table summarizes certain weighted average statistics for the years ended December 31, 1998 and 1997. "Core Portfolio" represents an analysis of properties owned during both periods of comparison.

	Core Portfolio		Total Portfolio	
	1998	1997	1998	1997
Total sites	27,455	27,432	43,932	29,323
Occupied sites	26,057	25,983	41,420	27,770
Occupancy %	94.9%	94.7%	94.3%	94.7%
Monthly base rent per site	$ 335	$ 321	$ 332	$ 327

Base rental income ($165 million) increased $56.3 million or 51.7%. For the Core Portfolio, base rental income increased approximately $4.1 million or 4.1%, reflecting an increase in base rental rates. The remaining $52.2 million increase in base rental income was attributed to the properties acquired in 1997 and the 1998 Acquisition Properties (collectively, the "1997 and 1998 Acquisition Properties").

Monthly base rent per site for the total portfolio increased 1.5%, reflecting a 4.4% increase in monthly base rent per site for the Core Portfolio offset by lower monthly base rents for the 1997 and 1998 Acquisition Properties. Average monthly base rent per site for the 1997 and 1998 Acquisition Properties was $329 for the year ended December 31, 1998.

Weighted average occupancy decreased 0.4% due to the addition of the 1997 and 1998 Acquisition Properties to the portfolio with lower occupancy percentages, partially offset by increased occupancy at the Core Portfolio The 0.2% increase at the Core Portfolio reflects a 0.4% decrease attributed to lower occupancy at four family properties and lower occupancy at two properties where the Company has implemented a program to upgrade the resident profile and housing stock. Excluding these communities, occupancy at the Core Portfolio increased 0.6%.

Utility and other income ($25.4 million) increased $13.6 million or 115.3%, due to an increase of $13.1 million attributed to the 1997 and 1998 Acquisition Properties, including $7.2 million of RV income. The remaining $500,000 increase reflected increased utility income, real estate tax pass-ons and other miscellaneous income at the Core Portfolio.

Interest income ($3.0 million) increased $1.1 million or 57.0%, primarily due to the issuance of $14.6 million of notes receivable and an increase in interest earned on short-term investments. Short-term investments had average balances for the years ended December 31, 1998 and 1997 of approximately $6.9 million and $4.7 million, respectively, which earned interest income at an effective rate of 5.4% per annum in both years.

Property operating and maintenance expenses ($53.0 million) increased $20.7 million or 64.1%. Of this increase $19.4 million is attributed to the 1997 and 1998 Acquisition Properties. The remaining $1.3 million increase includes approximately $300,000 of one-time expenses associated with water main breaks, storm damage and legal costs at the Core Portfolio. The Core Portfolio also experienced increases in property payroll, property general and administrative expenses and insurance and other expenses. Property operating and maintenance expenses represented 27.2% of total revenues in 1998 and 26.2% in 1997.

Real estate taxes ($14.5 million) increased $6.1 million or 73.3% due to the impact of the 1997 and 1998 Acquisition Properties. Real estate taxes represented 7.4% of total revenues in 1998 and 6.8% in 1997.

Property management expenses ($7.1 million) increased $2.0 million or 39.9%. The increase was primarily due to an increase in management company payroll and incremental costs associated with self management of the 1997 and 1998 Acquisition Properties. Property management expenses represented 3.6% of total revenues in 1998 and 4.1% of total revenues in 1997.

General and Administrative expenses ("G&A") ($5.4 million) increased $851,000 or 18.7%. The increase was primarily due to increased payroll. G&A represented 2.8% of total revenues in 1998 and 3.7% in 1997.

Earnings before interest, taxes, depreciation and amortization ("EBITDA") increased $41.6 million or 56.8%. Approximately $37.6 million of the increase related to the 1997 and 1998 Acquisition Properties. The remaining increase reflected increased base rental income at the Core Portfolio. EBITDA represented 58.9% of total revenues in 1998 and 59.2% in 1997.

Interest and related amortization ($49.7 million) increased $27.9 million or 128.4%. The increase was due to higher weighted average outstanding debt balances during the period. The weighted average outstanding debt balances for the years ended December 31, 1998 and 1997 were $696 million and $301.3 million, respectively. The effective interest rate was 7.2% in 1998 and 7.1% in 1997. Interest and related amortization represented 25.5% of total revenues in 1998 and 17.6% in 1997.

The Company has a $265.0 million mortgage note (the "Mortgage Debt") collateralized by 29 properties beneficially owned by MHC Financing Limited Partnership. The Mortgage Debt has a maturity date of January 2, 2028 and pays interest only at 7.015%. There is no principal amortization until February 1, 2008 after which principal and interest are paid from available cash flow and the interest rate is reset at a rate equal to the then 10-year U.S. Treasury obligations plus 2.0%.

The Company has an unsecured line of credit with a bank (the "Credit Agreement") bearing interest at the London Interbank Offered Rate ("LIBOR") plus 1.125%. On April 28, 1998, the Company amended the Credit Agreement, increasing the line of credit from $100 million to $150 million. On December 18, 1998, the Company further amended the Credit Agreement, increasing the line of credit from $150 million to $175 million. The Credit Agreement matures on August 17, 2000, at which time the Company may extend the maturity date to August 17, 2002 and the Credit Agreement would be converted to a term loan. The Company pays a fee on the average unused amount of such credit equal to 0.15% of such amount. As of December 31, 1998, $145 million was outstanding under the Credit Agreement. The Company paid fees related to the amendments which were immaterial.

The Company has a term loan (the "Term Loan") with a group of banks with interest only payable monthly at a rate of LIBOR plus 1.0%. On April 28, 1998, the Company amended the Term Loan to increase the borrowing from $60 million to $100 million. The Term Loan matures on April 3, 2000 and may be extended to April 3, 2002. The Company used the $40 million in proceeds to repay a portion of the $50 million previously borrowed on April 7, 1998 under the Term Loan. The Company paid fees related to this amendment which were immaterial.

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 which were deemed immaterial. The value of the 1998 Swap is impacted by changes in the market rate of interest. Had the 1998 Swap been entered into on December 31, 1998, the applicable LIBOR swap rate would have been 4.56%. 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 $39,000. The Company accounts for the 1998 Swap as a hedge. Payments and receipts under the 1998 Swap are accounted for as an adjustment to interest expense.

Depreciation on corporate assets ($995,000) increased $405,000 or 68.8% due to fixed asset additions in 1997 and 1998 associated with the Company's upgrade of certain computer systems infrastructure and the wide area network. Depreciation on corporate assets represented 0.5% of total revenues in both 1998 and 1997.

Depreciation on real estate assets and other costs ($28.4 million) increased $11.1 million or 63.7% as a result of 1997 and 1998 Acquisition Properties. Depreciation on real estate assets and other costs represented 14.6% of total revenues in 1998 and 14.1% in 1997.

COMPARISON OF YEAR ENDED DECEMBER 31, 1997 TO YEAR ENDED DECEMBER 31, 1996

Since December 31, 1996, the gross investment in rental property increased from $598 million to $936 million as of December 31, 1997 due to the acquisition of the following properties (the "1997 Acquisition Properties"): (i) California Hawaiian on March 14, 1997; (ii) Golf Vista Estates on March 27, 1997; (iii) Golden Terrace South on May 30, 1997; (iv) a portfolio of eighteen manufactured home communities and two commercial properties (collectively, the "MPW Properties") on August 29, 1997; (v) Arrowhead Village on September 16, 1997, and (vi) seventeen of the Ellenburg Communities on December 18, 1997. The total number of sites owned and controlled increased from 27,356 as of December 31, 1996 to 44,108 as of December 31, 1997.

The following table summarizes certain weighted average statistics for the years ended December 31, 1997 and 1996. "Core Portfolio" represents an analysis of properties owned during both periods of comparison.

	Core Portfolio		Total Portfolio	
	1997	1996	1997	1996
Total sites	25,631	25,554	29,323	26,621
Occupied sites	24,319	24,098	27,770	25,025
Occupancy %	94.9%	94.3%	94.7%	94.0%
Monthly base rent per site	$ 325	$ 312	$ 327	$ 310

Base rental income ($109 million) increased $15.9 million or 17.0%. For the Core Portfolio, base rental income increased approximately $4.7 million or 5.2%, reflecting a 4.3% increase in base rental rates and a 0.9% increase related to occupancy. The remaining $11.2 million increase in base rental income was attributed to the 1997 Acquisition Properties.

Monthly base rent per site for the total portfolio increased 5.5%, reflecting a 4.2% increase in monthly base rent per site for the Core Portfolio and higher monthly base rents for the 1997 Acquisition Properties. Average monthly base rent per site for the 1997 Acquisition Properties was $343 for the year ended December 31, 1997.

Weighted average occupancy increased 0.7% due to increased occupancy at the expansion communities and the addition of the 1997 Acquisition Properties with higher occupancy percentages to the portfolio.

Utility and other income ($11.8 million) increased $3.0 million or 33.6%, primarily due to an increase of $1.2 million attributed to the 1997 Acquisition Properties, the collection of dividend income of $173,000 in the first quarter of 1997, and increased utility income, real estate tax pass-ons and other miscellaneous income at the Core Portfolio.

Interest income ($1.9 million) decreased $479,000 or 19.8%, primarily due to the repayment of $13 million of notes receivable in August 1997, partially offset by an increase in interest earned on short-term investments. Short-term investments had average balances for the years ended December 31, 1997 and 1996 of approximately $4.7 million and $3.4 million, respectively, which earned interest income at an effective rate of 5.4% per annum in both years.

Property operating and maintenance expenses ($32.3 million) increased $3.9 million or 13.9% due to the impact of the 1997 Acquisition Properties and an increase in property payroll, property general and administrative expenses and insurance and other expenses at the Core Portfolio. Partially offsetting these increases was a decrease in repairs and maintenance expense and utility expense at the Core Portfolio. Property operating and maintenance expenses represented 26.2% of total revenues in 1997 and 27.0% in 1996.

Real estate taxes ($8.4 million) increased $405,000 or 5.1% due to the impact of the 1997 Acquisition Properties, partially offset by a decrease in the Core Portfolio due to lower than expected assessed values at certain of the properties based on actual bills received. Real estate taxes represented 6.8% of total revenues in 1997 and 7.6% in 1996.

Property management expenses ($5.1 million) increased $741,000 or 17.1%. The increase was primarily due to an increase in management company payroll and incremental costs associated with self management of the 1997 Acquisition Properties. Property management expenses represented 4.1% of total revenues in both 1997 and 1996.

G&A ($4.6 million) increased $497,000 or 12.2%. The increase was primarily due to increased payroll resulting from salary increases. G&A represented 3.7% of total revenues in 1997 and 3.9% in 1996.

EBITDA increased $12.7 million or 21%. Approximately $7.6 million of the increase related to the 1997 Acquisition Properties. The remaining increase reflected increased base rental income and decreased repairs and maintenance expense, utility expense and real estate tax expense, partially offset by increased payroll expense, property general and administrative expense and insurance and other expenses at the Core Portfolio. In addition, corporate G&A and property management expenses increased. EBITDA represented 59.2% of total revenues in 1997 and 57.5% in 1996.

