

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

SCHEDULE 14D-1  
Tender Offer Statement Pursuant to Section 14(d)(1)  
of the Securities Exchange Act of 1934

CHATEAU PROPERTIES, INC.  
(Name of Subject Company)

MHC OPERATING LIMITED PARTNERSHIP  
MANUFACTURED HOME COMMUNITIES, INC.  
(Bidder)

Common Stock  
(Title of Class of Securities)

161739 10  
(CUSIP Number of Class of Securities)

Ellen Kelleher  
Senior Vice President and General Counsel  
Manufactured Home Communities, Inc.

Suite 800  
Two North Riverside Plaza  
Chicago, Illinois 60606  
(312) 474-1122

(Name, Address and Telephone Number of Person Authorized  
to Receive Notices and Communications on Behalf of Bidder)

with a copy to:

Edward J. Schneidman  
Edward S. Best  
Mayer, Brown & Platt  
190 South LaSalle Street  
Chicago, Illinois 60603  
(312) 782-0600

CALCULATION OF FILING FEE

Transaction Valuation\*  
\$155,423,060  
Amount of Filing Fee\*\*  
\$31,085

\* Pursuant to Rule 0-11(d), this amount is based upon the purchase, at \$26.00 per share, net to the seller in cash, of 5,977,810 shares of common stock of Chateau Properties, Inc., par value \$.01 per share, which is equal to (i) the number of shares outstanding (6,099,710) as reported in the Quarterly Report on Form 10-Q for Chateau Properties Inc. for the fiscal quarter ended June 30, 1996, minus (ii) the number of shares (121,900) beneficially owned by MHC Operating Limited Partnership or Manufactured Home Communities, Inc. on the date hereof.

\*\* 1/50 of 1% of the Transaction Valuation.

// Check box if any part of the fee is offset as provided by Rule 0-11(a)(2) and identify the filing with which the offsetting fee was previously paid. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

Amount Previously Paid: Not Applicable.  
Form or Registration Number: Not Applicable.  
Filing Party: Not Applicable.  
Date Filed: Not Applicable.

1. Name of Reporting Person: MHC Operating Limited Partnership  
Manufactured Home Communities, Inc.  
S.S. or I.R.S. Identification No. of Above Persons: 36-3853565  
36-3857664
2. Check the Appropriate Box if a Member of a Group: (a) /X/ (b) / /
3. SEC Use Only:
4. Sources of Funds: BK
5. Check if Disclosure of Legal Proceedings is Required Pursuant to Items 2(e) or 2(f): / /
6. Citizenship or Place of Organization: Illinois  
Maryland
7. Aggregate Amount Beneficially Owned by Each Reporting Person: 127,010
8. Check if the Aggregate in Row (7) Excludes Certain Shares: / /
9. Percent of Class Represented by Amount in Row (7): 2%
10. Type of Reporting Person: PN  
CO

ITEM 1. SECURITY AND SUBJECT COMPANY.

(a) The name of the subject company is Chateau Properties, Inc., a Maryland corporation (the "Company"), which has its principal executive offices at 19500 Hall Road, Clinton Township, Michigan 48038. Capitalized terms used in this Schedule 14D-1 and not defined herein shall have the meanings set forth in the Offer to Purchase dated September 4, 1996 (the "Offer to Purchase") attached hereto as Exhibit (a)(1).

(b) The information set forth in the "Introduction" of the Offer to Purchase is incorporated herein by reference.

(c) The information set forth in "The Tender Offer -- 6. Price Range of the Shares; Dividends; Effect of the Offer on the Market for Shares; Stock Exchange Listing; Exchange Act Registration; Margin Regulations" of the Offer to Purchase is incorporated herein by reference.

ITEM 2. IDENTITY AND BACKGROUND.

(a)-(d) and (g) The information set forth in "Introduction" and "The Tender Offer -- 8. Certain Information Concerning Purchaser and MHC" of the Offer to Purchase is incorporated herein by reference.

(e) and (f) During the last five years, neither Manufactured Home Communities, Inc., a Maryland corporation ("MHC"), nor Purchaser, nor, to the best of their knowledge, any of the individuals listed in Schedule I of the Offer to Purchase has (i) been convicted in a criminal proceeding or (ii) been a party to a civil proceeding of a judicial or administrative body of competent jurisdiction and, as a result of such proceeding, was or is subject to a judgment, decree or final order enjoining future violations of, or prohibiting activities subject to, federal or state securities laws or finding any violation of such laws.

ITEM 3. PAST CONTACTS, TRANSACTIONS OR NEGOTIATIONS WITH THE SUBJECT COMPANY.

(a)-(b) The information set forth in "The Tender Offer -- 8. Certain Information Concerning Purchaser and MHC" and "The Tender Offer -- 9. Background of the Offer" of the Offer to Purchase is incorporated herein by reference.

## ITEM 4. SOURCE AND AMOUNT OF FUNDS OR OTHER CONSIDERATION.

(a)-(b) The information set forth in "The Tender Offer -- 11. Source and Amount of Funds" of the Offer to Purchase is incorporated herein by reference.

(c) Not Applicable.

## ITEM 5. PURPOSE OF THE TENDER OFFER AND PLANS OR PROPOSALS OF THE BIDDER.

(a)-(g) The information set forth in the "Introduction" and "The Tender Offer -- 10. Purpose of the Offer" of the Offer to Purchase is incorporated herein by reference.

## ITEM 6. INTEREST IN SECURITIES OF THE SUBJECT COMPANY.

(a)-(b) The information set forth in "The Tender Offer -- 8. Certain Information Concerning Purchaser and MHC" of the Offer to Purchase is incorporated herein by reference.

## ITEM 7. CONTRACTS, ARRANGEMENTS, UNDERSTANDINGS OR RELATIONSHIPS WITH RESPECT TO THE SUBJECT COMPANY'S SECURITIES.

The information set forth in "The Tender Offer -- 8. Certain Information Concerning Purchaser and MHC" and "The Tender Offer -- 10. Purpose of the Offer" of the Offer to Purchase is incorporated herein by reference.

## ITEM 8. PERSONS RETAINED, EMPLOYED OR TO BE COMPENSATED.

The information set forth in "The Tender Offer -- 15. Fees and Expenses" of the Offer to Purchase is incorporated herein by reference.

## ITEM 9. FINANCIAL STATEMENTS OF CERTAIN BIDDERS.

The information set forth in "The Tender Offer -- 8. Certain Information Concerning Purchaser and MHC" of the Offer to Purchase is incorporated herein by reference. The incorporation by reference herein of the above referenced financial information does not constitute an admission that such information is material to a decision by a stockholder of the Company whether to sell, tender or hold Shares being sought in this tender offer.

## ITEM 10. ADDITIONAL INFORMATION.

(a) None.

(b)-(d) The information set forth in "The Tender Offer -- 10. Purpose of the Offer" and "The Tender Offer - 14. Certain Legal Matters; Regulatory Approvals" of the Offer to Purchase is incorporated herein by reference.

(e) None.

(f) Reference is hereby made to the Offer to Purchase and the related Letter of Transmittal, copies of which are attached hereto as Exhibits (a)(1) and (a)(2), respectively, and which are incorporated herein in their entirety by reference.

## ITEM 11. MATERIAL TO BE FILED AS EXHIBITS.

(a)(1) Offer to Purchase dated September 4, 1996.

(a)(2) Form of Letter of Transmittal.

(a)(3) Form of Letter to Clients dated September 4, 1996.

(a)(4) Form of Letter to Brokers, Dealers, Commercial Banks, Trust Companies and Other Nominees dated September 4, 1996.

(a)(5) Form of Notice of Guaranteed Delivery.

(a)(6) Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9.

(a)(7) Form of Summary Advertisement.\*

(a)(8) Text of Press Release, dated September 4, 1996, issued by Manufactured Home Communities, Inc.

(b) None.

(c) Engagement Letter dated August 16, 1996 between Manufactured Home Communities, Inc. and J.P. Morgan Securities Inc.\*

(d) None.

(e)-(f) Not Applicable.

\* To be filed by amendment.

SIGNATURES

After due inquiry and to the best of our knowledge and belief, we certify that the information set forth in this statement is true, complete and correct.

Dated: September 4, 1996

MHC OPERATING LIMITED PARTNERSHIP

By: Manufactured Home Communities, Inc.,  
its General Partner

By: DAVID A. HELFAND  
Name: David A. Helfand  
Title: President and Chief  
Executive Officer

MANUFACTURED HOME COMMUNITIES, INC.

By: DAVID A. HELFAND  
Name: David A. Helfand  
Title: President and Chief Executive  
Officer

## EXHIBIT INDEX

EXHIBIT	DESCRIPTION	PAGE
(a)(1)	Offer to Purchase dated September 4, 1996.....	
(a)(2)	Form of Letter of Transmittal.....	
(a)(3)	Form of Letter to Clients dated September 4, 1996.....	
(a)(4)	Form of Letter to Brokers, Dealers, Commercial Banks, Trust Companies and Other Nominees dated September 4, 1996.....	
(a)(5)	Form of Notice of Guaranteed Delivery.....	
(a)(6)	Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9.....	
(a)(7)	Form of Summary Advertisement*.....	
(a)(8)	Text of Press Release, dated September 4, 1996, issued by Manufactured Home Communities, Inc. ....	
(b)	None.....	
(c)	Engagement Letter dated August 16, 1996 between Manufactured Home Communities, Inc. and J.P. Morgan Securities Inc.*.....	
(d)	None.....	
(e)-(f)	Not Applicable.....	

\* To be filed by amendment.

OFFER TO PURCHASE FOR CASH  
ALL OUTSTANDING SHARES OF COMMON STOCK  
OF

CHATEAU PROPERTIES, INC.  
AT

\$26.00 NET PER SHARE  
BY

MHC OPERATING LIMITED PARTNERSHIP,  
THE SOLE GENERAL PARTNER OF WHICH  
IS

MANUFACTURED HOME COMMUNITIES, INC.

