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MANUFACTURED HOME COMMUNITIES INC

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

FORM 10-K

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

For the Fiscal Year Ended December 31, 2002

or

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

Commission File Number: 1-11718

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

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

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

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

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

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

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

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

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes No

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

The aggregate market value of voting stock held by nonaffiliates was approximately \$571.5 million as of February 28, 2003 based upon the closing price of \$29.04 on such date using beneficial ownership of stock rules adopted pursuant to Section 13 of the Securities Exchange Act of 1934 to exclude voting stock owned by Directors and Officers, some of whom may not be held to be affiliates upon judicial determination.

At March 24, 2003, 22,223,647 shares of the Registrant's
Common Stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE:

Part III incorporates by reference the Registrant's Proxy Statement relating to the Annual Meeting of Stockholders to be May 7, 2003.

MANUFACTURED HOME COMMUNITIES, INC.
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PART I

ITEM 1. BUSINESS

THE COMPANY

GENERAL

Manufactured Home Communities, Inc., together with MHC Operating Limited Partnership (the "Operating Partnership") and other consolidated subsidiaries ("Subsidiaries"), are referred to herein as the "Company", "MHC", "we", "us", and "our". The Company is a fully integrated company that owns and operates manufactured home communities ("Communities") and recreational vehicle resorts ("Resorts") (collectively known as "Properties"). The Company was formed to continue the property operations, business objectives and acquisition strategies of an entity that had owned and operated Communities since 1969. As of December 31, 2002, we owned or had an ownership interest in a portfolio of 142 Communities and Resorts located throughout the United States containing 51,582 residential sites. Our Properties are located in 21 states (with the number of Properties in each state shown parenthetically) - Florida (51), California (25), Arizona (19), Colorado (10), Delaware (7), Nevada (5), Oregon (4), Indiana (3), Illinois (2), Iowa (2), New York (2), Texas (2), Utah (2), Pennsylvania (1), Maryland (1), Montana (1), New Mexico (1), Michigan (1), Virginia (1), West Virginia (1), and Washington (1).

Communities are residential developments designed and improved for the placement of detached, single-family manufactured homes that are produced off-site and installed and set on residential sites ("Site Set") within the Community. The owner of each home leases the site on which it is located. Modern Communities are similar to typical residential subdivisions, containing centralized entrances, paved streets, curbs and gutters and parkways. In addition, these Communities often provide a clubhouse for social activities and recreation and other amenities, which may include swimming pools, shuffleboard courts, tennis courts, laundry facilities and cable television service. In some cases, utilities are provided or arranged for by the owner of the Community; otherwise, the resident contracts for the utility directly. Some Communities provide water and sewer service through municipal or regulated utilities, while others provide these services to residents from on-site facilities. Each Community is generally designed to attract, and is marketed to, one of two types of residents - 1) retirees and empty-nesters or 2) families and first-time homeowners. We believe both types of Communities are attractive investments and focus on owning Communities in or near large metropolitan markets and retirement destinations.

Resorts are similar to Communities in their overall design and the amenities they provide. However, our Resorts include sites designed to accommodate Site Set homes, park model homes, luxury motorcoaches and a variety of recreational vehicles. Our Resorts are marketed to attract residents seeking a second home or vacation home as well as those seeking a long-term or full season recreational vehicle site. A majority of our Resort residents own homes in the Resort and/or lease the site annually or for a full season (six months or longer).

We have approximately 1,000 full-time employees dedicated to carrying out our operating philosophy and strategies of value enhancement and service to residents. The operations of each Property are coordinated by an on-site team of employees that typically includes a manager or two-person management team, clerical and maintenance workers, each of whom work to provide maintenance and care of the Properties. Direct supervision of on-site management is the responsibility of our regional vice presidents and regional and district managers. These individuals have significant experience in addressing the needs of residents and in finding or creating innovative approaches to maximize value and increase cash flow from property operations. Complementing this field management staff are approximately 60 corporate employees who assist on-site

management in all property functions.

FORMATION OF THE COMPANY

The Company, formed in March 1993, is a Maryland corporation which has elected to be taxed as a real estate investment trust ("REIT"). The Company generally will not be subject to Federal income tax to the extent it distributes 100% of its REIT taxable income to its stockholders. REITs are subject to a number of organizational and operational requirements. If the Company fails to qualify as a REIT, its income is taxable at regular corporate rates. Even if the Company qualifies for taxation as a REIT, the Company is subject to certain state and local taxes on its income and property and Federal income and excise taxes on its undistributed income.

The operations of the Company are conducted primarily through the Operating Partnership. The Company contributed the proceeds from its initial public offering and subsequent offerings to the Operating Partnership for a general partnership interest. The financial results of the Operating Partnership and the Subsidiaries are consolidated in the Company's consolidated financial statements. In addition, since certain activities, if performed by the Company, may not be qualifying REIT activities under the Internal Revenue Code of 1986, as amended (the "Code"), the Company has formed taxable REIT subsidiaries as defined in the Code to engage in such activities. Realty Systems, Inc. ("RSI") is a wholly owned subsidiary of the Company that, doing business

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as Carefree Sales, is engaged in the business of purchasing, selling and leasing manufactured homes that are located or will be located in Properties owned and managed by the Company. Carefree Sales also provides brokerage services to residents at such Properties. Typically, residents move from a Community but do not relocate their homes. Carefree Sales may provide brokerage services, in competition with other local brokers, by seeking buyers for the homes. Carefree Sales also leases homes to prospective residents with the expectation that the tenant eventually will purchase the home. Community Systems, Inc. ("CSI") leases from the Operating Partnership certain real property within or adjacent to certain Properties consisting of golf courses, pro shops, and restaurants.

BUSINESS OBJECTIVES AND OPERATING STRATEGIES

Our strategy seeks to maximize both current income and long-term growth in income. We focus on Properties that have strong cash flow and we expect to hold such Properties for long-term investment and capital appreciation. In determining cash flow potential, we evaluate our ability to attract and retain high quality residents in our Properties who take pride in their Property and in their home. These business objectives and their implementation are determined by our Board of Directors and may be changed at any time. Our investment and operating approach includes:

- Providing consistently high levels of services and amenities in attractive surroundings to foster a strong sense of community and pride of home ownership;
- Efficiently managing the Properties to increase operating margins by controlling expenses, increasing occupancy and maintaining competitive market rents;
- Increasing income and property values by continuing the strategic expansion and, where appropriate, renovation of the Properties;
- Utilizing management information systems to evaluate potential acquisitions, identify and track competing properties and monitor resident satisfaction; and

- Selectively acquiring Properties that have potential for long-term cash flow growth and to create property concentrations in and around major metropolitan areas and retirement destinations to capitalize on operating synergies and incremental efficiencies.

We are committed to enhancing our reputation as the most respected brand name in the industry. Our strategy is to own and operate the highest quality Properties in sought-after locations near both urban areas and retirement destinations across the United States. The focus is on creating an attractive residential environment for homeowners by providing a well-maintained, comfortable Property with a variety of organized recreational and social activities and superior amenities. In addition, we regularly conduct evaluations of the cost of housing in the market places in which our Properties are located as well as survey rental rates of competing Communities and Resorts. From time to time we also conduct satisfaction surveys of our residents to determine the factors they consider most important in choosing a Property.

FUTURE ACQUISITIONS

Over the last seven years our portfolio of Properties has grown by 73 Properties. We continually review the Properties in our portfolio to ensure they fit our business objectives. Over the last 3 years, through the acquisition or sale of 44 Properties, we have redeployed capital to markets we believe have greater long-term potential. We believe that opportunities for Property acquisitions are still available and in general consolidation within the industry will continue (see - The Industry - Industry Consolidation). However, we also believe that many transactions occurring in the private marketplace are at valuations that would prevent a reasonable return on the invested capital. When investing capital we consider all potential uses of the capital including repurchases of our stock. As a result, during 1999 and 2000 we implemented our stock repurchase program and our Board of Directors continues to review the conditions under which we will repurchase our stock. These conditions include, but are not limited to, market price, balance sheet flexibility, other opportunities and capital requirements. (For more information on the Company's stock repurchase program see Note 4 to the accompanying financial statements.) Increasing acceptability of and demand for Site Set homes and continued constraints on development of new Properties continue to add to their attractiveness as an investment. We believe we have a competitive advantage in the acquisition of new Properties due to our experienced management, significant presence in major real estate markets and substantial capital resources. We are actively seeking to acquire additional Communities and Resorts and are engaged in various stages of negotiations relating to the possible acquisition of a number of Properties.

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We anticipate that newly acquired Properties will be located in the United States. We utilize market information systems to identify and evaluate acquisition opportunities, including a market database to review the primary economic indicators of the various locations in which we expect to expand our operations. Acquisitions will be financed from the most appropriate sources of capital, which may include undistributed funds from operations, issuance of additional equity securities, sales of investments, collateralized and uncollateralized borrowings and issuance of debt securities. In addition, the Operating Partnership may issue units of limited partnership interest ("OP Units") to finance acquisitions. We believe that an ownership structure which includes the Operating Partnership will permit us to acquire additional Communities and Resorts in transactions that may defer all or a portion of the sellers' tax consequences.

When evaluating potential acquisitions, we will consider such factors as:

- the replacement cost of the Property,

- the geographic area and type of Property,
- the location, construction quality, condition and design of the Property,
- the current and projected cash flow of the Property and the ability to increase cash flow,
- the potential for capital appreciation of the Property,
- the terms of tenant leases, including the potential for rent increases,
- the potential for economic growth and the tax and regulatory environment of the community in which the Property is located,
- the potential for expansion of the physical layout of the Property and the number of sites,
- the occupancy and demand by residents for Properties of a similar type in the vicinity and the residents' profile,
- the prospects for liquidity through sale, financing or refinancing of the Property,
- the competition from existing Properties and the potential for the construction of new Properties in the area.

We expect to purchase Properties with physical and market characteristics similar to the Properties in our current portfolio.

PROPERTY EXPANSIONS

Several of our Properties have available land for expanding the number of sites available to be leased to residents. Development of these sites ("Expansion Sites") is predicated by local market conditions and permitted by zoning and other applicable laws. When justified, development of Expansion Sites allows us to leverage existing facilities and amenities to increase the income generated from the Properties. Where appropriate, facilities and amenities may be upgraded or added to certain Properties in order to make those Properties more attractive in their markets. Our acquisition philosophy has included the desire to own Properties with potential Expansion Site development, and we have been successful in acquiring a number of such Properties. Several examples of these Properties include the 1993 acquisition of The Heritage with potential development of approximately 288 Expansion Sites, the 1994 acquisition of Bulow Village with potential development of approximately 725 Expansion Sites, the 1997 acquisition of Golf Vista Estates with potential development of approximately 88 Expansion Sites, the 1999 acquisition of Coquina Crossing with potential development of approximately 393 Expansion Sites, and the 2001 acquisitions of Grand Island and The Lakes at Countrywood with combined potential Expansion Sites of 224 sites.

Of our 142 Properties, ten may be expanded consistent with existing zoning regulations. In 2003, we expect to develop an additional 130 Expansion Sites within 3 of these Properties. As of December 31, 2002, we had approximately 753 Expansion Sites available for occupancy in 25 of the Properties. We filled 154 Expansion Sites in 2002 and expect to fill an additional 150 to 200 Expansion Sites in 2003.

LEASES

At our Communities a typical lease entered into between the resident and the Company for the rental of a site is for a month-to-month or year-to-year term, renewable upon the consent of both parties or, in some instances, as provided by statute. These leases are cancelable, depending on applicable law, for non-payment of rent, violation of Community rules and regulations or other

specified defaults. Non-cancelable long-term leases, with remaining terms ranging up to ten years, are in effect at certain sites within 25 of the Communities. Some of these leases are subject to rental rate increases based on the Consumer Price Index ("CPI"), in some instances taking into consideration certain floors and ceilings and allowing for pass-throughs of certain items such as real estate taxes, utility expenses and capital expenditures. Generally, market rate adjustments are made on an annual basis.

REGULATIONS AND INSURANCE

General. Our Properties are subject to various laws, ordinances and regulations, including regulations relating to recreational facilities such as swimming pools, clubhouses and other common areas. We believe that each Property has the necessary permits and approvals to operate.

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Rent Control Legislation. At certain of our Communities, state and local rent control laws, principally in California, limit our ability to increase rents and to recover increases in operating expenses and the costs of capital improvements. Enactment of such laws has been considered from time to time in other jurisdictions. We presently expect to continue to maintain Communities, and may purchase additional Communities, in markets that are either subject to rent control or in which rent-limiting legislation exists or may be enacted. For example, Florida has enacted a law that generally provides that rental increases must be reasonable. Also, certain jurisdictions in California in which we own Communities limit rent increases to changes in the CPI or some percentage thereof. As part of our effort to realize the value of our Properties subject to restrictive regulation, we have initiated lawsuits against several municipalities imposing such regulation in an attempt to balance the interests of our shareholders with the interests of our residents

Insurance. We believe that the Properties are covered by adequate fire, flood, property, earthquake and business interruption insurance (where appropriate) provided by reputable companies and with commercially reasonable deductibles and limits. Due to the lack of available commercially reasonable coverage, we are self-insured for terrorist incidents, except at certain Properties where terrorist insurance coverage is required by debt covenants. We believe our insurance coverage is adequate based on our assessment of the risks to be insured, the probability of loss and the relative cost of available coverage. We have obtained title insurance insuring title to the Properties in an aggregate amount which we believe to be adequate.

INDUSTRY

THE INDUSTRY

We believe that modern Properties similar to ours provide an opportunity for increased cash flows and appreciation in value. These may be achieved through increases in occupancy rates and rents, as well as expense controls, expansion of existing Properties and opportunistic acquisitions, for the following industry specific reasons:

- Barriers to Entry: We believe that the supply of new Properties will be constrained due to barriers to entry into the industry. The most significant barrier has been the difficulty in securing zoning from local authorities. This has been the result of (i) the public's historically poor perception of the industry, and (ii) the fact that Properties generate less tax revenue because the homes are treated as personal property (a benefit to the home owner) rather than real property. Another factor that creates substantial barriers to entry is the length of time between investment in a Community's development and the attainment of stabilized occupancy and the

generation of revenues. The initial development of the infrastructure may take up to two or three years. Once the Community is ready for occupancy, it may be difficult to attract residents to an empty Community. Substantial occupancy levels may take several years to achieve.

- Industry Consolidation: According to an industry analyst's industry report, there are approximately 50,000 Communities in the United States, and approximately 6.5% or 3,250 of the Communities have more than 200 sites and would be considered "investment-grade" properties. The five public REITs that own Communities own approximately 531 or about 16% of the "investment-grade" Communities. In addition, based on a report prepared by one analyst, the top 150 owners of Communities own approximately 69% of the "investment-grade" assets. We believe that this relatively high degree of fragmentation in the industry provides us, as a national organization with experienced management and substantial financial resources, the opportunity to purchase additional Communities.
- Stable Tenant Base: We believe that Communities tend to achieve and maintain a stable rate of occupancy due to the following factors: (i) residents own their own homes, (ii) Communities tend to foster a sense of community as a result of amenities such as clubhouses, recreational and social activities and (iii) since moving a Site Set home from one Community to another involves substantial cost and effort, residents often sell their home in-place (similar to site-built residential housing) with no interruption of rental payments.

SITE SET HOUSING

Based on the current growth in the number of individuals living in Site Set homes, we believe that Site Set homes are increasingly viewed by the public as an attractive and economical form of housing.

We believe that the growing popularity of Site Set housing is primarily the result of the following factors:

- Importance of Home Ownership. According to the Fannie Mae 2001 National Housing Survey ("FNMA Survey") renters' desire to own a home continues to be a top priority.
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- Affordability. For a significant number of people, Site Set housing represents the only means of achieving home ownership. In addition, the total cost of housing in a Property (home cost, site rent and related occupancy costs) is competitive with and often lower than the total cost of alternative housing, such as apartments and condominiums, and generally substantially lower than "stick-built" residential alternatives.
 - Lifestyle Choice. As the average age of the United States population has increased, Site Set housing has become an increasingly popular housing alternative for retirement and "empty-nest" living. According to the FNMA Survey, the baby-boom generation - the 80 million people born between 1945 and 1964 - will constitute 18% of the U.S. population within the next 30 years and more than 32 million will reach age 55 within the next ten years. Among those individuals who are nearing retirement (age 40 to 54), approximately 33% plan on moving upon retirement. We believe that Site Set housing is especially attractive to such individuals when located within a Property that offers an appealing amenity package, close proximity to local services, social activities, low maintenance and a secure environment.

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

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

AVAILABLE INFORMATION

We file reports electronically with the Securities and Exchange Commission. The public may read and copy any materials we file with the SEC at the SEC's Public Reference Room at 450 Fifth Street, NW., Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet site that contains reports, proxy information and statements, and other information regarding issuers that file electronically with the SEC at <http://www.sec.gov>. We maintain an Internet site with information about the Company and hyperlinks to our filings with the SEC at <http://www.mhchomes.com>. Requests for copies of our filings with the SEC and other investor inquiries should be directed to:

Investor Relations Department
Manufactured Home Communities, Inc.
Two North Riverside Plaza
Chicago, Illinois 60606
Phone: 1-800-247-5279
e-mail: investor_relations@mhchomes.com

ITEM 2. PROPERTIES

Our Properties provide attractive amenities and common facilities that create a comfortable and attractive home for our residents, with most offering a clubhouse, a swimming pool, laundry facilities and cable television service. Many also offer additional amenities such as sauna/whirlpool spas, golf courses, tennis, shuffleboard and basketball courts and exercise rooms. Since residents in our Properties own their homes, it is their responsibility to maintain their homes and the surrounding area. It is our role to ensure that residents comply with our Property policies and to provide maintenance of the common areas, facilities and amenities. We hold periodic meetings with our Property management personnel for training and implementation of our strategies. The Properties historically have had, and we believe they will continue to have, low turnover and high occupancy rates.

The distribution of our Properties throughout the United States reflects our belief that geographic diversification helps insulate the portfolio from regional economic influences. We intend to target new acquisitions in or near markets where our Properties are located and will also consider acquisitions of Properties outside such markets. The following table identifies our five largest

markets and provides information regarding our Properties including Communities owned in joint ventures.

MAJOR MARKET	NUMBER OF PROPERTIES	PERCENT OF TOTAL SITES	PERCENT OF TOTAL SITES	TOTAL REVENUES
Florida	51	23,038	44.66%	38.61%
California	25	6,215	12.05%	19.96%
Arizona	19	5,413	10.49%	8.76%
Colorado	10	3,455	6.70%	8.54%
Delaware	7	2,238	4.34%	4.10%
Other	30	11,223	21.76%	20.03%
Total	142	51,582	100.00%	100.00%

Our largest Property, Bay Indies, located in Venice, Florida, accounted for 2.7% of our total revenues for the year ended December 31, 2002.

The following table lists our Resort Properties and those Communities in which we have a non-controlling joint venture interest:

PROPERTY	LOCATION CITY, STATE	NUMBER OF SITES AS OF 12/31/02
RESORT PROPERTIES		
Mt Hood	Welches OR	436
Fun & Sun	San Benito TX	1,435
Southern Palms	Eustis FL	950
Sherwood Forest RV	Kissimmee FL	512
Bulow RV	Flagler Beach FL	352
Tropic Winds	Harlingen TX	531
Countryside	Apache Junction AZ	560
Golden Sun	Apache Junction AZ	329
Breezy Hill	Pompano Beach FL	762
Highland Wood	Pompano Beach FL	148
Date Palm RV	Cathedral City CA	140
TOTAL RESORT PROPERTY SITES		6,155

COMMUNITIES OWNED IN JOINT VENTURES

Trails West	Tucson	AZ	503
Plantation	Calimesa	CA	385
Manatee	Bradenton	FL	290
Home	Hallandale	FL	136
Villa del Sol	Sarasota	FL	207
Voyager RV Resort	Tucson	AZ	--
Preferred Interests in College Heights			--
TOTAL SITES OWNED IN JOINT VENTURES			1,521

The following table sets forth certain information relating to the Communities we owned as of December 31, 2002, categorized by our major markets. We define our core Community portfolio ("Core Portfolio") as Communities owned throughout both periods of comparison. Excluded from the Core Portfolio are any Communities acquired or sold during the period, any Resort Properties and any Communities owned through joint ventures which, together, are referred to as the "Non-Core" Properties. The following table excludes Resort Properties and any Communities owned through joint Ventures.

