

AFFORDABLE RESIDENTIAL COMMUNITIES INC
Form 8-K
May 17, 2004

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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 8-K

**Current Report Pursuant to Section 13
of the Securities Exchange Act of 1934**

Date of Report (Date of Earliest Event reported) May 17, 2004 (May 14, 2004)

AFFORDABLE RESIDENTIAL COMMUNITIES INC.

(Exact name of registrant as specified in its charter)

Maryland
(State of Incorporation)

001-31987
(Commission File Number)
600 Grant Street, Suite 900, Denver, Colorado, 80203

84-1477939
(IRS Employer Identification No.)

(Address of principal executive offices and zip code)

(303) 383-7500
(Registrant's Telephone Number)

Item 12. Results of Operations and Financial Condition

(a) On May 14, 2004, Affordable Residential Communities Inc. (the "Company") posted on the Company's website a supplemental presentation concerning the Company's results of operations for the first quarter of 2004. The supplemental presentation is attached hereto as Exhibit A to this Form 8-K and is furnished to, but not filed with, the Commission.

**First Quarter 2004
Earnings Release and
Supplemental Operating and Financial Data**

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Note: This earnings release and supplemental operating and financial data report contains certain non-GAAP financial measures that we believe are helpful in understanding our business as further described in Exhibit I. These financial measures that principally include Funds From Operations, Funds Available for Distribution, Earnings Before Interest, Taxes, Depreciation and Amortization, and Net Segment Income should not be considered an alternative to Loss Available to Common Stockholders or any other GAAP measurement of performance or as an alternative to cash flows from operating, investing or financing activities. Furthermore, these non-GAAP financial measures are not intended to be a measure of cash flow or liquidity.

Portfolio Map

Press Release Text

Affordable Residential Communities Inc. Reports First Quarter 2004 Results

DENVER, May 4, 2004 (BUSINESS WIRE) Affordable Residential Communities Inc. (NYSE: ARC) today announced results for the quarter ended March 31, 2004.

For the quarter ended March 31, 2004, funds from operations available to common stockholders (FFO)¹ was \$(21.7) million or \$(0.74) per share. For the quarter ended March 31, 2004, net loss available to common stockholders was \$35.0 million or \$1.20 per share as compared to a net loss available to common stockholders of \$8.4 million or \$0.49 per share for the three months ended March 31, 2003. Our results in the quarter ended March 31, 2004 reflect the inclusion of one-time charges of \$27.9 million or \$0.88 per share related to our IPO, acquisition of certain assets from Hometown America LLC and the repayment of certain indebtedness, all of which were completed in February. Excluding these one-time charges, our FFO would have been \$4.0 million or \$0.14 per share. On a same community basis, revenue in our real estate segment was up 3.5% to \$36.9 million from \$35.7 million for the first quarter ended March 31, 2004 as compared to the first quarter ended March 31, 2003. Same community expenses increased 2.3% to \$14.1 million from \$13.8 million for the three months ended March 31, 2004 as compared to the three months ended March 31, 2003. As a result, same communities real estate net segment income² increased 4.2% to \$22.8 million from \$21.9 million for the three months ended March 31, 2004 as compared to the three months ended March 31, 2003.

See the attachment to this press release for reconciliation of FFO and real estate net segment income to net loss (\$35.0) million, and FFO per share to net loss per share (\$0.49) per share, the most directly comparable GAAP measures, and to Notes 1 and 2 for a definition of FFO and real estate net segment income.

Total portfolio occupancy averaged 81.4% for the three months ended March 31, 2004. Average occupancy for same communities decreased from 87.3% for the three months ended March 31, 2003 to 83.5% for the three months ended March 31, 2004 due mainly to the lack of available chattel lending and lenders moving repossessed homes out of the communities.

Our results in the first quarter of 2004 were impacted by a series of one-time charges related to our recent activities totaling \$27.9 million or \$0.88 per share. The primary components of the charges include: (i) restricted stock grant of \$10.1 million, (ii) write-off of loan origination costs and exit fees associated with the repayment of indebtedness of \$13.4 million and (iii) IPO related costs of \$4.4 million. These costs will not impact future reporting periods.

"We are satisfied thus far with the integration of the Hometown portfolio. We have expanded our district management infrastructure from 7 districts to 12 districts to reflect the increase of approximately 26,000 homesites to our portfolio. We have not experienced any significant issues associated with this portfolio that were not previously identified through our due diligence process. Our new employees and communities are fully equipped and are undergoing training in ARC's systems and procedures," said Scott Jackson, Chairman and Chief Executive Officer. "Our capital expenditure projects are focused on preparing homesites for new home deliveries, addressing deferred maintenance issues and improving amenities in order to meet ARC's quality standards. In addition to the approximately 1,100 homes we acquired in the acquisition, we purchased or ordered approximately 500 new homes for these communities in the first quarter. We do not expect homesite upgrades and preparation to be a limiting factor in our ability to place rental homes and for-sale homes into these communities."

"We are pleased to have the IPO and the Hometown acquisition behind us," added Mr. Jackson. "Our full attention has now turned to our occupancy initiatives. We look forward to the

implementation of these programs in all of our communities and the on-going training of our new employees located in the Hometown communities. We remain confident in our rental home program with 438 net lease-ups, excluding the Hometown communities, in the first quarter. We have several additional occupancy initiatives including our in-community home sales program, our consumer finance program and our Hispanic marketing program. We are particularly excited about our focus on providing homes at affordable prices and our ability to finance the sale of these homes. We look forward to these activities positively impacting our performance going forward."

We completed our initial public offering on February 18, 2004. We issued 24.5 million shares of common stock at \$19.00 per share, of which 2.3 million shares were offered by selling stockholders. On March 18, 2004, our underwriters exercised their over-allotment option to purchase 0.8 million shares of common stock at \$19.00 per share. Concurrent with the IPO, we raised \$125 million of gross proceeds through the issuance of 5.0 million shares of Series A Cumulative Redeemable Preferred Stock.

In connection with the IPO, we completed the acquisition of 90 communities from Hometown America for approximately \$615.3 million comprising 26,406 homesites. This includes a small number of communities acquired post-closing upon the completion of the loan assumption process with the final three loan assumptions completed on April 9, 2004.

In conjunction with the IPO, we completed a \$250 million finance facility to support our in-community home sales and in-community finance programs. The facility consists of two funding components: (i) a \$225 million four-year facility to fund consumer loans and (ii) a \$25 million facility to fund for-sale home inventory.

