FORM 10-Q

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

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

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2000

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

COMMISSION FILE NUMBER: 1-11718

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

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

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

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

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

APPLICABLE ONLY TO CORPORATE ISSUERS:

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

22,103,065 shares of Common Stock as of April 30, 2000.

MANUFACTURED HOME COMMUNITIES, INC.

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ITEM 1. FINANCIAL STATEMENTS

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CONSOLIDATED BALANCE SHEETS
AS OF MARCH 31, 2000 AND DECEMBER 31, 1999
(AMOUNTS IN THOUSANDS, EXCEPT SHARE DATA)

	MARCH 31, 2000 (UNAUDITED)	DECEMBER 31, 1999
ASSETS		
Investment in real estate:		
Land	$ 285,542	$ 285,337
Land improvements	874,336	876,923
Buildings and other depreciable property	103,773	102,083
	1,263,651	1,264,343
Accumulated depreciation	(158,937)	(150,757)
Net investment in real estate	1,104,714	1,113,586
Cash and cash equivalents	10,626	6,676
Notes receivable	3,224	4,284
Investment in and advances to affiliates	14,478	11,689
Investment in joint ventures	9,457	9,501
Rents receivable	1,471	1,338
Deferred financing costs, net	5,255	5,042
Prepaid expenses and other assets	11,169	8,222
Total assets	$ 1,160,394	$ 1,160,338
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Mortgage notes payable	$ 527,830	$ 513,172
Unsecured term loan	100,000	100,000
Unsecured line of credit	98,400	107,900
Other notes payable	4,192	4,192
Accounts payable and accrued expenses	23,554	20,780
Accrued interest payable	5,499	5,612
Rents received in advance and security deposits	10,421	6,831
Distributions payable	11,607	11,020
Due to affiliates	21	33
Total liabilities	781,524	769,540
Commitments and contingencies		
Minority interest - Common OP Units and other	52,906	54,397
Minority interest - Perpetual Preferred OP Units	125,000	125,000
Stockholders' equity:		
Preferred stock, $.01 par value 10,000,000 shares authorized; none issued	---	---
Common stock, $.01 par value 50,000,000 shares authorized; 22,292,165 and 22,813,357 shares issued and outstanding for 2000 and 1999, respectively	224	229
Paid-in capital	265,937	275,664
Deferred compensation	(5,826)	(6,326)
Employee notes	(4,502)	(4,540)
Distributions in excess of accumulated earnings	(54,869)	(53,626)
Total stockholders' equity	200,964	211,401
Total liabilities and stockholders' equity	$ 1,160,394	$ 1,160,338

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

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

	MARCH 31, 2000	MARCH 31, 1999
REVENUES		
Base rental income	$ 47,309	$ 44,821
RV base rental income	3,699	3,528
Utility and other income	5,698	5,511
Equity in income of affiliates	150	143
Interest income	292	387
Total revenues	57,148	54,390
EXPENSES		
Property operating and maintenance	15,407	14,473
Real estate taxes	4,325	4,226
Property management	2,388	2,083
General and administrative	1,826	1,692
Interest and related amortization	13,332	13,349
Depreciation on corporate assets	271	246
Depreciation on real estate assets and other costs	8,856	8,243
Total expenses	46,405	44,312
Income before allocation to Minority Interests	10,743	10,078
(Income) allocated to Common OP Units	(1,599)	(1,844)
(Income) allocated to Perpetual Preferred OP Units	(2,813)	---
NET INCOME	$ 6,331	$ 8,234
Net income per Common Share - basic	$ .28	$ .31
Net income per Common Share - diluted	$ .28	$ .31
Distributions declared per Common Share outstanding	$ .415	$ .3875
Weighted average Common Shares outstanding - basic	22,297	26,157
Weighted average Common Shares outstanding - diluted (see Note 2)	28,242	32,340

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

MANUFACTURED HOME COMMUNITIES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE QUARTERS ENDED MARCH 31, 2000 AND 1999
(AMOUNTS IN THOUSANDS)
(UNAUDITED)