PROPERTY	LOCATION CITY, STATE	NUMBER OF SITES AS OF 12/31/02	OCCUPANCY AS OF 12/31/02	OCCUPANCY AS OF 12/31/01	MONTHLY BASE RENT AS OF 12/31/02	MONTHLY BASE RENT AS OF 12/31/01
FLORIDA						
EAST COAST:						
Bulow Plantation	Flagler Beach FL	276	97.5% (b)	99.4% (b)	\$322	\$258
Carriage Cove	Daytona Beach FL	418	95.7%	97.4%	\$426	\$399
Coquina Crossing	St Augustine FL	361	84.5% (b)	91.1% (b)	\$324	\$317
Coral Cay at Vero Beach	Margate FL	819	91.5%	93.4%	\$435	\$428
Countryside North	Vero Beach FL	646	96.6% (b)	95.7% (b)	\$324	\$315
Heritage Village	Vero Beach FL	436	96.1%	97.0%	\$354	\$346
Holiday Village	Vero Beach FL	128	72.7%	78.1%	\$307	\$286
Holiday Village	Ormond Beach FL (a)	301	87.4%	(d)	\$313	(d)
Indian Oaks	Rockledge FL	211	98.1% (b)	96.2% (b)	\$260	\$243
Lakewood Village	Melbourne FL	349	92.8%	95.1%	\$387	\$359
Lighthouse Pointe	Port Orange FL	433	89.1% (b)	88.9% (b)	\$324	\$308
Maralago Cay	Lantana FL	602	94.5%	96.3%	\$437	\$417
Pickwick	Port Orange FL	432	98.6%	97.2%	\$335	\$310
The Meadows	Palm Beach Gardens FL	388	85.3% (b)	82.6% (b)	\$373	\$331
CENTRAL:						
Grand Island	Grand Island FL (a)	307	71.5% (b)	76.4% (b)	\$291	\$282
Mid-Florida Lakes	Leesburg FL	1,226	88.6% (b)	91.1% (b)	\$339	\$325
Oak Bend	Ocala FL	262	88.2% (b)	87.4% (b)	\$292	\$250
Sherwood Forest	Kissimmee FL	769	96.9% (b)	96.6% (b)	\$345	\$334
Villas at Spanish Oaks	Ocala FL	459	91.5%	93.9%	\$317	\$301
GULF COAST (TAMPA/NAPLES):						
Bay Indies	Venice FL	1,309	98.2%	98.9%	\$345	\$323
Bay Lake Estates	Nokomis FL	228	95.6%	96.1%	\$424	\$370
Buccaneer	N. Ft. Myers FL	971	98.5%	99.1%	\$348	\$331
Country Place	New Port Richey FL	515	99.4% (b)	97.9% (b)	\$272	\$237
Down Yonder	Largo FL	362	99.2%	99.4%	\$388	\$375
East Bay Oaks	Largo FL	328	96.0%	97.3%	\$391	\$367
Eldorado Village	Largo FL	227	94.3%	96.0%	\$391	\$370
Glen Ellen	Clearwater FL (a)	117	76.9%	(d)	\$322	(d)
Hacienda Village	New Port Richey FL (a)	519	95.0%	(d)	\$333	(d)
Harbor View	New Port Richey FL (a)	471	98.9%	(d)	\$228	(d)
Hillcrest	Clearwater FL	279	83.9%	84.2%	\$367	\$345
Holiday Ranch	Largo FL	150	92.7%	92.7%	\$353	\$341
Lake Fairways	N. Ft. Myers FL	896	99.2%	99.1%	\$376	\$364
Lake Haven	Dunedin FL	379	89.7%	92.9%	\$399	\$382
Lakes at Countrywood	Plant City FL (a)	423	94.8% (b)	96.5% (b)	\$256	\$246
Meadows at Countrywood	Plant City FL	737	99.1%	98.9%	\$299	\$285
Oaks at Countrywood	Plant City FL	168	70.8% (b)	67.9% (b)	\$256	\$248
Pine Lakes	N. Ft. Myers FL	584	99.3%	99.1%	\$458	\$439
Silk Oak	Clearwater FL (a)	180	93.3%	(d)	\$358	(d)
The Heritage	N. Ft. Myers FL	455	87.3% (b)	83.5% (b)	\$319	\$306
Windmill Manor	Bradenton FL	292	94.9%	95.9%	\$370	\$357
Windmill Village	N. Ft. Myers FL	491	96.3%	98.6%	\$323	\$310
Windmill Village North	Sarasota FL	471	98.1%	98.5%	\$346	\$332
Windmill Village South	Sarasota FL	306	99.7%	99.3%	\$364	\$332
TOTAL FLORIDA MARKET		19,681	94.0%	98.7%	\$346	\$307
FLORIDA MARKET - CORE PORTFOLIO		17,363	94.4%	97.4%	\$363	\$343

PROPERTY	LOCATION CITY, STATE	NUMBER OF SITES AS OF 12/31/02	OCCUPANCY AS OF 12/31/02	OCCUPANCY AS OF 12/31/01	MONTHLY BASE RENT AS OF 12/31/02	MONTHLY BASE RENT AS OF 12/31/01
CALIFORNIA						
NORTHERN CALIFORNIA:						
California Hawaiian	San Jose CA	418	97.6%	98.1%	\$675	\$636
Colony Park	Ceres CA	178	93.8%	86.0%	\$375	\$353
Concord Cascade	Pacheco CA	283	98.9%	98.9%	\$560	\$544
Contempo Marin	San Rafael CA	396	98.7%	98.7%	\$674	\$644
Coralwood	Modesto CA	194	99.0%	97.4%	\$438	\$413
Four Seasons	Fresno CA	242	75.6%	73.6%	\$267	\$254
Laguna Lake	San Luis Obispo CA	290	99.7%	99.7%	\$368	\$344
Monte del Lago	Castroville CA	310	97.7% (b)	97.8% (b)	\$560	\$513
Quail Meadows	Riverbank CA	146	100.0%	100.0%	\$390	\$363
Royal Oaks	Visalia CA	149	81.9%	81.9%	\$290	\$273
DeAnza Santa Cruz	Santa Cruz CA	198	99.0%	99.5%	\$558	\$526
Sea Oaks	Los Osos CA	125	97.6%	100.0%	\$418	\$349
Sunshadow	San Jose CA	121	100.0%	100.0%	\$651	\$605
Westwinds (4 Properties)	San Jose CA	723	99.2%	98.9%	\$719	\$656
SOUTHERN CALIFORNIA:						
Date Palm Country Club	Cathedral City CA	538	94.1%	95.9%	\$679	\$640
Lamplighter	Spring Valley CA	270	99.3%	98.1%	\$642	\$565
Meadowbrook	Santee CA	332	100.0%	99.1%	\$627	\$603
Rancho Mesa	El Cajon CA	158	99.4%	99.4%	\$567	\$535
Rancho Valley	El Cajon CA	140	100.0%	98.6%	\$627	\$550
Royal Holiday	Hemet CA	179	67.0%	64.2%	\$285	\$277
Santiago Estates	Sylmar CA	300	96.3%	96.0%	\$646	\$617
TOTAL CALIFORNIA MARKET		5,690	95.8%	95.4%	\$568	\$531
CALIFORNIA MARKET - CORE PORTFOLIO		5,690	95.8%	95.4%	\$568	\$531
ARIZONA						
Apollo Village	Phoenix AZ	236	83.9% (b)	91.6% (b)	\$401	\$371
The Highlands at Brentwood	Mesa AZ	273	88.9%	93.8%	\$475	\$456
Carefree Manor	Phoenix AZ	128	92.2%	97.7%	\$353	\$322
Casa del Sol #1	Peoria AZ	245	81.2%	86.6%	\$460	\$422
Casa del Sol #2	Glendale AZ	239	86.6%	94.1%	\$477	\$455
Casa del Sol #3	Glendale AZ	236	89.8%	94.1%	\$477	\$439
Central Park	Phoenix AZ	293	92.5%	95.2%	\$409	\$386
Desert Skies	Phoenix AZ	164	93.9%	97.6%	\$338	\$317
Fairview Manor	Tucson AZ	235	85.1%	91.1%	\$342	\$326
Hacienda de Valencia	Mesa AZ	364	79.4%	85.2%	\$395	\$377
Palm Shadows	Glendale AZ	294	87.1%	90.8%	\$372	\$355
Sedona Shadows	Sedona AZ	198	93.4%	91.4%	\$355	\$327
Sunrise Heights	Phoenix AZ	199	88.4%	90.5%	\$386	\$358
The Mark	Mesa AZ	410	74.9%	91.7%	\$392	\$383
The Meadows	Tempe AZ	391	85.2%	92.3%	\$455	\$439
Whispering Palms	Phoenix AZ	116	93.1%	94.8%	\$295	\$282
TOTAL ARIZONA MARKET		4,021	85.9%	91.9%	\$410	\$385
ARIZONA MARKET - CORE PORTFOLIO		4,021	85.9%	91.9%	\$410	\$385

PROPERTY	LOCATION CITY, STATE	NUMBER OF SITES AS OF 12/31/02	OCCUPANCY AS OF 12/31/02	OCCUPANCY AS OF 12/31/01	MONTHLY BASE RENT AS OF 12/31/02	MONTHLY BASE RENT AS OF 12/31/01
COLORADO						
Bear Creek	Sheridan CO	124	97.6%	97.6%	\$446	\$409
Cimarron	Broomfield CO	327	97.6%	98.2%	\$445	\$417
Golden Terrace	Golden CO	265	96.6%	98.6%	\$491	\$464
Golden Terrace South	Golden CO	160	95.0%	96.3%	\$487	\$441
Golden Terrace West	Golden CO	316	96.5%	98.1%	\$498	\$454
Hillcrest Village	Aurora CO	601	91.7%	95.5%	\$491	\$445
Holiday Hills	Denver CO	736	92.3%	95.4%	\$466	\$437
Holiday Village	Co. Springs CO	240	92.9%	96.7%	\$446	\$427
Pueblo Grande	Pueblo CO	252	96.4%	96.8%	\$296	\$281
Woodland Hills	Denver CO	434	93.8%	97.9%	\$439	\$418
TOTAL COLORADO MARKET		3,455	94.2%	96.8%	\$394	\$424
COLORADO MARKET - CORE PORTFOLIO		3,455	94.2%	96.8%	\$394	\$424
NORTHEAST						
Aspen Meadows	Rehoboth DE	200	100.0%	99.5%	\$277	\$262
Camelot Meadows	Rehoboth DE	302	100.0%	99.9%	\$272	\$265
Mariners Cove	Millsboro DE	374	90.0% (b)	89.3% (b)	\$399	\$381
McNicol	Rehoboth DE	93	100.0%	98.9%	\$278	\$258
Sweetbriar	Rehoboth DE	146	95.9%	98.6%	\$228	\$199
Waterford	Bear DE	731	96.4% (b)	97.4% (b)	\$410	\$398
Whispering Pines	Lewes DE	392	95.2%	95.2%	\$274	\$269
Pheasant Ridge	Mt. Airy MD	101	98.0%	97.0%	\$468	\$453
Brook Gardens	Lackawanna NY	424	93.9%	96.5%	\$446	\$435
Greenwood Village	Manorville NY	507	99.3%	99.4%	\$406	\$389
Green Acres	Breinigsville PA	595	94.8%	96.1%	\$438	\$420
Meadows of Chantilly	Chantilly VA	500	94.8%	96.6%	\$544	\$512
Independence Hill	Morgantown WV	203	87.2%	88.2%	\$221	\$214
TOTAL NORTHEAST MARKET		4,568	95.6%	96.3%	\$387	\$372
NORTHEAST MARKET - CORE PORTFOLIO		4,568	95.6%	96.3%	\$387	\$372

PROPERTY	LOCATION CITY, STATE	NUMBER OF SITES AS OF 12/31/02	OCCUPANCY AS OF 12/31/02	OCCUPANCY AS OF 12/31/01	MONTHLY BASE RENT AS OF 12/31/02	MONTHLY BASE RENT AS OF 12/31/01
MIDWEST						
Five Seasons	Cedar Rapids IA	390	76.4% (b)	79.0% (b)	\$264	\$253
Holiday Village	Sioux City IA	519	73.8%	80.5%	\$253	\$248
Golf Vista Estates	Monee IL	411	88.1% (b)	88.4% (b)	\$393	\$387
Willow Lake Estates	Elgin IL	617	94.2%	96.8%	\$660	\$624
Forest Oaks	Chesterton IN	227	76.2%	83.7%	\$333	\$305
Oak Tree Village	Portage IN	361	88.9%	90.0%	\$332	\$302
Windsong	Indianapolis IN	268	72.0%	84.0%	\$309	\$292
Creekside	Wyoming MI	165	93.3%	94.5%	\$382	\$374
TOTAL MIDWEST MARKET		2,958	83.3%	87.9%	\$399	\$380
MIDWEST MARKET - CORE PORTFOLIO		2,958	83.3%	87.9%	\$399	\$380

NEVADA, UTAH, NEW MEXICO

Del Rey	Albuquerque	NM	407	76.7%	84.5%	\$341	\$328
Bonanza	Las Vegas	NV	353	72.8%	75.9%	\$473	\$465
Boulder Cascade	Las Vegas	NV	299	82.1%	86.9%	\$436	\$417
Cabana	Las Vegas	NV	263	95.4%	97.3%	\$442	\$432
Flamingo West	Las Vegas	NV	258	88.8% (b)	84.1% (b)	\$449	\$430
Villa Borega	Las Vegas	NV	293	87.0%	91.1%	\$433	\$421
All Seasons	Salt Lake City	UT	121	96.7%	98.3%	\$352	\$328
Westwood Village	Farr West	UT	314	95.2% (b)	96.5% (b)	\$259	\$237
TOTAL NEVADA, UTAH, NEW MEXICO MARKET			2,308	85.2%	88.1%	\$398	\$383
NEVADA, UTAH, NEW MEXICO MARKET - CORE PORTFOLIO			2,308	85.2%	88.1%	\$398	\$380

NORTHWEST

Casa Village	Billings	MT	491	88.0%	92.3%	\$294	\$282
Falcon Wood Village	Eugene	OR	183	92.9%	97.8%	\$364	\$363
Quail Hollow	Fairview	OR	137	93.4%	97.8%	\$500	\$442
Shadowbrook	Clackamas	OR	156	96.8%	98.7%	\$494	\$444
Kloshe Illahee	Federal Way	WA	258	99.6%	99.6%	\$513	\$478
TOTAL NORTHWEST MARKET			1,225	92.9%	96.1%	\$397	\$374
NORTHWEST MARKET - CORE PORTFOLIO			1,225	92.9%	96.1%	\$397	\$374
GRAND TOTAL ALL MARKETS			43,906	92.2%	93.0%	\$403	\$385
GRAND TOTAL ALL MARKETS - CORE PORTFOLIO			41,588	92.5% (c)	94.0% (c)	\$409	\$387

- (a) Represents a Property that is not part of the Core Portfolio.
- (b) The process of filling Expansion Sites at these Properties is ongoing. A decrease in occupancy may reflect development of additional Expansion Sites.
- (c) Changes in total portfolio occupancy include the impact of acquisitions and expansion programs and are therefore not comparable.
- (d) Property acquired in 2002.

See Management's Discussion and Analysis of Financial Condition and Results of Operations.

ITEM 3. LEGAL PROCEEDINGS

DEANZA SANTA CRUZ MOBILE ESTATES

The residents of DeAnza Santa Cruz Mobile Estates, a property located in Santa Cruz, California, brought several actions opposing fees and charges in connection with water service at the property. As a result of one action, the Company rebated approximately \$36,000 to the residents. The DeAnza Santa Cruz Homeowners Association then proceeded to a jury trial alleging these "overcharges" entitled them to an award of punitive damages. In January 1999, a jury awarded the HOA \$6.0 million in punitive damages. On December 21, 2001 the California Court of Appeal for the Sixth District reversed the \$6.0 million punitive damage award, the related award of attorneys' fees, and, as a result, all post-judgment interest thereon, on the basis that punitive damages are not

available as a remedy for a statutory violation of the California Mobile Home Residency Law ("MRL"). The decision of the appellate court left the HOA, the plaintiff in this matter, 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. In order to resolve this matter, the Company accrued for and agreed to pay \$201,000 to the HOA. This payment resolves the punitive damage claim. The HOA's attorney has made a motion asking for an award of attorneys' fees and costs in the amount of approximately \$1.5 million as a result of this resolution of the litigation. The Company will vigorously oppose any award of attorneys' fees and costs, and has asked the court to rule that the Company is the prevailing party.

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 "2000 Lawsuit"). The 2000 Lawsuit sought 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 entered into a settlement agreement with the plaintiffs in the 2000 Lawsuit which settlement was approved by the court on July 22, 2002. The Company believes the settlement agreement is of significant benefit to the Company. First, pursuant to the settlement agreement all past, present and future tenants of the Property agree to alternative dispute resolution procedures which provide that during the next 25 years future disputes will be resolved through arbitration before a retired judge rather than in court, and that in such future arbitration proceedings all claims to trial by jury and for punitive damages are waived.

Second, the settlement agreement provides a process for determining the rent for 15 sites not subject to rent control, including in certain circumstances, back rent owing from certain dates in 2001. The settlement agreement generally gives tenants at these sites three (3) options with respect to their tenancies. Such tenants may (1) enter into a 34-year lease providing a rent based on rent control with future escalations based on the CPI, but with the Company retaining the right to charge market rents determined by the Company upon turnover; (2) enter into a ten (10) year lease with a monthly rent to be determined by binding arbitration and effective October 1, 2001; or (3) elect to sell such tenant's home to a third party and pay back rent owing to the Company (the amount of which will be determined by arbitration if not agreed to between the tenant and the Company) since January 1, 2001. In certain circumstances the Company will purchase the tenant's home based upon a mechanism provided in the settlement agreement.

In exchange for the tenants' agreement to the alternative dispute resolution procedures, the process for resolving back rent owed by tenants not subject to rent control, and to dismiss the 2000 Lawsuit, the Company accrued for and agreed to pay \$730,000.

OTHER CALIFORNIA RENT CONTROL LITIGATION

As part of the Company's effort to realize the value of its Properties subject to rent control, the Company has initiated lawsuits against several municipalities in California. The Company's goal is to achieve a level of regulatory fairness in California's rent control jurisdictions, and in particular those jurisdictions that prohibit increasing rents to market upon

turnover. This regulatory feature, called vacancy control, allows tenants to sell their homes for a premium representing the value of the future discounted rent-controlled rents. In the Company's view, such regulation results in a transfer of the value of the Company's shareholders' land, which would otherwise be reflected in market rents, to tenants upon the sales of their homes in the form of an inflated purchase price that cannot be attributed to the value of the home being sold. As a result, in the Company's view, the Company loses the value of its asset and the selling tenant leaves the community with a windfall

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premium. The Company has discovered through the litigation process that certain municipalities considered condemning the Company's communities at values well below the value of the underlying land. In the Company's view, a failure to articulate market rents for sites governed by restrictive rent control would put the Company at risk for condemnation or eminent domain proceedings based on artificially reduced rents. Such a physical taking, should it occur, could represent substantial lost value to shareholders. The Company is cognizant of the need for affordable housing in the jurisdictions, but asserts that restrictive rent regulation with vacancy control does not promote this purpose because the benefits of such regulation are fully capitalized into the prices of the homes sold. The Company estimates that the annual rent subsidy to tenants in these jurisdictions is approximately \$15 million. In a more well-balanced regulatory environment, the Company would receive market rents that would eliminate the subsidy and homes would trade at or near their intrinsic value.

The Company's efforts to achieve a balanced regulatory environment incentivize tenant groups to file lawsuits against the Company seeking large damage awards. The 2000 Lawsuit described above under DeAnza Santa Cruz Mobile Estates is one example. The homeowners association at Contempo Marin ("CMHOA"), a 396 site property in San Rafael, California, sued the Company in December 2000 over a prior settlement agreement on a capital pass-through after the Company sued the City of San Rafael in October 2000 alleging its rent control ordinance is unconstitutional. In the Contempo Marin case, the CMHOA prevailed on a motion for summary judgment on an issue that permits the Company to collect only \$3.72 out of a pass-through amount of \$7.50 that the Company believes had been agreed to by the CMHOA in a settlement agreement. The Company intends to vigorously defend the matter. The Company believes that such lawsuits will be a consequence of the Company's efforts to change rent control since tenant groups actively desire to preserve the premium value of their homes in addition to the discounted rents provided by rent control. The Company has determined that its efforts to rebalance the regulatory environment despite the risk of litigation from tenant groups are necessary not only because of the \$15 million annual subsidy to tenants, but also because of the condemnation risk.

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. Only the appeal of one entity remains, the outcome of which is not expected to materially affect the Company (see Note 5).

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. Although this appeal was one not resolved by the Settlement, the California Court of Appeal dismissed Fund 20's substantive appeals on March 13, 2003 as moot.

In October 2001, Fund 20 sued the Company and certain of its affiliates again, this time in Alameda 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. When the March 13, 2003 Court of Appeal dismissal becomes final in May 2003, the Company will seek to have the Alameda County action dismissed if Fund 20 will not voluntarily dismiss this action. The Company believes Fund 20's allegations are without merit and will vigorously defend itself.

COUNTRYSIDE AT VERO BEACH

The Company has received letters dated June 17, 2002 and August 26, 2002 from Indian River County ("County"), claiming that the Company currently owes sewer impact fees in the amount of approximately \$518,000 with respect to the Property known as Countryside at Vero Beach, located in Vero Beach, Florida, purportedly under the terms of an agreement between the County and a prior owner of the Property. In response, the Company has advised the County that these fees are no longer due and owing as a result of a 1996 settlement agreement between the County and the prior owner of the Property, providing for the payment of \$150,000 to the County to discharge any further obligation for the payment of impact or connection fees for sewer service at the Property. The Company paid this settlement amount (with interest) to the County in connection with the Company's acquisition of the Property. Accordingly, the Company believes that the County's claims are without merit.

DELAWARE DECLARATORY JUDGMENT ACTION

In April 2002, the Company entered into a Stipulation and Consent Order to Cease and Desist (the "Consent Order") with the State of Delaware (the "State"). The Consent Order resolved various issues raised by the State concerning the terms of a

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new lease form used or proposed for use by the Company at certain of its Properties in Delaware. Among other provisions, the Consent Order contemplated that the Company would work with the State to develop and implement a new lease form for use in Delaware. The Consent Order expressly provided that nothing contained therein would preclude the Company from seeking declaratory relief from a court as to the legality or enforceability of any provisions which the Company might wish to incorporate in future leases.

Throughout the summer of 2002, the Company's Delaware legal counsel engaged in dialogue with representatives of the State concerning various matters, including the lease provisions to which the State had objected but which the Company wished to incorporate in future leases. Through this process, it became apparent that the parties could not reach agreement as to the legality or enforceability of the proposed lease provisions, and that the Company would need to seek declaratory relief from a court in order to resolve the matter, as contemplated by the Consent Order. Accordingly, on August 29, 2002, the Company filed a Petition for Declaratory Judgment and Other Relief (as amended, the "Petition") in Sussex County, Delaware Superior Court (the "Court").

In response to the filing of the Petition, on October 1, 2002, the State filed its Answer to Petition for Declaratory and Other Relief, and Counterclaims for Civil Enforcement and Contempt (as amended, "Answer and Counterclaim") with the Court. In the Answer and Counterclaim, the State seeks, inter alia, restitution, statutory penalties, investigative costs and attorneys' fees under the Delaware Mobile Home Lots and Leases Act, the Consumer Fraud Act, the Uniform Deceptive Trade Practices Act and the Delaware Consumer Contracts law, and separately seeks a finding of contempt and related contempt penalties for alleged violations of the Consent Order.

The Company filed a Motion to Dismiss Respondents' Counterclaims with the Court on October 29, 2002, and the State filed a Motion for Summary Judgment with the Court on November 15, 2002. These motions are in the briefing stage. On December 30, 2002, the Company filed a First Amended Petition for Declaratory Judgment and Other Relief with the Court, and on January 31, 2003, the State filed an Amended Answer and Counterclaim with the Court. The State filed a Motion to Dismiss with Prejudice Petitioner's First Amended Petition for Declaratory Judgment and Other Relief for Failure to Join and Indispensable Third Party with the Court on February 25, 2003.

The Company believes that it has complied, and continues to comply, with the Consent Order, and that the filing of the Petition was expressly contemplated by the Consent Order. The Company believes that the State's allegations in the Answer and Counterclaim are without merit and will vigorously defend itself.