Interest and related amortization ($21.8 million) increased $4.0 million or 22.3%. The increase was due to higher weighted average outstanding debt balances during the period. The weighted average outstanding debt balances for the years ended December 31, 1997 and 1996 were $301.3 million and $234.9 million, respectively. The effective interest rate was 7.1% in 1997 and 7.2% in 1996. Interest and related amortization represented 17.6% of total revenues in 1997 and 16.9% in 1996.

On December 12, 1997, the Company refinanced the $100.0 million mortgage note (the "Original Mortgage Debt") with a $265.0 million mortgage note (see discussion above). In October 1996, the Company entered into an interest rate swap agreement (the "1997 Swap") fixing LIBOR on the Original Mortgage Debt at 5.57% effective January 10, 1997 through March 3, 1998. The Company sold the 1997 Swap in December 1997 for approximately $26,000 in connection with the refinancing.

Depreciation on corporate assets ($590,000) increased $102,000 or 20.9% due to fixed asset additions in 1996 associated with the Company's conversion to a new accounting software system. Depreciation on corporate assets represented 0.5% of total revenues in both 1997 and 1996.

Depreciation on real estate assets and other costs ($17.4 million) increased $2.1 million or 13.9% as a result of the 1997 Acquisition Properties. In addition, the Company recognized a one-time gain of $18,000 representing gains on the prepayment of notes receivable and the sale of certain assets related to the Chateau Communities, Inc. merger attempt, partially offset by the write-off of certain deferred compensation. Depreciation on real estate assets and other costs represented 14.1% of total revenues in 1997 and 14.5% in 1996.

In the fourth quarter of 1997, the Company recognized an extraordinary item for early extinguishment of the Original Mortgage Debt of $556,000.

LIQUIDITY AND CAPITAL RESOURCES

Net cash provided by operating activities increased $17.4 million from $54.6 million for the year ended December 31, 1997 to $72.0 million for the same period in 1998. This increase reflected a $13.3 million increase in FFO, which reflected increases in rental income as discussed in "Results of Operations" above, and an increase in accounts payable and real estate tax accruals and rents received in advance related to the property acquisitions, partially offset by increased prepaid expenses.

Net cash provided by operating activities increased $4.9 million from $49.7 million for the year ended December 31, 1996 to $54.6 million for the same period in 1997. This increase reflected an $8.6 million increase in FFO, which reflected increases in rental income and decreases of certain expenses as discussed in "Results of Operations" above, and an increase in collection of rents received in advance and security deposits related to the property acquisitions, partially offset by an increase in prepaid expenses and rents receivable and decreased accounts payable accruals.

FFO was defined by NAREIT in March 1995 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 significant non-recurring items, if any. In the first quarter of 1996, the Company adopted this new definition of FFO which was effective for periods ending after December 31, 1995. 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. Funds available for distribution ("FAD") is defined as FFO less non-revenue producing capital expenditures. 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, 1998, 1997 and 1996 (amounts in thousands):

	For the Years Ended December 31,		
Computation of funds from operations:	1998	1997	1996
Income before allocation to minority interests and extraordinary item	$ 35,663	$ 33,469	$ 26,943
Depreciation on real estate assets and other costs	28,426	17,365	15,244
Gain on sale of assets	---	---	---
Funds from operations	$ 64,089	$ 50,834	$ 42,187
Computation of funds available for distribution:			
Funds from operations	$ 64,089	$ 50,834	$ 42,187
Non-revenue producing improvements - rental properties	(8,005)	(4,187)	(3,402)
Funds available for distribution	$ 56,084	$ 46,647	$ 38,785

Net cash used in investing activities increased $23.3 million from $239.4 million for the year ended December 31, 1997 to $262.8 million for the year ended December 31, 1998, primarily due to the funding of notes receivable, improvements made to acquisition properties, and collection of escrow proceeds related to the acquisition of the Ellenburg Communities, partially offset by the sale of project related assets in 1997.

Net cash used in investing activities increased $178.4 million from $61 million for the year ended December 31, 1996 to $239.4 million for the year ended December 31, 1997, primarily due to increased payments for acquisitions in 1997 and the Company's investment in partnerships, partially offset by the collection of principal payments on notes receivable, net proceeds from the sale of project related assets and decreased purchases of short-term investments, all of which had maturitites of three months or less.

On September 4, 1997, the Company entered into a portfolio purchase agreement (as amended by a supplemental agreement on December 17, 1997) to acquire 38 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. From December 17, 1997 through December 31, 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 own such Ellenburg Communities. The Company funded the acquisition advances with borrowings under the Company's line of credit and term bank facilities. In addition, the Company assumed debt of approximately $32 million and issued OP Units of approximately $4.9 million in connection with this transaction.

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 persons appointed to windup the affairs of ECC have released the funds and have presented a status report to the court. The $14.3 million has been recorded as a liability until certain related issues are finalized at which point the final liability will be relieved and the purchase price of the Ellenburg Communities adjusted accordingly.

On January 6, 1998, the Company funded a $12.3 million loan (the "Meadows Loan") to Meadows Preservation, Inc. The Meadows Loan is collateralized by The Meadows manufactured home community located in Palm Beach Gardens, Florida, bears interest at a nominal rate of 9%, subject to adjustment based on cash flow of the property, and matures on April 30, 1999.

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 communities 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.

On June 4, 1998, the Company entered into a joint venture agreement with Wolverine Investors L.L.C. to acquire 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 ownership percentage, the joint venture has been consolidated with the Company 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.

Capital expenditures for improvements were approximately $14.2 million for the year ended December 31, 1998 compared to $6.4 million for the year ended December 31, 1997. Of the $14.2 million, approximately $8 million represented improvements to existing sites including $3.5 million related to newly acquired properties. The Company anticipates spending approximately $6.7 million on improvements to existing sites during 1999. The Company believes these improvements are necessary in order to increase and/or maintain occupancy levels and maintain competitive market rents for new and renewing residents. The remaining $6.2 million represented costs to develop expansion sites at certain of the Company's Properties and other corporate headquarter costs.

Net cash provided by financing activities increased $18.1 million from $185.4 million for the year ended December 31, 1997 to $203.5 million for the year ended December 31, 1998 primarily due to the issuance of common stock in the second quarter of 1998, partially offset by decreased net proceeds from the line of credit, term loan and mortgage notes payable.

Net cash provided by financing activities increased $174.6 million from $10.9 million for the year ended December 31, 1996 to $185.4 million for the year ended December 31, 1997 primarily due to the addition of the New Mortgage Debt whereby the Company borrowed an additional $165 million, increased borrowings on the line of credit, and an increase in proceeds from the exercise of stock options and issuance of common stock under the employee stock purchase plan, partially offset by the purchase of 330,300 shares of the Company's common stock under the common stock repurchase plan, increased distributions to common stockholders and the payment of debt issuance costs related to the Debt Refinancing.

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.

For the year ended December 31, 1998, the Company declared and paid quarterly distributions totaling $1.45 per share. For the year ended December 31, 1997, the Company declared and paid quarterly distributions totaling $1.32 per share. Return of capital on a GAAP basis was $0.33, $0.15 and $0.24 for the years ended December 31, 1998, 1997 and 1996, respectively.

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, in rental income as each lease matures. Such types of leases generally minimize the risk of inflation to the Company.

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 June 1998, the Financial Accounting Standards Board issued Statement No. 133 ("SFAS No. 133"), "Accounting for Derivative Instruments and Hedging Activities", which is required to be adopted in years beginning after June 15, 1999. SFAS No. 133 permits early adoption as of the beginning of any fiscal quarter after its issuance. The Company has not yet determined the date at which it will adopt SFAS No. 133. 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 not yet determined what the effect of SFAS No. 133 will be on the earnings and financial position of the Company.

YEAR 2000

The year 2000 issue ("Year 2000") is the result of computer programs and embedded processors ("Systems") failing to properly account for the end of 1999 and the rollover to the year 2000. The Year 2000 issue comes from three date-related problems and practices. First some Systems define the year-portion of date fields with two digits instead of four. As a result, programs and equipment that have time-sensitive functions may interpret a date using "00" as being 1900 rather than 2000. Second, the year 2000 is a leap year. There is a possibility that some Systems may fail to account for the leap day properly. Third, in practice, an artificial date of "9/9/99" is sometimes used as a fictitious date when testing Systems. It is possible that some Systems will reject the actual date of "September 9, 1999" as fictitious. Problems arising from one or more of these problems and practices could result in failure of one or more Systems causing a disruption of operations, including, among other things, a temporary inability to process transactions, collect rents, or engage in similar normal business activities.

Utilizing purchasing records, inventory listings, and direct communication with employees, the Company is in the process of identifying all of its information technology ("IT") and non-IT systems and assessing them for Year 2000 readiness. Critical systems include, but are not limited to: accounts receivable, sales and inventory, human resources and payroll, accounts payable and general ledger, Lotus Notes, Microsoft Office, tax preparation and filing software, computers, data networking equipment, telephone systems, fax machines and photocopiers, security and life safety systems (elevators, alarm systems), process control systems (pool pumps and chlorine systems, sprinkler systems), cable television systems, lift stations, and drinking water and waste water treatment plants. The Company has completed the inventory and research phases of its preparations for the Year 2000. Review of the research material continues in the first quarter of 1999, as does on-site inspections of the utilities (drinking water and waste water treatment plants, lift stations, and cable television systems). The Company has retained consultants to handle assessment of its drinking water, waste water treatment, lift station and cable television facilities for which it is responsible. The Company has initiated formal communications with all of its significant suppliers to determine the extent to which the Company's interface systems are vulnerable to those third parties' failure to remediate their own Year 2000 issues. The Company anticipates that scheduled system upgrades to its accounts receivable system, accounts payable and general ledger system, and payroll system will remediate current Year 2000 concerns. Remediation steps and development of contingency plans will be completed in the second quarter of 1999. The Company has set a deadline for Year 2000 readiness of June 30, 1999. There can be no guarantee that the systems of other companies on which the Company's Systems rely will be timely converted and will not have an adverse effect on the Company's Systems.

Through December 31, 1998, the Company's costs associated with remediation efforts have been immaterial. In 1998, the Company retained a full-time contract employee to perform Year 2000 research and documentation at an annual fee of approximately $45,000 and has budgeted to retain the employee through 1999. The cost to retain a consultant to assess the waste water treatment and cable television facilities has been budgeted at less than $50,000. The Company expects that replacement of approximately 75 computers will be required with a capital budget of approximately $200,000. The Company's total Year 2000 project costs and estimates to complete do not include the estimated costs and time associated with the impact of third-party Year 2000 issues. The total cost of the Year 2000 project is estimated to be immaterial assuming third parties remediate their own Year 2000 issues. This assumption is based on management's best estimates, which were derived utilizing numerous assumptions of future events, and there can be no guarantee that these estimates will be achieved and actual results could differ materially from those anticipated.