In addition, we closed on two communities on February 26, 2004 consisting of 401 homesites in the Nashville, TN market. These communities were acquired for approximately \$7.4 million in cash and had occupancy at acquisition of 66% reflecting an initial capitalization rate of 8.7%. This acquisition affords us significant upside in terms of occupancy and rent growth. Nashville now represents a core market for us with five communities totaling 1,134 homesites.

On May 3, 2004 we placed a 36-community portfolio under contract. This portfolio consists of approximately 3,600 homesites that are approximately 88% occupied with an average rent of \$254 per month. The portfolio will be purchased for approximately \$65.0 million, including closing costs, and represents an in-place capitalization rate of approximately 8.5%. The acquisition comes with \$28.5 million of existing debt that will be assumed by ARC and has an interest rate of 7.2%. The remainder of the consideration is expected to consist of cash and preferred operating partnership units. Taking into account the loan assumption process, we expect this portfolio to close in June 2004. The communities are located in the eastern half of the U.S. and fit well with our existing footprint. At this time, there is no guarantee we will close on this portfolio.

In addition, we have placed four communities under contract in Salt Lake City, UT. There are a total of 558 homesites with an average occupancy of 78.5%. These communities are each under separate contract for a total of \$12.6 million with an in-place capitalization rate of 6.7%. These contracts are subject to completion of our due diligence and can be terminated by us.

A conference call to discuss first quarter results will be held Tuesday, May 4, 2004 at 12:00 p.m. Eastern Time. This call is being webcast by CCBN and can be accessed at ARC's website at www.aboutarc.com. The webcast is also being distributed over CCBN's Investor Distribution Network to both institutional and individual investors. Individual investors can listen to the call through CCBN's individual investor center at www.fulldisclosure.com or by visiting any of the investor sites in CCBN's Individual Investor Network. Institutional investors can access the call via CCBN's password-protected event management site, StreetEvents at www.streetevents.com.

Affordable Residential Communities Inc. currently owns and operates approximately 67,000 homesites located in 304 communities in 29 states. ARC is a fully integrated, self-administered, self-managed equity real estate investment trust (REIT) focused on the acquisition, renovation, repositioning and operation of primarily all-age manufactured home communities with headquarters in Denver, CO.

1. As defined by NAREIT, FFO represents net income (loss) (computed in accordance with GAAP), excluding gains (or losses) from sales of property, plus real estate related depreciation and amortization (excluding amortization of loan origination costs) and after adjustments for unconsolidated partnerships and joint ventures. We present FFO because we consider it an important supplemental measure of our operating performance and believe it is frequently used by securities analysts, investors and other interested parties in the evaluation of REITs, many of which present FFO when reporting their results. FFO is intended to exclude GAAP historical cost depreciation and amortization of real estate and related assets, which assumes that the value of real estate assets diminishes ratably over time. Historically, however, real estate values have risen or fallen with market conditions. Because FFO excludes depreciation and amortization unique to real estate and gains and losses from property dispositions, it provides a performance measure that, when compared year over year, reflects the impact to operations from trends in occupancy rates, rental rates, operating costs, development activities and interest costs, providing perspective not immediately apparent from net income. We compute FFO in accordance with standards established by the Board of Governors of NAREIT in its March 1995 White Paper (as amended in November 1999 and April 2002), which may differ from the methodology for calculating FFO utilized by other equity REITs and, accordingly, may not be comparable to such other REITs. Further, FFO does not represent amounts available for management's discretionary use because of needed capital replacement or expansion, debt service obligations, or other commitments and uncertainties. FFO should not be considered as an alternative to net income (loss) (computed in accordance with GAAP) as an indicator of our financial performance or to cash flow from operating activities (computed in accordance with GAAP) as an indicator of our liquidity, nor is it indicative of funds available to fund our cash needs, including our ability to pay dividends or make distributions.

2. Real estate net segment income provides a measure of rental operations that does not include property management, depreciation, amortization, interest expense and non-property specific expenses such as general and administrative expenses. We present real estate net segment income because we consider it an important supplemental measure of the operating performance of our communities and believe it is frequently used by lenders, securities analysts, investors and other interested parties in the evaluation of REITs, many of which present real estate net segment income when reporting their results. Real estate net segment income is defined as income from rental and other property and manufactured homes less expenses for property operations and real estate taxes. Real estate net segment income does not represent cash generated from operating activities in accordance with GAAP and is not necessarily indicative of cash available to fund cash needs, including the repayment of principal on debt and payment of dividends on common and preferred stock. Real estate net segment income should not be considered a substitute for net income (calculated in accordance with GAAP) nor a measure of results of operations or cash flows (calculated in accordance with GAAP) as a measure of liquidity.

The forward-looking statements contained in this news release are subject to certain risks and uncertainties including, but not limited to, general risks affecting the real estate industry; the Company's ability to maintain or increase rental rates and occupancy with respect to properties currently owned; the Company's assumptions on rental home and home sales and financing activity; completion of pending acquisitions, if any, and timing with respect thereto; the Company's growth and expansion into new markets or to integrate acquisitions successfully; and the effect of interest rates as well as other risks indicated from time to time in the Company's filings with the Securities and Exchange Commission. The Company expressly disclaims any intention or obligation to provide public updates, revisions or amendments to any forward-looking statements that become untrue because of subsequent events.

Financial Highlights

	Three Months Ended		
	03/31/04	03/31/03	Change
(\$ in thousands, except per share data)			
Operating Data			
Total revenue	\$ 45,470	\$ 42,842	6.1%
Same community real estate net segment income(c)	\$ 22,801	\$ 21,874	4.2%
Avg. monthly real estate revenue per occupied homesite	370	343	8.0%
Avg. monthly homeowner rental income per homeowner occupied homesite	285	273	4.2%
Weighted average occupied homesites	33,228	34,682	(4.2)%
EBITDA(c)	\$ 6,583	\$ 16,194	(32.1)%
Adjusted EBITDA(a)(c)	21,070	16,194	30.1%
Funds from operations available to common stockholders and OP unitholders (c)	\$ (23,609)	\$ 1,572	(1601.8)%
FFO per share diluted	(0.74)	0.08	(1030.5)%
FFO payout ratio	NA	NA	NA
Recurring capital expenditures	\$ 520	\$ 1,325	(60.8)%
Scheduled principal amortization of indebtedness	1,936	2,246	(13.8)%
Funds available for distribution ("FAD") (c)	\$ (26,065)	\$ (1,999)	1203.9%
FAD per share diluted	(0.82)	(0.10)	707.9%
FAD payout ratio	NA	NA	NA
Net income (loss) to common stockholders	\$ (34,969)	\$ (8,401)	316.2%
Earnings (loss) per share basic	(1.20)	(0.50)	139.2%
Earnings (loss) per share diluted	(1.20)	(0.50)	139.2%
Distributions per common share (through March 31, 2004)	\$ 0.1493(b)	NA	NA
Distributions per preferred share (through April 30, 2004)	0.4182(b)	NA	NA
Interest expensed	\$ 14,684	\$ 13,880	5.8%
Interest capitalized	544	0	NA
Total interest incurred	\$ 15,228	\$ 13,880	
EBITDA/interest	0.43x	1.17x	
EBITDA/interest + preferred stock dividend	0.40x	1.17x	
Share Detail			
Average number of common shares outstanding	29,233	16,973	72.2%
Average number of OP units outstanding	2,560	2,726	(6.1)%
Diluted shares outstanding	31,793	19,699	61.4%
	03/31/04	12/31/03	Change

