Community. Quality. Stability.

The Life in a Day of MHC

2001 Annual Report

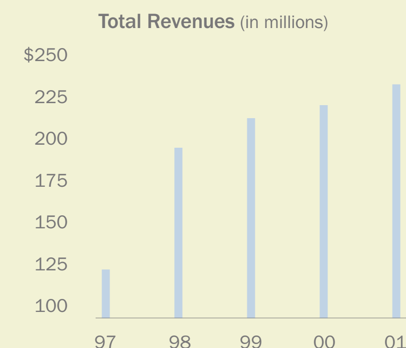
MHC's high quality portfolio has received industry-wide recognition. Most notably, thirteen MHC communities have been honored with the Manufactured Housing Institute's prestigious "Community of the Year" award in the past five years.

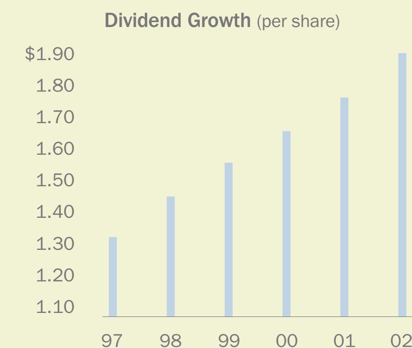
www.mhchomes.com

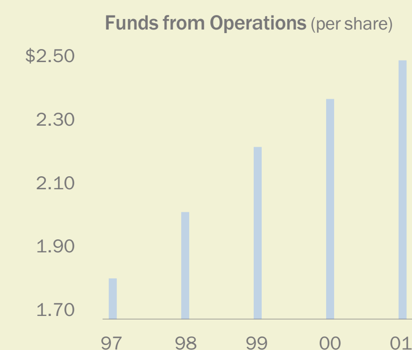
Manufactured Home Communities, Inc.

Our Value Proposition – We strive to exceed the expectations of the consumers in our marketplace, and we offer a predictable, stable revenue stream that appeals to investors.

MHC delivers on our value proposition by staying focused on three fundamental concepts: community, quality, and stability. We own and operate 148 site-set home communities in urban and resort-like settings across 23 states. Site-set homes are high quality, factory-built homes that are delivered to a property and set in place. MHC is a self-administered, self-managed real estate investment trust traded on the New York Stock Exchange under the symbol MHC.







For the years ended December 31,
(amounts in thousands except per share and property data)

Financial Highlights	2001	2000	1999	1998	1997
Total Revenues	$ 225,856	$ 220,678	$ 215,028	$ 194,830	$ 123,510
Operating Income (1)	$ 130,757	$ 129,478	$ 126,101	$ 114,777	$ 73,177
Funds from Operations (2)	$ 66,957	$ 63,807	$ 68,477	$ 64,089	$ 50,834
Net Income Before Allocation to Minority Interests (3)	$ 51,544	$ 52,701	$ 36,835	$ 35,663	$ 33,469
Net Income Per Common Share–Basic (3)	$ 1.53	$ 1.49	$ 1.10	$ 1.13	$ 1.16
Net Income Per Common Share–Diluted (3)	$ 1.49	$ 1.46	$ 1.09	$ 1.12	$ 1.15
Funds from Operations Per Common Share–Basic (3)	$ 2.53	$ 2.36	$ 2.21	$ 2.03	$ 1.79
Funds from Operations Per Common Share–Diluted (3)	$ 2.48	$ 2.33	$ 2.19	$ 2.01	$ 1.77
Weighted Average Common Shares Outstanding–Basic (3)	26,501	27,061	30,928	31,581	28,438
Weighted Average Common Shares Outstanding–Diluted (3)	27,010	27,408	31,252	31,962	28,762
Capital Expenditures (4)	$ 12,689	$ 7,855	$ 8,656	$ 8,005	$ 4,187
Total Communities Owned and Controlled	148	154	157	154	121
Total Sites	50,761	51,452	54,007	53,391	44,108

(1) Operating income is defined as total revenues less property operating and maintenance expense, real estate tax expense, property management expense and general and administrative expense. Operating income is a measure of the performance of the operations of the properties before the effects of depreciation, amortization and interest expense. Operating income is not necessarily an indication of the performance of the company or a measure of liquidity.

(2) Funds from operations are generally defined as net income, before allocation to minority interest, plus real estate depreciation and after adjustments for significant non-recurring items, if any. Industry analysts consider funds from operations to be one measure of the performance of an equity real estate investment trust. Funds from operations should not be considered as an alternative to net income as an indication of the company's performance or to cash flows as a measure of liquidity.

(3) Assumes full conversion of operating units into shares of common stock.

(4) Represents capital expenditures to existing sites including anticipated expenditures in connection with acquired properties.

To Our Fellow Shareholders

2001 was a year in which stability was hard to come by, yet MHC delivered. The overall downward direction of the economy tested our business model, and we're pleased to report that it proved sound.

We not only weathered the storm, we ended the year stronger than ever. Revenues, dividends, and funds from operations—all up. How did we manage this feat, given the disheartening economic news across the country, across markets, and throughout our industry? We stuck to our game plan, and our game plan works.

Our value proposition is that we strive to exceed the expectations of the consumers in our marketplace, and we have a predictable, stable revenue base that appeals to investors. It's not a flashy approach, but it's proved successful year after year.

Both MHC residents and shareholders benefited this year from the management team's dedication to our business strategy. Our firm financial footing is a testament to their diligence, as are the "Highlights" from the past year.

We look back at 2001 with pride, and we look ahead with great anticipation.

Attracting New Residents

With our portfolio of more than 47,000 home sites and nearly 3,500 RV sites in some of the most desirable locations in America, MHC is already a leader in the marketplace. We want to anticipate what will draw even larger numbers of future residents to site-set homes in general and MHC in particular.

We know that one answer is to offer potential residents the ability to purchase new homes in existing MHC communities. These buyers look for high quality amenities, and we are upgrading our existing properties to dramatically enhance the desirability of MHC's portfolio. Our goal is to make every asset live up to its potential. We expect to make approximately $5 million worth of improvements in our communities in 2002.

Growth Strategy

We will maintain our disciplined and prudent approach to community acquisitions, regardless of the overall economy. This strategy has allowed us to successfully complete more than $1 billion in acquisitions since 1993.

Internal expansion is another important aspect of MHC's growth strategy. We expect to fill between 200 and 250 expansion sites in 2002, and with our development potential standing at more than 2,500 sites, we are well positioned to maximize on this potential.

Balancing Needs

We'll continue our efforts to strike a fair balance between the expectations of residents and those of our shareholders on the issue of rent. We believe that, in some markets, the scales have tipped too far in favor of residents. Rent control ordinances passed in many municipalities are eroding shareholder value, and we're committed to working within appropriate channels to protect shareholder value by obtaining market-value rents. At the same time, we will continue providing residents an attractive and affordable lifestyle in high quality communities.

Riding Out the Economy

MHC is not immune to economic downturns, and it may be awhile before the nation's economy starts sailing smoothly again. That said, we are well positioned to deliver value to our residents and shareholders even when economic waters are choppy. Our residents choose to live in an MHC community based on lifestyle factors and affordability. MHC communities are very attractive on both counts, and offer even greater value in a soft economy.

Moving Ahead

We expect to maintain our leadership position by continuing to focus on community, quality, and stability. Our commitment to these fundamental concepts permeates everything we do, from the way we maintain and enhance our communities, to the way we present our financial reports.

The combination of low resident turnover, predictable cash flow, and easily identifiable expenses gives us a reliable platform from which to operate. MHC will continue using this platform to deliver value to residents and shareholders.

Our faith in this business has never been stronger, and we look forward to steering MHC to continued success.

Sincerely,

Samuel Zell, Chairman of the Board

Howard Walker, Chief Executive Officer
March 12, 2002

2001 Highlights

Community acquisitions – In January, MHC completed the strategic acquisition of two Florida communities, totaling 729 sites, for an aggregate purchase price of approximately $16.3 million. The Lakes at Countrywood (near Tampa) and Grand Island Resort (near Orlando) are located near and complement existing MHC communities, allowing us to offer a wider array of community lifestyle choices in these areas.

Financing – In August, MHC completed a $50 million financing, secured by seven properties at an interest rate of 7 percent. The loan has a ten-year term.

Interest rate swap – In October, MHC entered into an interest rate swap that fixed the interest rate on our $100 million bank loan at 5 percent for three years.

Internet appeal – Our updated web site is paying off. We now have a database of more than 7,000 potential customers, and our Internet Lead Fulfillment Center now responds personally and promptly to more than 200 customers each day.

Awards – The distinguished Manufactured Housing Institute's Community of the Year Award for regional excellence was bestowed on three MHC communities: The Heritage (North Fort Myers, FL), Plantation on the Lake (Calimesa, CA), and Sea Oaks (Los Osos, CA). MHC has garnered 13 of these awards since 1997.

There's No Place Like Home

People fall in love with our communities and the homes we offer in them. From the handsome exteriors to the well-appointed interiors, each home features high quality materials and the craftsmanship of the finest builders in the industry. We provide the best these residences have to offer by bringing new houses into our communities on a regular basis. And, while each MHC community has its own special character, every one offers an extraordinary list of amenities and services and is situated in a picturesque setting.

Site-set homes are high quality, factory-built homes that are delivered to a property and set in place. These homes are made to exacting standards and avoid the cost inefficiencies of traditional site-built residential construction.

Site-set homes deliver excellent value—at an average new price of just over $60,000, they're truly affordable. Construction costs per square foot for site-set homes are as much as 35 percent lower than comparable site-built homes.

An overwhelming 93 percent of site-set homeowners report satisfaction with this housing lifestyle[1], and it's easy to see why. The homes in MHC communities average more than 1,400 square feet and offer many custom features, including peaked roofs, screened porches, bay windows, wood-burning fireplaces, designer kitchens, and fully appointed, distinctive baths.

[1] "Beautiful, Affordable, Quality Housing: What Manufactured Home Owners Really Want," an Owens Corning study conducted by National Family Opinion (1998)

In 2001, the need to feel connected to one another became more important than ever. Providing a place where “neighbor” means something and where the neighborhood is reassuring and vibrant is something that MHC communities have done from the beginning.

MHC residents enjoy being part of their community; they’ve chosen the location and the lifestyle. Many friends end up choosing to live in the same place, and new neighbors often seem like old friends.

Location, Location, Location

The MHC portfolio of communities boasts some of the most desired locations in America, from choice urban settings to resort-like destinations. People who have dreamed of living in these magnificent places can realize those dreams, thanks to the affordability of an MHC lifestyle.

Whether you want to meander along the ocean’s rippling waters, walk under woodland leaves, hike up a craggy mountainside, or trek through the desert colors, MHC has the perfect location for you.

Lifestyle

As for pace, you choose—fast, slow, or somewhere in between. Want tranquility in a peaceful setting? It’s yours. Want to get involved in a myriad of activities and group events? We’ll keep you busy.

When it comes to the appearance of the community and the services it offers, many residents find these features irresistible:

- Low upkeep and maintenance costs
- First class amenities
- Carefully manicured landscaping
- Professional community managers

MHC owns the highest quality portfolio of site-set home communities in the United States. It's our 30+ years of experience in the market, combined with our steadfast commitment to delivering value to our residents and shareholders that makes the difference.

Lots of companies talk about quality, but do they deliver? MHC does, and the results are quantifiable.

Residents

Our residents agree that we provide homes and communities of outstanding quality, and the numbers prove it. In 2001, our occupancy rate was 94.2 percent, and our resident turnover rate was a low 11.5 percent. These high marks are consistent—over the last five years, our occupancy and resident turnover rates have averaged 94.3 percent and 10.9 percent, respectively. These rates are substantially better than those found in the multi-family rental industry.

Shareholders

Our shareholders agree that we provide an investment of outstanding quality, and the numbers prove it. MHC's average annual return since our initial public offering in February of 1993 is 16 percent. These results beat those of the Dow Jones, S&P 500, NASDAQ Composite, and Morgan Stanley REIT indices, as well as those of our peers.

Industry Experts

Industry professionals agree that we create communities of outstanding quality, and the numbers prove it. In 2001, MHC won three of the Manufactured Housing Institute's prestigious Community of the Year Awards. These awards—given by geographic region—were bestowed on The Heritage (North Fort Myers, FL), Plantation on the Lake (Calimesa, CA), and Sea Oaks (Los Osos, CA). MHC now has a total of 13 such awards in just the last five years.

Convenient Internet Access

Thanks to MHC's robust web site (www.mhchomes.com), people currently living far from our communities can simply use the Internet to get detailed information about any location in our portfolio. By going online, you can view home floor plans and choose from available sites in specific communities.

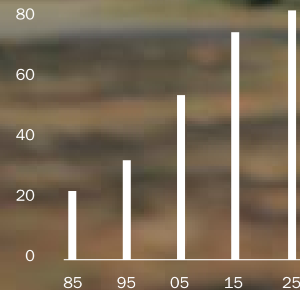
How popular is our web site? In the last six months of 2001, we tracked some 7,000 potential customers. Our Internet Lead Fulfillment Center responds personally and promptly to more than 200 customers each day.

We're confident that by continually updating our web site, we'll be responsive to the changing needs of our customers. Our web site also allows us to reach new customers who otherwise may not have considered site-set housing as an option.

Stability

We take deep pride in the fact that our portfolio has delivered consistent growth in revenue, dividends, and cash flow year after year. We attribute a great deal of our stability to three factors: our approach, our population, and our industry.

Here Come the Baby Boomers
(millions of people age 55 and older)



The number of Americans age 55 and older will double by 2025. Based on these demographics, the demand for MHC's manufactured home sites should continue to increase.

Our Approach

We own communities that offer residents the opportunity to purchase site-set homes in attractive settings, providing a high quality, affordable lifestyle. These residents own and maintain their homes, while paying monthly fees that include their home site rental, community services, and amenities. This structure insures that MHC's capital expenditures remain far lower than that of apartment buildings or other rental arrangements. We're also insulated from economic downturns in any single market because our portfolio stretches across 23 states, from one corner of the country to the other.

MHC's employees are another integral part of our success. Our sales and marketing professionals help attract the most qualified residents to MHC communities. Our vigorous training program ensures the qualifications and professionalism of our community managers. In addition, these managers benefit from our corporate and regional office teams, who are dedicated to providing them a wide range of support services.

Our Population

With an average occupancy rate in our communities of more than 94 percent and an average resident turnover rate of only 11.5 percent, our population is the picture of constancy. These figures are the envy of any comparable real estate venture, and they serve as reliable indicators that MHC's operating revenues will remain steady.

Another critical factor in the company's on-going success is the fact that the majority of our residents have chosen to live in an MHC community based on the lifestyle and affordability it offers. In addition, many MHC residents have sold the homes they raised their families in and have utilized those proceeds to pay cash for the purchase of their site-set home. These factors combine to make MHC's residents less sensitive to overall fluctuations in the economy.