THE OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE AT 12:00 MIDNIGHT, NEW YORK CITY TIME, ON TUESDAY, OCTOBER 1, 1996, UNLESS THE OFFER IS EXTENDED.

THE OFFER IS CONDITIONED UPON, AMONG OTHER THINGS, (1) THERE BEING VALIDLY TENDERED AND NOT WITHDRAWN PRIOR TO THE EXPIRATION DATE THAT NUMBER OF SHARES WHICH, TOGETHER WITH SHARES OWNED BY PURCHASER AND ITS AFFILIATES, CONSTITUTES AT LEAST TWO-THIRDS OF THE SHARES OUTSTANDING ON THE EXPIRATION DATE, (2) PURCHASER BEING SATISFIED, IN ITS SOLE JUDGMENT, THAT AFTER CONSUMMATION OF THE OFFER THE RESTRICTIONS CONTAINED IN THE MARYLAND BUSINESS COMBINATION LAW WILL NOT APPLY TO THE PROPOSED MERGER, AND (3) PURCHASER BEING SATISFIED, IN ITS SOLE JUDGMENT, THAT AFTER CONSUMMATION OF THE OFFER NONE OF THE SHARES ACQUIRED BY PURCHASER SHALL BE DEEMED "EXCESS STOCK" (AS DEFINED HEREIN). SEE THE INTRODUCTION AND SECTIONS 1 AND 12.

THE OFFER IS NOT CONDITIONED UPON PURCHASER OBTAINING FINANCING.

IMPORTANT

Any stockholder desiring to tender all or any portion of such stockholder's shares of common stock, \$.01 par value per share (the "Shares"), of the Company should either (1) complete and sign the Letter of Transmittal (or a facsimile thereof) in accordance with the instructions in the Letter of Transmittal and deliver it and any other required documents to the Depositary and either deliver the certificate(s) representing such Shares to the Depositary along with the Letter of Transmittal or tender such Shares pursuant to the procedure for book-entry transfer set forth in Section 3 or (2) request such stockholder's broker, dealer, commercial bank, trust company or other nominee to effect the transaction for such stockholder. Any stockholder whose Shares are registered in the name of a broker, dealer, commercial bank, trust company or other nominee must contact such broker, dealer, commercial bank, trust company or other nominee if such stockholder desires to tender such Shares.

A stockholder who desires to tender Shares and whose certificates representing such Shares are not immediately available, or who cannot comply with the procedure for book-entry transfer on a timely basis, may tender such Shares by following the procedures for guaranteed delivery set forth in Section 3.

Questions and requests for assistance or additional copies of this Offer to Purchase, the Letter of Transmittal and the Notice of Guaranteed Delivery may be directed to the Dealer Manager or the Information Agent at their respective addresses and telephone numbers set forth on the back cover of this Offer to Purchase. Additional copies of this Offer to Purchase, the Letter of Transmittal and the Notice of Guaranteed Delivery may be obtained from the Information Agent or from brokers, dealers, commercial banks or trust companies.

The Dealer Manager for the Offer is:  
J.P. MORGAN SECURITIES INC.

The date of this Offer to Purchase is September 4, 1996

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## Schedule I -- Directors and Executive Officers of MHC

All information contained in this Offer to Purchase relating to the Company has been obtained from reports, proxy statements and other information filed by the Company with the Securities and Exchange Commission (the "Commission"). Neither Purchaser nor MHC warrants the accuracy or completeness regarding information relating to the Company.



To the Stockholders of Chateau Properties, Inc.:

#### INTRODUCTION

MHC Operating Limited Partnership, a limited partnership formed under the laws of the State of Illinois ("Purchaser"), the sole general partner of which is Manufactured Home Communities, Inc., a Maryland corporation ("MHC"), hereby offers to purchase all of the outstanding shares of common stock, \$.01 par value per share (the "Shares"), of Chateau Properties, Inc., a Maryland corporation (the "Company"), at a purchase price of \$26.00 per Share (the "Offer Price"), net to the seller in cash, without interest thereon, in accordance with the terms and subject to the conditions set forth in this Offer to Purchase and in the related Letter of Transmittal (which, as amended from time to time, collectively constitute the "Offer"). Purchaser reserves the right to assign, in whole or from time to time in part, to MHC or any one or more affiliates of MHC, the right to purchase all or any portion of the Shares tendered pursuant to the Offer, but any such assignment will not relieve Purchaser of its obligations under the Offer nor will any such assignment prejudice in any way the rights of tendering stockholders to receive payment for Shares validly tendered and accepted for payment pursuant to the Offer. See "Section 2 -- Acceptance for Payment and Payment for Shares." The Offer is not conditioned upon Purchaser obtaining financing. See "Section 11 -- Source and Amount of Funds" and "Section 12 -- Certain Conditions of the Offer."

Tendering stockholders will not be obligated to pay brokerage fees or commissions or, except as set forth in Instruction 6 of the Letter of Transmittal, transfer taxes on the transfer and sale of Shares pursuant to the Offer. Purchaser will pay all fees and expenses of J.P. Morgan Securities Inc., which is acting as Dealer Manager for the Offer (in such capacity, the "Dealer Manager"), ChaseMellon Shareholder Services, L.L.C., which is acting as Depository for the Offer (the "Depository"), and Mackenzie Partners, Inc., which is acting as Information Agent for the Offer (the "Information Agent"), incurred in connection with the Offer. See "Section 16 -- Miscellaneous."

#### BACKGROUND

On July 18, 1996, the Company and ROC Communities, Inc., a Maryland corporation ("ROC"), issued a press release announcing an agreement to merge such companies into a new company. According to the announcement, ROC stockholders would receive 1.042 shares of the new company's common stock for every share they currently hold in ROC and Company stockholders would receive one share of the new company's common stock for every share they currently hold in the Company. According to the announcement, the exchange ratio was derived from the average of the ratios of the daily closing stock prices of the two companies during the second quarter of 1996. As disclosed by the Company and ROC, the proposed Company/ROC transaction is subject to customary conditions including approval by the stockholders of both companies. According to a Current Report on Form 8-K dated July 17, 1996 (the "ROC Form 8-K") filed by ROC with the Commission pursuant to the Securities Exchange Act of 1934, as amended (the "Exchange Act"), the Company/ROC merger agreement is terminable by either party under certain undisclosed conditions.

Neither the Company nor ROC has made a copy of the Company/ROC merger agreement publicly available either as an exhibit to a Current Report on Form 8-K or otherwise. MHC has requested orally and in writing from the Company a copy of the Company/ROC merger agreement but has not been provided with a copy thereof. As a result, neither Purchaser nor MHC can describe any of the terms of the proposed Company/ROC transaction other than those which have been publicly disclosed by the Company or ROC.

On August 16, 1996, Samuel Zell, MHC's Chairman of the Board, and David Helfand, MHC's President and Chief Executive Officer, met with John Boll, the Company's Chairman of the Board, and communicated MHC's offer to combine the Company with MHC in a transaction pursuant to which each stockholder of the Company would receive either \$26.00 per Share in cash, MHC common shares at a ratio of 1.15 MHC common shares for each Share or a combination of cash at \$26.00 per Share and MHC common shares at such ratio. The MHC offer was conditioned upon, among other things, termination of the Company/ROC merger agreement. On August 17, 1996, MHC delivered a letter to the Company's Chairman of the Board confirming MHC's offer and detailing the benefits of a combination between MHC and the Company. On

August 22, 1996, the Company's Board of Directors met but did not respond to MHC's offer. (See "Section 9 -- Background of the Offer"). Purchaser commenced the Offer on September 4, 1996.

#### PURPOSE OF OFFER

The purpose of the Offer is to acquire control of, and the entire equity interest in, the Company. MHC currently intends, as soon as practicable after, and substantially concurrent with, the consummation of the Offer, to propose and seek to have the Company consummate a merger or similar business combination with MHC or a direct or indirect wholly owned subsidiary of MHC (the "Proposed Merger"), pursuant to which each outstanding Share (other than Shares owned by Purchaser or MHC and Shares held by stockholders who perfect any available appraisal rights under the Maryland General Corporation Law (the "Maryland GCL")) would be converted into the right to receive an amount in cash equal to the price per Share paid pursuant to the Offer. If the Company's Board of Directors adopts a resolution providing that the Maryland Business Combination Law is not applicable to the Proposed Merger but does not authorize the Company to enter into a definitive merger agreement with MHC, Purchaser and MHC may decide to conduct a proxy contest as discussed below. If the Company's Board of Directors does not adopt a resolution providing that the Maryland Business Combination Law (as defined below) is not applicable to the Proposed Merger and Purchaser elects to waive the Business Combination Condition (as defined below), Purchaser would not be able to consummate a business combination for a period of five years after consummation of the Offer. See "Section 6 -- Price Range of the Shares; Dividends; Effect of the Offer on the Market for the Shares; Stock Exchange Listing; Exchange Act Registration; Margin Regulations" and "Section 10 -- Purpose of the Offer." By tendering Shares into the Offer, the Company's stockholders effectively will express to the Company's Board of Directors that they wish to be able to accept the Offer and they wish the Company's Board to approve the Proposed Merger or a similar transaction with MHC and its affiliates.

MHC intends to continue to seek to negotiate with the Company with respect to a business combination. If such negotiations result in a definitive merger agreement between the Company and MHC, the consideration to be received by holders of Shares could include or consist of MHC common stock, other securities, cash, or any combination thereof. Accordingly, such negotiations could result in, among other things, termination of the Offer (see "Section 12 -- Certain Conditions of the Offer") and submission of a different proposal to the Company's stockholders for their approval. In the event that MHC is unable to negotiate a definitive merger agreement with the Company, Purchaser may choose, under certain circumstances described herein, to waive any conditions that have not been satisfied and purchase Shares pursuant to the Offer and/or seek to obtain maximum representation on the Company's Board through the solicitation of proxies. MHC may also seek through a proxy contest proxies in opposition to the proposed Company/ROC transaction (or any other transaction). The terms of the Company's directors are staggered so that at each annual meeting of stockholders of the Company one class of directors is elected for a three-year term and until their respective successors are elected and qualify or until the resignation, removal or retirement, if earlier, of the directors of such class. The Company's Articles of Amendment and Restatement (the "Articles") provide that a director may be removed only for cause and only by the affirmative vote of holders of not less than two-thirds of all the votes entitled to be cast for the election of directors. As a result of the foregoing provisions, it is possible that Purchaser would not be able to replace a majority of the directors of the Company prior to the second annual meeting of stockholders held after Purchaser acquired a majority of the Shares.

