

MANUFACTURED HOME COMMUNITIES INC

Form 8-K/A

April 30, 2004

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 8-K/A

CURRENT REPORT

Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934

APRIL 30, 2004
(Date of Report)

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

1-11718
(Commission File No.)

MARYLAND
(State or other jurisdiction
of incorporation or organization)

36-3857664
(I.R.S. Employer
Identification No.)

TWO NORTH RIVERSIDE PLAZA, CHICAGO, ILLINOIS
(Address of principal executive offices)

60606
(Zip Code)

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

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ITEM 2. ACQUISITION OF ASSETS

Manufactured Home Communities, Inc. and its subsidiaries (the "Company") have acquired or invested in 58 manufactured home communities ("Communities") and

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park model communities ("Resorts") during the period from January 1, 2004 through April 30, 2004. Of these communities, 30 were reported on Form 8-K dated March 2, 2004, and 28 were reported on Form 8-K dated March 3, 2004. The combined investment in these 58 properties was approximately \$377.4 million.

MANUFACTURED HOME COMMUNITIES, INC. PROFORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

REQUIRED UNDER ITEM 7(b) OF FORM 8-K

MANUFACTURED HOME COMMUNITIES, INC. PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS UNAUDITED

The following unaudited Pro Forma Condensed Consolidated Balance Sheet presents the effect of the acquisition of ten properties from Diversified Investments, Inc. ("Diversified"), the NHC Portfolio ("NHC Portfolio"), and O'Connell's, Spring Gulch, Paradise, Twin Lakes, and Lakeside ("Other 2004 Acquisitions"). The Pro Forma also includes the investment of \$29.7 million in preferred equity interest in six entities controlled by Diversified Investments, Inc. and the \$1.4 million investment in the Diversified entities managing these properties (the "Mezzanine Investments"), the \$1.4 million investment in the Lake Myers, Pine Haven, Twin Mills and Plymouth Rock joint ventures ("Joint Ventures"), the payment of a one-time special distribution of \$8.00 per share, and an additional borrowing of \$35 million under the Company's line of credit.

Related to the acquisition of the NHC portfolio, beginning in 1996, a series of partnerships were formed between "NHC" entities and "PAMI" (the former General Partner of NHC) entities. A trial on all claims between NHC and PAMI, including whether NHC had the authority to consummate the transaction with the Company was held on April 15 and 16, 2004. The Company continues to believe in the merit of NHC's claims and defenses. Under the terms and conditions of the partnership agreements, \$69 million was paid to acquire the PAMI entities' interests. Principals of the NHC entities will continue to operate the properties under a management agreement with the Company and maintain a minority equity position in the new entity. The existing dispute is related to the PAMI entities' desire to liquidate their investments. While the possibility of additional litigation and its attendant risks remain, we believe that providing liquidity to the NHC entities to acquire the PAMI interests may assist in resolving the dispute.

The Company, after advice from its legal counsel, believes that there is substantial merit to its' position that the NHC Portfolio transaction is valid. Accordingly, the Company has treated the NHC Portfolio transaction as an acquisition in the financial statements.

The following unaudited Pro Forma Condensed Consolidated Statement of Operations for the year ended December 31, 2003 presents the effect of the following acquisitions as if they had occurred on January 1, 2003: Diversified, NHC, and the Other 2004 Acquisitions; and the income from the Mezzanine Investments and Joint Ventures.

The following unaudited Pro Forma Condensed Consolidated Financial Statements are not necessarily indicative of the results of future operations, nor the results of historical operations, had all the transactions occurred as described above on January 1, 2003.

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The unaudited Pro Forma Condensed Consolidated Financial Statements should be read in conjunction with the accompanying Notes to Pro Forma Condensed Consolidated Financial Statements and Combined Statements of Revenue and Certain Expenses (included elsewhere herein).

