FORM 10-Q

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

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

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 1998

[ ] 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)

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

APPLICABLE ONLY TO CORPORATE ISSUERS:

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

26,042,803 shares of Common Stock as of July 31, 1998.

MANUFACTURED HOME COMMUNITIES, INC.

TABLE OF CONTENTS

PART I - FINANCIAL STATEMENTS

ITEM 1. FINANCIAL STATEMENTS (UNAUDITED)

INDEX TO FINANCIAL STATEMENTS

PART II - OTHER INFORMATION

MANUFACTURED HOME COMMUNITIES, INC.
CONSOLIDATED BALANCE SHEETS
AS OF JUNE 30, 1998 AND DECEMBER 31, 1997
(AMOUNTS IN THOUSANDS, EXCEPT SHARE DATA)
(UNAUDITED)

	June 30, 1998	December 31, 1997
ASSETS		
Investment in rental property:		
Land	$ 267,780	$ 206,375
Land improvements	859,043	612,670
Buildings and other depreciable property	93,196	90,870
Advances on rental property acquisitions	980	26,403
	1,220,999	936,318
Accumulated depreciation	(101,813)	(89,208)
Net investment in rental property	1,119,186	847,110
Cash and cash equivalents	5,853	909
Short-term investments (at cost, which approximates market)	7,933	--
Notes receivable	15,567	1,147
Investment in and advances to affiliates	7,950	7,126
Investment in joint ventures	6,612	--
Rents receivable	1,425	787
Deferred financing costs, net	4,502	3,265
Prepaid expenses and other assets	7,157	4,021
Total assets	$ 1,176,185	$ 864,365
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Mortgage notes payable	$ 502,917	$ 403,656
Unsecured term loan	100,000	60,000
Unsecured line of credit	136,000	25,000
Other notes payable	6,488	6,516
Accounts payable and accrued expenses	24,220	17,197
Accrued interest payable	4,955	1,536
Rents received in advance and security deposits	4,748	2,299
Distributions payable	11,715	55
Due to affiliates	136	78
Total liabilities	791,179	516,337
Commitments and contingencies		
Minority interests	62,915	67,453
Stockholders' equity:		
Preferred stock, $.01 par value; 10,000 shares authorized; none issued	--	--
Common stock, $.01 par value 50,000,000 shares authorized; 26,039,088 and 24,771,180 shares issued and outstanding for 1998 and 1997, respectively	260	248
Paid-in capital	363,666	319,030
Employee notes	(4,727)	(4,967)
Distributions in excess of accumulated earnings	(37,108)	(33,736)
Total stockholders' equity	322,091	280,575
Total liabilities and stockholders' equity	$ 1,176,185	$ 864,365

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

MANUFACTURED HOME COMMUNITIES, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE SIX MONTHS AND QUARTERS ENDED JUNE 30, 1998 AND 1997
(AMOUNTS IN THOUSANDS, EXCEPT PER SHARE DATA)
(UNAUDITED)

	For the Six Months Ended June 30,		For the Quarters Ended June 30,	
	1998	1997	1998	1997
REVENUES				
Base rental income	$ 78,161	$ 50,978	$ 40,953	$ 25,932
Utility and other income	12,662	5,483	5,951	2,745
Equity in income of affiliates	324	207	155	99
Interest income	1,619	1,246	835	609
Total revenues	92,766	57,914	47,894	29,385
EXPENSES				
Property operating and maintenance	25,249	15,274	13,137	7,675
Real estate taxes	7,104	3,914	3,546	1,987
Property management	3,465	2,412	1,683	1,191
General and administrative	2,937	2,212	1,341	1,062
Interest and related amortization	22,520	10,017	12,399	5,196
Depreciation on corporate assets	460	289	166	146
Depreciation on real estate assets and other costs	12,382	8,034	6,556	4,077
Total expenses	74,117	42,152	38,828	21,334
Income before allocation to minority interests	18,649	15,762	9,066	8,051
(Income) allocated to minority interests	(3,544)	(1,585)	(1,723)	(798)
Net income	$ 15,105	$ 14,177	$ 7,343	$ 7,253
Net income per common share - basic	$ .60	$ .57	$ .29	$ .29
Net income per common share - diluted	$ .59	$ .57	$ .28	$ .29
Distributions declared per common share outstanding	$ .6725	$ .66	$ .3625	$ .33
Weighted average common shares outstanding - basic	25,235	24,777	25,659	24,715
Weighted average common shares outstanding - diluted (Note 1)	31,549	27,750	32,095	27,660

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

MANUFACTURED HOME COMMUNITIES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 1998 AND 1997
(AMOUNTS IN THOUSANDS)
(UNAUDITED)

	June 30, 1998	June 30, 1997
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 15,105	$ 14,177
Adjustments to reconcile net income to cash provided by operating activities:		
Income allocated to minority interests	3,544	1,585
Depreciation and amortization expense	12,906	8,792
Equity in income of affiliates	(324)	(207)
Amortization of deferred compensation and other	568	436
Writeoff of project costs	--	57
(Increase) decrease in rents receivable	(638)	6
(Increase) in prepaid expenses and other assets	(3,136)	(1,165)
Increase in accounts payable and accrued expenses	10,500	2,776
Increase in rents received in advance and security deposits	2,449	1,527
Net cash provided by operating activities	40,974	27,984
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of short-term investments, net	(7,933)	(1,852)
Net proceeds from sale of project related assets	--	11,148
(Contributions to) distributions from affiliates	(500)	1,178
(Funding) collection on notes receivable	(14,420)	100
Investment in joint ventures	(6,612)	--
Acquisition of rental properties	(166,097)	(34,649)
Improvements:		
Improvements - corporate	(144)	(147)
Improvements - rental properties	(3,423)	(966)
Site development costs	(2,242)	(904)
Net cash used in investing activities	(201,371)	(26,092)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net proceeds from exercise of stock options	2,311	1,333
Distributions to common stockholders and minority interests	(11,371)	(17,587)
Issuance (repurchase) of common stock	25,273	(7,260)
Collection of principal payments on employee notes	369	58
Proceeds from line of credit and term loan	173,500	98,900
Repayments on mortgage notes payable and line of credit	(23,292)	(75,747)
Debt issuance costs	(1,449)	(300)
Net cash provided by (used in) financing activities	165,341	(603)
Net increase (decrease) in cash and cash equivalents	4,944	1,289
Cash and cash equivalents, beginning of period	909	324
Cash and cash equivalents, end of period	$ 5,853	$ 1,613
SUPPLEMENTAL INFORMATION:		
Cash paid during the period for interest	$ 18,889	$ 9,332

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

PRESENTATION:

These unaudited Consolidated Financial Statements of Manufactured Home Communities, Inc., a Maryland corporation, and its subsidiaries (collectively, the "Company"), have been prepared pursuant to the Securities and Exchange Commission ("SEC") rules and regulations and should be read in conjunction with the financial statements and notes thereto included in the Company's 1997 Annual Report on Form 10-K (the "1997 Form 10-K"). The following Notes to Consolidated Financial Statements highlight significant changes to the Notes included in the 1997 Form 10-K and present interim disclosures as required by the SEC. The accompanying Consolidated Financial Statements reflect, in the opinion of management, all adjustments necessary for a fair presentation of the interim financial statements. All such adjustments are of a normal and recurring nature. Certain reclassifications have been made to the prior periods' financial statements in order to conform with current period presentation.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

(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.