THE OFFER DOES NOT CONSTITUTE A SOLICITATION OF PROXIES FOR ANY MEETING OF THE COMPANY'S STOCKHOLDERS. ANY SUCH SOLICITATION WHICH PURCHASER OR MHC MIGHT SEEK WOULD BE MADE ONLY PURSUANT TO SEPARATE PROXY MATERIALS COMPLYING WITH THE REQUIREMENTS OF SECTION 14(A) OF THE EXCHANGE ACT.

Stockholders are urged to read this Offer to Purchase and the related Letter of Transmittal carefully before deciding whether to tender their Shares.

#### CERTAIN CONDITIONS TO THE OFFER

The Offer is subject to the fulfillment of a number of conditions including the following:

Minimum Number of Shares Condition. Consummation of the Offer is conditioned upon there being validly tendered and not properly withdrawn prior to the Expiration Date (as defined in "Section 1 -- Terms

of the Offer; Extension of Tender Period; Termination; Amendment") that number of Shares which, together with Shares owned by Purchaser and its affiliates, constitutes at least two-thirds of the Shares outstanding on the Expiration Date and upon Purchaser, in its sole judgment, being satisfied that it can exercise all rights of ownership of such Shares, including, but not limited to, the right to vote such Shares on all matters presented to the stockholders of the Company (including with respect to the proposed transaction with ROC or any other similar transaction) (the "Minimum Number of Shares Condition"). According to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1996 (the "Second Quarter Form 10-Q"), filed with the Commission pursuant to the Exchange Act, as of August 7, 1996 there were 6,099,710 Shares outstanding. Based on the foregoing and the ownership of 121,900 Shares by Purchaser as of the date hereof, the Minimum Number of Shares Condition would be satisfied if at least 3,945,777 Shares are validly tendered pursuant to the Offer and not properly withdrawn on or prior to the Expiration Date.

However, there can be no assurance that only 6,099,710 Shares will be outstanding as of the Expiration Date. According to the Company's Annual Report to Stockholders for the year ended December 31, 1995 which is incorporated by reference in the Company's Annual Report on Form 10-K for the year ended December 31, 1995 (the "1995 Form 10-K"), filed with the Commission pursuant to the Exchange Act, there were options to purchase 450,400 Shares outstanding at December 31, 1995. According to the ROC Form 8-K, concurrently with the execution and delivery of the Company/ROC merger agreement, the Company entered into a Stock Option Agreement (the "Company Option Agreement") with ROC whereby the Company has granted to ROC an option to purchase up to 420,000 Shares, exercisable by ROC, in whole or in part, at any time or from time to time after the Company/ROC merger agreement becomes terminable by ROC under circumstances which could entitle ROC to receive certain break-up expenses or fees pursuant to the Company/ROC merger agreement, regardless of whether the Company/ROC merger agreement is actually terminated. Based upon publicly available information, Purchaser also believes that there are currently outstanding 8,746,920 partnership interests ("OP Units") in CP Limited Partnership, a limited partnership formed under the laws of the State of Maryland, the operating partnership of the Company (the "Company OP"), of which not more than 4,517,899 are currently exchangeable into Shares on a one-for-one basis.

**Business Combination Condition.** Consummation of the Offer is conditioned upon the acquisition of Shares pursuant to the Offer and the Proposed Merger having been approved pursuant to Subtitle 6 of Title 3 of the Maryland GCL (the "Maryland Business Combination Law") or Purchaser being satisfied, in its sole judgment, that the provisions of the Maryland Business Combination Law are otherwise inapplicable to the acquisition of Shares pursuant to the Offer and the Proposed Merger (the "Business Combination Condition").

The Maryland Business Combination Law prohibits any "Business Combination" (defined to include a variety of transactions, including a merger) between a Maryland corporation (such as the Company) and any "Interested Stockholder" (defined generally as any person that, directly or indirectly, beneficially owns 10 percent or more of the outstanding voting stock of the corporation) for a period of five years after the date the person becomes an Interested Stockholder. After such five-year period a Business Combination between such Maryland corporation and such Interested Stockholder is prohibited unless either certain "fair price" provisions are complied with or the Business Combination is approved by certain supermajority stockholder votes. The Maryland Business Combination Law restrictions do not apply to a Business Combination with an Interested Stockholder if such Business Combination is approved by a resolution of the board of directors of the corporation adopted prior to the most recent date on which the Interested Stockholder became such. See "Section 10 -- Purpose of the Offer."

Purchaser has requested that the Company's Board of Directors adopt a resolution approving or exempting from the Maryland Business Combination Law a business combination between the Company and Purchaser or any of its affiliates. If the Company's Board of Directors does not adopt such a resolution, Purchaser intends to take such action as it deems advisable to have such attempted impediment to the Offer and the Proposed Merger set aside. If the Maryland Business Combination Law is or remains applicable to Purchaser and its affiliates, Purchaser may, in its sole judgment, waive the Business Combination Condition and consummate the Offer. Under such circumstance, Purchaser would not be able to consummate a business

combination for a period of five years after consummation of the Offer. See "Section 6 -- Price Range of the Shares; Dividends; Effect of the Offer on the Market for the Shares; Stock Exchange Listing; Exchange Act Registration; Margin Regulations" and "Section 10 -- Purpose of the Offer."

**Excess Share Condition.** For a company to qualify as a real estate investment trust (a "REIT") under the Internal Revenue Code of 1986, as amended (the "Code"), not more than 50% of the value of the issued and outstanding stock of the company may be owned, directly or indirectly, by five or fewer individuals (as defined in the Code) during the last half of a taxable year (other than the first year of the company's qualification as a REIT) (the "Concentrated Ownership Rule").

Section 2 of Article VI of the Company's Articles provides that no "Person" (which is defined to include individuals, corporations and partnerships) may Beneficially Own (as defined below) Shares in excess of 7% (the "Ownership Limit") of the number or value of the issued and outstanding Shares. As defined in the Company's Articles, "Beneficial Ownership" means ownership of Shares by a Person who would be treated as an owner of such Shares under Section 542(a)(2) of the Code, either directly or constructively through the application of Section 544 of the Code, as modified by Section 856(h)(1)(B) of the Code. If there is a purported transfer that would result in any Person Beneficially Owning Shares in excess of the Ownership Limit, then such Shares will constitute "Excess Stock" and be subject to the provisions of the Company's Articles applicable to Excess Stock. See "Section 10 -- Purpose of the Offer -- Excess Share Provisions of the Articles."

Purchaser believes that the Ownership Limit and Excess Stock provisions in the Company's Articles serve only to satisfy the REIT Concentrated Ownership Rule. Under the sections of the Code identified in the Articles, ownership by corporations and partnerships is "looked through" and thus, ownership of Shares by Purchaser, and indirectly by MHC, would be "looked through" to MHC's public stockholders. As a result, the purchase of Shares by Purchaser will neither jeopardize the REIT status of the Company under the Concentrated Ownership Rule nor violate the Ownership Limit. Therefore, none of the Shares to be purchased by Purchaser pursuant to the Offer should be deemed Excess Stock.

Significantly, in its 1995 Proxy Statement, the Company sought and obtained stockholder consent to amend Article VI of its Articles to comply with then recent Internal Revenue Service ("IRS") ruling policies; in doing so, the Company explained that the Ownership Limit in Section 2 was included "in order to prevent a stockholder from acquiring a number of shares which would jeopardize the Company's status as a REIT" and that the transfer restrictions in Section 4 were included "in order to preserve REIT status." However, in its August 19, 1996 press release, the Company stated that its Articles prohibit a person from beneficially owning in excess of seven percent of its Shares without board approval. Thus, it is possible that the Company could take the position, either before or after expiration of the Offer and the purchase by Purchaser of Shares in the Offer, that Purchaser would Beneficially Own Shares in excess of the Ownership Limit and that Shares in excess of such Ownership Limit would be Excess Stock. Purchaser has requested the Company's Board of Directors to adopt a resolution agreeing with Purchaser's and MHC's interpretation of the Company's Articles.

Unless the Board adopts such a resolution or there is a final and nonappealable judicial determination that Purchaser's and MHC's interpretation of the Articles is correct, Purchaser and MHC will not be satisfied that after consummation of the Offer the Shares to be purchased by Purchaser pursuant to the Offer will not be deemed Excess Stock. Consummation of the Offer is conditioned upon Purchaser being satisfied, in its sole judgment, that after consummation of the Offer none of the Shares purchased by Purchaser shall be deemed "Excess Stock" as defined in Article VI of the Company's Articles.

## THE TENDER OFFER

1. TERMS OF THE OFFER; EXTENSION OF TENDER PERIOD; TERMINATION; AMENDMENT. Upon the terms and subject to the conditions of the Offer (including, if the Offer is extended or amended, the terms and conditions of any such extension or amendment), all Shares validly tendered and not properly withdrawn on or prior to the Expiration Date (as hereinafter defined) will be accepted for payment at a price of \$26.00 per Share, net to the seller in cash. The term "Expiration Date" means 12:00 Midnight, New York City time, on Tuesday, October 1, 1996, unless Purchaser shall have extended the period during which the Offer is open, in which event the term "Expiration Date" shall mean the latest time and date at which the Offer, as so extended by Purchaser, shall expire.

The Offer is conditioned upon, among other things, satisfaction of the Minimum Number of Shares Condition, the Business Combination Condition and the Excess Share Condition. The Offer is also subject to certain other conditions set forth in "Section 12 -- Certain Conditions of the Offer" below. PURCHASER EXPRESSLY RESERVES THE RIGHT, IN ITS SOLE JUDGMENT, TO WAIVE, IN WHOLE OR IN PART, ANY OR ALL OF THE CONDITIONS OF THE OFFER.