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 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 agreed to mediate the dispute and the matter was settled and the lease was amended in early 2002. Pursuant to the settlement and amendment, Lessee agreed to pay \$338,000 related to prior period rent which was expensed in the first quarter of 2002 and to prepay rent of \$632,000 based on a recalculation of rent in the amended lease. The rent prepayment and related legal costs will be amortized into ground rent expense over the remaining life of the lease.

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.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

The Annual Meeting of Stockholders of the Company, for which proxies were solicited pursuant to Regulation 14A under the Securities Exchange Act of 1934, was held on May 8, 2002. At the Annual Meeting, Samuel Zell, David A. Helfand and Michael A. Torres were each elected to serve as directors of the Company until the 2005 Annual Meeting of Stockholders.

	Votes Cast	
	For	Withheld
Samuel Zell	17,515,839	60,873
David A. Helfand	17,515,876	60,836
Michael A. Torres	17,523,492	53,220

There were 4,156,070 broker non-votes.

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PART II

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

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

	Close	High	Low	Distributions Made	Return of Capital GAAP Basis (a)
	-----	-----	-----	-----	-----
2002					
1st Quarter	\$33.0000	\$33.6300	\$30.6500	\$.4750	\$.15
2nd Quarter	35.1000	35.6600	32.5000	.4750	.18
3rd Quarter	31.8800	35.1400	30.0500	.4750	.17
4th Quarter	29.6300	31.9200	27.5000	.4750	.00
2001					
1st Quarter	\$27.0000	\$29.0000	\$25.5400	\$.4450	\$.00
2nd Quarter	28.1000	28.3500	26.3100	.4450	.16
3rd Quarter	30.4200	30.4700	27.9000	.4450	.16
4th Quarter	31.2100	31.6700	29.8000	.4450	.11

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

The number of beneficial holders of the Company's common stock at December 31, 2002 was approximately 5,065.

ITEM 6. SELECTED FINANCIAL AND OPERATING INFORMATION

The following table sets forth selected financial and operating information on a historical basis for the Company. The following information should be read in conjunction with all of the financial statements and notes thereto included elsewhere in this Form 10-K. The historical operating data for the years ended December 31, 2002, 2001, 2000, 1999 and 1998 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)

	(1) YEARS ENDED DECEMBER 31,				
	2002	2001	2000	1999	1998
PROPERTY OPERATIONS:					
Community base rental income	\$ 197,795	\$ 194,103	\$ 188,051	\$ 180,348	\$ 164,086
Resort base rental income	9,147	5,748	7,414	9,526	7,153
Utility and other income	19,713	20,403	19,378	19,569	17,617
Property operating revenues	226,655	220,254	214,843	209,443	188,856
Property operating and maintenance	63,554	61,481	58,661	57,595	52,481
Real estate taxes	18,212	17,296	16,766	16,309	14,346
Property management	9,292	8,984	8,690	8,337	7,108
Property operating expenses	91,058	87,761	84,117	82,241	73,935
Income from property operations	135,597	132,493	130,726	127,202	114,921
HOME SALES OPERATIONS:					
Gross revenues from inventory home sales	33,543	--	--	--	--
Cost of inventory home sales	(27,192)	--	--	--	--
Gross profit from inventory home sales	6,351	--	--	--	--
Brokered resale revenues, net	1,592	--	--	--	--
Home selling expenses	(7,671)	--	--	--	--
Ancillary services revenues, net	522	--	--	--	--
Income from home sales operations	794	--	--	--	--
OTHER INCOME AND EXPENSES:					
Interest income	967	639	1,009	1,669	1,070
Equity in income of affiliates	--	1,811	2,408	2,065	3,048
Other corporate income	1,277	1,353	670	280	355
General and administrative	(8,192)	(6,687)	(6,423)	(6,092)	(5,411)
Interest and related amortization	(50,729)	(51,305)	(53,280)	(53,775)	(49,693)
Depreciation on corporate assets	(1,277)	(1,243)	(1,139)	(1,005)	(995)
Depreciation on real estate assets and other costs	(35,911)	(34,728)	(34,312)	(34,393)	(28,336)
Total other income and expenses	(93,865)	(90,160)	(91,067)	(91,251)	(79,962)
Income from operations	42,526	42,333	39,659	35,951	34,959
Net income from discontinued operations	1,083	1,043	989	884	704
Gain on sale of Properties and other	13,014	8,168	12,053	--	--
Income before allocation to Minority Interests	56,623	51,544	52,701	36,835	35,663
(Income) allocated to Common OP Units	(8,926)	(8,209)	(8,463)	(6,219)	(6,733)
(Income) allocated to Perpetual Preferred OP Units	(11,252)	(11,252)	(11,252)	(2,844)	--
Net income before extraordinary loss on the early extinguishment of debt	36,445	32,083	32,986	27,772	28,930
Extraordinary loss on the extinguishment of debt (net of \$264 allocated to minority interests)	--	--	(1,041)	--	--
NET INCOME	\$ 36,445	\$ 32,083	\$ 31,945	\$ 27,772	\$ 28,930
Income from operations per Common Share - basic	\$ 1.57	\$ 1.60	\$ 1.47	\$ 1.16	\$ 1.11
Income from operations per Common Share - diluted	\$ 1.54	\$ 1.57	\$ 1.45	\$ 1.15	\$ 1.09
Net income per Common Share before extraordinary item - basic	\$ 1.69	\$ 1.53	\$ 1.54	\$ 1.10	\$ 1.13
Net income per Common Share before extraordinary item - diluted	\$ 1.64	\$ 1.49	\$ 1.51	\$ 1.09	\$ 1.12
Net income per Common Share - basic	\$ 1.69	\$ 1.53	\$ 1.49	\$ 1.10	\$ 1.13
Net income per Common Share - diluted	\$ 1.64	\$ 1.49	\$ 1.46	\$ 1.09	\$ 1.12
Dividend declared per Common Share	\$ 1.90	\$ 1.78	\$ 1.66	\$ 1.55	\$ 1.45
Weighted average Common Shares outstanding - basic	21,617	21,036	21,469	25,224	25,626
Weighted average Common OP Units outstanding	5,403	5,466	5,592	5,704	5,955
Weighted average Common Shares outstanding - diluted	27,632	27,010	27,408	31,252	31,962

MANUFACTURED HOME COMMUNITIES, INC.
 CONSOLIDATED HISTORICAL FINANCIAL INFORMATION
 (continued)

(Amounts in thousands, except for per share and property data)

BALANCE SHEET DATA:	(1) AS OF DECEMBER 31,				
	2002	2001	2000	1999	1998
Real estate, before accumulated depreciation (2)	\$ 1,296,007	\$ 1,238,138	\$ 1,218,176	\$ 1,264,343	\$ 1,237,431
Total assets	1,162,850	1,101,805	1,104,304	1,160,338	1,176,841
Total mortgages and loans	760,233	708,857	719,684	725,264	750,849
Minority interests	168,501	171,147	171,271	179,397	70,468
Stockholders' equity	177,619	175,150	168,095	211,401	310,441
OTHER DATA:					
Funds from operations (3)	\$ 68,393	\$ 66,957	\$ 63,807	\$ 68,477	\$ 64,089
Net cash flow:					
Operating activities	\$ 80,176	\$ 80,708	\$ 68,001	\$ 72,580	\$ 71,977
Investing activities	\$ (72,973)	\$ (23,067)	\$ 23,102	\$ (37,868)	\$ (262,762)
Financing activities	\$ (1,287)	\$ (59,134)	\$ (94,932)	\$ (41,693)	\$ 203,533
Total Properties (at end of period) (4)	142	149	154	157	154
Total sites (at end of period)	51,582	50,663	51,304	53,846	53,009
Total sites (weighted average for the year) (5)	42,962	46,243	46,964	46,914	43,932

- (1) See the Consolidated Financial Statements of the Company included elsewhere herein. Certain 2001, 2000, 1999, and 1998 amounts have been reclassified to conform to the 2002 financial presentation. Such reclassifications have no effect on the operations or equity as originally presented.
- (2) We believe 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) We generally consider Funds From Operations ("FFO") to be an appropriate measure of the non-GAAP performance of an equity Real Estate Investment Trust ("REIT"). FFO was redefined by the National Association of Real Estate Investment Trusts ("NAREIT") in April 2002, 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. We believe 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 our ability to incur and service debt and to make capital expenditures. We compute 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 our 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, 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, three 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, three Properties were acquired, including one through the termination of a lease; 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. During the year ended December 31, 2002, eleven Properties were acquired; net operating income attributable to such Properties during 2002 was approximately \$2.0 million, which included approximately \$809,000 of depreciation expense. Also during the year ended December 31, 2002, eighteen Properties was sold; net operating income attributable to such Properties during 2002 was \$5.4 million, which included approximately \$1.2 million of depreciation expense.

- (5) Excludes Resort sites and sites in Properties owned through unconsolidated joint ventures.

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

The following discussion should be read in conjunction with "Selected Financial Data" and the historical Consolidated Financial Statements and Notes thereto appearing elsewhere in this Form 10-K. The following discussion may contain certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 which reflect management's current views with respect to future events and financial performance. Such forward-looking statements are subject to certain risks and uncertainties, including, but not limited to, the effects of future events on the Company's financial performance; the adverse impact of external factors such as inflation and consumer confidence; and the risks associated with real estate ownership.

PROPERTY ACQUISITIONS, JOINT VENTURES AND DISPOSITIONS

The following chart lists the Properties acquired and sold since January 1, 2000:

PROPERTY -----	TRANSACTION DATE -----	SITES -----
TOTAL SITES AS OF JANUARY 1, 2000		53,846
ACQUISITIONS:		
Grand Island (f.k.a. Golden Lakes)	January 3, 2001	307
Lakes at Countrywood (f.k.a. Chain O' Lakes).....	January 3, 2001	423
Bulow Resort RV	July 1, 2001	352
Mt. Hood	March 12, 2002	450
Harbor View Village	July 10, 2002	471
Countryside	July 31, 2002	560
Golden Sun	July 31, 2002	329
Breezy Hill	July 31, 2002	762
Highland Woods	August 14, 2002	148
Holiday Village	July 31, 2002	301
Tropic Winds	August 7, 2002	531
Silk Oak Lodge	October 1, 2002	180
Hacienda Village	December 18, 2002	519
Glen Ellen	December 31, 2002	117
EXPANSION SITE DEVELOPMENT AND OTHER:		
Sites added in 2000		108
Sites added in 2001		143
Sites added in 2002		90
DISPOSITIONS:		
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	(161)
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)
College Heights (17 Properties)	September 1, 2002	(3,220)
Camelot Acres	November 13, 2002	(319)

TOTAL SITES AS OF DECEMBER 31, 2002		51,582 =====

TRENDS

Occupancy in our Properties as well as our ability to increase rental rates directly affect revenues. In 2002, occupancy in our Core Portfolio decreased 1.3%. Also during 2002, average monthly base rental rates for the Core Portfolio increased approximately 5.3%. We project continued growth during 2003 in our Core Portfolio performance. Core Portfolio base rental-rate growth is expected to be approximately 4 percent. Assuming current economic conditions continue to impact occupancies, overall revenue growth will be approximately 2.5 to 3 percent. Core Portfolio operating expenses are expected to grow in excess of CPI due to continued increases in insurance, real estate taxes and utility expenses. These projections would result in growth of approximately 2 percent in Core Portfolio income from operations (also referred to as net operating income or "NOI").

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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

We periodically evaluate our long-lived assets, including our investments in real estate, for impairment indicators. Our 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 Statement of Financial Accounting Standards No. 107, "Disclosures About Fair Value of Financial Instruments" ("SFAS No. 107") and Statement No. 133 ("SFAS No. 133"), "Accounting for Derivative Instruments and Hedging Activities" requires us to make estimates and judgments that affect the fair value of the instruments. Where possible, we base the fair values of our financial instruments, including our derivative instruments, on listed market prices and third party quotes. Where these are not available, we base our estimates on other factors relevant to the financial instrument.

Real estate is recorded at cost less accumulated depreciation. Depreciation is computed on the straight-line basis over the estimated useful lives of the assets. We use 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. The determination of useful lives, salvage value, and depreciation method used are in conformity with GAAP. However, the useful lives, salvage value, and customary depreciation method used for land improvements and other significant assets may significantly and materially overstate the depreciation of the underlying assets and therefore understate the Net Income of the Company. In addition, the Financial Accounting Standards Board ("FASB") is currently reviewing the methods of depreciation and cost capitalization for all industries and in June 2001 issued FASB Exposure Draft, "Accounting in Interim and Annual Financial Statements for Certain Costs and Activities Related to Property, Plant and Equipment", the implementation of which, if issued, could also have a material effect on the Company's results of operations.

Certain costs, primarily legal costs, relative to our efforts to effectively change the use and operations of several Properties subject to rent control (see Note 17) are currently classified 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 (see Note 5). To the extent these efforts are not successful, these costs will be expensed. In addition, we capitalize certain costs, primarily legal costs, related to entering into lease agreements which govern the term under which we may enter into leases with individual tenants and which are expensed over the term of the lease agreement.

In January 2003, the FASB issued Interpretation No. 46, Consolidation of Variable Interest Entities. The Interpretation requires a variable interest entity to be consolidated by a company if that company is subject to a majority of the risk of loss from the variable interest entity's activities or entitled to receive a majority of the entity's residual returns or both. The

consolidation requirements of Interpretation 46 apply immediately to variable interest entities created after January 31, 2003. The consolidation requirements apply to older entities in the first fiscal year or interim period beginning after June 15, 2003. The Company will adopt FIN 46 in the third quarter of 2003. We have not yet determined the effect the adoption of the Interpretation will have on the Company.

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We have chosen to account for our stock compensation in accordance with APB No. 25, "Accounting for Stock Issued to Employees", based upon the intrinsic value method, which results in no compensation expense for options issued with an exercise price equal to or exceeding the market value of the Common Shares on the date of grant. We will elect to account for our stock compensation in accordance with SFAS No. 123 and its amendment (SFAS No. 148), "Accounting for Stock Based Compensation", effective in the first quarter of 2003, which will result in compensation expense being recorded based on the fair value of the stock option compensation issued. We have not yet determined the effect the statement will have on the Company.

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RESULTS OF OPERATIONS

COMPARISON OF YEAR ENDED DECEMBER 31, 2002 TO YEAR ENDED DECEMBER 31, 2001

Since December 31, 2000, the gross investment in real estate increased from \$1,218 million to \$1,296 million as of December 31, 2002, due primarily to the aforementioned acquisitions and dispositions of Properties during the period. The total number of sites owned or controlled increased from 51,304 as of December 31, 2000 to 51,582 as of December 31, 2002.

The following table summarizes certain financial and statistical data for the Property Operations for the Core Portfolio and the Total Portfolio for the years ended December 31, 2002 and 2001.

(dollars in thousands)	CORE PORTFOLIO				TOTAL PORTFOLIO			
	2002	2001	INCREASE / (DECREASE)	% CHANGE	2002	2001	INCREASE / (DECREASE)	% CHANGE
Community base rental income	\$186,889	\$179,579	\$ 7,310	4.1%	\$197,795	\$194,103	\$ 3,692	1.9%
Resort base rental income	494	439	55	12.5%	9,147	5,748	3,399	59.1%
Utility and other income	18,244	18,786	(542)	(2.9%)	19,713	20,403	(690)	(3.4%)
Property operating revenues ..	205,627	198,804	6,823	3.4%	226,655	220,254	6,401	2.9%
Property operating and Maintenance	54,240	53,024	1,216	2.3%	63,554	61,481	2,073	3.4%
Real estate taxes	16,443	15,271	1,172	7.7%	18,212	17,296	916	5.3%
Property management	8,430	8,120	310	3.8%	9,292	8,984	308	3.4%
Property operating expenses ..	79,113	76,415	2,698	3.5%	91,058	87,761	3,297	3.8%
Income from property operations ...	\$126,514	\$122,389	\$ 4,125	3.4%	\$135,597	\$132,493	\$ 3,104	2.3%

Site and Occupancy Information (1):

Average total sites	41,489	41,428	61	0.1%	44,552	46,243	(1,691)	(3.7%)
Average occupied sites	38,642	39,108	(466)	(1.2%)	41,435	43,576	(2,141)	(4.9%)
Occupancy %	93.1%	94.4%	(1.3%)	(1.3%)	93.0%	94.2%	(1.2%)	(1.2%)
Monthly base rent per site	\$ 403.04	\$ 382.65	\$ 20.39	5.3%	\$ 397.80	\$ 371.20	\$ 26.61	7.1%
Total sites As of December 31,	41,588	41,472	116	0.3%	43,906	45,743	(1,837)	(4.0%)
Total occupied sites As of December 31,	38,399	38,991	(592)	(1.5%)	40,410	42,887	(2,477)	(5.8%)

(1) Site and occupancy information excludes Resort sites and Properties owned through unconsolidated joint ventures as well as the sites of Properties sold during 2002.

Property Operating Revenues

The 4.1% increase in Community base rental income for the Core Portfolio reflects a 5.3% increase in monthly base rent per site coupled with a 1.2% decrease in average occupied sites. The decrease in utility and other income for the Core Portfolio is due primarily to decreases in utility income, which resulted from lower expenses for these items.

Property Operating Expenses

The increase in property operating and maintenance expense for the Core Portfolio is due primarily to increases in property payroll, insurance and other expenses, repair and maintenance and administrative expenses, partially offset by decreased utility expense. The increase in Core Portfolio real estate taxes is generally due to higher property assessments on certain Properties. Property management expense for the Core Portfolio, which reflects costs of managing the

Results of Operations (continued)

Properties and is estimated based on a percentage of Property operating revenues, increased by 3.8% due to increases in payroll costs and office expenses.

Home Sales Operations

The following table summarizes certain financial and statistical data for the Home Sales Operations for the years ended December 31, 2002 and 2001.

(dollars in thousands)	HOME SALES OPERATIONS			
	2002	2001 (Pro forma)	INCREASE / (DECREASE)	% CHANGE
Gross revenues from new home sales	\$ 30,618	\$ 32,608	(1,990)	(6.1%)
Cost of new home sales	(24,689)	(25,925)	1,236	4.8%
Gross profit from new home sales ..	5,929	6,683	(754)	(11.3%)
Gross revenues from used home sales	2,925	3,631	(706)	(19.4%)
Cost of used home sales	(2,503)	(2,561)	58	2.3%
Gross profit from used home sales .	422	1,070	(648)	(60.6%)
Brokered resale revenues, net	1,592	1,723	(131)	(7.6%)
Home selling expenses	(7,671)	(8,240)	569	6.9%
Ancillary services revenues, net ..	522	1,092	(570)	(52.2%)
Income from home sales operations .	\$ 794	\$ 2,328	(1,534)	(65.9%)
HOME SALES VOLUMES:				
New home sales	420	485	(65)	(13.4%)
Used home sales	184	250	(66)	(26.4%)
Brokered home resales	986	1,114	(128)	(11.5%)

Prior to January 1, 2002, the results of operations of RSI were accounted for using the equity method and reported on a single line item called Equity in Income of Affiliates. As a result of the acquisition of RSI (see Note 7), the Company owns and controls RSI and consolidates the financial results of RSI with those of the Company. The pro forma presentation of detailed 2001 amounts is for comparison purposes and has no effect on previously reported net income. For the year ended December 31, 2001, equity in income of affiliates was approximately \$1.8 million and included the \$2.3 million of income from home sales operations presented above as well as \$539,000 of interest income, \$15,000 of corporate expenses and \$1.0 million of interest expense.

New home sales gross profit reflects a 13.4% decrease in sales volume coupled with a 1.1% increase in the gross margin. The average selling price of new homes increased \$6,000 or 8.7% compared to 2001. Used home gross profit reflects a decrease in both volume and gross margin on used home sales. Brokered resale revenues reflects decreased resale volumes. The 6.9% decrease in home selling expenses primarily reflects reductions in payroll and advertising expenses.

Other Income and Expenses

The increase in interest income reflects a decrease in notes receivable offset by an increase in chattel notes receivable acquired through the acquisition of RSI. The decrease in other corporate income primarily reflects decreased income from unconsolidated joint ventures. The increase in general and administrative expense is due to increases in costs related to operating a public company, increased payroll costs and increased consulting and legal costs. 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, 2002 and 2001 were \$731.8 million and \$713.2 million, respectively. The effective interest rate was 6.8% and 7.0% per annum for the

years ended December 31, 2002 and 2001, respectively.

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RESULTS OF OPERATIONS (CONTINUED)

COMPARISON OF YEAR ENDED DECEMBER 31, 2001 TO YEAR ENDED DECEMBER 31, 2000

Since December 31, 1999, the gross investment in real estate decreased 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 53,846 as of December 31, 1999 to 50,663 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
Community base rental income (1) ..	\$192,160	\$183,615	\$ 8,545	4.7%	\$195,644	\$189,064	\$ 6,580	3.5%
Resort base rental income	439	345	94	27.2%	5,748	7,415	(1,667)	(22.5%)
Utility and other income	19,783	18,319	1,464	8.0%	22,014	20,782	1,232	5.9%
Property operating revenues ..	212,382	202,279	10,103	5.0%	223,406	217,261	6,145	2.8%
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%
Property operating expenses ..	83,154	78,592	4,562	5.8%	88,412	84,777	3,635	4.3%
Income from property operations ...	129,228	123,687	5,541	4.5%	134,994	132,484	2,510	1.9%
Site and Occupancy Information (2):								
Average total sites	44,966	44,828	138	0.3%	46,243	46,964	(721)	(1.5%)
Average occupied sites	42,384	42,320	64	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 the resident's 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) Site and occupancy information excludes Properties owned through unconsolidated joint ventures and Resort Properties.

Property Operating 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.

RESULTS OF OPERATIONS (CONTINUED)

Property 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%.

Other Income and Expenses

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.

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.

LIQUIDITY AND CAPITAL RESOURCES

LIQUIDITY

As of December 31, 2002, we had \$7.3 million in cash and cash equivalents and \$65.3 million available on our Line of Credit. We expect to meet our short-term liquidity requirements, including distributions, generally through our working capital, net cash provided by operating activities and availability under the existing Line of Credit. We expect 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 our existing Line of Credit and the issuance of debt securities or additional equity securities in the Company, in addition to working capital.