(b) 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 units of limited partnership interest ("OP Units") in MHC Operating Limited Partnership (the "Operating Partnership") has been excluded from the basic earnings per share calculation because of certain restrictions on conversion. The conversion of an OP Unit to common stock will have no 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 for the six months and quarters ended June 30, 1998 and 1997:

	For the Six Months Ended June 30,		For the Quarters Ended June 30,	
	1998	1997	1998	1997
Numerator:				
Net income	$15,105	$14,177	$ 7,343	$ 7,253
Income allocated to minority interests...	3,544	1,585	1,723	798
Numerator for diluted earnings per share - income available to common shareholders after assumed conversions	$18,649	$15,762	$ 9,066	$ 8,051
Denominator:				
Weighted average shares outstanding	25,235	24,777	25,659	24,715
Weighted average OP Units outstanding assuming conversion	5,927	2,715	6,020	2,715
Employee stock options	387	258	416	230
Denominator for diluted earnings per share - adjusted weighted average shares and assumed conversions	31,549	27,750	32,095	27,660

NOTE 2 - COMMON STOCK AND RELATED TRANSACTIONS

On April 10, 1998 and July 10, 1998, the Company paid a $.3625 per share distribution for the quarters ended March 31, 1998 and June 30, 1998, respectively, to stockholders of record on March 27, 1998 and June 26, 1998, respectively.

In the first quarter of 1998, the Company, as general partner of the Operating Partnership, approved the admission of new limited partners to the Operating Partnership in connection with certain acquisitions of rental property and investments in joint ventures (see Note 4). The new limited partners received 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 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.

NOTE 3 - RENTAL PROPERTY

On September 4, 1997, the Company entered into a portfolio purchase agreement 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. In December 1997, the Company closed on the acquisition of seventeen of the Ellenburg Communities for an aggregate purchase price of approximately $149 million. During the six months ended June 30, 1998, the Company closed on the acquisition of ten additional Ellenburg Communities for an aggregate purchase price of approximately $92 million and gained control of an additional nine Ellenburg Communities with acquisition advances of approximately $85 million to the partnerships which own such Ellenburg Communities. In addition, the Company funded a loan on one Ellenburg Community for approximately $16.4 million, the terms of which result in effective ownership of the community. For financial accounting purposes, this loan will be accounted for as an investment in real estate. The Company funded the acquisition advances with borrowings under the Company's line of credit.

In connection with the supplemental agreement entered into in December 1997 (the "Supplemental Agreement"), 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, has appealed certain orders of the Superior Court for the State of California, County of Los Angeles (the "California Court") related to the Company's acquisition of the Ellenburg Communities. The third party originally requested the California Court to stay all of its proceedings and the Company's acquisition of the Ellenburg Communities pending such appeal. The California Court denied this motion. The third party then filed a writ of supersedeas with the California appellate court seeking a stay of the California Court's orders and related transactions pending appeal. The appellate court also refused to issue a stay and denied the writ of supersedeas. The Company's request for dismissal was denied. 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. On July 6, 1998, the Company received approximately $10.4 million, including approximately $297,000 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 agreed to the release of such funds subject to retaining the right to further review the Company's requested due diligence adjustments.

NOTE 3 - RENTAL PROPERTY (CONTINUED)

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 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 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 bank 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.

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

NOTE 4 - INVESTMENT IN JOINT VENTURE

On March 18, 1998, the Company formed Trails Associates, LLC, an approximately 50% joint venture investment with Meadows Management Company to own two manufactured home communities known as "Plantation on the Lake" and "Trails West", for approximately $6.4 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 investment was funded with a $3.9 million borrowing under the Company's line of credit and with the issuance of approximately $2.5 million in OP Units.

NOTE 5 - NOTES RECEIVABLE

At June 30, 1998 and December 31, 1997, the Company had approximately $15.6 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 a nominal rate of 9%, subject to adjustment based on cash flow of the property. The Meadows Loan matured on July 31, 1998, however, the Company and the borrower have agreed to extend said maturity date. 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 loan. This $1,750,000 portion of the Trails West Loan is collateralized by the property known as Trails West, bears interest at the prime rate of 8.5% and matures on June 1, 2003. The Meadows Loan and the Trails West Loan were funded with borrowings under the Company's line of credit.

NOTE 6 - LONG-TERM BORROWINGS

As of June 30, 1998 and December 31, 1997, the Company had outstanding mortgage indebtedness of approximately $502.9 million and $403.7 million, respectively, encumbering 74 and 43 of the Company's properties, respectively. As of June 30, 1998 and December 31, 1997, the carrying value of such properties was approximately $641 million and $493 million, respectively.

The outstanding 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 at an interest rate of 7.19%, maturing July 1, 2008. The Company also has outstanding debt on 13 properties in the aggregate amount of approximately $76 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, 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. The Company pays a fee on the average unused amount of such credit equal to 0.125% of such amount. As of June 30, 1998, $136 million was outstanding under the line of credit. The Company paid fees related to the amendment which were immaterial.

The Company has a term loan (the "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 Loan to increase the borrowing from $60 million to $100 million. The Loan matures on April 3, 2000 and may be extended to April 3, 2002. The Company used the $40.0 million in proceeds to repay a portion of the $50 million previously borrowed on April 7, 1998 under the facility. The Company paid fees related to this amendment which were immaterial.

The Company has approximately $6.5 million of installment notes payable, secured by a letter of credit with interest rates of 7.5%, maturing September 1, 2002. Approximately $5.3 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 June 30, 1998, the applicable LIBOR swap rate would have been 5.9%. Each 0.01% increase or decrease in the applicable swap rate for the 1998 Swap increases or decreases the value of the 1998 versus its current value by approximately $42,000.