Subject to the satisfaction of the conditions set forth in "Section 12 -- Certain Conditions of the Offer" below, Purchaser has agreed to accept for payment and pay for Shares which have been validly tendered and not withdrawn pursuant to the Offer as soon as it is permitted to do so under applicable law.

Purchaser expressly reserves the right, in its sole judgment, at any time and from time to time, to extend the period during which the Offer is open for any reason, including the non-satisfaction of any of the conditions specified in "Section 12 -- Certain Conditions of the Offer," by giving oral or written notice of such extension to the Depositary. During any such extension, all Shares previously tendered and not properly withdrawn will remain subject to the Offer, subject to the rights of a tendering stockholder to withdraw such stockholder's Shares.

Purchaser also expressly reserves the right, subject to applicable laws (including applicable regulations of the Commission), in its sole judgment, at any time and from time to time, to (i) delay acceptance for payment of, or, regardless of whether such Shares were theretofore accepted for payment, payment for any Shares in order to comply, in whole or in part, with any applicable law, government regulation or any other condition contained in "Section 12 -- Certain Conditions of the Offer" and "Section 14 -- Certain Legal Matters; Regulatory Approvals," (ii) terminate the Offer (whether or not any Shares have theretofore been accepted for payment) if any of the conditions referred to in "Section 12 -- Certain Conditions of the Offer" have not been satisfied or upon the occurrence of any of the events specified in "Section 12 -- Certain Conditions of the Offer" and (iii) waive any condition or otherwise amend the Offer in any respect; in each case by giving oral or written notice of such delay, termination, waiver or amendment to the Depositary. Purchaser acknowledges that (a) Rule 14e-1(c) under the Exchange Act requires Purchaser to pay the consideration offered or return the Shares tendered promptly after the termination or withdrawal of the Offer and (b) Purchaser may not delay acceptance for payment of, or payment for (except as provided by clause (i) of the preceding sentence), any Shares upon the occurrence of any of the conditions specified in "Section 12 -- Certain Conditions of the Offer" without extending the period of time during which the Offer is open.

Any such extension, delay, termination, waiver or amendment will be followed as promptly as practicable by public announcement thereof, and such announcement in the case of an extension will be made no later than 9:00 a.m., New York City time, on the next business day after the previously scheduled Expiration Date. Without limiting the manner in which Purchaser may choose to make any public announcement, except as provided by applicable law (including Rules 14d-4(c) and 14d-6(d) under the Exchange Act, which require that information regarding material changes be promptly disseminated to holders of Shares), Purchaser shall have no obligation to publish, advertise or otherwise communicate any such announcement other than by issuing a release to the Dow Jones News Service or as otherwise may be required by law.

If Purchaser makes a material change in the terms of the Offer or if Purchaser waives a material condition of the Offer, Purchaser will extend the Offer to the extent required by Rules 14d-4(c), 14d-6(d) and 14e-1(d) under the Exchange Act. The minimum period during which the Offer must remain open following material changes in the terms of the Offer, other than a change in price or a change in the

percentage of Shares sought, will depend on the facts and circumstances, including the materiality, of the changes. With respect to a change in price or, subject to certain limitations, a change in the percentage of securities sought, a minimum ten business day period from the date of such change is generally required to allow for adequate dissemination of information to stockholders. Accordingly, if prior to the Expiration Date, Purchaser decreases the number of Shares being sought or increases or decreases the consideration offered pursuant to the Offer and if the Offer is scheduled to expire at any time earlier than the period ending on the tenth business day from the date on which notice of such increase or decrease is first published, sent or given to the Company's stockholders, then the Offer will be extended at least until the expiration of such ten business day period.

A request is being made to the Company pursuant to Rule 14d-5 of the Exchange Act for the use of the Company's stockholder list and security position listings for the purpose of disseminating the Offer to holders of Shares. Upon compliance by the Company with such request, this Offer to Purchase and the related Letter of Transmittal and, if required, other relevant materials will be mailed to record holders of Shares and will be furnished to brokers, dealers, commercial banks, trust companies and similar persons whose names, or the names of whose nominees, appear on the Company's stockholder list or, if applicable, who are listed as participants in a clearing agency's security position listing for the subsequent transmittal to beneficial owners of Shares.

2. ACCEPTANCE FOR PAYMENT AND PAYMENT FOR SHARES. Upon the terms and subject to the conditions of the Offer (including, if the Offer is extended or amended, the terms and conditions of any such extension or amendment), Purchaser will accept for payment and will pay for all Shares validly tendered and not properly withdrawn on or prior to the Expiration Date as soon as practicable after the later to occur of (i) the Expiration Date and (ii) the date of satisfaction or waiver of all of the conditions set forth in "Section 12 -- Certain Conditions of the Offer." In addition, Purchaser reserves the right, in its sole judgment and subject to applicable law, to delay acceptance for payment of or payment for Shares in order to comply, in whole or in part, with any applicable law, government regulation or any other condition contained herein. See "Section 12 -- Certain Conditions of the Offer."

For purposes of the Offer, Purchaser shall be deemed to have accepted for payment and thereby purchased tendered Shares if, as and when Purchaser gives oral or written notice to the Depository of its acceptance of such Shares for payment pursuant to the Offer. Payment for Shares accepted for payment pursuant to the Offer will be made by deposit of the portion of the purchase price to be paid by it with the Depository by Purchaser, which Depository will act as agent for the tendering stockholders for the purpose of receiving payments from Purchaser and transmitting such payments to tendering stockholders. Under no circumstances will interest be paid by Purchaser on the consideration paid for the Shares pursuant to the Offer, regardless of any delay in making such payment. Purchaser will pay all stock transfer taxes, if any, payable on the transfer of Shares purchased by it pursuant to the Offer, except as set forth in Instruction 6 of the Letter of Transmittal.

In all cases, payment for Shares tendered and accepted for payment pursuant to the Offer will be made only after timely receipt by the Depository of (i) a certificate(s) representing such Shares or confirmation of a book-entry transfer of such Shares into the Depository's account at The Depository Trust Company or the Philadelphia Depository Trust Company (collectively, the "Book-Entry Transfer Facilities"), (ii) a Letter of Transmittal (or a facsimile thereof), properly completed and duly executed, with any required signature guarantees or Agent's Message (as defined in "Section 3 -- Procedure for Tendering Shares" below) and (iii) any other documents required by the Letter of Transmittal. For a description of the procedure for tendering Shares pursuant to the Offer, see "Section 3 -- Procedure for Tendering Shares."

If any tendered Shares are not accepted for payment for any reason or if certificates are submitted for more Shares than are tendered, certificates representing unpurchased or untendered Shares will be returned without expense to or at the direction of the tendering stockholder (or, in the case of Shares tendered by book-entry transfer into the Depository's account at a Book-Entry Transfer Facility pursuant to the procedures set forth in "Section 3 -- Procedure for Tendering Shares," such Shares will be credited to an account maintained at such Book-Entry Transfer Facility) as promptly as practicable following the expiration, termination or withdrawal of the Offer.

If, prior to the Expiration Date, Purchaser increases the consideration offered to stockholders pursuant to the Offer, such increased consideration will be paid to all stockholders whose Shares are purchased pursuant to the Offer, whether or not such Shares were tendered or accepted for payment prior to such increase in consideration.

Purchaser reserves the right to assign, in whole or from time to time in part, to MHC or one or more affiliates of MHC, the right to purchase all or any portion of the Shares tendered pursuant to the Offer, but any such assignment will not relieve Purchaser of its obligations under the Offer nor will any such assignment prejudice in any way the rights of tendering stockholders to receive payment for Shares validly tendered and accepted for payment pursuant to the Offer. If, upon consummation of the Offer, Purchaser believes that the Company would not be in compliance with the 100 Stockholder Rule (as defined in "Section 10 -- Purpose of the Offer"), Purchaser will take such action as it believes reasonably necessary to comply with the 100 Stockholder Rule, including, without limitation, assignment of its right to purchase a small number of Shares pursuant to the Offer to 100 or more persons.

### 3. PROCEDURE FOR TENDERING SHARES

#### VALID TENDER OF SHARES

Except as set forth below, in order for Shares to be validly tendered pursuant to the Offer, the Letter of Transmittal (or a facsimile thereof), properly completed and duly executed, together with any required signature guarantees, or an Agent's Message (as defined below) in connection with a book-entry delivery of Shares as described below, and any other documents required by the Letter of Transmittal, must be received by the Depository at one of its addresses set forth on the back cover of this Offer to Purchase. In addition, either (i) certificates representing tendered Shares must be received by the Depository at any such address or such Shares must be tendered pursuant to the procedure for book-entry transfer (and a confirmation of receipt of such delivery must be received by the Depository), in each case, on or prior to the Expiration Date or (ii) the guaranteed delivery procedures set forth below must be complied with. The term "Agent's Message" means a message transmitted by a Book-Entry Transfer Facility to and received by the Depository and forming a part of a Book-Entry Confirmation, which states that such Book-Entry Transfer Facility has received an express acknowledgment from the participant in such Book-Entry Transfer Facility tendering the Shares which are the subject of such Book-Entry Confirmation, that such participant has received and agrees to be bound by the terms of the Letter of Transmittal and that Purchaser may enforce such agreement against such participant.

#### BOOK-ENTRY TRANSFER

The Depository will establish accounts with respect to the Shares at the Book-Entry Transfer Facilities for purposes of the Offer within two business days after the date of this Offer to Purchase. Any financial institution that is a participant in the system of any Book-Entry Transfer Facility may make book-entry delivery of Shares by causing a Book-Entry Transfer Facility to transfer such Shares into the Depository's account in accordance with that Book-Entry Transfer Facility's procedures for such transfer. Although delivery of Shares may be effected through a book-entry transfer at a Book-Entry Transfer Facility, the Letter of Transmittal (or a facsimile thereof), properly completed and duly executed, together with any required signature guarantees, or an Agent's Message in connection with such book-entry transfer, and any other required documents, must, in any case, be received by the Depository at one of its addresses set forth on the back cover of this Offer to Purchase on or prior to the Expiration Date, or the guaranteed delivery procedures described below must be complied with.