Balance Sheet Data

Total assets	\$	1,770,503	\$	1,125,833	57.3%
Total debt		933,942		789,574	18.3%
Market equity value, end of period		802,234		NA	NA
Debt/total assets		52.8%		70.1%	(24.8)%
Debt/total market capitalization		53.8%		NA	NA

Other Data

Total properties (at period end)		301		211	
Total homesites (at period end)		66,548		39,943	
Occupied homesites (at period end)		53,353		34,881	
Occupancy percentage total portfolio		80.2%		87.3%	

- (a) Adjusted EBITDA reflects the add-back of \$27.9 million in one-time costs related to the IPO and the early termination of certain indebtedness.
- (b) Reflects partial period.
- (c) See Exhibit I for definition and reconciliation to nearest GAAP measure.

First Quarter Adjustments

	3/31/04
	(\$ in thousands; except per share data)
FFO available to common stockholders & OP unitholders(a)	\$ (23,609)
Plus:	
Restricted stock grants	10,070
IPO related costs	4,417
Early termination of debt	13,427
Adjusted FFO(a)	\$ 4,305
Plus:	
Preferred dividend	1,232
Depreciation on F, F & E	369
Amortization of loan origination fees	868
Net interest expense	14,296
Adjusted EBITDA(a)	\$ 21,070
Adjusted FFO(a)	\$ 4,305
FFO per share diluted	0.14
FFO payout ratio	150.4%
Recurring capital expenditures	\$ 520
Scheduled principal amortization of indebtedness	1,936
Adjusted FAD(a)	\$ 1,849
FAD per share diluted	0.06
FAD payout ratio	350.1%
Adjusted EBITDA/interest	1.38x
Adjusted EBITDA/interest + preferred dividend	1.28x
Distributions payable on common shares and OP units	\$ 6,474

(a) See Exhibit I for definition and reconciliation to nearest GAAP measure.

Balance Sheet

	Period Ending	
	03/31/04	12/31/03
(\$ in thousands)		
Assets		
Rental property		
Land	\$ 211,432	\$ 125,977
Land improvements and buildings	1,230,974	738,807
Manufactured homes and improvements	163,430	136,589
Furniture, equipment and vehicles	9,200	8,896
	<u>1,615,036</u>	<u>1,010,269</u>
Rental property, gross	1,615,036	1,010,269
Accumulated depreciation	(116,441)	(103,221)
	<u>1,498,595</u>	<u>907,048</u>
Rental property, net	1,498,595	907,048
Cash and cash equivalents	87,986	26,631
Restricted cash	1,435	13,669
Tenant, notes and other receivables, net	14,190	8,392
Inventory	3,085	3,878
Loan origination costs, net	15,108	11,921
Loan reserves	29,643	32,414
Goodwill	86,126	86,126
Lease intangibles and customer relationships, net	24,668	11,626
Prepaid expenses and other assets	9,667	24,128
	<u>1,770,503</u>	<u>1,125,833</u>
Total assets	\$ 1,770,503	\$ 1,125,833
Liabilities and Stockholders' Equity		
Notes payable and preferred interest	\$ 933,942	\$ 789,574
Accounts payable and accrued expenses	32,492	20,174
Tenant deposits and other liabilities	12,024	8,101
	<u>978,458</u>	<u>817,849</u>
Total liabilities	978,458	817,849
Minority interest	37,175	42,639
Stockholders' equity		
Preferred stock	119,108	
Common stock	410	170
Paid-in capital	791,916	378,018
Unearned compensation	(1,760)	
Accumulated other comprehensive expense	(518)	
Retained deficit	(154,286)	(112,843)
	<u>754,870</u>	<u>265,345</u>
Total stockholders' equity	754,870	265,345

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	Period Ending	
Total liabilities and stockholders' equity	\$ 1,770,503	\$ 1,125,833

Debt Analysis

	<u>Debt Amount</u>	<u>% of Total Debt</u>	<u>Interest Rate</u>	<u>Maturity Date</u>		
	(\$ in thousands)					
Fixed Rate Debt						
Senior fixed rate mortgage due 2012	\$ 306,040	32.8%	7.350%	2012		
Senior fixed rate mortgage due 2014	215,313	23.1%	5.530%	2014		
Senior fixed rate mortgage due 2009	100,676	10.8%	5.050%	2009		
Various individual fixed rate mortgages	123,942	13.3%	6.121%	2004-2031		
Existing other loans	1,106	0.1%	8.670%	2005		
	<u>747,077</u>	<u>80.0%</u>	<u>6.314%</u>			
Variable Rate Debt(a)						
Senior variable rate mortgage	184,011	19.7%	4.090%	2006		
Consumer finance credit facility	0	0.0%	0.000%	2008		
Floorplan lines of credit	2,643	0.3%	7.750%	2004		
Revolving credit facility	0	0.0%	0.000%	2006		
Other loans	211	0.0%	4.000%	2004		
	<u>186,865</u>	<u>20.0%</u>	<u>4.142%</u>			
Total variable rate debt	186,865	20.0%	4.142%			
Total debt	\$ 933,942	100.0%	5.879%			
% Fixed/Variable						
Fixed	\$ 747,077	80.0%	6.314%			
Variable	186,865	20.0%	4.142%			
	<u>933,942</u>	<u>100.0%</u>	<u>5.879%</u>			
Total debt						
	\$ 933,942	100.0%	5.879%			
Maturity Schedule(b)						
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>Thereafter</u>
Senior fixed rate mortgages	\$ 6,028	\$ 8,068	\$ 8,574	\$ 9,111	\$ 9,622	\$ 580,627
Various individual fixed rate mortgages	11,963	3,870	14,090	1,864	25,155	60,692
Senior variable rate mortgage	0	0	184,011	0	0	0
Consumer finance line of credit	0	0	0	0	0	0
Floorplan lines of credit	2,643	0	0	0	0	0
Revolving line of credit	0	0	0	0	0	0
Other debt	270	1,047	0	0	0	0
	<u>20,903</u>	<u>12,985</u>	<u>206,675</u>	<u>10,975</u>	<u>34,777</u>	<u>641,319</u>
Total debt maturities	\$ 20,903	\$ 12,985	\$ 206,675	\$ 10,975	\$ 34,777	\$ 641,319

(a) In February 2004, we entered into a two-year \$100 million swap and purchased interest rate caps covering our senior variable rate mortgage.