Our Industry

The demand for site-set housing continues to grow. In 2000, one out of six new single-family housing starts were site-set homes[2]. More and more people, including baby boomers and young families getting into the housing market, are looking to this type of housing as a welcome alternative to site-built homes. Given MHC's outstanding portfolio of communities, we expect that people who are drawn to this lifestyle will continue to be drawn to MHC.

[2] National Conference of States Building Codes and Standards (NCBCS)

Looking Ahead

We're confident that our business plan remains sound. We will continue to improve and expand our existing communities and add new locations to our portfolio. Why are we confident?

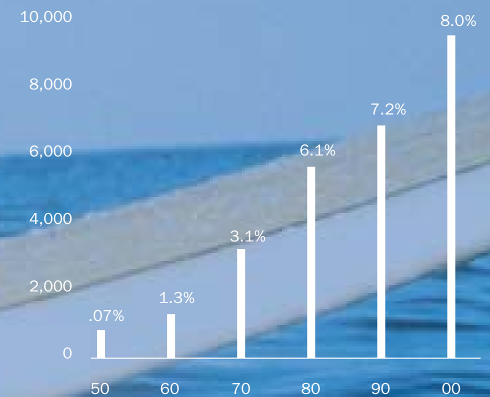
Competitive positioning – Lenders to and producers of site-set housing suffered greatly in the last year, and many closed their doors. Yet, in a difficult marketplace, MHC remained strong. When the economy does turn around, we'll be operating from a position of stability and strength.

Value-minded customers – Relatively low purchase prices and maintenance costs make site-set housing very attractive to baby boomers. MHC's locations, lifestyle choices, and amenities continue to make this housing option all the more appealing to this population. Rising land values and building costs related to site-built housing also make site-set home communities appealing to another group of potential customers—those looking for "starter homes."

Financial stability – Baby boomers are likely to have the resources to acquire residences in more than one location when they retire. We expect more baby boomers to purchase multiple homes from us, based on our excellent reputation and presence in 23 states.

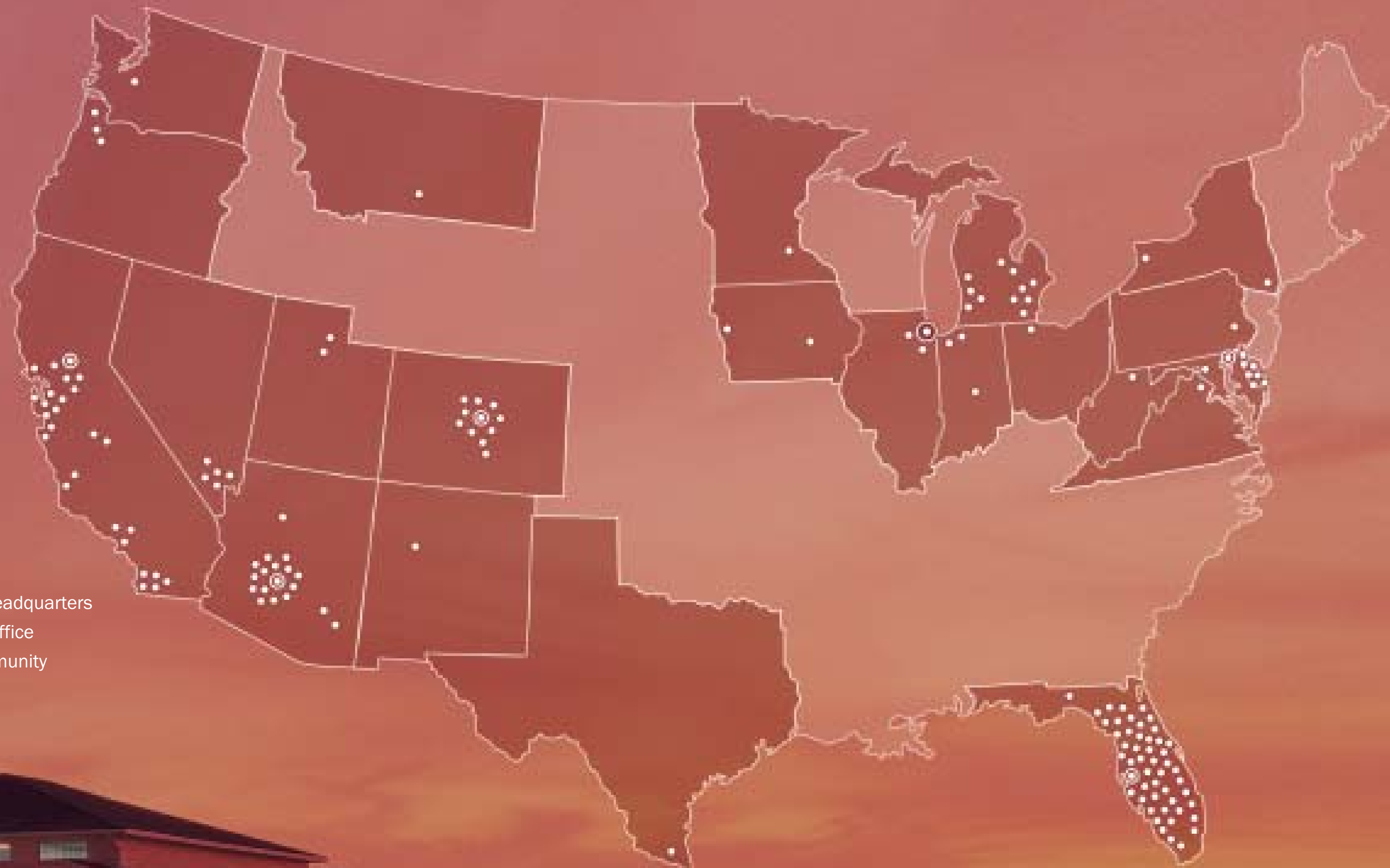
Limited supply – Desirable real estate is at a premium, and MHC is positioned to capitalize on increased demand. Our proven ability to manage growth will allow us to continue to lead the industry in satisfying the increased demand.

Growth in Manufactured Homes (in thousands)
Number of manufactured homes in the U.S. since 1950



The percentages indicate the portion of total housing stock that was manufactured homes.

Source: *The Decade for Manufactured Housing*
E. Belsky – Harvard University



A National Community

MHC Portfolio (as of March 1, 2002)

148 Communities	◉ Chicago Headquarters
47,264 Homesites	◉ Regional Office
23 States	• MHC Community

The MHC Commitment

Our continuing pledge to residents and shareholders is simple. We will create value by providing consistently high levels of service and amenities in attractive surroundings.

MHC is well positioned to follow through on this commitment, thanks to our firmly established brand identity and high visibility in the marketplace. The potential for growth remains sizable because we are a leader in an industry where a relatively small number of site-set home communities are publicly held.

We will use our market position to capitalize on opportunities to expand our portfolio while maintaining our dedication to community, quality, and stability.

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 Annual Report. The historical operating data for the years ended December 31, 2001, 2000, 1999, 1998 and 1997 have been derived from the historical Financial Statements of the Company audited by Ernst & Young LLP, independent auditors.

Manufactured Home Communities, Inc.
Consolidated Historical Financial Information (Amounts in thousands, except for per share and property data)

Operating Data:	(1) Years ended December 31,				
	2001	2000	1999	1998	1997
Revenues					
Base rental income	$ 195,644	$ 189,481	$ 181,672	$ 165,340	$ 108,984
RV base rental income	5,748	7,414	9,526	7,153	—
Utility and other income	22,014	20,366	20,096	18,219	11,785
Equity in income of affiliates	1,811	2,408	2,065	1,070	800
Interest income	639	1,009	1,669	3,048	1,941
Total revenues	225,856	220,678	215,028	194,830	123,510
Expenses					
Property operating and maintenance	62,008	59,199	58,038	53,064	32,343
Real estate taxes	17,420	16,888	16,460	14,470	8,352
Property management	8,984	8,690	8,337	7,108	5,079
General and administrative	6,687	6,423	6,092	5,411	4,559
Interest and related amortization	51,305	53,280	53,775	49,693	21,753
Depreciation on corporate assets	1,243	1,139	1,005	995	590
Depreciation on real estate assets and other costs	34,833	34,411	34,486	28,426	17,365
Total expenses	182,480	180,030	178,193	159,167	90,041
Income from operations	43,376	40,648	36,835	35,663	33,469
Gain on sale of property and other	8,168	12,053	—	—	—
Income before allocation to minority interests and extraordinary loss on early extinguishment of debt	51,544	52,701	36,835	35,663	33,469
(Income) allocated to Common OP Units	(8,209)	(8,463)	(6,219)	(6,733)	(4,373)
(Income) allocated to Perpetual Preferred OP Units	(11,252)	(11,252)	(2,844)	—	—
Income before extraordinary loss on early extinguishment of debt	32,083	32,986	27,772	28,930	29,096
Extraordinary loss on early extinguishment of debt (net of $264 and $105 allocated to minority interests)	—	(1,041)	—	—	(451)
Net income	$ 32,083	$ 31,945	$ 27,772	$ 28,930	$ 28,645
Net income per Common Share before extraordinary item – basic	$ 1.53	$ 1.54	$ 1.10	$ 1.13	$ 1.18
Net income per Common Share before extraordinary item – diluted	$ 1.49	$ 1.51	$ 1.09	$ 1.12	$ 1.16
Net income per Common Share – basic	$ 1.53	$ 1.49	$ 1.10	$ 1.13	$ 1.16
Net income per Common Share – diluted	$ 1.49	$ 1.46	$ 1.09	$ 1.12	$ 1.15
Dividend declared per Common Share	$ 1.78	$ 1.66	$ 1.55	$ 1.45	$ 1.32
Weighted average Common Shares outstanding – basic	21,036	21,469	25,224	25,626	24,689
Weighted average Common OP Units outstanding	5,466	5,592	5,704	5,955	3,749
Weighted average Common Shares outstanding – diluted	27,010	27,408	31,252	31,962	28,762

Manufactured Home Communities, Inc.
Consolidated Historical Financial Information (continued)
(Amounts in thousands, except for per share and property data)

Balance Sheet Data:	(1) Years ended December 31,				
	2001	2000	1999	1998	1997
Real estate, before accumulated depreciation (2)	$ 1,238,138	$ 1,218,176	$ 1,264,343	$ 1,237,431	$ 936,318
Total assets	1,099,963	1,104,304	1,160,338	1,176,841	864,365
Total mortgages and loans	708,857	719,684	725,264	750,849	495,172
Minority interests	171,147	171,271	179,397	70,468	67,453
Stockholders' equity	175,150	168,095	211,401	310,441	280,575
Other Data:					
Funds from operations (3)	$ 66,957	$ 63,807	$ 68,477	$ 64,089	$ 50,834
Net cash flow:					
Operating activities	$ 80,708	$ 68,001	$ 72,580	$ 71,977	$ 54,581
Investing activities	$ (23,067)	$ 23,102	$ (37,868)	$ (262,762)	$ (239,445)
Financing activities	$ (59,134)	$ (94,932)	$ (41,693)	$ 203,533	$ 185,449
Total Properties (at end of period) (4)	148	154	157	154	121
Total sites (at end of period)	50,761	51,452	54,002	53,009	44,108
Total sites (weighted average) (5)	46,243	46,964	46,914	43,932	29,323

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

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

(3) The Company generally considers Funds From Operations ("FFO") to be an appropriate measure of the performance of an equity Real Estate Investment Trust ("REIT"). FFO was redefined by the National Association of Real Estate Investment Trusts ("NAREIT") in October 1999, effective January 1, 2000, as net income (computed in accordance with generally accepted accounting principles ["GAAP"]), before allocation to minority interests, excluding gains (or losses) from sales of property, plus real estate depreciation and after adjustments for unconsolidated partnerships and joint ventures. For purposes of presenting FFO, the revised definition of FFO has been given retroactive treatment. 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 computations. 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.

(4) During the year ended December 31, 1997, 39 Properties were acquired; net operating income attributable to such Properties during 1997 was approximately $3.8 million, which included approximately $1.7 million of depreciation and amortization expense. During the year ended December 31, 1998, 41 Properties were acquired; net operating income attributable to such Properties during 1998 was approximately $7.6 million, which included approximately $3.9 million of depreciation and amortization expense. During the year ended December 31, 1999, two Properties were acquired; net operating income attributable to such Properties during 1999 was approximately $87,000, which included approximately $104,000 of depreciation expense. During the year ended December 31, 2000, three Properties and a water and wastewater treatment company were sold; net operating income attributable to such Properties during 2000 was approximately $1.6 million, which included approximately $623,000 of depreciation expense. During the year ended December 31, 2001, two Properties were purchased; net operating income attributable to such Properties during 2001 was approximately $1.3 million, which included approximately $396,000 of depreciation expense. Also during the year ended December 31, 2001, eight Properties were sold; net operating income attributable to such Properties during 2001 was $1.0 million, which included approximately $235,000 of depreciation expense.

(5) Excludes recreational vehicle sites and sites held through unconsolidated joint ventures.

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. The following discussion may contain certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 which reflect management's current views with respect to future events and financial performance. Such forward-looking statements are subject to certain risks and uncertainties, including, but not limited to, the effects of future events on the Company's financial performance; the adverse impact of external factors such as inflation and consumer confidence; and the risks associated with real estate ownership.

Trends

Occupancy in the Company's Properties as well as the ability to increase rental rates directly affects revenues. In 2001, occupancy in the Company's Core Portfolio remained relatively stable. Also during 2001, average monthly base rental rates for the Core Portfolio increased approximately 4.5%. The Company believes these trends will continue through 2002.

Critical Accounting Policies and Estimates

The Company's consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States, which require the Company to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and the related disclosures. The Company believes that the following critical accounting policies, among others, affect its more significant judgments and estimates used in the preparation of its consolidated financial statements.

The Company periodically evaluates its long-lived assets, including its investments in real estate for impairment indicators. The judgments regarding the existence of impairment indicators, are based on factors such as operational performance, market conditions and legal factors. Future events could occur which would cause us to conclude that impairment indicators exist and an impairment loss is warranted.

The valuation of financial instruments under SFAS No. 107 and SFAS No. 133 requires the Company to make estimates and judgments that affect the fair value of the instruments. The Company, where possible, bases the fair values of its financial instruments, including its derivative instrument, on listed market prices and third party quotes. Where these are not available, the Company bases its estimates on other factors relevant to the financial instrument.

Results of Operations

Property Acquisitions, Joint Ventures and Dispositions

The following chart lists the Properties acquired or sold since January 1, 1999. The Company defines its core Community portfolio ("Core Portfolio") as Properties owned throughout both periods of comparison. Excluded from the Core Portfolio are any Properties acquired or sold during the period and also any recreational vehicle ("RV") Properties which, together, are referred to as the "Non-Core" Properties.