The Company has commenced its contingency planning for critical operational areas that might be affected by the Year 2000 issue if compliance is delayed. Aside from catastrophic failure of banks, governmental agencies, etc., the Company believes that it could continue operations. For example, rent can be collected and recorded by manual methods using hardcopy reports from previous months; payroll can be processed by issuing manual checks relying on existing payroll registers; bills can be paid as long as banks can process checks; and basic financial statements can be prepared manually.

ITEM 7A. QUANTITIVE AND QUALITATIVE DISCLOSURE 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 $175 million line of credit ($145 million outstanding at December 31, 1998) bears interest at LIBOR plus 1.125% and the Company's $100 million Term Loan bears interest at LIBOR plus 1.0%. The Company has the 1998 Swap which fixes LIBOR at 6.4% on $100 million of the Company's floating rate debt for the period 1998 through 2003. If LIBOR increased/decreased by 1.0% during 1998, interest expense would have increased/decreased by approximately $1.0 million based on the average balance outstanding under the Company's line of credit for the year ended December 31, 1998. Information relating to quantitive and qualitive disclosure about market risk as it relates to the 1998 Swap is set forth in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, and in Note 9 "Long Term Borrowings" in the Notes to Consolidated Financial Statements. Such information is incorporated herein.

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, 1999, and thus this Part has been omitted in accordance with General Instruction G(3) to Form 10-K.

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(a)	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

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

(3) Exhibits (continued):

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
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
11	Not applicable
12(g)	Computation of Ratio of Earnings to Fixed Charges
13	Not applicable
16	Not applicable
18	Not applicable
21(g)	Subsidiaries of the registrant
22	Not applicable
23(g)	Consent of Independent Auditors
24.1(g)	Power of Attorney for John F. Podjasek, Jr. dated February 22, 1999

24.2(g)	Power of Attorney for Michael A. Torres dated February 19, 1999
24.3(g)	Power of Attorney for Thomas E. Dobrowski dated February 17, 1999
24.4(g)	Power of Attorney for Gary Waterman dated February 18, 1999
24.5(g)	Power of Attorney for Donald S. Chisholm dated February 17, 1999
24.6(g)	Power of Attorney for Louis H. Masotti dated February 19, 1999
27(g)	Financial Data Schedule
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.

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

(3) Exhibits (continued):

(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) Filed herewith.

(b) Reports on Form 8-K:

Form 8-K/A dated December 18, 1997, filed February 24, 1998, relating to Item 2 - "Acquisition of Assets" and Item 7 "Financial Statements and Exhibits" on the acquisition of the Ellenburg Communities.

Form 8-K dated June 4, 1998, filed June 18, 1998, relating to Item 2 - "Acquisition of Assets" and Item 7 "Financial Statements and Exhibits" on the acquisition of the College Heights Communities.

Form 8-K/A dated June 4, 1998, filed August 11, 1998, relating to Item 2 - "Acquisition of Assets" and Item 7 "Financial Statements and Exhibits" on the acquisition of the College Heights Communities.

Form 8-K dated January 22, 1999, filed February 4, 1999, relating to Item 5 - "Other Matters" on certain litigation.

(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.

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 2, 1999

By: /s/ Howard Walker
Howard Walker
President and Chief Executive Officer

Date: March 2, 1999

By: /s/ Thomas P. Heneghan
Thomas P. Heneghan
Executive Vice President, Treasurer
and Chief Financial Officer

Date: March 2, 1999

By: /s/ Judy A. Pultorak
Judy A. Pultorak
Principal Accounting Officer

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 and President *Attorney-in-Fact	March 2, 1999
/s/ Thomas P. Heneghan Thomas P. Heneghan	Executive Vice President, Treasurer and Chief Financial Officer *Attorney-in-Fact	March 2, 1999
/s/ Samuel Zell Samuel Zell	Chairman of the Board	March 2, 1999
/s/ Sheli Z. Rosenberg Sheli Z. Rosenberg	Director	March 2, 1999
/s/ David A. Helfand David A. Helfand	Director	March 2, 1999
*Donald S. Chisholm Donald S. Chisholm	Director	March 2, 1999
*Thomas E. Dobrowski Thomas E. Dobrowski	Director	March 2, 1999
*Louis H. Masotti Louis H. Masotti	Director	March 2, 1999
*John F. Podjasek, Jr. John F. Podjasek, Jr.	Director	March 2, 1999
*Michael A. Torres Michael A. Torres	Director	March 2, 1999
*Gary L. Waterman Gary L. Waterman	Director	March 2, 1999

INDEX TO FINANCIAL STATEMENTS

MANUFACTURED HOME COMMUNITIES, INC.

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

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, 1998 and 1997, 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, 1998. 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 generally accepted auditing standards. 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. as of December 31, 1998 and 1997 and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 1998 in conformity with generally accepted accounting principles. 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 28, 1999, except for Note 17
as to which the date is February 18, 1999

MANUFACTURED HOME COMMUNITIES, INC.
CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 1998 AND 1997
(AMOUNTS IN THOUSANDS EXCEPT SHARE DATA)

	1998	1997
ASSETS		
Investment in rental property:		
Land	$ 272,225	$ 206,375
Land improvements	865,720	612,670
Buildings and other depreciable property	95,669	90,870
Advances on rental property acquisitions	3,817	26,403
	1,237,431	936,318
Accumulated depreciation	(118,021)	(89,208)
Net investment in rental property	1,119,410	847,110
Cash and cash equivalents	13,657	909
Notes receivable	15,710	1,147
Investment in and advances to affiliates	7,797	7,126
Investment in joint ventures	7,584	---
Rents receivable	671	787
Deferred financing costs, net	4,634	3,265
Prepaid expenses and other assets	7,325	3,968
Due from affiliates	53	53
Total assets	$ 1,176,841	$ 864,365
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Mortgage notes payable, net	$ 500,573	$ 403,656
Unsecured term loan	100,000	60,000
Unsecured line of credit	145,000	25,000
Other notes payable	5,276	6,516
Accounts payable and accrued expenses	33,341	17,197
Accrued interest payable	4,911	1,536
Rents received in advance and security deposits	6,495	2,299
Distributions payable	294	55
Due to affiliates	42	78
Total liabilities	795,932	516,337
Commitments and contingencies		
Minority interests	70,468	67,453
Stockholders' equity:		
Preferred stock, $.01 par value 10,000,000 shares authorized; none issued	---	---
Common stock, $.01 par value 50,000,000 shares authorized; 26,417,029 and 24,771,180 shares issued and outstanding for 1998 and 1997, respectively	262	248
Paid-in capital	364,603	321,915
Deferred compensation	(7,442)	(2,885)
Employee notes	(4,654)	(4,967)
Distributions in excess of accumulated earnings	(42,328)	(33,736)
Total stockholders' equity	310,441	280,575
Total liabilities and stockholders' equity	$ 1,176,841	$ 864,365

The accompanying notes are an integral part of the financial statements

MANUFACTURED HOME COMMUNITIES, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 1998, 1997 AND 1996
(AMOUNTS IN THOUSANDS EXCEPT PER SHARE DATA)

	1998	1997	1996
REVENUES			
Base rental income	$ 165,340	$ 108,984	$ 93,109
Utility and other income	25,372	11,785	8,821
Equity in income of affiliates	1,070	800	853
Interest income	3,048	1,941	2,420
Total revenues	194,830	123,510	105,203
EXPENSES			
Property operating and maintenance	53,064	32,343	28,399
Real estate taxes	14,470	8,352	7,947
Property management	7,108	5,079	4,338
General and administrative	4,668	4,091	3,335
General and administrative - affiliates	743	468	727
Interest and related amortization	49,693	21,753	17,782
Depreciation on corporate assets	995	590	488
Depreciation on real estate assets and other costs	28,426	17,365	15,244
Total expenses	159,167	90,041	78,260
Income before allocation to minority interests and extraordinary loss on early extinguishment of debt	35,663	33,469	26,943
Income allocated to minority interests	(6,733)	(4,373)	(2,671)
Income before extraordinary loss on early extinguishment of debt	28,930	29,096	24,272
Extraordinary loss on early extinguishment of debt (net of $105 allocated to minority interests)	---	(451)	---
Net income	$ 28,930	$ 28,645	$ 24,272
Net income per common share before extraordinary item - basic	$ 1.13	$ 1.18	$ .98
Net income per common share before extraordinary item - diluted	$ 1.12	$ 1.16	$ .98
Net income per common share - basic	$ 1.13	$ 1.16	$ .98
Net income per common share - diluted	$ 1.12	$ 1.15	$ .98
Weighted average common shares outstanding - basic	25,626	24,689	24,693
Weighted average common shares outstanding - diluted (Note 3)	31,962	28,762	27,546
Distributions declared per common share outstanding	$ 1.45	$ 1.32	$ 1.22
Tax status of distributions:			
Ordinary income	$ 1.14	$ 1.12	$ .90
Capital gain	$ ---	$ ---	$ ---
Return of capital	$ .31	$ .20	$ .32

The accompanying notes are an integral part of the financial statements

MANUFACTURED HOME COMMUNITIES, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 1998, 1997 AND 1996
(AMOUNTS IN THOUSANDS)

	1998	1997	1996
PREFERRED STOCK, $.01 PAR VALUE	$ ---	$ ---	$ ---
COMMON STOCK, $.01 PAR VALUE			
Balance, beginning of year	$ 248	$ 249	$ 244
Issuance of common stock for employee notes	---	---	3
Issuance of common stock through restricted stock awards	2	1	2
Retirement of treasury stock	---	---	(1)
Exercise of options	1	1	1
Issuance (repurchase) of common stock	11	(3)	---
Balance, end of year	$ 262	$ 248	$ 249
PAID - IN CAPITAL			
Balance, beginning of year	$ 321,915	$ 296,997	$ 288,613
Issuance of common stock for employee notes	129	---	4,689
Retirement of treasury stock	---	---	(1,986)
Conversion of OP Units to common stock	1,100	---	23
Exercise of options	2,372	2,070	1,013
Issuance of common stock through restricted stock awards	6,118	2,468	4,645
Issuance of common stock through employee stock purchase plan	940	587	---
Issuance (repurchase) of common stock	24,613	(7,257)	---
Adjustment for minority interests ownership in operating partnership	7,416	27,050	---
Balance, end of year	$ 364,603	$ 321,915	$ 296,997
DEFERRED COMPENSATION			
Balance, beginning of year	$ (2,885)	$ (3,485)	$ (80)
Issuance of common stock through restricted stock awards	(5,692)	(2,074)	(4,356)
Recognition of deferred compensation expense	1,135	2,674	951
Balance, end of year	$ (7,442)	$ (2,885)	$ (3,485)
TREASURY STOCK			
Balance, beginning of year	$ ---	$ ---	$ (1,987)
Common stock retired, 109,728 shares	---	---	1,987
Balance, end of year	$ ---	$ ---	$ ---
EMPLOYEE NOTES			
Balance, beginning of year	$ (4,967)	$ (6,158)	$ (1,565)
Notes received for issuance of common stock	(129)	---	(4,692)
Principal payments	442	1,191	99
Balance, end of year	$ (4,654)	$ (4,967)	$ (6,158)
DISTRIBUTIONS IN EXCESS OF ACCUMULATED EARNINGS			
Balance, beginning of year	$ (33,736)	$ (29,651)	$ (23,725)
Net income	28,930	28,645	24,272
Distributions	(37,522)	(32,730)	(30,198)
Balance, end of year	$ (42,328)	$ (33,736)	$ (29,651)