(b)

Does not include debt premium.

Statement of Operations

	03/31/04
	(\$ in thousands; except per share data)
Revenue	
Communities	\$ 44,573
Retail sales	754
Consumer finance and insurance	134
Corporate and other	9
	<hr/>
Total revenue	45,470
Operating Expenses	
Communities	17,024
Retail sales	934
Consumer finance and insurance	170
Corporate and other	84
Property management	1,454
IPO related costs(a)	4,417
General and administrative(a)	14,804
	<hr/>
Total expenses	38,887
	<hr/>
EBITDA(b)	6,583
Early termination of debt(a)	13,427
Depreciation & amortization	15,660
Net interest expense	14,296
	<hr/>
Income (loss) before minority interest	(36,800)
Minority interest	3,063
	<hr/>
Income (loss) before preferred stock dividend	(33,737)
Preferred stock dividend	(1,232)
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Income (loss) available to common stockholders	\$ (34,969)
	<hr/>
FFO Calculation(b)	
Income (loss) before minority interest(a)	\$ (36,800)
Plus: Depreciation and amortization	15,660
Less: Amortization of loan origination fees	(868)
Depreciation on F, F & E	(369)
Preferred stock dividends	(1,232)
	<hr/>
FFO available to common stockholders & OP unitholders(b)	\$ (23,609)
	<hr/>
Less: Recurring capital expenditures	\$ (520)
Scheduled principal amortization of indebtedness	(1,936)

	<u>03/31/04</u>
Funds available for distribution ("FAD")(b)	\$ (26,065)
FFO per share/unit	\$ (0.74)
FAD per share/unit	\$ (0.82)
Distribution per share/unit	\$ 0.15
Weighted average common shares and OP units	31,793

- (a) Includes certain one-time costs related to the IPO and the repayment of certain indebtedness.
- (b) See Exhibit I for definition and reconciliation to nearest GAAP measure.

Comprehensive Income

	Three Months Ended 03/31/04
	(\$ in thousands)
Net income (loss)	\$ (34,969)
Unrealized income (loss) on interest rate swap	(518)
Comprehensive income (loss)	\$ (35,487)

Revolving Credit Facility

	03/31/04
	(\$ in thousands)
Commitment amount	\$ 125,000
Borrowing base availability	\$ 66,884
Amount outstanding at period end	\$ 0
Excess availability	\$ 66,884

Segment Detail

	Three Months Ended	
	03/31/04(a)	12/31/03
(\$ in thousands)		
Revenue		
Total real estate revenue	\$ 44,573	\$ 36,589
Retail homes sales revenue	754	1,757
Finance and insurance revenue	134	675
Corporate and other	9	998
Segment revenue	45,470	40,019
Expenses		
Property operations expense	13,541	13,290
Real estate taxes	3,483	2,826
Retail homes sales expense	934	2,142
Finance and insurance expense	170	542
Corporate and other	84	798
Segment expenses	18,212	19,598
Net Segment Income		
Real estate income	27,549	20,473
Retail homes sales income	(180)	(385)
Finance and insurance income	(36)	133
Corporate and other	(75)	200
Net segment income	\$ 27,258	\$ 20,421
Other Data		
EBITDA(b)	\$ 6,583	\$ 16,194
FFO available to common stockholders and OP unitholders(b)	\$ (23,609)	\$ 1,572
Net income (loss)	\$ (34,969)	\$ (8,401)
One-time charges	\$ 27,914	\$ 0

(a) Results include one-time charges of \$27.9 million related to the IPO and the repayment of certain indebtedness.

(b) See Exhibit I for definition and reconciliation to nearest GAAP measure.

Same Community Data

	2004		2003		
	1st Qtr	4th Qtr	3rd Qtr	2nd Qtr	1st Qtr
(\$ in thousands)					
For the full quarter noted:					
Average total homesites	39,804	39,804	39,804	39,788	39,729
Average total rental homes	6,356	5,861	5,473	5,065	4,844
Average occupied homesites homeowners	28,189	28,870	29,629	30,333	30,854
Average occupied homesites home renters	5,039	4,784	4,574	4,226	3,828
Average occupied homesites total	33,228	33,654	34,203	34,559	34,682
Average occupancy rental homes	79.3%	81.6%	83.6%	83.4%	79.0%
Average occupancy total	83.5%	84.5%	85.9%	86.9%	87.3%
For the full quarter noted:					
Real estate revenue					
Homeowner rental income	\$ 24,088	\$ 24,036	\$ 24,346	\$ 24,744	\$ 25,314
Home renter rental income	8,890	8,561	8,293	7,903	6,781
Other	129	123	46	10	54
Rental income	33,107	32,720	32,685	32,657	32,149
Utility and other income	3,792	3,535	3,657	3,399	3,501
Total real estate revenue	36,899	36,255	36,342	36,056	35,650
Real estate expenses					
Property operations expenses	11,117	13,099	12,079	11,253	11,138
Real estate taxes	2,981	2,781	2,547	2,524	2,638
Total real estate expenses	14,098	15,880	14,626	13,777	13,776
Real estate net segment income(a)	\$ 22,801	\$ 20,375	\$ 21,716	\$ 22,279	\$ 21,874
Average monthly real estate revenue per total occupied homesite(b)					
	\$ 370	\$ 359	\$ 354	\$ 348	\$ 343
Average monthly homeowner rental income per homeowner occupied homesite(c)					
	\$ 285	\$ 278	\$ 274	\$ 272	\$ 273
Average monthly real estate revenue per total homesite(d)					
	\$ 309	\$ 304	\$ 304	\$ 302	\$ 299
Average monthly home renter income per occupied rental home(e)					
	\$ 588	\$ 597	\$ 604	\$ 623	\$ 590