INFLATION

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

FUNDS FROM OPERATIONS

FFO, a non-GAAP financial performance measure, was redefined by NAREIT in April 2002, 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 REITs' 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, 2002, 2001 and 2000 (amounts in thousands):

	2002	2001	2000
	-----	-----	-----
COMPUTATION OF FUNDS FROM OPERATIONS:			
Income before extraordinary loss on early extinguishment of debt	\$ 36,445	\$ 32,083	\$ 32,986
Income allocated to Common OP Units	8,926	8,209	8,463
Depreciation on real estate assets and other costs	35,911	34,728	34,312
Depreciation expense included in discontinued operations	125	105	99
Gain on sale of Properties and other	(13,014)	(8,168)	(12,053)
	-----	-----	-----
Funds from operations	\$ 68,393	\$ 66,957	\$ 63,807
	=====	=====	=====
Weighted average Common Stock outstanding - diluted	27,632	27,010	27,408
	=====	=====	=====
COMPUTATION OF FUNDS AVAILABLE FOR DISTRIBUTION:			
Funds from operations	\$ 68,393	\$ 66,957	\$ 63,807
Non-revenue producing improvements to real estate	(13,377)	(12,689)	(7,855)
	-----	-----	-----
Funds available for distribution	\$ 55,016	\$ 54,268	\$ 55,952
	=====	=====	=====
Weighted average Common Stock outstanding - diluted	27,632	27,010	27,408
	=====	=====	=====

ACQUISITIONS AND DISPOSITIONS

During the year ended December 31, 2000, in accordance with a settlement agreement (the "Settlement") related to a previously disclosed purchase of a portfolio of Properties known as the Ellenburg Acquisition, we received \$13.5 million previously held in escrow. In connection with the Settlement, we 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. On February 29, 2000, MHC Systems, Inc., a consolidated subsidiary of the Company, sold the water and wastewater service company and facilities known as FFEC-Six in a cash sale with net proceeds of approximately \$4.2 million.

During the year ended December 31, 2001, we acquired two Florida Properties for an aggregate purchase price of approximately \$17.3 million and completed the sale of seven properties in Kansas, Missouri and Oklahoma, for a total sale price of approximately \$17.4 million. Also during 2001, we finalized a settlement agreement whereby we received \$10.8 million in proceeds related to the sale of a Property in Indiana.

During the year ended December 31, 2002, we acquired the eleven Properties listed in the table below. The acquisitions were funded with borrowings on our Line of Credit and the assumption of \$47.9 million of mortgage debt, which includes a \$3.0 million mark-to-market adjustment. In addition, we purchased adjacent land and land improvements for several Properties for approximately \$559,000.

DATE ACQUIRED	PROPERTY	LOCATION	TOTAL SITES	PURCHASE PRICE	DEBT ASSUMED
				(\$ millions)	(\$ millions)
March 12, 2002	Mt. Hood Village	Welches, OR	450	\$ 7.2	\$ --
July 10, 2002	Harbor View Village	New Port Richey, FL	471	15.5	8.1
July 31, 2002	Golden Sun	Apache Junction, AZ	329	6.3	3.1
July 31, 2002	Countryside RV Resort	Apache Junction, AZ	560	7.5	--
July 31, 2002	Holiday Village	Ormond Beach, FL	301	10.4	7.1
July 31, 2002	Breezy Hill RV Resort	Pompano Beach, FL	762	20.5	10.5
August 14, 2002	Highland Woods	Pompano Beach, FL	148	3.9	2.5
August 7, 2002	Tropic Winds RV Resort	Harlingen, TX	531	4.9	--
October 1, 2002	Silk Oak Lodge	Clearwater, FL	180	6.2	3.9
December 18, 2002	Hacienda Village	New Port Richey, FL	519	16.8	10.2
December 31, 2002	Glen Ellen	Clearwater, FL	117	2.4	2.5
TOTALS			4,368	\$ 101.6	\$ 47.9

During the year ended 2002, we effectively sold 17 Properties as part of a restructuring of the College Heights Joint Venture discussed hereinafter. In addition, we sold Camelot Acres, a 319 site Property in Burnsville, Minnesota, for approximately \$14.2 million.

INVESTMENTS IN JOINT VENTURES

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.

Effective September 1, 2002, the Company restructured its investment in Wolverine Property Investment Limited Partnership (the "College Heights Joint

Venture" or the "Venture"), a joint venture with Wolverine Investors, LLP. The Venture included 18 Properties with 3,581 sites. The results of operations of the College Heights Joint Venture prior to restructuring were included with the results of the Company due to the Company's voting equity interest and control over the Venture. Pursuant to the restructuring, the Company sold its general partnership interest, sold all of the Company's voting equity interest and reduced the Company's total investment in the College Heights Joint Venture. As consideration for the sale, the Company retained sole ownership of Down Yonder, a 361 site community in Clearwater, Florida, received cash of approximately \$5.2 million and retained preferred limited partnership interests of approximately \$10.3 million, recorded net of a \$2.4 million reserve. The continuing preferred limited partnership interests are accounted for using the equity method and reported as an investment in a joint venture.

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ACQUISITION OF REALTY SYSTEMS, INC.

On January 1, 2002, the Company purchased all of the common stock of Realty Systems, Inc. ("RSI"). The Company previously owned the non-voting preferred stock of RSI and had notes receivable from RSI which were recorded as an investment in affiliate. The Company purchased the common stock of RSI from Equity Group Investments, Inc., controlled by Samuel Zell, Chairman of the Board of Directors of the Company, for approximately \$675,000. As a result of this acquisition, the Company owns and controls RSI and consolidates the financial results of RSI with those of the Company including \$839,000 of cash from the acquisition on January 1, 2002.

CAPITAL IMPROVEMENTS

Capital expenditures for improvements are identified by the Company as recurring capital expenditures ("Recurring CapEx"), site development costs and corporate costs. Recurring CapEx was approximately \$13.4 million and \$12.7 million for the years ended December 31, 2002 and 2001, respectively. Of these expenditures, the Company believes that approximately \$7.6 million or \$147 per site for 2002 and \$7.1 million or \$142 per site for 2001 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 \$10.4 million and \$9.7 million for the years ended December 31, 2002 and 2001, respectively, and represent costs to develop expansion sites at certain of the Company's Properties and costs for improvements to sites when a smaller used home is replaced with a larger new home.

EQUITY TRANSACTIONS

In March 1997, the Company's Board of Directors approved a common stock repurchase plan whereby we were authorized to repurchase and retire shares of its common stock. No shares of Common Stock were repurchased during the years ended December 31, 2002 or 2001.

In order to qualify as a REIT for federal income tax purposes, the Company must distribute 90% 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, 2000.

DISTRIBUTION AMOUNT PER SHARE	FOR THE QUARTER ENDING	SHAREHOLDER RECORD DATE	PAYMENT DATE
\$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
\$0.4750	March 31, 2002	March 29, 2002	April 12, 2002
\$0.4750	June 30, 2002	June 28, 2002	July 12, 2002
\$0.4750	September 30, 2002	September 27, 2002	October 11, 2002
\$0.4750	December 31, 2002	December 27, 2002	January 10, 2003

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 annual on the last calendar day of each quarter beginning December 31, 1999. The Company expects to continue to make regular annual distributions and has set its 2003 distribution to common stockholders at \$1.98 per share per annum.

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MORTGAGES AND CREDIT FACILITIES

We have an unsecured Line of Credit with a group of banks (the "Line of Credit") with a total facility of \$150 million, bearing interest at a rate of LIBOR plus 1.125% that matures on August 9, 2003 with two one-year extension options with which we may extend the maturity through August 9, 2005. We pay a quarterly fee on the average unused amount of the total facility equal to 0.15% of such amount. As of December 31, 2002, \$65.3 million was available under the Credit Agreement.

We have a \$100 million unsecured term loan (the "Term Loan") with a group of banks with interest only payable monthly at the London Interbank Offered Rate ("LIBOR") of LIBOR plus 1.375% that matures on August 9, 2003 with two one-year extension options with which we may extend the maturity through August 9, 2005

On October 29, 2001, we entered into an interest rate swap agreement (the "2001 Swap"), effectively fixing LIBOR on \$100 million of our floating rate debt at approximately 3.7% per annum for the period October 2001 through August 2004. The terms of the 2001 Swap require monthly settlements on the same dates interest payments are due on the debt. In accordance with SFAS No. 133 as herein defined, the 2001 Swap will be reflected at market value. We believe the 2001 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, 2000, we 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. In addition, we 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 and 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.

During the year ended December 31, 2001, we repaid three maturing mortgages in the amount of \$12.1 million using proceeds from our Line of Credit. In addition, we 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.

During the year ended December 31, 2002, as part of the purchase of RSI, in a non-cash transaction, we assumed a \$12.5 million note payable ("Conseco Financing Note"), collateralized by manufactured home inventory. The Conseco Financing Note was repaid at a discount during the year using proceeds from our Line of Credit. In addition, we repaid a maturing mortgage note in the amount of \$1.1 million and \$2.1 million of other unsecured notes payable using proceeds from our Line of Credit.

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
2003	\$ 13,753
2004	38,758
2005	193,377
2006	19,965
2007	268,494
Thereafter	225,190
Net unamortized premiums and discounts	696
Total	\$ 760,233

Certain of our 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.

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ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURE OF MARKET RISK

Our earnings are affected by changes in interest rates, since a portion of our outstanding indebtedness is at variable rates based on LIBOR. Our Line of Credit (\$84.8 million outstanding at December 31, 2002) bears interest at LIBOR plus 1.125% per annum and our \$100 million Term Loan bears interest at LIBOR plus 1.0% per annum. If LIBOR increased/decreased by 1.0% during 2002, interest expense would have increased/decreased by approximately \$1.6 million based on the combined average balance outstanding under the Company's Line of Credit and Term Loan for the year ended December 31, 2002.

In June 1998, the FASB issued SFAS No. 133 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.

In July 1998, we entered into an interest rate swap agreement (the "1998 Swap") effectively 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. We 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, we unwound the 1998 Swap and received \$1.0 million of proceeds which is amortized into interest expense through March 2003.

On October 29, 2001, we entered into the 2001 Swap, 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 2001 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 2001 Swap is reflected at market value. We believe the 2001 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. As of December 31, 2002, the 2001 Swap represented a liability of approximately \$4.5 million and is recorded in accounts payable and accrued expenses. Mark-to-market changes in the value of the 2001 Swap are included in other comprehensive income.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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

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

None.

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PART III

ITEMS 10, 11, 12, 13.

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

The information required by Item 10, Item 11, Item 12, and Item 13 will be contained in a definitive proxy statement which the Registrant anticipates will be filed no later than April 28, 2003, and thus this Part has been omitted in accordance with General Instruction G(3) to Form 10-K.

ITEM 14. CONTROLS AND PROCEDURES

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

As of December 31, 2002, an evaluation was performed under the supervision and with the participation of the Company's management, including the CEO and CFO, of the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based on that evaluation, the Company's

management, including the CEO and CFO, concluded that the Company's disclosure controls and procedures were effective as of December 31, 2002.

CHANGES IN INTERNAL CONTROLS

There have been no significant changes in the Company's internal controls or in other factors that could significantly affect internal controls subsequent to December 31, 2002.

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PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENTS, SCHEDULES AND REPORTS ON FORM 8-K

(a)

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

(3) Exhibits:

- 2(a) Admission Agreement between Equity Financial and Management Co., Manufactured Home Communities, Inc. and MHC Operating Partnership
- 3.1(a) Articles of Incorporation of Manufactured Home Communities, Inc.
- 3.2(a) Articles of Amendment and Restatement of Manufactured Home Communities, Inc.
- 3.3(g) Amended Bylaws of Manufactured Home Communities, Inc.
- 4 Not applicable
- 9 Not applicable
- 10.1(a) Amended and Restated Agreement of Limited Partnership of MHC Operating Limited Partnership
- 10.2(a) Agreement of Limited Partnership of MHC Financing Limited Partnership
- 10.3(a) Agreement of Limited Partnership of MHC Management Limited Partnership
- 10.4(a) Property Management and Leasing Agreement between MHC Financing Limited Partnership and MHC Management Limited Partnership
- 10.5(a) Property Management and Leasing Agreement between MHC Operating Limited Partnership and MHC Management Limited Partnership
- 10.6(a) Services Agreement between Realty Systems, Inc. and MHC Management Limited Partnership
- 10.7(a) Rate Protection Agreement
- 10.8(a) Revolving Credit Note made by Realty Systems, Inc. to Equity Financial and Management Co.
- 10.9(a) Assignment to MHC Operating Limited Partnership of Revolving Credit Note made by Realty Systems, Inc. to Equity Financial and Management Co.
- 10.10(a) Stock Option Plan
- 10.11A(a) Indenture of Mortgage, Deed of Trust, Security Agreement, Financing Statement, Fixture Filing and Assignment of Rents
- 10.11B(a) Promissory Note
- 10.11C(a) Assignment of Loan Documents
- 10.11D(a) Assignment of Leases, Rents and Security Deposits
- 10.11E(a) Swap Agreement Pledge and Security Agreement
- 10.11F(a) Cash Collateral Account Security, Pledge and Assignment Agreement
- 10.11G(a) Assignment of Property Management and Leasing Agreement
- 10.11H(a) Trust Agreement

- 10.12(a) Form of Noncompetition Agreement
- 10.13(a) Form of Noncompetition Agreement
- 10.13A(a) Form of Noncompetition Agreement
- 10.14(a) General Electric Credit Corporation Commitment Letter
- 10.15(a) Administrative Services Agreement between Realty Systems, Inc. and Equity Group Investments, Inc.
- 10.16(a) Registration Rights and Lock-Up Agreement with the Company (the Original Owners, EF&M, Directors, Officers and Employees)
- 10.17(a) Administrative Services Agreement between the Company and Equity Group Investments, Inc.
- 10.18(a) Form of Subscription Agreement between the Company and certain officers and other individuals dated March 3, 1993
- 10.19(a) Form of Secured Promissory Note payable to the Company by certain officers dated March 3, 1993
- 10.20(a) Form of Pledge Agreement between the Company and certain officers dated March 3, 1993
- 10.21(a) Loan and Security Agreement between Realty Systems, Inc. and MHC Operating Limited Partnership
- 10.22(a) Equity and Registration Rights Agreement with the Company (the GM Trusts)
- 10.23(b) Agreement of Limited Partnership of MHC Lending Limited Partnership
- 10.23(c) Agreement of Limited Partnership of MHC-Bay Indies Financing Limited Partnership
- 10.24(c) Agreement of Limited Partnership of MHC-De Anza Financing Limited Partnership
- 10.25(c) Agreement of Limited Partnership of MHC-DAG Management Limited Partnership
- 10.26(d) Amendment No. 2 to MHC Operating Limited Partnership Amended and Restated Partnership Agreement dated February 15, 1996
- 10.27(d) Form of Subscription Agreement between the Company and certain members of management of the Company dated January 2, 1996
- 10.28(d) Form of Secured Promissory Note payable to the Company by certain members of management of the Company dated January 2, 1996

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ITEM 15. EXHIBITS, FINANCIAL STATEMENTS, SCHEDULES AND REPORTS ON FORM 8-K
(CONTINUED)

- 10.29(d) Form of Pledge Agreement between the Company and certain members of management of the Company dated January 2, 1996
- 10.30(e) Second Amended and Restated MHC Operating Limited Partnership Agreement of Limited Partnership, dated as of March 15, 1996
- 10.31(f) Agreement of Limited Partnership of MHC Financing Limited Partnership Two
- 10.32(g) \$265,000,000 Mortgage Note dated December 12, 1997
- 10.33(g) Second Amended and Restated Credit Agreement (Revolving Facility) between the Company, MHC Operating Limited Partnership, and certain lenders and agents, dated April 28, 1998
- 10.34(g) First Amendment to Second Amended and Restated Credit Agreement (Revolving Facility) between the Company, MHC Operating Limited Partnership, and certain lenders and agents, dated December 18, 1998
- 10.35(h) Second Amendment to Second Amended and Restated Credit Agreement (Revolving Facility) between the Company, MHC

- Operating Limited Partnership, and certain lenders and agents, dated August 9, 2000
- 10.36(g) Amended and Restated Credit Agreement (Term Loan) between the Company, MHC Operating Limited Partnership, and certain lenders and agent, dated April 28, 1998
- 10.36(h) First Amendment to Amended and Restated Credit Agreement (Term Loan) between the Company, MHC Operating Limited Partnership, and certain lenders and agent, dated November 21, 2000
- 10.36(g) Letter Agreement between the Company and Bank of America National Trust and Savings Association confirming the \$100 million swap transaction, dated July 11, 1995
- 10.39(h) \$110,000,000 Amended, Restated and Consolidated Promissory Note dated June 28, 2000
- 10.40(h) \$15,750,000 Promissory Note Secured by Leasehold Deed of Trust dated July 13, 2000
- 10.41(i) Credit Agreement (Term Loan) between the Company, MHC Operating Limited Partnership and certain lenders and agents dated February 9, 2002.
- 10.42(i) Third Amendment to Second Amended and Restated Credit Agreement (Revolving Facility) between the Company, MHC Operating Limited Partnership, and certain lenders and agents, dated February 9, 2002
- 10.43(i) \$50,000,000 Promissory Note secured by Leasehold Deeds of Trust (Stagecoach Mortgage) dated December 2, 2001.
- 11 Not applicable
- 12(j) Computation of Ratio of Earnings to Fixed Charges
- 13 Not applicable
- 16 Not applicable
- 18 Not applicable
- 21(j) Subsidiaries of the registrant
- 22 Not applicable
- 23(j) Consent of Independent Auditors
- 24.1(j) Power of Attorney for John F. Podjasek, Jr. dated March 21, 2003
- 24.2(j) Power of Attorney for Michael A. Torres dated March 27, 2003
- 24.3(j) Power of Attorney for Thomas E. Dobrowski dated March 21, 2003
- 24.4(j) Power of Attorney for Gary Waterman dated March 21, 2003
- 24.5(j) Power of Attorney for Donald S. Chisholm dated March 21, 2003
- 24.6(j) Power of Attorney for Louis H. Masotti dated March 24, 2003
- 27 Not applicable
- 28 Not applicable
- 99.1(j) Certifications

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ITEM 15. EXHIBITS, FINANCIAL STATEMENTS, SCHEDULES AND REPORTS ON FORM 8-K
(CONTINUED)

- (a) Included as an exhibit to the Company's Form S-11 Registration Statement, File No. 33-55994, and incorporated herein by reference.
- (b) Included as an exhibit to the Company's Report on Form 10-K dated December 31, 1993, and incorporated herein by reference.
- (c) Included as an exhibit to the Company's Report on Form 10-K dated December 31, 1994, and incorporated herein by reference.
- (d) Included as an exhibit to the Company's Report on Form 10-Q for the quarter ended March 31, 1996, and incorporated herein

- by reference.
- (e) Included as an exhibit to the Company's Report on Form 10-Q for the quarter ended June 30, 1996, and incorporated herein by reference.
 - (f) Included as an exhibit to the Company's Report on Form 10-K dated December 31, 1997, and incorporated herein by reference.
 - (g) Included as an exhibit to the Company's Form S-3 Registration Statement, File No. 333-90813, and incorporated herein by reference.
 - (h) Included as an exhibit to the Company's Report on Form 10-K dated December 31, 2000, and incorporated herein by reference.
 - (i) Included as an exhibit to the Company's Report on Form 10-K dated December 31, 2001, and incorporated herein by reference.
 - (j) Filed herewith
- (b) Reports on Form 8-K:
- None.
- (c) Exhibits:
- See Item 14 (a) (3) above.
- (d) Financial Statement Schedules:
- See Index to Financial Statements attached hereto on page F-1 of this Form 10-K.

SIGNATURES

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

MANUFACTURED HOME COMMUNITIES, INC.,
a Maryland corporation

Date: March 28, 2003

By: /s/ Howard Walker

Howard Walker
Chief Executive Officer

Date: March 28, 2003

By: /s/ John Zoeller

John Zoeller
Executive Vice President, Treasurer
and Chief Financial Officer

Date: March 28, 2003

By: /s/ Mark Howell

Mark Howell
Principal Accounting Officer

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MANUFACTURED HOME COMMUNITIES, INC. - SIGNATURES

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

Name -----	Title -----	Date -----
/s/ Howard Walker ----- Howard Walker	Chief Executive Officer *Attorney-in-Fact	March 28, 2003 -----
/s/ John Zoeller ----- John Zoeller	Executive Vice President, Treasurer and Chief Financial Officer *Attorney-in-Fact	March 28, 2003 -----
/s/ Samuel Zell ----- Samuel Zell	Chairman of the Board	March 28, 2003 -----
/s/ Sheli Z. Rosenberg ----- Sheli Z. Rosenberg	Director	March 28, 2003 -----
/s/ David A. Helfand ----- David A. Helfand	Director	March 28, 2003 -----
*Donald S. Chisholm ----- Donald S. Chisholm	Director	March 28, 2003 -----
*Thomas E. Dobrowski ----- Thomas E. Dobrowski	Director	March 28, 2003 -----
*Louis H. Masotti ----- Louis H. Masotti	Director	March 28, 2003 -----
*John F. Podjasek, Jr. ----- John F. Podjasek, Jr.	Director	March 28, 2003 -----
*Michael A. Torres ----- Michael A. Torres	Director	March 28, 2003 -----
*Gary L. Waterman ----- Gary L. Waterman	Director	March 28, 2003 -----

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CERTIFICATIONS

I, John M. Zoeller, certify that:

1. I have reviewed this annual report on Form 10-K of Manufactured Home Communities, Inc;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial

information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
 - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and
 - c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: March 28, 2003 By: /s/ John M. Zoeller

John M. Zoeller
Executive Vice President and Chief Financial Officer

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I, Howard Walker, certify that:

1. I have reviewed this annual report on Form 10-K of Manufactured Home Communities, Inc;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect

to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
 - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and
 - c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: March 28, 2003

By: /s/ Howard Walker

Howard Walker
Chief Executive Officer

INDEX TO FINANCIAL STATEMENTS

MANUFACTURED HOME COMMUNITIES, INC.

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

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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, 2002 and 2001, 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, 2002. We have also audited the related financial statement schedules listed in the accompanying index to financial statements and schedules at item 15(a). These financial statements and schedules are the responsibility of the management of Manufactured Home Communities, Inc. Our responsibility is to express an opinion on these financial statements and schedules based on our audits.

We conducted our audits in accordance with 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, 2002 and 2001, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2002, in conformity with accounting principles generally accepted in the United States. Also, in our opinion, the related financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects the information set forth therein.

As discussed in Note 2 to the consolidated financial statements, in 2002 Manufactured Home Communities, Inc. changed its method of accounting for discontinued operations.