MANUFACTURED HOME COMMUNITIES, INC
 PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET
 AS OF DECEMBER 31, 2003
 (unaudited)
 (amounts in thousands)

	Historical	Diversified (A)	NHC (B)	Other Acquisi (C)
	-----	-----	-----	-----
ASSETS				
Investment in real estate:				
Land	\$ 282,803	\$ 14,559	\$ 58,798	\$ 11,8
Land improvements	911,176	43,673	176,545	33,7
Buildings and other depreciable property	121,117	0	0	
	-----	-----	-----	-----
	1,315,096	58,232	235,343	45,5
Accumulated depreciation	(272,497)	0	0	
	-----	-----	-----	-----
Net investment in real estate	1,042,599	58,232	235,343	45,5
Cash and cash equivalents	325,740	(15,144)	(65,326)	(9,5
Notes receivable	11,551	-	31	
Investment in and advances to joint ventures	18,828	-	-	
Rents receivable, net	2,385	-	547	
Deferred financing costs, net	14,164	-	-	
Inventory	31,604	-	718	4
Prepaid expenses and other assets	27,044	-	4,343	
	-----	-----	-----	-----
Total assets	\$ 1,473,915	\$ 43,088	\$ 175,656	\$ 36,4
LIABILITIES AND STOCKHOLDERS' EQUITY				
Liabilities:				
Mortgage notes payable	\$ 1,076,183	\$ 41,550	\$ 159,003	\$ 33,6
Unsecured term loan	-	-	-	
Unsecured line of credit	-	-	-	
Other notes payable	113	-	-	
Accounts payable and accrued expenses	27,815	421	4,388	4
Accrued interest payable	5,978	-	614	
Rents received in advance and security deposits	6,616	1,117	6,051	2,3
Distributions payable	224,696	-	-	
	-----	-----	-----	-----
Total liabilities	1,341,401	43,088	170,056	36,4
Commitments and contingencies				
Minority interest - Common OP Units and other	1,716	-	5,600	
Minority interest - Perpetual Preferred OP Units	125,000	-	-	

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Stockholders' equity:	-			
Common stock, \$.01 par value	222	-	-	
Paid-in capital	263,066	-	-	
Deferred compensation	(494)	-	-	
Distributions in excess of accumulated earnings	(256,996)	-	-	
Total stockholders' equity	5,798	-	-	
Total liabilities and stockholders' equity	\$ 1,473,915	\$ 43,088	\$ 175,656	\$ 36,4

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- (A) Reflects the acquisition of ten properties from Diversified Investments, Inc. on February 5, 2004 for a total purchase price of \$64 million. The amounts presented include the initial purchase price and subsequent closing costs and were allocated based on the fair value of the assets acquired and liabilities assumed.
- (B) Reflects the acquisition of the NHC Portfolio on February 17, 2004 for a total purchase price of \$235 million. The amounts presented include the initial purchase price and subsequent closing costs and were allocated based on the fair value of the assets acquired and liabilities assumed.
- (C) Reflects the acquisitions of O'Connell's on January 15, 2004, Spring Gulch on January 30, 2004, Paradise on February 3, 2004, Twin Lakes on February 18, 2004, and Lakeside on February 19, 2004. The amounts presented include the initial purchase price and subsequent closing costs and were allocated based on the fair value of the assets acquired and liabilities assumed.
- (D) Reflects the Mezzanine Investment, the investment in the Joint Ventures, an additional borrowing of \$35.0 million under the Company's line of credit, payment of the one-time special distribution of approximately \$225 million, and approximately \$5.8 million related to the Diversified acquisition which is being held in escrow contingent upon future revenues.

MANUFACTURED HOME COMMUNITIES, INC
PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2003
(unaudited)
(amounts in thousands, except per share data)

	Historical	Diversified (A)	NHC (B)	Oth Acqu
	-----	-----	-----	-----
PROPERTY OPERATIONS:				
Community base rental income	\$ 196,919			
Resort base rental income	11,780	5,565	32,083	5
Utility and other income	20,150	462	4,927	
Property operating revenues	228,849	6,027	37,010	6

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Property operating & maintenance	64,996	2,577	17,659	4
Real estate taxes	18,917	392	2,533	
Property management	9,373			

Property operating expenses	93,286	2,969	20,192	4

Income from property operations	135,563	3,058	16,818	2
HOME SALES OPERATIONS:				
Gross revenues from inventory home sales	36,606			1
Cost of inventory home sales	(31,767)			

