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

FORM 10-K

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

For the Fiscal Year Ended December 31, 1997

or

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

Commission File Number: 1-11718

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

MARYLAND	36-3857664
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
TWO NORTH RIVERSIDE PLAZA, SUITE 800, CHICAGO, ILLINOIS	60606
(Address of principal executive offices)	(Zip Code)

(312) 474-1122
(Registrant's telephone number, including area code)

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

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

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

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

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

The aggregate market value of voting stock held by nonaffiliates was approximately $619 million as of March 10, 1998 based upon the closing price of $25.875 on such date using beneficial ownership of stock rules adopted pursuant to Section 13 of the Securities Exchange Act of 1934 to exclude voting stock owned by Directors and Officers, some of whom may not be held to be affiliates upon judicial determination.

At March 10, 1998 24,915,399 shares of the Registrant's Common Stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE:

Part III incorporates by reference the Registrant's Proxy Statement relating to the Annual Meeting of Stockholders to be held May 12, 1998.

MANUFACTURED HOME COMMUNITIES, INC.

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PART I

ITEM 1. BUSINESS

THE COMPANY

GENERAL

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

The Company was formed to continue the property operations, business objectives and acquisition strategies of an entity that has owned and operated manufactured home communities since 1969. As of December 31, 1997, the Company owned or controlled a portfolio of 121 manufactured home communities (the "Properties") located throughout the United States containing 44,108 residential sites. The Properties are located in 24 states (with the number of Properties in each state shown parenthetically) -- Florida (34), California (19), Arizona (17), Colorado (10), Delaware (7), Nevada (4), Oregon (3), Kansas (3), Missouri (3), Indiana (3), Illinois (2), Iowa (2), Utah (2), New York (2), Maryland (1), Minnesota (1), Montana (1), New Mexico (1), Oklahoma (1), Pennsylvania (1), Virginia (1), West Virginia (1), Michigan (1) and Washington (1). As of December 31, 1997, the Company also owned two office buildings located in California.

The Company has approximately 778 full-time employees dedicated to carrying out the Company's operating philosophy and strategies of value enhancement and service to residents. The Company typically utilizes a one or two-person management team (who reside at the Properties) for the on-site management of each of the Properties. Typically, clerical and maintenance workers are employed to assist these individuals in the management and care of the Properties. Direct supervision of on-site management is the responsibility of the Company's five regional vice presidents. These individuals have significant experience in addressing the needs of residents and in finding or creating innovative approaches to maximize value and increase cash flow from property operations. Complementing this field management staff are approximately 51 corporate employees who assist on-site management in all property functions.

FORMATION OF THE COMPANY

The Company, formed in March 1993, is a Maryland corporation, which has elected to be taxed as a real estate investment trust ("REIT"). The Company generally will not be subject to Federal income tax to the extent it distributes its REIT taxable income to its stockholders. REITs are subject to a number of organizational and operational requirements. If the Company fails to qualify as a REIT, its income is taxable at regular corporate rates. Even if the Company qualifies for taxation as a REIT, the Company is subject to certain state and local taxes on its income and property and Federal income and excise taxes on its undistributed income.

The operations of the Company are conducted through certain entities which are owned or controlled by the Company. MHC Operating Limited Partnership (the "Operating Partnership") is the entity through which the Company conducts substantially all of its operations. Sub-partnerships of the Operating Partnership were created to: (i) facilitate mortgage financing (the "Financing Partnerships"); (ii) facilitate the Company's ability to provide financing to the owners of manufactured home communities ("Lending Partnership"); (iii) own the management operations of the Company ("Management Partnerships"); and (iv) own the assets and operations of certain utility companies which service the Properties ("MHC Systems"). The financial results of the Operating Partnership and sub-partnerships (together the "Subsidiaries") are consolidated in the Company's consolidated financial statements.

In addition, since certain activities, if performed by the Company, may not be qualifying REIT activities under the Internal Revenue Code of 1986, as amended (the "Code"), the Company has invested in the non-voting preferred stock of various corporations which engage in such activities. Realty Systems, Inc. ("RSI") is engaged in the business of purchasing, selling, leasing and financing manufactured homes that are located or will be located in properties managed by the Company. RSI also provides brokerage services to residents at such properties. Typically residents move from a community but do not relocate their homes. RSI may provide brokerage services, in competition with other local brokers, by seeking buyers for the homes. RSI also leases homes to prospective residents with the expectation that the tenant eventually will purchase the home. LP Management Corp. leases from the Operating Partnership certain real property within or adjacent to certain of the Properties consisting of golf courses, pro shops, restaurants and recreational vehicle areas. LP Management Corp. pays a management fee to an independent contractor who manages and operates these businesses. The Company believes that RSI's and LP Management Corp.'s (collectively, "Affiliates") activities benefit the Company by maintaining and enhancing occupancy at the Properties. The Company accounts for its investment in and advances to Affiliates using the equity method of accounting.

BUSINESS OBJECTIVES AND OPERATING STRATEGIES

The Company seeks to maximize both current income and long-term growth in income. The Company focuses on manufactured home communities that have strong cash flow growth potential and expects to hold such properties for long-term investment and capital appreciation. These business objectives and their implementation are determined by the Company's Board of Directors and may be changed at any time. The Company's investment and operating approach includes:

- Aggressively managing the Properties to increase operating margins through rent and/or occupancy increases and expense control;

- Increasing income and property values by continuing the strategic expansion and, where appropriate, renovation of the Properties;

- Utilizing management information systems to evaluate potential acquisitions, identify and track competing properties and monitor tenant satisfaction; and

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

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

FUTURE ACQUISITIONS

The Company almost doubled its portfolio of manufactured home communities in 1997 through acquisitions. The Company believes that opportunities for property acquisitions are particularly attractive at this time because of increasing acceptability of and demand for manufactured homes and continued constraints on development of new manufactured home communities. The Company believes it has a competitive advantage in the acquisition of new communities due to its experienced management, significant presence in major real estate markets and substantial capital resources. The Company is actively seeking to acquire additional communities and currently is engaged in various stages of negotiations relating to the possible acquisition of a number of communities.

The Company anticipates that newly acquired properties will be located in the United States. The Company utilizes market information systems to identify and evaluate acquisition opportunities, including a market data base to review the primary economic indicators of the various locations in which the Company expects to expand its operations. Acquisitions will be financed from the most appropriate sources of capital, which may include undistributed funds from operations, issuance of additional equity securities, sales of investments, collateralized and uncollateralized borrowings and issuance of debt securities. In addition, the Company may cause the Operating Partnership to issue OP Units to finance acquisitions. The Company believes that an ownership structure which includes the Operating Partnership will permit the Company to acquire additional manufactured home communities in transactions that may defer all or a portion of the sellers' tax consequences.

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

PROPERTY EXPANSIONS

The Company will seek to increase the income generated from the Properties and from any additional properties acquired by expanding the number of sites available to be leased to residents if justified by local market conditions and permitted by zoning and other applicable laws. Of the 121 Properties, eleven may be expanded consistent with existing zoning regulations. In 1998, the Company expects to develop an additional 90 expansion sites at Golf Vista. In addition, where appropriate, the Company will consider upgrading or adding facilities and amenities to certain Properties in order to make those Properties more attractive in their markets. As of December 31, 1997, the Company had more than 900 expansion sites located in sixteen of the Properties. The Company filled 228 of the expansion sites in 1997 and expects to fill an additional 200 sites in 1998.

LEASES

The typical lease entered into between the tenant and one of the Company's manufactured home communities for the rental of a site requires a security deposit and is month-to-month or year-to-year, renewable upon the consent of both parties or, in some instances, as provided by statute. These leases are cancelable, depending on state law, for non-payment of rent, violation of community rules and regulations or other specified defaults. Non-cancelable long-term leases, ranging from one to fifteen years, are in effect at certain sites within seven of the Properties. In addition, lifetime leases are in effect at certain sites within five of the Properties. These leases are subject to rental rate increases based on the Consumer Price Index, in some instances taking into consideration certain floors and ceilings and allowing for pass-throughs of certain items such as real estate taxes, utility expenses and capital expenditures. Generally, market rate adjustments are made on an annual basis.

REGULATIONS AND INSURANCE

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

Rent Control Legislation. State and local rent control laws, principally in California and Florida, limit the Company's ability to increase rents and to recover increases in operating expenses and the costs of capital improvements. Enactment of such laws has been considered from time to time in other jurisdictions. The Company presently expects to continue to maintain manufactured home communities, and may purchase additional properties, in markets that are either subject to rent control or in which rent-limiting legislation exists or may be enacted. For example, Florida has enacted a law which generally provides that rental increases must be reasonable. Also, certain jurisdictions in California in which the Company owns Properties limit rent increases to changes in the Consumer Price Index or some percentage thereof.

Insurance. Management believes that the Properties are covered by adequate fire, flood, property and earthquake insurance (where appropriate) provided by reputable companies and with commercially reasonable deductibles and limits. The Company believes its insurance coverage is adequate based on the Company's assessment of the risks to be insured, the probability of loss and the relative cost of available coverage. The Company has obtained title insurance insuring fee title to the Properties in an aggregate amount which the Company believes to be adequate.

INDUSTRY

THE MANUFACTURED HOME COMMUNITY INDUSTRY

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

- Barriers to Entry: The Company believes that the supply of new manufactured home communities will be constrained due to barriers to entry into the industry. The most significant barrier has been the difficulty in securing zoning from local authorities. This has been the result of (i) the public's poor perception of the business, and (ii) the fact that manufactured home communities generate less tax revenue because the homes are treated as personal property (a benefit to the home owner) rather than real property. Another factor that creates substantial barriers to entry is the length of time between investment in the communities' development and the attainment of stabilized occupancy and the generation of revenues. The initial development of the infrastructure may take up to two or three years. Once the community is ready for occupancy, it may be difficult to attract residents to an empty community. Substantial occupancy levels may take a number of years to achieve.

- Industry Consolidation: According to an industry analyst's manufactured home community industry report, there are approximately 24,000 manufactured home communities in the United States. The Company believes that approximately 20% or 4,800 of these communities would be considered "investment-grade". The five public companies which own manufactured home communities own approximately 382 or less than 10% of the "investment-grade" communities. In addition, based on a report prepared by one analyst, the top 50 owners of manufactured home communities own approximately 25% of the "investment-grade" assets. The Company believes that this relatively high degree of fragmentation in the industry provides the Company, as a national organization with experienced management and substantial financial resources, the opportunity to purchase additional manufactured home communities at favorable prices.

- Stable Tenant Base: The Company believes that manufactured home communities tend to achieve and maintain a stable rate of occupancy due to the following factors: (i) residents own their own homes, and (ii) moving a manufactured home from one community to another involves substantial cost and effort and often results in the abandonment of on-site improvements made by the tenant such as decks, garages, carports and landscaping.

MANUFACTURED HOUSING

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

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

- Importance of Home Ownership. A 1996 survey by the Federal National Mortgage Association indicated that most people would make a wide range of trade-offs in order to own their own home. Security and permanence are thought to be non-financial reasons to own a home. The commitment to home ownership is tempered by an awareness of the high cost of owning a home. The affordability of manufactured housing allows many individuals to achieve this goal without jeopardizing their financial security.

- Affordability. For a significant number of persons, manufactured housing represents the only means of achieving home ownership. In addition, the total cost of housing in a manufactured home community (home cost, site rent and related occupancy costs) is competitive with and often lower than the total cost of alternative housing, such as apartments and condominiums.

- Lifestyle Choice. As the average age of the United States population has increased, manufactured housing has become an increasingly popular housing alternative for retirement and "empty-nest" living. The percentage of buyers of manufactured homes who are 40 to 49 years old has more than doubled since 1981 and the percentage of buyers who are 50 to 59 years old increased 40% in the same period. The Company believes that manufactured housing is especially attractive to such individuals when located within a community that offers an appealing amenity package, close proximity to local services, social activities, low maintenance and a secure environment.

- Construction Quality. Since 1976, all manufactured housing has been required to meet stringent Federal standards, resulting in significant increases in the quality of the industry's product. The Department of Housing and Urban Development's standards for manufactured housing construction quality are the only Federally regulated standards governing housing quality of any type in the United States. Manufactured homes produced since 1976 have received a "red and silver" government seal certifying that they were built in compliance with the Federal code. The code regulates manufactured home design and construction, strength and durability, fire resistance and energy efficiency, and the installation and performance of heating, plumbing, air conditioning, thermal and electrical systems. In newer homes, top grade lumber and dry wall materials are common. Also, manufacturers are required to follow the same fire codes as builders of site-built structures.

- Comparability to Site-Built Homes. The manufactured housing industry has experienced a recent trend towards multi-section homes. Many modern manufactured homes are longer (up to 80 feet compared to 50 feet in the 1960s) and wider than earlier models. Many homes have vaulted ceilings, fireplaces and as many as four bedrooms and closely resemble single family site-built homes.

ITEM 2. PROPERTIES

The Company believes that the Properties provide attractive amenities and common facilities that create a comfortable and attractive community for the residents, with most offering a clubhouse, a swimming pool, laundry facilities and cable television service. Many also offer additional amenities such as sauna/whirlpool spas, golf courses, tennis, shuffleboard and basketball courts and exercise rooms. Since residents own their homes, it is their responsibility to maintain their homes and the surrounding area. It is management's role to insure that residents comply with community policies and to provide maintenance of the common areas, facilities and amenities. The Company holds periodic meetings of its property management personnel for training and implementation of the Company's strategies. The Properties historically have had and the Company believes they will continue to have low turnover and high occupancy rates due in part to this strategy.

The distribution of the Properties throughout the United States reflects the Company's belief that geographic diversification helps insulate the portfolio from regional economic influences. The Company intends to target new acquisitions in or near markets where the Properties are located and will also consider acquisitions of properties outside such markets. The Company's five largest markets of Properties owned are Florida (28 Properties), California (18 Properties), Arizona (15 Properties), Colorado (10 Properties) and the Northeast (8 Properties). These markets account for 34%, 15%, 10%, 11%, and 9%, respectively, of the Company's total revenues for the year ended December 31, 1997. The Company also has Properties located in the following markets: Northwest, Midwest, and Nevada area. The Company's largest Property, Bay Indies, located in Venice, Florida accounted for 4.4% of the Company's total revenues for the year ended December 31, 1997.

The following tables set forth certain information relating to the Properties owned by the Company as of December 31, 1997 categorized by the Company's major markets. "Core Portfolio" represents an analysis of Properties owned as of the beginning of both years under comparison.

Community	Location City	State	Approximate Acreage	Number of Sites as of 12/31/97	Occupancy as of 12/31/97	Occupancy as of 12/31/96	Monthly Base Rent as of 12/31/97	Monthly Base Rent as of 12/31/96
				FLORIDA				
CENTRAL FLORIDA:								
Mid-Florida Lakes	Leesburg	FL	290	1,195	95% (b)	94% (b)	$288	$280
Oak Bend	Ocala	FL	100	262	79% (b)	78% (b)	$208	$200
Spanish Oaks	Ocala	FL	78	459	98%	99%	$260	$245
The Landings	Port Orange	FL	80	436	91%	(a)	$274	(a)
Pickwick Village	Port Orange	FL	84	432	94%	(a)	$271	(a)
EASTERN FLORIDA:								
Carriage Cove	Daytona Beach	FL	78	418	99%	(a)	$334	(a)
Bulow Village	Flagler Beach	FL	40	276	65% (b)	100%	$196	$182
Arrowhead Village	Lantana	FL	102	603	96%	(a)	$362	(a)
Colonies of Margate	Margate	FL	125	819	98%	97%	$392	$383
Lakewood Village	Melbourne	FL	69	349	96%	96%	$306	$291
Heritage Village	Vero Beach	FL	64	436	98%	98%	$269	$261
Indian Oaks	Rockledge	FL	38	211	80% (b)	(a)	$221	(a)
WESTERN FLORIDA								
Bay Indies	Venice	FL	211	1,309	100%	100%	$292	$284
Bay Lake Estates	Nokomis	FL	35	228	100%	100%	$320	$305
Buccaneer Estates	N. Ft. Myers	FL	223	971	100%	100%	$286	$270
Country Place	New PortRichey	FL	82	515	72% (b)	65% (b)	$205	$195
East Bay Oaks	Largo	FL	41	328	99%	99%	$314	$302
Eldorado Village	Largo	FL	25	227	100%	99%	$314	$304
Hillcrest	Clearwater	FL	25	279	90% (b)	(a)	$278	(a)
Holiday Ranch	Largo	FL	13	150	89%	(a)	$313	(a)
Lake Fairways	N. Ft. Myers	FL	259	896	100%	100%	$323	$312
Lake Haven	Dunedin	FL	48	379	98%	98%	$336	$324
Pine Lakes	N. Ft. Myers	FL	298	585	100%	97%	$392	$381
The Heritage	N. Ft. Myers	FL	214	454	67% (b)	60% (b)	$270	$264
Windmill Manor	Bradenton	FL	44	292	98%	(a)	$316	(a)
Windmill Village	N. Ft. Myers	FL	69	491	100%	99%	$278	$272
Windmill Village South	Sarasota	FL	61	306	100%	100%	$288	$276
Windmill Village North	Sarasota	FL	74	471	100%	99%	$287	$276
Total Florida Market				13,777	95%	95%	$301	$290
Florida Core Portfolio				10,956	95%	95%	$300	$290

Community	Location City, State		Approximate Acreage	Number of Sites as of 12/31/97	Occupancy as of 12/31/97	Occupancy as of 12/31/96	Monthly Base Rent as of 12/31/97	Monthly Base Rent as of 12/31/96
CALIFORNIA								
Northern California:								
California Hawaiian	San Jose	CA	50	413	100%	(a)	$544	(a)
Colony Park	Ceres	CA	10	187	77%	(a)	$319	(a)
Concord Cascade	Pacheco	CA	31	283	99%	99%	$473	$468
Contempo Marin	San Rafael	CA	61	396	100%	100%	$582	$566
Coralwood	Modesto	CA	22	194	93%	(a)	$373	(a)
De Anza Santa Cruz	Santa Cruz	CA	30	198	100%	100%	$460	$450
Four Seasons	Fresno	CA	40	242	67%	(a)	$230	(a)
Monte del Lago	Castroville	CA	54	314	86% (b)	(a)	$431	(a)
Royal Oaks	Visalia	CA	29	149	85%	(a)	$240	(a)
San Jose I-IV (c)	San Jose	CA	88	724	100%	(a)	$501	(a)
Sea Oaks	Los Osos	CA	18	125	100%	(a)	$323	(a)
Sun Shadow	San Jose	CA	30	121	100%	(a)	$527	(a)
Southern California:								
Date Palm	Cathedral City	CA	145	538	90%	91%	$573	$560
Lamplighter	Spring Valley	CA	32	270	96%	96%	$477	$454
Rancho Valley	El Cajon	CA	19	140	94%	93%	$474	$456
Total California Market				4,294	94%	96%	$474	$511
California Core Portfolio				1,825	96%	96%	$523	$511
ARIZONA								
Apollo Village	Phoenix	AZ	29	238	93% (b)	93% (b)	$316	$294
Brentwood Manor	Mesa	AZ	45	275	99%	98%	$386	$368
Carefree Manor	Phoenix	AZ	16	127	98%	(a)	$264	(a)
Casa del Sol Resort #1	Peoria	AZ	24	246	97%	96%	$368	$348
Casa del Sol Resort #2	Glendale	AZ	29	239	100%	99%	$393	$373
Central Park	Phoenix	AZ	40	293	94%	94%	$329	$314
Desert Skies	Phoenix	AZ	24	170	97%	(a)	$252	(a)
Em Ja Ha	Phoenix	AZ	100	115	100%	(a)	$227	(a)
Fairview Manor	Tucson	AZ	28	235	99%	(a)	$270	(a)
Hacienda De Valencia	Mesa	AZ	51	366	94%	93%	$316	$299
Palm Shadows	Glendale	AZ	33	294	98%	99%	$297	$279
Sedona Shadows	Sedona	AZ	41	200	86%	(a)	$267	(a)
Sunrise Heights	Phoenix	AZ	28	200	94%	92%	$304	$281
The Mark	Mesa	AZ	61	409	99%	92%	$295	$276
The Meadows	Tempe	AZ	57	391	96%	96%	$366	$347
Total Arizona Market				3,798	96%	95%	$317	$317
Arizona Core Portfolio				2,466	96%	94%	$325	$308

Community	Location City, State		Approximate Acreage	Number of Sites as of 12/31/97	Occupancy as of 12/31/97	Occupancy as of 12/31/96	Monthly Base Rent as of 12/31/97	Monthly Base Rent as of 12/31/96
				COLORADO				
Bear Creek	Sheridan	CO	6	127	99%	(a)	$354	(a)
Cimarron	Broomfield	CO	48	327	98%	98%	$332	$318
Golden Terrace	Golden	CO	36	265	99%	99%	$369	$349
Golden Terrace West	Golden	CO	38	317	98%	98%	$362	$343
Golden Terrace South	Golden	CO	14	80	99%	(a)	$337	(a)
Hillcrest	Aurora	CO	73	603	95%	94%	$359	$343
Holiday Hills	Denver	CO	99	737	97%	96%	$346	$328
Holiday Village - CO	Co. Springs	CO	39	240	97%	98%	$348	$324
Pueblo Grande	Pueblo	CO	33	252	98%	98%	$226	$207
Woodland Hills	Denver	CO	57	434	99%	99%	$336	$311
Total Colorado Market				3,382	97%	97%	$340	$321
Colorado Core Portfolio				3,175	97%	97%	$340	$321
				NORTHEAST				
Mariner's Cove	Millsboro	DE	110	375	83% (b)	81% (b)	$302	$278
Nassau	Lewes	DE	67	392	97%	99%	$245	$232
Waterford	Wilmington	DE	160	731	89% (b)	85% (b)	$337	$324
Pheasant Ridge	Mt. Airy	MD	98	101	100%	100%	$368	$344
Meadows of Chantilly	Chantilly	VA	82	500	86%	91%	$463	$443
Independence Hill	Morgantown	WV	55	203	98%	99%	$178	$167
Green Acres	Breinigsville	PA	149	595	98% (b)	95% (b)	$357	$339
Brook Gardens	Lackawanna	NY	87	426	99%	(a)	$388	(a)
Total Northeast Market				3,323	92%	91%	$340	$318
Northeast Core Portfolio				2,166	92%	93%	$330	$316
				MIDWEST				
Five Seasons	Cedar Rapids	IA	62	389	91% (b)	(a)	$224	(a)
Holiday Village - IA	Sioux City	IA	160	519	95%	94%	$204	$190
Camelot Acres	Burnsville	MN	180	319	96%	94%	$335	$314
Golf Vista Estates	Monee	IL	144	229	86% (b)	(a)	$283	(a)
Willow Lake Estates	Elgin	IL	110	616	99%	100%	$527	$500
Burns Harbor	Chesterton	IN	42	228	97%	98%	$268	$253
Candlelight Village	Columbus	IN	101	585	97% (b)	93%	$164	$157
Oak Tree Village	Portage	IN	76	380	98%	98%	$250	$236
Creekside	Wyoming	MI	8	165	98%	(a)	$340	(a)
Bonner Springs	Bonner Springs	KS	33	210	77%	78%	$175	$175
Carriage Park	Kansas City	KS	24	143	67% (d)	60% (d)	$172	$174
Quivira Hills	Kansas City	KS	54	142	80%	78%	$212	$207
Rockwood Village	Tulsa	OK	38	265	99%	99%	$191	$182
Briarwood	Brookline	MO	27	166	95%	94%	$169	$159
Dellwood Manor	Warrensburg	MO	46	136	89%	89%	$156	$144
Northstar Village	Kansas City	MO	61	219	85%	87%	$219	$209
Total Midwest Market				4,711	93%	92%	$266	$253
Midwest Core Portfolio				3,343	93%	92%	$284	$270

Community	Location City, State		Approximate Acreage	Number of Sites as of 12/31/97	Occupancy as of 12/31/97	Occupancy as of 12/31/96	Monthly Base Rent as of 12/31/97	Monthly Base Rent as of 12/31/96
			NEVADA, UTAH, NEW MEXICO					
Del Rey	Albuquerque	NM	59	407	95%	99%	$337	$320
All Seasons	Salt Lake City	UT	29	121	100%	(a)	$251	(a)
Westwood Village	Farr West	UT	93	294	100%	(a)	$204	(a)
Bonanza	Las Vegas	NV	43	353	99%	99%	$415	$398
Flamingo West	Las Vegas	NV	36	205	100%	100%	$375	$383
The Cabana	Las Vegas	NV	37	263	100%	100%	$378	$364
Villa Borega	Las Vegas	NV	40	293	98%	(a)	$403	(a)
Total Nevada Market				1,936	98%	100%	$348	$362
Nevada Core Portfolio				1,228	98%	100%	$380	$362
				NORTHWEST				
Kloshe Illahee	Federal Way	WA	50	258	100%	(a)	$397	(a)
Falconwood	Eugene	OR	30	183	98%	(a)	$285	(a)
Quail Hollow	Fairview	OR	17	137	100%	(a)	$373	(a)
Shadowbrook	Clackamas	OR	20	156	100%	(a)	$384	(a)
Casa Village	Billings	MT	65	491	97%	96%	$240	$232
Total Northwest Market				1,225	98%	96%	$313	$232
Northwest Core Portfolio				491	97%	96%	$240	$232
Grand Total Company Portfolio				36,446	95% (e)	95% (e)	$329	$313
Grand Total Core Portfolio				25,650	95%	95%	$327	$314

(a) The Company acquired this Property in 1997.
(b) The process of filling expansion sites at these properties is ongoing.
(c) San Jose I-IV was subsequently renamed Westwinds.
(d) Carriage Park suffered damage to approximately 85 homes in 1993 due to flooding; the process of re-leasing these sites is ongoing.
(e) Changes in total portfolio occupancy includes the impact of acquisitions and expansion programs and are therefore not comparable. See Management's Discussion and Analysis of Financial Condition and Results of Operations.