DELIVERY OF DOCUMENTS TO A BOOK-ENTRY TRANSFER FACILITY IN ACCORDANCE WITH SUCH BOOK-ENTRY TRANSFER FACILITY'S PROCEDURES DOES NOT CONSTITUTE DELIVERY TO THE DEPOSITARY.

#### SIGNATURE GUARANTEES

Except as otherwise provided below, signatures on Letters of Transmittal must be guaranteed by a financial institution (including most banks, savings and loan associations and brokerage houses) which is

a participant in the Securities Transfer Agents Medallion Program, the New York Stock Exchange Medallion Signature Program or the Stock Exchange Medallion Program (each of the foregoing constituting an "Eligible Institution"). Signatures on Letters of Transmittal need not be guaranteed (i) if the Letter of Transmittal is signed by the registered holder of the Shares tendered and such holder has not completed either the box entitled "Special Delivery Instructions" or the box entitled "Special Payment Instructions" on the Letter of Transmittal or (ii) if such Shares are tendered for the account of an Eligible Institution. See Instructions 1 and 5 of the Letter of Transmittal.

If the certificates representing tendered Shares are registered in the name of a person other than the signer of the Letter of Transmittal, or if payment is to be made or certificates for Shares not accepted for payment or not tendered are to be returned to a person other than the registered holder, then the tendered certificates must be endorsed or accompanied by appropriate stock powers, in either case signed exactly as the name(s) of the registered holder(s) appear(s) on the certificates, with the signatures on the certificates or stock powers guaranteed as described above. See Instructions 1 and 5 of the Letter of Transmittal.

#### GUARANTEED DELIVERY

If a stockholder desires to tender Shares pursuant to the Offer and such stockholder's certificates are not immediately available, or such stockholder cannot deliver the certificates and all other required documents to reach the Depository on or prior to the Expiration Date, or such stockholder cannot complete the procedure for book-entry transfer on a timely basis, such Shares may nevertheless be tendered if the following guaranteed delivery procedures are satisfied:

(i) such tender is made by or through an Eligible Institution;

(ii) a properly completed and duly executed Notice of Guaranteed Delivery, substantially in the form provided by Purchaser, is received by the Depository as provided below on or prior to the Expiration Date; and

(iii) the certificates (or a book-entry transfer confirmation) representing all such tendered Shares, in proper form for transfer, in each case together with the Letter of Transmittal (or a facsimile thereof) properly completed and duly executed, with any required signature guarantees (or, in the case of a book-entry transfer, an Agent's Message) and any other documents required by the Letter of Transmittal are received by the Depository within three New York Stock Exchange ("NYSE") trading days after the date of execution of such Notice of Guaranteed Delivery.

The Notice of Guaranteed Delivery may be delivered by hand or transmitted by telegram, telex, facsimile transmission or mail to the Depository and must include a signature guarantee by an Eligible Institution in the form set forth in such Notice of Guaranteed Delivery.

Notwithstanding any other provision hereof, payment for Shares accepted for payment pursuant to the Offer will in all cases be made only after timely receipt by the Depository of (i) a certificate(s) representing such Shares or a timely confirmation of a book-entry transfer of such Shares into the Depository's account at the Book-Entry Transfer Facilities, (ii) a Letter of Transmittal (or a facsimile thereof), properly completed and duly executed, with any required signature guarantees or Agent's Message and (iii) any other documents required by the Letter of Transmittal. Accordingly, payment might not be made to all tendering stockholders at the same time, and will depend upon when certificates representing Shares or Book-Entry Confirmations of such Shares are received into the Depository's account at a Book-Entry Transfer Facility.

THE METHOD OF DELIVERY OF SHARE CERTIFICATES AND ALL OTHER REQUIRED DOCUMENTS, INCLUDING DELIVERY THROUGH ANY BOOK-ENTRY TRANSFER FACILITY, IS AT THE OPTION AND RISK OF THE TENDERING STOCKHOLDER AND THE DELIVERY WILL BE DEEMED MADE ONLY WHEN THE SHARE CERTIFICATES AND ALL OTHER REQUIRED DOCUMENTS ARE ACTUALLY RECEIVED BY THE DEPOSITARY. IF DELIVERY IS BY MAIL, REGISTERED MAIL WITH RETURN RECEIPT REQUESTED, PROPERLY INSURED, IS RECOMMENDED. IN ALL CASES, SUFFICIENT TIME SHOULD BE ALLOWED TO ENSURE TIMELY DELIVERY.



## BACKUP FEDERAL INCOME TAX WITHHOLDING

To prevent backup federal income tax withholding on payments made to stockholders with respect to the purchase price of Shares purchased pursuant to the Offer, each such stockholder must provide the Depositary with such stockholder's correct taxpayer identification number and certify that such stockholder is not subject to backup federal income tax withholding by completing the Substitute Form W-9 included with the Letter of Transmittal. See Instruction 8 of the Letter of Transmittal.

## APPOINTMENT AS PROXY

By executing a Letter of Transmittal, a tendering stockholder irrevocably appoints designees of Purchaser as such stockholder's proxies in the manner set forth in the Letter of Transmittal to the full extent of such stockholder's rights with respect to the Shares tendered by such stockholder and accepted for payment by Purchaser (and with respect to any and all other Shares or other securities issued or issuable in respect of such Shares on or after the date of this Offer to Purchase). All such appointments shall be irrevocable and coupled with an interest in the tendered Shares. Such appointment will be effective only when, and only to the extent that, Purchaser accepts such Shares for payment in accordance with the terms of Section 2 hereof. Upon such acceptance for payment, all prior proxies and consents granted by such stockholder with respect to such Shares will be revoked without further action, and no subsequent proxies may be given nor subsequent written consents executed (and, if given or executed, such proxies or consents will not be deemed effective) by such stockholder with respect to such Shares. The designees of Purchaser (or any of them) will be empowered to exercise all voting and other rights of such stockholder with respect to such Shares as they, in their sole judgment, may deem proper at any annual, special or adjourned meeting of the Company's stockholders, by written consent or otherwise. Purchaser reserves the right to require that, in order for Shares to be deemed validly tendered, immediately upon Purchaser's payment for such Shares, Purchaser must be able to exercise full voting rights with respect to such Shares, including voting at any meeting of the Company's stockholders or acting by written consent without a meeting.

## DETERMINATION OF VALIDITY

All questions as to the validity, form, eligibility (including time of receipt) and acceptance for payment of any tender of Shares will be determined by Purchaser in its sole judgment, which determination shall be final and binding. Purchaser reserves the absolute right to reject any and all tenders of Shares determined by it not to be in proper form or the acceptance for payment of which may, in the opinion of Purchaser's counsel, be unlawful. Purchaser reserves the absolute right to waive any defect or irregularity in any tender of Shares of any particular stockholder. Purchaser's interpretation of the terms and conditions of the Offer (including the Letter of Transmittal and the Instructions thereto) will be final and binding. None of Purchaser, MHC, any of their affiliates or assigns, the Dealer Manager, the Depositary, the Information Agent or any other person will be under any duty to give notification of any defects or irregularities in tenders or incur any liability for failure to give any such notification.

4. WITHDRAWAL RIGHTS. Tenders of Shares pursuant to the Offer may be withdrawn at any time on or prior to the Expiration Date. Thereafter, such tenders are irrevocable, except that they may be withdrawn after November 4, 1996 unless theretofore accepted for payment as provided in this Offer to Purchase. If Purchaser extends the Offer, is delayed in accepting for payment or paying for Shares or is unable to accept for payment or pay for Shares pursuant to the Offer for any reason, then, without prejudice to Purchaser's rights under the Offer, the Depositary may, on behalf of Purchaser, retain all Shares tendered, and such Shares may not be withdrawn except to the extent that tendering stockholders are entitled to exercise their withdrawal rights as set forth in this "Section 4 -- Withdrawal Rights."

For a withdrawal to be effective, a written, telegraphic, telex or facsimile transmission notice of withdrawal must be timely received by the Depositary at one of its addresses set forth on the back cover of this Offer to Purchase. Any notice of withdrawal must specify the name of the person who tendered the Shares to be withdrawn, the number of Shares to be withdrawn and the name of the registered holder, if different from that of the person who tendered such Shares. If certificates representing Shares to be withdrawn have been delivered or otherwise identified to the Depositary, then prior to the physical release of such certificates, the

serial numbers shown on such certificates must be submitted to the Depository, and the signatures on the notice of withdrawal must be guaranteed by an Eligible Institution unless such Shares have been tendered for the account of an Eligible Institution. If Shares have been tendered pursuant to the procedure for book-entry transfer set forth in "Section 3 -- Procedure for Tendering Shares," the notice of withdrawal must specify the name and number of the account at the Book-Entry Transfer Facility to be credited with the withdrawn Shares.

Withdrawals may not be rescinded, and Shares withdrawn will thereafter be deemed not validly tendered for purposes of the Offer. However, withdrawn Shares may be retendered at any time prior to the Expiration Date by again following one of the procedures described in "Section 3 -- Procedure for Tendering Shares."

All questions as to the form and validity (including time of receipt) of any notice of withdrawal will be determined by Purchaser, in its sole judgment, whose determination shall be final and binding. None of Purchaser, MHC, any of their affiliates or assigns, the Dealer Manager, the Depository, the Information Agent or any other person will be under any duty to give notification of any defects or irregularities in any notice of withdrawal or incur any liability for failure to give such notification.