Gross profit from inventory home sales	4,839	0	0	
Brokered resale revenues, net	1,724			
Home selling expenses	(7,360)			
Ancillary services revenues, net	216			

Income (loss) from home sales operations	(581)	-	-	
OTHER INCOME AND EXPENSES:				
Interest income	1,695			
Equity in income of unconsolidated joint ventures	2,065			
General and administrative	(8,060)			
Interest and related amortization	(58,402)			
Depreciation on corporate assets	(1,240)			
Depreciation on real estate assets and other costs	(38,034)			

Total other income and expenses	(101,976)	-	-	
MINORITY INTERESTS:				
(Income) allocated to Common OP Units	(4,330)			
(Income) allocated to Perpetual Preferred OP Units	(11,252)			

Income from continuing operations	17,424	3,058	16,818	3
DISCONTINUED OPERATIONS:				
Discontinued operations	1,043			
Depreciation on discontinued operations	(135)			
Gain on sale of properties and other	10,826			
Minority interests on discontinued operations	(2,144)			

Income from discontinued operations	9,590	-	-	

NET INCOME AVAILABLE TO COMMON SHARES	27,014	3,058	16,818	3
=====				
EARNINGS PER COMMON SHARE - BASIC				
Income from continuing operations	\$ 0.79			
	=====			
Income from discontinued operations	\$ 0.43			
	=====			
Income available for Common Shares	\$ 1.22			
	=====			
EARNINGS PER COMMON SHARE - FULLY DILUTED				
Income from continuing operations	\$ 0.78			
	=====			
Income from discontinued operations	\$ 0.42			
	=====			

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Income available for Common Shares	\$ 1.20 =====
Weighted average common shares outstanding - basic	22,077 =====
Weighted average common shares outstanding - fully diluted	28,002 =====

- (A) Reflects the audited results of operations of the Diversified portfolio. The amounts presented represent the historical amounts for certain revenues and expenses for the periods from January 1, 2003 through December 31, 2003.

- (B) Reflects the audited results of operations of the NHC Portfolio. The amounts presented represent the historical amounts for certain revenues and expenses for the periods from January 1, 2003 through December 31, 2003.

- (C) Reflects the results of operations of the Other 2004 Acquisitions. The amounts presented represent the historical amounts for certain revenues and expenses for the periods from January 1, 2003 through December 31, 2003 for each of the properties

- (D) Reflects the following adjustments:

Equity in income of unconsolidated joint ventures:
 Income on \$29.7 million Mezzanine Investments

 Income on \$1.4 million Joint Venture investments

Interest and related amortization:
 Interest associated with debt assumed in Diversified transaction bearing interest at an average rate of 5.81% which reflects effective rates
 Interest associated with debt assumed in NHC Portfolio transaction bearing interest at an average rate of 5.14%, which reflects effective rates
 Interest associated with debt assumed in Other 2004 Acquisitions bearing interest at an average rate of 5.6%, which reflects effective rates
 Interest associated with borrowings under the Company's line of credit bearing interest at LIBOR plus 1.65%, which based on the 30-day LIBOR rate at the time of borrowings was 2.87%

Depreciation:
 Depreciation based on real property acquired in the amount \$339 million less approximately 25% allocated to land, in the amount of \$254 million, and depreciated over a 30-year life for real property
 Reflects the Company's 25% interest in the depreciation on the Joint Ventures
 Reflects 7.59% minority interest in net income of NHC of \$2.8 million

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Income allocated to minority interests:

Reflects allocation of proforma net income to Common OP Units

SIGNATURE

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

MANUFACTURED HOME COMMUNITIES, INC.

BY: \s\ Thomas P. Heneghan

Thomas P. Heneghan
President and Chief Executive Officer

BY: \s\ Michael B. Berman

Michael B. Berman
Vice President, Treasurer and
Chief Financial Officer

DATE: April 30, 2004

Manufactured Home Communities, Inc.

Diversified Investments Companies Portfolio
- Sacramento, California
Statement of Revenue and Certain Expenses
For The Year Ended December 31, 2003

Report of Independent Auditors

The Board of Directors of
Manufactured Home Communities, Inc.