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	2004		2003		
<i>At end of quarter:</i>					
Total communities owned	209	209	209	209	209
Total homesites	39,804	39,804	39,804	39,804	39,741
Occupied homesites	33,156	33,300	33,967	34,427	34,693
Total rental homes owned	6,763	5,875	5,830	5,203	4,903
Occupied rental homes	5,318	4,803	4,725	4,411	3,998

- (a) See Exhibit I for definition and reconciliation to nearest GAAP measure.
- (b) Average monthly real estate revenue per occupied homesite is defined as total real estate revenue divided by average total occupied homesites divided by the number of months in the period.
- (c) Average monthly homeowner rental income per homeowner occupied homesite is defined as homeowner rental income divided by average homeowner occupied homesites divided by the number of months in the period.
- (d) Average monthly real estate revenue per total homesite is defined as total real estate revenue divided by average total homesites divided by the number of months in the period.
- (e) Average monthly home renter income per occupied rental home is defined as total home renter rental income divided by average occupied rental homes divided by the number of months in the period.

Same Community Percentage Growth

	Three Months Ended 03/31/04 vs. 03/31/03
<i>Real Estate Revenue</i>	
Homeowner rental income	(4.8)%
Home renter rental income	31.1%
Other	138.9%
	<hr/>
Rental income	3.0%
Utility and other income	8.3%
	<hr/>
Total real estate revenue	3.5%
	<hr/>
<i>Real Estate Expenses</i>	
Property operations expenses	(0.2)%
Real estate taxes	13.0%
	<hr/>
Total real estate expenses	2.3%
	<hr/>
Net real estate segment income	4.2%
	<hr/>

Total Real Estate Segment

	2004		2003		
	1st Qtr	4th Qtr	3rd Qtr	2nd Qtr	1st Qtr
(\$ in thousands)					
For the full quarter noted:					
Average total homesites	52,837	40,435	40,300	40,729	39,824
Average total rental homes	7,063	5,938	5,535	5,145	4,825
Average occupied homesites homeowners	37,599	29,191	29,872	30,806	31,021
Average occupied homesites home renters	5,424	4,853	4,614	4,327	3,754
Average occupied homesites total	43,023	34,044	34,486	35,133	34,775
Average occupancy rental homes	76.8%	81.7%	83.4%	84.1%	77.8%
Average occupancy total	81.4%	84.2%	85.6%	86.3%	87.3%
For the full quarter noted:					
Real estate revenue					
Homeowner rental income	\$ 31,130	\$ 23,764	\$ 24,550	\$ 24,977	\$ 25,325
Home renter rental income	9,239	9,241	8,431	7,840	6,792
Other	200	98	44	32	54
Rental income	40,569	33,103	33,025	32,849	32,171
Utility and other income	4,004	3,486	3,689	3,509	3,508
Total real estate revenue	44,573	36,589	36,714	36,358	35,679
Real estate expenses					
Property operations expenses	\$ 13,541	\$ 13,274	\$ 12,219	\$ 11,356	\$ 11,146
Real estate taxes	3,483	2,842	2,588	2,512	2,640
Total real estate expenses	17,024	16,116	14,807	13,868	13,786
Real estate net segment income(a)	\$ 27,549	\$ 20,473	\$ 21,907	\$ 22,490	\$ 21,893
Average monthly real estate revenue per total occupied homesite(b)					
	\$ 345	\$ 358	\$ 355	\$ 345	\$ 342
Average monthly homeowner rental income per homeowner occupied homesite(c)					
	\$ 276	\$ 271	\$ 274	\$ 270	\$ 272
Average monthly real estate revenue per total homesite(d)					
	\$ 281	\$ 302	\$ 304	\$ 298	\$ 299
Average monthly home renter income per occupied rental home(e)					
	\$ 568	\$ 635	\$ 609	\$ 604	\$ 603

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	2004		2003		
<i>At end of quarter:</i>					
Total communities owned	301	212	212	212	211
Total homesites	66,548	40,435	40,435	40,812	39,943
Occupied homesites	53,353	33,670	34,282	35,116	34,881
Total rental homes owned	8,127	6,061	6,003	5,243	4,912
Occupied rental homes	6,103	4,908	4,843	4,438	4,006

- (a) See Exhibit I for definition and reconciliation to nearest GAAP measure.
- (b) Average monthly real estate revenue per occupied homesite is defined as total real estate revenue divided by average total occupied homesites divided by the number of months in the period.
- (c) Average monthly homeowner rental income per homeowner occupied homesite is defined as homeowner rental income divided by average homeowner occupied homesites divided by the number of months in the period.
- (d) Average monthly real estate revenue per total homesite is defined as total real estate revenue divided by average total homesites divided by the number of months in the period.
- (e) Average monthly home renter income per occupied rental home is defined as total home renter rental income divided by average occupied rental homes divided by the number of months in the period.

Capital Expenditure Summary

	Three Months Ended	
	03/31/04	03/31/03
	(\$ in thousands)	
Recurring capital expenditures (a)	\$ 520	\$ 1,325
<i>Recurring capital expenditures per average per site per annum</i>	<i>39</i>	<i>133</i>
Homesite upgrades(b)	1,042	1,482
Expansion and development(c)	1,955	1,781
Utility recapture(d)		
Total capital improvements	\$ 3,517	\$ 4,588

- (a) Includes capital expenditures necessary to maintain asset quality, including purchasing and replacing assets used to operate the community. These capital expenditures include repairs of roads, driveways, and pools, renovation of clubhouses and replacement or installation of street lights, playground equipment, signage, maintenance facilities, manager housing and property vehicles. These capital expenditures do not include water meters, sheds, homes or community acquisitions. Our minimum capitalizable amount of a project is \$500.
- (b) Includes capital expenditures that improve homesites for placement of a new home typically when an existing older home moves out and the site is prepared for a new home. Many of these activities are governed by manufacturers' installation requirements and State building codes and include grading, electrical, concrete, landscaping, drainage and water/sewer lines. We estimate that the new home will be in the community for an average of at least 20 years although we depreciate these costs over 10 years.
- (c) These are the costs to develop and expand communities following acquisition. They include costs for engineering, driveways, paving, utilities, and amenities. They also include capitalized interest and capitalized internal costs in the first quarter of 2004 of \$694.
- (d) Revenue producing includes costs related to revenue generating activities, consisting primarily of sub-metering of water and sewer service.