The accompanying notes are an integral part of the financial statements

MANUFACTURED HOME COMMUNITIES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 1998, 1997 AND 1996
(AMOUNTS IN THOUSANDS)

	1998	1997	1996
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$ 28,930	$ 28,645	$ 24,272
Adjustments to reconcile net income to cash provided by operating activities:			
Income allocated to minority interests	6,733	4,268	2,671
Depreciation and amortization expense	29,680	19,018	16,720
Equity in income of Affiliates	(1,070)	(800)	(853)
Amortization of deferred compensation	1,563	3,068	1,242
Writeoff of a management contract and project costs	---	(575)	---
Decrease (increase) in rents receivable	116	(64)	212
(Increase) in prepaid expenses and other assets	(3,359)	(2,228)	(109)
Increase in accounts payable and accrued expenses	5,188	2,847	5,400
Increase in rents received in advance and security deposits	4,196	402	105
Net cash provided by operating activities	71,977	54,581	49,660
CASH FLOWS FROM INVESTING ACTIVITIES			
Redemption (purchase) of short-term investments, net	---	1,968	(286)
Sale (purchase) of project related assets	---	11,147	(11,205)
Collection of escrow proceeds on acquisition	14,295	---	---
Advances on rental property acquisitions	---	(22,811)	---
Distributions from Affiliates	399	388	5,004
(Funding) collections on notes receivable	(14,563)	16,342	126
Investment in joint ventures	(7,584)	---	---
Acquisition of rental properties	(241,076)	(240,083)	(46,531)
Improvements:			
Improvements - corporate	(1,487)	(357)	(844)
Improvements - rental properties	(8,005)	(4,187)	(3,402)
Site development costs	(4,741)	(1,852)	(3,816)
Net cash used in investing activities	(262,762)	(239,445)	(60,954)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds from stock options and employee stock purchase plan	3,313	2,658	1,014
Distributions to common stockholders and minority interests	(46,491)	(46,886)	(33,070)
Issuance (repurchase) of common stock	24,623	(7,260)	---
Collection of principal payments on employee notes	442	1,191	99
Proceeds from line of credit, term loan, and mortgage notes payable	266,847	510,731	52,100
Repayments on mortgage notes payable and line of credit	(43,298)	(272,674)	(9,084)
Debt issuance costs	(1,903)	(2,311)	(201)
Net cash provided by financing activities	203,533	185,449	10,858
Net increase (decrease) in cash and cash equivalents	12,748	585	(436)
Cash and cash equivalents, beginning of year	909	324	760
Cash and cash equivalents, end of year	$ 13,657	$ 909	$ 324
SUPPLEMENTAL INFORMATION			
Cash paid during the year for interest	$ 45,785	$ 20,667	$ 16,557

The accompanying notes are an integral part of the financial statements

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 53,391 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 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. 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 "Minority Interests") 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 Interests. As of December 31, 1998, the Minority Interests represented 5,976,701 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 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 manufactured home 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 Partnerships, the Management Partnerships and MHC Systems, each such subsidiary has been consolidated with the Company for financial reporting purposes.

In 1998, the Company adopted Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information" ("SFAS No. 131") which was effective for fiscal years beginning after December 15, 1997. SFAS No. 131 supersed Statement of Financial Accounting Standards No. 14, "Financial Reporting for Segments of a Business Enterprise". SFAS No. 131 establishes standards for the way that public business enterprises report information about operating segments in annual financial statements and requires that those enterprises report selected information about operating segments in interim financial reports. SFAS No. 131 also establishes standards for related disclosures about products and services, geographic areas, and major customers. The adoption of SFAS No. 131 did not affect 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 (19 Properties), Michigan (11 Properties) and Colorado (10 Properties). These concentrations of Properties accounted for 34%, 17%, 11%, 4%, and 8%, respectively, of the Company's total revenues for the year ended December 31, 1998. 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, 1998. 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 generally accepted accounting principles 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.

MANUFACTURED HOME COMMUNITIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b)Rental Property

Rental property 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 rental property is less than its carrying value. Upon determination that a permanent impairment has occurred, rental properties are reduced to fair value. For the year ended December 31, 1998 and 1997, 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 which 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 $29.1 million, $18.0 million, and $15.3 million for the years ended December 31, 1998, 1997 and 1996, 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. Interest income is accrued on the unpaid principal balance. Discounts 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 value of all financial instruments, including notes receivable, were not materially different from their carrying values at December 31, 1998 and 1997, except the fair market value of certain derivatives related to mortgage debt (see Note 10).

(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 $1,199,221 and $717,112 at December 31, 1998 and 1997, respectively.

(g) Revenue Recognition

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

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 Minority Interests based on their respective ownership percentage of the Operating Partnership. An ownership percentage is represented by dividing the number of OP Units held by the Minority Interests (5,976,701 and 5,733,815 at December 31, 1998 and 1997, respectively) by OP Units and common stock outstanding. Issuance of additional shares of common stock or OP Units changes the percentage ownership of both the Minority Interests and the Company. Due in part to the exchange rights, 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.

(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 and $40,000 during the years ended December 31, 1998 and 1997. As of December 31, 1998, net investment in rental property and notes receivable had a federal tax basis of approximately $747 million and $70 million, respectively.

(j)Reclassifications

Certain 1997 and 1996 amounts have been reclassified to conform to the 1998 financial presentation. Such reclassifications have no effect on the operations or equity as originally presented.

NOTE 3 - EARNINGS PER COMMON SHARE

Earnings per common share are based on the weighted average number of common shares outstanding during each year. In 1997, the Financial Accounting Standards Board issued Statement No. 128, "Earnings Per Share" ("SFAS No. 128"). SFAS No. 128 replaces the calculation of primary and fully diluted earnings per share with basic and diluted earnings per share. Unlike primary earnings per share, basic earnings per share excludes any dilutive effects of options, warrants and convertible securities. Diluted earnings per share is very similar to the previously reported fully diluted earnings per share. All earnings per share amounts for all periods have been presented, and where appropriate, restated to conform to the SFAS No. 128 requirements. The conversion of OP Units has been excluded from the basic earnings per share calculation. The conversion of an OP Unit to common stock will have no material effect on earnings per common share since the allocation of earnings to an OP Unit is equivalent to earnings allocated to a share of common stock.

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

	1998	1997	1996
Numerator:			
Net income	$ 28,930	$ 28,645	$ 24,272
Income allocated to minority interests	6,733	4,373	2,671
Numerator for diluted earnings per share-income available to common shareholders after assumed conversions	$ 35,663	$ 33,018	$ 26,943
Denominator:			
Weighted average shares outstanding	25,626	24,689	24,693
Weighted average shares outstanding assuming conversion of OP Units	5,955	3,749	2,715
Employee stock options	381	324	138
Denominator for diluted earnings per share-adjusted weighted average shares and assumed conversions	31,962	28,762	27,546

MANUFACTURED HOME COMMUNITIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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, 1998, 1997 and 1996 (excluding OP Units of 5,976,701, 5,733,815 and 2,714,889 outstanding at December 31, 1998, 1997 and 1996, respectively):

	1998	1997	1996
Shares outstanding at January 1,	24,771,180	24,951,948	24,393,149
Common stock purchased by key employees of the Company	5,000	---	270,000
Common stock issued through conversion of OP Units	99,552	---	2,159
Common stock issued through exercise of Options	141,403	107,147	75,497
Common stock issued through stock awards	328,831	14,777	211,143
Common stock issued through ESPP	44,804	27,608	---
Common stock issued through Unit Trust Offering	1,048,059	---	---
Common stock repurchased and retired	(21,800)	(330,300)	---
Shares outstanding at December 31,	26,417,029	24,771,180	24,951,948

As of December 31, 1998, the Company's percentage ownership of the Operating Partnership was 81%. The remaining 19% is owned by the Minority Interests.

The Company paid a $.3625 per share distribution on April 10, 1998, July 10, 1998, October 9, 1998 and December 30, 1998, for the quarters ended March 31, 1998, June 30, 1998, September 30, 1998 and December 31, 1998, respectively, to stockholders of record on March 27, 1998, June 26, 1998, September 25, 1998 and December 16, 1998, respectively.

In March 1997, the Company's Board of Directors approved a common stock repurchase plan whereby the Company is authorized to repurchase and retire up to 1,000,000 shares of its common stock. Shares of common stock repurchased and retired under the plan for the years ended December 31, 1998 and 1997 were 21,800 and 330,300 respectively.

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 $100,000 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 quarterly at a price equal to 85% of the lesser of: (a) the closing price for a share on the last day of such quarter; and (b) the greater of: (i) the closing price for a share on the first day of such quarter, and (ii) the average closing price for a share for all the business days in the quarter. Shares of common stock issued through the ESPP for the years ended December 31, 1998 and 1997 were 44,804 and 27,608 respectively.

On August 29, 1997, the Company, as general partner of the Operating Partnership, approved the addition of new limited partners (the "MPW Limited Partners") to the Operating Partnership in connection with the acquisition of properties from limited partners and joint ventures affiliated with Mobileparks West, a California limited partnership. The MPW Limited Partners received 3,018,926 OP Units which are exchangeable on a one-for-one basis for shares of the Company's common stock.

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 rental property 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.

MANUFACTURED HOME COMMUNITIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5 - RENTAL PROPERTY

Land improvements consist primarily of improvements made to land such as landscaping and infrastructure. Depreciable property consists of permanent buildings in the communities such as clubhouses, laundry facilities, maintenance storage facilities, and furniture, fixtures and equipment.

During the year ended December 31, 1996, the Company acquired three communities for an aggregate purchase price of approximately $38 million and funded a recourse first mortgage real estate loan for approximately $6 million to the partnership which owned one community. For financial accounting purposes, the Company accounts for the loan as an investment in real estate. These four communities consist of 1,618 sites and 183 expansion sites. The acquisitions and loan funding were funded with approximately $41.6 million in borrowings under the Company's line of credit and $2.4 million in existing available cash.

During the year ended December 31, 1997, the Company acquired twenty-two communities for an aggregate purchase price of approximately $156.4 million. These acquisitions were funded with approximately $60.6 million in borrowings under the Company's line of credit, issuance of approximately $64 million of OP Units, assumption of approximately $13 million in debt, approximately $7.4 million of existing available cash, issuance of installment notes totaling approximately $6 million and entry into a lease, accounted for as a capital lease, valued at approximately $2.4 million. In connection with the acquisition of one of the communities the Company issued an additional $1.1 million of OP units in 1998.

On September 4, 1997, the Company entered into a portfolio purchase agreement (as amended by a supplemental agreement on December 17, 1997) to acquire 38 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 own such Ellenburg Communities. The Company funded the acquisition advances with borrowings under the Company's line of credit and term bank facilities. In addition, the Company assumed debt of approximately $32 million and issued OP Units of approximately $4.9 million in connection with this transaction.