NOTE 7 - STOCK OPTIONS

Pursuant to the Amended and Restated 1992 Stock Option and Stock Award Plan as discussed in Note 12 to the 1997 Form 10-K, certain officers, directors, employees and consultants have been offered the opportunity to acquire shares of common stock of the Company through stock options ("Options"). During the six months ended June 30, 1998, Options for 96,621 shares of common stock were exercised.

NOTE 8 - 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. 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. The Company believes its actual costs exceed the amount of the monthly readiness to serve charge and has appealed this decision and filed an application with the California Public Utilities Commission requesting the Commission to set cost based rates for water at this Property. In connection with the hearing officer's decision, the residents were awarded costs of approximately $50,000 and the Company has rebated the readiness to serve charge collected since its acquisition of the Property in August, 1994. During 1998, the court of appeals upheld the residents' statutory interpretation regarding imposition of the "readiness to serve" charge, but upheld the Company's calculation of the amounts rebated. The appeals court also reversed the prior award of costs in favor of the residents and rewarded for further determination by the trial court regarding costs and attorneys' fees. The impact of this decision on the financial condition or results of operations of the Company is not expected to be material.

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. The trial court during 1998 allowed a motion by the HOA to allow it to represent all residents of the property and set the trial in the matter for July 1998. The Company intends to vigorously defend itself in the 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 onsite waste water treatment plant at one of the 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 onsite waste water treatment plant at another of the Properties. Applicable law provides for fines and penalties for these violations. USEPA continues to threaten the imposition of fines, penalties and further legal proceedings regarding these matters. Notwithstanding, the Company believes it complied with one order by connecting to the local municipal waste water system in 1997 and has completed upgrades to the waste water treatment plant at the other Property during 1998 to further comply with the remaining order.

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

OVERVIEW

The following is a discussion of the interim results of operations, financial condition and liquidity and capital resources of the Company for the six months and quarters ended June 30, 1998 compared to the corresponding period in 1997. It should be read in conjunction with the Consolidated Financial Statements and Notes thereto included herein and the 1997 Form 10-K.

RESULTS OF OPERATIONS

COMPARISON OF THREE MONTHS ENDED JUNE 30, 1998 TO THREE MONTHS ENDED JUNE 30, 1997

The Company's gross investment in rental property has increased from $630 million as of June 30, 1997 to $1.2 billion as of June 30, 1998 due to the following acquisitions (collectively, the "Acquisition Properties"): (i) a portfolio of eighteen manufactured home communities and two commercial properties (collectively, the "MPW Properties") on August 29, 1997; (ii) Arrowhead Village on September 16, 1997; (iii) the Ellenburg Communities on December 18, 1997 and during the first six months of 1998; (iv) Quail Meadows on January 8, 1998; (v) Sherwood Forest RV Park on April 30, 1998, and (vi) the College Heights Communities on June 4, 1998. The total number of sites owned or controlled has increased from 28,168 as of June 30, 1997 to 53,220 as of June 30, 1998.

The following table summarizes certain weighted average occupancy statistics for the quarters ended June 30, 1998 and 1997. "Core Portfolio" represents an analysis of properties owned as of the beginning of both periods of comparison.

	Core Portfolio		Total Portfolio	
	1998	1997	1998	1997
Total sites	27,453	27,456	42,912	28,111
Occupied sites	26,043	25,957	40,572	26,562
Occupancy %	94.9%	94.5%	94.5%	94.5%
Monthly base rent per site	$ 335	$ 322	$ 336	$ 325

Base rental income ($41.0 million) increased $15.0 million or 58%. For the Core Portfolio, base rental income increased approximately $1.1 million or 4.2%, reflecting a 4.1% increase in base rental rates and a 0.1% increase related to occupancy. The remaining $13.9 million increase in base rental income was attributed to the Acquisition Properties.

Monthly base rent per site for the total portfolio increased 3.4%, reflecting a 4.0% increase in monthly base rent per site for the Core Portfolio, partially offset by lower monthly base rents for the Acquisition Properties. Average monthly base rent per site for the Acquisition Properties was $340 for the quarter ended June 30, 1998.

Weighted average occupancy remained stable with a 0.4% increase at the Core Portfolio offset by decreased occupancy at the Acquisition Properties.

Utility and other income ($6.0 million) increased $3.2 million or 115%, with $3.1 million attributed to the Acquisition Properties, including $1.4 million of RV income. The remaining $100,000 increase reflected increased utility income and real estate tax pass-ons at the Core Portfolio.

Interest income ($835,000) increased $226,000 or 37%, primarily due to the one-time recognition of interest earned on notes receivable related to the Ellenburg Communities, interest earned on the Meadows Loan and an increase in interest earned on short-term investments. Short-term investments had average balances for the quarters ended June 30, 1998 and 1997 of approximately $10.5 million and $3.2 million, respectively, which earned interest income at an effective rate of 5.4% and 5.3% per annum, respectively. As of June 30, 1998, the Company had cash and cash equivalents and short-term investments of $13.8 million.

Property operating and maintenance expenses ($13.1 million) increased $5.5 million or 71%. Approximately $5.4 million of the increase was attributed to the Acquisition Properties. The remaining increase was due to increased payroll expense and insurance and other expenses, partially offset by decreased repairs and maintenance expense, utility expense, and property general and administrative expenses at the Core Portfolio. Property operating and maintenance expenses represented 27.4% of total revenues in 1998 and 26.5% in 1997.

Real estate taxes ($1.9 million) increased $1.6 million or 79% attributed to the Acquisition Properties. Real estate taxes represented 7.4% of total revenues in 1998 and 6.8% in 1997.

Property management expenses ($1.7 million) increased $492,000 or 41%. The increase was primarily due to the addition of a regional office in San Jose, California and an increase in management company payroll. Property management expenses represented 3.5% of total revenues in 1998 and 4.1% in 1997.

General and administrative expense ("G&A") ($1.3 million) increased $279,000 or 26%. The increase was primarily due to increased payroll resulting from salary increases and increased public company related expenses. G&A represented 2.8% of total revenues in 1998 and 3.6% in 1997.

Interest and related amortization ($12.4 million) increased $7.2 million or 139%. The increase was due to higher weighted average outstanding debt balances during the period, as well as a slightly increased effective interest rate. The weighted average outstanding debt balances for the quarters ended June 30, 1998 and 1997 were $670.1 million and $274.7 million, respectively. The effective interest rates were 7.3% and 6.9%, respectively. Interest and related amortization represented 25.9% of total revenues in 1998 and 17.7% in 1997.