	MARCH 31, 2000	MARCH 31, 1999
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 6,331	$ 8,234
Adjustments to reconcile net income to cash provided by operating activities:		
Income allocated to Minority Interests	4,412	1,844
Depreciation and amortization expense	8,500	8,616
Equity in income of affiliates	(150)	(143)
Amortization of deferred compensation and other	500	413
(Increase) in rents receivable	(133)	(180)
(Increase) in prepaid expenses and other assets	(1,217)	(122)
Increase in accounts payable and accrued expenses	2,649	3,403
Increase in rents received in advance and security deposits	3,590	3,218
Net cash provided by operating activities	24,482	25,283
CASH FLOWS FROM INVESTING ACTIVITIES:		
(Contributions to) distributions from affiliates	(2,672)	381
Collection (funding) of notes receivable	1,060	(102)
Investment in joint ventures	(72)	(1,266)
Proceeds from disposition of assets	4,133	---
Acquisition of rental properties	(2,524)	(1,184)
Improvements:		
Improvements - corporate	(16)	(184)
Improvements - rental properties	(864)	(1,605)
Site development costs	(70)	(208)
Net cash used in investing activities	(1,025)	(4,168)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net proceeds from stock options and employee stock purchase plan	769	1,451
Distributions to Common Stockholders, Common OP Unitholders and Perpetual Preferred OP Unitholders	(13,792)	(289)
Repurchase of Common Stock and OP Units	(11,296)	(11,795)
Collection of principal payments on employee notes	38	13
Proceeds from line of credit, term loan, and mortgage notes payable	28,123	6,000
Repayments on mortgage notes payable and line of credit	(22,965)	(23,179)
Debt issuance costs	(384)	(334)
Net cash used in financing activities	(19,507)	(28,133)
Net increase (decrease) in cash and cash equivalents	3,950	(7,018)
Cash and cash equivalents, beginning of period	6,676	13,657
Cash and cash equivalents, end of period	$ 10,626	$ 6,639
SUPPLEMENTAL INFORMATION:		
Cash paid during the period for interest	$ 13,245	$ 13,198

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

MANUFACTURED HOME COMMUNITIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DEFINITION OF TERMS:

Capitalized terms used but not defined herein are as defined in the Company's Annual Report on Form 10-K for the year ended December 31, 1999.

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 1999 Annual Report on Form 10-K (the "1999 Form 10-K"). The following Notes to Consolidated Financial Statements highlight significant changes to the Notes included in the 1999 Form 10-K and present interim disclosures as required by the SEC. The accompanying Consolidated Financial Statements reflect, in the opinion of management, all adjustments necessary for a fair presentation of the interim financial statements. All such adjustments are of a normal and recurring nature. Certain reclassifications have been made to the prior periods' financial statements in order to conform with current period presentation.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

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

Statement of Financial Accounting Standards ("SFAS") No. 131, "Disclosures about Segments of an Enterprise and Related Information" 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 the results of operations or financial position of the Company. The Company has one reportable segment, which is the operation of manufactured home communities.

NOTE 2 - EARNINGS PER COMMON SHARE

Earnings per common share is based on the weighted average number of common shares outstanding during each period. In 1997, the Company adopted SFAS No. 128, "Earnings Per Share". 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. The conversion of Operating Partnership Units ("OP Units") has been excluded from the basic earnings per share calculation. The conversion of an OP Unit to a share of common stock will have no material effect on earnings per common share since the allocation of earnings to an OP Unit is equivalent to the allocation of earnings to a share of common stock.

MANUFACTURED HOME COMMUNITIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - EARNINGS PER COMMON SHARE (CONTINUED)

The following table sets forth the computation of basic and diluted earnings per share for the quarters ended March 31, 2000 and 1999 (amounts in thousands):

	MARCH 31, 2000	MARCH 31, 1999
NUMERATOR:		
Numerator for basic earnings per share - Net income	$ 6,331	$ 8,234
Effect of dilutive securities:		
Income allocated to Common OP Units	1,599	1,844
Numerator for diluted earnings per share-income available to common shareholders after assumed conversions	$ 7,930	$ 10,078
DENOMINATOR:		
Denominator for basic earnings per share - Weighted average Common Stock outstanding	22,297	26,157
Effect of dilutive securities:		
Weighted average Common OP Units	5,637	5,881
Employee stock options	308	302
Denominator for diluted earnings per share-adjusted weighted average shares and assumed conversions	28,242	32,340

NOTE 3 - COMMON STOCK AND RELATED TRANSACTIONS

On April 14, 2000, the Company paid a $.415 per share distribution for the quarter ended March 31, 2000 to stockholders of record on March 31, 2000.