Property	Transaction Date	Sites
Total Sites as of January 1, 1999		53,009
Acquisitions:		
The Meadows	April 1, 1999	380
Coquina Crossing	July 23, 1999	270
Grand Island (f.k.a. Golden Lakes)	January 3, 2001	421
Lakes at Countrywood (f.k.a. Chain O' Lakes)	January 3, 2001	309
Bulow Resort RV	July 1, 2001	352
Investment in Unconsolidated Joint Ventures:		
Lakeshore Communities (2 properties)	1999	343
Expansion Site Development:		
Sites added in 1999		—
Sites added in 2000		108
Sites added in 2001		143
Dispositions:		
Garden West Office Plaza	October 26, 1999	—
FFEC-Six (water and wastewater service company)	February 29, 2000	—
Mesa Regal RV Resort	May 22, 2000	(2,005)
Naples Estates	May 22, 2000	(484)
Mon Dak	May 22, 2000	(219)
Dellwood Estates	February 13, 2001	(136)
Briarwood	February 13, 2001	(166)
Bonner Springs	February 13, 2001	(211)
Carriage Park	February 13, 2001	(143)
North Star	February 13, 2001	(219)
Quivira Hills	February 13, 2001	(142)
Rockwood	February 13, 2001	(264)
Candlelight	October 5, 2001	(585)
Total Sites as of December 31, 2001		50,761

Comparison of Year Ended December 31, 2001 to Year Ended December 31, 2000

Since December 31, 1999, the gross investment in real estate increased from $1,264 million to $1,238 million as of December 31, 2001, due primarily to the aforementioned acquisitions and dispositions of Properties during the period. The total number of sites owned or controlled decreased from 54,002 as of December 31, 1999 to 50,761 as of December 31, 2001.

The following table summarizes certain financial and statistical data for the Core Portfolio and the Total Portfolio for the years ended December 31, 2001 and 2000 (dollars in thousands).

	Core Portfolio				Total Portfolio			
	2001	2000	Increase/ (Decrease)	% Change	2001	2000	Increase/ (Decrease)	% Change
Base rental income (1)	$ 192,160	$ 183,615	$ 8,545	4.7%	$ 195,644	$ 189,064	$ 6,580	3.5%
Utility and other income	20,222	18,664	1,558	8.3%	27,762	28,197	(435)	(1.5%)
Equity in income of affiliates	—	—	—	—	1,811	2,408	(597)	(24.8%)
Interest income	—	—	—	—	639	1,009	(370)	(36.7%)
Total revenues	212,382	202,279	10,103	5.0%	225,856	220,678	5,178	2.3%
Property operating and maintenance	57,787	54,150	3,637	6.7%	62,008	59,199	2,809	4.7%
Real estate taxes	16,773	16,321	452	2.8%	17,420	16,888	532	3.2%
Property management	8,594	8,121	473	5.8%	8,984	8,690	294	3.4%
General and administrative	—	—	—	—	6,687	6,423	264	4.1%
Total operating expenses	83,154	78,592	4,562	5.8%	95,099	91,200	3,899	4.3%
Income from operations before interest, depreciation and amortization expenses	129,228	123,687	5,541	4.5%	130,757	129,478	1,279	1.0%
Interest and related amortization	—	—	—	—	51,305	53,280	(1,975)	(3.7%)
Depreciation on corporate assets	—	—	—	—	1,243	1,139	104	9.1%
Property depreciation and other	32,243	30,792	1,451	4.7%	34,833	34,411	422	1.2%
Income from operations (2)	$ 96,985	$ 92,895	$ 4,090	4.4%	$ 43,376	$ 40,648	$ 2,728	6.7%
Site and Occupancy Information (3):								
Average total sites	44,966	44,828	138	0.3%	46,243	46,964	(721)	(1.5%)
Average occupied sites	42,384	42,320	61	0.2%	43,576	44,325	(749)	(1.7%)
Occupancy %	94.3%	94.4%	(0.1%)	(0.1%)	94.2%	94.4%	(0.2%)	(0.2%)
Monthly base rent per site	$ 377.82	$ 361.47	$ 16.35	4.5%	$ 374.15	$ 355.45	$ 18.70	5.3%
Total sites as of December 31,	45,011	44,868	143	0.3%	45,743	46,734	(991)	(2.1%)
Total occupied sites as of December 31,	42,243	42,529	(286)	(0.7%)	42,887	44,270	(1,383)	(3.1%)

(1) During 2001, at certain Properties the amounts charged to residents for utilities were separated ("Unbundled") from their base rent charges and recorded as utility income. For comparison purposes, a reclassification was made to base rental income for 2000 on this table. This reclassification is also reflected in the monthly base rent per site amounts for 2000.

(2) Income from operations for the Core Portfolio does not include an allocation of income from affiliates, interest income, corporate general and administrative expense, interest expense and related amortization or depreciation on corporate assets.

(3) Site and occupancy information does not include the Properties owned through unconsolidated joint ventures or the RV Properties.

Revenues

The 4.7% increase in base rental income for the Core Portfolio reflects a 4.5% increase in monthly base rent per site coupled with a 0.2% increase in average occupied sites. The increase in utility and other income for the Core Portfolio is due primarily to increases in pass through items such as utilities and real estate taxes – which resulted from higher expenses for these items. For the Total Portfolio, changes in base rental income and utility and other income generally reflect those of the Core Portfolio and the effect of acquisition and disposition of the Non-Core Properties.

Equity in income of affiliates decreased 24.8%, reflecting lower sales volumes. Combined home sales revenue decreased approximately $4.0 million, of which $3.3 million is attributable to a decline in new home inventory sales volume. Sales volumes for new home inventory, used home inventory and brokered home sales were 485, 250 and 1,114, respectively, for the year ended December 31, 2001, and 535, 290 and 1,271, respectively, for the year ended December 31, 2000.

The decrease in interest income is primarily due to the repayment of certain notes receivable, fewer short-term investments and lower interest rates. Short-term investments had average balances for the years ended December 31, 2001 and 2000 of approximately $1.9 million and $1.5 million, respectively, which earned interest income at an effective rate of 3.8% and 6.0% per annum, respectively.

Operating Expenses

The increase in property operating and maintenance expense for the Core Portfolio is due primarily to increases in utility expenses passed through and included in utility income. Expenses for the Core Portfolio also reflect increases in payroll and property insurance expenses. Core Portfolio real estate taxes increased 2.8% generally due to higher assessed values on certain Properties. The increase in Total Portfolio property operating and maintenance expense and real estate taxes is also impacted by acquisition and disposition of Non-Core Properties. Property management expense allocated to the Core Portfolio, which reflects costs of managing the Properties and is estimated based on a percentage of Property revenues, increased 5.8%.

General and administrative expenses (“G&A”) increased 4.1% due to increased public company costs and related expenses and promotional costs. G&A for 2001 includes a charge for additional amortization of deferred compensation offset by a reversal of legal expenses previously accrued related to the Ellenburg settlement.

Interest and related amortization decreased due to lower interest rates during the period. The weighted average outstanding debt balances for the years ended December 31, 2001 and 2000 were $713.2 million and $707.5 million, respectively. The effective interest rate was 7.0% and 7.4% per annum for the years ended December 31, 2001 and 2000, respectively.

Depreciation on corporate assets increased due to fixed asset additions related to information and communication systems. Depreciation on real estate assets and other costs increased due primarily to the acquisition and disposition of Non-Core Properties.

Comparison of Year Ended December 31, 2000 to Year Ended December 31, 1999

Since December 31, 1998, the gross investment in real estate decreased from $1,237 million to $1,218 million as of December 31, 2000, due primarily to the aforementioned acquisitions and dispositions of Properties during the period. The total number of sites owned or controlled decreased from 53,009 as of December 31, 1998 to 51,452 as of December 31, 2000.

The following table summarizes certain financial and statistical data for the Core Portfolio and the Total Portfolio for the years ended December 31, 2000 and 1999 (dollars in thousands).

	Core Portfolio				Total Portfolio			
	2000	1999	Increase/ (Decrease)	% Change	2000	1999	Increase/ (Decrease)	% Change
Base rental income	$ 186,148	$ 178,095	$ 8,053	4.5%	$ 189,481	$ 181,672	$ 7,809	4.3%
Utility and other income	17,986	17,436	550	3.2%	27,780	29,622	(1,842)	(6.2%)
Equity in income of affiliates	—	—	—	—	2,408	2,065	343	16.6%
Interest income	—	—	—	—	1,009	1,669	(660)	(39.5%)
Total revenues	204,134	195,531	8,603	4.4%	220,678	215,028	5,650	2.6%
Property operating and maintenance	54,358	52,096	2,262	4.3%	59,199	58,038	1,161	2.0%
Real estate taxes	16,186	15,811	375	2.4%	16,888	16,460	428	2.6%
Property management	8,194	7,725	469	6.1%	8,690	8,337	353	4.2%
General and administrative	—	—	—	—	6,423	6,092	331	5.4%
Total operating expenses	78,738	75,632	3,106	4.1%	91,200	88,927	2,273	2.6%
Income from operations before interest, depreciation and amortization expenses	125,396	119,899	5,497	4.6%	129,478	126,101	3,377	2.7%
Interest and related amortization	—	—	—	—	53,280	53,775	(495)	(0.9%)
Depreciation on corporate assets	—	—	—	—	1,139	1,005	134	13.3%
Property depreciation and other	31,366	30,912	454	1.5%	34,411	34,486	(75)	(0.2%)
Income from operations (1)	$ 94,030	$ 88,987	$ 5,043	5.7%	$ 40,648	$ 36,835	$ 3,813	10.4%
Site and Occupancy Information (2):								
Average total sites	45,894	45,810	84	0.2%	46,964	46,914	50	0.1%
Average occupied sites	43,410	43,138	272	0.6%	44,325	44,110	215	0.5%
Occupancy %	94.6%	94.2%	0.4%	0.4%	94.4%	94.0%	0.4%	0.4%
Monthly base rent per site	$ 357.35	$ 344.04	$ 13.31	3.9%	$ 356.24	$ 343.22	$ 13.02	3.8%
Total sites as of December 31,	45,902	45,808	94	0.2%	46,734	47,284	(550)	(1.2%)
Total occupied sites as of December 31,	43,595	43,289	306	0.7%	44,270	44,555	(285)	(0.6%)

(1) Income from operations for the Core Portfolio does not include an allocation of income from affiliates, interest income, corporate general and administrative expense, interest expense and related amortization or depreciation on corporate assets.

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

Revenues

The 4.5% increase in base rental income for the Core Portfolio reflects a 3.9% increase in monthly base rent per site coupled with a 0.6% increase in average occupied sites. The 4.3% increase in base rental income for the Total Portfolio reflects a 3.8% increase in monthly base rent per site coupled with a 0.5% increase in average occupied sites and also reflects the acquisition and disposition of Non-Core Properties. The increase in utility and other income for the Core Portfolio is due primarily to increases in pass through items such as utilities and real estate taxes – which resulted from higher expenses for these items. The decrease in Total Portfolio utility and other income is due primarily to the sale of Mesa Regal RV resort and other changes in the Non-Core Properties. Also included in other income is a gain on the sale of the FFEC-Six water and wastewater treatment company of $719,000, partially offset by an impairment loss on the DeAnza Santa Cruz water and wastewater service company of $701,000.

The decrease in interest income is primarily due to the repayment of certain notes receivable and fewer short-term investments. Short-term investments had average balances for the years ended December 31, 2000 and 1999 of approximately $1.5 million and $2.8 million, respectively, which earned interest income at an effective rate of 6.0% and 6.3% per annum, respectively.

Operating Expenses

The increase in property operating and maintenance expense for the Core Portfolio is due primarily to increases in utility expenses passed through and included in utility income. Expenses for the Core Portfolio also reflect increases in repairs and maintenance expense, payroll and property general and administrative expenses partially offset by decreased insurance and other expenses. Core Portfolio real estate taxes increased 2.4% generally due to higher property assessments on certain Properties. The increase in Total Portfolio property operating and maintenance expense and real estate taxes is also impacted by acquisition and disposition of Non-Core Properties. Property management expense for the Core Portfolio, which reflects costs of managing the Properties and is estimated based on a percentage of Property revenues, increased 6.1%.

General and administrative expenses increased primarily due to increased payroll resulting from salary increases and increased public company related expenses.

Interest and related amortization decreased due to lower weighted average outstanding debt balances during the period. The weighted average outstanding debt balances for the years ended December 31, 2000 and 1999 were $707.5 million and $738.1 million, respectively. The effective interest rate was 7.4% and 7.2% per annum for the years ended December 31, 2000 and 1999, respectively.

Depreciation on corporate assets increased due to fixed asset additions related to information and communication systems. Depreciation on real estate assets and other costs decreased due primarily to the acquisition and disposition of Non-Core Properties.

Liquidity and Capital Resources

Liquidity

As of December 31, 2001, the Company had $1.4 million in cash and cash equivalents and $133.8 million available on its line of credit. The Company expects to meet its short-term liquidity requirements, including its distributions, generally through its working capital, net cash provided by operating activities and availability under the existing line of credit. The Company expects to meet certain long-term liquidity requirements such as scheduled debt maturities, property acquisitions and capital improvements by long-term collateralized and uncollateralized borrowings including borrowings under its existing line of credit and the issuance of debt securities or additional equity securities in the Company, in addition to working capital.

In order to qualify as a REIT for federal income tax purposes, the Company must distribute 95% or more of its taxable income (excluding capital gains). The following distributions have been declared and/or paid to common stockholders and minority interests since January 1, 1999.

Distribution Amount Per Share	For the Quarter Ending	Shareholder Record Date	Payment Date
$0.3875	March 31, 1999	March 26, 1999	April 9, 1999
$0.3875	June 30, 1999	June 25, 1999	July 9, 1999
$0.3875	September 30, 1999	September 24, 1999	October 8, 1999
$0.3875	December 31, 1999	December 31, 1999	January 14, 2000
$0.4150	March 31, 2000	March 31, 2000	April 14, 2000
$0.4150	June 30, 2000	June 30, 2000	July 14, 2000
$0.4150	September 30, 2000	September 29, 2000	October 13, 2000
$0.4150	December 31, 2000	December 29, 2000	January 12, 2001
$0.4450	March 31, 2001	March 30, 2001	April 13, 2001
$0.4450	June 30, 2001	June 29, 2001	July 13, 2001
$0.4450	September 30, 2001	September 28, 2001	October 12, 2001
$0.4450	December 31, 2001	December 28, 2001	January 11, 2002

The Operating Partnership paid distributions of 9.0% per annum on the $125 million of Series D Cumulative Redeemable Perpetual Preferred Units ("Preferred Units"). Distributions on the Preferred Units were paid quarterly on the last calendar day of each quarter beginning December 31, 1999. The Company expects to continue to make regular quarterly distributions and has set its 2002 distribution to common stockholders at $1.90 per share per annum.