Manufactured Home Purchases

	Three Months Ended	
	03/31/04	03/31/03
	(\$ in thousands)	
Manufactured home purchases(a)(b)	\$ 18,001	\$ 2,011
<i>Number of manufactured homes purchased(b)</i>	1,172	175

(a) Includes expenditures for manufactured homes in the period and home setup expenditures.

(b) Excludes manufactured homes purchased in the Hometown acquisition.

Top 20 Markets

Market(a)	Number of Total Homesites(b)	Percentage of Total Homesites	Occupancy		Rental Income Per Occupied Homesite Per Month (c)	
			03/31/04	12/31/03	03/31/04 (d)	12/31/03 (e)
Dallas Ft. Worth, TX	7,369	11.1%	78.0%	79.4%	\$ 347	\$ 324
Atlanta, GA	5,074	7.6%	83.5%	79.7%	323	322
Salt Lake City, UT	3,310	5.0%	93.1%	93.6%	349	332
Front Range of CO	3,301	5.0%	91.6%	92.5%	419	410
Jacksonville, FL	2,525	3.8%	81.3%	81.5%	329	314
Kansas City Lawrence Topeka, MO KS	2,436	3.7%	89.3%	89.7%	274	269
Wichita, KS	2,315	3.5%	69.7%	72.7%	282	270
Orlando, FL	1,996	3.0%	87.6%	85.3%	326	321
Oklahoma City, OK	1,911	2.9%	81.3%	81.1%	288	280
St. Louis, MO IL	1,881	2.8%	81.4%	82.7%	276	267
Greensboro Winston Salem, NC	1,416	2.1%	72.0%	69.8%	257	272
Davenport Moline Rock Island, IA IL	1,410	2.1%	84.5%	85.2%	258	253
Montgomery, AL	1,288	1.9%	55.8%	54.9%	188	188
Charleston North Charleston, SC	1,233	1.9%	78.4%	77.0%	239	228
Elkhart Goshen, IN	1,225	1.8%	79.7%	78.9%	305	297
Inland Empire, CA	1,223	1.8%	90.6%	90.8%	412	415
Nashville, TN	1,134	1.7%	70.8%	70.1%	262	265
Southeast Florida	1,124	1.7%	94.4%	91.5%	473	462
Raleigh Durham Chapel Hill, NC	1,095	1.6%	85.1%	84.9%	321	309
Tampa Lakeland Winter Haven, FL	1,005	1.5%	75.5%	74.5%	262	257
Subtotal top 20 markets	44,271	66.5%	82.0%	81.9%	324	314
All other markets	22,277	33.5%	76.5%	76.7%	302	288
Total/weighted average	66,548	100.0%	80.2%	80.1%	\$ 317	\$ 306

(a) Markets are defined by our management.

(b) Results as of March 31, 2004, reflect acquisitions made during the quarter and exclude three communities which were acquired on April 9, 2004 upon the completion of the loan assumption process.

(c) Rental Income is defined as homeowner rental income, home renter rental income and other rental income.

(d) For the Hometown communities, March data was used to calculate "Rental Income Per Occupied Homesite Per Month." For Weatherly Estates I and II, acquired February 26, 2004, March data was used to calculate "Rental Income Per Occupied Homesite Per Month."

(e) For the quarter ended December 31, 2003, the results are pro forma for the Hometown acquisition and include all 90 communities.

Acquisitions & Dispositions

Acquisitions

Acquisition Date	Market	Number of Communities	Number of Homesites	Allocated Purchase Price	Debt Assumed	Cash	Fair Market Value of OP Units/shares
(\$ in thousands)							
02/18/04	Various(a)	90	26,406	\$ 615,270	\$ 92,434	\$ 522,836	0
02/26/04	Nashville, TN	2	401	7,400	0	7,400	0

Dispositions

Disposition Date	Market	Number of Communities	Number of Homesites	Gross Sales Price	Gain/(Loss) on Sale
None					

(a) Reflects the initial purchase price allocation of the Hometown acquisition including the three Hometown communities closed on April 9, 2004.

Hometown Acquisition Data

	<u>03/31/04</u>
# of Communities(a)	87
# of Homesites(a)	25,712
Total occupied homesites	19,555
<i>Occupancy %</i>	76.1%
Homeowner occupied homesites	18,849
Renter occupied homes	706
Total occupied homesites	<u>19,555</u>
Vacant homesites	6,157
Total homesites	<u>25,712</u>
<i>% of Total Homesites</i>	
Homeowner occupied homesites	73.3%
Renter occupied homes	2.7%
Vacant homesites	23.9%
Total homesites	<u>100.0%</u>
<i>% of Occupied Homesites</i>	
Homeowner occupied homesites	96.4%
Renter occupied homes	3.6%
Occupied homesites	<u>100.0%</u>
Number of owned homes	1,487
Renter occupied homes	706
Non-revenue producing homes	781
Number of repossessed homes	478
<i>as a % of total homesites</i>	1.9%
<i>as a % of homeowner occupied homesites</i>	2.5%
<i>Financial Data</i>	
Bad debt as a % of total real estate revenue	NM
Revenue contribution	\$ 7,645
Expense contribution	2,722
Net real estate segment income contribution	<u>\$ 4,923</u>

- (a) Does not reflect three communities acquired upon the completion of the loan assumption process on April 9, 2004.

Home Sales Data

	Three Months Ended 03/31/04
<i>Unit Data</i>	
New homes sold	15
Used homes sold	12
	<hr/>
Total homes sales	27
	<hr/>
<i>Other Data</i>	
Average all-in home sales price - new homes	\$ 28,700
Average all-in home sales price - used homes	12,624
Average all-in home sales price - total	\$ 21,555

Owned Home Data

	As of and for the three months ended	
	03/31/04	12/31/03
Renter occupied homes	6,103	4,908
Non-revenue producing homes	2,024	1,153
Total home inventory	8,127	6,061
Home Inventory Change Detail		
Home inventory (BoP)	6,061	6,003
Home purchases/(Sales)	2,066	58
Home inventory (EoP)	8,127	6,061
Renter occupied homes (BoP)	4,908	4,843
Leasing activity, net(a)	1,195	65
Renter occupied homes (EoP)	6,103	4,908
Non-revenue producing (BoP)	1,153	1,160
Home purchases/(sales + leased)	871	(7)
Non-revenue producing (EoP)	2,024	1,153
Home Inventory Composition		
New home inventory	21.5%	
Used home inventory	78.5%	
Total home inventory	100.0%	
<i>Average age ARC homes</i>	<i>2.9 years</i>	
<i>Average age HTA homes</i>	<i>6.5 years</i>	
<i>Average age All homes</i>	<i>3.6 years</i>	
Home Inventory Financial Data		
Gross asset value including setup costs (\$000's)	\$ 163,430	
<i>Gross asset value per home</i>	<i>20,110</i>	
Current asset value including setup costs (\$000's)	\$ 143,789	
<i>Current asset value per home</i>	<i>17,693</i>	
Total Non-Revenue Producing Inventory		
Available for rent or for sale	1,317	
In-transit/in-process	707	
Total non-revenue producing inventory	2,024	
Homes on order	377	

(a) Includes occupied homes acquired in the Hometown acquisition.