On March 15, 2000, the Company's Board of Directors approved the repurchase of an additional 1 million shares of common stock, in increments of 250,000 shares per calendar quarter, in accordance with the common stock repurchase plan. As of March 31, 2000, the Company had repurchased, 4,998,800 shares of the 6 million shares authorized under the plan.

NOTE 4 - REAL ESTATE

In March 2000, in accordance with SFAS 121 "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed of", MHC Acquisition One LLC, a consolidated subsidiary of the Company, recorded an impairment loss on the DeAnza Santa Cruz water and wastewater service company business. Recent negotiations for the sale of the business as well as management's estimates indicated that the undiscounted future cash flows from the business would be less than the carrying value of the business and its related assets. The Company recorded an asset impairment loss of $701,000 (or $.02 per fully diluted share) which is included in other income on the accompanying statements of operations. This loss represents the difference between the carrying value of the DeAnza Santa Cruz water and wastewater service company business and its related assets and their estimated fair value.

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

MANUFACTURED HOME COMMUNITIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4 - REAL ESTATE (CONTINUED)

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 5 - NOTES RECEIVABLE

At March 31, 2000 and December 31, 1999, the Company had approximately $3.2 million and $4.3 million in notes receivable, respectively. On January 10, 2000, $1.1 million in purchase money notes receivable were repaid to the Company. The Company has a $3.2 million loan outstanding, which bears interest at the rate of approximately 8.5%, is collateralized by the property known as Trails West and matures on June 1, 2003.

NOTE 6 - LONG-TERM BORROWINGS

As of March 31, 2000 and December 31, 1999, the Company had outstanding mortgage indebtedness of approximately $527.8 million and $513.2 million, respectively, encumbering 74 and 72 of the Company's properties, respectively. As of March 31, 2000 and December 31, 1999, the carrying value of such properties was approximately $665 million and $638 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 to be paid from available cash flow and the interest rate will be reset at a rate equal to the then 10-year U.S. Treasury obligations plus 2.0%.

In 1998, a 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 College Heights Debt is collateralized by 18 properties owned by the joint venture.

The Company also has outstanding debt on 26 properties in the aggregate amount of approximately $195.5 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. Included in this debt are two mortgages which were entered into on February 24, 2000, with combined principal of $14.6 million at an interest rate of approximately 8.3%, maturing on March 24, 2010. In addition, the Company has a $2.4 million loan recorded to account for a direct financing lease entered into in May 1997. Scheduled maturities for the outstanding indebtedness, excluding the Mortgage Debt and the College Heights Debt, are at various dates through November 30, 2020, and fixed interest rates ranging from 7.25% to 9.05%.

The Company has a $175 million unsecured line of credit with a bank (the "Credit Agreement") bearing interest at the London Interbank Offered Rate ("LIBOR") plus 1.125%. 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 March 31, 2000, $98.4 million was outstanding under the Credit Agreement.

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

MANUFACTURED HOME COMMUNITIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6 - LONG-TERM BORROWINGS (CONTINUED)

The Company has approximately $4.2 million of installment notes payable, secured by a letter of credit, each with an interest rate of 6.5%, maturing September 1, 2002. Approximately $4 million of the notes pay principal annually and interest quarterly and the remaining $1.3 million of the notes pay interest only quarterly.

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

NOTE 7 - STOCK OPTIONS

Pursuant to the Amended and Restated 1992 Stock Option and Stock Award Plan as discussed in Note 14 to the 1999 Form 10-K, certain officers, directors, employees and consultants have been offered the opportunity to acquire shares of common stock of the Company through stock options ("Options"). During the quarter ended March 31, 2000, Options for 19,318 shares of common stock were exercised.

NOTE 8 - COMMITMENTS AND CONTINGENCIES

DEANZA SANTA CRUZ MOBILE ESTATES

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

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

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

MANUFACTURED HOME COMMUNITIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

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 CPUC Section 2705.5 was not applicable. DeAnza unbundled the utility charges from rent consistent with California Civil Code Section 798.41 and it has generally been undisputed that the rent rollback was accurately calculated.