Mortgages and Credit Facilities

On October 29, 2001, the Company entered into an interest rate swap agreement, fixing the London Interbank Offered Rate ("LIBOR") on $100 million of the Company's floating rate debt at approximately 3.7% per annum for the period October 2001 through August 2004. The terms of the swap require monthly settlements on the same dates interest payments are due on the debt. In accordance with SFAS No. 133 as hereinafter defined, the interest rate swap will be reflected at market value. The Company believes the swap is a perfectly effective cash flow hedge under SFAS No. 133 and there will be no effect on net income as a result of the mark-to-market adjustments.

During the year ended December 31, 2001, the Company borrowed $46.0 million on its line of credit and paid down $89.7 million on the line of credit. The line of credit bears interest at a per annum rate of LIBOR plus 1.125%.

In July of 2001, the Company paid off three maturing mortgages in the amount of $12.1 million. The payoffs were funded with borrowings on the line of credit.

On August 3, 2001, the Company entered into a $50.0 million mortgage note (the "Stagecoach Mortgage") collateralized by 7 Properties beneficially owned by MHC Stagecoach, L.L.C. The Stagecoach Mortgage bears interest at a rate of 6.98% per annum, amortizes beginning September 1, 2001 over 10 years and matures August 31, 2011. Proceeds from the financing were used to reduce borrowings on the line of credit by $37.9 million.

On February 24, 2000, the Company entered into mortgage agreements collateralizing two Properties for a total of $14.6 million. The mortgage notes mature on March 1, 2010, amortize beginning March 1, 2000 over 30 years and bear interest at a rate of approximately 8.3% per annum.

On April 3, 2000, the Company extended to April 3, 2002 the maturity of its $100 million unsecured term loan (the "Term Loan") with a group of banks with interest only payable monthly at a per annum rate of LIBOR plus 1.0%. On February 8, 2002, the Company entered into a term loan credit agreement with the same group of banks, which extended the Term Loan to August 9, 2005.

On June 30, 2000, the Company obtained $110 million in debt financing consisting of two mortgage notes – one for $94.3 million and one for $15.7 million – secured by seven Properties. The proceeds of the financing were used to repay $60 million of mortgage debt secured by the seven Properties, to repay amounts outstanding under the Company's line of credit and for working capital purposes. The Company recorded a $1.0 million extraordinary loss (net of $264,000 allocated to Minority Interests) in connection with the early repayment of the $60 million of mortgage debt.

On August 9, 2000, the Company amended its unsecured line of credit with a bank (the "Credit Agreement") bearing interest at a per annum rate of LIBOR plus 1.125%. Among other things, the amendment lowered the total facility under the Credit Agreement to $150 million and extended the maturity to August 9, 2003. The Company pays a quarterly fee on the average unused amount of such credit equal to 0.15% of such amount. As of December 31, 2001, $133.8 million was available under the Credit Agreement.

Certain of the Company's mortgage and credit agreements contain covenants and restrictions including restrictions as to the ratio of secured or unsecured debt versus encumbered or unencumbered assets, the ratio of fixed charges-to-earnings before interest, taxes, depreciation and amortization ("EBITDA"), limitations on certain holdings and other restrictions.

Acquisitions, Dispositions and Investments

On September 4, 1997, the Company entered into a portfolio purchase agreement (as amended by a supplemental agreement on December 17, 1997) to acquire 37 manufactured home communities (the "Ellenburg Communities") from partnerships having Ellenburg Capital Corporation ("ECC") as the general partner, for a purchase price in excess of $300 million. During 1997 and 1998, the Company closed on the acquisition of 31 of the Ellenburg Communities for an aggregate purchase price of approximately $278 million and gained control of an additional five Ellenburg Communities with acquisition advances of approximately $57 million to the partnerships which owned such Ellenburg Communities. All fundings related to the acquisition were funded by the Company with borrowings under the Company's line of credit, term bank facilities, assumed debt and the issuance of Common OP Units.

During 1998, the Company received approximately $14.3 million, including approximately $365,000 of interest income, which was being held subject to the completion of due diligence procedures on the Ellenburg Communities. The $14.3 million was initially recorded as a liability until 1999 when a settlement of certain related issues was substantially complete and accordingly, in a non-cash transaction, relieved the liability and adjusted the purchase price of the Ellenburg Communities.

In April 2000, the California Superior Court approved a settlement agreement (the "Settlement") in connection with the dissolution proceeding of ECC and its affiliated partnerships. As part of the Settlement, the Company received $13.5 million previously held in escrow in connection with the purchase of the Ellenburg Communities and recorded $3.0 million of interest income related to these funds. In connection with the Settlement, the Company sold three communities – Mesa Regal RV Resort, Mon Dak and Naples Estates – for an aggregate sales price of $59.0 million, including cash proceeds of $40.0 million and assumption of debt by the purchaser of $19.0 million. The Company recorded a $9.1 million gain on the sale of these Properties. Proceeds from the Settlement and property sales were used to pay down the Company's line of credit.

On January 6, 1998, the Company funded a $12.3 million loan (the "Meadows Loan") to Meadows Preservation, Inc. The Meadows Loan was collateralized by The Meadows manufactured home community located in Palm Beach Gardens, Florida. On April 1, 1999, the Company effectively exchanged the Meadows Loan for an equity and debt interest in the partnership that owns The Meadows. The Company includes The Meadows in investment in real estate and the related results of operations in the Statement of Operations.

On July 23, 1999, the Company acquired Coquina Crossing, located in St. Augustine, Florida, for a purchase price of approximately $10.4 million. The acquisition was funded with a borrowing under the Company's line of credit. Coquina Crossing is a 748-site senior community with 274 developed sites and zoned expansion potential for 479 sites. In addition, Realty Systems, Inc. ("RSI"), an affiliate of the Company, purchased the model home inventory at the community for approximately $1.1 million.

On February 29, 2000, MHC Systems, Inc., a consolidated subsidiary of the Company, disposed of the water and wastewater service company and facilities known as FFEC-Six in a cash sale. Net proceeds from the sale of approximately $4.2 million were used to pay down the Company's line of credit .

On December 28, 2000, the Company, through its joint venture with Meadows Management Company, acquired a 50% economic interest in Voyager RV Resort, a 1,576 site RV resort in Tucson, Arizona, for total consideration of $8.0 million. The Company's investment included cash of $3.0 million, its 50% interest in land held through the joint venture valued at $2.0 million and notes receivable from the principals of Meadows Management Company totaling $3.0 million.

On January 3, 2001, the Company acquired two Florida Properties, totaling 730 sites, for an aggregate purchase price of approximately $16.3 million. The Lakes at Countrywood is a 421-site community in Plant City, near Tampa, Florida, and includes approximately 23 acres for expansion. Grand Island is a 309-site community in Grand Island, near Orlando, Florida, and includes a marina with 50 boat docks. The acquisition was funded with a borrowing under the Company's line of credit.

On February 13, 2001, the Company completed the disposition of seven Properties, totaling 1,281 sites, in Kansas, Missouri and Oklahoma, for a total sale price of approximately $17.4 million. A gain of $8.1 million was recorded on the accompanying consolidated statements of operations. Proceeds from the sale were used to reduce the amount outstanding on the Company's line of credit.

On October 5, 2001, the Company finalized a settlement agreement between the Lending Partnership, the Operating Partnership and the limited liability partnership which owns Candlelight Village in Columbus, Indiana. In 1996, the Company funded a recourse loan to the owner of Candlelight Village and accounted for the loan as an investment in real estate. The Company received $10.8 million in proceeds from the settlement, which was accounted for as a sale of real estate and recorded a $75,000 gain on the sale. Proceeds from the sale were used as working capital.

Capital Improvements

Capital expenditures for improvements are identified by the Company as recurring capital expenditures (“Recurring CapEx”), site development costs and corporate headquarters costs. Recurring CapEx was approximately $12.7 million and $7.9 million for the years ended December 31, 2001 and 2000, respectively. Of these expenditures, the Company believes that approximately $7.1 million or $142 per site for 2001 and $6.5 million or $130 per site for 2000 are non-revenue producing improvements which are necessary in order to increase and/or maintain occupancy levels and maintain competitive market rents for new and renewing residents. Site development costs were approximately $9.7 million and $7.9 million for the years ended December 31, 2001 and 2000, respectively, and represent costs to develop expansion sites at certain of the Company’s Properties.

Equity Transactions

On March 26, 1999, the Operating Partnership repurchased and cancelled 200,000 OP Units from a limited partner of the Operating Partnership.

On September 30, 1999, the Operating Partnership completed a $125 million private placement of 9.0% Series D Cumulative Perpetual Preferred Units (“POP Units”) to two institutional investors. The POP Units, which are callable by the Company after five years, have no stated maturity or mandatory redemption. Net proceeds from the offering of $121 million were used to repay amounts outstanding under the Company’s line of credit facility and for other corporate purposes.

In March 1997, the Company’s Board of Directors approved a common stock repurchase plan whereby the Company was authorized to repurchase and retire shares of its common stock. No shares of Common Stock were repurchased during the year ended December 31, 2001. However, under the plan, the Company repurchased approximately 2.2 million shares of Common Stock at an average price of $24.06 per share during the year ended December 31, 2000 and 4.1 million shares of Common Stock at an average price of $23.40 per share during the year ended December 31, 1999, using proceeds from borrowings on the line of credit.

Inflation

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

Funds From Operations

FFO was redefined by NAREIT in October 1999, effective January 1, 2000, as net income (computed in accordance with GAAP), before allocation to minority interests, excluding gains (or losses) from sales of property, plus real estate depreciation and after adjustments for unconsolidated partnerships and joint ventures. The Company computes FFO in accordance with the NAREIT definition, which may differ from the methodology for calculating FFO utilized by other equity REITs and, accordingly, may not be comparable to such other REIT’s computations. Funds available for distribution (“FAD”) is defined as FFO less non-revenue producing capital expenditures and amortization payments on mortgage loan principal. The Company believes that FFO and FAD are useful to investors as a measure of the performance of an equity REIT because, along with cash flows from operating activities, financing activities and investing activities, they provide investors an understanding of the ability of the Company to incur and service debt and to make capital expenditures. FFO and FAD in and of themselves do not represent cash generated from operating activities in accordance with GAAP and therefore should not be considered an alternative to net income as an indication of the Company’s performance or to net cash flows from operating activities as determined by GAAP as a measure of liquidity and are not necessarily indicative of cash available to fund cash needs.

The following table presents a calculation of FFO and FAD for the years ended December 31, 2001, 2000 and 1999 (amounts in thousands):

	2001	2000	1999
Computation of funds from operations:			
Income before extraordinary loss on early extinguishment of debt	$ 32,083	$ 32,986	$ 27,772
Income allocated to Common OP Units	8,209	8,463	6,219
Depreciation on real estate assets and other costs	34,833	34,411	34,486
Gain on sale of Properties and other	(8,168)	(12,053)	—
Funds from operations	$ 66,957	$ 63,807	$ 68,477
Weighted average Common Stock outstanding – diluted	27,010	27,408	31,252
Computation of funds available for distribution:			
Funds from operations	$ 66,957	$ 63,807	$ 68,477
Non-revenue producing improvements to real estate	(12,689)	(7,855)	(8,656)
Funds available for distribution	$ 54,268	$ 55,952	$ 59,821
Weighted average Common Stock outstanding – diluted	27,010	27,408	31,252

Quantitative and Qualitative Disclosure of Market Risk

The Company's earnings are affected by changes in interest rates, as a portion of the Company's outstanding indebtedness is at variable rates based on LIBOR. The Company's $150 million line of credit ($16.3 million outstanding at December 31, 2001) bears interest at LIBOR plus 1.125% per annum and the Company's $100 million Term Loan bears interest at LIBOR plus 1.0% per annum. If LIBOR increased/decreased by 1.0% during 2001, interest expense would have increased/decreased by approximately $1.4 million based on the combined average balance outstanding under the Company's line of credit and Term Loan for the year ended December 31, 2001.

In July 1998, 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 that were deemed immaterial. The value of the 1998 Swap was impacted by changes in the market rate of interest. Had the 1998 Swap been entered into on December 31, 1999, the applicable LIBOR swap rate would have been approximately 6.57%. Each 0.01% increase or decrease in the applicable swap rate for the 1998 Swap increases or decreases the value of the 1998 Swap versus its current value by approximately $28,000. The Company accounted for the 1998 Swap as a hedge. Payments and receipts under the 1998 Swap were accounted for as an adjustment to interest expense. On January 10, 2000, the Company unwound the 1998 Swap and received $1.0 million of proceeds which is amortized into interest expense through March 2003.

On October 29, 2001, the Company entered into an interest rate swap agreement, fixing LIBOR on $100 million of the Company's floating rate debt at approximately 3.7% for the period October 2001 through August 2004. The terms of the swap require monthly settlements on the same dates that interest payments are due on the debt. In accordance with SFAS No. 133, the interest rate swap is reflected at market value. The Company believes the swap is a perfectly effective cash flow hedge per SFAS No. 133 and there will be no effect on net income as a result of the mark-to-market adjustment. The value of the hedge as of December 31, 2001 was approximately $489,000 and is recorded as an asset and included in other assets. Mark-to-market change in the value of the swap are included in other comprehensive income.

In June 1998, the Financial Accounting Standards Board ("FASB") issued Statement No. 133 ("SFAS No. 133"), "Accounting for Derivative Instruments and Hedging Activities" and its amendments, Statements 137 and 138 in June 1999 and June 2000, respectively. SFAS No. 133 permits early adoption as of the beginning of any fiscal quarter after its issuance. In June 1999, the FASB issued Statement No. 137 which deferred the effective date of SFAS No. 133 to all fiscal quarters for fiscal years beginning after June 15, 2000. The Company adopted SFAS No. 133 effective January 1, 2001. SFAS No. 133 requires the Company to recognize all derivatives on the balance sheet at fair value. Derivatives that are not hedges must be adjusted to fair value through income. If the derivative is a hedge, depending on the nature of the hedge, changes in the fair value of derivatives will either be offset against the change in fair value of the hedged assets, liabilities or firm commitments through earnings or recognized in other comprehensive income until the hedged item is recognized in earnings.

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, 2001 and 2000, and the related consolidated statements of operations, changes in stockholders' equity and cash flows for each of the three years in the period ended December 31, 2001. 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 based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. 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. at December 31, 2001 and 2000, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2001, in conformity with accounting principles generally accepted in the United States.