In connection with the supplemental agreement entered into in December 1997, on February 12, 1998, the Company exercised its right of first refusal to purchase five of the Ellenburg Communities. A third party, backed by one of the Company's competitors upon denial of a stay of the sale, has appealed certain orders of the Superior Court for the State of California, County of Los Angeles related to the Company's acquisition of the Ellenburg Communities, including the order approving the supplemental agreement. The Company does not expect the appeals to be successful, or if successful, to have a material impact on the Company's acquisition of the Ellenburg Communities.

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 persons appointed to windup the affairs of ECC have released the funds and have presented a status report to the court. The $14.3 million has been recorded as a liability until certain related issues are finalized at which point the final liability will be relieved and the purchase price of the Ellenburg Communities adjusted accordingly.

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.

MANUFACTURED HOME COMMUNITIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5 - RENTAL PROPERTY (CONTINUED)

On May 14, 1998, the Company acquired Casa Del Sol Resort III, located adjacent to one of the Company's communities 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.

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 joint venture properties 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.

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 acquisitions. The Company acquired all of the communities 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.

The following unaudited summarized pro forma financial information presents the effect of all material transactions which transpired from January 1, 1997 to December 31, 1998. In management's opinion, the summarized pro forma financial information does not purport to present what actual results would have been had the above transactions occurred on January 1, 1997, or to project results for any future period. The amounts presented in the following table are in thousands, except for per share amounts:

	For the Years Ended 1998	1997
Total revenues	$ 205,358	$ 196,996
Pro Forma net income	$ 35,450	$ 23,024
Pro Forma net income per share - basic	$ 1.12	$ .89
Pro Forma net income per share - fully diluted	$ 1.11	$ .88

NOTE 6 - INVESTMENT IN JOINT VENTURE

On March 18, 1998, the Company joined Plantation Company, LLC and Trails Associates, LLC, two 49% joint venture investments with 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 and 294 expansion 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. Due to the Company's inability to control over the joint ventures, the Company accounts for its investment in the joint ventures on the equity method.

MANUFACTURED HOME COMMUNITIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7 - INVESTMENT IN AND ADVANCES TO AFFILIATES

Investment in and advances to affiliates consists principally of preferred stock of Realty Systems, Inc. ("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 year ended December 31, 1998 and 1997 (amounts in thousands):

	1998	1997
Assets	$ 16,906	$ 14,466
Liabilities, net of amounts due to the Company	(9,109)	(7,340)
Net investment in Affiliates	$ 7,797	$ 7,126
Home sales	$ 24,662	$ 20,994
Cost of sales	(18,999)	(17,352)
Other revenues and expenses, net	(4,593)	(2,842)
Equity in income of Affiliates	$ 1,070	$ 800

NOTE 8 - NOTES RECEIVABLE

At December 31, 1998 and 1997, the Company had approximately $15.7 million and $1.1 million in notes receivable, respectively. The Company has $1.1 million in purchase money notes with monthly principal and interest payments at 7.0%, maturing on July 31, 2001. On January 6, 1998, the Company funded a $12.3 million loan (the "Meadows Loan") to Meadows Preservation, Inc. The Meadows Loan is collateralized by The Meadows manufactured home community located in Palm Beach Gardens, Florida, bears interest at the lesser of 9% or the cash flow of the property which for the year ended December 31, 1998 approximated 7%, and matures on April 30, 1999, as amended. On May 12, 1998, the Company entered into an agreement to loan $5.9 million to Trails Associates, LLC (the "Trails West Loan") for development of the property known as Trails West. On May 12, 1998, the Company funded $1,750,000 under the Trails West Loan. This $1,750,000 portion of the Trails West Loan is collateralized by the property known as Trails West, bears interest at the rate of 8.5% and matures on June 1, 2003. The Meadows Loan and Trails West Loan were funded with a borrowing under the Company's line of credit.

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 each 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.

In December 1997, the then Chief Executive Officer of the Company resigned and paid off his 1993 Employee Note and 1996 Employee Note in the aggregate amount of approximately $1 million.

MANUFACTURED HOME COMMUNITIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 9 - EMPLOYEE NOTES RECEIVABLE (CONTINUED)

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 accrues interest at 5.97%, matures on March 23, 2008, and is recourse against the employee in the event the pledged shares are insufficient to repay the obligation.

In June 1998, a member of management of the Company resigned and paid off his 1993 Employee Note and 1996 Employee Note in the aggregate amount of approximately $310,000.

NOTE 10 - LONG-TERM BORROWINGS

As of December 31, 1998 and 1997, the Company had outstanding mortgage indebtedness of approximately $500.6 million and $403.7 million, respectively, encumbering 72 and 43 of the Company's properties, respectively. As of December 31, 1998 and 1997, the carrying value of such properties was approximately $634 million and $493 million, respectively.

The outstanding mortgage indebtedness consists in part of a $265.0 million mortgage note (the "Mortgage Debt") collateralized by 29 properties beneficially owned by MHC Financing Limited Partnership. The Mortgage Debt 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 paid from available cash flow and the interest rate is reset at a rate equal to the then 10-year U.S. Treasury obligations plus 2.0%. In connection with the acquisition of the College Heights Communities, the joint venture formed by the Company and Wolverine Investors L.L.C. borrowed approximately $68 million (the "College Heights Debt") at an interest rate of 7.19%, maturing July 1, 2008. The Company also has outstanding debt on 23 properties in the aggregate amount of approximately $169 million, 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. In addition, the Company recorded a $2.4 million loan in connection with a direct financing lease entered into in May 1997. Scheduled maturities for the outstanding indebtedness, excluding the Mortgage Debt and College Heights Debt, are at various dates through November 30, 2020, and fixed interest rates range from 7.25% to 9.05%.

The Company has an unsecured line of credit with a bank (the "Credit Agreement") bearing interest at the London Interbank Offered Rate ("LIBOR") plus 1.125%. On April 28, 1998, the Company amended the Credit Agreement, increasing the line of credit from $100 million to $150 million. On December 18, 1998, the Company amended the Credit Agreement, increasing the line of credit from $150 million to $175 million. The Credit Agreement matures on August 17, 2000, at which time the Company may extend the maturity date to August 17, 2002 and the Credit Agreement would be converted to a term loan. The Company pays a fee on the average unused amount of such credit equal to 0.15% of such amount. As of December 31, 1998, $145 million was outstanding under the Credit Agreement. The Company paid fees related to the amendments which were immaterial.

The Company has a term loan (the "Term Loan") with a group of banks with interest only payable monthly at a rate of LIBOR plus 1.0%. On April 28, 1998, the Company amended the Term Loan to increase the borrowing from $60 million to $100 million. The Term Loan matures on April 3, 2000 and may be extended to April 3, 2002. The Company used the $40 million in proceeds to repay a portion of the $50 million previously borrowed on April 7, 1998 under the Term Loan. The Company paid fees related to this amendment which were immaterial.

The Company has approximately $5.3 million of installment notes payable, secured by a letter of credit with interest rates of 7.5%, maturing September 1, 2002. Approximately $4 million of the notes pay principal annually and interest quarterly and the remaining $1.3 million of the notes pay interest 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 cost of the 1998 Swap consisted only of legal costs which were deemed immaterial. The value of the 1998 Swap is impacted by changes in the market rate of interest. Had the 1998 Swap been entered into on December 31, 1998, the applicable LIBOR swap rate would have been 4.56%. 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 $39,000. The Company accounts for the 1998 Swap as a hedge. Payments and receipts under the 1998 Swap are accounted for as an adjustment to interest expense.

MANUFACTURED HOME COMMUNITIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 10 - LONG-TERM BORROWINGS (CONTINUED)

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
1999	$ 11,103
2000	4,074
2001	81,501
2002	252,813
2003	20,051
Thereafter	381,307
Total	$ 750,849

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. Non-cancelable long-term leases, with remaining terms up to eleven years, are in effect at certain sites within eight 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 scheduled to be received under noncancelable tenant leases at December 31, 1998 are as follows (amounts in thousands):

Year	Amount
1999	$ 16,211
2000	6,122
2001	6,245
2002	6,369
2003	6,497
Thereafter	17,863
Total	$ 59,307

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 year ended December 31, 1998, ground lease rent was $1.6 million. Minimum future rental payments under the ground lease are $1.6 million for each of the next five years and $32.7 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 $104,000, $140,000 and $708,000 for the years ended December 31, 1998, 1997 and 1996, respectively. Amounts due to these affiliates were approximately $7,000, $15,000 and $31,000 as of December 31, 1998, 1997 and 1996, respectively.

MANUFACTURED HOME COMMUNITIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 13 - TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

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; The Riverside Agency, Inc. which provided insurance brokerage services; Equity Office Properties Trust which provided office space to the Company; and Equity Properties & Development, LP which provided accounting services. Fees paid to these entities amounted to approximately $850,000, $459,000 and $527,000 for the years ended December 31, 1998, 1997 and 1996, respectively. Amounts due to these affiliates were approximately $35,000, $63,000 and $74,000 as of December 31, 1998, 1997 and 1996, respectively. Of the amounts due to these affiliates as of December 31, 1998, 1997 and 1996, approximately $175,000, $105,000 and $67,000, 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.

NOTE 14 - STOCK OPTION PLAN

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, 1998, 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 awards ("Stock Awards"). A maximum of 4,000,000 shares of common stock were available for grant under the Plan as of December 31, 1998.

In 1998, 1997 and 1996, the Company issued 18,238, 14,777 and 13,144 shares related to Stock Awards, respectively, which represented a portion of certain employees bonuses. The shares related to the Stock Awards shall be restricted for a period of two years from the date of grant. The fair market value of these Stock Awards of approximately $445,000 $394,361 and $289,000 at the date of grant was recorded as compensation expense by the Company in 1998, 1997 and 1996, respectively.

In 1996, the Company awarded 198,000 Stock Awards to certain members of senior management of the Company. These Stock Awards vest over five years, but may be restricted for a period of up to fifteen years depending upon certain performance benchmarks tied to increases in funds from operations being met. The fair market value of these Stock Awards of approximately $4.4 million as of the date of grant was treated in 1996 as deferred compensation. The Company amortized approximately $616,000, $1.6 million and $871,000 related to these Stock Awards in 1998, 1997 and 1996, respectively.

In 1997, the Company awarded 77,750 Stock Awards to certain members of senior management of the Company. These Stock Awards vest over three years and are dependent upon certain performance benchmarks tied to total returns to shareholders being met. The fair market value of these Stock Awards of approximately $2.1 million as of the date of grant was treated in 1997 as deferred compensation. The Company amortized approximately $519,000 and $1.0 million related to these performance units in 1998 and 1997 respectively.

In 1998, the Company awarded 233,500 Stock Awards to certain members of senior management of the Company. These Stock Awards vest over five years and are dependent upon certain performance benchmarks tied to total returns to shareholders being met. The fair market value of these Stock Awards of approximately $5.7 million as of the date of grant was treated in 1998 as deferred compensation.