ITEM 3. LEGAL PROCEEDINGS

Richard M. Perlman, a former employee of companies controlled by Mr. Samuel Zell, Chairman of the Board of Directors, filed a legal proceeding against Mr. Zell and various partnerships and corporations controlled by Mr. Zell claiming, inter alia, that he had an interest in certain of the properties previously owned by Mobile Home Communities, Inc. which were contributed to the Operating Partnership at the time of the Company's initial public offering and that he suffered damages when those properties were transferred in the Operating Partnership. The proceeding was filed on July 21, 1995 (Richard M. Perlman et al. v. Samuel Zell et al.) (United States District Court for the Northern District of Illinois-Eastern Division, Case No. 95 C 4242). Mr Perlman voluntarily dismissed the action that he previously filed in the Circuit Court of Cook County, Illinois, which was known as Richard M. Perlman v. Samuel Zell, et. al, Case No. 92 CH 19915. The Company is not party to this lawsuit. This action has proceeded to a jury verdict and the Company has incurred no liability and will incur no losses in connection with such action.

In a separate matter, 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. 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, 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. A trial in the matter is set for July 1998 and 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. Although no fines or penalties have been assessed to date, USEPA continues to threaten the imposition of fines, penalties and further legal proceedings regarding these matters. The Company believes it complied with one order by connecting to the local municipal waste water system, which connection was completed in 1997 and will further upgrade 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 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

PART II

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

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

	Close	High	Low	Distributions Made	Return of Capital GAAP Basis (a)
1997					
1st Quarter	$ 21.875	$ 24.25	$ 21.375	$ .33	$ .05
2nd Quarter	23.0625	23.75	20.125	.33	.04
3rd Quarter	26.00	26.4375	23.0625	.33	.02
4th Quarter	27.00	27.50	25.625	.33	.04
1996					
1st Quarter	$ 17.75	$ 19.75	$ 17.25	$.305	$.065
2nd Quarter	19.25	19.375	17.00	.305	.065
3rd Quarter	19.25	19.625	17.875	.305	.045
4th Quarter	23.25	23.25	19.00	.305	.065

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

The number of beneficial holders of the Company's common stock at December 31, 1997 was approximately 5,600.

ITEM 6. SELECTED FINANCIAL AND OPERATING INFORMATION

The following table sets forth selected financial and operating information on a historical basis for the Company. The following information should be read in conjunction with all of the financial statements and notes thereto included elsewhere in this Form 10-K. The historical operating data for the years ended December 31, 1997 and 1996 has been derived from the historical Financial Statements of the Company audited by Ernst & Young LLP, independent auditors. The historical operating data for the years ended December 31, 1995, 1994, and 1993 have been derived from the historical Financial Statements of the Company audited by Coopers & Lybrand, L.L.P., independent auditors.

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

Manufactured Home Communities, Inc. Consolidated Historical

	1997	1996	1995	1994	1993
	(1) Years ended December 31,				
	(Amounts in thousands, except for per share and property data)				
OPERATING DATA:					
REVENUES					
Base rental income	$ 108,984	$ 93,109	$ 85,242	$ 60,085	$ 36,112
Utility and other income	11,785	8,821	8,481	4,348	2,711
Equity in income of affiliates	800	853	885	727	1,195
Interest income	1,941	2,420	2,296	3,599	1,958
Total revenues	123,510	105,203	96,904	68,759	41,976
EXPENSES					
Property operating and maintenance	32,343	28,399	27,057	19,203	11,350
Real estate taxes	8,352	7,947	7,241	4,214	2,329
Property management	5,079	4,338	4,675	4,099	2,168
General and administrative	4,559	4,062	4,537	3,668	1,383
Depreciation and other costs (2)	17,955	15,732	16,122	9,520	5,201
Interest and related amortization (3)	21,753	17,782	18,527	11,146	8,588
Total expenses	90,041	78,260	78,159	51,850	31,019
Income from operations	33,469	26,943	18,745	16,909	10,957
Gain (loss) on sale of property	---	---	1,278	(293)	---
Income before allocation to minority interests and extraordinary item	33,469	26,943	20,023	16,616	10,957
Income allocated to minority interests	(4,373)	(2,671)	(2,006)	(1,568)	(522)
Income before extraordinary item	29,096	24,272	18,017	15,048	10,435
Extraordinary loss on early extinguishment of debt (net of income allocated to minority interests)	(451)	---	---	---	---
Net income	$ 28,645	$ 24,272	$ 18,017	$ 15,048	$ 10,435
Net income per common share before extraordinary item - basic	$ 1.18	$ .98	$ .74	$ .70	$ .70
Net income per common share before extraordinary item - diluted (4)	$ 1.16	$ .98	$ .74	$ .70	$ .69
Net income per common share - basic	$ 1.16	$ .98	$ .74	$ .70	$ .70
Net income per common share - diluted (4)	$ 1.15	$ .98	$ .74	$ .70	$ .69
Dividend per share (5)	$ 1.32	$ 1.22	$ 1.18	$ 1.14	$ 1.03
Weighted average common shares outstanding - basic, excluding OP Units of 3,749, 2,715, 2,717, 2,397 and 2,279, respectively	24,689	24,693	24,353	21,508	14,918
Weighted average common shares outstanding - diluted, including OP Units of 3,749, 2,715, 2,717, 2,397, and 2,279, respectively	28,762	27,546	27,138	23,942	17,344
OTHER DATA:					
Funds from operations (6)	$ 50,834	$ 42,187	$ 34,518	$ 26,186	$ 16,094
Net cash flow:					
Operating activities	$ 54,581	$ 49,660	$ 40,161	$ 24,910	$ 16,724
Investing activities	$(239,445)	$(60,954)	$ 4,382	$(220,707)	$(178,059)
Financing activities	$ 185,449	$ 10,858	$ (45,707)	$ 170,427	$ 188,449
Total Properties (at end of period) (7)	121	69	65	67	47
Total sites (at end of period)	44,108	27,356	25,552	25,860	14,474
Total sites (weighted average)	29,323	26,621	25,375	18,164	13,144

	(1) December 31,				
	1997	1996	1995	1994	1993
	(In thousands)				
BALANCE SHEET DATA:					
Real estate, before accumulated depreciation (8)	$ 936,318	$597,650	$ 543,229	$ 541,775	$ 197,812
Total assets	864,365	567,874	523,125	544,106	341,728
Total debt	495,172	254,982	211,966	226,670	103,000
Minority interests	67,453	28,640	29,305	30,507	23,432
Stockholders' equity	280,575	257,952	261,500	270,602	204,426

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

(2) Depreciation and other costs include depreciation on corporate assets of approximately $590,000, $488,000, $349,000, $243,000, and $64,000 for the years ended December 31, 1997, 1996, 1995, 1994, and 1993, respectively.

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

The Company has a $100 million credit facility bearing interest at London Interbank Offered Rate ("LIBOR") plus 1.125% ($25 million outstanding at December 31, 1997).

In July 1995, the Company entered into an interest rate swap agreement (the "Swap") fixing the LIBOR on $100 million of the Company's floating rate debt at 6.4% for the period March, 1998 through 2003. By fixing the rate on $100 million of debt, the Company avoids the general uncertainty relating to the floating interest rate on the Company's variable rate debt through such time.

(4) The earnings per share amounts prior to 1997 have been restated as required to comply with Statement of Financial Accounting Standards No. 128, "Earnings Per Share" ("SFAS No. 128"). For further discussion of earnings per share and the impact of SFAS No. 128, see the notes to the consolidated financial statements beginning on page F-8.

(5) The Company went public on March 3, 1993. The 1993 first quarter dividend of $.08 reflected the period from March 3, 1993 to March 31, 1993 and was prorated to $.25.

(6) The Company generally considers Funds From Operations ("FFO") to be an appropriate measure of the performance of an equity REIT. FFO was defined by the National Association of Real Estate Investment Trusts ("NAREIT") in March 1995 as net income (computed in accordance with GAAP), before allocation to minority interests, excluding gains (or losses) from sales of property, plus real estate depreciation and after adjustments for significant non-recurring items, if any. In the first quarter of 1996, the Company adopted this new definition of FFO which is effective for periods ending after December 31, 1995. For purposes of presenting FFO, the revised definition of FFO has been given retroactive treatment. Prior to this adoption, FFO was defined as income before allocation to minority interests plus certain non-cash items, primarily depreciation and amortization. The Company believes that FFO is helpful to investors as a measure of the performance of an equity REIT because, along with cash flows from operating activities, financing activities and investing activities, it provides investors an understanding of the ability of the Company to incur and service debt and to make capital expenditures. The Company computes FFO in accordance with the NAREIT definition which may differ from the methodology for calculating FFO utilized by other equity REITs and, accordingly, may not be comparable to such other REITs. FFO in and of itself does not represent cash generated from operating activities in accordance with GAAP and therefore should not be considered an alternative to net income as an indication of the Company's performance or to net cash flows from operating activities as determined by GAAP as a measure of liquidity and is not necessarily indicative of cash available to fund cash needs.

(7) During the year ended December 31, 1993, seven Properties were acquired which had aggregate net operating income of $1.5 million in 1993, which included approximately $500,000 of depreciation and amortization expense. During 1994, 23 Properties were acquired, which had an aggregate net operating income of $10.3 million in 1994, which included approximately $3.7 million of depreciation and amortization expense. Also during 1994, three properties were sold; net operating income attributable to such properties was approximately $30,500, which included approximately $32,000 of depreciation and amortization expense. During the year ended December 31, 1995, two properties were sold; net operating income attributable to such properties was approximately $235,000, which included approximately $83,000 of depreciation and amortization expense. During the year ended December 31, 1996, four Properties were acquired; net operating income attributable to such Properties was approximately $1.8 million, which included approximately $371,000 of depreciation and amortization expense. During the year ended December 31, 1997, 39 Properties were acquired; net operating income attributable to such Properties was approximately $3.8 million, which included approximately $1.7 million of depreciation and amortization expense.

(8) The Company believes that the book value of the Properties, which reflects historical costs of such real estate assets less accumulated depreciation, is less than the current market value of the Properties.

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

The following discussion should be read in conjunction with "Selected Financial Data" and the historical Consolidated Financial Statements and Notes thereto appearing elsewhere in this Annual Report.

RESULTS OF OPERATIONS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Interest and related amortization ($21.8 million) increased $4.0 million or 22.3%. The increase was due to higher weighted average outstanding debt balances during the period. The weighted average outstanding debt balances for the years ended December 30, 1997 and 1996 were $301.3 million and $234.9 million, respectively. The effective interest rate was 7.1% in 1997 and 7.2% in 1996. Interest and related amortization represented 17.6% of total revenues in 1997 and 16.9% in 1996.

On December 12, 1997 the Company refinanced the $100.0 million mortgage note (the "Original Mortgage Debt") with a $265.0 million mortgage note (the "New Mortgage Debt") collateralized by 29 properties beneficially owned by MHC Financing Limited Partnership. The New Mortgage Debt has a maturity date of January 2, 2028 and pays interest only at 7.015%. There is no principal amortization until February 1, 2008 after which principal and interest are paid from available cash flow and the interest rate is reset at a rate equal to the then 10-year U.S. Treasury obligations plus 2.0%. In October 1996, the Company entered into an interest rate swap agreement (the "1997 Swap") fixing LIBOR on the Original Mortgage Debt at 5.57% effective January 10, 1997 through March 3, 1998. The Company sold the 1997 Swap in December 31, 1997 for approximately $26,000 in connection with the refinancing.

On March 1, 1997, the Company amended the credit agreement for its $100.0 million line of credit reducing the interest rate from LIBOR plus 1.375% to LIBOR plus 1.125%. In addition, the fee on the average unused amount was reduced to 0.125% of such amount from 0.15%. The Company did not pay any fees in connection with this amendment.

On April 3, 1997, the Company entered into a $60.0 million term loan (the "Loan") with a group of banks with interest only payable monthly at a rate of LIBOR plus 1.0%. The Loan matures on April 3, 2000 and may be extended to April 3, 2002. In connection with the Loan, the outstanding balance under the $100.0 million line of credit was reduced by $60.0 million.

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 March, 1998 through 2003. By fixing the rate on $100 million of debt, the Company avoids the general uncertainty relating to the floating interest rate on the Company's variable rate debt through such time. The cost of the 1998 Swap consisted only of legal costs which were deemed immaterial. The value of the 1998 Swap is impacted by changes in the market rate of interest. Had the 1998 Swap been entered into on December 31, 1997, the applicable LIBOR swap rate would have been 5.97%. Each 0.01% increase or decrease in the applicable swap rate for the 1998 Swap increases or decreases the value of the 1998 Swap entered into by the Company versus its current value by approximately $43,245.

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

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

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

COMPARISON OF YEAR ENDED DECEMBER 31, 1996 TO YEAR ENDED DECEMBER 31, 1995

Since December 31, 1995, the gross investment in rental property had increased from $543 million to $598 million when compared to December 31, 1996 due to the acquisition of Waterford on February 28, 1996, the funding of the Candlelight Village loan, which was accounted for as a purchase, on May 9, 1996, and the acquisition of Casa del Sol Resort No. 1 and Casa del Sol Resort No. 2 (collectively, the "Casa del Sol Resorts") on October 23, 1996. The total number of sites increased from 25,552 as of December 31, 1995 to 27,356 as of December 31, 1996.

The following table summarizes certain weighted average occupancy statistics for the years ended December 31, 1996 and 1995.

	Core Portfolio		Total Portfolio	
	1996	1995	1996	1995
Total sites	25,554	25,375	26,621	25,375
Occupied sites	24,098	23,787	25,025	23,787
Occupancy %	94.3%	93.7%	94.0%	93.7%
Monthly base rent per site	$312	$297	$310	$297

Base rental income ($93.1 million) increased $7.9 million or 9.2%. For the Core Portfolio, base rental income increased approximately $5.4 million or 6.3%, reflecting a 5.0% increase in base rental rates and a 1.3% increase related to occupancy. Base rental income at Waterford, Candlelight Village and the Casa del Sol Resorts (collectively, the "1996 Acquisitions") was approximately $3.0 million for the year ended December 31, 1996. Partially offsetting this increase was a $502,000 decrease in base rental income resulting from the sale of two properties in 1995.

Monthly base rent per site for the total portfolio increased 4.4% reflecting a 5.0% increase in the Core Portfolio, partially offset by lower monthly base rents for the 1996 Acquisitions. Average monthly base rent per site for the 1996 Acquisitions was $270.

Weighted average occupancy increased 0.4% primarily due to increased occupancy at the expansion communities.

Utility and other income ($8.8 million) increased $340,000 or 4% primarily due to increased utility income and real estate tax pass-on income.

Interest income ($2.4 million) increased $124,000 or 5%, primarily due to interest earned on the employee notes granted on January 2, 1996, partially offset by a decrease in interest earned on short-term investments. Short-term investments had average balances for the years ended December 31, 1996 and 1995 of approximately $3.4 million and $3.5 million, respectively, which earned interest income at an effective rate of 5.4% in both years.

Property operating and maintenance expenses ($28.4 million) increased $1.3 million or 5% due to the impact of the 1996 Acquisitions, an increase in utility expense, insurance and other expenses, and repairs and maintenance expense at the Core Portfolio. Partially offsetting the increase was a decrease resulting from the sale of two properties in 1995 and a decrease in property payroll and property general and administrative expense at the Core Portfolio. Property operating and maintenance expenses represented 27.0% of total revenues in 1996 and 27.9% in 1995.

Real estate taxes ($7.9 million) increased $706,000 or 10% due to the expected increase in assessed values at certain Properties in 1996. Real estate taxes represented 7.6% of total revenues in 1996 and 7.5% in 1995.

Property management expenses ($4.3 million) decreased $337,000 or 7%. The decrease was primarily due to a decrease in management company payroll as a result of the staffing reductions in 1995. Property management expenses represented 4.1% of total revenues in 1996 and 4.8% in 1995.

G&A expenses ($4.0 million) decreased $475,000 or 11%. The Company continued to focus on reducing G&A expenses as a percentage of revenues and, as a result these costs decreased significantly in 1996. In addition, professional fees decreased resulting from the write-off in 1995 of legal due diligence and related costs associated with acquisitions which did not materialize. G&A expenses represented 3.9% of total revenues in 1996 and 4.7% in 1995.

EBITDA increased $7.1 million or 21%. Approximately $2.2 million of the increase related to the 1996 Acquisitions, partially offset by a decrease resulting from the sale of two properties in 1995. The remaining increase reflected increased base rental income and decreased payroll expense and property general and administrative expenses, partially offset by increased repairs and maintenance expense, utility expense, insurance and other expenses and real estate expense at the Core Portfolio. In addition, corporate G&A increased and property management expenses decreased. EBITDA represented 57.5% of total revenues in 1996 and 55.1% in 1995.

Interest expense and related amortization ($17.8 million) decreased by $745,000 or 4%. Interest expense decreased $13,000 due to a decrease in the interest rate on the Original Mortgage Debt resulting from the interest rate swap agreement entered into in December 1995 (see discussion below), partially offset by an increase in interest on the line of credit resulting from additional borrowings in 1996. The weighted average outstanding debt balances for the years ended December 31, 1996 and 1995 were $234.9 million and $228.4 million, respectively. The effective interest rates were 7.2% and 7.6% for the years ended December 31, 1996 and 1995, respectively. Amortization decreased $732,000 due to the write-off in 1995 of approximately $385,000 of loan costs related to the $50 million line of credit with General Electric Credit Corp. which expired in March 1995. In addition, the Company sold a portion of the interest rate cap on the Original Mortgage Debt related to 1996 which decreased amortization in 1996. Interest expense and related amortization represented 16.9% of total revenues in 1996 and 19.1% in 1995.

The Company had an interest rate cap for the term of the Original Mortgage Debt which eliminated exposure to increases in LIBOR over 6%, plus 1.05%. In connection with the 1997 Swap and 1998 Swap, the Company sold portions of the interest rate cap related to 1996 and 1997 and recorded a non-cash write-off of approximately $650,000 in the fourth quarter of 1995 and $482,000 in the fourth quarter of 1996.

Depreciation expense and other costs ($15.7 million) increased $390,000 or 2% as a result of the 1996 Acquisitions. In addition, the Company sold a portion of the interest rate cap on the Original Mortgage Debt related to 1996 and 1997 and incurred non-cash charges of $482,000 and $650,000 in 1996 and 1995, respectively. Depreciation expense represented 14.5% of total revenues in 1996 and 15.6% in 1995.

LIQUIDITY AND CAPITAL RESOURCES

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

Net cash provided by operating activities increased $9.5 million from $40.2 million for the year ended December 31, 1995 to $49.7 million for the same period in 1996. This increase reflected a $7.7 million increase in FFO, which reflected increases in rental income and decreases of certain expenses as discussed in "Results of Operations" above, an increase in accounts payable accruals of approximately $1.6 million primarily related to acquisition activities and real estate taxes, and an increase in collection of rents receivable of $498,000, partially offset by decreased collections of miscellaneous receivables.