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 June 30, 1998, the applicable LIBOR swap rate would have been 5.9%. 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 $42,000.

Depreciation on corporate assets ($166,000) increased $20,000 or 14% due to fixed asset additions in 1997 associated with information systems. Depreciation on corporate assets represented 0.3% of total revenues in 1998 and 0.5% in 1997.

Depreciation on real estate assets and other costs ($6.6 million) increased $2.5 million or 61% as a result of the Acquisition Properties. Depreciation on real estate assets and other costs represented 13.7% of total revenues in 1998 and 13.9% in 1997.

COMPARISON OF SIX MONTHS ENDED JUNE 30, 1998 TO SIX MONTHS ENDED JUNE 30, 1997

The following table summarizes certain weighted average occupancy statistics for the six months ended June 30, 1998 and 1997. "Core Portfolio" represents an analysis of properties owned as of the beginning of both periods of comparison.

	Core Portfolio		Total Portfolio	
	1998	1997	1998	1997
Total sites	27,452	27,410	41,189	27,776
Occupied sites	26,067	25,944	39,044	26,286
Occupancy %	95.0%	94.7%	94.8%	94.6%
Monthly base rent per site	$334	$321	$334	$323

Base rental income ($78.2 million) increased $27.2 million or 53%. For the Core Portfolio, base rental income increased approximately $2.2 million or 4.4%, reflecting a 4.1% increase in base rental rates and a 0.3% increase related to occupancy. The remaining $25.0 million increase was attributed to the Acquisition Properties, and California Hawaiian acquired on March 14, 1997, Golf Vista Estates, acquired on March 27, 1997 and Golden Terrace South, acquired on May 30, 1997.

Monthly base rent per site for the total portfolio increased 2.5%, reflecting a 3.4% increase in monthly base rent per site for the Core Portfolio, partially offset by lower monthly base rents for the Acquisition Properties. Average monthly base rent per site for the Acquisition Properties was $333 for the six months ended June 30, 1998.

Weighted average occupancy increased 0.3% due to increased occupancy at the expansion communities and the addition of the Acquisition Properties to the portfolio with higher occupancy percentages.

Utility and other income ($12.7 million) increased $7.2 million or 131%, with $7.0 million attributed to the Acquisition Properties, including $3.4 million of RV income. The remaining $200,000 increase reflected increased utility income and real estate tax pass-ons at the Core Portfolio.

Interest income ($1.6 million) increased $373,000 or 30%, primarily due to the one-time recognition of interest earned on notes receivable related to the Ellenburg Communities, interest earned on the Meadows Loan and an increase in interest earned on short-term investments. Short-term investments had average balances for the six months ended June 30, 1998 and 1997 of approximately $9.2 million and $4.2 million, respectively, which earned interest income at an effective rate of 5.5% and 5.3% per annum, respectively.

Property operating and maintenance expenses ($25.2 million) increased $10.0 million or 65%. The increase was attributed to the Acquisition Properties. Property operating and maintenance expense at the Core Portfolio remained stable with increased payroll expense, general and administrative expense and insurance and other expenses, offset by decreased repairs and maintenance expense and utility expense. Property operating and maintenance expenses represented 27.2% of total revenues in 1998 and 26.4% in 1997.

Real estate taxes ($7.1 million) increased $3.2 million or 82% with $3.1 million attributed to the Acquisition Properties. The remaining $100,000 increase reflected increased rates at the Core Portfolio. Real estate taxes represented 7.7% of total revenues in 1998 and 6.8% in 1997.

Property management expenses ($3.5 million) increased $1.1 million or 44%. The increase was primarily due to the addition of a regional office in San Jose, California and an increase in management company payroll. Property management expenses represented 3.7% of total revenues in 1998 and 4.2% in 1997.

G&A ($2.9 million) increased $725,000 or 33%. The increase was primarily due to increased payroll resulting from salary increases, increased professional fees and public company related expenses. G&A represented 3.2% of total revenues in 1998 and 3.8% in 1997.

Interest and related amortization ($22.5 million) increased $12.5 million or 125%. The increase was due to higher weighted average outstanding debt balances during the period, as well as a slightly increased effective interest rate. The weighted average outstanding debt balances for the six months ended June 30, 1998 and 1997 were $604.9 million and $263.0 million, respectively. The effective interest rates were 7.3% and 7.1%, respectively. Interest and related amortization represented 24.3% of total revenues in 1998 and 13.9% in 1997.

Depreciation on corporate assets ($460,000) increased $171,000 or 59% due to fixed asset additions in 1997 associated with information systems. Depreciation on corporate assets represented 0.5% of total revenues in both 1998 and 1997.

Depreciation on real estate assets and other costs ($12.4 million) increased $4.3 million or 54% as a result of the Acquisition Properties. Depreciation on real estate assets and other costs represented 13.3% of total revenues in 1998 and 13.9% in 1997.

LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents increased by $4.9 million when compared to December 31, 1997. The major components of this increase were increased cash provided by operating activities and borrowings from the line of credit, partially offset by the purchase of short-term investments, funding of notes receivable, the acquisitions of Quail Meadows, Sherwood Forest RV Park, Casa del Sol III and the College Heights Communities (collectively, the "1998 Acquisitions"), additional acquisition advances related to the Ellenburg Communities and the investment in Plantation on the Lake and Trails West.

Net cash provided by operating activities increased $13.0 million from $28.0 million for the six months ended June 30, 1997 to $41.0 million for the six months ended June 30, 1998. This increase reflected a $7.2 million increase in funds from operations ("FFO"), as discussed below, and increased accounts payable accruals related to real estate taxes of $4.2 million, interest on notes payable of $3.4 million and other accruals related to the 1998 Acquisitions, partially offset by increased rents receivables.

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. 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 and amortization payments on mortgage loan principal. The Company believes that FFO and FAD are useful to investors as a measure of the performance of an equity REIT because, along with cash flows from operating activities, financing activities and investing activities, they provide investors an understanding of the ability of the Company to incur and service debt and to make capital expenditures. FFO and FAD in and of themselves do not represent cash generated from operating activities in accordance with GAAP and therefore should not be considered an alternative to net income as an indication of the Company's performance or to net cash flows from operating activities as determined by GAAP as a measure of liquidity and are not necessarily indicative of cash available to fund cash needs.