In August 1994, when the Company acquired the Property, the Company reviewed the respective legal positions of the Santa Cruz Homeowners Association ("HOA") and DeAnza and concurred with DeAnza. Their reliance on CPUC Section 2705.5 made both legal and practical sense in that residents paid only what they would pay if they lived in a residential neighborhood within the city 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 CPUC had exclusive jurisdiction over the setting of water rates and that residents under rent control had to first exhaust their administrative remedies before proceeding in a civil action. At one point, the case was dismissed (with leave to amend) on the basis that jurisdiction was with the CPUC and, at another point, Mr. Rossman was dismissed from the case because he had not exhausted his administrative remedies.

On June 29, 1995, a hearing was held before a Santa Cruz rent control officer on 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.

MANUFACTURED HOME COMMUNITIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

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

On March 20, 1997, the court of 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 CPUC granted the Company its certificate of convenience and necessity on December 17, 1998 and approved cost based rates and charges for water that exceed what residents were paying under the Company's reliance on CPUC Section 2705.5. Concurrently, the CPUC also issued an Order Instituting Investigation ("OII") confirming its exclusive jurisdiction over the issue of water rates in a submetered system and commencing an investigation into the confusion and turmoil over billings in submetered properties. Specifically, the OII states: "The Commission has exclusive and primary jurisdiction over the establishment of rates for water and sewer services provided by private entities."

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

After the court of 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 CPUC time to act on the Company's application. Notwithstanding the action taken by the CPUC in issuing the OII in December 1998, the trial court denied the Company's motion to dismiss on jurisdictional grounds and trial commenced before a jury on January 11, 1999.

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

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

MANUFACTURED HOME COMMUNITIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

On April 19, 1999, the trial court denied all of the Company's and DeAnza's post-trial motions for judgement notwithstanding the verdict, new trial and remittitur. The trial court also awarded $700,000 of attorneys' fees to plaintiffs. The Company has appealed the jury verdict and attorneys' fees award and the Company has filed its opening brief in the jury verdict case. The Company also has filed two related appeals challenging the result of related litigation and a resulting attorneys' fee award. The two related appeals are based on a preemption argument. The Company asserts the superior courts' ability to enter an attorneys' fee award in an earlier case and take certain other actions which were preempted by the exercise of exclusive jurisdiction by the CPUC over the issue of how to set rates for water in a submetered mobilehome park. The Company is awaiting notice from the court of appeal setting oral argument in these two appeals. The jury verdict appeal also raises the jurisdictional argument as well as several other arguments for reversal of the punitive damage award or for a new trial. One of the arguments raised by the Company in the jury verdict appeal is that punitive damages are not available in a case brought under Section 798.41 of the California Mobilehome Residency Law ("MRL") since the MRL contains its own penalty provisions. The court of appeal granted the Company's request for judicial notice of the legislative history of the applicable MRL sections, which indicates to the Company that the court of appeal is receptive to this argument. Although no assurances can be given, the Company believes the appeals will be successful.

Subsequently, in June 1999 the DeAnza Santa Cruz Homeowners Association filed a complaint in the Superior Court of California, County of Santa Cruz (No. 135991) against the Company, MHC Acquisition One, L.L.C. and Starland Vistas, Inc. The new lawsuit seeks damages, including punitive damages, for alleged violations of California Civil Code Sections 798.31 and 798.41 arising from implementation of utility rates previously approved by the CPUC. The Company demurred to (filed a motion to dismiss) the complaint on the grounds that the Court lacks jurisdiction to hear the subject matter of the complaint given that the CPUC has exclusive jurisdiction over utility rates and charges at the Property. The California Superior Court denied the motion to dismiss and the court of appeal denied the Company's request to review the denial of the demurrer. The Company and the plaintiffs in this matter entered a settlement into the record before a judge in the California Superior Court in March 2000 the terms of which are being incorporated into a definitive settlement agreement. The Company does not expect the outcome of the settlement to be material.

UNITED STATES ENVIRONMENTAL PROTECTION AGENCY

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 NPDES Permit governing the operation of the onsite wastewater treatment plant at another of the Properties. The Company and the 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 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.