FFO was defined by 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 propery, plus real estate depreciation and after adjustments for significant non-recurring items, if any. In the first quarter of 1996, the Company adopted this new definition of FFO which was effective for periods ending after December 31, 1995. Prior to this adoption, FFO was defined as income before allocation to minority interests plus certain non-cash items, primarily depreciation and amortization. The Company computes FFO in accordance with the NAREIT definition which may differ from the methodology for calculating FFO utilized by other equity REITs and, accordingly, may not be comparable to such other REITs. Funds available for distribution ("FAD") is defined as FFO less non-revenue producing capital expenditures. The Company believes that FFO and FAD are useful to investors as a measure of the performance of an equity REIT because, along with cash flows from operating activities, financing activities and investing activities, they provide investors an understanding of the ability of the Company to incur and service debt and to make capital expenditures. FFO and FAD in and of themselves do not represent cash generated from operating activities in accordance with GAAP and therefore should not be considered an alternative to net income as an indication of the Company's performance or to net cash flows from operating activities as determined by GAAP as a measure of liquidity and are not necessarily indicative of cash available to fund cash needs.

The following table presents a calculation of FFO and FAD for the years ended December 31, 1997, 1996 and 1995 (amounts in the thousands):

	For the Years Ended December 31,		
Computation of funds from operations:	1997	1996	1995
Income before allocation to minority interests and extraordinary item	$33,469	$26,943	$20,023
Depreciation on real estate assets and other costs	17,365	15,244	15,773
Gain on sale of assets	---	---	(1,278)
Funds from operations (a)	$50,834	$42,187	$34,518
Computation of funds available for distribution:			
Funds from operations (a)	$50,834	$42,187	$34,518
Non-revenue producing improvements - rental properties	(4,187)	(3,402)	(3,286)
Funds available for distribution	$46,647	$38,785	$31,232

- ---------------

(a) FFO for the year ended December 31, 1995 has been restated pursuant to the new definition of FFO adopted by the Company for periods ending after December 31, 1995.

Net cash used in investing activities increased $178.5 million from $70 million for the year ended December 31, 1996 to $239.4 million for the year ended December 31, 1997, primarily due to increased payments for acquisitions in 1997 and the Company's investment in partnerships, partially offset by the collection of principal payments on notes receivable, net proceeds from the sale of project related assets and decreased purchases of short-term investments, all of which had maturitites of three months or less.

Net cash used in investing activities increased $65.4 million from $4.4 million provided by investing activities for the year ended December 31, 1995 to $61.0 million used in investing activities for the year ended December 31, 1996, primarily due to the acquisitions of Waterford and the Casa del Sol Resorts, the financing of Candlelight Village, the costs incurred in pursuit of a proposed merger, a decrease in cash from the sale of rental properties in 1996 when compared to 1995 and the purchase of short-term investments. Partially offsetting this increase were increased distributions from RSI.

During 1996, the Company offered a merger proposal to Chateau in opposition to Chateau's proposed merger with ROC Communities, Inc. ("ROC") and incurred approximately $1.3 million in project related costs and invested in certain project related saleable assets with a book value of approximately $9.9 million. These expenditures were included in prepaid expenses and other assets at December 31, 1996. On February 11, 1997, Chateau's shareholders approved Chateau's merger with ROC. Thus, during 1997, the Company sold the related assets it had acquired for approximately $11.1 million and incurred a net gain of approximately $259,000.

During 1997, notes receivable of approximately $15 million were repaid. In connection with the repayments, the Company recognized a one-time gain of $525,000 representing the collection of a $1.4 million prepayment penalty, partially offset by the write-off of the apportioned purchase price originally allocated to the management contract for the property collateralizing one note and write-off of the unamortized discount on another note.

On March 14, 1997, the Company acquired California Hawaiian, located in San Jose, California, for a purchase price of approximately $23.3 million. The acquisition was funded with a borrowing under the Company's line of credit.

On March 27, 1997, the Company acquired Golf Vista, located in Monee, Illinois. The purchase price of approximately $7.4 million, including deferred payments of $150,000 per year for the next five years, was funded with existing available cash.

On May 30, 1997, the Company entered into a capital lease with East Tincup Village, Inc., a Colorado corporation, for Golden Terrace South (formerly known as East Tincup Village). The lease term is 110 months commencing on May 29, 1997 with monthly rental payments of approximately $18,000. The lease contains an option for the Company to purchase Golden Terrace South at the termination of the lease for $2.4 million. For financial accounting purposes, the Company accounts for the lease as a direct financing lease and, accordingly, the Company has recorded an investment in real estate and a note payable.

On August 29, 1997, the Company acquired the MPW Properties from limited partnerships and joint ventures affiliated with MPW. The aggregate purchase price of the MPW Properties was approximately $103 million. Approximately $64 million of the purchase price was in the form of units of limited partnership interest ("OP Units"), approximately $6 million was in the form of installment notes payable, approximately $17 million was in the form of cash funded from a borrowing under the Company's line of credit, and the Company assumed debt of approximately $13 million. In addition, the Company capitalized approximately $1.8 million of costs associated with the acquisition.

On September 16, 1997, the Company acquired Arrowhead Village, located in Lantana, Florida for a purchase price of approximately $20.3 million. The acquisition was funded with a borrowing under the Company's line of credit.

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 in excess of $300 million. The agreement immediately transferred property management of the 38 communities to the Company. The Ellenburg Communities are being sold pursuant to an order of the Superior Court for the State of California (the "California Court") which is overseeing the involuntary dissolution of ECC. The California Court has appointed winding-up agents to liquidate and wind-up the affairs of ECC. In December 1997, the Company entered into a supplemental agreement (the "Supplemental Agreement") in furtherance of its acquisition of the Ellenburg Communities which was approved by the California Court. Sales of the Ellenburg Communities are subject to limited partner approval. In December 1997, the Company closed on the acquisition of seventeen of the Ellenburg Communities for approximately $143 million and gained effective control of an additional twelve communities. In 1998, the Company closed on the acquisition of two additional Ellenburg Communities and made acquisition advances to the partnerships which own seven of the Ellenburg Communities. The Company has also acquired certain other undivided minority interests in certain of the properties. The Company is in the process of obtaining limited partner approval to acquire the remaining Ellenburg Communities. The Company has 120 days to complete certain post-closing due diligence procedures and adjust the purchase price to the extent that: (i) the net operating income of the communities is less than the amount used to determine the purchase price; (ii) the community requires environmental, structural engineering, deferred maintenance and other physical or legal costs which may be in excess of anticipated amounts for such items, and (iii) the community has negative working capital. The maximum amount for such adjustments will be equal to 25% of the net equity value of the community which will be held in escrow for 120 days from closing. The acquisitions are being financed through assumption of debt securitization with a bank and through borrowings under the Company's line of credit.

Capital expenditures for improvements were approximately $6.4 million for the year ended December 31, 1997 compared to $8.1 million for the year ended December 31, 1996. Of the $6.4 million, approximately $4.2 million represented improvements to existing sites. The Company anticipates spending approximately $4.5 million on improvements to existing sites during 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 $2.2 million represented costs to develop expansion sites at certain of the Company's Properties and other corporate headquarter costs. The Company is currently developing 90 additional sites at Golf Vista Estates which should be available for occupancy in 1998.

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

Net cash provided by financing activities increased $56.6 million from $45.7 million used in financing activities for the year ended December 31, 1995 to $10.9 million provided by financing activities for the year ended December 31, 1996 primarily due to $52.1 million of borrowings under the line of credit for the acquisitions of Waterford and the Casa del Sol Resorts and the financing of Candlelight Village.

Distributions to common stockholders and minority interests increased $13.8 million for the year ended December 31, 1997 when compared to the same period in 1996 due to an increase in the distribution per share and number of shares and OP units outstanding. For the year ended December 31, 1997, the Company declared and paid quarterly distributions totaling $1.32 per share. For the year ended December 31, 1996, the Company declared and paid quarterly distributions totaling $1.22 per share, which included the fourth quarter distribution paid on January 10, 1997. Return of capital on a GAAP basis was $0.15, $0.24 and $0.44 for the years ended December 31, 1997, 1996 and 1995, respectively.

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

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.

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 its existing line of credit and the issuance of debt securities or additional equity securities in the Company, in addition to working capital.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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

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

None.

PART III

ITEMS 10, 11, 12, 13.

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

The information required by Item 10, Item 11, Item 12, and Item 13 will be contained in a definitive proxy statement which the Registrant anticipates will be filed no later than April 28, 1998, and thus this part has been omitted in accordance with General Instruction G(3) to Form 10-K.

PART IV

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

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

(3) Exhibits:

2(a)	Admission Agreement between Equity Financial and Management Co., Manufactured Home Communities, Inc. and MHC Operating Partnership
3.1(a)	Articles of Incorporation of Manufactured Home Communities, Inc.
3.2(a)	Articles of Amendment and Restatement of Manufactured Home Communities, Inc.
3.3(a)	Bylaws of Manufactured Home Communities, Inc.
4	Not applicable
9	Not applicable
10.1(a)	Amended and Restated Agreement of Limited Partnership of MHC Operating Limited Partnership
10.2(a)	Agreement of Limited Partnership of MHC Financing Limited Partnership
10.3(a)	Agreement of Limited Partnership of MHC Management Limited Partnership
10.4(a)	Property Management and Leasing Agreement between MHC Financing Limited Partnership and MHC Management Limited Partnership
10.5(a)	Property Management and Leasing Agreement between MHC Operating Limited Partnership and MHC Management Limited Partnership
10.6(a)	Services Agreement between Realty Systems, Inc. and MHC Management Limited Partnership
10.7(a)	Rate Protection Agreement
10.8(a)	Revolving Credit Note made by Realty Systems, Inc. to Equity Financial and Management Co.
10.9(a)	Assignment to MHC Operating Limited Partnership of Revolving Credit Note made by Realty Systems, Inc. to Equity Financial and Management Co.
10.10(a)	Stock Option Plan
10.11A(a)	Indenture of Mortgage, Deed of Trust, Security Agreement, Financing Statement, Fixture Filing and Assignment of Rents
10.11B(a)	Promissory Note
10.11C(a)	Assignment of Loan Documents
10.11D(a)	Assignment of Leases, Rents and Security Deposits
10.11E(a)	Swap Agreement Pledge and Security Agreement
10.11F(a)	Cash Collateral Account Security, Pledge and Assignment Agreement
10.11G(a)	Assignment of Property Management and Leasing Agreement
10.11H(a)	Trust Agreement
10.12(a)	Form of Noncompetition Agreement
10.13(a)	Form of Noncompetition Agreement
10.13A(a)	Form of Noncompetition Agreement
10.14(a)	General Electric Credit Corporation Commitment Letter
10.15(a)	Administrative Services Agreement between Realty Systems, Inc. and Equity Group Investments, Inc.
10.16(a)	Registration Rights and Lock-Up Agreement with the Company (the Original Owners, EF&M, Directors, Officers and Employees)
10.17(a)	Administrative Services Agreement between Manufactured Home Communities, Inc. and Equity Group Investments, Inc.
10.18(a)	Form of Subscription Agreement between the Company and certain officers and other individuals dated March 3, 1993
10.19(a)	Form of Secured Promissory Note payable to the Company by certain officers dated March 3, 1993
10.20(a)	Form of Pledge Agreement between the Company and certain officers dated March 3, 1993
10.21(a)	Loan and Security Agreement between Realty Systems, Inc. and MHC Operating Limited Partnership
10.22(a)	Equity and Registration Rights Agreement with the Company (the GM Trusts)
10.23(b)	Agreement of Limited Partnership of MHC Lending Limited Partnership
10.23(c)	Agreement of Limited Partnership of MHC-Bay Indies Financing Limited Partnership
10.24(c)	Agreement of Limited Partnership of MHC-De Anza Financing Limited Partnership
10.25(c)	Agreement of Limited Partnership of MHC-DAG Management Limited Partnership

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

(3) Exhibits (continued):

10.26(d)	Amendment No. 2 to MHC Operating Limited Partnership Amended and Restated Partnership Agreement dated February 15, 1996
10.27(d)	Form of Subscription Agreement between the Company and certain members of management of the Company dated January 2, 1996
10.28(d)	Form of Secured Promissory Note payable to the Company by certain members of management of the Company dated January 2, 1996
10.29(d)	Form of Pledge Agreement between the Company and certain members of management of the Company dated January 2, 1996
10.30(e)	Second Amended and Restated MHC Operating Limited Partnership Agreement of Limited Partnership, dated as of March 15, 1996
10.31(f)	Agreement of Limited Partnership of MHC Financing Limited Partnership Two
11	Not applicable
12(f)	Computation of Ratio of Earnings to Fixed Charges
13	Not applicable
16	Not applicable
18	Not applicable
21(f)	Subsidiaries of the registrant
22	Not applicable
23(f)	Consent of Independent Auditors
23.1(f)	Consent of Independent Auditors
24.1(f)	Power of Attorney for John F. Podjasek, Jr. dated March 11, 1998
24.2(f)	Power of Attorney for Michael A. Torres dated March 11, 1998
24.3(f)	Power of Attorney for Thomas E. Dobrowski dated March 6, 1998
24.4(f)	Power of Attorney for Gary Waterman dated March 10, 1998
24.5(f)	Power of Attorney for Donald S. Chisholm dated March 5, 1998
24.6(f)	Power of Attorney for Louis H. Masotti dated March 11, 1998
27(f)	Financial Data Schedule
28	Not applicable

(a) Included as an exhibit to the Company's Form S-11 Registration Statement, File No. 33-55994, and incorporated herein by reference.

(b) Included as an exhibit to the Company's Report on Form 10-K dated December 31, 1993, and incorporated herein by reference.

(c) Included as an exhibit to the Company's Report on Form 10-K dated December 31, 1994, and incorporated herein by reference.

(d) Included as an exhibit to the Company's Report on Form 10-Q for the quarter ended March 31, 1996, and incorporated herein by reference.

(e) Included as an exhibit to the Company's Report on Form 10-Q for the quarter ended June 30, 1996, and incorporated herein by reference.

(f) Filed herewith.

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

(b) Reports on Form 8-K:

Form 8-K/A dated August 29, 1997, filed November 11, 1997, relating to Item 2 - "Acquisition of Assets" and Item 7 "Financial Statements and Exhibits" on the acquisition of the MPW Properties.

Form 8-K dated December 18, 1997, filed December 31, 1997, relating to Ite 2 - "Acquisition of Assets" and Item 7 "Financial Statements and Exhibits" on the acquisition of the Ellenburg Communities.

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

(c) Exhibits:

See Item 14 (a)(3) above.

(d) Financial Statement Schedules:

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

SIGNATURES

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

MANUFACTURED HOME COMMUNITIES, INC.,
a Maryland corporation

Date: March 13, 1998
By: /s/ Howard Walker
Howard Walker
President and Chief Executive Officer

Date: March 13, 1998
By: /s/ Thomas P. Heneghan
Thomas P. Heneghan
Executive Vice President, Treasurer and Chief Financial Officer

Date: March 13, 1998
By: /s/ Judy A. Pultorak
Judy A. Pultorak
Principal Accounting Officer

MANUFACTURED HOME COMMUNITIES, INC. - SIGNATURES

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

Name	Title	Date
/s/ Howard Walker Howard Walker	Chief Executive Officer and President *Attorney-in-Fact	March 13, 1998
/s/ Thomas P. Heneghan Thomas P. Heneghan	Executive Vice President, Treasurer and Chief Financial Officer *Attorney-in-Fact	March 13, 1998
/s/ Samuel Zell Samuel Zell	Chairman of the Board	March 13, 1998
/s/ Sheli Z. Rosenberg Sheli Z. Rosenberg	Director	March 13, 1998
/s/ David A. Helfand David A. Helfand	Director	March 13, 1998
* Donald S. Chisholm Donald S. Chisholm	Director	March 13, 1998
* Thomas E. Dobrowski Thomas E. Dobrowski	Director	March 13, 1998
* Louis H. Masotti Louis H. Masotti	Director	March 13, 1998
* John F. Podjasek, Jr. John F. Podjasek, Jr.	Director	March 13, 1998
* Michael A. Torres Michael A. Torres	Director	March 13, 1998
* Gary L. Waterman Gary L. Waterman	Director	March 13, 1998

INDEX TO FINANCIAL STATEMENTS

MANUFACTURED HOME COMMUNITIES, INC.

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

Report of Independent Auditors

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

We have audited the accompanying consolidated balance sheets of Manufactured Home Communities, Inc. as of December 31, 1997 and 1996, and the related consolidated statements of operations, changes in stockholders' equity and cash flows for the years then ended. We have also audited the related financial statement schedules listed in the accompanying index for the years ended December 31, 1997 and 1996. These financial statements and schedules are the responsibility of the management of Manufactured Home Communities, Inc. Our responsibility is to express an opinion on these financial statements and schedules based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects the consolidated financial position of Manufactured Home Communities, Inc. as of December 31, 1997 and 1996 and the consolidated results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles. Also, in our opinion, the related financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects the information required to be included therein.

ERNST & YOUNG LLP

Chicago, Illinois
January 28, 1998, except for Note 15
as to which the date is February 23, 1998

Report of Independent Auditors

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

We have audited the accompanying consolidated statement of operations, changes in stockholders' equity and cash flows of Manufactured Home Communities, Inc. for the year ended December 31, 1995. We have also audited the related schedules listed in the accompanying index for the year ended December 31, 1995. These financial statements are the responsibility of the management of Manufactured Home Communities, Inc. Our responsibility is to express an opinion on these financial statements and schedule based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects the consolidated results of operations and cash flows of Manufactured Home Communities, Inc. for the year ended December 31, 1995 in conformity with generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects the information required to be included therein.

COOPERS & LYBRAND L.L.P.

Chicago, Illinois
February 16, 1996

MANUFACTURED HOME COMMUNITIES, INC.
CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 1997 AND 1996
(AMOUNTS IN THOUSANDS EXCEPT SHARE DATA)

	1997	1996
ASSETS		
Investment in rental property:		
Land	$206,375	$138,514
Land improvements	612,670	370,440
Buildings and other depreciable property	90,870	88,696
Advances on rental property acquisitions	26,403	---
	936,318	597,650
Accumulated depreciation	(89,208)	(71,481)
Net investment in rental property	847,110	526,169
Cash and cash equivalents	909	324
Short-term investments (at cost, which approximates market)	---	1,968
Notes receivable	1,147	15,427
Investment in and advances to affiliates	7,126	6,836
Rents receivable	787	723
Deferred financing costs, net	3,265	1,999
Prepaid expenses and other assets	3,968	14,279
Due from affiliates	53	149
Total assets	$864,365	$567,874
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Mortgage notes payable, net	$403,656	$197,482
Unsecured term loan	60,000	---
Unsecured line of credit	25,000	57,500
Other notes payable	6,516	---
Accounts payable and accrued expenses	17,197	14,364
Accrued interest payable	1,536	1,495
Rents received in advance and security deposits	2,299	1,897
Distributions payable	55	8,439
Due to affiliates	78	105
Total liabilities	516,337	281,282
Commitments and contingencies		
Minority interests	67,453	28,640
Stockholders' equity:		
Preferred stock, $.01 par value 10,000,000 shares authorized; none issued	---	---
Common stock, $.01 par value 50,000,000 shares authorized; 24,771,180 and 24,951,948 shares issued and outstanding for 1997 and 1996, respectively	248	249
Paid-in capital	319,030	293,512
Employee notes	(4,967)	(6,158)
Distributions in excess of accumulated earnings	(33,736)	(29,651)
Total stockholders' equity	280,575	257,952
Total liabilities and stockholders' equity	$864,365	$567,874

The accompanying notes are an integral part of the financial statements

MANUFACTURED HOME COMMUNITIES, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 1997, 1996 AND 1995
(AMOUNTS IN THOUSANDS EXCEPT PER SHARE DATA)

	1997	1996	1995
REVENUES			
Base rental income	$108,984	$93,109	$85,242
Utility and other income	11,785	8,821	8,481
Equity in income of affiliates	800	853	885
Interest income	1,941	2,420	2,296
Total revenues	123,510	105,203	96,904
EXPENSES			
Property operating and maintenance	32,343	28,399	27,057
Real estate taxes	8,352	7,947	7,241
Property management	5,079	4,338	4,675
General and administrative	4,091	3,335	3,151
General and administrative - affiliates	468	727	1,386
Interest and related amortization	21,753	17,782	18,527
Depreciation on corporate assets	590	488	349
Depreciation on real estate assets and other costs	17,365	15,244	15,773
Total expenses	90,041	78,260	78,159
Income from operations	33,469	26,943	18,745
Gain on sale of rental properties	---	---	1,278
Income before allocation to minority interests and extraordinary loss on early extinguishment of debt	33,469	26,943	20,023
Income allocated to minority interests	(4,373)	(2,671)	(2,006)
Income before extraordinary loss on early extinguishment of debt	29,096	24,272	18,017
Extraordinary loss on early extinguishment of debt (net of $105 allocated to minority interests)	(451)	---	---
Net income	$ 28,645	$24,272	$18,017
Net income per common share before extraordinary item - basic	$ 1.18	$ .98	$ .74
Net income per common share before extraordinary item - diluted	$ 1.16	$ .98	$ .74
Net income per common share - basic	$ 1.16	$ .98	$ .74
Net income per common share - diluted	$ 1.15	$ .98	$ .74
Weighted average common shares outstanding - basic	24,689	24,693	24,353
Weighted average common shares outstanding - diluted (Note 2)	28,762	27,546	27,138
Distributions declared per common share outstanding	$ 1.32	$ 1.22	$ 1.18
Tax status of distributions:			
Ordinary income	$ 1.12	$ .90	$ .68
Capital gain	$ ---	$ ---	$ .02
Return of capital	$ .20	$ .32	$ .48

The accompanying notes are an integral part of the financial statements

MANUFACTURED HOME COMMUNITIES, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 1997, 1996 AND 1995
(AMOUNTS IN THOUSANDS)

	1997	1996	1995
PREFERRED STOCK, $.01 PAR VALUE	$ ---	$ ---	$ ---
COMMON STOCK, $.01 PAR VALUE			
Balance, beginning of year	$ 249	$ 244	$ 244
Issuance of common stock for employee notes	---	3	---
Issuance of common stock through restricted stock awards	1	2	---
Retirement of treasury stock	---	(1)	---
Exercise of options	1	1	---
Repurchase of common stock	(3)	---	---
Balance, end of year	$ 248	$ 249	$ 244
PAID - IN CAPITAL			
Balance, beginning of year	$293,512	$288,533	$287,397
Issuance of common stock for employee notes	---	4,689	---
Retirement of treasury stock	---	(1,986)	---
Conversion of OP Units to common stock	---	23	---
Recognition of deferred compensation expense	1,637	951	86
Exercise of options	2,070	1,013	752
Issuance of common stock through restricted stock awards	1,431	289	291
Issuance of common stock through employee stock purchase plan	587	---	---
Repurchase of common stock	(7,257)	---	---
Adjustment for minority interests ownership in operating partnership	27,050	---	7
Balance, end of year	$319,030	$293,512	$288,533
TREASURY STOCK			
Balance, beginning of year	$ ---	$ (1,987)	$ ---
Common stock retired (acquired), 109,728 shares	---	1,987	(1,987)
Balance, end of year	$ ---	$ ---	$ (1,987)
EMPLOYEE NOTES			
Balance, beginning of year	$ (6,158)	$ (1,565)	$ (4,050)
Notes received for issuance of common stock	---	(4,692)	---
Principal payments	1,191	99	2,485
Balance, end of year	$ (4,967)	$ (6,158)	$ (1,565)
DISTRIBUTIONS IN EXCESS OF ACCUMULATED EARNINGS			
Balance, beginning of year	$(29,651)	$(23,725)	$(12,989)
Net income	28,645	24,272	18,017
Distributions	(32,730)	(30,198)	(28,753)
Balance, end of year	$(33,736)	$(29,651)	$(23,725)