ERNST & YOUNG LLP

Chicago, Illinois

January 29, 2002, except for Note 10
as to which the date is February 8, 2002
and except for Note 18 as to which the date is
February 22, 2002

Manufactured Home Communities, Inc.
Consolidated Balance Sheets

As of December 31, 2001 and 2000 (amounts in thousands except share data)

Assets	2001	2000
Investment in real estate:		
Land	$ 271,871	$ 271,822
Land improvements	855,296	839,725
Buildings and other depreciable property	110,971	106,629
	1,238,138	1,218,176
Accumulated depreciation	(211,878)	(181,580)
Net investment in real estate	1,026,260	1,036,596
Cash and cash equivalents	1,354	2,847
Notes receivable	1,506	4,984
Investment in and advances to affiliates	34,387	21,215
Investment in joint ventures	11,853	13,267
Rents receivable	1,966	1,440
Deferred financing costs, net	5,867	6,344
Prepaid expenses and other assets	16,770	17,611
Total assets	$ 1,099,963	$ 1,104,304
Liabilities and Stockholders' Equity		
Liabilities:		
Mortgage notes payable	$ 590,371	$ 556,578
Unsecured term loan	100,000	100,000
Unsecured line of credit	16,250	59,900
Other notes payable	2,236	3,206
Accounts payable and accrued expenses	23,000	23,822
Accrued interest payable	4,582	5,116
Rents received in advance and security deposits	5,133	5,184
Distributions payable	12,062	11,100
Due to affiliates	32	32
Total liabilities	753,666	764,938
Commitments and contingencies		
Minority Interest - Common OP Units and other	46,147	46,271
Minority Interest - Perpetual Preferred OP Units	125,000	125,000
Stockholders' equity:		
Preferred stock, $.01 par value 10,000,000 shares authorized; none issued	—	—
Common Stock, $.01 par value 50,000,000 shares authorized; 21,562,343 and 21,064,785 shares issued and outstanding for 2001 and 2000, respectively	215	210
Paid-in capital	245,827	235,681
Deferred compensation	(4,062)	(5,969)
Employee notes	(3,841)	(4,205)
Distributions in excess of accumulated earnings	(63,478)	(57,622)
Accumulated other comprehensive income	489	—
Total stockholders' equity	175,150	168,095
Total liabilities and stockholders' equity	$ 1,099,963	$ 1,104,304

Manufactured Home Communities, Inc.
Consolidated Statements of Operations

For the years ending December 31, 2001, 2000 and 1999 (amounts in thousands except per share data)

	2001	2000	1999
Revenues			
Base rental income	$ 195,644	$ 189,481	$ 181,672
RV base rental income	5,748	7,414	9,526
Utility and other income	22,014	20,366	20,096
Equity in income of affiliates	1,811	2,408	2,065
Interest income	639	1,009	1,669
Total revenues	225,856	220,678	215,028
Expenses			
Property operating and maintenance	62,008	59,199	58,038
Real estate taxes	17,420	16,888	16,460
Property management	8,984	8,690	8,337
General and administrative	6,231	5,955	5,550
General and administrative – affiliates	456	468	542
Interest and related amortization	51,305	53,280	53,775
Depreciation on corporate assets	1,243	1,139	1,005
Depreciation on real estate assets and other costs	34,833	34,411	34,486
Total expenses	182,480	180,030	178,193
Income from operations	43,376	40,648	36,835
Gain on sale of Properties and other	8,168	12,053	—
Income before allocation to Minority Interests and extraordinary loss on early extinguishment of debt	51,544	52,701	36,835
(Income) allocated to Common OP Units	(8,209)	(8,463)	(6,219)
(Income) allocated to Perpetual Preferred OP Units	(11,252)	(11,252)	(2,844)
Income before extraordinary loss on early extinguishment of debt	32,083	32,986	27,772
Extraordinary loss on early extinguishment of debt (net of $264 allocated to Minority Interests)	—	1,041	—
Net Income	$ 32,083	$ 31,945	$ 27,772
Net income per Common Share before extraordinary item – basic	$ 1.53	$ 1.54	$ 1.10
Net income per Common Share before extraordinary item – diluted	$ 1.49	$ 1.51	$ 1.09
Net income per Common Share – basic	$ 1.53	$ 1.49	$ 1.10
Net income per Common Share – diluted	$ 1.49	$ 1.46	$ 1.09
Weighted average Common Shares outstanding – basic	21,036	21,469	25,224
Weighted average Common Shares outstanding – diluted (Note 3)	27,010	27,408	31,252
Distributions declared per Common Share outstanding	$ 1.78	$ 1.66	$ 1.55
Tax status of distributions paid during the year:			
Ordinary income	$ 1.31	$ 1.32	$ 1.16
Capital gain	$ —	$ —	$ —
Return of capital	$ 0.44	$ 0.31	$ —

Manufactured Home Communities, Inc.
Consolidated Statements of Changes in Stockholders' Equity

For the years ending December 31, 2001, 2000 and 1999 (amounts in thousands)

	2001	2000	1999
Preferred stock, $.01 par value	$ —	$ —	$ —
Common Stock, $.01 par value			
Balance, beginning of year	$ 210	$ 229	$ 262
Issuance of Common Stock through restricted stock grants	1	1	1
Exercise of options	4	1	1
(Repurchase) issuance of Common Stock	—	(21)	(35)
Balance, end of year	$ 215	$ 210	$ 229
Paid - in capital			
Balance, beginning of year	$ 235,681	$ 275,664	$ 364,603
Issuance of Common Stock for employee notes	—	—	—
Conversion of OP Units to Common Stock	599	494	1,525
Issuance of Common Stock through exercise of options	7,743	2,719	2,034
Issuance of Common Stock through restricted stock grants	1,627	3,310	1,507
Issuance of Common Stock through employee stock purchase plan	2,365	1,435	1,195
Repurchase of Common Stock	—	(53,112)	(98,160)
Adjustment for Common OP Unitholders in the Operating Partnership	(2,188)	5,171	2,960
Balance, end of year	$ 245,827	$ 235,681	$ 275,664
Deferred compensation			
Balance, beginning of year	$ (5,969)	$ (6,326)	$ (7,442)
Issuance of Common Stock through restricted stock grants	(1,628)	(3,311)	(536)
Recognition of deferred compensation expense	3,535	3,668	1,652
Balance, end of year	$ (4,062)	$ (5,969)	$ (6,326)
Employee notes			
Balance, beginning of year	$ (4,205)	$ (4,540)	$ (4,654)
Notes received for issuance of Common Stock	—	—	—
Principal payments	364	335	114
Balance, end of year	$ (3,841)	$ (4,205)	$ (4,540)
Distributions in excess of accumulated earnings			
Balance, beginning of year	$ (57,622)	$ (53,626)	$ (42,328)
Net income	32,083	31,945	27,772
Other comprehensive income:			
Unrealized holding gains on derivative instruments	489	—	—
Comprehensive income	32,572	31,945	27,772
Distributions	(37,939)	(35,941)	(39,070)
Balance, end of year	$ (62,989)	$ (57,622)	$ (53,626)

Manufactured Home Communities, Inc.
Consolidated Statements of Cash Flows

For the years ending December 31, 2001, 2000 and 1999 (amounts in thousands)

	2001	2000	1999
Cash Flows From Operating Activities			
Net income	$ 32,083	$ 31,945	$ 27,772
Adjustments to reconcile net income to cash provided by operating activities:			
Income allocated to minority interests	19,461	19,451	9,063
Gain on sale of Properties and other	(8,168)	(12,053)	—
Depreciation and amortization expense	37,184	36,511	33,871
Equity in income of affiliates and joint ventures	(2,782)	(2,928)	(2,065)
Amortization of deferred compensation and other	3,535	3,668	2,623
Increase in rents receivable	(526)	(102)	(667)
Decrease (increase) in prepaid expenses and other assets	1,330	(9,389)	(844)
(Decrease) increase in accounts payable and accrued expenses	(1,358)	2,545	2,491
(Decrease) increase in rents received in advance and security deposits	(51)	(1,647)	336
Net cash provided by operating activities	80,708	68,001	72,580
Cash Flows From Investing Activities			
Contributions to and distributions from Affiliates, net	(11,493)	(7,250)	(1,959)
Collections (funding) of notes receivable	3,478	(700)	11,426
Distribution from (investment in) joint ventures	1,697	(3,758)	(2,279)
Proceeds from dispositions of assets	24,209	46,490	—
(Funding) return of escrow for acquisition of rental properties – net	(17,770)	4,581	(30,640)
Improvements:			
Improvements – corporate	(840)	(498)	(878)
Improvements – rental properties	(12,689)	(7,855)	(8,656)
Site development costs	(9,659)	(7,908)	(4,882)
Net cash (used in) provided by investing activities	(23,067)	23,102	(37,868)
Cash Flows From Financing Activities			
Net proceeds from stock options and employee stock purchase plan	10,112	4,142	3,229
Net proceeds from issuance of Perpetual Preferred OP Units	—	—	121,890
Distributions to Common Stockholders, Common OP Unitholders and Perpetual Preferred OP Unitholders	(58,111)	(56,298)	(40,445)
Repurchase of Common Stock and OP Units	(41)	(54,595)	(99,847)
Collection of principal payments on employee notes	364	335	114
Line of credit:			
Proceeds	46,000	103,900	113,400
Repayments	(89,650)	(151,900)	(150,500)
Refinancing – net proceeds	37,870	65,998	16,248
Principal payments	(5,047)	(4,249)	(4,733)
Debt issuance costs	(631)	(2,265)	(1,049)
Net cash used in financing activities	(59,134)	(94,932)	(41,693)
Net (decrease) in cash and cash equivalents	(1,493)	(3,829)	(6,981)
Cash and cash equivalents, beginning of year	2,847	6,676	13,657
Cash and cash equivalents, end of year	$ 1,354	$ 2,847	$ 6,676
Supplemental Information			
Cash paid during the year for interest	$ 50,781	$ 52,947	$ 52,323

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 148 manufactured home communities (the "Properties") located in 23 states, consisting of 50,761 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 that 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 "Common OP Unitholders") 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 - Common OP Units. As of December 31, 2001, the Minority Interests - Common OP Units represented 5,426,374 units of limited partnership interest ("OP Units") which are convertible into an equivalent number of shares of the Company's Common stock. The issuance of additional shares of common stock or common OP Units changes the respective ownership of the Operating Partnership for both the Minority Interests and the Company.

Subsidiaries of the Operating Partnership have been created to (i) facilitate mortgage financing (the "Financing Partnerships"); (ii) facilitate the Company's ability to provide financing to owners of manufactured home communities ("Lending Partnership"); (iii) own the management operations of the Company ("Management Partnership"); 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 Partnership, the Management Partnership and MHC Systems, each such subsidiary has been consolidated with the Company for financial reporting purposes.

Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information" ("SFAS No. 131") requires certain disclosures of selected information about operating segments in the annual financial statements and related disclosures about products and services, geographic areas, and major customers. The adoption of SFAS No. 131, in June 1998, did not affect the results of operations or financial position of the Company. The Company manages operations on a property by property basis. Since each property has similar economic and operational characteristics, the Company has one reportable segment, which is the operation of manufactured home communities. The Company has concentrations of Properties within the following states: Florida (49 Properties), California (25 Properties), Arizona (17 Properties), Michigan (11 Properties) and Colorado (10 Properties). These concentrations of Properties accounted for 36%, 19%, 8%, 4% and 8%, respectively, of the Company's total revenues for the year ended December 31, 2001. The Company also has Properties located in the following areas of the United States: Northeast, Northwest, Midwest, and Nevada/Utah/New Mexico. The Company's largest Property, Bay Indies, located in Venice, Florida, accounted for 3% of the Company's total revenues for the year ended December 31, 2001. The distribution of the Properties throughout the United States reflects the Company's belief that geographic diversification helps insulate the portfolio from regional economic influences. The Company intends to target new acquisitions in or near markets where the Properties are located and will also consider acquisitions of properties outside such markets.

Note 2 - Summary of Significant Accounting Policies

(a) Basis of Consolidation

The Company consolidates all majority owed subsidiaries due to its ability to control the operations of the subsidiaries. All inter-company transactions have been eliminated in consolidation.

(b) Use of Estimates

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

(c) Real Estate

Real estate is recorded at cost less accumulated depreciation. The Company evaluates rental Properties for impairment when conditions exist which may indicate that it is probable that the sum of expected future cash flows (undiscounted) from a 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, 2001, permanent impairment conditions did not exist at any of the Company's Properties. During the year ended December 31, 2000, MHC Acquisition One L.L.C., a consolidated subsidiary of the Company, recorded an impairment loss on the DeAnza Santa Cruz water and wastewater service company business (see Notes 5 and 17). In August 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment of Long-Lived Assets" which is effective for fiscal years beginning after December 15, 2001. The application of the provisions of this Statement is not expected to affect the earnings and financial position of the Company.

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

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 that improve the asset and extend the useful life of the asset are capitalized over their estimated useful life. Initial direct leasing costs are expensed as incurred. Total depreciation expense was $36.1 million, $35.6 million and $35.5 million for the years ended December 31, 2001, 2000 and 1999, respectively.

(d) Cash and Cash Equivalents

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

(e) 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 or premiums. Interest income is accrued on the unpaid principal balance. Discounts or premiums are amortized to income using the interest method.

(f) 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 values of all financial instruments, including notes receivable, were not materially different from their carrying values at December 31, 2001 and 2000.

g) Deferred Financing Costs

Deferred financing costs include fees and costs incurred to obtain long-term financing. The costs are being amortized over the terms of the respective loans on a level yield basis. Unamortized deferred financing fees are written-off when debt is retired before the maturity date. Accumulated amortization for such costs was $3.0 million and $1.9 million at December 31, 2001 and 2000, respectively.

(h) Revenue Recognition

Rental income attributable to leases is recorded when earned from tenants. The Company will reserve for receivables when the Company believes the ultimate collection is less than probable.

(i) Minority Interests

Net income is allocated to Common OP Unitholders based on their respective ownership percentage of the Operating Partnership. An ownership percentage is represented by dividing the number of Common OP Units held by the Common OP Unitholders (5,426,374 and 5,514,330 at December 31, 2001 and 2000, respectively) by OP Units and Common Stock outstanding. Issuance of additional shares of Common Stock or common OP Units changes the percentage ownership of both the Minority Interests and the Company. Due in part to the exchange rights (which provide for the conversion of Common OP Units into Common Stock on a one-for-one basis), 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.

On September 30, 1999, the Operating Partnership completed a $125 million private placement of 9.0% Series D Cumulative Perpetual Preferred Units ("POP Units") with two institutional investors. The POP Units, which are callable by the Company after five years, have no stated maturity or mandatory redemption, have no voting rights and are not convertible into OP Units or Common Stock. Income is allocated to the POP Units at a preferred rate per annum of 9.0% on the original capital contribution of $125 million. Costs related to the placement of $3.1 million were recorded as a reduction to additional paid-in capital.