The following table presents a calculation of FFO and FAD for the quarters and six months ended June 30, 1998 and 1997:

	For the Quarters Ended June 30, 1998	For the Quarters Ended June 30, 1997	For the Six Months Ended June 30 1998	For the Six Months Ended June 30 1997
Computation of funds from operations:				
Income before allocation to minority interests	$ 9,066	$ 8,051	$ 18,649	$ 15,762
Depreciation on real estate assets and other costs	6,556	4,077	12,382	8,034
Funds from operations	$ 15,622	$ 12,128	$ 31,031	$ 23,796
Computation of funds available for distribution:				
Funds from operations	$ 15,622	$ 12,128	$ 31,031	$ 23,796
Non-revenue producing improvements-rental properties	(2,506)	(461)	(3,423)	(966)
Funds available for distribution	$ 13,116	$ 11,667	$ 27,608	$ 22,830

Net cash used in investing activities increased $175 million from $26.1 million for the six months ended June 30, 1997 to $201.4 million for the six months ended June 30, 1998 primarily due to the purchase of short-term investments, the funding of the Meadows Loan, increased payments for acquisitions and the investment in Plantation on the Lake and Trails West in 1998, increased payments for recurring improvements to rental properties due to the acquisitions, increased payments for site development due to additional expansion activity in 1998 and the one-time collection of proceeds from the sale of project related assets in 1997.

On September 4, 1997, the Company entered into a portfolio purchase agreement to acquire 38 manufactured home communities (the "Ellenburg Communities") from partnerships having Ellenburg Capital Corporation ("ECC") as the general partner for a puchase price in excess of $300 million. In December 1997, the Company closed on the acquisition of seventeen of the Ellenburg Communities for an aggregate purchase price of approximately $149 million. During the six months ended June 30, 1998, the Company closed on the acquisition of ten additional Ellenburg Communities for an aggregate purchase price of approximately $92 million and gained control of an additional nine Ellenburg Communities with acquisition advances of approximately $85 million to the partnerships which own such Ellenburg Communities. In addition, the Company funded a loan on one Ellenburg Community for approximately $16.4 million, the terms of which result in effective ownership of the community. For financial accounting purposes, this loan will be accounted for as an investment in real estate. The Company funded the acquisition advances with borrowings under the Company's line of credit. In connection with the supplemental agreement entered into in December 1997 (the "Supplemental Agreement"), 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, has appealed certain orders of the Superior Court for the State of California, County of Los Angeles (the "California Court") related to the Company's acquisition of the Ellenburg Communities. The third party originally requested the California Court to stay all of its proceedings and the Company's acquisition of the Ellenburg Communities pending such appeal. The California Court denied this motion. The third party then filed a writ of supersedeas with the California appellate court seeking a stay of the California Court's orders and related transactions pending appeal. The appellate court also refused to issue a stay and denied the writ of supersedeas. The Company's request for dismissal was denied. 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.

On July 6, 1998, the Company received approximately $10.4 million, including approximately $297,000 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 agreed to the release of such funds subject to retaining the right to further review the Company's requested due diligence adjustments.

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. The Meadows Loan matured on July 31, 1998, however, the Company and the borrower have agreed to extend said maturity date.

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 March 18, 1998, the Company formed Trails Associates, LLC, an approximately 50% joint venture investment with Meadows Management Company to own two manufactured home communities known as "Plantation on the Lake" and "Trails West", for approximately $6.4 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 investment was funded with a $3.9 million borrowing under the Company's line of credit and with the issuance of approximately $2.5 million in OP Units.

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 144 expansion sites.

On May 14, 1998, the Company acquired Casa del Sol 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 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 bank 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.

Capital expenditures for improvements were approximately $5.8 million for the six months ended June 30, 1998 compared to $2.0 million for the six months ended June 30, 1997. Of the $5.8 million, approximately $3.4 million represented improvements to existing sites. The Company anticipates spending approximately $3.1 million on improvements to existing sites during the remainder of 1998. The Company believes these improvements are necessary in order to increase and/or maintain occupancy levels and maximize rental rates charged to new and renewing residents. The remaining $2.4 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 $165.9 million from $603,000 used in financing activities for the six months ended June 30, 1997 to $165.3 million provided by financing activities for the six months ended June 30, 1998 primarily due to additional borrowings under the line of credit, a borrowing with a bank for the acquisition of the College Heights Communities, the issuance of common stock in the second quarter of 1998, and a decrease in distributions paid in the first six months of 1998.

Distributions to common stockholders and minority interests decreased approximately $8.4 million due to the timing of the payment of the distributions. On April 10, 1998, the Company paid a $.3625 per share distribution for the quarter ended March 31, 1998 to stockholders of record on March 27, 1998. Return of capital on a GAAP basis was $.05 per share for the first quarter of 1998.

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.

The year 2000 issue ("Year 2000") is the result of computer programs being written using two digits rather than four to define the applicable year. Any of the Company's computer programs that have time-sensitive software may recognize a date using "00" as the year 1900 rather than the year 2000. This could result in a system failure or miscalculations causing disruptions of operations, including, among other things, a temporary inability to process transactions, collect rents, or engage in similar normal business activities. Based on a recent assessment, the Company determined that a majority of its applications will function properly with respect to dates in the year 2000 and thereafter. 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's total Year 2000 project cost and estimates to complete do not include the estimated costs and time associated with the impact of third party Year 2000 issues. There can be no guarantee that the systems of other companies on which the Company's systems rely will be timely converted and would not have an adverse effect on the Company's systems. The Company anticipates completing its Year 2000 project no later than December 31, 1998, which is prior to any impact on its operating systems. 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.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The discussion in Note 8 of Notes to Consolidated Financial Statements is incorporated herein by reference.

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

(a) Exhibits:

10 Second Amended and Restated 1992 Stock Option and Stock Award Plan

27 Financial Data Schedule

(b) Reports on Form 8-K:

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 Height Communities.

SIGNATURES

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

MANUFACTURED HOME COMMUNITIES, INC.

BY: /s/ Thomas P. Heneghan

Thomas P. Heneghan
Executive Vice President, Treasurer and
Chief Financial Officer

BY: /s/ Judy A. Pultorak

Judy A. Pultorak
Principal Accounting Officer

DATE: August 6, 1998

MANUFACTURED HOME COMMUNITIES, INC.
SECOND AMENDED AND RESTATED 1992
STOCK OPTION AND STOCK AWARD PLAN
(Including Amendments Through May 12, 1998)

1. Purpose. The Manufactured Home Communities, Inc. Second Amended and Restated 1992 Stock Option and Stock Award Plan (the "Plan") has been established by Manufactured Home Communities, Inc., a Maryland corporation (the "Company"), to secure for the Company and its stockholders the benefits arising from capital ownership by those employees, officers, directors and consultants of the Company and its Subsidiaries (as defined below) who are and will be responsible for its future growth and continued success. The Plan will provide a means whereby such individuals may receive: (i) shares of the Common Stock of the Company ("Shares"), subject to conditions and restrictions described herein and otherwise determined by the Board of Directors ("Stock Awards"); and (ii) options to purchase Shares ("Options"). The term "Subsidiary" means each entity the Company owns or controls directly or indirectly either through voting control or as a general partner, provided that, for purposes of Incentive Stock Options (as defined below) such term shall have the meaning given in Section 424 of the Internal Revenue Code of 1986, as amended (the "Code").