The accompanying notes are an integral part of the financial statements

MANUFACTURED HOME COMMUNITIES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 1997, 1996 AND 1995
(AMOUNTS IN THOUSANDS)

	1997	1996	1995
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$ 28,645	$24,272	$18,017
Adjustments to reconcile net income to cash provided by operating activities:			
Income allocated to minority interests	4,268	2,671	2,006
Depreciation and amortization expense	19,018	16,720	17,842
(Gain) loss on sale of rental properties	---	---	(1,278)
Equity in income of Affiliates	(800)	(853)	(885)
Amortization of deferred compensation and other	3,068	1,242	377
Writeoff of a management contract and project costs	(575)	---	---
Decrease (increase) in rents receivable	(64)	212	710
(Increase) in prepaid expenses and other assets	(2,228)	(109)	(664)
Increase in accounts payable and accrued expenses	2,847	5,400	3,833
Increase (decrease) in rents received in advance and security deposits	402	105	203
Net cash provided by operating activities	54,581	49,660	40,161
CASH FLOWS FROM INVESTING ACTIVITIES			
(Purchase) redemption of short-term investments, net	1,968	(286)	4,799
Sale (purchase) of project related assets	11,147	(11,205)	---
Advances on rental property acquisitions	(22,811)	---	---
Distributions from Affiliates	388	5,004	1,399
Collections on notes receivable	16,342	126	1,832
Net proceeds from sale of rental property	---	---	4,762
Acquisition of rental properties	(240,083)	(46,531)	(600)
Improvements:			
Improvements - corporate	(357)	(844)	(808)
Improvements - rental properties	(4,187)	(3,402)	(3,286)
Site development costs	(1,852)	(3,816)	(3,716)
Net cash (used in) provided by investing activities	(239,445)	(60,954)	4,382
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds from stock options and employee stock purchase plan	2,658	1,014	752
Distributions to common stockholders and minority interests	(46,886)	(33,070)	(31,963)
Repurchase of common stock	(7,260)	---	(1,987)
Collection of principal payments on employee notes	1,191	99	2,485
Proceeds from line of credit, term loan, and mortgage notes payable	510,731	52,100	---
Repayments on mortgage notes payable and line of credit	(272,674)	(9,084)	(14,704)
Debt issuance costs	(2,311)	(201)	(290)
Net cash provided by (used in) financing activities	185,449	10,858	(45,707)
Net increase (decrease) in cash and cash equivalents	585	(436)	(1,164)
Cash and cash equivalents, beginning of year	324	760	1,924
Cash and cash equivalents, end of year	$ 909	$ 324	$ 760
SUPPLEMENTAL INFORMATION			
Cash paid during the year for interest	$ 20,667	$16,557	$16,156

The accompanying notes are an integral part of the financial statements

MANUFACTURED HOME COMMUNITIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - ORGANIZATION OF THE COMPANY AND BASIS OF PRESENTATION

Manufactured Home Communities, Inc. (together with its consolidated subsidiaries, the "Company"), formed in March 1993, is a Maryland corporation which has elected to be taxed as a real estate investment trust ("REIT"). The Company owns or has a controlling interest in 121 manufactured home communities (the "Properties") located in 24 states, consisting of 44,108 sites. The Company generally will not be subject to Federal income tax to the extent it distributes its REIT taxable income to its stockholders.

The operations of the Company are conducted through certain entities which are owned or controlled by the Company. MHC Operating Limited Partnership (the "Operating Partnership") is the entity through which the Company conducts substantially all of its operations. The Company contributed the proceeds from its initial public offering to the Operating Partnership for a general partnership interest. The limited partners of the Operating Partnership (the "Minority Interests") receive an allocation of net income which is based on their respective ownership percentage of the Operating Partnership which is shown on the Consolidated Financial Statements as Minority Interests. As of December 31, 1997, the Minority Interests represented 5,733,815 units of limited partnership interest ("OP Units") which are convertible into an equivalent number of shares of the Company's stock. The issuance of additional shares of common stock or OP Units changes the respective ownership of the Operating Partnership for both the Minority Interests and the Company.

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Use of Estimates

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

(b) Rental Property

Rental property is recorded at cost less accumulated depreciation. Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and For Long-Lived Assets To Be Disposed Of" ("SFAS No. 121") was effective for fiscal years beginning after December 15, 1995. The Company evaluates rental properties for impairment when conditions exist which may indicate that it is probable that the sum of expected future cash flows (undiscounted) from a rental property is less than its carrying value. Upon determination that a permanent impairment has occurred, rental properties are reduced to fair value. For the year ended December 31, 1997 and 1996, permanent impairment conditions did not exist at any of the Company's properties.

Depreciation is computed on the straight-line basis over the estimated useful lives of the assets. The Company uses a 30-year estimated life for buildings acquired and structural and land improvements, a ten-to-fifteen year estimated life for building upgrades and a three-to-seven year estimated life for furniture, fixtures and equipment. Expenditures for ordinary maintenance and repairs are expensed to operations as incurred and significant renovations and improvements which improve the asset and extend the useful life of the asset are capitalized over their estimated useful life. Initial direct leasing costs are expensed as incurred.

MANUFACTURED HOME COMMUNITIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Rental Property(continued)

The distribution of the Properties throughout the United States reflects the Company's belief that geographic diversification helps insulate the portfolio from regional economic influences. At the same time, the Company has sought to create clusters of Properties within each of its primary markets in order to achieve economies of scale in management and operation. The Company's five largest markets are Florida, California, Colorado, Arizona and the Northeast. These markets account for 34%, 15%, 11%, 10%, and 9%, respectively, of the Company's total revenues for the year ended December 31, 1997.

(c) Cash and Cash Equivalents

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

(d) Notes Receivable

Notes receivable generally are stated at their outstanding unpaid principal balances net of any deferred fees or costs on originated loans, or unamortized discounts. Interest income is accrued on the unpaid principal balance. Discounts are amortized to income using the interest method.

(e) Fair Value of Financial Instruments

Statement of Financial Accounting Standards No. 107, "Disclosures About Fair Value of Financial Instruments" requires disclosures about the fair value of financial instruments whether or not such instruments are recognized in the balance sheet. The Company's financial instruments include short-term investments, notes receivable, accounts receivable, accounts payable, other accrued expenses, mortgage notes payable and interest rate hedge arrangements. The fair value of all financial instruments, including notes receivable, were not materially different from their carrying values at December 31, 1997 and 1996, except the fair market value of certain derivatives related to the Mortgage Debt (see Note 8).

(f) Deferred Financing Costs

Deferred financing costs include fees and costs incurred to obtain long-term financing and costs to obtain the interest rate cap for the Mortgage Debt. The costs are being amortized over the terms of the respective loans on a level yield basis. Unamortized deferred financing fees are written-off when debt is retired before the maturity date. Accumulated amortization for such costs was $717,112 and $6,211,736 at December 31, 1997 and 1996, respectively.

(g) Earnings Per Common Share

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Earnings Per Common Share (continued)

The following table sets forth the computation of basic and diluted earnings per share:

	1997	1996	1995
Numerator:			
Net income	$28,645	$24,272	$18,017
Income allocated to minority interests	4,373	2,671	2,006
Numerator for diluted earnings per share-income available to common shareholders after assumed conversions	$33,018	$26,943	$20,023
Denominator:			
Weighted average shares outstanding	24,689	24,693	24,353
Weighted average OP Units outstanding assuming conversion	3,749	2,715	2,717
Employee stock options	324	138	68
Denominator for diluted earnings per share-adjusted weighted average shares and assumed conversions	28,762	27,546	27,138

(h) Revenue Recognition

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

(i) Minority Interests

Net income is allocated to Minority Interests based on their respective ownership percentage of the Operating Partnership. An ownership percentage is represented by dividing the number of OP Units held by the Minority Interests (5,733,815 and 2,714,889 at December 31, 1997 and 1996, respectively) by total OP Units and common stock outstanding. Issuance of additional shares of common stock or OP Units changes the percentage ownership of both the Minority Interests and the Company. Due in part to the exchange rights, such transactions and the proceeds therefrom are treated as capital transactions and result in an allocation between stockholders' equity and Minority Interests to account for the change in the respective percentage ownership of the underlying equity of the Operating Partnership.

(j) Income Taxes

Due to the structure of the Company as a REIT, the results of operations contain no provision for Federal income taxes. However, the Company may be subject to certain state and local income, excise or franchise taxes. The Company paid state and local taxes of approximately $40,000 and $73,000 during the years ended December 31, 1997 and 1996. As of December 31, 1997, net investment in rental property and notes receivable had a federal tax basis of approximately $605 million and $20 million, respectively.

(k) Reclassifications

Certain 1996 and 1995 amounts have been reclassified to conform to the 1997 financial presentation. Such reclassifications have no effect on the operations or equity as originally presented.

NOTE 3 - COMMON STOCK AND OTHER EQUITY RELATED TRANSACTIONS

The following table presents the changes in the Company's outstanding common stock for the years ended December 31, 1997, 1996 and 1995 (excluding OP Units of 5,733,815, 2,714,889 and 2,717,048 outstanding at December 31, 1997, 1996 and 1995, respectively):

	1997	1996	1995
Shares outstanding at January 1,	24,951,948	24,393,149	24,426,887
Common stock purchased by key employees of the Company	---	270,000	---
Common stock issued through conversion of OP Units	---	2,159	---
Common stock issued through exercise of Options	107,147	75,497	58,500
Common stock issued through stock awards	14,777	211,143	17,490
Common stock issued through ESPP	27,608	---	---
Common stock repurchased and retired	(330,300)	---	(109,728)
Shares outstanding at December 31,	24,771,180	24,951,948	24,393,149

In September 1996, the Company retired 109,728 shares of common stock which were repurchased in 1995 and being held in treasury.

As of December 31, 1997, the Company's percentage ownership of the Operating Partnership was 81.2%. The remaining 18.8% is owned by the Minority Interests.

The Company paid a $.33 per share distribution on April 11, 1997, July 11, 1997, October 10, 1997 and December 30, 1997, for the quarters ended March 31, 1997, June 30, 1997, September 30, 1997 and December 31, 1997, respectively, to stockholders of record on March 28, 1997, June 27, 1997, September 26, 1997 and December 16, 1997, respectively.

In March 1997, the Company's Board of Directors approved a common stock repurchase plan whereby the Company is authorized to repurchase up to 1,000,000 shares of its common stock. As of December 31, 1997, the Company had repurchased 330,300 shares of common stock.

The Company adopted, effective July 1, 1997, the 1997 Non Qualified Employee Stock Purchase Plan ("ESPP"). Pursuant to the ESPP, certain employees and directors of the Company may each annually acquire up to $100,000 of common stock of the Company. The aggregate number of shares of common stock available under the ESPP shall not exceed 1,000,000, subject to adjustment by the Board of Directors. The common stock may be purchased quarterly at a price equal to 85% of the lesser of: (a) the closing price for a share on the last day of such quarter; and (b) the greater of: (i) the closing price for a share on the first day of such quarter, and (ii) the average closing price for a share for all the business days in the quarter. As of December 31, 1997, 27,608 shares have been issued through the ESPP.

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

NOTE 4 - RENTAL PROPERTY

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

MANUFACTURED HOME COMMUNITIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4 - RENTAL PROPERTY (CONTINUED)

During the year ended December 31, 1995, the Company sold two communities for cash of approximately $5.0 million and a purchase money note receivable of $1.45 million, net of a fair value discount of $450,000. The Company recorded gains in connection with these two sales in the amount of approximately $1.3 million.

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

On March 14, 1997, the Company acquired California Hawaiian Mobile Estates ("California Hawaiian"), located in San Jose, California, for a purchase price of approximately $23.3 million. The acquisition was funded with a borrowing under the Company's line of credit. California Hawaiian consists of approximately 412 developed sites.

On March 27, 1997, the Company acquired Golf Vista Estates ("Golf Vista"), located in Monee, Illinois. The purchase price of approximately $7.4 million, including deferred payments of $150,000 per year for the next five years, was funded with existing available cash. Golf Vista consists of approximately 200 developed sites and 319 expansion sites.

On May 29, 1997, the Company entered into a capital lease with East Tincup Village, Inc., a Colorado corporation, for Golden Terrace South (formerly known as East Tincup Village). The lease term is 110 months commencing on May 29, 1997, with monthly rental payments of approximately $18,000. The lease contains an option for the Company to purchase Golden Terrace South at the termination of the lease for $2.4 million. For financial accounting purposes, the Company accounts for the lease as a capital lease; and, accordingly, the Company has recorded an investment in real estate and a note payable of $2.4 million. Golden Terrace South consists of 80 developed sites and 86 recreational vehicle sites.

On August 29, 1997, the Company acquired seventeen manufactured home communities, a 50% general partnership interest in one manufactured home community, and two commercial properties (collectively, the "MPW Properties") from limited partnerships and joint ventures affiliated with MPW. The aggregate purchase price was approximately $103 million. Approximately $64 million of the purchase price was in the form of OP Units, approximately $6 million was in the form of installment notes payable, approximately $17 million was in the form of cash funded from a borrowing under the Company's line of credit, and the Company assumed debt of approximately $13 million. The MPW Properties, which consist of approximately 3,500 sites, are located in California, Oregon, Utah, Arizona, Nevada and Washington.

On September 16, 1997, the Company acquired Arrowhead Village, located in Lantana, Florida, for a purchase price of approximately $20.3 million. The acquisition was funded with a borrowing under the Company's line of credit. Arrowhead Village consists of approximately 603 developed sites.

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 a general partner for a purchase price in excess of $300 million. The agreement immediately transferred property management of the 38 communities to the Company. The Ellenburg Communities are being sold pursuant to an order of the Superior Court for the State of California (the "California Court"), by which ECC was involuntarily dissolved. The California Court has appointed the winding-up agents to liquidate and wind-up the affairs of ECC and its interests in the partnerships. In December 1997, the Company entered into a supplemental agreement (the "Supplemental Agreement") with respect to the purchase the Ellenburg Communities which was approved by the California Court.

MANUFACTURED HOME COMMUNITIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4 - RENTAL PROPERTY (CONTINUED)

On December 18, 1997, the Company acquired seventeen of the 38 Ellenburg Communities from court appointed agents winding up the affairs of ECC. The aggregate purchase price of these communities was approximately $143 million. Approximately $59 million of the purchase price was in the form of cash funded from an additional borrowing with a bank and the Company also assumed debt of approximately $34 million and repaid existing debt in the amount of approximately $50 million. These seventeen communities consist of 4,159 manufactured home sites and 2,005 recreational vehicle sites. The Company has 120 days to complete certain post-closing due diligence procedures and adjust the purchase price to the extent that (i) the net operating income of the communities is less than the amount used to determine the purchase price; (ii) the community requires environmental, structural engineering, deferred maintenance and other physical or legal costs which may be in excess of anticipated amounts for such items, and (iii) the community has negative working capital. The maximum amount for such adjustments will be an amount equal to 25% of the net equity value of the community which will be held in escrow for 120 days from closing.

In connection with the remaining Ellenburg Communities not yet acquired as of December 31, 1997, the Company had made acquisition advances in the amount of approximately $22.0 million to various partnerships which own certain of the Ellenburg Communities. In addition, the Company purchased certain limited partnership interests of approximately $4.4 million in various partnerships which own certain of the Ellenburg Communities through a tender offer which expired on October 2, 1997. Approximately $3.6 million of the investment represents limited partners who received payment either in the form of preferred limited partnership interests with structured payments over periods ranging from six to eight years, or who will receive a cash payment representing the market value of the preferred limited partnership interests. The Company subsequently closed on the acquisition of certain of the Ellenburg Communities (see Note 15).

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

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

The following unaudited summarized pro forma financial information presents the effect of all material transactions which transpired from January 1, 1996 to December 31, 1997. In management's opinion, the summarized pro forma financial information does not purport to present what actual results would have been had the above transactions occurred on January 1, 1996, or to project results for any future period. The amounts presented in the following table are in thousands, except for per share amounts:

	For the Years Ended 1997	1996
Total revenues	$179,546	$169,985
Pro Forma net income	$ 22,442	$ 16,832
Pro Forma net income per common share - basic	$ .91	$ .68

NOTE 5 - INVESTMENT IN AND ADVANCES TO AFFILIATES

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

Following is unaudited financial information for the Affiliates for the year ended December 31, 1997 and 1996 (amounts in thousands):

	1997	1996
Assets	$ 14,466	$ 12,772
Liabilities, net of amounts due to the Company	(7,340)	(5,936)
Net investment in Affiliates	$ 7,126	$ 6,836
Home sales	$ 20,994	$ 20,645
Cost of sales	(17,352)	(17,539)
Other revenues and expenses, net	(2,842)	(2,253)
Equity in income of Affiliates	$ 800	$ 853

NOTE 6 - NOTES RECEIVABLE

At December 31, 1997 and 1996, notes receivable consisted of the following (amounts in thousands):

	1997	1996
$1.2 million purchase money notes with monthly principal and interest payments at 7%, maturing on 7/31/2001	$ 1,147	$ 1,160
$2.0 million note receivable with monthly principal and interest payments at 9.0%, maturing on 6/10/2003 (a)	---	1,596
$10 million leasehold mortgage loan with interest accruing at a stated rate of 12.5% with a pay rate of 8.75%, maturing on 9/1/2013 (b)	---	11,071
$1.9 million note receivable with monthly interest payments at prime plus 1.6%, maturing on 4/15/2000 (c)	---	1,600
Total notes receivable	$ 1,147	$15,427

(a) On August 1, 1997, the $2.0 million note receivable was repaid.
(b) On August 13, 1997, the $10.0 million leasehold mortgage loan was repaid and the Company recognized a one-time gain of $315,000 representing the collection of a $1.4 million prepayment penalty on the note, partially offset by the write-off of the apportioned purchase price originally allocated to the management contract for the property collateralizing the note.
(c) On December 23, 1997, the $1.9 million note receivable was repaid and the Company recognized a one-time gain of $210,000.

NOTE 7 - EMPLOYEE NOTES RECEIVABLE

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

NOTE 7 - EMPLOYEE NOTES RECEIVABLE (CONTINUED)

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

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

NOTE 8 - LONG-TERM BORROWINGS

As of December 31, 1997 and 1996, the Company had outstanding mortgage indebtedness of approximately $403.7 million and $197.5 million, respectively, encumbering 43 and 37 of the Company's properties, respectively. As of December 31, 1997 and 1996, the carrying value of such properties was approximately $493 million and $331 million, respectively. On December 12, 1997, the Company refinanced $100.0 million of the mortgage debt (the "Original Mortgage Debt") with a $265.0 million mortgage note (the "New Mortgage Debt") collateralized by 29 properties beneficially owned by MHC Financing Limited Partnership. The New 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 refinancing, the Company recognized an extraordinary loss on early extinguishment of debt in the amount of $556,000. In October 1996, the Company entered into an interest rate swap agreement (the "1997 Swap") fixing the London Interbank Offered Rate ("LIBOR") on the Original Mortgage Debt at 5.57% effective January 10, 1997 through March 3, 1998. The Company sold the 1997 Swap effective December 31, 1997 for approximately $26,000 in connection with the refinancing.

During 1997, in connection with the acquisition of the MPW Properties and Ellenburg Communities, the Company assumed the outstanding mortgage balances on eight properties in the aggregate amount of approximately $41.6 million. The obligations were 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 (see Note 4 for additional discussion). Scheduled maturities for the outstanding indebtedness, excluding the New Mortgage Debt, are at various dates through November 30, 2020 and fixed interest rates range from 7.25% to 9.05%.

The Company has a $100.0 million unsecured line of credit with a bank (the "Credit Agreement"). On March 1, 1997, the Company amended the Credit Agreement reducing the interest rate from LIBOR plus 1.375% to LIBOR plus 1.125%. In addition, the fee on the average unused amount was reduced to 0.125% of such amount from 0.15%. The Company did not pay any fees in connection with this amendment. As of December 31, 1997, $25.0 million was outstanding under the line of credit.

On April 3, 1997, the Company entered into a $60.0 million term loan (the "Loan") with a group of banks with interest only payable monthly at a rate of LIBOR plus 1.0%. On June 2, 1997, the Company elected to set the LIBOR rate on the Loan at 6.05% through January 2, 1998. The Loan matures on April 3, 2000 and may be extended to April 3, 2002. In connection with the Loan, the outstanding balance under the $100.0 million line of credit was reduced by $60.0 million.

In connection with the acquisition of the MPW Properties, the Company issued approximately $6.6 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 December 31, 1997, the applicable LIBOR swap rate would have been 5.97%. Each 0.01% increase or decrease in the applicable swap rate for the 1998 Swap increases or decreases the value of the 1998 Swap entered into by the Company versus its current value by approximately $43,245.

MANUFACTURED HOME COMMUNITIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8 - LONG-TERM BORROWINGS (CONTINUED)

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

Year	Amount
1998	$3,555
1999	3,422
2000	3,608
2001	71,377
2002	63,474
Thereafter	351,003
Total	$496,439

NOTE 9 - LEASE AGREEMENTS

The leases entered into between the tenant and the Company for the rental of a site are month-to-month or for a period of one to ten years, renewable upon the consent of the parties or, in some instances as provided by statute. Non-cancelable long-term leases, ranging from one to fifteen years, are in effect at certain sites within six of the properties. Rental rate increases at these properties are primarily a function of increases in the Consumer Price Index taking into consideration certain floors and ceilings. Additionally, periodic market rate adjustments are made as deemed necessary. Future minimum rents scheduled to be received under noncancelable tenant leases at December 31, 1997 are as follows (amounts in thousands):

Year	Amount
1998	$16,136
1999	12,528
2000	6,087
2001	6,267
2002	6,452
Thereafter	20,535
Total	$68,005

NOTE 10 - GROUND LEASES

Certain properties lease land under noncancellable operating leases expiring in various years from 2022 to 2031 with terms which require twelve equal payments per year plus additional rents calculated as a percent of gross revenues. For the year ended December 31, 1997, ground rent was $1.2 million. Minimum future rental payments under the lease are $1.6 million for each of the next five years and $34.0 million thereafter.