(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 $50,000, $78,000 and $85,000 during the years ended December 31, 2001, 2000 and 1999, respectively. As of December 31, 2001, net investment in real estate and notes receivable had a Federal tax basis of approximately $710 million and $20 million, respectively.

(k) Derivative Instruments and Hedging Activities

In June 1998, the Financial Accounting Standards Board ("FASB") issued Statement No. 133 ("SFAS No. 133"), "Accounting for Derivative Instruments and Hedging Activities" and its amendments, Statements 137 and 138 in June of 1999 and June of 2000, respectively. The Company adopted SFAS No. 133 effective January 1, 2001. SFAS No. 133 requires the Company to recognize all derivatives on the balance sheet at fair value. Derivatives that are not hedges must be adjusted to fair value through income. If the derivative is a hedge, depending on the nature of the hedge, changes in the fair value of derivatives will either be offset against the change in fair value of the hedged assets, liabilities or firm commitments through earnings or recognized in other comprehensive income until the hedged item is recognized in earnings. On October 29, 2001, the Company entered into a swap agreement (see Note 10).

Note 3 - Earnings Per Common Share

Earnings per common share are based on the weighted average number of common shares outstanding during each year. Statement of Financial Accounting Standards No. 128, "Earnings Per Share" ("SFAS No. 128") defines the calculation of basic and fully diluted earnings per share. Basic and fully diluted earnings per share are based on the weighted average shares outstanding during each year and basic earnings per share excludes any dilutive effects of options, warrants and convertible securities. The conversion of OP Units has been excluded from the basic earnings per share calculation. The conversion of an OP Unit to a share of common stock has no material effect on earnings per common share.

The following table sets forth the computation of basic and diluted earnings per share for the years ended December 31, 2001, 2000 and 1999, respectively (amounts in thousands).

	2001	2000	1999
Numerator:			
Numerator for basic earnings per share –			
Net income	$ 32,083	$ 31,945	$ 27,772
Effect of dilutive securities:			
Income allocated to Common OP Units (net of extraordinary loss on early extinguishment of debt)	8,209	8,199	6,219
Numerator for diluted earnings per share – income available to Common Stockholders after assumed conversions	$ 40,292	$ 40,144	$ 33,991
Denominator:			
Denominator for basic earnings per share –			
Weighted average Common Stock outstanding	21,036	21,469	25,224
Effect of dilutive securities:			
Weighted average Common OP Units	5,466	5,592	5,704
Employee stock options	508	347	324
Denominator for diluted earnings per share – adjusted weighted average Common Stock outstanding after assumed conversions	27,010	27,408	31,252

Note 4 - Common Stock and Other Equity Related Transactions

The following table presents the changes in the Company's outstanding Common Stock for the years ended December 31, 2001, 2000 and 1999 (excluding OP Units of 5,426,374, 5,514,330 and 5,633,183 outstanding at December 31, 2001, 2000 and 1999, respectively):

	2001	2000	1999
Shares outstanding at January 1,	21,064,785	22,813,357	26,417,029
Common Stock issued through conversion of OP Units	87,956	59,190	143,637
Common Stock issued through exercise of Options	387,115	138,029	126,565
Common Stock issued through stock grants	57,000	92,070	95,666
Common Stock issued through Employee Stock Purchase Plan	98,987	68,739	59,060
Common Stock repurchased and retired	(133,500)	(2,106,600)	(4,028,600)
Shares outstanding at December 31,	21,562,343	21,064,785	22,813,357

As of December 31, 2001, the Company's percentage ownership of the Operating Partnership was approximately 80%. The remaining 20% is owned by the Common OP Unitholders.

In March 1997, the Company's Board of Directors approved a Common Stock repurchase plan whereby the Company was authorized to repurchase and retire shares of its Common Stock. No shares of Common Stock were repurchased during the year ended December 31, 2001. However, under the plan, the Company repurchased approximately 2.1 million shares of Common Stock at an average price of $24.06 per share during the year ended December 31, 2000 and approximately 4.0 million shares of Common Stock at an average price of $23.40 per share during the year ended December 31, 1999, using proceeds from borrowings on the line of credit.

During the year ended December 31, 2000, the Operating Partnership repurchased and cancelled approximately 60,000 OP Units from various holders. On March 26, 1999, the Operating Partnership repurchased and cancelled 200,000 OP Units from a limited partner of the Operating Partnership.

On September 30, 1999, the Operating Partnership completed a $125 million private placement of 9.0% Series D Cumulative Perpetual Preferred Units ("POP Units") with two institutional investors. The POP Units, which are callable by the Company after five years, have no stated maturity or mandatory redemption. Net proceeds from the offering of $121 million were used to repay amounts outstanding under the Company's line of credit facility and for other corporate purposes.

The Operating Partnership pays distributions of 9.0% per annum on the $125 million of POP Units. Distributions on the POP Units were paid quarterly on the last calendar day of each quarter beginning December 31, 1999.

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 $250,000 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 monthly at a price equal to 85% of the lesser of: (a) the closing price for a share of Common Stock on the last day of such month; and (b) the greater of: (i) the closing price for a share of Common Stock on the first day of such month, and (ii) the average closing price for a share of Common Stock for all the business days in the month. Shares of Common Stock issued through the ESPP for the years ended December 31, 2001, 2000 and 1999 were 96,485, 68,739 and 59,060, respectively.

The following distributions have been declared and/or paid to common stockholders and Minority Interests since January 1, 1999.

Distribution Amount Per Share	For the Quarter Ending	Shareholder Record Date	Payment Date
$0.3875	March 31, 1999	March 26, 1999	April 9, 1999
$0.3875	June 30, 1999	June 25, 1999	July 9, 1999
$0.3875	September 30, 1999	September 24, 1999	October 8, 1999
$0.3875	December 31, 1999	December 31, 1999	January 14, 2000
$0.4150	March 31, 2000	March 31, 2000	April 14, 2000
$0.4150	June 30, 2000	June 30, 2000	July 14, 2000
$0.4150	September 30, 2000	September 29, 2000	October 13, 2000
$0.4150	December 31, 2000	December 29, 2000	January 12, 2001
$0.4450	March 31, 2001	March 30, 2001	April 13, 2001
$0.4450	June 30, 2001	June 29, 2001	July 13, 2001
$0.4450	September 30, 2001	September 28, 2001	October 12, 2001
$0.4450	December 31, 2001	December 28, 2001	January 11, 2002

Note 5 – Investment in Real Estate

Land improvements consist primarily of improvements such as grading, landscaping and infrastructure items such as streets, sidewalks or water mains. Depreciable property consists of permanent buildings in the Properties such as clubhouses, laundry facilities, maintenance storage facilities, and furniture, fixtures and equipment.

On September 4, 1997, the Company entered into a portfolio purchase agreement (as amended by a supplemental agreement on December 17, 1997) to acquire 37 manufactured home communities (the "Ellenburg Communities") from partnerships having Ellenburg Capital Corporation ("ECC") as the general partner, for a purchase price in excess of $300 million. During 1997 and 1998, the Company closed on the acquisition of 31 of the Ellenburg Communities for an aggregate purchase price of approximately $278 million and gained control of an additional five Ellenburg Communities with acquisition advances of approximately $57 million to the partnerships which owned such Ellenburg Communities. All fundings related to the acquisition were funded by the Company with borrowings under the Company's line of credit, term bank facilities, assumed debt and the issuance of Common OP Units.

During 1998, the Company received approximately $14.3 million, including approximately $365,000 of interest income, which was being held subject to the completion of due diligence procedures on the Ellenburg Communities. The $14.3 million was initially recorded as a liability until 1999 when a settlement of certain related issues was substantially complete and accordingly, in a non-cash transaction, relieved the liability and adjusted the purchase price of the Ellenburg Communities.

In April 2000, the California Superior Court approved a settlement agreement (the "Settlement") in connection with the dissolution proceeding of ECC and its affiliated partnerships. As part of the Settlement, the Company received $13.5 million previously held in escrow in connection with the purchase of the Ellenburg Communities and recorded $3.0 million of interest income related to these funds. In connection with the Settlement, the Company sold three communities – Mesa Regal RV Resort, Mon Dak and Naples Estates – for an aggregate sales price of $59.0 million, including cash proceeds of $40.0 million and assumption of debt by the purchaser of $19.0 million. The Company recorded a $9.1 million gain on the sale of these Properties. Proceeds from the Settlement and property sales were used to pay down the Company's line of credit. See Note 17 for further discussion of the Settlement.

On January 6, 1998, the Company funded a $12.3 million loan (the "Meadows Loan") to Meadows Preservation, Inc. The Meadows Loan was collateralized by The Meadows manufactured home community located in Palm Beach Gardens, Florida. On April 1, 1999, the Company effectively exchanged the Meadows Loan for an equity and debt interest in the partnership that owns The Meadows. The Company includes The Meadows in investment in real estate and the related results of operations in the statement of operations.

On July 23, 1999, the Company acquired Coquina Crossing, located in St. Augustine, Florida, for a purchase price of approximately $10.4 million. The acquisition was funded with a borrowing under the Company's line of credit. Coquina Crossing is a 748-site senior community with 269 developed sites and zoned expansion potential for 479 sites. In addition, Realty Systems, Inc. purchased the model home inventory at the community for approximately $1.1 million.

In March 2000, in accordance with SFAS No. 121 "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed of", MHC Acquisition One L.L.C., a consolidated subsidiary of the Company, recorded an impairment loss on the DeAnza Santa Cruz water and wastewater service company business. Management's estimates indicated that the undiscounted future cash flows from the business would be less than the carrying value of the business and its related assets. The Company recorded an asset impairment loss of $701,000 (or $0.03 per fully diluted share) which is included as a reduction of other income in the accompanying statement of operations for the year ended December 31, 2000. This loss represents the difference between the carrying value of the DeAnza Santa Cruz water and wastewater service company business and its related assets and their estimated fair market value.

On February 29, 2000, MHC Systems, Inc., a consolidated subsidiary of the Company, disposed of the water and wastewater service company known as FFEC-Six in a cash sale. Net proceeds from the sale of approximately $4.2 million were used to pay down the Company's line of credit and a gain on the sale of $719,000 (or $0.03 per fully diluted share) was recorded in other income on the accompanying statement of operations for the year ended December 31, 2000.

On January 3, 2001, the Company acquired two Florida communities, totaling 730 sites, for an aggregate purchase price of approximately $17.3 million. The Lakes at Countrywood is a 422-site community in Plant City, near Tampa, Florida and includes approximately 23 acres for expansion. Grand Island is a 308-site community in Grand Island, near Orlando, Florida, and includes a marina with 50 boat docks. The acquisition was funded with a borrowing under the Company's line of credit.

On February 13, 2001, the Company completed the disposition of the following seven communities, totaling 1,281 sites, in Kansas, Missouri and Oklahoma, for a total sale price of approximately $17.4 million:

Community	Sites
Dellwood Estates	136 sites
Briarwood	166 sites
Bonner Springs	211 sites
Carriage Park	143 sites
North Star	219 sites
Quivira Hills	142 sites
Rockwood	264 sites

A gain of $8.1 million was recorded on the sale. Proceeds from the sale were used to reduce the amount outstanding on the Company's line of credit.

Effective June 30, 2001, the Company terminated its lease to a third-party operator for the campground and RV resort facilities at the Property known as Bulow Plantation in Flagler Beach, Florida, and assumed operation of these facilities directly. Beginning July 1, 2001 the Company no longer records lease income from Bulow RV Resort, however, the results of operations for Bulow RV Resort are included in the Company's results of operations.

On October 5, 2001, the Company finalized a settlement agreement between MHC Lending Partnership, the Operating Partnership and the limited liability company which owns Candlelight in Columbus, Indiana. In 1996, the Company funded a recourse loan to the owner of Candlelight Village and accounted for the loan as an investment in real estate. The Company received $10.8 million in proceeds from the settlement, which was accounted for as a sale of real estate and recorded a $75,000 gain on the sale. Proceeds from the sale were used as working capital.

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 statements of operations from the dates of acquisition. The Company acquired all of the Properties from unaffiliated third parties.

During the year ended December 31, 2001, the Company capitalized approximately $2.4 million of costs, including legal costs, relative to efforts by the Company to effectively change the use and operations of several Properties which are currently recorded in other assets. These costs will be expensed if management determines these efforts will not be successful.

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

Note 6 - Investment in Joint Venture

On March 18, 1998, the Company joined Plantation Company, L.L.C. and Trails Associates, L.L.C., two 50% joint venture investments with the principals of Meadows Management Company, to own two manufactured home communities known as “Plantation on the Lake” and “Trails West”, for approximately $6.5 million. Plantation on the Lake is located in Riverside, California and consists of 385 developed sites and 122 expansion sites. Trails West is located in Tucson, Arizona and consists of 488 developed sites. The Company’s investments were funded with a $3.9 million borrowing under the Company’s line of credit and with the issuance of approximately $2.6 million in OP Units.

On December 28, 2000, the Company, through a joint venture with the principals of Meadows Management Company (the “Voyager Joint Venture”), acquired a 25% interest in Voyager RV Resort, a 1,576 site RV resort in Tucson, Arizona, for total consideration of $4.0 million. Voyager RV Resort is adjacent to Trails West. The Company’s investment included cash of $3.0 million and its 50% interest in land held through the Trails West joint venture valued at $2.0 million.

Due to the Company’s inability to control the joint ventures, the Company accounts for its investment in the joint ventures using the equity method of accounting. The Company recorded approximately $283,000 and $8,000 of net income from joint ventures in the years ended December 31, 2001 and 2000, respectively; and received approximately $1.6 million and $400,000 in distributions.

Note 7 - Investment In and Advances to Affiliates

Investment in and advances to affiliates consists principally of preferred stock of Realty Systems, Inc. (“RSI”) and its subsidiaries (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 years ended December 31, 2001 and 2000 (amounts in thousands):

	2001	2000
Assets	$ 51,619	$ 37,501
Liabilities, net of amounts due to the Company	(17,232)	(16,286)
Net investment in Affiliates	$ 34,387	$ 21,215
Home sales	$ 38,621	$ 39,952
Cost of sales	(30,657)	(31,837)
Other revenues and expenses, net	(6,153)	(5,707)
Equity in income of Affiliates	$ 1,811	$ 2,408

Note 8 - Notes Receivable

At December 31, 2001 and 2000, the Company had approximately $1.5 million and $5.0 million in notes receivable, respectively.

On May 12, 1998, the Company entered into an agreement to loan $5.9 million to Trails Associates, L.L.C. (the "Trails West Loan") for development of the Property known as Trails West. Subsequently, the Company funded $3.2 million under the Trails West Loan. In December 2000, $1.2 million of the Trails West Loan was repaid and during 2001, the remaining balance on the Trails West Loan was repaid.