2. Administration. The authority to manage and control the operation and administration of the Plan shall be vested in a Committee (the "Committee") consisting of two (2) or more members of the Board of Directors of the Company, each of whom is a "disinterested person" as such term is defined in Section 240.16b-3(c)(2)(i) of the General Rules and Regulations promulgated under the Securities Exchange Act of 1934 (the "Act") (and, in addition, with respect to any grant of an Option or the determination of conditions and restrictions intended to make a Stock Award constitute "performance-based compensation" within the meaning of Section 162(m)(4)(C) of the Internal Revenue Code, as amended ("Code"), such grant, award or determination is made by a Committee consisting of two (2) or more outside directors as such term is defined in Treasury Regulation Section 1.162-27(e)(3)), who shall be appointed by, and may be removed by, such Board, provided that the Committee shall have no authority, power or discretion to determine the number or timing of Options and Stock Awards granted pursuant to paragraph 3(b) or 3(c), or to alter the terms and conditions of Options or Stock Awards as set forth therein. Any interpretation of the Plan by the Committee and any decision made by the Committee on any other matter within its discretion is final and binding on all persons. No member of the Committee shall be liable for any action or determination made with respect to the Plan.

3. Participation.

(a) Subject to the terms and conditions of the Plan, the Committee shall determine and designate from time to time the employees, officers, directors and consultants of the Company and its Subsidiaries to whom Options and Stock Awards are to be granted ("Grantees"), the number of Shares subject to such Option and Stock Award to be granted to each Grantee and the terms, conditions and restrictions applicable to such Option or Stock Award. Notwithstanding the foregoing, the maximum number of Shares with respect to which Options and Stock Awards may be granted during any calendar year to any Grantee is 250,000 Shares.

(b) An Option to purchase (i) ten thousand (10,000) Shares shall be awarded to each member of the Board of Directors of the Company on the date of each meeting of the Board held immediately after each annual meeting of the Company's stockholders, and (ii) the product of ten thousand (10,000) Shares times a fraction, the numerator of which is the number of quarters (or any portion thereof) such director will serve before the next annual meeting of the Company's stockholders and the denominator of which is four, shall be awarded to each new member of the Board of Directors of the Company on the date he or she first becomes a member of the Board of Directors of the Company. A director shall become a Grantee in the Plan on the first date on which the director is awarded an Option under the Plan. Directors may, in addition to Options awarded under this paragraph, also be entitled to Options under paragraph 3(a).

(c) As of the date on which a distribution (the "Bonus") is made under the Company's Management by Objectives Bonus Plan (the "MBO Plan"), a Stock Award will be made to each individual who (i) receives a Bonus, and (ii) has (A) a title of Vice President or more senior, or (B) a target bonus range of at least 0 - 20% of base salary. The Grant Value of such Stock Award, as of such date, shall be in an amount equal to fifty percent (50%) of the Bonus and shall be made in lieu of fifty percent (50%) of the Bonus otherwise payable to such individual. All Stock Awards shall be in full satisfaction of the applicable portion of the Bonus, shall be made without other payment therefor, and shall be governed by paragraph 5 hereof.

(d) Subject to the provisions of paragraph 15, for all purposes of the Plan (i) the "Grant Value" of a Stock Award grant made pursuant to paragraph 3(c) shall equal the Fair Market Value of the Shares subject thereto as of the date of grant, and (ii) the "Fair Market Value" of a Share as of any date means the closing price of the Shares on the New York Stock Exchange on such date.

4. Shares Subject to the Plan. Subject to the provisions of paragraph 15, the aggregate number of Shares for which Options and Stock Awards may be granted under the Plan shall not exceed 4,000,000 Shares. If any Option or Stock Award granted pursuant to the Plan shall expire, be forfeited or terminate for any reason (including without limitation the settlement in cash in lieu of exercise of an Option), the number of Shares then subject to the Option or Stock Award shall again be available for grant under the Plan unless the Plan shall have terminated. No more than half of the 2,000,000 Shares added to the Plan in connection with the adoption of the Second Amended and Restated 1992 Stock Option and Stock Award Plan may be subject to Stock Awards granted under the Plan from and after the date hereof.

5. Stock Awards.

(a) (i) A Stock Award granted under paragraph 3(a) shall be subject to the condition that it will be forfeited to the Company upon the Grantee's termination of employment with the Company and all Extended Companies (as defined below) within one year from the date of grant of the Stock Award ("Date of Grant"), and may be subject to such further conditions and restrictions established by the Committee at the Date of Grant (including conditions requiring employment by the Grantee for a period in excess of one year). Any Stock Awards containing further conditions and restrictions as established by the Committee shall be described in such term sheets or supplements as are approved by the Committee from time to time. For purposes of the Plan, "Extended Company" means any company designated as such by the Committee, but only if that Extended Company either (x) provides that awards that are issued to its employees and other persons, which are comparable to awards under the Plan, will not expire if such employees or other persons terminate their relationship with such company and immediately begin service as an employee, officer, director or consultant of the Company or

(y) has no similar plan in effect. The Extended Companies may be changed by the Committee from time to time.

(ii) A Stock Award granted under paragraph 3(c) shall be forfeited to the Company upon a Grantee's termination of employment with the Company and all Extended Companies within two years from the Date of Grant, unless (A) the Grantee has five years of service for vesting purposes under the MHC ADVANTAGE Retirement Plan at the time of such termination of employment, (B) such termination is not for "good cause" (as determined by the Committee), and (C) within one year following such termination of employment, the Grantee does not become employed by a competitor of the Company.

(iii) Notwithstanding the foregoing, the restrictions on all Stock Awards under this Plan shall immediately lapse in the event of the termination of a Grantee's employment with the Company or an extended Company following (A) the Grantee's Disability (as defined in the MHC ADVANTAGE Retirement Plan), (B) the Grantee's death, (C) the Grantee's retirement at or after Normal Retirement Date as defined in the MHC ADVANTAGE Retirement Plan, or (D) a "Change in Control" of the Company.