ERNST & YOUNG LLP

Chicago, Illinois
January 27, 2003

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MANUFACTURED HOME COMMUNITIES, INC.
CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2002 AND 2001
(AMOUNTS IN THOUSANDS EXCEPT SHARE DATA)

	DECEMBER 31, 2002	DECEMBER 31, 2001
	-----	-----
ASSETS Investment in real estate:		
Land	\$ 284,219	\$ 271,871
Land improvements	893,839	855,296
Buildings and other depreciable property	117,949	110,971
	-----	-----
	1,296,007	1,238,138
Accumulated depreciation	(238,098)	(211,878)
	-----	-----
Net investment in real estate	1,057,909	1,026,260
Cash and cash equivalents	7,270	1,354
Notes receivable	10,044	1,506
Investment in and advances to affiliates	--	34,387
Investment in joint ventures	19,634	11,853
Rents receivable, net	1,735	1,966
Deferred financing costs, net	5,030	5,867
Inventory	33,638	--
Prepaid expenses and other assets	27,590	18,612
	-----	-----
Total assets	\$ 1,162,850	\$ 1,101,805
	=====	=====
 LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Mortgage notes payable	\$ 575,370	\$ 590,371
Unsecured term loan	100,000	100,000
Unsecured line of credit	84,750	16,250
Other notes payable	113	2,236
Accounts payable and accrued expenses	31,010	24,874
Accrued interest payable	6,415	4,582
Rents received in advance and security deposits	5,966	5,133
Distributions payable	13,106	12,062
	-----	-----
Total liabilities	816,730	755,508
 Commitments and contingencies		
Minority interest - Common OP Units and other	43,501	46,147
Minority interest - Perpetual Preferred OP Units	125,000	125,000
 Stockholders' equity:		
Preferred stock, \$.01 par value		
10,000,000 shares authorized; none issued	--	--
Common stock, \$.01 par value		
50,000,000 shares authorized; 22,093,240 and 21,562,343		
shares issued and outstanding for 2002 and 2001, respectively	218	215

Paid-in capital	256,394	245,827
Deferred compensation	(3,069)	(4,062)
Employee notes	(2,713)	(3,841)
Distributions in excess of accumulated earnings	(68,713)	(63,478)
Accumulated other comprehensive (loss) income	(4,498)	489
	-----	-----
Total stockholders' equity	177,619	175,150
	-----	-----
Total liabilities and stockholders' equity	\$ 1,162,850	\$ 1,101,805
	=====	=====

The accompanying notes are an integral part of the financial statements

	F-3	MANUFACTURED HOME COMMUNITIES,
INC.	MANUFACTURED HOME COMMUNITIES, INC.	INC.
MANUFACTURED HOME COMMUNITIES, INC.		MANUFACTURED HOME COMMUNITIES, INC.

MANUFACTURED HOME COMMUNITIES, INC.
 MANUFACTURED HOME COMMUNITIES, INC.
 CONSOLIDATED STATEMENTS OF OPERATIONS
 FOR THE YEARS ENDED DECEMBER 31, 2002, 2001 AND 2000
 (AMOUNTS IN THOUSANDS EXCEPT PER SHARE DATA)

	2002	2001
2000		

PROPERTY OPERATIONS:		
Community base rental income	\$ 197,795	\$ 194,103
\$ 188,051		
Resort base rental income	9,147	5,748
7,414		
Utility and other income	19,713	20,403
19,378		

Property operating revenues	226,655	220,254
214,843		

Property operating and maintenance	63,554	61,481
58,661		
Real estate taxes	18,212	17,296
16,766		
Property management	9,292	8,984
8,690		

Property operating expenses	91,058	87,761
84,117		

Income from property operations	135,597	132,493
130,726		

HOME SALES OPERATIONS:		
Gross revenues from inventory home sales	33,543	--
--		
Cost of inventory home sales	(27,192)	--
--		

Gross profit from inventory home sales	6,351	--
--		
Brokered resale revenues, net	1,592	--
--		
Home selling expenses	(7,671)	--
--		
Ancillary services revenues, net	522	--
--		

Income from home sales operations	794	--
--		

OTHER INCOME AND EXPENSES:		
Interest income	967	639
1,009		
Equity in income of affiliates	--	1,811
2,408		
Equity in income of unconsolidated joint ventures	1,277	1,353
670		

General and administrative	(8,192)	(6,687)
(6,423)		
Interest and related amortization	(50,729)	(51,305)
(53,280)		
Depreciation on corporate assets	(1,277)	(1,243)
(1,139)		
Depreciation on real estate assets and other costs	(35,911)	(34,728)
(34,312)		

Total other income and expenses	(93,865)	(90,160)
(91,067)		
Income from operations	42,526	42,333
39,659		
Net income from discontinued operations	1,083	1,043
989		
Gain on sale of Properties and other	13,014	8,168
12,053		

Income before allocation to Minority Interests	56,623	51,544
52,701		
(Income) allocated to Common OP Units	(8,926)	(8,209)
(8,463)		
(Income) allocated to Perpetual Preferred OP Units	(11,252)	(11,252)
(11,252)		

Net income before extraordinary loss on early extinguishment of debt	36,445	32,083
32,986		
Extraordinary loss on the extinguishment of debt (net of \$264 allocated to minority interests)	--	--
(1,041)		

NET INCOME	\$ 36,445	\$ 32,083
\$ 31,945		
=====		
Net income from operations per Common Share - basic	\$ 1.57	\$ 1.60
\$ 1.47		
=====		
Net income from operations per Common Share - diluted	\$ 1.54	\$ 1.57
\$ 1.45		
=====		

Net income per Common Share - basic	\$ 1.69	\$ 1.53
\$ 1.49	=====	=====
Net income per Common Share - diluted	\$ 1.64	\$ 1.49
\$ 1.46	=====	=====
Weighted average Common Shares outstanding - basic	21,617	21,036
21,469	=====	=====
Weighted average Common Shares outstanding - diluted (see Note 2)	27,632	27,010
27,408	=====	=====
Distributions declared per Common Share	\$ 1.90	\$ 1.78
\$ 1.66	=====	=====
Tax status of Common Shares distributions paid during the year:		
Ordinary income	\$ 1.50	\$ 1.31
\$ 1.32	=====	=====
Capital gain	\$ --	\$ --
\$ --	=====	=====
Return of capital	\$ 0.37	\$ 0.44
\$ 0.31	=====	=====

The accompanying notes are an integral part of the financial statements

F-4 . MANUFACTURED HOME COMMUNITIES, INC.

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MANUFACTURED HOME COMMUNITIES, INC. MANUFACTURED
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 CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
 FOR THE YEARS ENDED DECEMBER 31, 2002, 2001 AND 2000
 (AMOUNTS IN THOUSANDS)

	2002	2001	
2000	-----	-----	-

PREFERRED STOCK, \$.01 PAR VALUE	\$ --	\$ --	\$
---	=====	=====	
=====			
COMMON STOCK, \$.01 PAR VALUE			
Balance, beginning of year	\$ 215	\$ 210	\$
229			
Issuance of Common Stock through restricted stock grants	1	1	
1			
Exercise of options	2	4	
1			
(Repurchase) issuance of Common Stock	--	--	
(21)	-----	-----	-

Balance, end of year	\$ 218	\$ 215	\$
210	=====	=====	
=====			
PAID - IN CAPITAL			
Balance, beginning of year	\$ 245,827	\$ 235,681	\$
275,664			
Issuance of Common Stock for employee notes	--	--	
--			
Conversion of OP Units to Common Stock	227	599	
494			
Issuance of Common Stock through exercise of options	5,782	7,743	
2,719			
Issuance of Common Stock through restricted stock grants	2,709	1,627	
3,310			
Issuance of Common Stock through employee stock purchase plan	2,512	2,365	
1,435			
Repurchase of Common Stock	--	--	
(53,112)			
Adjustment for Common OP Unitholders			
in the Operating Partnership	(663)	(2,188)	
5,171	-----	-----	-

Balance, end of year	\$ 256,394	\$ 245,827	\$
235,681	=====	=====	
=====			
DEFERRED COMPENSATION			
Balance, beginning of year	\$ (4,062)	\$ (5,969)	\$
(6,326)			
Issuance of Common Stock through restricted stock grants	(2,709)	(1,628)	
(3,311)			
Recognition of deferred compensation expense	3,702	3,535	
3,668	-----	-----	-

Balance, end of year	\$ (3,069)	\$ (4,062)	\$
(5,969)			
=====			
EMPLOYEE NOTES			
Balance, beginning of year	\$ (3,841)	\$ (4,205)	\$
(4,540)			
Notes received for issuance of Common Stock	--	--	
--			
Principal payments	1,128	364	
335			

Balance, end of year	\$ (2,713)	\$ (3,841)	\$
(4,205)			
=====			
DISTRIBUTIONS IN EXCESS OF ACCUMULATED COMPREHENSIVE EARNINGS			
Balance, beginning of year	\$ (62,989)	\$ (57,622)	\$
(53,626)			
Net income	36,445	32,083	
31,945			
Other comprehensive income:			
Unrealized holding (losses) gains on derivative instruments	(4,987)	489	
--			

Comprehensive income	31,458	32,572	
31,945			

Distributions	(41,680)	(37,939)	
(35,941)			

Balance, end of year	\$ (73,211)	\$ (62,989)	\$
(57,622)			
=====			

The accompanying notes are an integral part of the financial statements

F-5 . MANUFACTURED HOME COMMUNITIES, INC.
 MANUFACTURED HOME COMMUNITIES, INC.

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CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2002, 2001 AND 2000
(AMOUNTS IN THOUSANDS)

	2001	2000		2002	
	-----	-----		-----	-----
CASH FLOWS FROM OPERATING ACTIVITIES					
Net income			\$	36,445	\$
32,083	\$	31,945			
Adjustments to reconcile net income to cash provided by operating activities:					
Income allocated to minority interests				20,178	
19,461		19,451			
(8,168)		(12,053)		(13,014)	
Depreciation and amortization expense				38,057	
37,184		36,511			
(2,782)		(2,928)		(1,158)	
Amortization of deferred compensation and other				3,930	
3,535		3,668			
427		323		941	
Changes in assets and liabilities:					
Increase in rents receivable				(1,186)	
(953)		(425)			
Decrease in inventory				1,887	
--		--			
(Increase) decrease in prepaid expenses and other assets				(7,610)	
1,330		(9,389)			
(1,358)		2,545		1,471	
Increase (decrease) in accounts payable and accrued expenses				235	
(51)		(1,647)			
<hr/>					
Net cash provided by operating activities				80,176	
80,708		68,001			
<hr/>					
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisition of rental properties				(56,531)	
(17,770)		4,581			
Proceeds from dispositions of assets				14,171	
24,209		46,490			
Distributions from (investment in) joint ventures				(7,149)	
1,697		(3,758)			
Proceeds from restructuring of College Heights joint venture, net				4,647	
--		--			
Contributions to and distributions from Affiliates, net				--	
(11,493)		(7,250)			
Purchase of RSI				(675)	
--		--			
Cash received in acquisition of RSI				839	
--		--			
Collections (funding) of notes receivable				(3,784)	
3,478		(700)			
Improvements:					
Improvements - corporate				(681)	
(840)		(498)			
Improvements - rental properties				(13,377)	
(12,689)		(7,855)			

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MANUFACTURED HOME COMMUNITIES, INC.
MANUFACTURED HOME COMMUNITIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - ORGANIZATION OF THE COMPANY AND BASIS OF PRESENTATION

Manufactured Home Communities, Inc., together with MHC Operating Limited Partnership (the "Operating Partnership") and other consolidated subsidiaries ("Subsidiaries"), are referred to herein as the "Company", "MHC", "we", "us", and "our". The Company, formed in March 1993, is a Maryland corporation which has elected to be taxed as a real estate investment trust ("REIT"). The Company generally will not be subject to Federal income tax to the extent it distributes 90% of its REIT taxable income to its stockholders. REITs are subject to a number of organizational and operational requirements. If the Company fails to qualify as a REIT, its income is taxable at regular corporate rates. Even if the Company qualifies for taxation as a REIT, the Company is subject to certain

state and local taxes on its income and property and Federal income and excise taxes on its undistributed income.

We are a fully integrated company that owns and operates manufactured home communities ("Communities") and recreational vehicle resorts ("Resorts"). The Company was formed to continue the property operations, business objectives and acquisition strategies of an entity that had owned and operated Communities since 1969. As of December 31, 2002, we owned or had an ownership interest in a portfolio of 142 Communities and Resorts (the "Properties") located throughout the United States containing 51,582 residential sites.

The operations of the Company are conducted primarily through the Operating Partnership. The Company contributed the proceeds from its initial public offering to the Operating Partnership for a general partnership interest. The financial results of the Operating Partnership and the Subsidiaries are consolidated in the Company's consolidated financial statements. In addition, since certain activities, if performed by the Company, may not have been qualifying REIT activities under the Internal Revenue Code of 1986, as amended (the "Code"), the Company has formed a taxable REIT subsidiaries as defined in the Code to engage in such activities. Realty Systems, Inc. ("RSI") is a wholly owned subsidiary of the Company that, doing business as Carefree Sales, is engaged in the business of purchasing, selling and leasing manufactured homes that are located or will be located in Properties owned and managed by the Company. Carefree Sales also provides brokerage services to residents at such Properties. Typically, residents move from a Community but do not relocate their homes. Carefree Sales may provide brokerage services, in competition with other local brokers, by seeking buyers for the homes. Carefree Sales also leases homes to prospective residents with the expectation that the tenant eventually will purchase the home. Community Systems, Inc. ("CSI"), a wholly owned subsidiary, leases from the Operating Partnership certain real property within or adjacent to certain of the Properties consisting of golf courses, pro shops, and restaurants.

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, 2002, the Minority Interests - Common OP Units represented 5,359,927 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Consolidation

The Company consolidates its majority owed subsidiaries in which it has the ability to control the operations of the subsidiaries. The Company does not consolidate entities it does not have sole control of the major decisions. All inter-company transactions have been eliminated in consolidation. The Company's acquisitions were all accounted for as purchases in accordance with Accounting Principles Board Opinion No. 16 "Business Combinations" for those transactions initiated before June 30, 2001 and in accordance with Statement of Financial Accounting Standards No. 141 "Business Combinations" for those transactions completed after June 30, 2001.

In January 2003, the FASB issued Interpretation No. 46, Consolidation of Variable Interest Entities. The Interpretation requires a variable interest entity to be consolidated by a company if that company is subject to a majority of the risk of loss from the variable interest entity's activities or entitled to receive a majority of the entity's

residual returns or both. The consolidation requirements of Interpretation 46 apply immediately to variable interest entities created after January 31, 2003. The consolidation requirements apply to older entities in the first fiscal year or interim period beginning after June 15, 2003. The Company will adopt FIN 46 in the third quarter of 2003. We have not yet determined the effect the adoption of the Interpretation will have on the Company.

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MANUFACTURED HOME COMMUNITIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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) Segments

We manage all our 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 following table identifies our five largest markets and provides information regarding our Communities and Resorts including Communities owned in joint ventures.

MAJOR MARKET	NUMBER OF PROPERTIES	TOTAL SITES	PERCENT OF TOTAL SITES	PERCENT OF TOTAL REVENUES
Florida	51	23,038	44.66%	38.61%
California	25	6,215	12.05%	19.96%
Arizona	19	5,413	10.49%	8.76%
Colorado	10	3,455	6.70%	8.54%
Delaware	7	2,238	4.34%	4.10%
Other	30	11,223	21.76%	20.03%
Total	142	51,582	100.00%	100.00%

Our largest Property, Bay Indies, located in Venice, Florida, accounted for 2.7% of our total revenues for the year ended December 31, 2002. The operation of manufactured home communities segment comprises approximately 97.8%, 97.2% and 97.0% of total revenues for the years ended December 31, 2002, 2001 and 2000, respectively. The operation of manufactured home communities segment comprises approximately 92.2% and 94.0% of total assets at December 31, 2002 and 2001, respectively. The distribution of the Properties throughout the United States reflects our belief that geographic diversification helps insulate the portfolio from regional economic influences. We intend to target new acquisitions in or near markets where the Properties are located and will also consider acquisitions of properties outside such markets.

(d) Inventory

Inventory consists of new and used manufactured homes, is stated at the lower of cost or market and is net of a valuation allowance calculated after consideration of the N.A.D.A. (National Automobile Dealers Association) Manufactured Housing Appraisal Guide and the current market value of each home included in the manufactured home inventory. Inventory sales revenues and resale revenues are recognized when the home sale is closed. Resale revenues are stated net of commissions paid to employees of \$677,000 for the year ended December 31, 2002.

(e) Real Estate

Real estate is recorded at cost less accumulated depreciation. Depreciation is computed on the straight-line basis over the estimated useful lives of the assets. We use 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 and then expensed over their estimated useful life. Our estimates of useful lives, salvage value, and depreciation method used are proscribed by various generally accepted accounting principles ("GAAP") literature. In addition, the Financial Accounting Standards Board ("FASB") is currently reviewing the methods of depreciation and cost capitalization for all industries and in June 2001 issued FASB Exposure Draft, "Accounting in Interim and Annual Financial Statements for Certain Costs and Activities Related to Property, Plant and Equipment", the implementation of which, if issued, could also have a material effect on the Company's results of operations. Total depreciation expense was \$37.3 million, \$36.0 million and \$35.5 million for the years ended December 31, 2002, 2001 and 2000, respectively.

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MANUFACTURED HOME COMMUNITIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

We evaluate our 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, our Properties are reduced to fair value. For the year ended December 31, 2002, permanent impairment conditions did not exist at any of our Properties. During the year ended December 31, 2000, a consolidated subsidiary of the Company, recorded an impairment loss on the DeAnza Santa Cruz water and wastewater service company business (see Note 5). In August 2001, the FASB issued Statement of Financial Accounting Standards No. 144 ("SFAS No. 144"), "Accounting for the Impairment or Disposal of Long-Lived Assets" which is effective for fiscal years beginning after December 15, 2001. The Company adopted SFAS No. 144 during 2001 and we have presented separately as discontinued operations in all periods the results of operations for all assets sold during 2002 or assets classified as real estate held for disposition as of December 31, 2002. The gain on sale of discontinued operations for 2002 is included in the gain on sale of properties and other.

Certain costs, primarily legal costs, relative to our efforts to effectively change the use and operations of several Properties subject to rent control (see Note 17) are currently classified 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 (see Note 5). To the extent these efforts are not successful, these costs will be expensed. In addition, we capitalize certain costs, primarily legal costs, related to entering into lease agreements which govern the term under which we may enter into leases with individual tenants and which are expensed over the term of the lease agreement.

(f) Cash and Cash Equivalents

We consider all demand and money market accounts and certificates of deposit with a maturity, when purchased, of three months or less to be cash equivalents.

(g) 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 net of a valuation allowance. Interest income is accrued on the unpaid principal balance. Discounts or premiums are amortized to income using the interest method. In certain cases we finance the sale of homes to our residents (referred to as "Chattel Loans") which are secured by the homes. The valuation allowance for the Chattel Loans is calculated based a comparison of the outstanding principal balance of each note compared to the N.A.D.A. value and the current market value of the underlying manufactured home collateral.

(h) Fair Value of Financial Instruments

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, 2002 and 2001.

(i) 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 \$2.4 million and \$3.0 million at December 31, 2002 and 2001, respectively.

(j) Revenue Recognition

Rental income attributable to leases is recorded when earned from tenants. We will reserve for receivables when we believe the ultimate collection is less than probable. Our provision for uncollectable rents receivable was \$700,000 as of December 31, 2002 and \$300,000 as of December 31, 2001. Income from home sales is recognized when the

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MANUFACTURED HOME COMMUNITIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

home title is transferred.

(k) 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 (5,359,927 and 5,426,374 at December 31, 2002 and 2001, respectively) by OP Units and shares of 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 shares of 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.

(l) 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. We paid state and local taxes of approximately \$20,000, \$50,000 and \$78,000 during the years ended December 31, 2002, 2001 and 2000, respectively. As of December 31, 2002, net investment in real estate and notes receivable had a Federal tax basis of approximately \$697 million and \$13 million, respectively.

(m) Derivative Instruments and Hedging Activities

We 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). The purpose for the hedge is to effectively fix the interest rate on \$100 million of the Company's floating rate unsecured debt. The objective of entering into this hedge was to limit the Company's exposure to variable interest rates.

(n) Reclassifications

Certain 2001 and 2000 amounts have been reclassified to conform to the 2002 financial presentation. Such reclassifications have no effect on the operations or equity as originally presented.

(o) Stock Compensation

We have chosen to account for our stock compensation in accordance with APB No. 25, "Accounting for Stock Issued to Employees", based upon the intrinsic value method, which results in no compensation expense for options issued with an exercise price equal to or exceeding the market

value of the Common Shares on the date of grant. We will elect to account for our stock compensation in accordance with SFAS No. 123 and its amendment (SFAS No. 148), "Accounting for Stock Based Compensation", effective in the first quarter of 2003, which will result in compensation expense being recorded based on the fair value of the stock option compensation issued. We have not yet determined the effect the statement will have on the Company.

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MANUFACTURED HOME COMMUNITIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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. Income from discontinued operations on a basic and fully diluted basis was \$0.04 per share for the years ended December 31, 2002, December 31, 2001 and December 31, 2000, respectively. Extraordinary loss on the extinguishment of debt on a basic and fully diluted basis was \$0.04 per share for the year ended December 31, 2000.

The following table sets forth the computation of basic and diluted earnings per share for the years ended December 31, 2002, 2001, 2000 (amounts in thousands):

	2002	2001	2000
	-----	-----	-----
NUMERATOR:			
Numerator for basic earnings per share -			
Net income	\$ 36,445	\$ 32,083	\$ 31,945
Effect of dilutive securities:			
Income allocated to Common OP Units (net of extraordinary loss on early extinguishment of debt)	8,926	8,209	8,199
	-----	-----	-----
Numerator for diluted earnings per share -			
Income available to Common Stockholders after assumed conversions	\$ 45,371	\$ 40,292	\$ 40,144
	=====	=====	=====
DENOMINATOR:			
Denominator for basic earnings per share -			
Weighted average Common Stock outstanding	21,617	21,036	21,469
Effect of dilutive securities:			
Weighted average Common OP Units	5,403	5,466	5,592
Employee stock options	612	508	347
	-----	-----	-----
Denominator for diluted earnings per share -			
Adjusted weighted average Common Stock outstanding after assumed conversions	27,632	27,010	27,408
	=====	=====	=====

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, 2002, 2001 and 2000 (excluding OP Units of 5,359,927, 5,426,374 and 5,514,330 outstanding at December 31, 2002, 2001 and 2000, respectively):

	2002	2001	2000
	-----	-----	-----
Shares outstanding at January 1,	21,562,343	21,064,785	22,813,357
Common Stock issued through conversion of OP Units	66,447	87,956	59,190
Common Stock issued through exercise of options	282,959	387,115	138,029
Common Stock issued through stock grants	108,341	57,000	92,070
Common Stock issued through Employee Stock Purchase Plan	73,150	98,987	68,739
Common Stock repurchased and retired	--	(133,500)	(2,106,600)
	-----	-----	-----
Shares outstanding at December 31,	22,093,240	21,562,343	21,064,785
	=====	=====	=====

As of December 31, 2002 and 2001, the Company's percentage ownership of the Operating Partnership was approximately 80%. The remaining approximately 20% is owned by the Common OP Unitholders.