On December 28, 2000, the Company, in connection with the Voyager Joint Venture, entered into an agreement to loan $3.0 million to certain principals of Meadows Management Company. The notes are collateralized with a combination of Common OP Units and partnership interests in this and other joint ventures. The notes bear interest at prime plus 0.5% per annum, require quarterly interest payments and mature on December 31, 2011. The outstanding balance on these notes as of December 31, 2001 is $1.5 million.

Note 9 - Employee Notes Receivable

As of December 31, 2001 and 2000, the Company had employee notes receivable of approximately $3.8 million and $4.2 million, respectively, collateralized by the Company’s Common Stock. These notes are presented as a reduction of Stockholder’s Equity.

In December 1992, certain directors, officers and other individuals each entered into subscription agreements with the Company to acquire a total of 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% per annum, mature on March 2, 2003, and are recourse against the employees in the event the pledged shares are insufficient to repay the obligations.

On January 2, 1996, certain members of management of the Company 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% per annum, mature on January 2, 2005, and are recourse against the employees in the event the pledged shares are insufficient to repay the obligations.

Note 10 - Long-Term Borrowings

As of December 31, 2001 and December 31, 2000, the Company had outstanding mortgage indebtedness of approximately $590.4 million and $556.6 million, respectively, encumbering 77 and 73 of the Company’s Properties, respectively. As of December 31, 2001 and December 31, 2000, the carrying value of such Properties was approximately $693 million and $631 million, respectively.

On August 3, 2001, the Company entered into a $50.0 million mortgage note (the “Stagecoach Mortgage”) collateralized by 7 Properties. The proceeds were used to repay amounts under the Company’s line of credit and for working capital purposes.

The outstanding mortgage indebtedness as of December 31, 2001 consists of:

- A $265.0 million mortgage note (the "$265 Million Mortgage") collateralized by 29 Properties beneficially owned by MHC Financing Limited Partnership. The $265 Million Mortgage has a maturity date of January 2, 2028 and pays interest at 7.015%. There is no principal amortization until February 1, 2008, after which principal and interest are to be paid from available cash flow and the interest rate will be reset at a rate equal to the then 10-year U.S. Treasury obligations plus 2.0%. The $265 Million Mortgage is presented net of a settled hedge of $3.0 million (net of accumulated amortization of $137,000) which is being amortized into interest expense over the life of the loan.
- A $65.9 million mortgage note (the "College Heights Mortgage") collateralized by 18 Properties. The College Heights Mortgage bears interest at a rate of 7.19%, amortizes beginning July 1, 1999 over 30 years and matures July 1, 2008.
- A $93.0 million mortgage note (the "DeAnza Mortgage") collateralized by 6 Properties beneficially owned by MHC-DeAnza Financing Limited Partnership. The DeAnza Mortgage bears interest at a rate of 7.82%, amortizes beginning August 1, 2000 over 30 years and matures July 1, 2010.
- A $49.9 million mortgage note (the "Stagecoach Mortgage") collateralized by 7 Properties beneficially owed by MHC Stagecoach L.L.C. The Stagecoach Mortgage bears interest at a rate of 6.98%, amortizes beginning September 1, 2001 over 10 years and matures September 1, 2011.
- A $22.5 million mortgage note (the "Bay Indies Mortgage") collateralized by one Property beneficially owned by MHC-Bay Indies Financing Limited Partnership. The Bay Indies Mortgage bears interest at a rate of 7.48%, amortizes beginning August 1, 1994 over 27.5 years and matures July 1, 2004.
- A $15.6 million mortgage note (the "Date Palm Mortgage") collateralized by one Property beneficially owned by MHC Date Palm, L.L.C. The Date Palm Mortgage bears interest at a rate of 7.96%, amortizes beginning August 1, 2000 over 30 years and matures July 1, 2010.
- Approximately $78.5 million of mortgage debt on 15 other various Properties, which was recorded at fair market value with the related discount or premium being amortized over the life of the loan using the effective interest rate. Scheduled maturities for the outstanding indebtedness are at various dates through November 30, 2020, and fixed interest rates range from 7.15% to 8.75%. Included in this debt, the Company has a $2.4 million loan recorded to account for a direct financing lease entered into in May 1997.

On August 9, 2000, the Company amended its unsecured line of credit with a group of banks (the "Credit Agreement") bearing interest at the London Interbank Offered Rate ("LIBOR") plus 1.125%. Among other things, the amendment lowered the total facility under the Credit Agreement to $150 million and extended the maturity to August 9, 2003. The Company pays a quarterly fee on the average unused amount of such credit equal to 0.15% of such amount. As of December 31, 2001, $133.8 million was available under the Credit Agreement.

The Company has a $100 million unsecured term loan (the "Term Loan") with a group of banks with interest only payable monthly at a rate of LIBOR plus 1.0%. The Term Loan maturity has been extended to April 3, 2002. On February 8, 2002, the Company entered into a term loan credit agreement with the same group of banks, which extended the Term Loan to August 9, 2005.

On October 29, 2001, the Company entered into an interest rate swap agreement, fixing at LIBOR on $100 million of the Company's floating rate debt at approximately 3.7% for the period October 2001 through August 2004. The terms of the swap require monthly settlements on the same dates interest payments are due on the debt. In accordance with SFAS No.133, the interest rate swap will be reflected at market value. The Company believes the swap is a perfectly effective cash flow hedge under SFAS No.133 and there will be no effect on net income as a result of the mark-to-market adjustment. As of December 31, 2001 the swap had a market value of $489,000 which is included in other assets. The effect of the mark-to-market adjustment, is reflected in other comprehensive income.

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

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

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
2002	$ 6,190
2003	30,275
2004	33,231
2005	109,018
2006	20,384
Thereafter	509,759
Total	$ 708,857

Note 11 - Lease Agreements

The leases entered into between the tenant and the Company for the rental of a site are month-to-month or for a period of one to ten years, renewable upon the consent of the parties or, in some instances, as provided by statute. Noncancelable long-term leases are in effect at certain sites within 22 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 are scheduled to be received under noncancelable tenant leases at December 31, 2001 as follows (amounts in thousands):

Year	Amount
2002	$ 41,906
2003	29,654
2004	26,574
2005	25,339
2006	17,372
Thereafter	45,120
Total	$ 185,965

Note 12 - Ground Leases

The Company leases land under noncancelable operating leases at certain of the Properties expiring in various years from 2022 to 2031 with terms which require twelve equal payments per year plus additional rents calculated as a percent of gross revenues. For the years ended December 31, 2001, 2000 and 1999, ground lease rent was $1.6 million. Minimum future rental payments under the ground leases are $1.6 million for each of the next five years and $27.9 million thereafter.

Note 13 - Transactions with Related Parties

Equity Group Investments, Inc. ("EGI"), an entity controlled by Mr. Samuel Zell, Chairman of the Board of Directors, and certain of its affiliates have provided services such as administrative support, investor relations, corporate secretarial, real estate tax evaluation services, market consulting and research services. Fees paid to EGI and its affiliates amounted to approximately $2,000, $26,000 and $74,000 for the years ended December 31, 2001, 2000 and 1999, respectively. There were no significant amounts due to these affiliates as of December 31, 2001 and 2000, respectively.

Certain related entities, owned by persons affiliated with Mr. Zell, have provided services to the Company. These entities include, but are not limited to, Rosenberg & Liebentritt, P.C. which provided legal services including property acquisition services in 1999; The Riverside Agency, Inc. which provided insurance brokerage services. In addition, Equity Office Properties Trust, of which Mr. Zell is the Chairman of the Board, provides office space to the Company. Fees paid to these entities amounted to approximately $454,000, $442,000 and $473,000 for the years December 31, 2001, 2000 and 1999, respectively. Amounts due to these affiliates were approximately $32,000 as of both December 31, 2001 and 2000, respectively.

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

Note 14 - Stock Option Plan and Stock Grants

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 Internal Revenue 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, 2001, 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 grants ("Stock Grants"). A maximum of 4,000,000 shares of Common Stock were available for grant under the Plan as of December 31, 2001.

In 2001, 2000 and 1999, the Company issued 0, 19,181 and 14,666 shares related to Stock Grants, respectively, which represented a portion of certain employee bonuses. The fair market value of these Stock Grants of approximately $0, $525,000 and $352,000 at the date of grant was recorded as compensation expense by the Company in 2001, 2000 and 1999, respectively.

In 1998, the Company awarded 233,500 Stock Grants to certain members of senior management of the Company. These Stock Grants vest over five years, but may be restricted for a period of up to ten years depending upon certain performance benchmarks tied to increases in funds from operations being met. The fair market value of these Stock Grants of approximately $5.7 million as of the date of grant was treated in 1998 as deferred compensation. The Company amortized approximately $2.0 million and $593,000 related to these Stock Grants in 2001 and 2000, respectively. The balance of unamortized deferred compensation related to these Stock Grants is $2,206,000 as of December 31, 2001.

In 1999, the Company awarded 65,000 Stock Grants to certain members of senior management of the Company. These Stock Grants vest over three years with one-half vesting in 1999. The fair market value of these Stock Grants of approximately $1.5 million as of the date of grant was treated in 1999 as deferred compensation. The Company amortized approximately $386,000 and $385,000 related to these Stock Grants in 2001 and 2000, respectively.

In 2000, the Company awarded 69,750 Stock Grants to certain members of senior management of the Company. These Stock Grants vest over three years with one-half vesting in 2000. The fair market value of these Stock Grants of approximately $1.9 million as of the date of grant was treated in 2000 as deferred compensation. The Company amortized approximately $478,000 and $955,000 related to these Stock Grants in 2001 and 2000 respectively. The balance of unamortized deferred compensation related to these Stock Grants is $478,000 as of December 31, 2001.

In 2001, the Company awarded 43,000 Stock Grants to certain members of senior management of the Company. These Stock Grants vest over five years, but may be restricted for a period of up to ten years depending upon certain performance benchmarks tied to increases in funds from operations being met. The fair market value of these Stock Grants of approximately $1.2 million as of the date of grant was treated in 2001 as deferred compensation. The Company amortized approximately $239,000 related to these Stock Grants in 2001. The balance of unamortized deferred compensation related to these Stock Grants is approximately $957,000 as of December 31, 2001.

In 1999, the Plan was amended to provide a Stock Grant of 2,000 shares vesting over three years in lieu of the 10,000 Options granted after the amendment to each director, if the director so elects. The fair market value of Stock Grants awarded to directors of approximately $386,000, $401,000 and $432,000 in 1999, 2000 and 2001 respectively, were treated as deferred compensation. The Company amortized approximately $406,280 related to these Stock Grants in 2001. The balance of unamortized deferred compensation related to the 1999, 2000, and 2001 Stock Grants is $0, $134,000 and $288,000 respectively as of December 31, 2001.

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 Grants 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 Grants 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 Stock Grants 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 2001, 2000 and 1999, respectively: risk-free interest rates of 3.5%, 5.5% and 6.3%; dividend yields of 6.3%, 6.3% and 6.3%; volatility factors of the expected market price of the Company's common Stock of .19, .20 and .21; and a weighted-average expected life of the Options of 5 years. The fair value of the Stock Grants granted in 2001, 2000 and 1999 has been estimated at approximately 30% below the calculated fair market value on the date of grant because these Stock Grants 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 the Company's Options. In addition, the existing models are not representative of the effects on reported net income for future years.

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 Stock Grants 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, 2001, 2000 and 1999 was $648,000 ($0.02 per share), $134,000 ($0.0 per share) and $138,000 ($0.0 per share), respectively.

On March 23, 2001, the Company's Board of Directors approved resolutions amending and restating the Plan effective March 23, 2001 (the "Amended Plan") to increase the number of Common Shares issuable thereunder by 2,000,000 shares of Common Stock to an aggregate of 6,000,000 shares. On May 8, 2001, the Company's shareholder's approved the Amended Plan.

As of December 31, 2001, 2000 and 1999, 1,252,344 shares, 416,603 shares and 747,258 shares remained available for grant, respectively, and 1,422,211 shares, 1,562,074 shares and 1,426,072 shares were exercisable, respectively. Exercise prices for Options outstanding as of December 31, 2001 ranged from $12.88 to $30.65, with the substantial majority of the exercise prices exceeding $17.25. The remaining weighted-average contractual life of those Options was 6.2 years. The weighted average exercise price of outstanding and exerciseable options was $22.39 as of December 31, 2001.

A summary of the Company's stock option activity, and related information for the years ended December 31, 2001, 2000 and 1999 follows:

	Shares Subject to Options	Weighted Average Exercise Price Per Share
Balance at December 31, 1998	1,899,379	$ 21.08
Options granted	313,400	23.91
Options exercised	(126,565)	19.25
Options canceled	(66,767)	24.08
Balance at December 31, 1999	2,019,447	21.72
Options granted	440,077	25.94
Options exercised	(250,092)	23.17
Options canceled	(101,227)	24.33
Balance at December 31, 2000	2,108,205	22.30
Options granted	234,150	29.44
Options exercised	(387,115)	19.98
Options canceled	(69,891)	25.05
Balance at December 31, 2001	1,885,349	23.57

Note 15 - Preferred Stock

The Company's Board of Directors is authorized under the Company's charter, without further stockholder approval, to issue, from time to time, in one or more series, 10,000,000 shares of $.01 par value preferred stock (the "Preferred Stock"), with specific rights, preferences and other attributes as the Board may determine, which may include preferences, powers and rights that are senior to the rights of holders of the Company's Common Stock. However, under certain circumstances, the issuance of preferred stock may require stockholder approval pursuant to the rules and regulations of The New York Stock Exchange. As of December 31, 2001 and 2000, no Preferred Stock was issued by the Company.

Note 16 - Savings Plan

The Company has a qualified retirement plan, with a salary deferral feature designed to qualify under Section 401 of the Code (the "401(k) Plan"), to cover its employees and those of its Subsidiaries, if any. The 401(k) Plan permits eligible employees of the Company and those of any Subsidiary to defer up to 19% 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 $353,000, $315,000 and $385,000, for the years ended December 31, 2001, 2000 and 1999, respectively. The Company's plan contribution for the profit sharing component of the 401(k) Plan is $139,000 for the year ended December 31, 2001.

Note 17 - Commitments and Contingencies

DeAnza Santa Cruz Mobile Estates

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

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

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

A dispute with the residents ensued over the readiness to serve charge and tax thereon. The residents argued that California Civil Code Section 798.41 required that the Property owner could only pass through its actual costs of water (and that the excess charges over the amount of the rent rollback were an improper rent increase) and that CPUC Section 2705.5 was not applicable. DeAnza unbundled the utility charges from rent consistent with California Civil Code Section 798.41 and it has generally been undisputed that the rent rollback was accurately calculated.