We have audited the accompanying combined statement of revenue and certain expenses of the Diversified Investments Companies Portfolio (the Properties) as described in Note 2 for the year ended December 31, 2003. The combined statement of revenue and certain expenses is the responsibility of the Properties' management. Our responsibility is to express an opinion on the combined statement of revenue and certain expenses based on our audit.

We conducted our audit in accordance with auditing standards generally accepted

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in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined statement of revenue and certain expenses is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures made in the combined statement of revenue and certain expenses. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the combined statement of revenue and certain expenses. We believe that our audit provides a reasonable basis for our opinion.

The accompanying combined statement of revenue and certain expenses was prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission, for inclusion in the Current Report on Form 8-K of Manufactured Home Communities, Inc. as described in Note 1, and is not intended to be a complete presentation of the Properties' combined revenue and expenses.

In our opinion, the combined statement of revenue and certain expenses referred to above presents fairly, in all material respects, the combined revenue and certain expenses as described in Note 1 of the Properties for the year ended December 31, 2003 in conformity with accounting principles generally accepted in the United States.

ERNST & YOUNG LLP

Chicago, Illinois
April 1, 2004

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Diversified Investments Companies Portfolio
- Sacramento, California
Statement of Revenue and Certain Expenses
For The Year Ended December 31, 2003

REVENUE	
Rental income	\$5,564,827
Other income	462,483

	6,027,310
CERTAIN EXPENSES	
General and administrative	381,502
Utilities	808,744
Repairs and maintenance	227,284
Real estate taxes	392,374
Insurance	261,120
Payroll and benefits	823,082
Marketing	75,690

	2,969,796

Revenue in excess of certain expenses	\$ 3,057,514
	=====

See accompanying notes.

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Diversified Investments Companies Portfolio
- Sacramento, California
Statement of Revenue and Certain Expenses
For The Year Ended December 31, 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying combined statement of revenue and certain expenses for the year ended December 31, 2003 was prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission for inclusion in the Current Report on Form 8-K of Manufactured Home Communities, Inc. The accompanying financial statements are not representative of the actual operations of the acquired Properties for the period presented as certain expenses, which may not be comparable to the expenses to be incurred by Manufactured Home Communities, Inc. in the proposed future operations of the Properties, have been excluded. Expenses excluded consist of interest expense depreciation and amortization, professional fees and other costs not directly related to the future operations of the Properties.

Revenue and Expense Recognition

Rental income attributable to leases is recorded when earned from tenants. Expenses are recognized in the period in which they are incurred.

Use of Estimates

The preparation of the combined statement of revenue and certain expenses in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of the combined revenue and expenses during the reporting period. Actual results could differ from these estimates.

2. DESCRIPTION OF PROPERTIES

The accompanying combined statements of revenue and certain expenses relate to the combined operations of the Diversified Investments Companies Portfolio (the "Properties"), which are located in Arizona, Florida and North Carolina. The Properties have been presented on a combined basis because the Properties were under common ownership and management prior to acquisition. The Properties listed below were acquired on February 5, 2004 for \$64 million by Manufactured Home Communities, Inc. from an unrelated party.

Property Name	Location	Number of Sites
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(unaudited)

Shangri-La MHP	Largo, FL	160
Coachwood Colony MHP	Leesburg, FL	200
Southernaire MHP	Mount Dora, FL	134
Sixth Avenue MHP	Zephyrhills, FL	140
Topics RV Community	Spring Hill, FL	230
Waterway RV Park	Cedar Point, NC	336
Goose Creek Resort	Newport, NC	598
Desert Paradise RV	Yuma, AZ	260
Suni Sands RV Resort	Yuma, AZ	336
Terra Ceia Village	Palmetto, FL	203

		2,597

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Manufactured Home Communities, Inc.

NHC Corporation Portfolio
- Scottsdale, Arizona

Combined Statement of Revenue and Certain Expenses
For The Year Ended December 31, 2003

Report of Independent Auditors

The Board of Directors of
Manufactured Home Communities, Inc.