5. CERTAIN FEDERAL INCOME TAX CONSEQUENCES OF THE OFFER. The following summary is a general discussion of certain federal income tax considerations with respect to a sale of Shares pursuant to the Offer. This summary does not address the potential federal income tax considerations which might arise with respect to any merger. This summary is based on the Code, final and proposed regulations promulgated thereunder ("Treasury Regulations"), court decisions and IRS rulings and positions as of the date of this Offer to Purchase. All of the foregoing are subject to change, and any such change could affect the continuing accuracy of this summary. This summary does not discuss all aspects of federal income taxation that may be relevant to a particular holder of Shares in light of such holder's specific circumstances or to certain types of holders of Shares subject to special treatment under the federal income tax laws (for example, foreign persons, dealers in securities, banks, insurance companies and specific types of tax-exempt organizations), nor does it discuss any aspect of state, local, foreign or other tax laws. The discussion applies only to holders of Shares in whose hands Shares are capital assets, and may not apply to Shares received pursuant to the exercise of employee stock options or otherwise as compensation, or to holders of Shares who are not citizens or residents of the United States.

THE FEDERAL INCOME TAX CONSEQUENCES SET FORTH BELOW ARE INCLUDED FOR GENERAL INFORMATIONAL PURPOSES ONLY AND ARE BASED UPON PRESENT LAW. BECAUSE INDIVIDUAL CIRCUMSTANCES MAY DIFFER, EACH HOLDER OF SHARES IS URGED TO CONSULT SUCH HOLDER'S OWN TAX ADVISOR TO DETERMINE THE APPLICABILITY OF THE RULES DISCUSSED BELOW TO SUCH HOLDER AND THE PARTICULAR TAX EFFECTS OF THE OFFER AND THE MERGER, INCLUDING THE APPLICATION AND EFFECT OF STATE, LOCAL, FOREIGN AND OTHER TAX LAWS.

A sale of Shares pursuant to the Offer will be a taxable transaction for federal income tax purposes under the Code and also may be a taxable transaction under applicable state, local and other income tax laws. In general, for federal income tax purposes, a tendering stockholder will recognize gain or loss equal to the difference between the cash received by the stockholder pursuant to the Offer and the stockholder's adjusted tax basis in the Shares tendered by the stockholder and purchased pursuant to the Offer. Gain or loss must be determined separately for each block of Shares (i.e., Shares acquired at the same cost in a single transaction) tendered pursuant to the Offer. Such gain or loss will be capital gain or loss. Such gain or loss will be long-term gain or loss if, on the date Purchaser accepts the Shares for payment pursuant to the Offer, the Shares were held for more than one year. Capital losses are deductible only to the extent of capital gains, except that non-corporate taxpayers may deduct up to \$3,000 of capital losses in excess of the amount of their capital gains against ordinary income. Excess capital losses generally can be carried forward to succeeding years (a corporation's carry forward period is five years and a non-corporate taxpayer can carry forward such losses indefinitely); in addition, corporations are allowed to carry back excess capital losses to the three preceding taxable years. Special rules also apply to the treatment of capital gains and losses with respect to the stock of a REIT.

Payments to stockholders in connection with the Offer may be subject to "backup withholding" at a 31% rate. Backup withholding generally applies if the stockholder fails to furnish such stockholder's social security number or other taxpayer identification number ("TIN"), or furnishes an incorrect TIN. Backup withholding is not an additional tax but merely an advance payment, which may be refunded to the extent it results in an overpayment of tax. Certain persons generally are exempt from backup withholding, including corporations and financial institutions. Certain penalties apply for failure to furnish correct information and for failure to include the reportable payments in income. Stockholders should consult with their own tax advisors as to the qualification for exemption from withholding and the procedure for obtaining such exemption.

6. PRICE RANGE OF THE SHARES; DIVIDENDS; EFFECT OF THE OFFER ON THE MARKET FOR THE SHARES; STOCK EXCHANGE LISTING; EXCHANGE ACT REGISTRATION; MARGIN REGULATIONS. According to the Company's 1995 Form 10-K, the Shares are traded on the NYSE under the symbol "CPJ." The following table sets forth, for the periods indicated, the high and low sale prices per Share for the Shares as reported on the NYSE Composite Tape and the cash dividends paid per Share.

	HIGH	LOW	DIVIDENDS
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1996:			
First Quarter.....	24 7/8	22 1/8	.405
Second Quarter.....	23 7/8	21 5/8	.405
Third Quarter (through September 3, 1996).....	26 5/8	22 1/8	--
1995:			
First Quarter.....	22 1/2	18	.375
Second Quarter.....	22 5/8	19 3/4	.375
Third Quarter.....	22 1/2	20 3/8	.375
Fourth Quarter.....	22 7/8	20 3/4	.40
1994:			
First Quarter.....	24 1/4	19 7/8	.35
Second Quarter.....	24 1/4	21 7/8	.35
Third Quarter.....	23 5/8	20 1/2	.35
Fourth Quarter.....	21 7/8	18 1/4	.375

On August 16, 1996, the last full trading day prior to the issuance of a press release by MHC announcing its proposed acquisition of the Company in a merger, the closing price for the Shares on the NYSE Composite Tape was \$23 1/4 per share. On September 3, 1996, the last full trading day prior to the commencement of the Offer, such closing price was \$26 1/8 per Share.

STOCKHOLDERS ARE URGED TO OBTAIN A CURRENT MARKET QUOTATION FOR THE SHARES.

A stockholder will be entitled to retain (without any reduction in the purchase price per Share) any regular quarterly cash dividends, not in excess of \$0.405 per Share, having a customary and usual record date (provided that such date is prior to the date upon which Purchaser purchases and becomes the record holder of such Shares), regardless of when such stockholder tenders Shares pursuant to the Offer.

#### EFFECT OF THE OFFER ON THE MARKET FOR THE SHARES

The purchase of Shares pursuant to the Offer will reduce the number of Shares that might otherwise trade publicly and, depending upon the number of Shares so purchased, could adversely affect the liquidity and market value of the remaining Shares held by the public. The purchase of Shares pursuant to the Offer can also be expected to reduce the number of holders of Shares.

#### STOCK EXCHANGE LISTING

Depending on the number of Shares acquired pursuant to the Offer, the Shares may no longer meet the requirements for continued listing on the NYSE. According to the 1995 Form 10-K, there were approximately

400 holders of record and approximately 6,000 beneficial holders of Shares as of March 22, 1996. According to the NYSE's published guidelines, the NYSE would consider delisting the Shares if, among other things, the number of holders of 100 Shares or more was reduced to less than 1,200, the number of Shares publicly held (excluding those held by officers and directors of the Company, members of their immediate families and persons owning 10% or more of the shares outstanding ("Excluded Holdings")) was reduced to less than 600,000 or the aggregate market value of publicly held Shares (exclusive of Excluded Holdings) was reduced to less than \$5,000,000. If Purchaser consummates the Offer and the Company's Board of Directors has not adopted a resolution approving or exempting from the Maryland Business Combination Law a business combination between the Company and Purchaser or any of its affiliates, Purchaser would not be able to consummate the Proposed Merger, and thereby acquire all outstanding Shares not then owned by it, for a period of five years after consummation of the Offer. In addition, following the Offer, the Company may decide to voluntarily delist the Shares from trading on the NYSE. If, as a result of the purchase of Shares pursuant to the Offer or otherwise, the Shares no longer meet the requirements of the NYSE for continued listing and/or trading and such trading of the Shares is discontinued, the market for the Shares could be adversely affected.

In the event that the Shares were no longer listed or traded on the NYSE, it is possible that the Shares would trade on another securities exchange or in the over-the-counter market and that price quotations would be reported by such exchange, through the Nasdaq Stock Market, or other sources, though there can be no assurances in this regard. Any such trading and the availability of any such quotations would, however, depend upon the number of stockholders and/or the aggregate market value of the Shares remaining at such time, the interest in maintaining a market in the Shares on the part of securities firms, the possible termination of registration of the Shares under the Exchange Act as described below, and other factors. If the Company decides to voluntarily delist the Shares from trading on the NYSE, it is unlikely that the Shares would trade on another securities exchange or in the over-the-counter market or that price quotations would be reported through the Nasdaq Stock Market.

#### EXCHANGE ACT REGISTRATION

The Shares are currently registered under the Exchange Act. The purchase of the Shares pursuant to the Offer may result in the Shares becoming eligible for deregistration under the Exchange Act. Registration of the Shares may be terminated upon application of the Company to the Commission if the Shares are not listed on a "national securities exchange" and there are fewer than 300 record holders of Shares. Termination of registration of the Shares under the Exchange Act would substantially reduce the information required to be furnished by the Company to its stockholders and the Commission and would make certain provisions of the Exchange Act, such as the short-swing profit recovery provisions of Section 16(b) and the requirements of furnishing a proxy statement in connection with stockholders' meetings pursuant to Section 14(a), no longer applicable to the Company. If the Shares were no longer registered under the Exchange Act, the requirements of Rule 13e-3 under the Exchange Act with respect to "going private" transactions no longer would be applicable to the Company. Furthermore, the ability of "affiliates" of the Company and persons holding "restricted securities" of the Company to dispose of such securities pursuant to Rule 144 promulgated under the Securities Act of 1933, as amended, may be impaired or eliminated. If, as a result of the purchase of Shares pursuant to the Offer, the Company is no longer required to maintain registration of the Shares under the Exchange Act, Purchaser intends to cause the Company to apply for termination of such registration. See "Section 10 -- Purpose of the Offer."

If registration of the Shares is not terminated prior to the Proposed Merger, then the Shares will be delisted from all stock exchanges and the registration of the Shares under the Exchange Act will be terminated following the consummation of the Proposed Merger.

#### MARGIN REGULATIONS

The Shares are presently "margin securities" under the regulations of the Board of Governors of the Federal Reserve System (the "Federal Reserve Board"), which regulations have the effect, among other things, of allowing brokers to extend credit on the collateral of such Shares for the purpose of buying, carrying or trading in securities ("Purpose Loans"). Depending on factors such as the number of record holders of the Shares and the number and market value of publicly held Shares, following the purchase of Shares pursuant to

the Offer the Shares might no longer constitute "margin securities" for purposes of the Federal Reserve Board's margin regulations and, therefore, no longer could be used as collateral for Purpose Loans made by brokers. In addition, if registration of the Shares under the Exchange Act was terminated, the Shares no longer would constitute "margin securities."