Investor Inquiries

Common stock symbol: ARC
 Preferred stock symbol: ARC Pr A
 Exchange Traded: NYSE

Q1
2004(a)

Common Stock Dividend Information

Declaration date	03/10/04
Record date	03/31/04
Payment date	04/15/04
Distributions per share	\$ 0.1493

Preferred Stock Dividend Information

Declaration date	03/10/04
Record date	04/15/04
Payment date	04/30/04
Distributions per share	\$ 0.4182

(a) Distributions reflect partial period.

Inquiries:

Affordable Residential Communities welcomes any questions or comments from our investors, prospective investors, analysts, investment managers or media professionals. Please direct all inquiries to one of the following contact points:

At our website: www.aboutarc.com
 By phone: (866) 847-8931
 By fax: (303) 294-0121
 By e-mail: investor.relations@aboutarc.com
 By mail: Affordable Residential Communities Inc.
 Investor Relations Department
 600 Grant Street
 Suite 900
 Denver, CO 80203

Definitions of Non-GAAP Measures

Investors in and analysts following the real estate industry use funds from operations ("FFO"), net segment income, earnings before interest, taxes, depreciation and amortization ("EBITDA") and funds available for distribution ("FAD") as supplemental performance measures. While we believe that net income (as defined by GAAP) is the most appropriate measure, we also believe that FFO, net segment income, EBITDA and FAD are widely used by and relevance to investors, analysts and lenders and are appropriate supplemental measures. FFO reflects the assumption that real estate values rise or fall with market conditions and principally adjusts for the effects of GAAP depreciation and amortization of real estate assets. Net segment income provides a measure of rental operations and excludes deductions for depreciation and amortization and non-property specific expenses such as general and administrative expenses. EBITDA provides a measure to evaluate our ability to incur and service debt and to fund dividends and other cash needs. FAD provides a measure to evaluate our ability to fund dividends. In addition, FFO, net segment income, EBITDA and FAD are commonly used in various ratios, pricing multiples/yields and returns and valuation calculations used to measure financial position, performance and value.

FFO is defined by the National Association of Real Estate Investment Trusts ("NAREIT") as "net income (computed in accordance with generally accepted accounting principles) excluding gains (or losses) from sales of property, plus rental property depreciation and amortization, and after adjustments for unconsolidated partnerships and joint ventures." Industry analysts consider FFO to be an appropriate supplemental measure of the operating performance of an equity REIT primarily because the computation of FFO excludes historical cost depreciation as an expense and thereby facilitates the comparison of REITs which have different cost bases in their assets. Historical cost accounting for real estate assets implicitly assumes that the value of real estate assets diminishes predictably over time, whereas real estate values have instead historically risen or fallen based upon market conditions. FFO does not represent cash flow from operations as defined by GAAP and is a supplemental measure of performance that does not replace net income as a measure of performance or net cash provided by operating activities as a measure of liquidity. In addition, FFO is not intended as a measure of a REIT's ability to meet debt principal repayments and other cash requirements, nor as a measure of working capital. Please see the Reconciliation of Net Income to Funds from Operations set forth above.

Net segment income is defined as income from real estate operations and other segments of the Company, less expenses for property operations, real estate taxes, cost of manufactured homes sold, and retail home sales, finance, insurance and other operations.

EBITDA is defined as net loss available to common stockholders adjusted to exclude preferred stock dividend expense, income from discontinued operations net of minority interest, minority interest, interest income, interest expense, depreciation and amortization and early termination of debt expenses. It is a measure of net segment income less property management, general and administrative expenses and IPO related costs.

FAD is defined as FFO less non-revenue producing, recurring capital expenditures and scheduled principal amortization of indebtedness.

FFO, net segment income, EBITDA and FAD do not represent cash generated from operating activities in accordance with GAAP and are not necessarily indicative of cash available to fund cash needs, including the repayment of principal on indebtedness and payment of dividends and distributions. FFO, net segment income, EBITDA and FAD should not be considered as substitutes for net income (calculated in accordance with GAAP), as a measure of results of operations or cash flows (calculated in accordance with GAAP) as a measure of liquidity. FFO, net segment income, EBITDA and FAD as calculated by the Company may not be comparable to similarly titled, but differently calculated, measures of other REITs or to the definition of FFO published by NAREIT.

FFO, FAD and EBITDA Reconciliations

	Three Months Ended	
	03/31/04	03/31/03
	(\$ in thousands, except per share data)	
Funds from operations ("FFO") and adjusted funds from operations		
Net income (loss) before preferred stock dividend and minority interest	\$ (36,800)	\$ (9,895)
Plus: Depreciation and amortization	15,660	12,556
Income (loss) from discontinued operations		146
Depreciation from discontinued operations		110
Less: Amortization of loan origination fees	(868)	(1,008)
Depreciation expense on furniture, equipment and vehicles	(369)	(337)
Preferred stock dividend	(1,232)	0
FFO available to common stockholders and OP unitholders	(23,609)	1,572
Plus: Restricted stock grants	10,070	
IPO related costs	4,417	
Early termination of debt	13,427	
Adjusted FFO	\$ 4,305	\$ 1,572
Funds available for distribution ("FAD") and adjusted FAD		
FFO available to common stockholders & OP unitholders	\$ (23,609)	\$ 1,572
Less: Recurring capital expenditures	(520)	(1,325)
Scheduled principal amortization of indebtedness	(1,936)	(2,246)
FAD	(26,065)	(1,999)
Plus: Restricted stock grants	10,070	
IPO related costs	4,417	
Early termination of debt	13,427	
Adjusted FAD	\$ 1,849	\$ (1,999)
EBITDA and adjusted EBITDA		
Net loss available to common stockholders	\$ (34,969)	\$ (8,401)
Plus: Preferred stock dividend	1,232	0
Income from discontinued operations, net of minority interest	0	(126)
Minority interest	(3,063)	(1,368)
Interest income	(388)	(347)
Interest expense	14,684	13,880
Depreciation and amortization	15,660	12,556
Early termination of debt	13,427	0
EBITDA	6,583	(8,401)
Plus: Restricted stock grants	10,070	