MANUFACTURED HOME COMMUNITIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

ELLENBURG COMMUNITIES

In connection with the acquisition of the Ellenburg Communities (as hereinafter defined) and pursuant to orders of the California Superior Court ("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 County Superior Court alleging, among other causes of action, that the Company breached certain agreements in connection with the Ellenburg acquisition and claiming damages in excess of $50 million plus punitive damages. 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. Mr. Karno has also sought before both the California Superior Court and Court of Appeals to take control of ECC (as hereinafter defined), but to date none of his attempts have been successful.

On September 8, 1999, Ellenburg Fund 20 ("Fund 20") filed a cross complaint in the dissolution proceeding against the Company and certain of its affiliates alleging causes of action for fraud and other claims in connection with the Ellenburg acquisition. By stipulation, the Company has not yet had to respond to the complaint, which the Company believes to be completely without merit. The Company's defense to the claims include documents and letters signed by the court-appointed Winding Up Agents supporting the Company's position.

Mr. Karno, the Company and certain other parties have entered into a global settlement agreement which was filed with the Court in February 2000. In April 2000, the Court approved the settlement agreement and therefore it is anticipated that substantially all of the litigation and appeals involving the Ellenburg acquisition will be settled and dismissed pursuant to the global settlement agreement. However, the Company can provide no assurances that the settlement will close. The global settlement agreement does not dispose of the Fund 20 lawsuit against the Company. However, the Company believes that there is a substantial likelihood that settlement with Fund 20 will be reached or, if not, that the Company will ultimately successfully defend itself against the lawsuit.

CANDLELIGHT PROPERTIES, L.L.C

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

MANUFACTURED HOME COMMUNITIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

Borrower filed suit in the Circuit Court of Bartholomew County, Indiana ("Court") on May 5, 1999, seeking declaratory judgment on the validity of the exercise of the option. The Lending Partnership filed suit in the Court the next day, seeking to foreclose its mortgage, and the suits were consolidated (collectively, the "State Court Litigation") by the Court. The Court issued an Order on December 1, 1999, finding, among other things, that the Operating Partnership had validly exercised the option. Both parties have filed motions to correct errors in the Order, which motions are currently pending before the Court. The Court has not yet ruled on the foreclosure complaint; however, given the Court's finding in the Order, the Lending Partnership believes that Borrower has no valid defense in the foreclosure action. The Operating Partnership and the Lending Partnership intend to continue vigorously pursuing this matter and believe that, while no assurance can be given, such efforts will be successful.

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

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.

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

OVERVIEW

The following is a discussion of the interim results of operations, financial condition and liquidity and capital resources of the Company for the three months ended March 31, 2000 compared to the corresponding period in 1999. It should be read in conjunction with the Consolidated Financial Statements and Notes thereto included herein and the 1999 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 THE QUARTER ENDED MARCH 31, 2000 TO THE QUARTER ENDED MARCH 31, 1999

Since December 31, 1998, the gross investment in real estate has increased from $1,237 million to $1,264 million. The total number of sites owned or controlled has increased from 53,391 as of December 31, 1998 to 54,022 as of March 31, 2000. These changes reflect the following property acquisitions and dispositions (the sale of FFEC-Six had no effect on the number of sites owned):

(i) The Meadows - Acquired on April 1, 1999
(ii) Coquina Crossing - Acquired on July 23, 1999
(iii) FFEC-six (water and wastewater service company) - Sold on February 29, 2000

The Company defines its core manufactured home community portfolio ("Core Portfolio") as manufactured home properties owned as of the beginning of both periods of comparison. Excluded from the Core Portfolio are the aforementioned acquisitions and dispositions and also the Recreational Vehicle ("RV") properties which, together, are referred to as the "Non-Core" Properties.

The following table summarizes certain weighted average statistics for the quarters ended March 31, 2000 and 1999.

	CORE PORTFOLIO		TOTAL PORTFOLIO	
	MARCH 31, 2000	MARCH 31, 1999	MARCH 31, 2000	MARCH 31, 1999
Total sites	46,459	46,463	47,289	46,463
Occupied sites	43,958	43,720	44,595	43,720
Occupancy %	94.6%	94.1%	94.3%	94.1%
Monthly base rent per site	$ 354	$ 342	$ 354	$ 342

Base rental income ($47.3 million) increased $2.5 million or 5.6%. For the Core Portfolio, base rental income increased approximately $1.9 million or 4.3%, due to increased base rental rates. The remaining $572,000 increase in base rental income was attributed to the Properties acquired in 1999.