NOTE 14 - STOCK OPTION PLAN (CONTINUED)

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 Awards 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 Awards during any given year of the performance period is dependent on certain performance benchmarks being met.

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 Restricted Stock Awards 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 1998, 1997 and 1996, respectively: risk-free interest rates of 5.7%, 6.3% and 6.6%; dividend yields of 5.8%, 5.5% and 6.4%; volatility factors of the expected market price of the Company's common stock of .23, .24 and .27; and a weighted-average expected life of the Options of 5 years. The fair value of the Stock Awards granted in 1996, 1997 and 1998 has been estimated as approximately 30% below the fair market value on the date of grant because these Stock Awards 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 its Options.

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 Restricted Stock Awards 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, 1998, 1997 and 1996 was $225,000 ($0.01 per share), $0 ($0 per share), and $66,000 ($0 per share), respectively.

A summary of the Company's stock option activity, and related information for the years ended December 31, 1998, 1997 and 1996 follows:

	Shares Subject to Option	Weighted Average Exercise Price Per Share
Balance at December 31, 1995	1,340,634	$ 17.62
Options granted	307,350	21.01
Options exercised	(75,497)	14.14
Options canceled	(121,835)	20.19
Balance at December 31, 1996	1,450,652	18.31
Options granted	404,450	25.37
Options exercised	(107,147)	18.82
Options canceled	(57,462)	19.75
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

MANUFACTURED HOME COMMUNITIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 14 - STOCK OPTION PLAN (CONTINUED)

As of December 31, 1998, 1997 and 1996, 1,075,091 shares, 1,755,532 shares and 116,957 shares remained available for grant, respectively, and 1,269,982 shares 1,071,890 shares and 874,353 shares were exercisable, respectively. Exercise prices for Options outstanding as of December 31, 1998 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 7.4 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, 1998 and 1997, no Preferred Stock was issued by the Company.

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 a portion of their compensation 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 $256,000, $262,000, and $201,000 and for the years ended December 31, 1998, 1997 and 1996, respectively. The Company's anticipated plan contribution for the profit sharing component of the 401(k) Plan was approximately $204,000 for the year ended December 31, 1998.

NOTE 17 - COMMITMENTS AND CONTINGENCIES

The residents of DeAnza Santa Cruz, 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, specifically opposing a monthly "readiness to serve" charge and tax thereon. One group of residents, who have elected to be covered under the City's rent control ordinance ("Ordinance"), had their case heard before the City's rent control board. On June 29, 1995, the City's hearing officer found that the Company may charge only its actual costs. In connection with the hearing officer's decision, in 1997 the residents were awarded costs of approximately $100,000 and the Company rebated amounts overcharged since its acquisition of the Property in August, 1994 of approximately $36,400. The Company believed its actual costs exceeded the amount of the monthly readiness to serve charge and appealed the hearing officer's decision. Also, in March 1997 the Company filed an application with the California Public Utilities Commission ("PUC") requesting the PUC to set cost based rates for water at this Property. In March 1997, the court of appeals issued a writ of mandate requested by the Company ruling that the hearing officer had improperly calculated the amount of the rebate, but was correct when he found that the readiness to serve charge and tax thereon were an inappropriate rent increase. The court of appeals further agreed with the Company that the hearing officer did not have the authority to establish rates that could be charged in the future. In December 1998, the PUC granted the Company its certificate of convenience and necessity and approved cost based rates and charges for water that exceed what residents were paying. The PUC also issued an Order Instituting Investigation 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.

MANUFACTURED HOME COMMUNITIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 17 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

The Santa Cruz Homeowners Association ("HOA"), representing approximately fifteen residents not covered by the Ordinance, separately filed suit in the Superior Court of the State of California (Case Number 128001) opposing the same fees and charges in connection with water service and seeking damages, including punitive damages, arising out of the imposition of the readiness to serve charge. After the court of appeals decision discussed above, 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. A trial was held before a jury in the Santa Cruz Superior Court commencing on January 11, 1999. On January 22, 1999, the jury returned a verdict awarding $6 million of punitive damages against the Company. The Company is preparing to bond the judgment pending appeal in accordance with California procedural rules which require a bond equal to 150% of the amount of the judgment which will accrue interest at the statutory rate of 10.0% per annum. The Company will appeal this decision and due to the uncertainty of the ultimate outcome because of the competing legal theories, the Company is unable to estimate the amount of loss, if any, and therefore no adjustments have been made to the accompanying financial statements. The HOA is also seeking to recover attorneys fees in connection with the trial, including a multiplier of such fees which may result in an attorneys fee award in the range of $700,000 to $900,000. This is in addition to the $100,000 award referred to above. The Company will vigorously oppose such award of attorney fees. The Company expects to incur $300,000 to $500,000 in costs and expenses over the next 15 months in connection with this appeal.

In a separate matter, on September 29, 1995, the United States Environmental Protection Agency ("USEPA") issued its Findings of Violations and Order for Compliance with respect to the National Pollution Discharge Elimination System ("NPDES") Permit governing the operation of the on-site waste water treatment plant at one of the Company's properties. On October 6, 1995, the USEPA issued its Findings of Violation and Order for Compliance with respect to the NPDES Permit governing the operation of the on-site waste water treatment plant at another of the Company's properties. The Company and USEPA have reached a tentative agreement to resolve the matter in which the operation of the remaining waste water treatment plant would be subject to a consent decree that would provide for fines and penalties in the event of future violations and the Company would contribute monies to a supplemental environmental project and pay a fine. The tentative agreement has not yet been reduced to writing and therefore remains subject to change. The Company does not believe the impact of the settlement will be material and the Company believes it has established adequate reserves for any amounts that may be paid.

In another matter, in connection with the acquisition of the Ellenburg Communities and pursuant to orders of the California Superior Court, approximately $30 million of the amounts paid by the Company have been deposited with the court appointed winding up agents (the "Winding Up Agents"). The deposited amounts relate to claims (the "Karno Claims") of Norton S. Karno (and related entities) who at various times has been a creditor, advisor, lawyer and shareholder of certain of the entities related to the Ellenburg Communities. The Winding Up Agents have disputed the claims and have filed a complaint against Mr. Karno (and related entities) requesting that the court determine that the claims be reduced or eliminated.

On October 30, 1998, the Company received notice of a lawsuit filed against the Company and certain Executive Officers of the Company in the Los Angeles Superior Court alleging, among other causes of action, that the Company breached certain agreements in connection with the acquisition of the Ellenburg Communities and claiming damages in excess of $50 million plus punitive damages. Based upon jurisdictional issues, in February 1999 the claims against the Executive Officers of the Company were dismissed. The Company believes most of the claim relates to the disputed Karno Claims discussed above. The Company believes the claims are without merit, intends to vigorously defend the defendants in this matter and does not believe the impact of this matter will be material.

In connection with the acquisition of the Ellenburg Communities, Mr. Karno and others have appealed various court orders on which the Comany has relied. The court of appeals has recently requested briefing on the issue of whether certain appeals are moot. Mr. Karno has also sought before both the California Superior Court and Court of Appeals to take control of ECC, but to date none of his attempts have been successful.

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

MANUFACTURED HOME COMMUNITIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 18 - QUARTERLY FINANCIAL DATA (UNAUDITED)

The following is unaudited quarterly data for 1998 and 1997 (amounts in thousands, except for per share amounts):

	First Quarter 3/31	Second Quarter 6/30	Third Quarter 9/30	Fourth Quarter 12/31
1998				
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	$ 7,765	$ 7,343	$ 6,837	$ 6,984
Weighted average common shares outstanding-basic (excluding OP Units)	24,805	25,659	25,988	26,033
Weighted average common shares outstanding - diluted (including OP Units)	31,095	32,095	32,339	32,382
Weighted average OP Units	5,886	6,020	5,985	5,981
Net income per common share outstanding - basic	$ .31	$ .29	$ .26	$ .27
Net income per common share outstanding - diluted	$ .31	$ .28	$ .26	$ .26
1997				
Total revenues	$ 28,529	$ 29,385	$ 31,153	$ 34,443
Income before allocation to minority interests	$ 7,711	$ 8,051	$ 8,783	$ 8,368
Net income	$ 6,955	$ 7,253	$ 7,642	$ 6,795
Weighted average common shares outstanding-basic (excluding OP Units)	24,840	24,715	24,575	24,628
Weighted average common shares outstanding - diluted (including OP Units)	27,840	27,660	28,735	30,781
Weighted average OP Units	2,715	2,715	3,798	5,734
Net income per common share outstanding - basic	$ .28	$ .29	$ .31	$ .28
Net income per common share outstanding - diluted	$ .28	$ .29	$ .31	$ .27

SCHEDULE II
MANUFACTURED HOME COMMUNITIES, INC.
VALUATION AND QUALIFYING ACCOUNTS
DECEMBER 31, 1998

	BALANCE AT BEGINNING OF PERIOD	ADDITIONS: CHARGED TO INCOME	ADDITIONS: CHARGED TO OTHER ACCOUNTS	DEDUCTIONS(1)	BALANCE AT END OF PERIOD
For the year ended December 31, 1996:					
Allowance for doubtful accounts.........	$200,000	$198,797	$ ---	($148,797)	$250,000
For the year ended December 31, 1997:					
Allowance for doubtful accounts.........	$250,000	$150,985	$ ---	($150,985)	$250,000
For the year ended December 31, 1998:					
Allowance for doubtful accounts.........	$250,000	$167,774	$ ---	($167,774)	$250,000

(1) Deductions represent tenant receivables deemed uncollectible.