NOTE 11 - TRANSACTIONS WITH RELATED PARTIES

Equity Group Investments, Inc. ("EGI"), an entity controlled by Mr. Samuel Zell, Chairman of the Board of Directors, and certain of its affiliates have provided services such as administrative support, investor relations, corporate secretarial, real estate tax evaluation services, market consulting and research services, and computer and support services. Fees paid to EGI and its affiliates amounted to approximately $140,000, $708,000 and $1,047,000 for the years ended December 31, 1997, 1996 and 1995, respectively. Amounts due to these affiliates were approximately $15,000 and $31,000 as of December 31, 1997 and 1996, respectively.

NOTE 11 - TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

Certain related entities, owned by persons affiliated with Mr. Zell, have provided services to the Company. These entities include, but are not limited to, Rosenberg & Liebentritt, P.C. which provided legal services; The Riverside Agency, Inc. which provided insurance brokerage services; Equity Office Properties Trust which provided office space to the Company; and Equity Properties & Development, LP which provided accounting services. Fees paid to these entities amounted to approximately $459,000, $527,000 and $250,000 for the years ended December 31, 1997, 1996 and 1995, respectively. Amounts due to these affiliates were approximately $63,000 and $74,000 as of December 31, 1997 and 1996, respectively. Of the amounts due to these affiliates as of December 31, 1997 and 1996, approximately $105,000 and $67,000, respectively, were capitalized.

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

NOTE 12 - STOCK OPTION PLAN

A Stock Option Plan (the "Plan") was adopted by the Company in December 1992. Pursuant to the Plan, certain officers, directors, employees and consultants of the Company may be offered the opportunity to acquire shares of common stock through the grant of stock options ("Options"), including non-qualified stock options and, for key employees, incentive stock options within the meaning of Section 422 of the Code. The Compensation Committee will determine the vesting schedule, if any, of each Option and the term, which term shall not exceed ten years from the date of grant. As to the Options that have been granted through December 31, 1997, generally, one-third are exercisable one year after the initial grant, one-third are exercisable two years following the date such Options were granted and the remaining one-third are exercisable three years following the date such Options were granted. The Plan allows for 10,000 Options to be granted annually to each director. The common stock with respect to which the Options may be granted during any calendar year to any grantee shall not exceed 250,000 shares. In addition, the Plan provides for the granting of stock appreciation rights ("SARs") and restricted stock awards ("Stock Awards"). A maximum of 2,000,000 shares of common stock were available for grant under the Plan as of December 31, 1997 and an additional 2,000,000 shares will become available upon approval by the Company's shareholders.

In 1997, 1996 and 1995, the Company issued 14,777, 13,144 and 17,490 shares related to Stock Awards, respectively. The shares related to the Stock Awards shall be restricted for a period of two years from the date of grant. The fair market value of these Stock Awards of approximately $394,361, $289,000 and $291,000 at the date of grant was recorded by the Company in 1997, 1996 and 1995, respectively.

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

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

MANUFACTURED HOME COMMUNITIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 12 - STOCK OPTION PLAN (CONTINUED)

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

Pro forma information regarding net income and earnings per share is required by SFAS No. 123, and has been determined as if the Company had accounted for its Options and Restricted Stock Awards under the fair value method of that Statement. The fair value for the Options was estimated at the date of grant using a Black-Scholes option pricing model with the following weighted-average assumptions for 1997, 1996 and 1995, respectively: risk-free interest rates of 6.3%, 6.6% and 6.5%; dividend yields of 5.5%, 6.4% and 7.2%; volatility factors of the expected market price of the Company's common stock of .24, .27 and .27; and a weighted-average expected life of the options of 5 years. The fair value of the Stock Awards granted in 1996 and 1997 has been estimated as approximately 30% below the fair market value on the date of grant because these Stock Awards may remain restricted even after they become fully vested.

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

For purposes of pro forma disclosures, the estimated fair value of the Options is amortized to expense over the Options' vesting period and the estimated fair value of the Restricted Awards is amortized to expense over the same period. The pro forma effect of SFAS No. 123 on the Company's net income for the years ended December 31, 1997, 1996 and 1995 was immaterial.

A summary of the Company's stock option activity, and related information for the years ended December 31, 1997, 1996 and 1995 follows:

	Shares Subject to Option	Weighted Average Exercise Price Per Share
Balance at December 31, 1994	1,092,084	$ 17.81
Options granted	437,250	16.92
Options exercised	(58,500)	12.88
Options canceled	(130,200)	18.96
Balance at December 31, 1995	1,340,634	17.62
Options granted	307,350	21.01
Options exercised	(75,497)	14.14
Options canceled	(121,835)	20.19
Balance at December 31, 1996	1,450,652	18.31
Options granted	404,450	25.37
Options exercised	(107,147)	18.82
Options canceled	(57,462)	19.75
Balance at December 31, 1997	1,690,493	$ 19.91

NOTE 12 - STOCK OPTION PLAN (CONTINUED)

As of December 31, 1997, 1996 and 1995, 1,755,532 shares, 116,957 shares and 513,615 shares remained available for grant, respectively, and 1,626,333 shares, 874,353 shares and 759,193 shares were exercisable, respectively. Exercise prices for Options outstanding as of December 31, 1997 ranged from $12.875 to $26.6875, with the substantial majority of the exercise prices exceeding $17.25. The remaining weighted-average contractual life of those Options was 8.1 years.

NOTE 13 - PREFERRED STOCK

The Company's Board of Directors is authorized under the Company's charter, without further stockholder approval, to issue, from time to time, in one or more series, 10,000,000 shares of $.01 par value preferred stock (the "Preferred Stock"), with specific rights, preferences and other attributes as the Board may determine, which may include preferences, powers and rights that are senior to the rights of holders of the Company's common stock. However, under certain circumstances, the issuance of preferred stock may require stockholder approval pursuant to the rules and regulations of the New York Stock Exchange.

NOTE 14 - SAVINGS PLAN

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

In addition, amounts contributed by the Company will vest, on a prorated basis, according to the participant's vesting schedule. After five years of employment with the Company, the participants will be 100% vested for all amounts contributed by the Company. Additionally, a discretionary profit sharing component of the 401(k) Plan provides for a contribution to be made annually for each participant in an amount, if any, as determined by the Company. All employee contributions are 100% vested. The Company's contribution to the 401(k) Plan was approximately $262,000, $201,000 and $171,000 for the years ended December 31, 1997, 1996 and 1995, respectively. The Company's anticipated plan contribution for profit sharing was approximately $183,000 for the year ended December 31, 1997.

NOTE 15 - SUBSEQUENT EVENTS

On January 6, 1998, the Company funded a $12.3 million loan (the "Meadows Loan") to the Meadows Preservation, Inc. The Meadows Loan is collateralized by The Meadows manufactured home community located in Palm Beach Gardens, Florida, bears interest at a nominal rate of 9%, subject to adjustment based on cash flow of the property, and matures on July 31, 1998. The loan was funded with a borrowing under the Company's line of credit.

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.

MANUFACTURED HOME COMMUNITIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 15 - SUBSEQUENT EVENTS (CONTINUED)

By February 23, 1998, the Company closed on the acquisition of three of the Ellenburg Communities (see Note 4) for an aggregate purchase price of $25.4 million, made additional acquisition advances of approximately $33 million to the partnerships which own seven of the Ellenburg Communities, and acquired certain other undivided interests in certain of the Ellenburg Communities. The Company funded the acquisition advances with borrowings under the Company's line of credit. In connection with the Supplemental Agreement, on February 12, 1998, the Company exercised its right of first refusal on five of the Ellenburg Communities. A third party, backed by one of the Company's competitors, has appealed certain orders of 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 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.

NOTE 16 - COMMITMENTS AND CONTINGENCIES

The Company is involved in various legal proceedings arising in the ordinary course of business. All such proceedings, taken together, are not expected to have a material adverse impact on the financial position, results of operations or cash flows of Company.

NOTE 17 - PROPOSED MERGER

During 1996, the Company offered a merger proposal to Chateau Communities, Inc. ("Chateau") in opposition to Chateau's proposed merger with ROC Communities, Inc. ("ROC") and incurred approximately $1.3 million in related costs and invested in certain related saleable assets with a book value of approximately $9.9 million. These expenditures were included in prepaid expenses and other assets as of December 31, 1996. On February 11, 1997, Chateau's shareholders approved Chateau's merger with ROC. In 1997, the Company sold the related assets it had acquired for approximately $11.1 million and recorded a net gain of approximately $259,000.

MANUFACTURED HOME COMMUNITIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 18 - QUARTERLY FINANCIAL DATA (UNAUDITED)

The following is unaudited quarterly data for 1997 and 1996 (amounts in thousands, except for per share amounts):

	First Quarter 3/31	Second Quarter 6/30	Third Quarter 9/30	Fourth Quarter 12/31
1997				
Total revenues	$28,529	$29,385	$31,153	$34,443
Income before allocation to minority interests	$ 7,711	$ 8,051	$ 8,783	$ 8,368
Net income	$ 6,955	$ 7,253	$ 7,642	$ 6,795
Weighted average common shares outstanding-basic (excluding OP Units)	24,840	24,715	24,575	24,628
Weighted average common shares outstanding - diluted (including OP Units) (a)	27,840	27,660	28,735	30,781
Weighted average OP Units	2,715	2,715	3,798	5,734
Net income per common share outstanding - basic	$ .28	$ .29	$ .31	$ .28
Net income per common share outstanding - diluted (a)	$ .28	$ .29	$ .31	$ .27
1996				
Total revenues	$25,469	$26,128	$26,408	$27,198
Income before allocation to minority interests	$ 6,557	$ 6,666	$ 7,145	$ 6,575
Net income	$ 5,907	$ 6,005	$ 6,437	$ 5,923
Weighted average common shares outstanding (excluding OP Units)	24,664	24,687	24,697	24,714
Weighted average common shares outstanding - diluted (including OP Units) (a)	27,502	27,525	27,542	27,559
Weighted average OP Units	2,715	2,715	2,715	2,715
Net income per common share outstanding	$ .24	$ .24	$ .26	$ .24
Net income per common share outstanding - diluted (a)	$ .24	$ .24	$ .26	$ .24

(a) The 1996 and first three quarters of 1997 earnings per share amounts have been restated to comply with SFAS No. 128.

SCHEDULE II
MANUFACTURED HOME COMMUNITIES, INC.
VALUATION AND QUALIFYING ACCOUNTS
DECEMBER 31, 1997

		ADDITIONS			
	BALANCE AT BEGINNING OF PERIOD	CHARGED TO INCOME	CHARGED TO OTHER ACCOUNTS	DEDUCTIONS(1)	BALANCE AT END OF PERIOD
For the year ended December 31, 1995:					
Allowance for doubtful accounts......	$160,000	$380,854	$---	($340,854)	$200,000
For the year ended December 31, 1996:					
Allowance for doubtful accounts......	$200,000	$198,797	$---	($148,797)	$250,000
For the year ended December 31, 1997:					
Allowance for doubtful accounts......	$250,000	$150,985	$---	($150,985)	$250,000

(1) Deductions represent tenant receivables deemed uncollectible.

SCHEDULE III
MANUFACTURED HOME COMMUNITIES, INC.
REAL ESTATE AND ACCUMULATED DEPRECIATION
DECEMBER 31, 1997
(IN THOUSANDS)

MANUFACTURED HOME COMMUNITIES	LOCATION		Encumbrances	Initial Cost to Company		Costs Capitalized Subsequent to Acquisition (Improvements)	
				Land	Depreciable Property	Land	Depreciable Property
APOLLO VILLAGE	Apollo,	AZ	0	932	3,219	0	257
BRENTWOOD MANOR	Mesa,	AZ	5,030	1,998	6,024	0	162
CASA DEL SOL RESORT NO. 1	Phoenix,	AZ	6,146	2,215	6,467	0	71
CASA DEL SOL RESORT NO. 2	Phoenix,	AZ	6,801	2,104	6,283	0	56
CENTRAL PARK	Phoenix,	AZ	6,899	1,612	3,784	0	287
HACIENDA DE VALENCIA	Mesa,	AZ	8,501	833	2,701	0	614
PALM SHADOWS	Glendale,	AZ	3,432	1,400	4,218	0	169
SEDONA SHADOWS	Sedona	AZ	1,582	1,096	3,431	0	18
SUNRISE HEIGHTS	Phoenix,	AZ	0	999	3,016	0	127
THE MARK	Mesa,	AZ	0	1,354	4,660	5	201
THE MEADOWS	Tempe,	AZ	8,841	2,614	7,887	0	198
CALIFORNIA HAWAIIAN	San Jose	CA	16,391	5,825	17,755	0	31
CONCORD CASCADE	Pacheco,	CA	10,486	985	3,016	0	360
CONTEMPO MARIN	San Rafael,	CA	17,340	4,779	16,379	8	765
CORALWOOD	Modesto	CA	0	0	5,047	0	9
DATE PALM	Cathedral City,	CA	9,796	4,138	14,064	(23)	526
DE ANZA SANTA CRUZ ESTATES	Santa Cruz	CA	4,475	2,103	7,204	0	85
FOUR SEASONS	Fresno	CA	0	756	2,348	0	22
GARDEN WEST OFFICE PLAZA	Monterey	CA	0	535	1,702	0	0
LAMPLIGHTER VILLAGE	Spring Valley,	CA	10,168	633	2,201	0	422
MONTE DEL LAGO	Castroville	CA	2,652	3,150	9,469	0	78
NICHOLSON PLAZA	San Jose	CA	0	0	4,512	0	2
RANCHO VALLEY	El Cajon,	CA	4,607	685	1,902	0	261
ROYAL OAKS	Visalia	CA	0	602	1,921	0	9
SAN JOSE I, II, III AND IV	San Jose	CA	0	0	17,616	0	188
SEA OAKS	Los Osos	CA	0	871	2,703	0	8
SUNSHADOW	San Jose	CA	0	0	5,707	0	8
CIMARRON	Broomfield,	CO	8,069	863	2,790	0	306
GOLDEN TERRACE SOUTH	Golden,	CO	2,400	750	2,265	0	84
GOLDEN TERRACE VILLAGE	Golden,	CO	8,193	826	2,415	0	376
GOLDEN TERRACE WEST	Golden,	CO	9,824	1,694	5,065	0	539
HILLCREST VILLAGE	Aurora,	CO	14,943	1,912	5,202	289	1,365
HOLIDAY HILLS VILLAGE	Denver,	CO	19,487	2,159	7,780	0	1,542
HOLIDAY VILLAGE, CO	Colorado Springs,	CO	6,011	567	1,759	0	339
PUEBLO GRANDE VILLAGE	Pueblo,	CO	3,748	241	1,069	0	269
WOODLAND HILLS	Thornton,	CO	0	1,928	4,408	0	1,804
MARINER'S COVE	Millsboro,	DE	0	990	2,971	0	2,190
NASSAU PARK	Lewes,	DE	0	1,536	4,609	0	427
WATERFORD	Wilmington,	DE	0	5,250	16,202	0	83

MANUFACTURED HOME COMMUNITIES	Gross Amount Carried at Close of Period 12/31/97			Accumulated Depreciation	Date of Acquisition
	Land	Depreciable Property	Total		
APOLLO VILLAGE	932	3,476	4,408	378	1994
BRENTWOOD MANOR	1,998	6,186	8,184	976	1993
CASA DEL SOL RESORT NO. 1	2,215	6,538	8,753	201	1996
CASA DEL SOL RESORT NO. 2	2,104	6,339	8,443	189	1996
CENTRAL PARK	1,612	4,071	5,683	1,877	1983
HACIENDA DE VALENCIA	833	3,315	4,148	1,448	1984
PALM SHADOWS	1,400	4,387	5,787	693	1993
SEDONA SHADOWS	1,096	3,449	4,545	38	1997
SUNRISE HEIGHTS	999	3,143	4,142	406	1994
THE MARK	1,359	4,861	6,220	543	1994
THE MEADOWS	2,614	8,085	10,699	1,060	1994
CALIFORNIA HAWAIIAN	5,825	17,786	23,611	444	1997
CONCORD CASCADE	985	3,376	4,361	1,545	1983
CONTEMPO MARIN	4,787	17,144	21,931	1,869	1994
CORALWOOD	0	5,056	5,056	56	1997
DATE PALM	4,115	14,590	18,705	1,629	1994
DE ANZA SANTA CRUZ ESTATES	2,103	7,289	9,392	817	1994
FOUR SEASONS	756	2,370	3,126	26	1997
GARDEN WEST OFFICE PLAZA	535	1,702	2,237	19	1997
LAMPLIGHTER VILLAGE	633	2,623	3,256	1,176	1983
MONTE DEL LAGO	3,150	9,547	12,697	106	1997
NICHOLSON PLAZA	0	4,514	4,514	50	1997
RANCHO VALLEY	685	2,163	2,848	984	1983
ROYAL OAKS	602	1,930	2,532	21	1997
SAN JOSE I, II, III AND IV	0	17,804	17,804	194	1997
SEA OAKS	871	2,711	3,582	30	1997
SUNSHADOW	0	5,715	5,715	63	1997

CIMARRON	863	3,096	3,959	1,427	1983
GOLDEN TERRACE SOUTH	750	2,349	3,099	38	1997
GOLDEN TERRACE VILLAGE	826	2,791	3,617	1,257	1983
GOLDEN TERRACE WEST	1,694	5,604	7,298	1,981	1986
HILLCREST VILLAGE	2,201	6,567	8,768	2,774	1983
HOLIDAY HILLS VILLAGE	2,159	9,322	11,481	4,069	1983
HOLIDAY VILLAGE, CO	567	2,098	2,665	935	1983
PUEBLO GRANDE VILLAGE	241	1,338	1,579	616	1983
WOODLAND HILLS	1,928	6,212	8,140	805	1994
MARINER'S COVE	990	5,161	6,151	1,170	1987
NASSAU PARK	1,536	5,036	6,572	1,542	1988
WATERFORD	5,250	16,285	21,535	583	1996

SCHEDULE III
MANUFACTURED HOME COMMUNITIES, INC.
REAL ESTATE AND ACCUMULATED DEPRECIATION - CONTINUED
DECEMBER 31, 1997
(IN THOUSANDS)

MANUFACTURED HOME COMMUNITIES	LOCATION		Encumbrances	Initial Cost to Company: Land	Initial Cost to Company: Depreciable Property	Costs Capitalized Subsequent to Acquisition (Improvements): Land	Costs Capitalized Subsequent to Acquisition (Improvements): Depreciable Property
ARROWHEAD VILLAGE	Lantana,	FL	0	5,325	15,420	0	32
BAY INDIES	Venice,	FL	24,206	10,483	31,559	0	299
BAY LAKE ESTATES	Nokomis,	FL	2,116	990	3,390	0	181
BUCCANEER ESTATES	N. Ft. Myers,	FL	7,704	4,207	14,410	0	342
BULOW VILLAGE	Flagler Beach,	FL	1,334	3,633	949	4	1,848
COLONIES OF MARGATE	Margate,	FL	12,702	5,890	20,211	0	340
COUNTRY PLACE VILLAGE	New Port Richey,	FL	4,001	663	0	18	5,309
EAST BAY OAKS	Largo,	FL	6,695	1,240	3,322	0	272
ELDORADO VILLAGE	Largo,	FL	4,882	778	2,341	0	231
FFEC-SIX	N. Ft. Myers,	FL	0	401	3,608	0	57
HERITAGE VILLAGE	Vero Beach,	FL	0	2,403	7,259	0	121
LAKE FAIRWAYS	N. Ft. Myers,	FL	0	6,075	18,134	0	251
LAKE HAVEN	Dunedin,	FL	8,132	1,135	4,047	0	347
LAKEWOOD VILLAGE	Melbourne,	FL	0	1,863	5,627	0	132
MID-FLORIDA LAKES	Leesburg,	FL	12,807	5,997	20,635	0	684
OAK BEND	Ocala,	FL	0	850	2,572	0	234
PINE LAKES	N. Ft. Myers,	FL	0	6,306	14,579	0	4,389
SPANISH OAKS	Ocala,	FL	0	2,250	6,922	0	120
THE HERITAGE	N. Ft. Myers,	FL	0	1,438	4,371	0	1,146
WINDMILL VILLAGE	N. Ft. Myers,	FL	9,773	1,417	5,440	0	631
WINDMILL VILLAGE NORTH	Sarasota,	FL	9,208	1,523	5,063	0	347
WINDMILL VILLAGE SOUTH	Sarasota,	FL	5,822	1,106	3,162	0	248
HOLIDAY VILLAGE, IA	Sioux City,	IA	0	313	3,744	0	364
GOLF VISTA ESTATES	Monee	IL	0	2,843	4,719	0	758
WILLOW LAKE ESTATES	Elgin,	IL	12,366	6,136	21,033	2	336
BURNS HARBOR ESTATES	Chesterton,	IN	0	916	2,909	0	336
CANDLELIGHT VILLAGE	Columbus,	IN	0	1,513	4,538	250	774
OAKTREE VILLAGE	Portage,	IN	6,957	0	0	569	3,154
BONNER SPRINGS	Bonner Springs,	KS	0	343	1,041	0	104
CARRIAGE PARK	Kansas City,	KS	0	309	938	0	357
QUIVIRA HILLS	Kansas City,	KS	0	376	1,139	0	98
PHEASANT RIDGE	Mount Airy,	MD	0	376	1,779	0	102
CAMELOT ACRES	Burnsville,	MN	6,826	527	2,058	0	308
BRIARWOOD	Brookline,	MO	0	423	1,282	0	138
DELLWOOD ESTATES	Warrensburg,	MO	0	300	912	0	79
NORTH STAR VILLAGE	Kansas City,	MO	0	451	1,365	0	177
CASA VILLAGE	Billings,	MT	7,143	1,011	3,109	181	1,051
DEL REY	Albuquerque,	NM	0	1,926	5,800	0	343
BONANZA VILLAGE	Las Vegas,	NV	10,288	908	2,643	0	272
CABANA	Las Vegas,	NV	0	2,648	7,989	0	57
FLAMINGO WEST	Las Vegas,	NV	0	1,732	5,266	0	96
VILLA BOREGA	Las Vegas	NV	2,447	2,896	8,774	0	28