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MANUFACTURED HOME COMMUNITIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4 - COMMON STOCK AND OTHER EQUITY RELATED TRANSACTIONS (CONTINUED)

In March 1997, the Company's Board of Directors approved a Common Stock repurchase plan whereby the Company was authorized to repurchase and retire up to 1.0 million shares of its Common Stock. No shares of Common Stock were repurchased during the years ended December 31, 2002 or 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, 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 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. 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 following distributions have been declared and/or paid to common stockholders and Minority Interests since January 1, 2000.

DISTRIBUTION AMOUNT PER SHARE	FOR THE QUARTER ENDING	SHAREHOLDER RECORD DATE	PAYMENT DATE
\$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
\$0.4750	March 31, 2002	March 29, 2002	April 12, 2002
\$0.4750	June 30, 2002	June 28, 2002	July 12, 2002
\$0.4750	September 30, 2002	September 27, 2002	October 11, 2002
\$0.4750	December 31, 2002	December 27, 2002	January 10, 2003

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 the offering period; and (b) the closing price for a share of Common Stock on the first day of the offering period. Shares of Common Stock issued through the ESPP for the years ended December 31, 2002, 2001 and 2000 were 71,107, 96,485 and 68,739, respectively.

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MANUFACTURED HOME COMMUNITIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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.

During the year ended December 31, 2000, in accordance with a settlement agreement (the "Settlement") related to our purchase of a portfolio of Properties known as the Ellenburg Acquisition, we received \$13.5 million previously held in escrow of which \$3.0 million was recorded as interest income related to these funds. In connection with the Settlement, we 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. On February 29, 2000, a consolidated subsidiary of the Company, sold the water and wastewater service company and facilities known as FFEC-Six in a cash sale with net proceeds of approximately \$4.2 million 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.

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", a consolidated subsidiary of the Company, recorded an impairment loss on the DeAnza Santa Cruz water and wastewater service company business. Our 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. We 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.

During the year ended December 31, 2001, we acquired two Florida Properties, totaling 730 sites, for an aggregate purchase price of approximately \$17.3 million and completed the sale 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 sale. In addition, we terminated a 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. Also during 2001, we finalized a settlement agreement whereby we received \$10.8 million in proceeds related to the sale of a Property in Indiana.

During the year ended December 31, 2002, we acquired the eleven Properties listed in the table below. The acquisitions were funded with borrowings on our Line of Credit and the assumption of \$47.9 million of mortgage debt, which includes a \$3.0 million discount mark-to-market adjustment. In addition, we purchased adjacent land and land improvements for several Properties for approximately \$559,000.

DATE ACQUIRED	PROPERTY	LOCATION	TOTAL SITES	PURCHASE PRICE	DEBT ASSUMED
				(\$ millions)	(\$ millions)
March 12, 2002	Mt. Hood Village	Welches, OR	450	\$ 7.2	\$ ---
July 10, 2002	Harbor View Village	New Port Richey, FL	471	15.5	8.1
July 31, 2002	Golden Sun	Apache Junction, AZ	329	6.3	3.1
July 31, 2002	Countryside RV Resort	Apache Junction, AZ	560	7.5	---
July 31, 2002	Holiday Village	Ormond Beach, FL	301	10.4	7.1
July 31, 2002	Breezy Hill RV Resort	Pompano Beach, FL	762	20.5	10.5
August 14, 2002	Highland Woods	Pompano Beach, FL	148	3.9	2.5
August 7, 2002	Tropic Winds RV Resort	Harlingen, TX	531	4.9	---
October 1, 2002	Silk Oak Lodge	Clearwater, FL	180	6.2	3.9
December 18, 2002	Hacienda Village	New Port Richey, FL	519	16.8	10.2
December 31, 2002	Glen Ellen	Clearwater, FL	117	2.4	2.5
TOTALS			4,368	\$ 101.6	\$ 47.9

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MANUFACTURED HOME COMMUNITIES, INC.
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5 - INVESTMENT IN REAL ESTATE (CONTINUED)

Also during 2002, we effectively sold 17 Properties as part of a restructuring of the College Heights Joint Venture discussed hereinafter. In

addition, we sold Camelot Acres, a 319 site Property in Burnsville, Minnesota, for approximately \$14.2 million.

All 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. We acquired all of the Properties from unaffiliated third parties.

During the years ended December 31, 2002 and 2001, we capitalized approximately \$5.7 million and \$2.4 million of costs, respectively, primarily legal costs, relative to our efforts 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.

We actively seek to acquire additional Properties and currently are engaged in negotiations relating to the possible acquisition of a number of Properties. 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 our due diligence review.

NOTE 6 - INVESTMENT IN JOINT VENTURE

The Company recorded approximately \$1.3 million, \$283,000 and \$8,000 of net income from joint ventures in the years ended December 31, 2002, 2001 and 2000, respectively; and received approximately \$607,000 and \$1.6 million in distributions in the years ended December 31, 2002 and 2001, respectively. 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 following is a summary of the Company's investments on unconsolidated joint ventures:

PROPERTY	LOCATION	NUMBER OF SITES	ECONOMIC INTEREST (A)	INVESTMENT AS OF DEC. 31, 2002	INVESTMENT AS OF DEC. 31, 2001
				(in thousands)	(in thousands)
Trails West	Tucson, AZ	503	50%	\$ 1,917	\$ 1,908
Plantation	Calimesa, CA	385	50%	2,861	2,763
Manatee	Bradenton, FL	290	90%	631	723
Home	Hallandale, FL	136	90%	1,092	1,106
Villa del Sol	Sarasota, FL	207	90%	726	808
Voyager RV Resort	Tucson, AZ	--	25%	4,463	4,545
Preferred Interests in College Heights		--	17%	7,944	--
		1,521		\$ 19,634	\$ 11,853

(a) The percentages shown approximate the Company's economic interest. The Company's legal interest may differ.

Effective September 1, 2002, the Company restructured its investment in Wolverine Property Investment Limited Partnership (the "College Heights Joint Venture" or the "Venture"), a joint venture with Wolverine Investors, LLP. The Venture included 18 Properties with 3,581 sites. The results of operations of the College Heights Joint Venture prior to restructuring were included with the results of the Company due to the Company's voting equity interest and control over the Venture. Pursuant to the restructuring, the Company sold its general partnership interest, sold all of the Company's voting equity interest and reduced the Company's total investment in the College Heights Joint Venture. As consideration for the sale, the Company retained sole ownership of Down Yonder, a 361 site Community in Clearwater, Florida, received cash of approximately \$5.2 million and retained preferred limited partnership interests of approximately

\$10.3 million, recorded net of a \$2.4 million reserve. The continuing preferred limited partnership interests will be accounted for using the equity method and reported as an investment in a joint venture.

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MANUFACTURED HOME COMMUNITIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7 - ACQUISITION OF REALTY SYSTEMS, INC.

On January 1, 2002, the Company purchased all of the common stock of Realty Systems, Inc. ("RSI"). The Company previously owned the non-voting preferred stock of RSI and had notes receivable from RSI which were recorded as an investment in affiliate. The Company purchased the common stock of RSI from Equity Group Investments, Inc., controlled by Samuel Zell, Chairman of the Board of Directors of the Company, for approximately \$675,000. As a result of this acquisition, the Company owns and controls RSI and consolidates the financial results of RSI with those of the Company. Prior to the purchase of the common stock of RSI, we accounted for our investment in RSI on the equity method and classified the investment as investment in and advances to affiliates.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition:

	(amounts in thousands)	
ASSETS		
Buildings and other depreciable property	\$	6,656
Cash and cash equivalents		839
Notes receivable		4,772
Investment in joint ventures		200
Inventory		35,524
Prepaid expenses and other assets		2,724

Total assets acquired		50,715
LIABILITIES		
Other notes payable		(12,862)
Accounts payable and accrued expenses ..		(2,718)
Accrued interest payable		(73)

Total liabilities assumed		(15,653)
Conversion of previous investment		(34,387)

Cash paid for common equity interest ...	\$	(675)
		=====

NOTE 8 - NOTES RECEIVABLE

At December 31, 2002 and 2001, the Company had approximately \$10.0 million and \$1.5 million in notes receivable, respectively. 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 only payments and mature on December 31, 2011. The outstanding balance on these notes as of December 31, 2002 is \$1.5 million.

The Company has approximately \$8.5 million in Chattel Loans receivable, which yield interest at a per annum average rate of approximately 9.4%, have an average term and amortization of 5 to 15 years, require monthly principal and interest payments and are collateralized by manufactured homes at certain of the Properties.

NOTE 9 - EMPLOYEE NOTES RECEIVABLE

As of December 31, 2002 and 2001, the Company had employee notes receivable of approximately \$2.7 million and \$3.8 million respectively, collateralized by shares of 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 accrued interest at 6.77% per annum, matured on March 2, 2003 and were repaid before the maturity date.

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MANUFACTURED HOME COMMUNITIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 9 - EMPLOYEE NOTES RECEIVABLE (CONTINUED)

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, 2002 and December 31, 2001, the Company had outstanding mortgage indebtedness of approximately \$575.4 million and \$590.4 million, respectively, encumbering 66 and 77 of the Company's Properties, respectively. As of December 31, 2002 and December 31, 2001, the carrying value of such Properties was approximately \$720 million and \$693 million, respectively.

The outstanding mortgage indebtedness as of December 31, 2002 consists of:

- A \$265.0 million mortgage note (the "\$265 Million Mortgage") collateralized by 28 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% per annum. 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 \$247,000) which is being amortized into interest expense over the life of the loan.
- A \$92.3 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% per annum, amortizes beginning August 1, 2000 over 30 years and matures July 1, 2010.
- A \$49.4 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 September 1, 2011.
- A \$22.0 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% per annum, amortizes beginning August 1, 1994 over 27.5 years and matures July 1, 2004.
- A \$15.5 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% per annum, amortizes beginning August 1, 2000 over 30 years and matures July 1, 2010.
- Approximately \$131.6 million of mortgage debt on 24 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 6.5% to 9.3% per annum. 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.

We have an unsecured Line of Credit with a group of banks (the "Line of Credit") with a total facility of \$150 million, bearing interest at a rate of LIBOR plus 1.125% that matures on August 9, 2003 with two one-year extension options with which we may extend the maturity through August 9, 2005. We pay a quarterly fee on the average unused amount of the total facility equal to 0.15% of such amount. As of December 31, 2002, \$65.3 million was available under the Credit Agreement.

We have a \$100 million unsecured term loan (the "Term Loan") with a group of banks with interest only payable monthly at the London Interbank Offered Rate ("LIBOR") of LIBOR plus 1.0% that matures on August 9, 2003 with two one-year extension options with which we may extend the maturity through August 9, 2005

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MANUFACTURED HOME COMMUNITIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 10 - LONG-TERM BORROWINGS (CONTINUED)

On October 29, 2001, we entered into the 2001 Swap effectively fixing the LIBOR rate on \$100 million of our floating rate debt at approximately 3.7% per annum for the period October 2001 through August 2004. The terms of the 2001 Swap require monthly settlements on the same dates interest payments are due on the debt. In accordance with SFAS No. 133 as herein defined, the 2001 Swap will be reflected at market value. We believe the 2001 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. As of December 31, 2002, the hedge represented a liability of approximately \$4.5 million and is recorded in accounts payable and accrued expenses. Mark-to-market changes in the value of the swap are included in other comprehensive income.

In July 1998, we entered into an interest rate swap agreement (the "1998 Swap") effectively 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. We 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, we unwound the 1998 Swap and received \$1.0 million of proceeds which is being amortized into interest expense through March 2003.

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
2003	\$ 13,753
2004	38,758
2005	193,377
2006	19,965
2007	268,494
Thereafter	225,190
Net unamortized premiums and discounts	696
Total	\$ 760,233

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 25 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, 2002 as follows (amounts in thousands):

YEAR	AMOUNT
2003	\$ 44,211
2004	45,999
2005	43,378
2006	32,432
2007	29,443
Thereafter	38,528
Total	\$ 233,991

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MANUFACTURED HOME COMMUNITIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 12 - GROUND LEASES

The Company leases land under noncancellable operating leases at certain of the Properties expiring in various years from 2022 to 2031 with terms which require twelve equal payments per year plus additional rents calculated as a percent of gross revenues. For the years ended December 31, 2002, 2001 and 2000, 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 \$26.3 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 \$1,000, \$2,000 and \$26,000 for the years ended December 31, 2002, 2001 and 2000, respectively. There were no significant amounts due to these affiliates as of December 31, 2002 and 2001, 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, The Riverside Agency, Inc. which provided insurance brokerage services and Equity Office Properties Trust, of which Mr. Zell is the Chairman of the Board, which provides office space to the Company. Fees paid to these entities amounted to approximately \$645,000, \$454,000 and \$442,000 for the years December 31, 2002, 2001 and 2000, respectively. Amounts due to these affiliates were approximately \$52,000 and \$32,000 as of December 31, 2002 and 2001, 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, 2002, 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, 2002.

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 and amortized in accordance with their vesting. The Company amortized approximately \$1.1 million, \$2.0 million, and \$593,000 related to these Stock Grants in 2002, 2001, and 2000, respectively. The balance of unamortized deferred compensation related to these Stock Grants is \$1.1 million as of December 31, 2002.

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 and amortized in accordance with their vesting. The Company amortized approximately \$0, \$386,000, and \$385,000 related to these Stock Grants in 2002, 2001, and 2000, respectively. The balance of unamortized deferred compensation related to these Stock Grants is \$0 as of December 31, 2002.

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MANUFACTURED HOME COMMUNITIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 14 - STOCK OPTION PLAN AND STOCK GRANTS (CONTINUED)

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 and amortized in accordance with their vesting. The Company amortized approximately \$478,000, \$478,000, and \$955,000 related to these Stock Grants in 2002, 2001, and 2000, respectively. The balance of unamortized deferred compensation related to these Stock Grants is \$0 as of December 31, 2002.

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 and amortized in accordance with their vesting. The Company amortized approximately \$239,000 and \$239,000 related to these Stock Grants in 2002 and 2001, respectively. The balance of unamortized deferred compensation related to these Stock Grants is approximately \$718,000 as of December 31, 2002.

In 2002, the Company awarded 69,750 Stock Grants to certain members of senior management of the Company. These Stock Grants vest over three 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 \$2.2 million as of the date of grant was treated in 2002 as deferred compensation and amortized in accordance with their vesting. The Company amortized approximately \$1.4 million related to these Stock Grants in 2002. The balance of unamortized deferred compensation related to these Stock Grants is approximately \$724,000 as of December 31, 2002.

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 \$537,000, \$432,000 and \$401,000 in 2002, 2001 and 2000 respectively, were treated as deferred compensation and amortized in accordance with their vesting. The Company amortized approximately \$457,000 related to these Stock Grants in 2002. The balance of unamortized deferred compensation related to the 2002, 2001 and 2000 Stock Grants is \$358,000, \$144,000 and \$0, respectively, as of December 31, 2002.

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. Effective in the first quarter of 2003, we will adopt the fair value method as proscribed in SFAS No. 123. We have not yet determined which of the proposed methodologies we will utilize.

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 2002, 2001 and 2000, respectively: risk-free interest rates of 3.5%, 3.5% and 5.5%; dividend yields of 5.6%, 6.3% and 6.3%; volatility factors of the expected market price of the Company's Common Stock of .14, .19 and .20; and a weighted-average expected life of the Options of 5 years. The fair value of the Stock Grants granted in 2001, 2001 and 2000 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.

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MANUFACTURED HOME COMMUNITIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 14 - STOCK OPTION PLAN AND STOCK GRANTS (CONTINUED)

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, 2002, 2001 and 2000 was \$296,000 (\$0.01 per share), \$725,000 (\$0.02 per share) and \$479,000 (\$0.1 per share), respectively.

A summary of the Company's stock option activity, and related information for the years ended December 31, 2002, 2001 and 2000 follows:

	SHARES SUBJECT TO OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE PER SHARE
	-----	-----
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
Options granted	105,750	31.97
Options exercised	(283,159)	20.48
Options canceled	(49,493)	24.94

Balance at December 31, 2002	1,658,447	24.59
	=====	

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 shareholders approved the Amended Plan.

As of December 31, 2002, 2001 and 2000, 1,252,344 shares, 1,252,344 shares and 416,603 shares remained available for grant, respectively, and 1,328,617, shares, 1,422,211 shares and 1,562,074 shares were exercisable, respectively. Exercise prices for Options outstanding as of December 31, 2002 ranged from \$12.88 to \$33.55, with the substantial majority of the exercise prices exceeding \$19.28. The remaining weighted-average contractual life of those Options was 5.6 years. The weighted average exercise price of outstanding and exercisable Options was \$27.03 as of December 31, 2002.

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, 2002 and 2001, no Preferred Stock was issued by the Company.

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MANUFACTURED HOME COMMUNITIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 \$248,000, \$353,000 and \$315,000, for the years ended December 31, 2002, 2001 and 2000, respectively. The Company's plan contribution for the profit sharing component of the 401(k) Plan is \$142,000 for the year ended December 31, 2002.

The Company has established a supplemental executive retirement plan (the "SERP") to provide certain officers and directors an opportunity to defer a portion of their eligible compensation in order to save for retirement and for the education of their children. The SERP is restricted to investments in Company common shares, certain marketable securities that have been specifically approved, or cash equivalents. In accordance with EITF 97-14 "Accounting for Deferred Compensation Arrangements Where Amounts Earned Are Held in a Rabbi Trust and Invested", the deferred compensation liability represented in the SERP and the securities issued to fund such deferred compensation liability are consolidated by the Company on the balance sheet. Assets held in the SERP are included in other assets and are classified as trading securities and reported at fair value, with unrealized gains and losses included in earnings. Company shares held in the SERP are classified in shareholders equity due to the inability of the Company to repurchase these shares.

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, brought several actions opposing fees and charges in connection with water service at the property. As a result of one action, the Company rebated approximately \$36,000 to the residents. The DeAnza Santa Cruz Homeowners Association then proceeded to a jury trial alleging these "overcharges" entitled them to an award of punitive damages. In January 1999, a jury awarded the HOA \$6.0 million in punitive damages. On December 21, 2001 the California Court of Appeal for the Sixth District reversed the \$6.0 million punitive damage award, the related award of attorneys' fees, and, as a result, all post-judgment interest thereon, on the basis that punitive damages are not

available as a remedy for a statutory violation of the California Mobile Home Residency Law ("MRL"). The decision of the appellate court left the HOA, the plaintiff in this matter, 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. In order to resolve this matter, the Company accrued for and agreed to pay \$201,000 to the HOA. This payment resolves the punitive damage claim. The HOA's attorney has made a motion asking for an award of attorneys' fees and costs in the amount of approximately \$1.5 million as a result of this resolution of the litigation. The Company will vigorously oppose any award of attorneys' fees and costs and has asked the court to rule that the Company is the prevailing party.

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 "2000 Lawsuit"). The 2000 Lawsuit sought 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.

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MANUFACTURED HOME COMMUNITIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 17 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

The Company entered into a settlement agreement with the plaintiffs in the 2000 Lawsuit which settlement was approved by the court on July 22, 2002. The Company believes the settlement agreement is of significant benefit to the Company. First, pursuant to the settlement agreement all past, present and future tenants of the Property agree to alternative dispute resolution procedures which provide that during the next 25 years future disputes will be resolved through arbitration before a retired judge rather than in court, and that in such future arbitration proceedings all claims to trial by jury and for punitive damages are waived.

Second, the settlement agreement provides a process for determining the rent for 15 sites not subject to rent control, including in certain circumstances, back rent owing from certain dates in 2001. The settlement agreement generally gives tenants at these sites three (3) options with respect to their tenancies. Such tenants may (1) enter into a 34-year lease providing a rent based on rent control with future escalations based on the CPI, but with the Company retaining the right to charge market rents determined by the Company upon turnover; (2) enter into a ten (10) year lease with a monthly rent to be determined by binding arbitration and effective October 1, 2001; or (3) elect to sell such tenant's home to a third party and pay back rent owing to the Company (the amount of which will be determined by arbitration if not agreed to between the tenant and the Company) since January 1, 2001. In certain circumstances the Company will purchase the tenant's home based upon a mechanism provided in the settlement agreement.

In exchange for the tenants' agreement to the alternative dispute resolution procedures, the process for resolving back rent owed by tenants not subject to rent control, and to dismiss the 2000 Lawsuit, the Company accrued for and agreed to pay \$730,000 in 2002.

OTHER CALIFORNIA RENT CONTROL LITIGATION

As part of the Company's effort to realize the value of its Properties subject to rent control, the Company has initiated lawsuits against several municipalities in California. The Company's goal is to achieve a level of regulatory fairness in California's rent control jurisdictions, and in particular those jurisdictions that prohibit increasing rents to market upon turnover. This regulatory feature, called vacancy control, allows tenants to sell their homes for a premium representing the value of the future discounted rent-controlled rents. In the Company's view, such regulation results in a transfer of the value of the Company's shareholders' land, which would otherwise be reflected in market rents, to tenants upon the sales of their homes in the form of an inflated purchase price that cannot be attributed to the value of the home being sold. As a result, in the Company's view, the Company loses the value of its asset and the selling tenant leaves the community with a windfall premium. The Company has discovered through the litigation process that certain municipalities considered condemning the Company's communities at values well below the value of the underlying land. In the Company's view, a failure to articulate market rents for sites governed by restrictive rent control would put the Company at risk for condemnation or eminent domain proceedings based on artificially reduced rents. Such a physical taking, should it occur, could represent substantial lost value to shareholders. The Company is cognizant of the need for affordable housing in the jurisdictions, but asserts that restrictive rent regulation with vacancy control does not promote this purpose because the benefits of such regulation are fully capitalized into the prices of the homes sold. The Company estimates that the annual rent subsidy to tenants in these jurisdictions is approximately \$15 million. In a more well-balanced regulatory environment, the Company would receive market rents that would eliminate the subsidy and homes would trade at or near their intrinsic value.