Monthly base rent per site for the total portfolio increased 3.5%, reflecting a 3.8% increase in monthly base rent per site for the Core Portfolio, partially offset by lower monthly base rents for the Properties acquired in 1999.

MANUFACTURED HOME COMMUNITIES, INC.

RESULTS OF OPERATIONS (CONTINUED)

Weighted average occupied sites for the total portfolio increased by 875 sites creating a .20% increase in occupancy. Core Portfolio occupancy increased .50% reflecting an increase in weighted average occupied sites of 238 sites.

RV base rental income ($3.7 million), which is higher in the first quarter due to seasonality, increased $171,000 primarily due to increased rental rates.

Utility and other income ($5.7 million) increased $187,000 or 3.4%, primarily due to an increase in utility income and real estate tax pass-ons. Additionally, other income includes a gain on the sale of FFEC-Six of $719,000 partially offset by an impairment loss on the DeAnza Santa Cruz water and wastewater service company of $701,000 as discussed in Note 4.

Interest income ($292,000) decreased $95,000 or 24.5%, primarily due to the repayment of certain notes receivable and a decrease in interest earned on short-term investments. Short-term investments had average balances for the quarters ended March 31, 2000 and 1999 of approximately $2.5 million and $3.7 million, respectively, which earned interest income at an effective rate of 5.6% and 4.8% per annum, respectively. As of March 31, 2000, the Company had cash and cash equivalents and short-term investments of $10.6 million.

Property operating and maintenance expenses ($15.4 million) increased $934,000 or 6.5%. Expenses at the Core Portfolio increased $753,000 primarily due to increases in payroll and utility expenses and legal costs associated with the DeAnza Santa Cruz litigation. Property operating and maintenance expenses represented 27.0% of total revenues in 2000 and 26.6% in 1999.

Real estate taxes ($4.3 million) increased $99,000 or 2.3%, which was primarily attributed to the Properties acquired in 1999. Real estate taxes represented 7.6% of total revenues in 2000 and 7.8% in 1999.

Property management expenses ($2.4 million) increased $305,000 or 14.6%. The increase was primarily due to management staffing changes and incremental management costs related to the addition of the Properties acquired in 1999 and 1998. Property management expenses represented 4.2% of total revenues in 2000 and 3.8% in 1999.

General and administrative expense ("G&A") ($1.8 million) increased $134,000 or 7.9%. The increase was primarily due to increased payroll and public company costs. G&A represented 3.2% of total revenues in 2000 and 3.1% in 1999.

Interest and related amortization ($13.3 million) decreased $17,000. The decrease was due to lower weighted average outstanding debt balances during the period, partially offset by a slightly increased effective interest rate. The weighted average outstanding debt balances for the quarters ended March 31, 2000 and 1999 were $727.0 million and $738.0. million, respectively. The effective interest rates were 7.4% and 7.2%, respectively. Interest and related amortization represented 23.3% of total revenues in 2000 and 24.5% in 1999.

Depreciation on corporate assets ($271,000) increased $25,000 or 10.2%. The increase was due to fixed asset purchases related to computer software upgrades. Depreciation on corporate assets represented 0.5% of total revenues in both 2000 and 1999.

Depreciation on real estate assets and other costs ($8.9 million) increased $613,000 or 7.4% as a result of the addition of the Properties purchased in 1999. Depreciation on real estate assets and other costs represented 15.5% of total revenues in 2000 and 15.2% in 1999.

MANUFACTURED HOME COMMUNITIES, INC.

LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents increased by $4.0 million when compared to December 31, 1999. The major components of this increase were the timing of distributions to Common Stockholders and Common OP Unitholders and the timing of borrowings on the line of credit for the distributions and stock repurchases.

Net cash provided by operating activities decreased $801,000 from $25.3 million for the quarter ended March 31, 1999 to $24.5 million for the quarter ended March 31, 2000. This increase reflected a $1.5 million decrease in funds from operations ("FFO"), as discussed below, partially offset by increased prepaid expenses.