MANUFACTURED HOME COMMUNITIES	Gross Amount Carried at Close of Period 12/31/97: Land	Gross Amount Carried at Close of Period 12/31/97: Depreciable Property	Total	Accumulated Depreciation	Date of Acquisition
ARROWHEAD VILLAGE	5,325	15,452	20,777	129	1997
BAY INDIES	10,483	31,858	42,341	4,186	1994
BAY LAKE ESTATES	990	3,571	4,561	410	1994
BUCCANEER ESTATES	4,207	14,752	18,959	1,651	1994
BULOW VILLAGE	3,637	2,797	6,434	193	1994
COLONIES OF MARGATE	5,890	20,551	26,441	2,296	1994
COUNTRY PLACE VILLAGE	681	5,309	5,990	1,219	1986
EAST BAY OAKS	1,240	3,594	4,834	1,685	1983
ELDORADO VILLAGE	778	2,572	3,350	1,194	1983
FFEC-SIX	401	3,665	4,066	386	1994
HERITAGE VILLAGE	2,403	7,380	9,783	890	1994
LAKE FAIRWAYS	6,075	18,385	24,460	1,945	1994
LAKE HAVEN	1,135	4,394	5,529	2,027	1983
LAKEWOOD VILLAGE	1,863	5,759	7,622	691	1994
MID-FLORIDA LAKES	5,997	21,319	27,316	2,375	1994
OAK BEND	850	2,806	3,656	399	1993
PINE LAKES	6,306	18,968	25,274	1,813	1994
SPANISH OAKS	2,250	7,042	9,292	979	1993

THE HERITAGE	1,438	5,517	6,955	733	1993
WINDMILL VILLAGE	1,417	6,071	7,488	2,719	1983
WINDMILL VILLAGE NORTH	1,523	5,410	6,933	2,520	1983
WINDMILL VILLAGE SOUTH	1,106	3,410	4,516	1,600	1983
HOLIDAY VILLAGE, IA	313	4,108	4,421	1,649	1986
GOLF VISTA ESTATES	2,843	5,477	8,320	122	1997
WILLOW LAKE ESTATES	6,138	21,369	27,507	2,379	1994
BURNS HARBOR ESTATES	916	3,245	4,161	553	1993
CANDLELIGHT VILLAGE	1,763	5,312	7,075	186	1996
OAKTREE VILLAGE	569	3,154	3,723	616	1987
BONNER SPRINGS	343	1,145	1,488	319	1989
CARRIAGE PARK	309	1,295	1,604	336	1989
QUIVIRA HILLS	376	1,237	1,613	341	1989
PHEASANT RIDGE	376	1,881	2,257	1,015	1988
CAMELOT ACRES	527	2,366	2,893	1,096	1983
BRIARWOOD	423	1,420	1,843	385	1989
DELLWOOD ESTATES	300	991	1,291	275	1989
NORTH STAR VILLAGE	451	1,542	1,993	422	1989
CASA VILLAGE	1,192	4,160	5,352	1,660	1983
DEL REY	1,926	6,143	8,069	965	1993
BONANZA VILLAGE	908	2,915	3,823	1,319	1983
CABANA	2,648	8,046	10,694	955	1994
FLAMINGO WEST	1,732	5,362	7,094	633	1994
VILLA BOREGA	2,896	8,802	11,698	97	1997

SCHEDULE III
MANUFACTURED HOME COMMUNITIES, INC.
REAL ESTATE AND ACCUMULATED DEPRECIATION - CONTINUED
DECEMBER 31, 1997
(IN THOUSANDS)

MANUFACTURED HOME COMMUNITIES	LOCATION		Encumbrances	Initial Cost to Company: Land	Initial Cost to Company: Depreciable Property	Costs Capitalized Subsequent to Acquisition (Improvements): Land	Costs Capitalized Subsequent to Acquisition (Improvements): Depreciable Property
ROCKWOOD VILLAGE	Tulsa,	OK	0	645	1,622	0	205
FALCON WOOD	Eugene	OR	0	1,112	3,426	0	6
QUAIL HOLLOW	Fairview	OR	0	0	3,249	0	13
SHADOWBROOK	Clackamas	OR	0	1,197	3,693	0	91
GREEN ACRES LAND	Breinigsville,	PA	0	273	0	0	947
GREEN ACRES PARK	Breinigsville,	PA	15,418	2,407	7,479	0	760
ALL SEASONS	Salt Lake City	UT	0	510	1,623	0	41
WESTWOOD	Farr West	UT	0	1,346	4,179	0	133
MEADOWS OF CHANTILLY	Chantilly,	VA	0	5,430	16,440	0	760
KLOSHE ILLAHEE	Federal Way	WA	3,384	2,408	7,286	0	9
INDEPENDENCE HILL	Morgantown,	WV	0	299	898	0	135
ELLENBURG COMMUNITIES	Various		33,623	36,590	136,172	0	0
MANAGEMENT BUSINESS	Chicago,	IL	0	0	436	0	3,759
			$ 403,656	$ 205,072	$ 682,333	$1,303	$ 47,610

MANUFACTURED HOME COMMUNITIES	Gross Amount Carried at Close of Period 12/31/97: Land	Gross Amount Carried at Close of Period 12/31/97: Depreciable Property	Total	Accumulated Depreciation	Date of Acquisition
ROCKWOOD VILLAGE	645	1,827	2,472	843	1983
FALCON WOOD	1,112	3,432	4,544	38	1997
QUAIL HOLLOW	0	3,262	3,262	36	1997
SHADOWBROOK	1,197	3,784	4,981	41	1997
GREEN ACRES LAND	273	947	1,220	58	1994
GREEN ACRES PARK	2,407	8,239	10,646	2,646	1988
ALL SEASONS	510	1,664	2,174	18	1997
WESTWOOD	1,346	4,312	5,658	46	1997
MEADOWS OF CHANTILLY	5,430	17,200	22,630	2,100	1994
KLOSHE ILLAHEE	2,408	7,295	9,703	81	1997
INDEPENDENCE HILL	299	1,033	1,332	277	1990
ELLENBURG COMMUNITIES	36,590	136,172	172,762	0	1997
MANAGEMENT BUSINESS	0	4,195	4,195	1,626	
	$ 206,375	$ 729,943	$ 936,318	$ 89,208	

NOTES:
(1) For depreciable property, the Company uses a 30-year estimated life for buildings acquired and structural and land improvements, a ten-to-fifteen year estimated life for building upgrades and a three-to-seven year estimated life for furniture and fixtures.
(2) The balance of furniture and fixtures included in the total amounts was approximately $7.5 million as of December 31, 1997.
(3) The aggregate cost of land and depreciable property for Federal income tax purposes was approximately $812 million, as of December 31, 1997.
(4) All properties were acquired, except for Country Place Village which was constructed.

SCHEDULE III
MANUFACTURED HOME COMMUNITIES, INC.
REAL ESTATE AND ACCUMULATED DEPRECIATION - CONTINUED
DECEMBER 31, 1997
(IN THOUSANDS)

The changes in total real estate for the years ended December 31, 1997, 1996 and 1995 were as follows:

	1997	1996	1995
Balance, beginning of year	$597,650	$543,229	$541,775
Acquisitions..............	332,272	46,531	600
Improvements..............	6,643	8,062	7,810
Dispositions and other....	(247)	(172)	(6,956)
Balance, end of year........	$936,318	$597,650	$543,229

The changes in accumulated depreciation for the years ended December 31, 1997, 1996 and 1995 were as follows:

	1997	1996	1995
Balance, beginning of year..	$ 71,481	$ 56,403	$ 43,377
Depreciation expense......	17,974	15,250	15,087
Dispositions and other....	(247)	(172)	(2,061)
Balance, end of year........	$ 89,208	$ 71,481	$ 56,403

EX 10.31

MHC FINANCING LIMITED PARTNERSHIP TWO

AGREEMENT OF LIMITED PARTNERSHIP

THIS AGREEMENT OF LIMITED PARTNERSHIP (this "Agreement") has been executed and delivered as of the seventeenth day of December, 1997, by and between MHC-QRS TWO, INC. (the "General Partner"), a Delaware corporation, and MHC OPERATING LIMITED PARTNERSHIP (the "Limited Partner"), an Illinois limited partnership (the General Partner and the Limited Partner being each a "Partner" and collectively the "Partners").

RECITALS

The General Partner and the Limited Partner are desirous of forming a limited partnership in accordance with the Delaware Revised Uniform Limited Partnership Act and this Agreement, for purposes of owning manufactured housing community properties (each a "Property" and collectively the "Properties"), as identified on Exhibit A hereto.

THEREFORE, in consideration of the mutual covenants contained in this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Partners agree as follows:

1. FORMATION OF PARTNERSHIP. The General Partner and the Limited Partner do hereby form a Delaware limited partnership according to all of the terms and provisions of this Agreement and otherwise in accordance with the Act. The General Partner is the sole general partner and the Limited Partner is the sole limited partner of the Partnership. The Partnership name shall be "MHC Financing Limited Partnership Two", but the General Partner may from time to time change the name of the Partnership or may adopt such trade or fictitious names as it may determine. No Partner has any interest in any Partnership property but the interests of all Partners in the Partnership are, for all purposes, personal property.

2. DEFINITIONS.

2.1 As used in this Agreement, the following terms shall have the meanings set forth respectively after each:

"Act" shall mean the Delaware Revised Uniform Limited Partnership Act, as amended from time to time, and any successor statute.

"Adjusted Capital Account Deficit" shall mean, at any time, the then balance in the Capital Account of a Partner, after giving effect to the following adjustments:

(i) credit to such Capital Account any amounts that such Partner is deemed obligated to restore as described in the penultimate sentences of Regulations Section 1.704-2(g)(1) and Regulations Section 1.704-2(i)(5), or any successor provisions; and

(ii) debit to such Capital Account the items described in Regulations Sections 1.704-1(b)(2)(ii)(d)(4), (5) and (6).

"Agreement" shall mean this Agreement of Limited Partnership, as it may be amended from time to time.

"Bankruptcy" of a Partner shall mean (a) the filing by a Partner of a voluntary petition seeking liquidation, reorganization, arrangement or readjustment, in any form, of its debts under Title 11 of the United States Code (or corresponding provisions of future laws) or any other Federal or state insolvency law, or a Partner's filing an answer consenting to or acquiescing in any such petition, (b) the making by a Partner of any assignment for the benefit of its creditors or the admission by a Partner in writing of its inability to pay its debts as they mature, or (c) the expiration of sixty (60) days after the filing of an involuntary petition under Title 11 of the United States Code (or corresponding provisions of future laws), seeking an application for the appointment of a receiver for the assets of a Partner, or an involuntary petition seeking liquidation, reorganization, arrangement or readjustment of its debts under any other Federal or state insolvency law, provided that the same shall not have been vacated, set aside or stayed within such 60-day period.

"Capital Account" shall mean the capital account maintained by the Partnership for each Partner as described in Section 3.4 hereof.

"Capital Cash Flow" shall have the meaning provided in Section 8.2 hereof.

"Capital Contribution" shall mean, when used in respect of a Partner, the initial capital contribution of such Partner as set forth in Section 3.1 hereof and any other amounts of money or the fair market value of other property contributed by such Partner to the capital of the Partnership pursuant to the terms of this Agreement, including the Capital Contribution made by any predecessor holder of the Partnership Interest of such Partner.

"Code" shall mean the Internal Revenue Code of 1986, as the same may be amended from time to time, and any successor statute.

"Depreciation" shall mean for any fiscal year or portion thereof, an amount equal to the depreciation, amortization or other cost recovery deduction allowable with respect to an asset for such period for Federal income tax purposes, except that if the Gross Asset Value of an asset differs from its adjusted basis for Federal income tax purposes at the beginning of such period, Depreciation shall be an amount that bears the same relationship to such beginning Gross Asset Value as the depreciation, amortization or cost recovery deduction in such period for Federal income tax purposes bears to the beginning adjusted tax basis; provided, however, that if the adjusted basis for Federal income tax purposes of an asset at the beginning of such period is zero, Depreciation shall be determined with reference to such beginning Gross Asset Value using any reasonable method selected by the General Partner.

"General Partner" means MHC-QRS Two, Inc., a Delaware corporation.

"Gross Asset Value" means, with respect to any Partnership asset, the asset's adjusted basis for federal income tax purposes, except as follows:

(i) The initial Gross Asset Value of any asset contributed by a Partner to the Partnership shall be the gross fair market value of such asset as determined by the General Partner;

(ii) The Gross Asset Value of all Partnership assets shall be adjusted to equal their respective gross fair market values, as determined by the General Partner, as of the following times: (a) the acquisition of an additional interest in the Partnership by any new or existing Partner in exchange for more than a de minimis Capital Contribution; (b) the distribution by the Partnership to a Partner of more than a de minimis amount of Partnership property as consideration for an interest in the Partnership; and (c) the liquidation of the Partnership within the meaning of Regulations Section 1.704-1(b)(2)(ii)(g); provided, however, that adjustments pursuant to clauses (a) and (b) above shall be made only if the General Partner reasonably determines that such adjustments are necessary or appropriate to reflect the relative economic interests of the Partners in the Partnership;

(iii) The Gross Asset Value of any Partnership asset distributed to any Partner shall be adjusted to equal the gross fair market value of such asset on the date of distribution as determined by the General Partner; and

(iv) The Gross Asset Values of Partnership assets shall be increased (or decreased) to reflect any adjustments to the adjusted basis of such assets pursuant to Code Section 734(b) or Code Section 743(b), but only to the extent that such adjustments are taken into account in determining Capital Accounts pursuant to Regulations Section 1.704-1(b)(2)(iv)(m) and paragraph (vi) of the definition of Profits and Losses and Section 7.3(G) hereof; provided, however, that Gross Asset Values shall not be adjusted pursuant to this paragraph (iv) to the extent the General Partner determines that an adjustment pursuant to paragraph (ii) above is necessary or appropriate in connection with a transaction that would otherwise result in an adjustment pursuant to this paragraph (iv).

If the Gross Asset Value of an asset has been determined or adjusted pursuant to paragraphs (i), (ii) or (iv) above, such Gross Asset Value shall thereafter be adjusted by the Depreciation taken into account with respect to such asset for purposes of computing Profits and Losses.

"Limited Partner" shall mean MHC Operating Limited Partnership, an Delaware limited partnership.

"Nonrecourse Deductions" has the meaning set forth in Regulations Section 1.704-2(c).

"Operating Cash Flow" shall have the meaning provided in Section 8.1 hereof.

"Partner Nonrecourse Debt" has the meaning set forth in Regulations Section 1.704-2(b)(4).

"Partner Nonrecourse Debt Minimum Gain" has the meaning set forth in Regulations Section 1.704-2(i)(2).

"Partner Nonrecourse Deductions" has the meaning set forth in Regulations Section 1.704-2(i).

"Partners" shall mean, collectively, the General Partner and the Limited Partner, or any additional or successor partners of the Partnership. Reference to a Partner shall be to any one of the Partners.

"Partnership Interest" shall mean the ownership interest of a Partner in the Partnership at any particular time, including the right of such Partner to any and all benefits to which such Partner may be entitled as provided in this Agreement, and to the extent not inconsistent with this Agreement, under the Act, together with the obligations of such Partner to comply with all of the terms and provisions of this Agreement and of the Act.

"Partnership Minimum Gain" has the meaning set forth in Regulations Sections 1.704-2(b) (2) and 1.704-2(d).

"Percentage Interest" of a Partner in the Partnership shall mean the percentage interest of such Partner as stated in Schedule A hereto, as such percentage interest may be adjusted from time to time in accordance with the provisions of this Agreement.

"Profits" and "Losses" shall mean for each fiscal year or portion thereof, an amount equal to the Partnership's items of taxable income or loss for such year or period, determined in accordance with section 703(a) of the Code with the following adjustments:

(i) any income which is exempt from Federal income tax and not otherwise taken into account in computing Net Profits or Net Losses shall be added to taxable income or loss;

(ii) any expenditures of the Partnership described in Code Section 705(a)(2)(B) or treated as Section 705(a)(2)(B) expenditures under Regulations Section 1.704-1(b)(2)(iv)(i) and not otherwise taken into account in computing Profits or Losses, will be subtracted from taxable income or loss;

(iii) in the event that the Gross Asset Value of any Partnership asset is adjusted pursuant to the definition of Gross Asset Value contained in this Section 2, the amount of such adjustment shall be taken into account as gain or loss from the disposition of such asset for purposes of computing Profits and Losses;

(iv) gain or loss resulting from any disposition of Partnership assets with respect to which gain or loss is recognized for Federal income tax purposes shall be computed by reference to the Gross Asset Value of the property disposed of, notwithstanding that the adjusted tax basis of such property differs from its Gross Asset Value;

(v) in lieu of the depreciation, amortization and other cost recovery deductions taken into account in computing such taxable income or loss, there shall be taken into account Depreciation for such fiscal year or other period;

(vi) to the extent an adjustment to the adjusted tax basis of any Partnership asset pursuant to Code Section 734(b) or Code Section 743(b) is required pursuant to Regulations Section 1.704-1(b)(2)(iv)(m)(4) to be taken into account in determining Capital Accounts as a result of a distribution other than in complete liquidation of a Partner's Partnership Interest, the amount of such adjustment shall be treated as an item of gain (if the adjustment increases the basis of the asset) or loss (if the adjustment decreases the basis of the asset) from the disposition of the asset and shall be taken into account for purposes of computing Profits or Losses; and

(vii) any items specially allocated pursuant to Section 7.3 or Section 7.4 hereof shall not be considered in determining Profits or Losses.

"Regulations" shall mean the Income Tax Regulations, including Temporary Regulations, promulgated under the Code, as such regulations may be amended from time to time (including corresponding provisions of succeeding regulations).

3. CAPITAL.

3.1 INITIAL CAPITAL. As its initial Capital Contribution to the Partnership:

(a) the General Partner shall contribute as its Capital Contribution to the Partnership an amount equal to its Percentage interest multiplied by the amount from time to time of the Partners' total Capital Contributions; and

(b) the Limited Partner is contributing all of its right, title and interest in and to the Properties.

3.2 ADDITIONAL CAPITAL. No Partner shall be assessed or required to contribute additional funds or other property to the Partnership. Any additional funds or other property required by the Partnership, as determined by the General Partner in its sole discretion, may, at the option of the General Partner and without an obligation to do so, be contributed by the General Partner as additional Capital Contributions. The General Partner shall also have the right (but not the obligation) to raise any additional funds required for the Partnership by loaning the money to the Partnership or by causing the Partnership to borrow the money needed from third parties, in either case on such terms and conditions as the General Partner shall deem appropriate in its sole discretion. If the Partnership borrows the additional funds, the General Partner may cause one or more of the Partnership's assets to be encumbered to secure the loan. No Partner shall have the right to contribute additional Capital Contributions to the Partnership without the prior written consent of the General Partner.

3.3 CAPITAL ACCOUNTS. A separate capital account ("Capital Account") shall be maintained for each Partner.

A. To each Partner's Capital Account there shall be credited such Partner's Capital Contributions, such Partner's distributive share of Profits and any items in the nature of income or gain which are specially allocated pursuant to Section 7.3 or Section 7.4 hereof, and the amount of any Partnership liabilities assumed by such Partner or which are secured by any Partnership property distributed to such Partner.

B. To each Partner's Capital Account there shall be debited the amount of cash and the Gross Asset Value of any Partnership property distributed to such Partner pursuant to any provision of this Agreement, such Partner's distributive share of Losses and any items in the nature of expenses or losses which are specially allocated pursuant to Section 7.3 or Section 7.4 hereof, and the amount of any liabilities of such Partner assumed by the Partnership or which are secured by any property contributed by such Partner to the Partnership.

C. In the event all or a portion of a Partnership Interest is transferred in accordance with the terms of this Agreement, the transferee shall succeed to the Capital Account of the transferor to the extent it relates to the transferred Partnership interest.

D. In determining the amount of any liability for purposes of Sections 3.4(A) and 3.4(B) hereof, there shall be taken into account Code Section 752(c) and any other applicable provisions of the Code and Regulations.

E. This Section 3.4 and the other provisions of this Agreement relating to the maintenance of Capital Accounts are intended to comply with Regulations Section 1.704-1(b), and shall be interpreted and applied in a manner consistent with such Regulations. In the event the General Partner shall determine that it is prudent to modify the manner in which the Capital Accounts, or any debits or credits thereto (including, without limitation, debits or credits relating to liabilities which are secured by contributed or distributed property or which are assumed by the Partnership, or the Partners) are computed in order to comply with such Regulations, the General Partner may make such modification, provided that it is not likely to have a material effect on the amounts distributed to any Partner pursuant to Section 14 hereof upon the dissolution of the Partnership. The General Partner also shall (i) make any adjustments that are necessary or appropriate to maintain equality between the Capital Accounts of the Partners and the amount of Partnership capital reflected on the Partnership's balance sheet, as computed for book purposes, in accordance with Regulations Section 1.704-1(b)(2)(iv)(g), and (ii) make any appropriate modifications in the event unanticipated events (for example, the acquisition by the Partnership of oil or gas properties) might otherwise cause this Agreement not to comply with Regulations Section 1.704-1(b).

3.4 INTEREST ON AND RETURN OF CAPITAL.

A. No Partner shall be entitled to any interest on its Capital Account or on its contributions to the capital of the Partnership.

B. Except as expressly provided for in this Agreement, no Partner shall have the right to demand or to receive the return of all or any part of his Capital Contributions to the Partnership and there shall be no priority of one Partner over the other as to the return of Capital Contributions or withdrawals or distributions of profits. No Partner shall have the right to demand or receive property other than cash in return for the Capital Contributions of such Partner to the Partnership.

3.5 NEGATIVE CAPITAL ACCOUNTS. No Partner shall be required to pay to the Partnership any deficit balance which may exist in its Capital Account; provided, however, that upon dissolution of the Partnership the General Partner shall be obligated to pay to the Partnership any such deficit balance to the extent of the lesser of (i) such deficit balance and (ii) the excess of 1.01% of the total Capital Contributions of the Limited Partner over all Capital Contributions previously made by the General Partner.

3.6 LIMIT ON CONTRIBUTIONS AND OBLIGATIONS OF PARTNERS. Neither the Limited Partner nor the General Partner shall be required to make any additional advances or Capital Contributions to or on behalf of the Partnership or to endorse any obligations of the Partnership.

4. PRINCIPAL OFFICE. The principal office of the Partnership shall be located at Two North Riverside Plaza, Suite 800, Chicago, Illinois 60606, or at such other place as the General Partner may designate after giving written notice of such designation to the other Partners.

5. PURPOSE AND POWERS OF PARTNERSHIP.

A. The purposes of the Partnership shall be to acquire, own, operate, manage, develop, redevelop, finance, refinance, sell, lease and otherwise deal with the Properties and assets related thereto, and interests therein, whether directly or indirectly, alone or in association with others. The purposes of the Partnership include, but are not limited to:

(i) acquiring, developing, operating, leasing and managing the Properties and conducting any other lawful business relating thereto;

(ii) mortgaging, exchanging, selling, encumbering or otherwise disposing of any one or more of the Properties or any interest therein;

(iii) constructing, reconstructing, altering, modifying and subtracting from or adding to any one or more of the Properties or any part thereof; and

(iv) in general, the making of any investments or expenditures, the borrowing and lending of money and the taking of any and all other actions which are incidental or related to any of the purposes recited above.