The Company's efforts to achieve a balanced regulatory environment incentivize tenant groups to file lawsuits against the Company seeking large damage awards. The 2000 Lawsuit described above under DeAnza Santa Cruz Mobile Estates is one example. The homeowners association at Contempo Marin ("CMHOA"), a 396 site property in San Rafael, California, sued the Company in December 2000 over a prior settlement agreement on a capital pass-through after the Company sued the City of San Rafael in October 2000 alleging its rent control ordinance is unconstitutional. In the Contempo Marin case, the CMHOA prevailed on a motion for summary judgment on an issue that permits the Company to collect only \$3.72 out of a pass-through amount of \$7.50 that the Company believes had been agreed to by the CMHOA in a settlement agreement. The Company intends to vigorously defend the matter. The Company believes that such lawsuits will be a consequence of the Company's efforts to change rent control since tenant groups actively desire to preserve the premium value of their homes in addition to the discounted rents provided by rent control. The Company has determined that its efforts to rebalance the regulatory environment despite the risk of litigation from tenant groups are necessary not only because of the \$15 million annual subsidy to tenants, but also because of the condemnation risk.

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MANUFACTURED HOME COMMUNITIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 17 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

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. Only the appeal of one entity remains, the

outcome of which is not expected to materially affect the Company (see Note 5).

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. Although, this appeal was one not resolved by the Settlement, the California Court of Appeal dismissed Fund 20's substantive appeals on March 13, 2003 as moot.

In October 2001, Fund 20 sued the Company and certain of its affiliates again, this time in Alameda 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. When the March 13, 2003 Court of Appeal dismissal becomes final in May 2003, the Company will seek to have the Alameda County action dismissed if Fund 20 will not voluntarily dismiss this action. The Company believes Fund 20's allegations are without merit and will vigorously defend itself.

COUNTRYSIDE AT VERO BEACH

The Company has received letters dated June 17, 2002 and August 26, 2002 from Indian River County ("County"), claiming that the Company currently owes sewer impact fees in the amount of approximately \$518,000 with respect to the Property known as Countryside at Vero Beach, located in Vero Beach, Florida, purportedly under the terms of an agreement between the County and a prior owner of the Property. In response, the Company has advised the County that these fees are no longer due and owing as a result of a 1996 settlement agreement between the County and the prior owner of the Property, providing for the payment of \$150,000 to the County to discharge any further obligation for the payment of impact or connection fees for sewer service at the Property. The Company paid this settlement amount (with interest) to the County in connection with the Company's acquisition of the Property. Accordingly, the Company believes that the County's claims are without merit.

DELAWARE DECLARATORY JUDGMENT ACTION

In April 2002, the Company entered into a Stipulation and Consent Order to Cease and Desist (the "Consent Order") with the State of Delaware (the "State"). The Consent Order resolved various issues raised by the State concerning the terms of a new lease form used or proposed for use by the Company at certain of its Properties in Delaware. Among other provisions, the Consent Order contemplated that the Company would work with the State to develop and implement a new lease form for use in Delaware. The Consent Order expressly provided that nothing contained therein would preclude the Company from seeking declaratory relief from a court as to the legality or enforceability of any provisions which the Company might wish to incorporate in future leases.

Throughout the summer of 2002, the Company's Delaware legal counsel engaged in dialogue with representatives of the State concerning various matters, including the lease provisions to which the State had objected but which the Company wished to incorporate in future leases. Through this process, it became apparent that the parties could not reach agreement as to the legality or enforceability of the proposed lease provisions, and that the Company would need to seek declaratory relief from a court in order to resolve the matter, as contemplated by the Consent Order. Accordingly, on August 29, 2002, the Company filed a Petition for Declaratory Judgment and Other Relief (as amended, the "Petition") in Sussex County, Delaware Superior Court (the "Court").

MANUFACTURED HOME COMMUNITIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 17 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

In response to the filing of the Petition, on October 1, 2002, the State filed its Answer to Petition for Declaratory and Other Relief, and Counterclaims for Civil Enforcement and Contempt (as amended, "Answer and Counterclaim") with the Court. In the Answer and Counterclaim, the State seeks, inter alia, restitution, statutory penalties, investigative costs and attorneys' fees under the Delaware Mobile Home Lots and Leases Act, the Consumer Fraud Act, the Uniform Deceptive Trade Practices Act and the Delaware Consumer Contracts law, and separately seeks a finding of contempt and related contempt penalties for alleged violations of the Consent Order.

The Company filed a Motion to Dismiss Respondents' Counterclaims with the Court on October 29, 2002, and the State filed a Motion for Summary Judgment with the Court on November 15, 2002. These motions are in the briefing stage. On December 30, 2002, the Company filed a First Amended Petition for Declaratory Judgment and Other Relief with the Court, and on January 31, 2003, the State filed an Amended Answer and Counterclaim with the Court. The State filed a Motion to Dismiss with Prejudice Petitioner's First Amended Petition for Declaratory Judgment and Other Relief for Failure to Join and Indispensable Third Party with the Court on February 25, 2003.

The Company believes that it has complied, and continues to comply, with the Consent Order, and that the filing of the Petition was expressly contemplated by the Consent Order. The Company believes that the State's allegations in the Answer and Counterclaim are without merit and will vigorously defend itself.

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 sought damages and termination of the Leases. Lessee responded on March 12, 2001 disputing Lessor's contentions. Lessor claimed that "gross revenue" for the purpose of calculating percentage rent owing to Lessor under the Leases included certain amounts Lessee had recouped from tenants of the Property (who are protected by rent control) related to ground rent already paid to Lessor. Lessee had successfully been able to pass-through to tenants at the Property increases in ground rent under the Leases. Lessee contended that this pass-through resulted in reimbursement of lease expense, not "gross revenue." Lessor also contended that the "net income" of RSI from the Property should be included in the gross revenue calculation. Lessee disputed 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 agreed to mediate the dispute and the matter was settled and the lease was amended in early 2002. Pursuant to the settlement and amendment, Lessee agreed to pay \$338,000 related to prior period rent which was expensed in the first quarter of 2002 and to prepay rent of \$632,000 based on a recalculation of rent in the amended lease. The rent prepayment and related legal costs will be amortized into ground rent expense over the remaining life of the lease.

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.

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MANUFACTURED HOME COMMUNITIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 19 - QUARTERLY FINANCIAL DATA (UNAUDITED)

The following is unaudited quarterly data for 2002, 2001 and 2000 (amounts in thousands, except for per share amounts):

2002	FIRST QUARTER 3/31	SECOND QUARTER 6/30	THIRD QUARTER 9/30	FOURTH QUARTER 12/31
Total revenues (a)	\$64,019	\$65,214	\$66,020	\$69,303
Income from discontinued operations (a)	\$ 298	\$ 287	\$ 241	\$ 257
Income before allocation to Minority Interests and extraordinary loss on early extinguishment of debt	\$11,695	\$10,841	\$11,170	\$22,917
Net income available to common shareholders	\$ 7,115	\$ 6,438	\$ 6,712	\$16,180
Weighted average Common Shares outstanding - Basic ...	21,433	21,563	21,676	21,794
Weighted average Common Shares outstanding - Diluted .	27,508	27,664	27,693	27,678
Net income per Common Share outstanding - Basic	\$ 0.33	\$ 0.30	\$ 0.31	\$ 0.74
Net income per Common Share outstanding - Diluted	\$ 0.32	\$ 0.29	\$ 0.30	\$ 0.73

(a) Amounts may differ from previously disclosed amounts due to reclassification of discontinued operations.

2001	FIRST QUARTER 3/31	SECOND QUARTER 6/30	THIRD QUARTER 9/30	FOURTH QUARTER 12/31
Total revenues (a)	\$57,088	\$55,785	\$55,076	\$56,108
Income from discontinued operations (a)	\$ 280	\$ 229	\$ 280	\$ 254
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

(a) Amounts may differ from previously disclosed amounts due to reclassification of discontinued operations.

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SCHEDULE II

MANUFACTURED HOME COMMUNITIES, INC.
 VALUATION AND QUALIFYING ACCOUNTS
 DECEMBER 31, 2002

	BALANCE AT BEGINNING OF PERIOD	ADDITIONS		DEDUCTIONS (1)	BALANCE AT END OF PERIOD
		CHARGED TO INCOME	CHARGED TO OTHER ACCOUNTS		
For the year ended December 31, 2000:					
Allowance for doubtful accounts.....	\$300,000	\$322,574	\$ --	(\$322,574)	\$300,000
For the year ended December 31, 2001:					
Allowance for doubtful accounts.....	\$300,000	\$426,579	\$ --	(\$426,579)	\$300,000
For the year ended December 31, 2002:					
Allowance for doubtful accounts.....	\$300,000	\$940,565	\$ --	(\$540,565)	\$700,000

(1) Deductions represent tenant receivables deemed uncollectible.

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SCHEDULE III
 MANUFACTURED HOME COMMUNITIES, INC.
 REAL ESTATE AND ACCUMULATED DEPRECIATION
 DECEMBER 31, 2002
 (AMOUNTS IN THOUSANDS)

Real Estate	Location	Encumbrances	Initial Cost to Company		Costs Capitalized Subsequent to Acquisition (Improvements)		
			Land	Depreciable Property	Land	Depreciable Property	
Apollo Village	Phoenix	AZ	4,074	932	3,219	0	515
Brentwood Manor	Mesa	AZ	4,439	1,997	6,024	0	432
Carefree Manor	Phoenix	AZ	0	706	3,040	0	155
Casa del Sol #1	Peoria	AZ	10,460	2,215	6,467	0	692
Casa del Sol #2	Glendale	AZ	9,758	2,103	6,283	0	359
Casa del Sol #3	Glendale	AZ	11,337	2,450	7,452	0	258
Central Park	Phoenix	AZ	5,161	1,612	3,784	0	515
Countryside RV	Phoenix	AZ	0	2,056	6,241	0	0
Desert Skies	Phoenix	AZ	0	792	3,126	0	136
Fairview Manor	Tucson	AZ	0	1,674	4,708	0	1,042
Golden Sun RV Resort	Scottsdale	AZ	3,077	1,678	5,049	0	0
Hacienda De Valencia	Mesa	AZ	5,248	833	2,701	0	1,169
Palm Shadows	Glendale	AZ	3,028	1,400	4,218	0	367
Sedona Shadows	Sedona	AZ	2,573	1,096	3,431	0	352
Sunrise Heights	Phoenix	AZ	0	1,000	3,016	0	358
The Mark	Mesa	AZ	0	1,354	4,660	6	781
The Meadows	Tempe	AZ	12,298	2,613	7,887	0	521
Whispering Palms	Phoenix	AZ	0	670	2,141	0	154
California Hawaiian	San Jose	CA	27,823	5,825	17,755	0	1,354
Colony Park	Ceres	CA	0	890	2,837	0	200
Concord Cascade	Pacheco	CA	5,312	985	3,016	0	759
Contempo Marin	San Rafael	CA	26,095	4,787	16,379	0	2,219
Coralwood	Modesto	CA	0	0	5,047	0	207
Date Palm Country Club	Cathedral City	CA	15,470	4,138	14,064	(21)	2,185
Date Palm RV	Cathedral City	CA	0	0	216	0	0
Four Seasons	Fresno	CA	0	756	2,348	0	182
Laguna Lake	San Luis Obispo	CA	5,378	2,845	6,520	1	228
Lamplighter	Spring Valley	CA	3,821	633	2,201	0	590
Meadowbrook	Santee	CA	0	4,345	12,528	0	1,040
Monte del Lago	Castroville	CA	8,003	3,150	9,469	0	859
Quail Meadows	Riverbank	CA	0	1,155	3,469	0	202
Nicholson Plaza	San Jose	CA	0	0	4,512	0	48
Rancho Mesa	El Cajon	CA	0	2,130	6,389	0	63
Rancho Valley	El Cajon	CA	3,544	685	1,902	0	589
Royal Holiday	Hemet	CA	0	778	2,643	0	205
Royal Oaks	Visalia	CA	0	602	1,921	0	225

Gross Amount Carried
at Close of
Period 12/31/02

	Land	Depreciable Property	Total	Accumulated Depreciation	Date of Acquisition
Apollo Village	932	3,734	4,666	(1,023)	1994
Brentwood Manor	1,997	6,456	8,453	(2,073)	1993
Carefree Manor	706	3,195	3,901	(562)	1998
Casa del Sol #1	2,215	7,159	9,374	(1,142)	1996
Casa del Sol #2	2,103	6,642	8,745	(1,060)	1996
Casa del Sol #3	2,450	7,710	10,160	(1,177)	1998
Central Park	1,612	4,299	5,911	(2,610)	1983
Countryside RV	2,056	6,241	8,297	(65)	2002
Desert Skies	792	3,262	4,054	(578)	1998
Fairview Manor	1,674	5,750	7,424	(894)	1998
Golden Sun RV Resort	1,678	5,049	6,727	(54)	2002
Hacienda De Valencia	833	3,870	4,703	(2,075)	1984
Palm Shadows	1,400	4,585	5,985	(1,497)	1993
Sedona Shadows	1,096	3,783	4,879	(693)	1997
Sunrise Heights	1,000	3,374	4,374	(981)	1994
The Mark	1,360	5,441	6,801	(1,489)	1994
The Meadows	2,613	8,408	11,021	(2,501)	1994
Whispering Palms	670	2,295	2,965	(405)	1998
California Hawaiian	5,825	19,109	24,934	(3,536)	1997
Colony Park	890	3,037	3,927	(657)	1998
Concord Cascade	985	3,775	4,760	(2,169)	1983
Contempo Marin	4,787	18,598	23,385	(5,007)	1994
Coralwood	0	5,254	5,254	(948)	1997
Date Palm Country Club	4,117	16,249	20,366	(4,393)	1994
Date Palm RV	0	216	216	(72)	1994
Four Seasons	756	2,530	3,286	(468)	1997
Laguna Lake	2,846	6,748	9,594	(1,229)	1998
Lamplighter	633	2,791	3,424	(1,623)	1983
Meadowbrook	4,345	13,568	17,913	(2,107)	1998
Monte del Lago	3,150	10,328	13,478	(1,838)	1997
Quail Meadows	1,155	3,671	4,826	(582)	1998
Nicholson Plaza	0	4,560	4,560	(814)	1997
Rancho Mesa	2,130	6,452	8,582	(994)	1998
Rancho Valley	685	2,491	3,176	(1,416)	1983
Royal Holiday	778	2,848	3,626	(391)	1998
Royal Oaks	602	2,146	2,748	(385)	1997

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SCHEDULE III
MANUFACTURED HOME COMMUNITIES, INC.
REAL ESTATE AND ACCUMULATED DEPRECIATION
DECEMBER 31, 2002
(AMOUNTS IN THOUSANDS)

Real Estate	Location	Encumbrances	Initial Cost to Company		Costs Capitalized Subsequent to Acquisition (Improvements)		
			Land	Depreciable Property	Land	Depreciable Property	
DeAnza Santa Cruz	Santa Cruz	CA	8,643	2,103	7,201	0	(16)
Santiago Estates	Sylmar	CA	0	3,562	10,767	0	455
Sea Oaks	Los Osos	CA	0	871	2,703	0	242
Sunshadow	San Jose	CA	0	0	5,707	0	104
Westwinds (4 properties)	San Jose	CA	0	0	17,616	0	4,816
Bear Creek	Sheridan	CO	0	1,100	3,359	0	173
Cimarron	Broomfield	CO	4,707	863	2,790	0	565
Golden Terrace	Golden	CO	4,239	826	2,415	0	558
Golden Terrace South	Golden	CO	2,400	750	2,265	0	503
Golden Terrace West	Golden	CO	8,522	1,694	5,065	0	878
Hillcrest Village	Aurora	CO	10,692	1,912	5,202	290	2,178
Holiday Hills	Denver	CO	15,016	2,159	7,780	1	3,517
Holiday Village CO	Co. Springs	CO	3,574	567	1,759	0	877
Pueblo Grande	Pueblo	CO	1,897	241	1,069	0	390
Woodland Hills	Denver	CO	7,547	1,928	4,408	0	2,308
Aspen Meadows	Rehoboth Beach	DE	0	1,148	3,460	0	172
Camelot Meadows	Rehoboth Beach	DE	0	527	2,058	1,251	3,611
Mariners Cove	Millsboro	DE	0	990	2,971	0	3,203
McNicol	Rehoboth Beach	DE	0	563	1,710	0	58
Sweetbriar	Rehoboth Beach	DE	0	498	1,527	1	243
Waterford Estates	Bear	DE	0	5,250	16,202	0	409
Whispering Pines	Lewes	DE	0	1,536	4,609	0	777
Maralago Cay	Lantana	FL	0	5,325	15,420	0	1,767
Bay Indies	Venice	FL	22,020	10,483	31,559	10	2,300
Bay Lake Estates	Nokomis	FL	3,761	990	3,390	0	696
Breezy Hill RV	Pompano Beach	FL	10,493	5,510	16,555	0	0
Buccaneer	N. Ft. Myers	FL	14,508	4,207	14,410	0	966
Bulow Village RV	Flagler Beach	FL	0	0	228	0	0
Bulow Village	Flagler Beach	FL	0	3,637	949	0	4,836
Carriage Cove	Daytona Beach	FL	8,156	2,914	8,682	0	603
Coral Cay	Margate	FL	20,954	5,890	20,211	0	2,183
Coquina	St Augustine	FL	0	5,286	5,545	0	4,090
Meadows at Countrywood	Plant City	FL	0	4,514	13,175	0	1,915
Country Place	New Port Richey	FL	8,530	663	0	18	6,963
Country Side North	Vero Beach	FL	0	3,711	11,133	0	1,438
Down Yonder	Largo	FL	7,887	2,652	7,981	0	0
East Bay Oaks	Largo	FL	5,578	1,240	3,322	0	437

Gross Amount Carried
at Close of
Period 12/31/02

	Land	Depreciable Property	Total	Accumulated Depreciation	Date of Acquisition
DeAnza Santa Cruz	2,103	7,185	9,288	(2,073)	1994
Santiago Estates	3,562	11,222	14,784	(1,929)	1998
Sea Oaks	871	2,945	3,816	(512)	1997
Sunshadow	0	5,811	5,811	(1,053)	1997
Westwinds (4 properties)	0	22,432	22,432	(4,061)	1997
Bear Creek	1,100	3,532	4,632	(575)	1998
Cimarron	863	3,355	4,218	(1,995)	1983
Golden Terrace	826	2,973	3,799	(1,632)	1983
Golden Terrace South	750	2,768	3,518	(504)	1997
Golden Terrace West	1,694	5,943	7,637	(2,968)	1986
Hillcrest Village	2,202	7,380	9,582	(4,217)	1983
Holiday Hills	2,160	11,297	13,457	(6,186)	1983
Holiday Village CO	567	2,636	3,203	(1,341)	1983
Pueblo Grande	241	1,459	1,700	(841)	1983
Woodland Hills	1,928	6,716	8,644	(2,020)	1994
Aspen Meadows	1,148	3,632	4,780	(632)	1998
Camelot Meadows	1,778	5,669	7,447	(921)	1998
Mariners Cove	990	6,174	7,164	(2,330)	1987
McNicol	563	1,768	2,331	(289)	1998
Sweetbriar	499	1,770	2,269	(362)	1998
Waterford Estates	5,250	16,611	21,861	(2,325)	1996
Whispering Pines	1,536	5,386	6,922	(2,435)	1998
Maralago Cay	5,325	17,187	22,512	(2,919)	1997
Bay Indies	10,493	33,859	44,352	(9,754)	1994
Bay Lake Estates	990	4,086	5,076	(1,121)	1994
Breezy Hill RV	5,510	16,555	22,065	(180)	2002
Buccaneer	4,207	15,376	19,583	(4,244)	1994
Bulow Village RV	0	228	228	(14)	2001
Bulow Village	3,637	5,785	9,422	(945)	1994
Carriage Cove	2,914	9,285	12,199	(1,618)	1998
Coral Cay	5,890	22,394	28,284	(5,935)	1994
Coquina	5,286	9,635	14,921	(801)	1999
Meadows at Countrywood	4,514	15,090	19,604	(2,389)	1998
Country Place	681	6,963	7,644	(2,242)	1986
Country Side North	3,711	12,571	16,282	(2,254)	1998
Down Yonder	2,652	7,981	10,633	(89)	1998
East Bay Oaks	1,240	3,759	4,999	(2,296)	1983

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SCHEDULE III
MANUFACTURED HOME COMMUNITIES, INC.
REAL ESTATE AND ACCUMULATED DEPRECIATION
DECEMBER 31, 2002
(AMOUNTS IN THOUSANDS)

Real Estate	Location	Encumbrances	Initial Cost to Company		Costs Capitalized Subsequent to Acquisition (Improvements)	
			Land	Depreciable Property	Land	Depreciable Property
Eldorado Village	Largo FL	3,954	778	2,341	0	424
Glen Ellen	Clearwater FL	2,480	627	1,882	0	0
Grand Island	Grand Island FL	0	1,723	5,208	125	1,462
Hacienda Village	New Port Richey FL	10,198	4,362	13,088	0	0
Harbor View	New Port Richey FL	8,140	4,045	12,146	0	0
Heritage Village	Vero Beach FL	0	2,403	7,259	0	549
Highland Wood RV	Pompano Beach FL	2,453	1,043	3,130	0	0
Hillcrest	Clearwater FL	0	1,278	3,928	0	469
Holiday Ranch	Largo FL	0	925	2,866	0	157
Holiday Village FL	Vero Beach FL	0	350	1,374	0	130
Holiday Village	Ormond Beach FL	7,122	2,610	7,837	0	0
Indian Oaks	Rockledge FL	4,511	1,089	3,376	0	702
Lake Fairways	N. Ft. Myers FL	0	6,075	18,134	35	1,263
Lake Haven	Dunedin FL	7,418	1,135	4,047	0	1,466
Lakewood Village	Melbourne FL	0	1,862	5,627	0	489
Lighthouse Pointe	Port Orange FL	0	2,446	7,483	23	759
Mid-Florida Lakes	Leesburg FL	22,421	5,997	20,635	0	3,632
Oak Bend	Ocala FL	0	850	2,572	0	802
Pickwick	Port Orange FL	10,587	2,803	8,870	0	454
Pine Lakes	N. Ft. Myers FL	0	6,306	14,579	21	5,214
Sherwood Forest	Kissimmee FL	9,250	4,852	14,596	0	3,172
Sherwood Forest RV Park	Kissimmee FL	0	2,870	3,621	568	750
Silk Oak	Clearwater FL	3,926	1,670	5,028	0	0
Southern Palms	Eustis FL	0	2,169	5,884	0	1,422
Spanish Oaks	Ocala FL	7,309	2,250	6,922	0	708
Oaks at Countrywood	Plant City FL	0	1,111	2,513	(340)	395
The Heritage	N. Ft. Myers FL	0	1,438	4,371	249	2,659
The Lakes at Countrywood	Plant City FL	0	2,377	7,085	75	1,210
The Meadows, FL	Palm Beach FL	6,155	3,229	9,870	0	939
Windmill Manor	Bradenton FL	8,047	2,153	6,125	0	939
Windmill Village - Ft. Myers	N. Ft. Myers FL	8,818	1,417	5,440	0	1,045
Windmill Village North	Sarasota FL	8,273	1,523	5,063	0	828
Windmill Village South	Sarasota FL	5,377	1,106	3,162	0	551
Five Seasons	Cedar Rapids IA	0	1,053	3,436	0	515
Holiday Village, IA	Sioux City IA	0	313	3,744	0	401
Golf Vistas	Monee IL	0	2,843	4,719	0	4,737
Willow Lake Estates	Elgin IL	22,011	6,138	21,033	0	2,540