(b) A "Change in Control" shall be deemed to occur upon:

(i) the acquisition by any entity, person, or group of more than 50% of the outstanding Shares from the holders thereof;

(ii) a merger or consolidation of the Company with one or more other entities as a result of which the ultimate holders of outstanding Shares immediately prior to such merger hold less than 50% of the shares of beneficial ownership of the surviving or resulting corporation; or

(iii) a transfer of substantially all of the property of the Company other than to an entity of which the Company directly or indirectly owns at least 50% of the shares of beneficial ownership.

(c) The Grantee shall be entitled to all of the rights of a stockholder with respect to the Stock Awards including the right to vote such Shares and to receive dividends and other distributions payable with respect to such Shares from and after the Date of Grant; provided that any securities or other property (but not cash) received in any such distribution with respect to a Stock Award that is still subject to the restrictions in paragraph (a) (i) or (ii) above, shall be subject to all of the restrictions set forth herein with respect to such Stock Award.

(d) Certificates for the Stock Award shall be issued in the Grantee's name and shall be held in escrow by the Company until all restrictions lapse or such Shares are forfeited as provided herein. A certificate or certificates representing a Stock Award as to which restrictions have lapsed shall be delivered to the Grantee upon such lapse.

(e) Whenever the recipient of a Stock Award recognizes income with respect thereto, the Company shall have the right to withhold from amounts payable to such recipient in any manner, as necessary to satisfy all federal, state and local payroll tax withholding requirements. Alternatively, the Committee may elect to have Shares withheld by the Company from the Shares otherwise to be delivered to a Grantee. The number of Shares so withheld for payment of tax withholding shall have an aggregate Fair Market Value as of the later of the date the Committee makes the foregoing election or the date as of which income is recognized with respect to such Shares sufficient to satisfy the applicable withholding taxes.

6. Stock Options. Any Option to purchase Shares granted under paragraph 3(a) that satisfies all of the requirements of Section 422 of the Code may be designated by the Committee as an "Incentive Stock Option." Options that are not so designated, or that do not satisfy the requirements of Section 422 of the Code or that are granted under paragraph 3(b) shall not constitute Incentive Stock Options and shall be Non-Qualified Stock Options.

7. Option Price. The price at which a Share may be purchased pursuant to the exercise of any Non-Qualified Stock Option shall not be less than 100% of its Fair Market Value on the date the Option is awarded under the Plan. The Option price of an Incentive Stock Option shall not be less than the Fair Market Value of a Share on the date the Option is awarded under the Plan and, with respect to an employee who owns on the Date of Grant more than 10% of the Company's Shares, shall not be less than 110% of its Fair Market Value on such date.

8. Stock Appreciation Rights. The Committee may, in its sole discretion, award "Stock Appreciation Rights" together with any Option granted under paragraph 3(a). A Grantee who is awarded a Stock Appreciation Right shall be entitled to receive from the Company, at the time such right is exercised, that number of Shares having an aggregate Fair Market Value as of the date of exercise equal to the product of (i) the number of Shares as to which the Grantee is exercising the Stock Appreciation Right, and (ii) the excess of the Fair Market Value (at the date of exercise) of a Share over the exercise price specified by the Committee at the time of the award of the related Option, provided that the Committee, in its sole discretion, may elect to settle all or a portion of the Company's obligation arising out of the exercise of a Stock Appreciation Right by the payment of cash in an amount equal to the Fair Market Value as of the date of exercise of the Shares it would otherwise be obligated to deliver; provided that any election by the Committee to settle in cash with regard to a Grantee who is subject to Section 16 of the Act shall be in conformance with Section 240.16b-3 of the General Rules and Regulations promulgated under the Act. Stock Appreciation Rights shall be exercisable only to the extent that the related Option is exercisable and at the exercise price of the Option. The Stock Appreciation Right shall be canceled to the extent that the related Option is exercised and the Option shall be canceled to the extent that the related Stock Appreciation Right is exercised.

9. Option Expiration Date. The "Expiration Date" with respect to an Option or any portion thereof granted under paragraph 3(a) means the date established by the Committee at the Date of Grant (subject to any earlier termination by the Committee), but in no event later than the date which is ten (10) years after the date on which the Option is granted. If the employment of a Grantee with the Company and all Extended Companies terminates for any reason (other than death or disability which are governed by Section 12), such Grantee's Option may not be exercised after the date of such cessation of employment except to the extent the Committee permits exercise after such date but, in any case, no later than (i) three months after Grantee's termination for any reason (other than death, disability or Change in Control) and (ii) the Option's Expiration Date. Notwithstanding the foregoing, in no event may a Grantee exercise an Option following the termination of the Grantee's employment if the Committee determines in its discretion that such employment was terminated for good cause. The Expiration Date with respect to an Option or any portion thereof granted under paragraph 3(b)

means the date which is ten (10) years after the date on which the Option is granted. All rights to purchase Shares pursuant to an Option shall cease as of the Option's Expiration Date. In the event of a Change in Control, all Options then outstanding under the Plan shall immediately vest.

10. Exercise of Options.

(a) Each Option granted under paragraph 3(a) shall be exercisable, either in whole or in part, at such time or times as shall be determined by the Committee at the time the Option is granted or at such earlier times as the Committee shall subsequently determine, but in no event later than the Option's Expiration Date.

(b) Shares with respect to which Incentive Stock Options are exercisable for the first time by a Grantee during any calendar year may not exceed one hundred thousand dollars ($100,000)). Any Options that become exercisable in excess of such amount shall be deemed to be a Non-Qualified Stock Option to the extent of such excess.

(c) Each Option granted under paragraph 3(b) shall be exercisable, either in whole or in part, (i) with respect to three thousand, three hundred and thirty-three (3,333) of the Shares at any time on or after six (6) months from the Date of Grant, (ii) with respect to an additional three thousand, three hundred and thirty-three (3,333) of the Shares at any time on or after the first anniversary of the Date of Grant and (iii) with respect to the remaining Shares at any time on or after the second anniversary of the Date of Grant, but, in each case, no later than the Option's Expiration Date.

(d) A Grantee may exercise an Option or a Stock Appreciation Right by giving written notice thereof prior to the Option's Expiration Date to the Secretary of the Company at the principal executive offices of the Company. Contemporaneously with the delivery of notice with respect to exercise of an Option, the full purchase price of the Shares purchased pursuant to the exercise of the Option, together with any required state or federal withholding taxes, shall be paid in cash, by tender of share certificates in proper form for transfer to the Company valued at the Fair Market Value of the Shares on the preceding day, by any combination of the foregoing or with any other consideration.