#### 7. CERTAIN INFORMATION CONCERNING THE COMPANY

According to the 1995 Form 10-K: The Company operates as a self-administered and self-managed equity real estate investment trust. Through the Company OP, of which the Company is the sole general partner, the Company owns and operates 44 manufactured home community properties in Michigan, Florida, Minnesota and North Dakota. The Company was formed in Maryland on August 25, 1993 to continue and expand the manufactured home operations and business objectives of Chateau Estates, a Michigan co-partnership. Chateau Estates had developed, owned and operated manufactured home community properties since 1966.

#### FINANCIAL INFORMATION

Set forth below is certain selected consolidated financial information with respect to the Company and its subsidiaries for the periods indicated, which were obtained from the Company's public filings. More comprehensive financial information is included in reports and other documents filed by the Company with the Commission, and the following summary is qualified in its entirety by reference to such reports and other documents and all of the financial information (including any related notes) contained therein. Such reports and other documents should be available for inspection and copies thereof should be obtainable in the manner set forth below under "Available Information."

#### CHATEAU PROPERTIES, INC.

#### SUMMARY CONSOLIDATED FINANCIAL INFORMATION (AMOUNTS IN THOUSANDS EXCEPT PER SHARE DATA)

	YEARS ENDED DECEMBER		FOR THE	SIX MONTHS ENDED JUNE	
	31,	31,	PERIOD	30,	30,
	1995	1994	NOVEMBER 23 - DECEMBER 31, 1993	1996	1995
(UNAUDITED)					
<b>INCOME STATEMENT DATA:</b>					
Total operating revenues.....	\$ 61,855	\$ 48,067	\$ 4,687	\$ 33,220	\$ 30,509
Funds from operations					
("FFO")(1).....	\$ 24,898	\$ 22,015	\$ 529	\$ 13,554	\$ 12,359
EBITDA (2).....	\$ 37,445	\$ 28,123	\$ 2,820	\$ 19,817	\$ 18,631
Net income (loss).....	\$ 5,303	\$ 6,037	\$ (1,183)	\$ 3,243	\$ 2,425
<b>PER SHARE INFORMATION:</b>					
Net income (loss) per Share.....	\$ .89	\$ 1.05	\$ (.21)	\$ .53	\$ .42
Dividend per Share.....	\$ 1.525	\$ 1.425	\$ .15	\$ .81	\$ .75
Average number of Shares					
outstanding.....	5,959	5,750	5,750	6,098	5,825

	AS OF DECEMBER 31,			AS OF JUNE 30,	
	1995	1994	1993	1996	1995

(UNAUDITED)					
<b>BALANCE SHEET DATA:</b>					
Real estate, net.....	\$206,555	\$207,977	\$ 97,755	\$211,743	\$204,066
Total assets.....	\$212,034	\$215,418	\$ 120,524	\$218,054	\$213,417
Total debt.....	\$132,700	\$132,747	\$ 52,831	\$141,298	\$134,272
Majority interest in the Company					
OP.....	\$ 36,264	\$ 41,569	\$ 35,441	\$ 34,537	\$ 36,573
Total stockholders' equity.....	\$ 24,308	\$ 25,542	\$ 23,424	\$ 23,015	\$ 24,820

(1) Industry analysts generally consider FFO to be an appropriate measure of the performance of an equity REIT. FFO is defined by the National Association of Real Estate Investment Trusts ("NAREIT") as

net income (computed in accordance with generally accepted accounting principles ("GAAP")) before allocation to minority interests, plus real estate depreciation and after adjustments for significant nonrecurring items, if any. It is generally believed that FFO is helpful to investors as a measure of the performance of an equity REIT because, along with cash flows from operating activities, financing activities and investing activities, it provides investors an understanding of the ability of the equity REIT to incur and service debt and to make capital expenditures. 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 indicator of an equity REIT's performance or to net cash flows from operating activities as determined by GAAP as a measure of liquidity and is not necessarily indicative of cash available to fund cash needs.

- (2) Earnings before interest expense, taxes, depreciation and amortization. EBITDA is generally considered to be an appropriate measure of the performance of an equity REIT. EBITDA should not be considered by the reader as an alternative to net income as an indicator of an equity REIT's operating performance or to net cash flows as a measure of liquidity. EBITDA reflects the consolidated results of operations before the impact of interest and depreciation expense.

#### AVAILABLE INFORMATION

The Shares are registered under the Exchange Act, and, accordingly, the Company is subject to the informational filing requirements of the Exchange Act. In accordance therewith the Company files periodic reports, proxy statements and other information with the Commission under the Exchange Act relating to its business, financial condition and other matters. The Company is required to disclose in such proxy statements certain information, as of particular dates, concerning the Company's directors and officers, their remuneration, stock options granted to them, the principal holders of the Company's securities and any material interest of such persons in transactions with the Company. Such reports, proxy statements and other information may be inspected at the Commission's office at 450 Fifth Street, N.W., Washington, D.C. 20549, and also should be available for inspection and copying at the regional offices of the Commission located at 500 West Madison Street, Suite 1400, Chicago, Illinois 60661-2511; and 7 World Trade Center, 13th Floor, New York, New York 10048. Copies may be obtained by mail from the Public Reference Section of the Commission, 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed rates. Such material should also be available for inspection at the offices of the NYSE, 20 Broad Street, New York, New York 10005. In addition, the Commission maintains a site on the World Wide Web that can be accessed at <http://www.sec.gov> and that contains reports, proxy and information statements and other information regarding registrants that file electronically with the Commission.

#### 8. CERTAIN INFORMATION CONCERNING PURCHASER AND MHC

##### GENERAL

Purchaser is a limited partnership formed under the laws of the State of Illinois, the sole general partner of which is MHC. Purchaser owns 35 of the 67 manufactured home communities controlled by MHC and substantially all of the equity interests in the operating subsidiaries of MHC. The principal executive offices of Purchaser are at c/o Manufactured Home Communities, Inc., Two North Riverside Plaza, Suite 800, Chicago, Illinois 60606.

MHC is a Maryland corporation which has elected REIT status with its principal offices located at Two North Riverside Plaza, Suite 800, Chicago, Illinois 60606. MHC is a fully integrated company which, through controlled subsidiaries and affiliates, owns, operates and manages manufactured home communities. MHC is the sole general partner of, and owns 90.0855% of the partnership interests in, Purchaser. Manufactured home communities are residential developments designed and improved for the placement of detached, single-family manufactured homes which are produced off-site and installed within the community. The owner of each home leases the site on which such home is located. Modern manufactured home communities are similar to typical residential subdivisions containing centralized entrances, paved streets, curbs and gutters and parkways. In addition, these communities often provide a clubhouse for social activities and recreation and other amenities, which may include swimming pools, shuffleboard courts, tennis courts, laundry facilities and cable television service. Utilities are provided or arranged for by the owner of the community. Some

communities provide water and sewer service through public or private utilities, while others provide these services to residents from on-site facilities.

MHC was formed to continue the property operations, business objectives and acquisition strategies of an entity that had owned and operated manufactured home communities since 1969. MHC, as of June 30, 1996, controlled a portfolio of 67 manufactured home communities (the "Properties") located throughout the United States containing 26,820 residential sites. All of the Properties, except two, are managed by controlled subsidiaries or affiliates of MHC. The Properties are located in 19 states (with the number of Properties in each state shown parenthetically) -- Arizona (8), California (6), Colorado (8), Delaware (3), Florida (20), Illinois (1), Indiana (3), Iowa (1), Kansas (3), Maryland (1), Minnesota (1), Missouri (3), Montana (1), Nevada (3), New Mexico (1), Oklahoma (1), Pennsylvania (1), Virginia (1), and West Virginia (1).

#### FINANCIAL INFORMATION

Set forth below is certain selected consolidated financial information with respect to MHC and its subsidiaries for the periods indicated (which includes the results of operations and balance sheet data of Purchaser). More comprehensive financial information is included in reports and other documents filed by MHC with the Commission, and the following summary is qualified in its entirety by reference to such reports and other documents and all of the financial information (including any related notes) contained therein. Such reports and other documents should be available for inspection and copies thereof should be obtainable in the manner set forth below under "Available Information."

#### MANUFACTURED HOME COMMUNITIES, INC.

##### SUMMARY CONSOLIDATED FINANCIAL INFORMATION (AMOUNTS IN THOUSANDS EXCEPT PER SHARE DATA)

	YEARS ENDED DECEMBER 31,			SIX MONTHS ENDED JUNE 30,	
	1995	1994	1993	1996	1995
				(UNAUDITED)	
<b>INCOME STATEMENT DATA:</b>					
Total operating revenues.....	\$ 96,904	\$ 68,759	\$ 41,976	\$ 51,597	\$ 48,297
FFO (1).....	\$ 34,518	\$ 26,186	\$ 16,094	\$ 20,546	\$ 16,326
EBITDA (2).....	\$ 53,394	\$ 37,575	\$ 24,746	\$ 29,406	\$ 25,995
Net income.....	\$ 18,017	\$ 15,048	\$ 10,435	\$ 11,912	\$ 8,426
<b>PER SHARE INFORMATION:</b>					
Net income per share.....	\$ .74	\$ .70	\$ .70	\$ .48	\$ .35
Dividend per share.....	\$ 1.18	\$ 1.14	\$ .86	\$ .61	\$ .59
Average number of common shares outstanding.....	24,353	21,508	14,918	24,675	24,332

	AS OF DECEMBER 31,			AS OF JUNE 30,	
	1995	1994	1993	1996	1995
				(UNAUDITED)	
<b>BALANCE SHEET DATA:</b>					
Real estate, net.....	\$486,552	\$498,398	\$163,300	\$511,069	\$492,521
Total assets.....	\$523,125	\$544,106	\$341,728	\$550,347	\$544,699
Total debt.....	\$211,966	\$226,670	\$103,000	\$236,196	\$226,127
Minority interests.....	\$ 29,305	\$ 30,507	\$ 23,432	\$ 28,936	\$ 29,727
Total stockholders' equity.....	\$261,500	\$270,602	\$204,426	\$258,816	\$265,943

(1) Industry analysts generally consider FFO to be an appropriate measure of the performance of an equity REIT. FFO is defined by NAREIT as net income (computed in accordance with GAAP) before allocation to minority interests, plus real estate depreciation and after adjustments for significant non-recurring items, if any. It is generally believed that FFO is helpful to investors as a measure of the performance of an equity REIT because, along with cash flows from operating activities, financing

activities and investing activities, it provides investors an understanding of the ability of the equity REIT to incur and service debt and to make capital expenditures. 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 indicator of an equity REIT's performance or to net cash flows from operating activities as determined by GAAP as a measure of liquidity and is not necessarily indicative of cash available to fund cash needs.