Gross Amount Carried
at Close of
Period 12/31/02

	Land	Depreciable Property	Total	Accumulated Depreciation	Date of Acquisition
Eldorado Village	778	2,765	3,543	(1,643)	1983
Glen Ellen	627	1,882	2,509	(5)	2002
Grand Island	1,848	6,670	8,518	(389)	2001
Hacienda Village	4,362	13,088	17,450	(36)	2002
Harbor View	4,045	12,146	16,191	(133)	2002
Heritage Village	2,403	7,808	10,211	(2,216)	1994
Highland Wood RV	1,043	3,130	4,173	(34)	2002
Hillcrest	1,278	4,397	5,675	(862)	1998
Holiday Ranch	925	3,023	3,948	(527)	1998
Holiday Village FL	350	1,504	1,854	(281)	1998
Holiday Village	2,610	7,837	10,447	(90)	2002
Indian Oaks	1,089	4,078	5,167	(760)	1998
Lake Fairways	6,110	19,397	25,507	(5,166)	1994
Lake Haven	1,135	5,513	6,648	(2,841)	1983
Lakewood Village	1,862	6,116	7,978	(1,760)	1994
Lighthouse Pointe	2,469	8,242	10,711	(1,426)	1998
Mid-Florida Lakes	5,997	24,267	30,264	(6,327)	1994
Oak Bend	850	3,374	4,224	(977)	1993
Pickwick	2,803	9,324	12,127	(1,501)	1998
Pine Lakes	6,327	19,793	26,120	(5,194)	1994
Sherwood Forest	4,852	17,768	22,620	(2,752)	1998
Sherwood Forest RV Park	3,438	4,371	7,809	(686)	1998
Silk Oak	1,670	5,028	6,698	(14)	2002
Southern Palms	2,169	7,306	9,475	(1,071)	1998
Spanish Oaks	2,250	7,630	9,880	(2,273)	1993
Oaks at Countrywood	771	2,908	3,679	(387)	1998
The Heritage	1,687	7,030	8,717	(1,921)	1993
The Lakes at Countrywood	2,452	8,295	10,747	(513)	2001
The Meadows, FL	3,229	10,809	14,038	(1,303)	1999
Windmill Manor	2,153	7,064	9,217	(1,098)	1998
Windmill Village - Ft. Myers	1,417	6,485	7,902	(3,840)	1983
Windmill Village North	1,523	5,891	7,414	(3,443)	1983
Windmill Village South	1,106	3,713	4,819	(2,154)	1983
Five Seasons	1,053	3,951	5,004	(898)	1998
Holiday Village, IA	313	4,145	4,458	(2,238)	1986
Golf Vistas	2,843	9,456	12,299	(1,384)	1997
Willow Lake Estates	6,138	23,573	29,711	(6,287)	1994

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SCHEDULE III
MANUFACTURED HOME COMMUNITIES, INC.
REAL ESTATE AND ACCUMULATED DEPRECIATION
DECEMBER 31, 2002
(AMOUNTS IN THOUSANDS)

Real Estate	Location	Encumbrances	Initial Cost to Company		Costs Capitalized Subsequent to Acquisition (Improvements)		
			Land	Depreciable Property	Land	Depreciable Property	
Forest Oaks (fka Burns Harbor)	Chesterton	IN	0	916	2,909	0	1,537
Oak Tree Village	Portage	IN	4,538	0	0	569	3,498
Windsong	Indianapolis	IN	0	1,482	4,480	0	140
Pheasant Ridge	Mt. Airy	MD	0	376	1,779	0	376
Creekside	Wyoming	MI	0	1,109	3,646	0	19
Casa Village	Billings	MT	0	1,011	3,109	181	2,104
Del Rey	Albuquerque	NM	0	1,926	5,800	0	703
Bonanza	Las Vegas	NV	4,722	908	2,643	0	681
Boulder Cascade	Las Vegas	NV	7,691	2,995	9,020	0	693
Cabana	Las Vegas	NV	9,487	2,648	7,989	0	230
Flamingo West	Las Vegas	NV	0	1,730	5,266	0	957
Villa Borega	Las Vegas	NV	7,333	2,896	8,774	0	218
Brook Gardens	Lackawanna	NY	0	3,828	10,310	0	1,167
Greenwood Village	Manorville	NY	0	3,667	9,414	485	3,075
Falcon Wood Village	Eugene	OR	2	1,112	3,426	0	148
Quail Hollow	Fairview	OR	0	0	3,249	0	137
Shadowbrook	Clackamas	OR	0	1,197	3,693	0	113
Mt. Hood	Welches	OR	0	1,817	5,733	0	0
Green Acres	Breinigsville	PA	13,924	2,680	7,479	0	2,319
Fun n Sun RV Park	San Benito	TX	0	2,533	0	412	9,379
Tropic Winds	Harlingen	TX	0	1,221	3,809	0	0
All Seasons	Salt Lake City	UT	0	510	1,623	0	199
Westwood Village	Farr West	UT	0	1,346	4,179	0	1,132
Meadows of Chantilly	Chantilly	VA	26,769	5,430	16,440	0	2,119
Kloshe Illahee	Federal Way	WA	6,350	2,408	7,286	0	111
Independence Hill	Morgantown	WV	0	299	898	0	297
Realty Systems, Inc.			0	0	0	0	2,052
Community Systems, Inc.			0	0	0	0	1,164
Management Business			0	0	436	0	9,011
			=====	=====	=====	=====	=====
			\$575,289	\$280,259	\$854,250	\$3,960	\$157,538
			=====	=====	=====	=====	=====

Gross Amount Carried
at Close of
Period 12/31/02

	Land	Depreciable Property	Total	Accumulated Depreciation	Date of Acquisition
Forest Oaks (fka Burns Harbor)	916	4,446	5,362	(1,466)	1993
Oak Tree Village	569	3,498	4,067	(1,442)	1987
Windsong	1,482	4,620	6,102	(954)	1998
Pheasant Ridge	376	2,155	2,531	(1,253)	1988
Creekside	1,109	3,665	4,774	(628)	1998
Casa Village	1,192	5,213	6,405	(2,622)	1983
Del Rey	1,926	6,503	8,429	(2,125)	1993
Bonanza	908	3,324	4,232	(1,945)	1983
Boulder Cascade	2,995	9,713	12,708	(1,610)	1998
Cabana	2,648	8,219	10,867	(2,362)	1994
Flamingo West	1,730	6,223	7,953	(1,634)	1994
Villa Borega	2,896	8,992	11,888	(1,629)	1997
Brook Gardens	3,828	11,477	15,305	(1,830)	1998
Greenwood Village	4,152	12,489	16,641	(1,699)	1998
Falcon Wood Village	1,112	3,574	4,686	(642)	1997
Quail Hollow	0	3,386	3,386	(612)	1997
Shadowbrook	1,197	3,806	5,003	(720)	1997
Mt. Hood	1,817	5,733	7,550	(172)	2002
Green Acres	2,680	9,798	12,478	(4,365)	1988
Fun n Sun RV Park	2,945	9,379	12,324	(1,298)	1998
Tropic Winds	1,221	3,809	5,030	(25)	2002
All Seasons	510	1,822	2,332	(348)	1997
Westwood Village	1,346	5,311	6,657	(960)	1997
Meadows of Chantilly	5,430	18,559	23,989	(5,366)	1994
Kloshe Illahee	2,408	7,397	9,805	(1,327)	1997
Independence Hill	299	1,195	1,494	(500)	1990
Realty Systems, Inc.	0	2,052	2,052	--	2002
Community Systems, Inc.	0	1,164	1,164	--	2002
Management Business	0	9,447	9,447	(6,624)	1990
	----- \$284,219 =====	----- \$1,011,788 =====	----- \$1,296,007 =====	----- (\$238,098) =====	

NOTES:

- (1) For depreciable property, the Company uses a 30-year estimated life for buildings acquired and structural and land improvements, a ten-to-fifteen year estimated life for building upgrades and a three-to-seven year estimated life for furniture and fixtures.
- (2) The schedule excludes Properties in which the Company has a non-controlling joint venture interest and accounts for using the equity method of accounting.
- (3) The balance of furniture and fixtures included in the total amounts was approximately \$20.3 million as of December 31, 2002.
- (4) The aggregate cost of land and depreciable property for Federal income tax purposes was approximately \$1.1 billion, as of December 31, 2002.
- (5) All Properties were acquired, except for Country Place Village, which was constructed.

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SCHEDULE III
MANUFACTURED HOME COMMUNITIES, INC.

REAL ESTATE AND ACCUMULATED DEPRECIATION
DECEMBER 31, 2002
(AMOUNTS IN THOUSANDS)

The changes in total real estate for the years ended December 31, 2002, 2001 and 2000 were as follows:

	2002	2001	2000
	-----	-----	-----
Balance, beginning of year ...	\$ 1,238,138	\$ 1,218,176	\$ 1,264,343
Acquisitions (1)	107,138	17,770	(4,581)
Improvements	24,491	23,188	16,261
Dispositions (2) and other	(73,760)	(20,996)	(57,847)
	-----	-----	-----
Balance, end of year	\$ 1,296,007	\$ 1,238,138	\$ 1,218,176
	=====	=====	=====

- (1) Acquisitions for the year ended December 31, 2000 include return of escrow proceeds. Acquisitions for the year ended December 31, 2002 include the non-cash assumption by the Company of \$47.9 million of mortgage debt.
- (2) Dispositions for 2000 include the non-cash assumption of \$19.0 million of debt by the purchaser of a Property.

The changes in accumulated depreciation for the years ended December 31, 2002, 2001 and 2000 were as follows:

	2002	2001	2000
	-----	-----	-----
Balance, beginning of year	\$ 211,878	\$ 181,580	\$ 150,757
Depreciation expense .	37,188	35,205	35,548
Dispositions and other	(10,968)	(4,907)	(4,725)
	-----	-----	-----
Balance, end of year	\$ 238,098	\$ 211,878	\$ 181,580
	=====	=====	=====

EXHIBIT 12

MANUFACTURED HOME COMMUNITIES, INC.
 COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
 (Dollar amounts in thousands)

	For the Years Ended December 31,				
	2002	2001	2000	1999	1998
Income before allocation to Minority Interests and extraordinary loss on early extinguishment of debt	\$ 56,623	\$ 51,544	\$ 52,701	\$ 36,835	\$ 35,663
Fixed Charges	61,981	62,557	64,532	56,619	49,693
Earnings	\$ 118,604	\$ 114,101	\$ 117,233	\$ 93,454	\$ 85,356
Interest incurred	\$ 49,718	\$ 50,197	\$ 52,317	\$ 53,134	\$ 49,160
Amortization of deferred financing costs	1,011	1,108	963	641	533
Perpetual Preferred OP Unit Distributions	11,252	11,252	11,252	2,844	---
Fixed Charges	\$ 61,981	\$ 62,557	\$ 64,532	\$ 56,619	\$ 49,693
Earnings/Fixed Charges	1.91	1.82	1.82	1.65	1.72

EXHIBIT 21

MANUFACTURED HOME COMMUNITIES, INC.
SUBSIDIARIES OF THE REGISTRANT

	State of Incorporation or Organization
MHC Operating Limited Partnership	Illinois
MHC Financing Limited Partnership	Illinois
MHC Financing Limited Partnership Two	Delaware
Blue Ribbon Communities Limited Partnership	Delaware
MHC Lending Limited Partnership	Illinois
MHC-DeAnza Financing Limited Partnership	Illinois
MHC-Bay Indies Financing Limited Partnership	Illinois
MHC Stagecoach, L.L.C.	Delaware

EXHIBIT 23

MANUFACTURED HOME COMMUNITIES, INC.

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in the Registration Statements (Form S-8 No. 333-68473, No. 333-28469, No. 333-25295, and No. 33-76486, and Form S-3 No. 333-66550, No. 333-90813, No. 333-65515, No. 333-25297, No. 333-1710, No. 33-82902 and No. 33-97288) of Manufactured Home Communities, Inc., and in the related Prospectuses, of our report dated January 27, 2003 with respect to the consolidated financial statements and schedules of Manufactured Home Communities, Inc., and to the reference to our firm under the caption "Selected Financial and Operating Information" included in this Annual Report (Form 10-K) for the year ended December 31, 2002.

ERNST & YOUNG LLP

Chicago, Illinois
March 27, 2003

POWER OF ATTORNEY

EXHIBIT 24.1

STATE OF ILLINOIS)
) SS
 COUNTY OF COOK)

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

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

IN WITNESS WHEREOF, John F. Podjasek, Jr., has hereunto, set his hand this 24th day of March, 2003.

/s/ John F. Podjasek, Jr.

 John F. Podjasek, Jr.

I, Jennifer L. Usher, a Notary Public in and for said County in the State aforesaid, do hereby certify that John F. Podjasek, Jr., personally know to me to be the same person whose name is subscribed to the foregoing instrument

appeared before me this day in person and acknowledged that he signed and delivered said instrument as his own free voluntary act for the uses and purposes therein set forth.

Given under my hand and notarial seal this 24th day of March, 2003.

/s/ Jennifer L. Usher

(Notary Public)

My Commission Expires:

January 6, 2006

POWER OF ATTORNEY

EXHIBIT 24.2

STATE OF CALIFORNIA)
) SS
 COUNTY OF ALAMEDA)

KNOW ALL MEN BY THESE PRESENTS that Michael A. Torres, having an address at 1250 Bay St., Alameda, California, has made, constituted and appointed and BY THESE PRESENTS, does make, constitute and appoint John M. Zoeller and Howard Walker, or either of them, having an address at Two North Riverside Plaza, Chicago, Illinois 60606, his true and lawful Attorney-in-Fact for him and in his name, place and stead to sign and execute in any and all capacities this Annual Report on Form 10-K and any or all amendments to this Annual Report on Form 10-K, and to file the same with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, giving and granting unto each of such, Attorney-in-Fact, full power and authority to do and perform each and every act and thing, requisite and necessary to be done in and about the premises, as fully, to all intents and purposes as he might or could do if personally present at the doing thereof, with full power of substitution and revocation, hereby ratifying and confirming all that each of such Attorney-in-Fact or his substitutes shall lawfully do or cause to be done by virtue hereof.

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

IN WITNESS WHEREOF, Michael A. Torres, has hereunto, set his hand this 27th day of March, 2003.

/s/ Michael A. Torres

 Michael A. Torres

I, Nancy K. Hagel, a Notary Public in and for said County in the State aforesaid, do hereby certify that Michael A. Torres, personally know to me to be the same person whose name is subscribed to the foregoing instrument appeared

before me this day in person and acknowledged that he signed and delivered said instrument as his own free voluntary act for the uses and purposes therein set forth.

Given under my hand and notarial seal this 27th day of March, 2003.

/s/ Nancy K. Hagel

(Notary Public)

My Commission Expires:

March 16, 2006

POWER OF ATTORNEY

EXHIBIT 24.3

STATE OF NEW YORK)
) SS
COUNTY OF NEW YORK)

KNOW ALL MEN BY THESE PRESENTS that Thomas E. Dobrowski, having an address at 767 5th Ave., New York, New York, has made, constituted and appointed and BY THESE PRESENTS, does make, constitute and appoint John M. Zoeller and Howard Walker, or either of them, having an address at Two North Riverside Plaza, Chicago, Illinois 60606, his true and lawful Attorney-in-Fact for him and in his name, place and stead to sign and execute in any and all capacities this Annual Report on Form 10-K and any or all amendments to this Annual Report on Form 10-K, and to file the same with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, giving and granting unto each of such, Attorney-in-Fact, full power and authority to do and perform each and every act and thing, requisite and necessary to be done in and about the premises, as fully, to all intents and purposes as he might or could do if personally present at the doing thereof, with full power of substitution and revocation, hereby ratifying and confirming all that each of such Attorney-in-Fact or his substitutes shall lawfully do or cause to be done by virtue hereof.

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

IN WITNESS WHEREOF, Thomas E. Dobrowski, has hereunto, set his hand this 21st day of March, 2003.

/s/ Thomas E. Dobrowski

Thomas E. Dobrowski

I, Bernadette Armstrong, a Notary Public in and for said County in the State aforesaid, do hereby certify that Thomas E. Dobrowski, personally know to me to be the same person whose name is subscribed to the foregoing instrument

appeared before me this day in person and acknowledged that he signed and delivered said instrument as his own free voluntary act for the uses and purposes therein set forth.

Given under my hand and notarial seal this 21st day of March, 2003.

/s/ Bernadette Armstrong

(Notary Public)

My Commission Expires:

February 25, 2006

POWER OF ATTORNEY

EXHIBIT 24.4

STATE OF WASHINGTON)
) SS
 COUNTY OF KITSAP)

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

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

IN WITNESS WHEREOF, Gary L. Waterman, has hereunto, set his hand this 21st day of March, 2003.

/s/ Gary L. Waterman

 Gary L. Waterman

I, Vicki A Raugh, a Notary Public in and for said County in the State aforesaid, do hereby certify that Gary L. Waterman, personally know to me to be

the same person whose name is subscribed to the foregoing instrument appeared before me this day in person and acknowledged that he signed and delivered said instrument as his own free voluntary act for the uses and purposes therein set forth.

Given under my hand and notarial seal this 21st day of March, 2003.

/s/ Vicki A Raugh

(Notary Public)

My Commission Expires:

February 7, 2005

be the same person whose name is subscribed to the foregoing instrument appeared before me this day in person and acknowledged that he signed and delivered said instrument as his own free voluntary act for the uses and purposes therein set forth.

Given under my hand and notarial seal this 21st day of March, 2003.

/s/ Audrey Hoffman

(Notary Public)

My Commission Expires:

September 14, 2006

POWER OF ATTORNEY

EXHIBIT 24.6

STATE OF CALIFORNIA)
) SS
 COUNTY OF RIVERSAS)

KNOW ALL MEN BY THESE PRESENTS that Louis H. Masotti, having an address at 210 Kenenish Dr, Rancho Mirage, California, has made, constituted and appointed and BY THESE PRESENTS, does make, constitute and appoint John M. Zoeller and Howard Walker, or either of them, having an address at Two North Riverside Plaza, Chicago, Illinois 60606, his true and lawful Attorney-in-Fact for him and in his name, place and stead to sign and execute in any and all capacities this Annual Report on Form 10-K and any or all amendments to this Annual Report on Form 10-K, and to file the same with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, giving and granting unto each of such, Attorney-in-Fact, full power and authority to do and perform each and every act and thing, requisite and necessary to be done in and about the premises, as fully, to all intents and purposes as he might or could do if personally present at the doing thereof, with full power of substitution and revocation, hereby ratifying and confirming all that each of such Attorney-in-Fact or his substitutes shall lawfully do or cause to be done by virtue hereof.

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

IN WITNESS WHEREOF, Louis H. Masotti, has hereunto, set his hand this 24th day of March, 2003.

/s/ Louis H. Masotti

 Louis H. Masotti

I, Ann Randel Masotti, a Notary Public in and for said County in the State aforesaid, do hereby certify that Louis H. Masotti, personally know to me to be the same person whose name is subscribed to the foregoing instrument appeared

before me this day in person and acknowledged that he signed and delivered said instrument as his own free voluntary act for the uses and purposes therein set forth.

Given under my hand and notarial seal this 24th day of March, 2003.

/s/ Ann Randel Masotti

(Notary Public)

My Commission Expires:

July 21, 2006

EXHIBIT 99.1

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350

In connection with the accompanying Annual Report on Form 10-K of Manufactured Home Communities, Inc. for the year ended December 31, 2002 (the "Annual Report"), I, John M. Zoeller, Executive Vice President and Chief Financial Officer of Manufactured Home Communities, Inc., hereby certify pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that to the best of my knowledge:

1. such Annual Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. the information contained in such Annual Report fairly presents, in all material respects, the financial condition and results of operations of Manufactured Home Communities, Inc.

Date: March 28, 2003
-----By: /s/ John M. Zoeller
-----John M. Zoeller
Executive Vice President and Chief
Financial Officer

A SIGNED ORIGINAL OF THIS WRITTEN STATEMENT REQUIRED BY SECTION 906 HAS BEEN PROVIDED TO MANUFACTURED HOME COMMUNITIES, INC. AND WILL BE RETAINED BY MANUFACTURED HOME COMMUNITIES, INC. AND FURNISHED TO THE SECURITIES AND EXCHANGE COMMISSION OR ITS STAFF UPON REQUEST.

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350

In connection with the accompanying Annual Report on Form 10-K of Manufactured Home Communities, Inc. for the year ended December 31, 2002 (the "Annual Report"), I, Howard Walker, Chief Executive Officer of Manufactured Home Communities, Inc., hereby certify pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that to the best of my knowledge:

1. such Annual Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. the information contained in such Annual Report fairly presents, in all material respects, the financial condition and results of operations of Manufactured Home Communities, Inc.

Date: March 28, 2002

By: /s/ Howard Walker

Howard Walker
Chief Executive Officer

A SIGNED ORIGINAL OF THIS WRITTEN STATEMENT REQUIRED BY SECTION
906 HAS BEEN PROVIDED TO MANUFACTURED HOME COMMUNITIES, INC.
AND WILL BE RETAINED BY MANUFACTURED HOME COMMUNITIES, INC.
AND FURNISHED TO THE SECURITIES AND EXCHANGE COMMISSION OR ITS STAFF
UPON REQUEST.