(e) Upon the exercise of an Option or a Stock Appreciation Right requiring tax withholding, the Committee may elect to have Shares withheld by the Company from the Shares otherwise to be received by a Grantee. The number of Shares so withheld for payment of tax withholding shall have an aggregate Fair Market Value as of the date of exercise sufficient to satisfy the applicable withholding taxes. In addition to the terms set forth in this paragraph 10, all exercised Options and Stock Appreciation Rights shall be subject to such additional guidelines as established by the Committee.

11. Compliance with Applicable Laws. Notwithstanding any other provision in the Plan, the Company shall have no liability to issue any Shares under the Plan unless such issuance would comply with all applicable laws and applicable requirements of any securities exchange or similar entity. Prior to the issuance of any Shares under the Plan, the Company may require a written statement that the recipient is acquiring the Shares for investment and not for the purpose or with the intention of distributing the Shares.

12. Death/Disability of Grantee.

(a) In the event of the death or disability (as defined in the MHC ADVANTAGE Retirement Plan, or, for Incentive Stock Options only, as defined in Section 22(e)(3) of the Code) of a Grantee, all outstanding Options held by the Grantee on the date of his disability or by the Grantee on the date of his death (or by a permitted transferee under paragraph 13) shall be exercisable by the Grantee or, in the case of the death of a Grantee, by the person or persons to whom that right passes by will or by the laws of descent and distribution for a period of twelve (12) months after the date of death or disability, but no later than the Option's Expiration Date. Any such exercise shall be by written notice thereof filed with the Secretary of the Company at the principal executive offices of the Company prior to the Option's Expiration Date.

(b) Upon the death or disability of a Grantee, all restrictions on a Stock Award previously granted to the Grantee shall lapse and such Shares shall be delivered to the Grantee or to the person or persons to whom the right to such Shares passes by will or by the laws of descent and distribution.

13. Transferability.

(a) The Shares subject to Stock Awards granted under paragraph 3(a) or 3(c) shall not be sold, assigned, pledged or otherwise transferred, voluntarily or involuntarily, by the Grantee, while they are subject to the restrictions described in paragraph 5(a).

(b) Options granted under the Plan are not transferable except (i) by will or by the laws of descent and distribution or, to the extent not inconsistent with the applicable provisions of the Code, pursuant to a qualified domestic relations order (as that term is defined in the Code) and (ii) a Grantee may transfer all or part of an Option that is not an Incentive Stock Option, or a Stock Appreciation Right, to the Grantee's spouse, child or children, grandchild or grandchildren, or other relatives or to a trust for the benefit of the Grantee and/or any of the foregoing; provided that the transferee thereof shall hold such Option or Stock Appreciation Right subject to all of the conditions and restrictions contained herein and otherwise applicable to the Option or Stock Appreciation Right, and that, as a condition to such transfer, the Company may require the transferee to agree in writing (in a form acceptable to the Company) that the transfer is subject to such conditions and restrictions. Except to the extent held by a permitted transferee hereunder, Options and Stock Appreciation Rights may be exercised during the lifetime of the Grantee only by the Grantee, and after the death of the Grantee, only as provided in paragraph 12.

14. Employment and Stockholder Status. The Plan does not constitute a contract of employment or continued service, and selection as a Grantee will not give any employee or Grantee the right to be retained in the employ of the Company or any Extended Company or the right to continue as a director of the Company. Any Option or a Stock Award granted under the Plan shall not confer upon the holder thereof any right as a stockholder of the Company prior to the issuance of Shares pursuant to the exercise thereof. No person entitled to exercise any Option or Stock Appreciation Right granted under the Plan shall have any of the rights or privileges of a stockholder of record with respect to any Shares issuable upon exercise of such Option or Stock Appreciation Right until certificates representing such Shares have been issued and delivered. If the redistribution of Shares is restricted pursuant to paragraph 11, certificates representing such Shares may bear a legend referring to such restrictions.

15. Adjustments to Number of Shares Subject to the Plan and to Option Terms. Subject to the following provisions of this paragraph 15, in the event of any change in the outstanding Shares by reason of any share dividend, split, recapitalization, merger, consolidation, combination, exchange of shares or other similar corporate change, the aggregate number and kind of Shares reserved for issuance under the Plan or subject to Options outstanding or to be granted under the Plan shall be proportionately adjusted so that the value of each Option shall not be changed, and the terms of any outstanding Option may be adjusted by the Committee in such manner as it deems equitable, provided that, in no event shall the Option price for a Share be adjusted below the par value of such Share, nor shall any fraction of a Share be issued upon the exercise of an Option. Shares subject to a Stock Award shall be treated in the same manner as other outstanding Shares; provided that any conditions and restrictions applicable to a Stock Award shall continue to apply to any Shares, other security or other consideration received in connection with the foregoing.

16. Agreement with Company. At the time of a grant, the Committee may require a Grantee to enter into an agreement with the Company in a form specified by the Committee agreeing to the terms and conditions of the Plan and to such additional terms and conditions, not inconsistent with the Plan, as the Committee may, in its sole discretion, prescribe.

17. Term of Plan. The Plan was effective December 18, 1992. No Options, Stock Awards or Stock Appreciation Rights may be granted under the Plan after December 18, 2002 or, if earlier, the date on which the Plan is terminated pursuant to paragraph 18.

18. Amendment and Termination of Plan. Subject to any approval of the stockholders of the Company which may be required by law, the Board of Directors of the Company may at any time amend, suspend or terminate the Plan. No amendment, suspension or termination of the Plan shall alter or impair any Option, or Stock Appreciation Right or Stock Award previously granted under the Plan without the consent of the holder thereof. No amendment requiring stockholder approval under Section 240.16b-3 of the Act, Treasury Regulation Section 1.162-27 or Section 422 of the Code shall be valid unless such stockholder approval is secured as provided therein.

5

This schedule contains summary financial information extracted from the consolidated financial statements and is qualified in its entirety by reference to such financial statements.

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MANUFACTURED HOME COMMUNITIES, INC.
1
US DOLLARS

6-MOS
DEC-31-1998
JAN-01-1998
JUN-30-1998
1
13,786
0
1,425
0
0
34,820
1,220,999
(101,813)
1,176,185
45,774
0
0
0
260
321,831
1,176,185
90,823
92,766
0
35,818
2,937
0
22,520
18,649
0
15,105
0
0
0
15,105
.60
.59