It is agreed that each of the foregoing is an ordinary part of the Partnership's business and affairs. Property may be acquired subject to, or by assuming, the liens, encumbrances, and other title exceptions which affect such property.

B. The Partnership purposes may be accomplished by taking any action which is not prohibited under the Act and which is related to the acquisition, ownership, development, improvement, operation, management, financing, leasing, exchanging, selling or otherwise encumbering or disposing of all or any portion of the assets of the Partnership, or any interest therein.

6. TERM. The term of the Partnership shall continue until the Partnership is terminated upon the occurrence of an event described in Section 14.1 below.

7. ALLOCATIONS.

7.1 PROFITS. After giving effect to the special allocations set forth in Section 7.3 and 7.4 hereof, Profits for any fiscal year shall be allocated among the Partners in proportion to their respective Percentage Interests.

7.2 LOSSES

A. After giving effect to the special allocations set forth in Section 7.3 and 7.4 hereof, Losses for any fiscal year shall be allocated among the Partners in proportion to their respective Percentage Interests.

B. The Losses allocated pursuant to Section 7.2(A) hereof shall not exceed the maximum amount of Losses that can be so allocated without causing the Limited Partner to have an Adjusted Capital Account Deficit at the end of any fiscal year. All Losses in excess of the limitations set forth in this Section 7.2(B) shall be allocated to the General Partner.

7.3 SPECIAL ALLOCATIONS. The following special allocations shall be made in the following order:

A. MINIMUM GAIN CHARGEBACK. Except as otherwise provided in Regulations Section 1.704-2(f), notwithstanding any other provision of this Section 7, if there is a net decrease in Partnership Minimum Gain during any fiscal year, each Partner shall be specially allocated items of Partnership income and gain for such fiscal year (and, if necessary, subsequent fiscal years) in an amount equal to such Partner's share of the net decrease in Partnership Minimum Gain, determined in accordance with Regulations Section 1.704-2(g). The items to be so allocated shall be determined in accordance with Regulations Sections 1.704-2(f)(6) and 1.704-2(j)(2). This Section 7.3(A) is intended to comply with the minimum gain chargeback requirement in Section 1.704-2(f) of the Regulations and shall be interpreted consistently therewith.

B. PARTNER MINIMUM GAIN CHARGEBACK. Except as otherwise provided in Regulations Section 1.704-2(i)(4), notwithstanding any other provision of this Section 7, if there is a net decrease in Partner Nonrecourse Debt Minimum Gain attributable to a Partner Nonrecourse Debt during any Partnership fiscal year, each Partner who has a share of the Partner Nonrecourse Debt Minimum Gain attributable to such Partner Nonrecourse Debt, determined in accordance with Regulations Section 1.704-2(i)(5), shall be specially allocated items of Partnership income and gain for such fiscal year (and, if necessary, subsequent fiscal years) in an amount equal to such Partner's share of the net decrease in Partner Nonrecourse Debt Minimum Gain attributable to such Partner Nonrecourse Debt, determined in accordance with Regulations Section 1.704-2(i)(4). The items to be so allocated shall be determined in accordance with Regulations Sections 1.704-2(i)(4) and 1.704-2(i)(2). This Section 7.3(B) is intended to comply with the minimum gain chargeback requirement in Regulations Section 1.704-2(i)(4) and shall be interpreted consistently therewith.

C. QUALIFIED INCOME OFFSET. In the event any Partner unexpectedly receives any adjustments, allocations, or distributions described in Regulations Section 1.704-1(b)(2)(ii)(d)(4), Section 1.704-1(b)(2)(ii)(d)(5), or Section 1.704-1(b)(2)(ii)(d)(6), items of

Partnership income and gain shall be specially allocated to each such Partner in an amount and manner sufficient to eliminate, to the extent required by the Regulations, the Adjusted Capital Account Deficit of such Partner as quickly as possible, provided that an allocation pursuant to this Section 7.3(C) shall be made only if and to the extent that such Partner would have an Adjusted Capital Account Deficit after all other allocations provided for this Section 7 have been tentatively made, as if this Section 7.3(C) were not in the Agreement.

D. GROSS INCOME ALLOCATION. In the event any Partner has a deficit Capital Account at the end of any Partnership fiscal year which is in excess of the sum of (i) the amount such Partner is obligated to restore pursuant to any provision of this Agreement, and (ii) the amount such Partner is deemed to be obligated to restore pursuant to the penultimate sentences of Regulations Sections 1.704-2(g)(1) and 1.704-2(i)(5), each such Partner shall be specifically allocated items of Partnership income and gain in the amount of such excess as quickly as possible, provided that an allocation pursuant to this Section 7.3(D) shall be made only if and to the extent that such Partner would have a deficit Capital Account in excess of such sum after other allocations provided for in this Section 7 have been made as if in Section 7.3(C) hereof and this Section 7.3(D) were not in the Agreement.

E. NONRECOURSE DEDUCTIONS. Nonrecourse Deductions for any fiscal year shall be allocated among the Partners in accordance with their respective Percentage Interests.

F. PARTNER NONRECOURSE DEDUCTIONS. Any Partner Nonrecourse Deductions for any fiscal year shall be specially allocated to the Partner who bears the economic risk of loss with respect to the Partner Nonrecourse Debt to which such Partner Nonrecourse Deductions are attributable, in accordance with Regulations Section 1.704-2(i)(1)

G. SECTION 754 ADJUSTMENTS. To the extent an adjustment to the adjusted tax basis of any Partnership asset pursuant to Code Section 734(b) or Code Section 743(b) is required, pursuant to Regulations Section 1.704-1(b)(2)(iv)(m)(2) or Regulations Section 1.704-1(b)(2)(iv)(m)(4), to be taken into account in determining Capital Accounts as the result of a distribution to a Partner in complete liquidation of his interest in the Partnership, the amount of such adjustment to Capital Accounts shall be treated as an item of gain (if the adjustment increases the basis of the asset) or loss (if the adjustment decreases such basis) and such gain or loss shall be specifically allocated to the Partners in accordance with their respective Percentage Interests in the event that Regulations Section 1.704-1(b)(2)(iv)(m)(2) applies, or the Partner to whom such distribution was made in the event that Regulations Section 1.704-1(b)(2)(iv)(m)(4) applies.

7.4 CURATIVE ALLOCATIONS. The allocations set forth in Sections 7.2(B), 7.3(A), 7.3(B), 7.3(C), 7.3(D), 7.3(E), 7.3(F) and 7.3(G) hereof (the "Regulatory Allocations") are intended to comply with certain requirements of the Regulations under Sections 704(b) and 514(c)(9)(E) of the Code. It is the intent of the Partners that, to the extent possible, all Regulatory Allocations shall be offset either with other Regulatory Allocations or with special allocations of other items of Partnership income, gain, loss, or deduction pursuant to this Section 7.4. Therefore, notwithstanding any other provision of this Section 7 (other than the Regulatory Allocations), the General Partner shall make such offsetting special allocations of Partnership income, gain, loss, or deduction in whatever manner, it determines appropriate so that, after such offsetting allocations are made, each Partner's Capital Account balance is, to the extent possible, equal to the Capital Account balance such Partner would have had if the Regulatory Allocations were not part of the Agreement and all Partnership items were allocated pursuant to Sections 7.1 and 7.2(A), and so that, to the greatest extent possible, such allocations comply with the Regulations under Code Section 514(c)(9)(E). in exercising its discretion under this Section 7.4, the General Partner shall take into account future Regulatory Allocations under Sections 7.3(A) and 7.3(B) that, although not yet made, are likely to offset other Regulatory Allocations previously made under Sections 7.3(E) and 7.3(F).

7.5 OTHER ALLOCATION RULES.

A. For purposes of determining the Profits, Losses, or any other items allocable to any period, Profits, Losses, and any such other items shall be determined in a daily, monthly, or other basis, as determined by the General Partner using any permissible method under Code Section 706 and the Regulations thereunder.

B. The Partners are aware of the income tax consequences of the allocations made by this Section 7 and hereby agree to be bound by the provisions of this Section 7 in reporting their shares of Partnership income and loss for tax purposes.

C. Solely for purposes of determining a Partner's proportionate share of the "excess nonrecourse liabilities" of the Partnership within the meaning of Regulations Section 1.752-3(a)(3), the Partners' interests in Partnership profits are equal to their respective Percentage Interests.

7.6 TAX ALLOCATIONS: CODE SECTION 704(C).

A. Income, gain, loss, and deduction with respect to any property contributed to the capital of the Partnership shall, solely for tax purposes, be allocated among the Partners so as to take account of any variation between the adjusted basis of such property to the Partnership for federal income tax purposes and its initial Gross Asset Value in accordance with any permissible manner or manners under Code Section 704(c) and the Regulations thereunder.

B. In the event the Gross Asset Value of any Partnership asset is adjusted pursuant to the definition of "Gross Asset Value" contained in Section 2 hereof, subsequent allocations of income gain, loss, and deduction with respect to such asset shall take account of any variation between the adjusted basis of such asset for federal income tax purposes and its Gross Asset Value in the same manner or manners permitted under Code Section 704(c) and the Regulation thereunder.

C. Any elections or other decisions relating to such allocations shall be made by the General Partner in any permissible manner under the Code or the Regulations that the General Partner may elect in its sole discretion. Allocations pursuant to this Section 7.6 are solely for purposes of federal, state, and local taxes and shall not affect, or in any way be taken into account in computing, any Partner's Capital Account or share of Profits, Losses, other items, or distributions pursuant to any provision in this Agreement.

8. CASH AVAILABLE FOR DISTRIBUTION.

8.1 OPERATING CASH FLOW. As used in this Agreement, "Operating Cash Flow" shall mean and be defined as all cash receipts of the Partnership from whatever source (but excluding Capital Cash Flow) during the period in question in excess of all items of Partnership expense (other than non-cash expenses such as depreciation) and other cash needs of the Partnership, including, without limitation, amounts paid by the Partnership as principal on debts and advances, during such period, capital expenditures and any reserves (as determined by the General Partner) established or increased during such period. Operating Cash Flow shall be distributed to or for the benefit of the Partners not less frequently than annually, and shall be distributed to the Partners in accordance with the respective Percentage Interests of the Partners.

8.2 CAPITAL CASH FLOW. As used in this Agreement, "Capital Cash Flow" shall mean and be defined as collectively (a) gross proceeds realized in connection with the sale of any assets of the Partnership, (b) gross financing or refinancing proceeds, (c) gross condemnation proceeds (excluding condemnation proceeds applied to restoration of remaining property) and (d) gross insurance proceeds (excluding rental insurance proceeds or insurance proceeds applied to restoration of property), less (w) closing costs, (x) the cost to discharge any Partnership financing encumbering or otherwise associated with the asset(s) in question, (y) the establishment of reserves (as determined by the General Partner), and (z) other expenses of the Partnership then due and owing. Subject to Section 14.2 below, if applicable, Capital Cash Flow shall be distributed to or for the benefit of the Partners not less frequently than annually and shall be distributed to the Partners in accordance with the respective Percentage Interests of the Partners.

8.3 CONSENT TO DISTRIBUTIONS. Each of the Partners hereby consents to the distributions provided for in this Agreement.

9. MANAGEMENT OF PARTNERSHIP.

9.1 GENERAL PARTNER. The General Partner shall be the sole manager of the Partnership business, and shall have the right and power to make all decisions and take any and every action with respect to the property, the business and affairs of the Partnership and shall have all the rights, power and authority generally conferred by law, or necessary, advisable or consistent with accomplishing the purposes of the Partnership. All such decisions or actions made or taken by the General Partner hereunder shall be binding upon all of the Partners and the Partnership. The powers of the General Partner to manage the Partnership business shall include, without limitation, the power and authority to:

(i) operate any business normal, or customary for the owner of or investor in manufactured housing community property;

(ii) perform any and all acts necessary or appropriate to the operation of the Partnership assets, including, but not limited to, applications for rezoning, objections to rezoning of other property and the establishment of bank accounts in the name of the Partnership;

(iii) procure and maintain with responsible companies such insurance as may be available in such amounts and covering such risks as are deemed appropriate by the General Partner;

(iv) take and hold all real, personal and mixed property of the Partnership in the name of the Partnership;

(v) execute and deliver leases on behalf of and in the name of the Partnership;

(vi) borrow money, finance and refinance the assets of the Partnership or any part thereof or interest therein;

(vii) coordinate all accounting and clerical functions of the Partnership and employ such accountants, lawyers, property managers, leasing agents and other management or service personnel as may from time to time be required to carry on the business of the Partnership; and

(viii) acquire, encumber, sell, lend, lease or otherwise dispose of any or all of the assets of the Partnership, or any part thereof or interest therein.

9.2 LIMITATIONS ON POWERS AND AUTHORITIES OF PARTNERS. Notwithstanding the powers of the General Partner set forth in Section 8.1 above, no Partner shall have the right or power to do any of the following:

(a) do any act in contravention of this Agreement, or any amendment hereto;

(b) do any act which would make it impossible to carry on the ordinary business of the Partnership, except to the extent that such act is specifically permitted by the terms hereof (it being understood and agreed that a sale of any or all of the assets of the Partnership, for example, would be an ordinary part of the Partnership's business and affairs); or

(c) confess a judgment against the Partnership.

9.3 LIMITED PARTNER. The Limited Partner shall not have any right or authority to act for or to bind the Partnership and the Limited Partner shall not participate in the conduct or control of the Partnership's affairs or business.

9.4 LIABILITY OF GENERAL PARTNER. The General Partner shall not be liable or accountable, in damages or otherwise, to the Partnership or to any other Partner for any error of judgment or for any mistakes of fact or law or for anything which it may do or refrain from doing hereafter in connection with the business and affairs of the Partnership except (i) in the case of fraud, willful misconduct (such as an intentional breach of fiduciary duty or an intentional breach of this Agreement) or gross negligence, and (ii) for other breaches of this Agreement, but, subject, to Section 3.5 hereof, the liability of the General Partner under this clause (ii) shall be limited to its interest in the Partnership as more particularly provided for in

Section 9.8 below. The General Partner shall not have any personal liability for the return of the Limited Partner's capital.

9.5 INDEMNITY. The Partnership shall indemnify and shall hold the General Partner (and the officers and directors thereof) harmless from any loss or damage, including without limitation reasonable legal fees and court costs, incurred by it by reason of anything it may do or refrain from doing hereafter for and on behalf of the Partnership or in connection with its business or affairs; provided, however, that (i) the Partnership shall not be required to indemnify the General Partner (or any officer or director thereof) for any loss or damage which it might incur as a result of its fraud, willful misconduct or gross negligence in the performance of its duties hereunder and (ii) this indemnification shall not relieve the General Partner of its proportionate part of the obligations of the Partnership as a Partner. In addition, the General Partner shall be entitled to reimbursement by the Partnership for any amounts paid by it in satisfaction of indemnification obligations owed by the General Partner to present or former directors of the General Partner to present or former directors of the General Partner or its predecessors, as provided for in or pursuant to the Articles of Incorporation and By-Laws of the General Partner. The right of indemnification set forth in this Section 9.5 shall be in addition to any rights to which the person or entity seeking indemnification may otherwise be entitled and shall inure to the benefit of the successors and assigns of any such person or entity. No Partner shall be personally liable with respect to any claim for indemnification pursuant to this Section 9.5, but such claim shall be satisfied solely out of assets of the Partnership.

9.6 OTHER ACTIVITIES OF PARTNERS AND AGREEMENTS WITH RELATED PARTIES. The General Partner shall devote its full-time efforts in furtherance of the Partnership business, it being expressly understood that the General Partner shall conduct all of its activities with respect to the manufactured housing community property business exclusively through the Partnership and shall not conduct or engage in any way in any other business. Except as may otherwise be agreed to in writing, the Limited Partner, and its affiliates, shall be free to engage in, to conduct or to participate in any business or activity whatsoever, including, without limitation, the acquisition, development, management and exploitation of real and personal property (other than property of the Partnership), without any accountability, Iiability or obligation whatsoever to the Partnership or to the General Partner, even if such business or activity competes with or is enhanced by the business of the Partnership. The General Partner, in the exercise of its power and authority under this Agreement, may contract and otherwise deal with or otherwise obligate the Partnership to entities in which the General Partner, or any one or more of the officers, directors or shareholders of the General Partner may have an ownership other financial interest, whether direct or indirect.

9.7 OTHER MATTERS CONCERNING THE GENERAL PARTNER.

A. The General Partner shall be protected in relying, acting or refraining from acting on any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, bond, debenture, or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties.

B. The General Partner may exercise any of the powers granted or perform any of the duties imposed by this Agreement either directly or through agents. The General Partner may consult with counsel, accountants, appraisers, management consultants, investment banks and other consultants selected by it, each of whom may serve as consultants for the Partnership. An opinion by any consultant, on a matter which the General Partner believes to be within its professional or expert competence shall be full and complete protection as to any action taken or omitted by the General Partner based on the opinion and taken or omitted in good faith. The General Partner shall not be responsible for the misconduct, negligence, acts or omissions of any consultant or contractor of the Partnership or to the General Partner, and shall assume no obligations other than to use due care in the selection of all consultants and contractors.

C. No mortgagee, grantee, creditor or any other person dealing with the Partnership shall be required to investigate the authority of the General Partner or secure the approval of or confirmation by the Limited Partner of any act of the General Partner in connection with the conduct of the Partnership business.

D. The General Partner may retain such persons or entities as it shall determine (including the General Partner or any entity in which the General Partner shall have an interest or with which it is affiliated) to provide services to or on behalf of the Partnership. The General Partner shall be entitled to reimbursement from the Partnership for its out-of-pocket expenses (including, without limitation, amounts paid or payable by the General Partner or any entity in which the General Partner shall have an interest or with which it is affiliated) incurred in connection with Partnership business. Such expenses shall be deemed to include those expenses required in connection with the administration of the Partnership such as the maintenance of Partnership books and records, management of the Partnership property and assets and preparation of information respecting the Partnership needed by the Partners in the preparation of their individual tax returns.

9.8 PARTNER EXCULPATION. Subject to Section 3.5 hereof except for fraud, willful misconduct and gross negligence, no Partner shall have any personal liability whatever, whether to the Partnership or to the other Partner, for the debts or liabilities of the Partnership or its obligations hereunder, and the full recourse of the other Partner shall be limited to the interest of that Partner in the Partnership. To the fullest extent permitted by law, no officer, director or shareholder of the General Partner shall be liable to the Partnership for money damages except for (i) active and deliberate dishonesty established by a final judgment or (ii) actual receipt of an improper benefit or profit in money, property or services. Without limitation of the foregoing, and except for fraud, willful misconduct and gross negligence, no property or assets of any Partner, other than its interest in the Partnership, shall be subject to levy, execution or other enforcement procedures for the satisfaction of any judgment (or other judicial process) in favor of any other Partner(s) and arising out of, or in connection with, this Agreement. This Agreement is executed by the officers of each Partner solely as officers of the same and not in their own individual capacities. No advisor, trustee, director, officer, partner, employee, beneficiary, shareholder, participant or agent of any Partner (or of any partner of a Partner) shall be personally liable in any matter or to any extent under or in connection with this Agreement, and the Partnership, each Partner, and their respective successors and assigns shall look solely to the interest of the other Partner in the Partnership for the payment of any claim or for any performance hereunder.

9.9 GENERAL PARTNER EXPENSES AND LIABILITIES. All costs and expenses incurred by the General Partner in connection with its activities as the General Partner hereunder, all costs and expenses incurred by the General Partner in connection with its continued corporate existence, qualification as a "qualified REIT subsidiary" under the Code and otherwise, and all other liabilities incurred or suffered by the General Partner in connection with the pursuit of its business and affairs as contemplated hereunder and in connection herewith, shall be paid (or reimbursed to the General Partner, if paid by the General Partner) by the Partnership.

10. BANKING. The funds of the Partnership shall be kept in accounts designated by the General Partner and all withdrawals therefrom shall be made on such signature or signatures as shall be designated by the General Partner.

11. ACCOUNTING.

11.1 FISCAL YEAR. The fiscal year of the Partnership shall end on the last day of December of each year, unless another fiscal year end is selected by the General Partner.

11.2 BOOKS OF ACCOUNT. The Partnership books of account shall be maintained at the principal office designated in Section 4 above or at such other locations and by such person or persons as may be designated by the General Partner. The Partnership shall pay the expense of maintaining its books of account. Each Partner shall have, during reasonable business hours and upon reasonable prior notice, access to the books of the Partnership and in addition, at its expense, shall have the right to copy such books. The General Partner, at the expense of the Partnership, shall cause to be prepared and distributed to the Partners annual financial data sufficient to reflect the status and operations of the Partnership and its assets and to enable each Partner to file its federal income tax return.

11.3 METHOD OF ACCOUNTING. The Partnership books of account shall be maintained and kept, and its income, gains, losses and deductions shall be accounted for, in accordance with sound principles of accounting consistently applied, or such other method of accounting as may be adopted hereafter by the General Partner. All elections and options available to the Partnership for Federal or state income tax purposes shall be taken or rejected by the Partnership in the sole discretion of the General Partner.

11.4 SECTION 754 ELECTION. In case of a distribution of property made in the manner provided in Section 734 of the Code (or any similar provision enacted in lieu thereof), or in the case of a transfer of any interest in the Partnership permitted by this Agreement made in the manner provided in Section 743 of the Code (or any similar, provision enacted in lieu thereof), the General Partner, on behalf of the Partnership, may, in its sole discretion, file an election under Section 754 of the Code (or any similar provision enacted in lieu thereof) in accordance with the procedures set forth in the applicable Treasury regulations.

11.5 TAX MATTERS PARTNER. The General Partner is hereby designated the Tax Matters Partner (hereinafter referred to as the "TMP") of the Partnership and shall have all the rights and obligations of the TMP under the Code.

11.6 ADMINISTRATIVE ADJUSTMENTS. If the TMP receives notice of a Final Partnership Administrative Adjustment (the "FPAA") or if a request for an administrative adjustment made by the TMP is not allowed by the United States Internal Revenue Service (the "IRS") and the IRS does not notify the TMP of the beginning of an administrative proceeding with respect to the Partnership's taxable year to which such request relates (or if the IRS so notifies the TMP but fails to mail a timely notice of an FPAA), the TMP may, but shall not be obligated to, petition a Court for readjustment of partnership items. In the case of notice of an FPAA, if the TMP determines that, the United States District Court or Claims Court is the most appropriate forum for such a petition, the TMP shall notify each person who was a Partner at any time during the Partnership's taxable year to which the IRS notice relates of the approximate amount by which its tax liability would be increased (based on such assumptions as the TMP may in good faith make) if the treatment of partnership items on his return was made consistent with the treatment of partnership items on the Partnership's return, as adjusted by the FPAA. Unless each such person deposits with the TMP, for deposit with IRS, the approximate amount of his increased tax liability, together with a written agreement to make additional deposits if required to satisfy the jurisdictional requirements of the Court, within thirty days after the TMP's notice to such person, the TMP shall not file a petition in such Court. Instead, the TMP may, but shall not be obligated to, file a petition in the United States Tax Court.