We have audited the accompanying combined statement of revenue and certain expenses of the NHC Corporation Portfolio (the Properties) as described in Note 2 for the year ended December 31, 2003. The combined statement of revenue and certain expenses is the responsibility of the Properties' management. Our responsibility is to express an opinion on the combined statement of revenue and certain expenses based on our audit.

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

The accompanying combined statement of revenue and certain expenses was prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission, for inclusion in the Current Report on Form 8-K of Manufactured Home Communities, Inc. as described in Note 1, and is not intended to be a complete presentation of the Properties' combined revenue and expenses.

In our opinion, the combined statement of revenue and certain expenses referred to above presents fairly, in all material respects, the combined revenue and certain expenses as described in Note 1 of the Properties for the year ended December 31, 2003 in conformity with accounting principles generally accepted in

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the United States.

ERNST & YOUNG LLP

Chicago, Illinois
April 15, 2004

1

NHC Corporation Portfolio
- Scottsdale, Arizona
Combined Statement of Revenue and Certain Expenses
For The Year Ended December 31, 2003

REVENUE	
Rental income	\$32,083,332
Other income	4,927,261

	37,010,593
CERTAIN EXPENSES	
General and administrative	2,849,777
Utilities	5,444,927
Repairs and maintenance	1,568,194
Real estate taxes	2,533,121
Insurance	1,355,148
Payroll and Benefits	6,441,433

	20,192,600

Revenue in excess of certain expenses	\$16,817,993
	=====

See accompanying notes.

2

NHC Corporation Portfolio
- Scottsdale, Arizona
Combined Statement of Revenue and Certain Expenses
For The Year Ended December 31, 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying combined statement of revenue and certain expenses for the year

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ended December 31, 2003 was prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission for inclusion in the Current Report on Form 8-K of Manufactured Home Communities, Inc. The accompanying financial statements are not representative of the actual operations of the acquired Properties for the period presented as certain expenses, which may not be comparable to the expenses to be incurred by Manufactured Home Communities, Inc. in the proposed future operations of the Properties, have been excluded. Expenses excluded consist of interest expense depreciation and amortization, professional fees and other costs not directly related to the future operations of the Properties.

Revenue and Expense Recognition

Rental income attributable to leases is recorded when earned from tenants. Expenses are recognized in the period in which they are incurred.

Use of Estimates

The preparation of the combined statement of revenue and certain expenses in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of the combined revenue and expenses during the reporting period. Actual results could differ from these estimates.

2. DESCRIPTION OF PROPERTIES

The accompanying combined statements of revenue and certain expenses relate to the combined operations of the NHC Corporation Portfolio (the "Properties"), which are located in Texas, Florida and California. The Properties have been presented on a combined basis because the Properties were under common ownership and management prior to acquisition. The Properties listed below were acquired on February 17, 2004 for approximately \$235 million by Manufactured Home Communities, Inc. from an unrelated party.

Property Name	Location	Sites (unaudited)	Property Name
Encore Harlingen	Harlingen, TX	1,027	Encore Orlando
Sunburst Harlingen	Harlingen, TX	301	Fort Myers Beach
Paradise Park	Harlingen, TX	563	Encore Daytona Beach North
Southern Comfort	Weslaco, TX	403	Silver Dollar
Sunburst Weslaco	Weslaco, TX	390	Sunburst Lake Placid
Encore Mercedes	Mercedes, TX	493	Encore Sarasota North
			Encore Tampa North
Sunburst Port Richey	Hudson, FL	392	Sunshine Key Fun
Sunburst St Petersburg	Largo, FL	293	Sunburst Fort Myers
Encore Sarasota South	Nokomis, FL	548	Sunburst Florida Keys
Encore Port Charlotte	Port Charlotte, FL	528	Sunburst North Fort Myers
Park City West	Fort Lauderdale, FL	363	Tropical Palms Fun
Encore Punta Gorda	Punta Gorda, FL	206	
Encore Vero Beach	Sebastian, FL	300	Pacific Dunes Ranch
Encore Crystal River	Crystal River, FL	260	Tahoe Valley