FFO was redefined by the National Association of Real Estate Investment Trusts ("NAREIT") in October 1999, effective January 1, 2000, as net income (computed in accordance with generally accepted accounting principles ["GAAP"]), before allocation to minority interests, excluding gains (or losses) from sales of property, plus real estate depreciation and after adjustments for unconsolidated partnerships and joint ventures. 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 ended March 31, 2000 and 1999 (amounts in thousands):

	MARCH 31, 2000	MARCH 31, 1999
COMPUTATION OF FUNDS FROM OPERATIONS:		
Net Income	$ 6,331	$ 8,234
Income allocated to Common OP Units	1,599	1,844
Depreciation on real estate assets and other costs	8,856	8,243
Funds from operations	$ 16,786	$ 18,321
Weighted average Common Shares outstanding - diluted	28,242	32,340
COMPUTATION OF FUNDS AVAILABLE FOR DISTRIBUTION:		
Funds from operations	$ 16,786	$ 18,321
Non-revenue producing improvements - rental properties	(864)	(1,605)
Funds available for distribution	$ 15,922	$ 16,716
Weighted average Common Shares outstanding - diluted	28,242	32,340

MANUFACTURED HOME COMMUNITIES, INC.

LIQUIDITY AND CAPITAL RESOURCES (CONTINUED)

Net cash used in investing activities decreased $3.1 million from $4.2 million for the quarter ended March 31, 1999 to $1.0 million for the quarter ended March 31, 2000 primarily due to the sale of the FFEC-Six water and wastewater service company and the repayment of the purchase money note receivable, partially offset by increased contributions to affiliates.

Capital expenditures for improvements were approximately $950,000 for the quarter ended March 31, 2000 compared to $2.0 million for the quarter ended March 31, 1999. Of the $950,000, approximately $864,000 represented improvements to existing sites. The Company anticipates spending approximately $7.0 million on improvements to existing sites during the remainder of 2000. 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 $86,000 represented costs to develop expansion sites at certain of the Company's Properties and other corporate headquarters costs. The Company is currently developing an additional 100 sites which should be available for occupancy in 2000.

Net cash used in financing activities decreased $8.6 million from $28.1 million for the quarter ended March 31, 1999 to $19.5 million for the quarter ended March 31, 2000, primarily due to the timing of distributions to Common Stockholders and Common OP Unitholders and the timing of borrowings on the line of credit for the distributions and for Common Stock repurchases.

Distributions to Common Stockholders and Common OP Unitholders increased approximately $22.1 million due to the timing of the 4th quarter 1999 dividend payment. On April 14, 2000, the Company paid a $.415 per share distribution for the quarter ended March 31, 2000 to stockholders of record on March 31, 2000. Return of capital on a GAAP basis was $.135 per share for the first quarter of 2000.

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 ("FASB") 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. In June 1999, the FASB issued Statement No. 137 which deferred the effective date of SFAS No. 133 to all fiscal quarters for fiscal years beginning after June 15, 2000. The Company 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, when implemented.

MANUFACTURED HOME COMMUNITIES, INC.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

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

ITEM 5. OTHER INFORMATION

On May 9, the Board of Directors of the Company appointed Thomas P. Heneghan as MHC's President and Chief Operating Officer. Mr. Heneghan, 36, has served for the last five years as MHC's Chief Financial Officer. Gary Powell, MHC's Executive Vice President of Property Operations will become President and CEO of MHC's sales and marketing affiliate, RSI. In addition, the Board of Directors of the Company appointed John M. Zoeller as Vice President and Chief Financial Officer. Mr. Zoeller, 39, has over 18 years of accounting experience including twelve years with the various affiliates of Equity Group Investments. Mr. Zoeller, a CPA, holds a BS in Accounting from the University of Illinois, Champaign - Urbana.

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

(a) Exhibits:

27 Financial Data Schedule

(b) Reports on Form 8-K:

None.

SIGNATURES

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

MANUFACTURED HOME COMMUNITIES, INC.

BY: /s/ John M. Zoeller

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

BY: /s/ Mark Howell

Mark Howell
Principal Accounting Officer and
Assistant Treasurer

DATE: May 11, 2000

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.

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