SCHEDULE III
MANUFACTURED HOME COMMUNITIES, INC.
REAL ESTATE AND ACCUMULATED DEPRECIATION
DECEMBER 31, 1998
(IN THOUSANDS)

Manufactured Home Communities	Location		Encumbrances	Initial Cost to Company: Land	Initial Cost to Company: Depreciable Property
APOLLO VILLAGE	Apollo	AZ	0	932	3,219
BRENTWOOD MANOR	Mesa	AZ	4,928	1,998	6,024
CASA DEL SOL NO. 3	Glendale	AZ	0	2,450	7,452
CASA DEL SOL RESORT NO. 1	Phoenix	AZ	6,778	2,215	6,467
CASA DEL SOL RESORT NO. 2	Phoenix	AZ	6,911	2,104	6,283
CENTRAL PARK	Phoenix	AZ	7,175	1,612	3,784
HACIENDA DE VALENCIA	Mesa	AZ	8,410	833	2,701
PALM SHADOWS	Glendale	AZ	3,362	1,400	4,218
SEDONA SHADOWS	Sedona	AZ	1,542	1,096	3,431
SUNRISE HEIGHTS	Phoenix	AZ	0	999	3,016
THE MARK	Mesa	AZ	0	1,354	4,660
THE MEADOWS	Tempe	AZ	9,394	2,614	7,887
CALIFORNIA HAWAIIAN	San Jose	CA	17,953	5,825	17,755
CONCORD CASCADE	Pacheco	CA	10,369	985	3,016
CONTEMPO MARIN	San Rafael	CA	16,128	4,779	16,379
CORALWOOD	Modesto	CA	0	0	5,047
DATE PALM	Cathedral City	CA	9,621	4,138	14,064
DE ANZA SANTA CRUZ ESTATES	Santa Cruz	CA	4,396	2,103	7,204
FOUR SEASONS	Fresno	CA	0	756	2,348
GARDEN WEST OFFICE PLAZA	Monterey	CA	0	535	1,702
LAMPLIGHTER VILLAGE	Spring Valley	CA	9,382	633	2,201
MONTE DEL LAGO	Castroville	CA	2,626	3,150	9,469
NICHOLSON PLAZA	San Jose	CA	0	0	4,512
QUAIL MEADOWS	Riverbank	CA	0	1,155	3,469
RANCHO VALLEY	El Cajon	CA	4,640	685	1,902
ROYAL OAKS	Visalia	CA	0	602	1,921
SAN JOSE I, II, III AND IV	San Jose	CA	0	0	17,616
SEA OAKS	Los Osos	CA	0	871	2,703
SUNSHADOW	San Jose	CA	0	0	5,707
CIMARRON	Broomfield	CO	8,077	863	2,790
GOLDEN TERRACE SOUTH	Golden	CO	2,400	750	2,265
GOLDEN TERRACE VILLAGE	Golden	CO	8,031	826	2,415
GOLDEN TERRACE WEST	Golden	CO	9,724	1,694	5,065
HILLCREST VILLAGE	Aurora	CO	15,458	1,912	5,202
HOLIDAY HILLS VILLAGE	Denver	CO	19,412	2,159	7,780
HOLIDAY VILLAGE, CO	Colorado Springs	CO	6,256	567	1,759
PUEBLO GRANDE VILLAGE	Pueblo	CO	3,471	241	1,069
WOODLAND HILLS	Thornton	CO	0	1,928	4,408
MARINER'S COVE	Millsboro	DE	0	990	2,971
NASSAU PARK	Lewes	DE	0	1,536	4,609
WATERFORD	Wilmington	DE	0	5,250	16,202
ARROWHEAD VILLAGE	Lantana	FL	0	5,325	15,420
BAY INDIES	Venice	FL	23,830	10,483	31,559
BAY LAKE ESTATES	Nokomis	FL	2,078	990	3,390

Manufactured Home Communities	Costs Capitalized Subsequent to Acquisition (Improvements): Land	Costs Capitalized Subsequent to Acquisition (Improvements): Depreciable Property	Gross Amount Carried at Close of Period 12/31/98: Land	Gross Amount Carried at Close of Period 12/31/98: Depreciable Property	Gross Amount Carried at Close of Period 12/31/98: Total	Accumulated Depreciation	Date of Acquisition
APOLLO VILLAGE	0	268	932	3,487	4,419	500	1994
BRENTWOOD MANOR	0	172	1,998	6,196	8,194	1,192	1993
CASA DEL SOL NO. 3	0	0	2,450	7,452	9,902	124	1998
CASA DEL SOL RESORT NO. 1	0	85	2,215	6,552	8,767	378	1996
CASA DEL SOL RESORT NO. 2	0	72	2,104	6,355	8,459	355	1996
CENTRAL PARK	0	329	1,612	4,113	5,725	2,023	1983
HACIENDA DE VALENCIA	0	733	833	3,434	4,267	1,579	1984
PALM SHADOWS	0	203	1,400	4,421	5,821	847	1993
SEDONA SHADOWS	0	267	1,096	3,698	4,794	156	1997
SUNRISE HEIGHTS	0	147	999	3,163	4,162	517	1994
THE MARK	5	277	1,359	4,937	6,296	716	1994
THE MEADOWS	0	257	2,614	8,144	10,758	1,337	1994
CALIFORNIA HAWAIIAN	0	63	5,825	17,818	23,643	1,042	1997
CONCORD CASCADE	0	538	985	3,554	4,539	1,663	1983
CONTEMPO MARIN	8	801	4,787	17,180	21,967	2,453	1994
CORALWOOD	0	49	0	5,096	5,096	226	1997
DATE PALM	-23	628	4,115	14,692	18,807	2,144	1994
DE ANZA SANTA CRUZ ESTATES	0	116	2,103	7,320	9,423	1,066	1994
FOUR SEASONS	0	27	756	2,375	3,131	106	1997
GARDEN WEST OFFICE PLAZA	0	5	535	1,707	2,242	75	1997
LAMPLIGHTER VILLAGE	0	479	633	2,680	3,313	1,274	1983
MONTE DEL LAGO	0	123	3,150	9,592	12,742	429	1997
NICHOLSON PLAZA	0	1	0	4,513	4,513	200	1997
QUAIL MEADOWS	0	0	1,155	3,469	4,624	88	1998
RANCHO VALLEY	0	308	685	2,210	2,895	1,064	1983
ROYAL OAKS	0	14	602	1,935	2,537	87	1997

SAN JOSE I, II, III AND IV	0	2229	0	19,845	19,845	842	1997
SEA OAKS	0	14	871	2,717	3,588	122	1997
SUNSHADOW	0	31	0	5,738	5,738	255	1997
CIMARRON	0	340	863	3,130	3,993	1,535	1983
GOLDEN TERRACE SOUTH	0	175	750	2,440	3,190	119	1997
GOLDEN TERRACE VILLAGE	0	163	826	2,578	3,404	1,221	1983
GOLDEN TERRACE WEST	0	571	1,694	5,636	7,330	2,172	1986
HILLCREST VILLAGE	289	1,494	2,201	6,696	8,897	3,035	1983
HOLIDAY HILLS VILLAGE	0	1,847	2,159	9,627	11,786	4,422	1983
HOLIDAY VILLAGE, CO	0	365	567	2,124	2,691	1,011	1983
PUEBLO GRANDE VILLAGE	0	293	241	1,362	1,603	668	1983
WOODLAND HILLS	0	1,863	1,928	6,271	8,199	1,034	1994
MARINER'S COVE	0	2,326	990	5,297	6,287	1,378	1987
NASSAU PARK	0	525	1,536	5,134	6,670	1,720	1988
WATERFORD	0	188	5,250	16,390	21,640	921	1996
ARROWHEAD VILLAGE	0	63	5,325	15,483	20,808	645	1997
BAY INDIES	0	403	10,483	31,962	42,445	5,277	1994
BAY LAKE ESTATES	0	205	990	3,595	4,585	543	1994

SCHEDULE III
MANUFACTURED HOME COMMUNITIES, INC.
REAL ESTATE AND ACCUMULATED DEPRECIATION - CONTINUED
DECEMBER 31, 1998
(IN THOUSANDS)

Manufactured Home Communities	Location		Encumbrances	Initial Cost to Company	
				Land	Depreciable Property
BUCCANEER ESTATES	N. Ft. Myers	FL	7,567	4,207	14,410
BULOW VILLAGE	Flagler Beach	FL	1,220	3,633	949
COLONIES OF MARGATE	Margate	FL	12,476	5,890	20,211
COUNTRY PLACE VILLAGE	New Port Richey	FL	4,002	663	0
EAST BAY OAKS	Largo	FL	6,666	1,240	3,322
ELDORADO VILLAGE	Largo	FL	4,570	778	2,341
FFEC-SIX	N. Ft. Myers	FL	0	401	3,608
HERITAGE VILLAGE	Vero Beach	FL	0	2,403	7,259
LAKE FAIRWAYS	N. Ft. Myers	FL	0	6,075	18,134
LAKE HAVEN	Dunedin	FL	8,062	1,135	4,047
LAKEWOOD VILLAGE	Melbourne	FL	0	1,863	5,627
MID-FLORIDA LAKES	Leesburg	FL	12,580	5,997	20,635
OAK BEND	Ocala	FL	0	850	2,572
PINE LAKES	N. Ft. Myers	FL	0	6,306	14,579
SHERWOOD FOREST RV	Kissimmee	FL	0	3,437	3,621
SPANISH OAKS	Ocala	FL	0	2,250	6,922
SUNSET OAKS	Plant City	FL	0	1,111	2,513
THE HERITAGE	N. Ft. Myers	FL	0	1,438	4,371
WINDMILL VILLAGE	N. Ft. Myers	FL	9,057	1,417	5,440
WINDMILL VILLAGE NORTH	Sarasota	FL	9,248	1,523	5,063
WINDMILL VILLAGE SOUTH	Sarasota	FL	5,556	1,106	3,162
HOLIDAY VILLAGE, IA	Sioux City	IA	0	313	3,744
GOLF VISTA ESTATES	Monee	IL	0	2,843	4,719
WILLOW LAKE ESTATES	Elgin	IL	12,146	6,136	21,033
BURNS HARBOR ESTATES	Chesterton	IN	0	916	2,909
CANDLELIGHT VILLAGE	Columbus	IN	0	1,513	4,538
OAKTREE VILLAGE	Portage	IN	6,084	0	0
BONNER SPRINGS	Bonner Springs	KS	0	343	1,041
CARRIAGE PARK	Kansas City	KS	0	309	938
QUIVIRA HILLS	Kansas City	KS	0	376	1,139
PHEASANT RIDGE	Mount Airy	MD	0	376	1,779
CAMELOT ACRES	Burnsville	MN	6,994	527	2,058
BRIARWOOD	Brookline	MO	0	423	1,282
DELLWOOD ESTATES	Warrensburg	MO	0	300	912
NORTH STAR VILLAGE	Kansas City	MO	0	451	1,365
CASA VILLAGE	Billings	MT	8,029	1,011	3,109
DEL REY	Albuquerque	NM	0	1,926	5,800
BONANZA VILLAGE	Las Vegas	NV	9,975	908	2,643
CABANA	Las Vegas	NV	0	2,648	7,989
FLAMINGO WEST	Las Vegas	NV	0	1,732	5,266
VILLA BOREGA	Las Vegas	NV	2,401	2,896	8,774
ROCKWOOD VILLAGE	Tulsa	OK	12	645	1,622
FALCON WOOD	Eugene	OR	0	1,112	3,426
QUAIL HOLLOW	Fairview	OR	0	0	3,249
SHADOWBROOK	Clackamas	OR	0	1,197	3,693