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	Three Months Ended	
IPO related costs	4,417	0
Adjusted EBITDA	\$ 21,070	\$ (8,401)

I-2

Total Real Estate Net Segment Income Reconciliation

	2004		2003		
	1st Qtr	4th Qtr	3rd Qtr	2nd Qtr	1st Qtr
	(\$ in thousands)				
Net segment income:					
Real estate	\$ 27,549	\$ 20,473	\$ 21,907	\$ 22,490	\$ 21,893
Retail home sales and finance	(180)	(385)	(712)	(336)	(319)
Insurance	(36)	32	10	(3)	94
Corporate and other	(75)	200	57	77	81
	<u>27,258</u>	<u>20,320</u>	<u>21,262</u>	<u>22,228</u>	<u>21,749</u>
Other expenses:					
Property management	1,454	1,673	1,286	1,382	1,186
General and administrative	14,804	5,112	3,672	3,681	4,369
Initial public offering ("IPO") related costs	4,417				
Early termination of debt	13,427				
Depreciation and amortization	15,660	11,257	12,045	12,929	12,556
Retail home sales asset impairment and other expense			1,385		
Interest expense	14,684	15,028	14,481	14,629	13,880
	<u>64,446</u>	<u>33,070</u>	<u>32,869</u>	<u>32,621</u>	<u>31,991</u>
Interest income	388	343	344	403	347
	<u>(36,800)</u>	<u>(12,407)</u>	<u>(11,263)</u>	<u>(9,990)</u>	<u>(9,895)</u>
Loss before allocation to minority interest					
Minority interest	3,063	1,707	1,559	1,384	1,368
	<u>(33,737)</u>	<u>(10,700)</u>	<u>(9,704)</u>	<u>(8,606)</u>	<u>(8,527)</u>
Net loss from continuing operations					
Income from discontinued operations			46	93	146
Gain on sale of discontinued operations			3,333		
Minority interest in discontinued operations			(468)	(13)	(20)
	<u>(33,737)</u>	<u>(10,700)</u>	<u>(6,793)</u>	<u>(8,526)</u>	<u>(8,401)</u>
Net loss					
Preferred stock dividend	(1,232)				
	<u>(34,969)</u>	<u>(10,700)</u>	<u>(6,793)</u>	<u>(8,526)</u>	<u>(8,401)</u>
Net loss available to common stockholders	\$	\$	\$	\$	\$

Same Community Net Segment Income Reconciliation

	2004		2003		
	1st Qtr	4th Qtr	3rd Qtr	2nd Qtr	1st Qtr
(\$ in thousands)					
Net segment income:					
Real estate(a)	\$ 22,801	\$ 20,375	\$ 21,716	\$ 22,279	\$ 21,874
Retail home sales and finance (b)					
Insurance	(36)	32	10	(3)	94
Corporate and other	(75)	200	57	77	81
	<u>22,690</u>	<u>20,607</u>	<u>21,783</u>	<u>22,353</u>	<u>22,049</u>
Other expenses:					
Property management	1,354(c)	1,673	1,286	1,382	1,186
General and administrative	4,689(d)	5,120	3,671	3,680	4,369
Initial public offering ("IPO") related costs					
Early termination of debt					
Depreciation and amortization(e)	12,916	11,114	12,079	12,606	12,543
Retail home sales asset impairment and other expense					
Interest expense(f)	12,977	14,889	14,257	14,394	13,866
	<u>31,936</u>	<u>32,796</u>	<u>31,293</u>	<u>32,062</u>	<u>31,964</u>
Interest income(g)	300	309	344	403	347
Loss before allocation to minority interest	(8,946)	(11,880)	(9,166)	(9,306)	(9,568)
Minority interest(h)	720	1,634	1,269	1,289	1,323
	<u>(8,226)</u>	<u>(10,246)</u>	<u>(7,897)</u>	<u>(8,017)</u>	<u>(8,245)</u>
Net loss from continuing operations	(8,226)	(10,246)	(7,897)	(8,017)	(8,245)
Income from discontinued operations					
Gain on sale of discontinued operations					
Minority interest in discontinued operations					
	<u>(8,226)</u>	<u>(10,246)</u>	<u>(7,897)</u>	<u>(8,017)</u>	<u>(8,245)</u>
Net loss	(8,226)	(10,246)	(7,897)	(8,017)	(8,245)
Preferred stock dividend					
	<u>(8,226)</u>	<u>(10,246)</u>	<u>(7,897)</u>	<u>(8,017)</u>	<u>(8,245)</u>
Net loss available to common stockholders	\$ (8,226)	\$ (10,246)	\$ (7,897)	\$ (8,017)	\$ (8,245)

(a) Same communities real estate net segment income excludes results of communities acquired in the Hometown and other acquisitions after January 1, 2003 and the community sold before March 31, 2004.

(b) Excludes segment results as a result of the restructuring in September 2003 in which we closed all stand-alone retail stores existing on January 1, 2003 at which time we had no significant in-community sales operations.

- (c) Excludes additional property management expenses incurred in connection with the Hometown acquisition.
- (d) Excludes restricted stock expenses of \$10,115 recognized in connection with the IPO and vested in the three months ended March 31, 2004.

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(e)

Excludes the following costs recognized in the Hometown and other acquisitions:

Depreciation of rental and other property and manufactured homes acquired	\$ 2,272	\$ 110	\$ 89	\$ 33	\$ 11
Amortization of lease intangibles and customer relationships acquired	472	14	4	4	2
	<u>\$ 2,744</u>	<u>\$ 124</u>	<u>\$ 93</u>	<u>\$ 37</u>	<u>\$ 13</u>

(f)

Excludes the pro rata portion of interest expense on mortgage loans secured by properties acquired in the Hometown and other acquisitions as follows:

	<u>\$ 1,707</u>	<u>\$ 75</u>	<u>\$ 87</u>	<u>\$ 72</u>	<u>\$ 14</u>
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(g)

Excludes interest earned on additional cash received in connection with the IPO, the financing transaction and the Hometown acquisition

(h)

Minority interest computed at the same rate as reflected in reported results.

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