In August 1994, when the Company acquired the Property, the Company reviewed the respective legal positions of the Santa Cruz Homeowners Association ("HOA") and DeAnza and concurred with DeAnza. DeAnza's reliance on CPUC Section 2705.5 made both legal and practical sense in that residents paid only what they would pay if they lived in a residential neighborhood within the City and permitted DeAnza to recoup part of the expenses of operating a submetered system through the readiness to serve charge.

Over a period of 18 months from 1993 into May of 1995, a series of complaints were filed by the HOA and Herbert Rossman, a resident, against DeAnza, and later, the Company. DeAnza and the Company demurred to each of these complaints on the grounds that the CPUC had exclusive jurisdiction over the setting of water rates and that residents under rent control had to first exhaust their administrative remedies before proceeding in a civil action. At one point, the case was dismissed (with leave to amend) on the basis that jurisdiction was with the CPUC and, at another point, Mr. Rossman was dismissed from the case because he had not exhausted his administrative remedies.

On June 29, 1995, a hearing was held before a City rent control officer on billing and submetering issues related to both water and sewer. The Company and DeAnza prevailed on all issues related to sewer and the rent rollback related to water, but the hearing officer determined that the Company could only pass through its actual cost of water, i.e., a prorated readiness to serve charge and tax thereon. The hearing officer did not deal with the subsidy being given to residents through the quantity charge and ordered a rebate in a fixed amount per resident. The Company and DeAnza requested reconsideration on this issue, among others, which reconsideration was denied by the hearing officer.

The Company then took a writ of mandate (an appeal from an administrative order) to the Superior Court and, pending this appeal, the residents, the Company and the City agreed to stay the effect of the hearing officer's decision until the Court rendered judgment.

In July 1996, the Superior Court affirmed the hearing officer's decision without addressing concerns about the failure to take the subsidy on the quantity charge into account.

The Company requested that the City and the HOA agree to a further stay pending appeal to the court of appeal, but they refused and the appeal court denied the Company's request for a stay in late November 1996. Therefore, on January 1, 1997, the Company reduced its water charges at this Property to reflect a pass-through of only the readiness to serve charge and tax at the master meter (approximately $0.73) and to eliminate the subsidy on the water charges. On their March 1, 1997 rent billings, residents were credited for amounts previously "overcharged" for readiness to serve charge and tax. The amount of the rebate given by the Company and DeAnza was $36,400. In calculating the rebate, the Company and DeAnza took into account the previous subsidy on water usage although this issue had not yet been decided by the court of appeal. The Company and DeAnza felt legally safe in so doing based on language in the hearing officer's decision that actual costs could be passed through.

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

On March 20, 1998, the court of appeal issued the writ of mandate requested by the Company on the grounds that the hearing officer had improperly calculated the amount of the rebate (meaning the Company had correctly calculated the rent credits), but also ruling that the hearing officer was correct when he found that the readiness to serve charge and tax thereon as charged by DeAnza and the Company were an inappropriate rent increase. The decision primarily reflected the court of appeal's view that CPUC Section 2705.5 operated as a ceiling and that California Civil Code Section 798.41 allowed for a charge based on actual costs, including costs of administration, operation and maintenance of the system, but that the Company had not to provide evidence of such costs. The court of appeal further agreed with the Company that the City's hearing officer did not have the authority under California Civil Code Section 798.41 to establish rates that could be charged in the future.

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

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

After the court of appeal decision, the HOA brought all of its members back into the underlying civil action for the purpose of determining damages, including punitive damages, against the Company. The trial was continued from July 1998 to January 1999 to give the CPUC time to act on the Company's application. Notwithstanding the action taken by the CPUC in issuing the OII in December 1998, the trial court denied the Company's motion to dismiss on jurisdictional grounds and trial commenced before a jury on January 11, 1999.

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

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

On April 19, 1999, the trial court denied all of the Company's and DeAnza's post-trial motions for judgement notwithstanding the verdict, new trial and remittitur. The trial court also awarded $700,000 of attorneys' fees to plaintiffs. The Company appealed the jury verdict and attorneys' fees award (which also accrues interest at the statutory rate of 10.0% per annum).

On December 21, 2001 the California Court of Appeal for the Sixth District reversed the $6.0 million punitive damage award and the related award of attorneys' fees on the basis that punitive damages are not available as a remedy for a statutory violation of the MRL. The decision of the appellate Court left the HOA with the right to seek a new trial in which it must prove its entitlement to either the statutory penalty and attorneys' fees available under the MRL or punitive damages based on causes of action for fraud, misrepresentation or other tort. The Company expects the HOA to seek a new trial during 2002. The Company intends to vigorously defend itself.

In two related appeals, the Company had argued that the trial court's ability to enter an award of attorneys' fees in favor of the HOA and to take certain other actions was preempted by the exercise of exclusive jurisdiction by the CPUC over the issue of how to set rates for water in a submetered mobile home park. During 2000, the California court of appeal rejected the Company's preemption argument with respect to these prior rulings in favor of plaintiffs, one of which had awarded plaintiffs approximately $100,000 of attorneys' fees. The California Supreme Court declined to accept the case for review and the Company paid the judgment, including post-judgment interest thereon, and settled the matter for approximately $200,000 late in 2000.

In a separate matter, in December 2000 the HOA and certain individual residents of the Property filed a complaint in the Superior Court of California, County of Santa Cruz (No. CV 139825) against the Company, certain affiliates of the Company and certain employees of the Company. The new lawsuit seeks damages, including punitive damages, for intentional infliction of emotional distress, unfair business practices, and unlawful retaliation purportedly arising from allegedly retaliatory rent increases which were noticed by the Company to certain residents in September 2000. The Company believes that the residents who received rent increase notices with respect to rent increases above those permitted by the local rent control ordinance were not covered by the ordinance either because they did not comply with the provisions of the ordinance or because they are exempted by state law. On December 29, 2000, the Superior Court of California, County of Santa Cruz enjoined such rent increases. The Company intends to vigorously defend the matter, which may go to trial in the summer of 2002.

Ellenburg Communities

The Company and certain other parties entered into a settlement agreement ("the Settlement"), which was approved by the Los Angeles County Superior Court in April 2000. The Settlement resolved substantially all of the litigation and appeals involving the Ellenburg Properties, and transactions arising out of the settlement closed on May 22, 2000 (see Note 5). Only the appeals of the two entities remain, neither of which is expected to materially affect the Company.

In connection with the Ellenburg Acquisition, on September 8, 1999, Ellenburg Fund 20 ("Fund 20") filed a cross complaint in the Ellenburg dissolution proceeding against the Company and certain of its affiliates alleging causes of action for fraud and other claims in connection with the Ellenburg acquisition. The Company subsequently successfully had the cross complaint against the Company and its affiliates dismissed with prejudice by the California Superior Court. However, Fund 20 has appealed. This appeal was one not resolved by the Settlement. The Company believes Fund 20's allegations are without merit and will vigorously defend itself.

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

Candlelight Properties, L.L.C

In 1996, 1997 and 1998, the Lending Partnership made loans to Candlelight Properties, L.L.C. ("Borrower") in the aggregate principal amount of $8,050,000 (collectively, the "Loan". The Loan was secured by a mortgage on Candlelight Village ("Candlelight"), a Property in Columbus, Indiana, and was guaranteed by Ronald E. Farren, the 99% owner of Borrower. The Company accounted for the Loan as an investment in real estate and, accordingly, Candlelight's rental revenues and operating costs were included with the Company's rental revenues and operating osts for financial reporting purposes. Concurrently with the funding of the Loan, Borrower granted the Operating Partnership the option to acquire Candlelight upon the maturity of the Loan. The Operating Partnership notified Borrower that it was exercising its option to acquire Candlelight in March 1999, and the Loan subsequently matured on May 3, 1999. However, Borrower failed to repay the Loan and refused to convey Candlelight to the Operating Partnership.

Borrower filed suit in the Circuit Court of Bartholomew County, Indiana ("Court") on May 5, 1999, seeking declaratory judgment on the validity of the exercise of the option. The Lending Partnership filed suit in the Court the next day, seeking to foreclose its mortgage, and the suits were consolidated by the Court.

On September 20, 2001, the parties entered into a settlement agreement providing for a cash payment of $10.8 million to the Lending Partnership and dismissal with prejudice of all litigation among the parties and their affiliates, among other terms. The closing under the Settlement Agreement occurred on October 5, 2001. The Company accounted for the Settlement as a disposition of the property.

Westwinds

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

Lessor's motion for summary judgment on the pass-through issue was denied by an arbitration panel on November 2, 2001. Lessor and Lessee's have agreed to mediate the dispute prior to arbitration. The Company does not believe that the amounts in question are material even if resolved against the Lessee and, based upon advice of counsel, does not believe that the Lessor will be successful in terminating the Leases.

Other

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

Note 18 – Subsequent Events

Effective January 1, 2002, the Company purchased all of the outstanding Common Stock of RSI from affiliated and non-affiliated owners for approximately $675,000. As a result, the Company owns and controls RSI and will consolidate RSI as of January 1, 2002.

Note 19 - Quarterly Financial Data (unaudited)

The following is unaudited quarterly data for 2001, 2000 and 1999 (amounts in thousands, except for per share amounts):

Year ending 2001	First Quarter 3/31	Second Quarter 6/30	Third Quarter 9/30	Fourth Quarter 12/31
Total Revenues	$ 57,532	$ 56,218	$ 55,536	$ 56,570
Income before allocation to Minority Interests and extraordinary loss on early extinguishment of debt	$ 18,739	$ 10,512	$ 10,468	$ 11,825
Net income available to common shareholders	$ 12,644	$ 6,135	$ 6,097	$ 7,207
Weighted average Common Shares outstanding – Basic	20,793	20,969	21,108	21,266
Weighted average Common Shares outstanding – Diluted	26,771	26,898	27,071	27,293
Net income per Common Share outstanding – Basic	$ 0.61	$ 0.29	$ 0.29	$ 0.34
Net income per Common Share outstanding – Diluted	$ 0.59	$ 0.29	$ 0.28	$ 0.33

Year ending 2000	First Quarter 3/31	Second Quarter 6/30	Third Quarter 9/30	Fourth Quarter 12/31
Total Revenues	$ 57,148	$ 54,271	$ 53,875	$ 55,384
Income before allocation to Minority Interests	$ 10,743	$ 21,547	$ 9,715	$ 10,696
Net income available to common shareholders	$ 6,331	$ 13,921	$ 5,451	$ 6,244
Weighted average Common Shares outstanding – Basic	22,297	21,871	21,166	20,559
Weighted average Common Shares outstanding – Diluted	28,242	27,809	27,077	26,520
Net income per Common Share outstanding – Basic	$ 0.28	$ 0.64	$ 0.26	$ 0.30
Net income per Common Share outstanding – Diluted	$ 0.28	$ 0.63	$ 0.25	$ 0.30

Year ending 1999	First Quarter 3/31	Second Quarter 6/30	Third Quarter 9/30	Fourth Quarter 12/31
Total Revenues	$ 54,390	$ 52,446	$ 53,537	$ 54,654
Income before allocation to Minority Interests	$ 10,078	$ 8,477	$ 8,417	$ 7,056
Net income available to common shareholders	$ 8,234	$ 6,968	$ 6,877	$ 5,693
Weighted average Common Shares outstanding – Basic	26,157	25,773	25,613	23,381
Weighted average Common Shares outstanding – Diluted	32,340	31,829	31,586	29,281
Net income per Common Share outstanding – Basic	$ 0.31	$ 0.27	$ 0.27	$ 0.24
Net income per Common Share outstanding – Diluted	$ 0.31	$ 0.27	$ 0.27	$ 0.24

MHC Corporate Data

Board of Directors

Samuel Zell
Chairman of the Board of Directors
Manufactured Home Communities, Inc.
Chairman, Equity Group Investments, L.L.C.

Howard Walker
Chief Executive Officer
Manufactured Home Communities, Inc.

Donald S. Chisholm
President, Ann Arbor Associates, Inc.

Thomas E. Dobrowski
Managing Director, Real Estate and Alternative Investments
General Motors Investment Management Corp.

David A. Helfand
Executive Vice President and Chief Investment Officer
Equity Office Properties Trust

Louis H. Masotti
President, Louis H. Masotti, LTD.

John F. Podjasek, Jr.
Managing Director – Private Equity Group
West LB Asset Management (USA) LLC

Sheli Z. Rosenberg
Vice Chairman, Equity Group Investments, L.L.C.

Michael A. Torres
President, Lend Lease Rosen Real Estate Securities LLC

Gary Waterman
President, Waterman Limited

Executive Officers

Samuel Zell
Chairman of the Board of Directors

Howard Walker
Chief Executive Officer

Thomas P. Heneghan
President and Chief Operating Officer

Ellen Kelleher
Executive Vice President, General Counsel and Secretary

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

Senior Management

Roger Maynard
Senior Vice President – Eastern Division

Mike Reed
Senior Vice President – Western Division

Corporate Office

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Auditors

Ernst & Young LLP
Chicago, Illinois

Form 10-K Availability

Requests for MHC's Form 10-K filed with the Securities and Exchange Commission, and other investor inquiries from individuals and institutional investors should be directed to:

Investor Relations Department
Manufactured Home Communities, Inc.
Two North Riverside Plaza
Chicago, Illinois 60606
Phone: 800-247-5279
investor_relations@mhchomes.com

The Commission also maintain a website that contains reports, proxy information and statements, and other information regarding registrants that file electronically with the Commission. The website address is: http://www.sec.gov. MHC files electronically.

Dividend Reinvestment and Share Purchase Plan

MHC offers a Dividend Reinvestment and Share Purchase Plan. For an information packet, including the Plan prospectus and enrollment form, please call the Plan Administrator, LaSalle Bank, at 1-800-246-5761.

Shareholders

There were approximately 4,400 beneficial holders of Manufactured Home Communities, Inc. as of March 1, 2002.

Common Stock Market Prices and Dividends

MHC's common stock is listed on the New York Stock Exchange (NYSE), ticker symbol MHC. The high and low sales prices for 2001 and 2000 on the NYSE and quarterly dividends were as follows:

2001	High	Low	Close	Dividend
First Quarter	$29.0000	$25.5400	$27.0000	$.4450
Second Quarter	$28.3500	$26.3100	$28.1000	$.4450
Third Quarter	$30.4700	$27.9000	$30.4200	$.4450
Fourth Quarter	$31.6700	$29.8000	$31.2100	$.4450
2000				
First Quarter	$25.7500	$22.2500	$23.1250	$.4150
Second Quarter	$25.7500	$23.0625	$23.9375	$.4150
Third Quarter	$25.2500	$23.5000	$25.0000	$.4150
Fourth Quarter	$29.1250	$24.3125	$29.0000	$.4150

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