Manufactured Home Communities	Costs Capitalized Subsequent to Acquisition (Improvements)		Gross Amount Carried at Close of Period 12/31/98			Accumulated Depreciation	Date of Acquisition
	Land	Depreciable Property	Land	Depreciable Property	Total		
BUCCANEER ESTATES	0	423	4,207	14,833	19,040	2,164	1994
BULOW VILLAGE	4	2,264	3,637	3,213	6,850	311	1994
COLONIES OF MARGATE	0	397	5,890	20,608	26,498	3,003	1994
COUNTRY PLACE VILLAGE	18	5,496	681	5,496	6,177	1,411	1986
EAST BAY OAKS	0	312	1,240	3,634	4,874	1,812	1983
ELDORADO VILLAGE	0	255	778	2,596	3,374	1,285	1983
FFEC-SIX	0	111	401	3,719	4,120	509	1994
HERITAGE VILLAGE	0	139	2,403	7,398	9,801	1,150	1994
LAKE FAIRWAYS	0	322	6,075	18,456	24,531	2,575	1994
LAKE HAVEN	0	402	1,135	4,449	5,584	2,185	1983
LAKEWOOD VILLAGE	0	176	1,863	5,803	7,666	897	1994
MID-FLORIDA LAKES	0	914	5,997	21,549	27,546	3,117	1994
OAK BEND	0	303	850	2,875	3,725	505	1993
PINE LAKES	0	4,447	6,306	19,026	25,332	2,482	1994
SHERWOOD FOREST RV	0	0	3,437	3,621	7,058	71	1998
SPANISH OAKS	0	168	2,250	7,090	9,340	1,223	1993
SUNSET OAKS	0	0	1,111	2,513	3,624	21	1998
THE HERITAGE	0	1,470	1,438	5,841	7,279	949	1993
WINDMILL VILLAGE	0	684	1,417	6,124	7,541	2,926	1983
WINDMILL VILLAGE NORTH	0	444	1,523	5,507	7,030	2,707	1983
WINDMILL VILLAGE SOUTH	0	277	1,106	3,439	4,545	1,721	1983
HOLIDAY VILLAGE, IA	0	421	313	4,165	4,478	1,797	1986
GOLF VISTA ESTATES	0	1,132	2,843	5,851	8,694	321	1997
WILLOW LAKE ESTATES	2	457	6,138	21,490	27,628	3,107	1994

BURNS HARBOR ESTATES	0	788	916	3,697	4,613	684	1993
CANDLELIGHT VILLAGE	250	1,776	1,763	6,314	8,077	331	1996
OAKTREE VILLAGE	569	3,315	569	3,315	3,884	761	1987
BONNER SPRINGS	0	165	343	1,206	1,549	357	1989
CARRIAGE PARK	0	364	309	1,302	1,611	391	1989
QUIVIRA HILLS	0	110	376	1,249	1,625	386	1989
PHEASANT RIDGE	0	113	376	1,892	2,268	1,061	1988
CAMELOT ACRES	0	366	527	2,424	2,951	1,186	1983
BRIARWOOD	0	147	423	1,429	1,852	439	1989
DELLWOOD ESTATES	0	77	300	989	1,289	307	1989
NORTH STAR VILLAGE	0	191	451	1,556	2,007	480	1989
CASA VILLAGE	181	1,210	1,192	4,319	5,511	1,827	1983
DEL REY	0	429	1,926	6,229	8,155	1,191	1993
BONANZA VILLAGE	0	430	908	3,073	3,981	1,434	1983
CABANA	0	79	2,648	8,068	10,716	1,232	1994
FLAMINGO WEST	0	109	1,732	5,375	7,107	823	1994
VILLA BOREGA	0	77	2,896	8,851	11,747	395	1997
ROCKWOOD VILLAGE	0	237	645	1,859	2,504	909	1983
FALCON WOOD	0	10	1,112	3,436	4,548	154	1997
QUAIL HOLLOW	0	27	0	3,276	3,276	146	1997
SHADOWBROOK	0	95	1,197	3,788	4,985	167	1997

SCHEDULE III
MANUFACTURED HOME COMMUNITIES, INC.
REAL ESTATE AND ACCUMULATED DEPRECIATION - CONTINUED
DECEMBER 31, 1998
(IN THOUSANDS)

Manufactured Home Communities	Location		Encumbrances	Initial Cost to Company: Land	Initial Cost to Company: Depreciable Property
GREEN ACRES LAND	Breinigsville	PA	0	273	0
GREEN ACRES PARK	Breinigsville	PA	15,994	2,407	7,479
ALL SEASONS	Salt Lake City	UT	0	510	1,623
WESTWOOD	Farr West	UT	0	1,346	4,179
MEADOWS OF CHANTILLY	Chantilly	VA	0	5,430	16,440
KLOSHE ILLAHEE	Federal Way	WA	3,293	2,408	7,286
INDEPENDENCE HILL	Morgantown	WV	0	299	898
ELLENBURG COMMUNITIES	Various		64,649	73,150	278,306
COLLEGE HEIGHTS	Various		67,640	21,137	64,753
MANAGEMENT BUSINESS	Chicago	IL	0	0	436
			$500,573	$270,922	$906,275

Manufactured Home Communities	Costs Capitalized Subsequent to Acquisition (Improvements): Land	Costs Capitalized Subsequent to Acquisition (Improvements): Depreciable Property	Gross Amount Carried at Close of Period 12/31/98: Land	Gross Amount Carried at Close of Period 12/31/98: Depreciable Property	Gross Amount Carried at Close of Period 12/31/98: Total	Accumulated Depreciation	Date of Acquisition
GREEN ACRES LAND	0	947	273	947	1,220	90	1994
GREEN ACRES PARK	0	906	2,407	8,385	10,792	2,938	1988
ALL SEASONS	0	57	510	1,680	2,190	76	1997
WESTWOOD	0	396	1,346	4,575	5,921	201	1997
MEADOWS OF CHANTILLY	0	1,008	5,430	17,448	22,878	2,733	1994
KLOSHE ILLAHEE	0	33	2,408	7,319	9,727	326	1997
INDEPENDENCE HILL	0	153	299	1,051	1,350	317	1990
ELLENBURG COMMUNITIES	0	0	73,150	278,306	351,456	6,585	1998
COLLEGE HEIGHTS	0	0	21,137	64,753	85,890	893	1998
MANAGEMENT BUSINESS	0	5,245	0	5,681	5,681	2,391	
	$1,303	$58,931	$272,225	$965,206	$1,237,431	$118,021	

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 balance of furniture and fixtures included in the total amounts was approximately $9.9 million as of December 31, 1998.
(3) The aggregate cost of land and depreciable property for Federal income tax purposes was approximately $1.1 billion, as of December 31, 1998.
(4) All properties were acquired, except for Country Place Village which was constructed.

SCHEDULE III
MANUFACTURED HOME COMMUNITIES, INC.
REAL ESTATE AND ACCUMULATED DEPRECIATION - CONTINUED
DECEMBER 31, 1998
(IN THOUSANDS)

The changes in total real estate for the years ended December 31, 1998, 1997 and 1996 were as follows:

	1998	1997	1996
Balance, beginning of year....	$ 936,318	$597,650	$543,229
Acquisitions..............	286,880	332,272	46,531
Improvements..............	14,566	6,643	8,062
Dispositions and other....	(333)	(247)	(172)
Balance, end of year..........	$1,237,431	$936,318	$597,650

The changes in accumulated depreciation for the years ended December 31, 1998, 1997 and 1996 were as follows:

	1998	1997	1996
Balance, beginning of year....	$ 89,208	$ 71,481	$ 56,403
Depreciation expense......	29,146	17,974	15,250
Dispositions and other....	(333)	(247)	(172)
Balance, end of year..........	$ 118,021	$ 89,208	$ 71,481

EXHIBIT 12

MANUFACTURED HOME COMMUNITIES, INC.
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
(DOLLAR AMOUNTS IN THOUSANDS)

	For the Years Ended December 31,				
	1998	1997	1996	1995	1994
Income before allocation to minority interests and extraordinary loss on early extinguishment of debt	$35,663	$33,469	$26,943	$20,023	$16,616
Fixed Charges	49,693	21,753	18,264	19,562	11,146
Earnings	$85,356	$55,222	$45,207	$39,585	$27,762
Interest incurred	$49,160	$20,708	$16,794	$16,807	$ 9,699
Amortization of deferred financing costs	533	1,045	1,470	2,755	1,447
Fixed Charges	$49,693	$21,753	$18,264	$19,562	$11,146
Earnings/Fixed Charges	1.72	2.54	2.48	2.02	2.49

EXHIBIT 21

MANUFACTURED HOME COMMUNITIES, INC.
SUBSIDIARIES OF THE REGISTRANT

	State 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

EXHIBIT 23

MANUFACTURED HOME COMMUNITIES, INC.
CONSENT OF INDEPENDENT ACCOUNTANTS

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. 333-65515, 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 28, 1999, except for Note 17 as to which the date is February 18, 1999, with respect to the consolidated financial statements and schedules of Manufactured Home Communities, Inc., included in this Annual Report (Form 10-K) for the year ended December 31, 1998.

ERNST & YOUNG LLP

Chicago, Illinois
March 4, 1999

EXHIBIT 24.1

POWER OF ATTORNEY

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 Thomas P. Heneghan 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 22nd day of February, 1999.

/s/ John F. Podjasek, Jr.

John F. Podjasek, Jr.

I, Leah J. Banks, 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 22nd day of February, 1999.

/s/ Leah J. Banks

(Notary Public)

My Commission Expires:

January 7, 2002
- ---------------

EXHIBIT 24.2

POWER OF ATTORNEY

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 Thomas P. Heneghan 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 19th day of February, 1999.

/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 19th day of February, 1999.

/s/ Nancy K. Hagel

(Notary Public)

My Commission Expires:

March 16, 2001
- --------------

EXHIBIT 24.3

POWER OF ATTORNEY

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 Thomas P. Heneghan 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 17th day of February, 1999.

/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 17th day of February, 1999.

/s/ Cynthia L. Morra

(Notary Public)

My Commission Expires:

March 30, 1999
- --------------

EXHIBIT 24.4

POWER OF ATTORNEY

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 Thomas P. Heneghan 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 18th day of February, 1999.

/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 18th day of February, 1999.

/s/ Judy S. Cooley

(Notary Public)

My Commission Expires:

August 29, 2002
- ---------------

EXHIBIT 24.5

POWER OF ATTORNEY

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 Thomas P. Heneghan 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 17th day of February, 1999.

/s/ Donald S. Chisholm

Donald S. Chisholm

I, Diane M. Thane, 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 17th day of February, 1999.

/s/ Diane M. Thane

(Notary Public)

My Commission Expires:

March 4, 2003
- -------------

EXHIBIT 24.6

POWER OF ATTORNEY

STATE OF CALIFORNIA)
) SS
COUNTY OF SAN DIEGO)

KNOW ALL MEN BY THESE PRESENTS that Louis H. Masotti, having an address at San Diego, California, has made, constituted and appointed and BY THESE PRESENTS, does make, constitute and appoint Thomas P. Heneghan 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 19th day of February, 1999.

/s/ Louis H. Masotti

Louis H. Masotti

I, Kent B. Harrison, 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 19th day of February, 1999.

/s/ Kent B. Harrison

(Notary Public)

My Commission Expires:

November 13, 2001
- -----------------

5

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE
CONSOLIDATED BALANCE SHEETS AND STATEMENTS OF OPERATIONS AND IS QUALIFIED IN ITS
ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

0000895417
MANUFACTURED HOME COMMUNITIES, INC.
1,000

12-MOS
DEC-31-1998
JAN-01-1998
DEC-31-1998
13,657
0
671
0
0
34,137
1,237,431
(118,021)
1,176,841
45,083
0
0
0
262
310,179
1,176,841
190,712
194,830
0
74,642
5,411
0
49,693
35,663
0
28,930
0
0
0
28,930
1.13
1.12