12. TRANSFERS OF PARTNERSHIP INTERESTS. In no event may any Partner assign, sell, transfer, pledge, hypothecate or otherwise dispose of all or any portion of its Partnership Interest, except by operation of law. Any purported assignment, sale, transfer, pledge, hypothecation or other disposition shall be void ab initio.

13. DEATH, LEGAL INCOMPETENCY, ETC. OF A LIMITED PARTNER. The death, legal incompetency, insolvency, dissolution or Bankruptcy of a Limited Partner shall not dissolve or terminate the Partnership.

14. TERMINATION, LIQUIDATION AND DISSOLUTION OF PARTNERSHIP.

14.1 TERMINATION EVENTS. The Partnership shall be dissolved and its affairs wound up in the manner hereinafter provided upon the earliest to occur of the following events:

(a) December 31, 2080; or

(b) the agreement of all Partners that the Partnership should be dissolved.

14.2 METHOD OF LIQUIDATION. Upon the happening of any of the events specified in Section 14.1 above, the General Partner (or if there be no General Partner, a liquidating trustee selected by the Limited Partner) shall immediately commence to wind up the Partnership's affairs and shall liquidate the assets of the Partnership as promptly as possible, unless the General Partner, or the liquidating trustee, shall determine that an immediate sale of Partnership assets would cause undue loss to the Partnership), in which event the liquidation may be deferred for a reasonable time. The Partners shall continue to share Operating Cash Flow, Capital Cash Flow, Profits and Losses during the period of liquidation in the same proportions as before dissolution. The proceeds from liquidation of the Partnership, shall be applied in the order of priority as follows:

(a) Debts of the Partnership, including repayment of principal and interest on loans and advances made by the General Partner pursuant to Section 3.2 above; then

(b) To the establishment of any reserves deemed necessary or appropriate by the General Partner, or by the person(s) winding up the affairs of the Partnership in the event there is no remaining General Partner of the Partnership, for any contingent or unforeseen Iiabilities or obligations of the Partnership. Such reserves established hereunder shall be held for the purpose of paying any such contingent or unforeseen liabilities or obligations and, at the expiration of such period as the General Partner, or such person(s) deems advisable, the balance of such reserves shall be distributed in the manner provided hereinafter in this Section 14.2 as though such reserves had been distributed contemporaneously with the other funds distributed hereunder;

(c) Then, to the Partners in accordance with their respective Capital Account balances, after giving effect to all contributions, distributions and allocations for all periods.

14.3 DATE OF TERMINATION. The Partnership shall be terminated when all notes received in connection with such disposition have been paid and all of the cash or property available for application and distribution under Section 14.2 above (including reserves) shall have been applied and distributed in accordance therewith.

15. MISCELLANEOUS.

15.1 NOTICES. Any notice, election or other communication provided for or required by this Agreement shall be in writing and shall be deemed to have been given when delivered by hand or by telecopy or other facsimile transmission, the first business day after sent by overnight courier (such as Federal Express), or on the second business day after deposit in the United States Mail, certified or registered, return receipt requested, postage prepaid, properly addressed to the Partner to whom such notice is intended to be given at the address for the Partner set forth on the signature pages of this Agreement, or at such other address as such person may have previously furnished in writing to the Partnership and each Partner with copies to:

Manufacturted Home Communities, Inc.
Two North Riverside Plaza
Suite 800
Chicago, Illinois 60606

Attention: General Counsel

15.2 MODIFICATIONS. No change or modification of this Agreement shall be valid or binding upon the Partners, nor shall any waiver of any term or condition in the future, unless such change or modification or waiver shall be in writing and signed by all of the Partners, except as provided to the contrary in this Agreement.

15.3 SUCCESSORS AND ASSIGNS. Any person acquiring or claiming an interest in the Partnership, in any manner whatsoever, shall be subject to and bound by all of the terms, conditions and obligations of this Agreement to which his predecessor-in-interest was subject or bound, without regard to whether such a person has executed a counterpart hereof or any other document contemplated hereby. No person, including the legal representative, heir or legatee of a deceased Partner, shall have any rights or obligations greater than those set forth in this Agreement, and no person shall acquire an interest in the Partnership or become a Partner thereof except as expressly permitted by and pursuant to the terms of this Agreement. Subject to the foregoing, and the provisions of Section 12 above, this Agreement shall be binding upon and inure to the benefit of the Partners and their respective successors, assigns, heirs, legal representatives, executors and administrators.

15.4 DUPLICATE ORIGINALS. For the convenience of the Partners, any number of counterparts hereof may be executed, and each such counterpart shall be deemed to be an original instrument, and all of which taken together shall constitute one agreement.

15.5 CONSTRUCTION. The titles of the Sections and subsections herein have been inserted as a matter of convenience of reference only and shall not control or affect the meaning or construction of any of the terms or provisions herein.

15.6 GOVERNING LAW. This Agreement shall be governed by the laws of the State of Delaware. Except to the extent the Act is inconsistent with the provisions of this Agreement, the provisions of such Act shall apply to the Partnership.

15.7 OTHER INSTRUMENTS. The parties hereto covenant and agree that they will execute such other and further instruments and documents as, in the opinion of the General Partner, are or may become necessary or desirable to effectuate and carry out the Partnership as provided for by this Agreement.

15.8 LEGAL CONSTRUCTION. In case any one or more of the provisions contained in this Agreement shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision hereof and this Agreement shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

15.9 GENDER. Whenever the context shall so require, all words herein in any gender shall be deemed to include the masculine, feminine or neuter gender, all singular words shall include the plural, and all plural words shall include the singular.

15.10 PRIOR AGREEMENTS SUPERSEDED. This Agreement supersedes any prior understandings or written or oral agreements amongst the Partners, or any of them, respecting the within subject matter and contains the entire understanding amongst the Partners with respect thereto.

15.11 NO THIRD PARTY BENEFICIARIES. The terms and provisions of this Agreement are for the exclusive use and benefit of the General Partner and the Limited Partner and shall not inure to the benefit of any other person or entity.

15.12 WAIVER. No consent or waiver, express or implied, by any Partner to or of any breach or default by any other Partner in the performance by such other Partner of its obligations hereunder shall be deemed or construed to be a consent to or waiver of any other breach or default in the performance by such other Partner of the same or any other obligations of such Partner hereunder. Failure on the part of any Partner to complain of any act or failure to act on the part of any other Partner or to declare any other Partner in default, irrespective of how long such failure continues, shall not constitute a waiver by such Partner of its rights hereunder.

15.13 TIME OF ESSENCE. Time is hereby expressly made of the essence with respect to the performance by the parties of their respective obligations under this Agreement.

15.14 COUNTERPARTS. This Agreement may be executed in one or more counterparts, which when taken together, shall constitute but one original.

IN WITNESS WHEREOF, this Agreement has been executed and sworn to as of the day and year first above written by the General Partner and the Limited Partner.

PERCENTAGE INTEREST	GENERAL PARTNER
1%	MHC-QRS TWO, INC., a Delaware corporation
	By: /s/ Ellen Kellcher
	Title: Exec. VP/Genl. Counsel
	LIMITED PARTNER
99%	MHC OPERATING LIMITED PARTNERSHIP, an Illinois limited partnership, by its sole general partner:
	Manufactured Home Communities, Inc., a Maryland corporation
	By: /s/ Ellen Kellcher
	Title: Exec. VP/Genl. Counsel

EXHIBIT A

Property	State
Em Ja Ha	Arizona
Fairview Manor	Arizona
Mesa Regal	Arizona
Colony Park	California
Laguna Lake (undivided 9.4% interest)	California
Laguna Lake (undivided 44.15% interest)	California
Rancho Mesa	California
Bear Creek Village	Colorado
Carriage Cove	Florida
Country Meadows	Florida
Hillcrest	Florida
Holiday Ranch	Florida
Indian Oaks	Florida
Pickwick Village	Florida
Sherwood Forest	Florida
Southern Palms	Florida
The Landings	Florida
Windmill Manor	Florida
Five Seasons	Iowa
Creekside	Michigan
Boulder Cascade	Nevada
Brook Gardens	New York

EXHIBIT 12

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

	For the Years Ended December 31, 1997	1996	1995	1994	1993
Income before allocation to minority interests and extraordinary loss on early extinguishment of debt	$33,469	$26,943	$20,023	$16,616	$10,957
Fixed Charges	21,753	18,264	19,562	11,146	9,070
Earnings	$55,222	$45,207	$39,585	$27,762	$20,027
Interest incurred	$20,708	$16,794	$16,807	$ 9,699	$ 5,879
Amortization of deferred financing costs	1,045	1,470	2,755	1,447	3,191
Fixed Charges	$21,753	$18,264	$19,562	$11,146	$ 9,070
Earnings/Fixed Charges	2.54	2.48	2.02	2.49	2.21

EXHIBIT 21

MANUFACTURED HOME COMMUNITIES, INC.
SUBSIDIARIES OF THE REGISTRANT

	State of Incorporation or Organization
MHC Operating Limited Partnership	Illinois
MHC Financing Limited Partnership	Illinois
MHC Management Limited Partnership	Illinois
MHC Financing Limited Partnership Two	Delaware
Blue Ribbon Communities Limited Partnership	Delaware
LP Management Corporation	Delaware
MHC-QRS, Inc.	Delaware
MHC-QRS Two, Inc.	Delaware
MHC-QRS Blue Ribbon Communities, Inc.	Delaware
MHC Lending Limited Partnership	Illinois
MHC-Lending QRS, Inc.	Illinois
MHC-DeAnza Financing Limited Partnership	Illinois
MHC-QRS DeAnza, Inc.	Illinois
MHC-DAG Management Limited Partnership	Illinois
MHC-Bay Indies Financing Limited Partnership	Illinois
MHC-QRS Bay Indies, Inc.	Illinois
MHC Systems, Inc.	Illinois

EXHIBIT 23

MANUFACTURED HOME COMMUNITIES, INC.
CONSENT OF INDEPENDENT ACCOUNTANTS

We consent to the incorporation by reference in the Registration Statements (Form S-8 No. 333-25295, Form S-3 Form 333-25297, Form S-3 No. 333-1710, No. 33-82902 and No. 33-97288 and Form S-8 No. 33-76486) of Manufactured Home Communities, Inc., and in the related Prospectuses, of our report dated January 28, 1998, except for Note 15, as to which the date is February 23, 1998, with respect to the consolidated financial statements and schedules of Manufactured Home Communities, Inc., included in this Annual Report (Form 10-K) for the year ended December 31, 1997.

ERNST & YOUNG LLP

Chicago, Illinois
March 13, 1998

EXHIBIT 23.1

MANUFACTURED HOME COMMUNITIES, INC.
CONSENT OF INDEPENDENT ACCOUNTANTS

We consent to the incorporation by reference in the registration statements of Manufactured Home Communities, Inc. on Form S-8 (File Nos. 33-76846 and 333-25292) and on Form S-3 (File Nos. 33-82902, 33-97288, 333-1710 and 333-25297) of our report dated February 16, 1996, on our audit of the consolidated financial statements and financial statement schedule of Manufactured Home Communities, Inc. for the year ended December 31, 1995, which report is included in this Annual Report on Form 10-K.

COOPERS & LYBRAND L.L.P.

Chicago, Illinois
March 9, 1998

EXHIBIT 24.1

POWER OF ATTORNEY

STATE OF ILLINOIS)
) SS
COUNTY OF Cook)

KNOW ALL MEN BY THESE PRESENTS that John F. Podjasek, Jr., having an address at Barrington, Illinois, has made, constituted and appointed and BY THESE PRESENTS, does make, constitute and appoint Thomas P. Heneghan and Howard Walker, or either of them, having an address at Two North Riverside Plaza, Chicago, Illinois 60606, his true and lawful Attorney-in-Fact for him and in his name, place and stead to sign and execute in any and all capacities this Annual Report on Form 10-K and any or all amendments to this Annual Report on Form 10-K, and to file the same with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, giving and granting unto each of such, Attorney-in-Fact, full power and authority to do and perform each and every act and thing, requisite and necessary to be done in and about the premises, as fully, to all intents and purposes as he might or could do if personally present at the doing thereof, with full power of substitution and revocation, hereby ratifying and confirming all that each of such Attorney-in-Fact or his substitutes shall lawfully do or cause to be done by virtue hereof.

This power of Attorney shall remain in full force and effect until terminated by the undersigned through the instrumentality of a signed writing.

IN WITNESS WHEREOF, John F. Podjasek, Jr., has hereunto, set his hand this 11th day of March, 1998.

/s/ John F. Podjasek, Jr.
John F. Podjasek, Jr.

I, Leah J. Banks, a Notary Public in and for said County in the State aforesaid, do hereby certify that John F. Podjasek, Jr., personally know to me to be the same person whose name is subscribed to the foregoing instrument appeared before me this day in person and acknowledged that he signed and delivered said instrument as his own free voluntary act for the uses and purposes therein set forth.

Given under my hand and notarial seal this 11th day of March, 1998.

/s/ Leah J. Banks
(Notary Public)

My Commission Expires:

January 7, 2002

EXHIBIT 24.2

POWER OF ATTORNEY

STATE OF CALIFORNIA)
) SS
COUNTY OF Alameda)

KNOW ALL MEN BY THESE PRESENTS that Michael A. Torres, having an address at Alameda, California, has made, constituted and appointed and BY THESE PRESENTS, does make, constitute and appoint Thomas P. Heneghan and Howard Walker, or either of them, having an address at Two North Riverside Plaza, Chicago, Illinois 60606, his true and lawful Attorney-in-Fact for him and in his name, place and stead to sign and execute in any and all capacities this Annual Report on Form 10-K and any or all amendments to this Annual Report on Form 10-K, and to file the same with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, giving and granting unto each of such, Attorney-in-Fact, full power and authority to do and perform each and every act and thing, requisite and necessary to be done in and about the premises, as fully, to all intents and purposes as he might or could do if personally present at the doing thereof, with full power of substitution and revocation, hereby ratifying and confirming all that each of such Attorney-in-Fact or his substitutes shall lawfully do or cause to be done by virtue hereof.

This power of Attorney shall remain in full force and effect until terminated by the undersigned through the instrumentality of a signed writing.

IN WITNESS WHEREOF, Michael A. Torres, has hereunto, set his hand this 11th day of March, 1998.

/s/ Michael A. Torres
Michael A. Torres

I, Nancy K. Hagel, a Notary Public in and for said County in the State aforesaid, do hereby certify that Michael A. Torres, personally know to me to be the same person whose name is subscribed to the foregoing instrument appeared before me this day in person and acknowledged that he signed and delivered said instrument as his own free voluntary act for the uses and purposes therein set forth.

Given under my hand and notarial seal this 11th day of March, 1998.

/s/ Nancy K. Hagel
(Notary Public)

My Commission Expires:

March 16, 2001

EXHIBIT 24.3

POWER OF ATTORNEY

STATE OF NEW YORK)
) SS
COUNTY OF New York)

KNOW ALL MEN BY THESE PRESENTS that Thomas E. Dobrowski, having an address at New York, New York, has made, constituted and appointed and BY THESE PRESENTS, does make, constitute and appoint Thomas P. Heneghan and Howard Walker, or either of them, having an address at Two North Riverside Plaza, Chicago, Illinois 60606, his true and lawful Attorney-in-Fact for him and in his name, place and stead to sign and execute in any and all capacities this Annual Report on Form 10-K and any or all amendments to this Annual Report on Form 10-K, and to file the same with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, giving and granting unto each of such, Attorney-in-Fact, full power and authority to do and perform each and every act and thing, requisite and necessary to be done in and about the premises, as fully, to all intents and purposes as he might or could do if personally present at the doing thereof, with full power of substitution and revocation, hereby ratifying and confirming all that each of such Attorney-in-Fact or his substitutes shall lawfully do or cause to be done by virtue hereof.

This power of Attorney shall remain in full force and effect until terminated by the undersigned through the instrumentality of a signed writing.

IN WITNESS WHEREOF, Thomas E. Dobrowski, has hereunto, set his hand this 6th day of March, 1998.

/s/ Thomas E. Dobrowski
Thomas E. Dobrowski

I, Rosemarie Sobel, a Notary Public in and for said County in the State aforesaid, do hereby certify that Thomas E. Dobrowski, personally know to me to be the same person whose name is subscribed to the foregoing instrument appeared before me this day in person and acknowledged that he signed and delivered said instrument as his own free voluntary act for the uses and purposes therein set forth.

Given under my hand and notarial seal this 6th day of March, 1998.

/s/ Rosemarie Sobel
(Notary Public)

My Commission Expires:

October 31, 1998

EXHIBIT 24.4

POWER OF ATTORNEY

STATE OF ILLINOIS)
) SS
COUNTY OF Cook)

KNOW ALL MEN BY THESE PRESENTS that Gary L. Waterman, having an address at Seattle, Washington, has made, constituted and appointed and BY THESE PRESENTS, does make, constitute and appoint Thomas P. Heneghan and Howard Walker, or either of them, having an address at Two North Riverside Plaza, Chicago, Illinois 60606, his true and lawful Attorney-in-Fact for him and in his name, place and stead to sign and execute in any and all capacities this Annual Report on Form 10-K and any or all amendments to this Annual Report on Form 10-K, and to file the same with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, giving and granting unto each of such, Attorney-in-Fact, full power and authority to do and perform each and every act and thing, requisite and necessary to be done in and about the premises, as fully, to all intents and purposes as he might or could do if personally present at the doing thereof, with full power of substitution and revocation, hereby ratifying and confirming all that each of such Attorney-in-Fact or his substitutes shall lawfully do or cause to be done by virtue hereof.

This power of Attorney shall remain in full force and effect until terminated by the undersigned through the instrumentality of a signed writing.

IN WITNESS WHEREOF, Gary L. Waterman, has hereunto, set his hand this 10th day of March, 1998.

/s/ Gary L. Waterman
Gary L. Waterman

I, Leah J. Banks, a Notary Public in and for said County in the State aforesaid, do hereby certify that Gary L. Waterman, personally know to me to be the same person whose name is subscribed to the foregoing instrument appeared before me this day in person and acknowledged that he signed and delivered said instrument as his own free voluntary act for the uses and purposes therein set forth.

Given under my hand and notarial seal this 10th day of March, 1998.

/s/ Leah J. Banks
(Notary Public)

My Commission Expires:

January 7, 2002

EXHIBIT 24.5

POWER OF ATTORNEY

STATE OF MICHIGAN)
) SS
COUNTY OF Washtenaw)

KNOW ALL MEN BY THESE PRESENTS that Donald S. Chisholm, having an address at Ann Arbor, Michigan, has made, constituted and appointed and BY THESE PRESENTS, does make, constitute and appoint Thomas P. Heneghan and Howard Walker, or either of them, having an address at Two North Riverside Plaza, Chicago, Illinois 60606, his true and lawful Attorney-in-Fact for him and in his name, place and stead to sign and execute in any and all capacities this Annual Report on Form 10-K and any or all amendments to this Annual Report on Form 10-K, and to file the same with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, giving and granting unto each of such, Attorney-in-Fact, full power and authority to do and perform each and every act and thing, requisite and necessary to be done in and about the premises, as fully, to all intents and purposes as he might or could do if personally present at the doing thereof, with full power of substitution and revocation, hereby ratifying and confirming all that each of such Attorney-in-Fact or his substitutes shall lawfully do or cause to be done by virtue hereof.

This power of Attorney shall remain in full force and effect until terminated by the undersigned through the instrumentality of a signed writing.

IN WITNESS WHEREOF, Donald S. Chisholm, has hereunto, set his hand this 5th day of March, 1998.

/s/ Donald S. Chisholm
Donald S. Chisholm

I, Barbara A. Miller, a Notary Public in and for said County in the State aforesaid, do hereby certify that Donald S. Chisholm, personally know to me to be the same person whose name is subscribed to the foregoing instrument appeared before me this day in person and acknowledged that he signed and delivered said instrument as his own free voluntary act for the uses and purposes therein set forth.

Given under my hand and notarial seal this 5th day of March, 1998.

/s/ Barbara A. Miller
(Notary Public)

My Commission Expires:

August 5, 1998

EXHIBIT 24.6

POWER OF ATTORNEY

STATE OF CALIFORNIA)
) SS
COUNTY OF Orange   )

KNOW ALL MEN BY THESE PRESENTS that Louis H. Masotti, having an address at San Diego, California, has made, constituted and appointed and BY THESE PRESENTS, does make, constitute and appoint Thomas P. Heneghan and Howard Walker, or either of them, having an address at Two North Riverside Plaza, Chicago, Illinois 60606, his true and lawful Attorney-in-Fact for him and in his name, place and stead to sign and execute in any and all capacities this Annual Report on Form 10-K and any or all amendments to this Annual Report on Form 10-K, and to file the same with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, giving and granting unto each of such, Attorney-in-Fact, full power and authority to do and perform each and every act and thing, requisite and necessary to be done in and about the premises, as fully, to all intents and purposes as he might or could do if personally present at the doing thereof, with full power of substitution and revocation, hereby ratifying and confirming all that each of such Attorney-in-Fact or his substitutes shall lawfully do or cause to be done by virtue hereof.

This power of Attorney shall remain in full force and effect until terminated by the undersigned through the instrumentality of a signed writing.

IN WITNESS WHEREOF, Louis H. Masotti, has hereunto, set his hand this 11th day of March, 1998.

/s/ Louis H. Masotti

Louis H. Masotti

I, Vicki L. Ranck, a Notary Public in and for said County in the State aforesaid, do hereby certify that Louis H. Masotti, personally know to me to be the same person whose name is subscribed to the foregoing instrument appeared before me this day in person and acknowledged that he signed and delivered said instrument as his own free voluntary act for the uses and purposes therein set forth.

Given under my hand and notarial seal this 11th day of March, 1998.

/s/ Vicki L. Ranck

(Notary Public)

My Commission Expires:

December 17, 1999

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

0000895417
MANUFACTURED HOME COMMUNITIES, INC.
1
U.S. DOLLARS

12-MOS
DEC-31-1997
JAN-01-1997
DEC-31-1997
1
909
0
787
0
0
0
936,318
89,208
864,365
0
0
0
0
248
280,327
864,365
120,769
123,510
0
45,774
4,559
0
21,753
33,469
0
29,096
0
451
0
28,645
1.16
1.15