(2) Earnings before interest expense, taxes, depreciation and amortization.

EBITDA is generally considered to be an appropriate measure of the performance of an equity REIT. EBITDA should not be considered by the reader as an alternative to net income as an indicator of an equity REIT's operating performance or to net cash flows as a measure of liquidity. EBITDA reflects the consolidated results of operations before the impact of interest and depreciation expense.

AVAILABLE INFORMATION

MHC's common stock is registered under the Exchange Act, and, accordingly, MHC is subject to the informational filing requirements of the Exchange Act. In accordance therewith, MHC files periodic reports, proxy statements and other information with the Commission under the Exchange Act relating to its business, financial condition and other matters. MHC is required to disclose in such proxy statements certain information, as of particular dates, concerning MHC's directors and officers, their remuneration, stock options granted to them, the principal holders of MHC's securities and any material interest of such persons in transactions with MHC. Such reports, proxy statements and other information may be inspected at the Commission's office at 450 Fifth Street, N.W., Washington, D.C. 20549, and also should be available for inspection and copying at the regional offices of the Commission located at 500 West Madison Street, Suite 1400, Chicago, Illinois 60661-2511; and 7 World Trade Center, 13th Floor, New York, New York 10048. Copies may be obtained by mail from the Public Reference Section of the Commission, 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed rates. Such material should also be available for inspection at the offices of the NYSE, 20 Broad Street, New York, New York 10005. In addition, the Commission maintains a site on the World Wide Web that can be accessed at <http://www.sec.gov> and that contains reports, proxy and information statements and other information regarding registrants that file electronically with the Commission. Except as described in this Offer to Purchase, (i) neither Purchaser nor MHC nor, to the best knowledge of Purchaser or MHC, any of the persons listed in Schedule I or any associate or majority-owned subsidiary of any such persons, beneficially owns or has a right to acquire any equity security of the Company and (ii) neither Purchaser nor MHC nor, to the best knowledge of Purchaser or MHC, any of the other persons referred to above, or any of the respective directors, executive officers or subsidiaries of any of the foregoing, has effected any transaction in any equity security of the Company during the 60 days preceding the date of this Offer to Purchase.

Except as described in this Offer to Purchase, (i) neither Purchaser nor MHC nor, to the best knowledge of Purchaser or MHC, any of the persons listed in Schedule I has any contract, arrangement, understanding or relationship (whether or not legally enforceable) with any other person with respect to any securities of the Company, including, but not limited to, any contract, arrangement, understanding or relationship concerning the transfer of the voting rights of any such securities, joint ventures, loan or option arrangements, puts or calls, guarantees of loans, guarantees against loss, or the giving or withholding of proxies; and (ii) there have been no contacts, negotiations or transactions between Purchaser, MHC or any of their respective subsidiaries or, to the best knowledge of Purchaser or MHC, any of the persons listed on Schedule I, on the one hand, and the Company or any of its directors, officers or affiliates, on the other hand, concerning a merger, consolidation or acquisition, tender offer or other acquisition of securities, election of directors, a sale or other transfer of a material amount of assets or concerning any other transactions with the Company that are required to be disclosed pursuant to the rules and regulations of the Commission.

Between August 8, 1996 and August 21, 1996, Purchaser purchased an aggregate of 121,900 Shares (approximately 2% of the issued and outstanding Shares as reported in the Second Quarter Form 10-Q) in



open market transactions. The following table sets forth the dates on which such Shares were purchased on the open market, the number of Shares purchased and the average price per Share paid by Purchaser:

DATE	NUMBER OF SHARES PURCHASED	AVERAGE PRICE PER SHARE
August 8, 1996	1,500	\$ 22.6917
August 9, 1996	18,200	\$ 23.4135
August 19, 1996	40,000	\$ 25.8750
August 20, 1996	57,900	\$ 25.7897
August 21, 1996	4,300	\$ 25.2500

David A. Helfand, President and Chief Executive Officer of MHC, owns 110 Shares, of which 100 Shares were purchased on the open market on August 8, 1996 at \$22.625 per Share.

Riverside Partners, an Illinois limited partnership ("Riverside"), owns 5,000 Shares. Samuel Zell, MHC's Chairman of the Board, is a trustee and a beneficiary of a trust that is one of the general partners of Riverside. As a result, Mr. Zell may be deemed under the rules of the Commission to beneficially own the Shares owned by Riverside. Mr. Zell disclaims any such beneficial ownership.

#### 9. BACKGROUND OF THE OFFER

MHC, in the ordinary course of its business, evaluates potential acquisitions of properties as well as of companies with complementary real estate portfolios. At the time of the Company's initial public offering in November 1993, representatives of MHC made informal inquiries of representatives of the Company as to whether the Company would be interested in pursuing a business combination with MHC. At that time, the Company indicated that it was not interested in pursuing a business combination with MHC.

On July 18, 1996, the Company and ROC issued a press release announcing their agreement to merge both companies into a new company to be called Chateau Communities, Inc. ("Chateau Communities") through a tax-free exchange of stock. According to the announcement, ROC stockholders would receive 1.042 shares of the new company's common stock for every share they currently hold in ROC and Company stockholders would receive one share of the new company's common stock for every share they currently hold in the Company. Also according to the announcement, the exchange ratio was derived from the average of the ratios of the daily closing stock prices of the two companies during the second quarter of 1996.

According to the ROC Form 8-K, concurrently with the execution and delivery of the Company/ROC merger agreement, the Company entered into the Company Option Agreement with ROC whereby the Company has granted to ROC an option to purchase up to 420,000 Shares, exercisable by ROC, in whole or in part, at any time or from time to time after the Company/ROC merger agreement becomes terminable by ROC under circumstances which could entitle ROC to receive certain break-up expenses or fees pursuant to the Company/ROC merger agreement, regardless of whether the Company/ROC merger agreement is actually terminated (any such event by which the Company/ROC merger agreement becomes so terminable by ROC being referred to herein as a "ROC Trigger Event"). The exercise price of the option under the Company Option Agreement is equal to \$22.25 per Share, the closing price of the Shares on the date prior to the announcement of the ROC/Company transaction (i.e., July 17, 1996). The right of ROC to exercise its option shall terminate on the date which is 365 days after the date that the Company shall notify ROC in writing of the occurrence of any ROC Trigger Event. ROC has also entered into a Stock Option Agreement with the Company OP, whereby ROC has granted the Company OP an option to purchase up to 420,000 shares of ROC common stock, exercisable by the Company OP, in whole or in part, at any time or from time to time after the Company/ROC merger agreement becomes terminable by the Company under circumstances which could entitle the Company OP to receive certain break-up expenses or fees pursuant to the Company/ROC merger agreement, regardless of whether the Company/ROC merger agreement is actually terminated (any such event by which the Company/ROC merger agreement becomes so terminable by the Company being referred to herein as a "Company Trigger Event"). The exercise price of the option under the ROC Option Agreement is equal to \$22.00 per share, the closing price of ROC common stock on the date prior to the announcement of the ROC/Company transaction (i.e., July 17, 1996). The right of the Company OP to exercise its option shall terminate on the date which is 365 days after the date that ROC shall notify the Company OP in writing of the occurrence of any Company Trigger Event.

On August 14, 1996, Samuel Zell, Chairman of the Board of MHC, and David Helfand, President and Chief Executive Officer of MHC, telephoned John Boll, Chairman of the Board of the Company and suggested that they meet.

On August 16, 1996, Messrs. Zell, Helfand and Boll met in Detroit, Michigan. Also in attendance at such meeting were representatives of the Company's legal and financial advisors. At such meeting, Mr. Zell communicated MHC's offer to acquire the Company for \$26.00 per Share in cash, MHC common shares at a ratio of 1.15 MHC common shares for each Share or a combination of cash at \$26.00 per Share and MHC common shares at such ratio. Mr. Boll asked a number of questions regarding MHC's offer and indicated that MHC's offer would be considered by the Company's Board of Directors.

On August 17, 1996, the following letter, which contained MHC's formal offer, was delivered to Mr. Boll:

August 16, 1996

Dear Mr. Boll:

Thank you again for taking the time to meet with David Helfand and me on such short notice. As we discussed, Manufactured Home Communities, Inc. ("MHC") has conducted an intensive strategic and financial review of Chateau Properties, Inc. ("Chateau") based on publicly available information, and is convinced that a combination between MHC and Chateau offers substantially greater benefits to Chateau and its shareholders than the proposed merger between Chateau and ROC Communities, Inc. ("ROC") announced on July 18, 1996. As more fully described below, the benefits of MHC's offer include greater value, flexibility and liquidity for Chateau's shareholders, and a stronger, more efficient combined entity.

This letter will confirm and detail the proposal to combine our two companies which we presented to you earlier today on behalf of MHC's Board of Directors. Considering the significant benefits that this combination will provide to Chateau and its shareholders, we ask that you and Chateau's Board of Directors give prompt and careful consideration to our proposal.

#### TERMS OF MHC/CHATEAU COMBINATION

MHC is prepared to offer \$26.00 in cash for each outstanding common share of Chateau, MHC common shares at a ratio of 1.15 MHC common shares for each Chateau common share, or a combination of cash at \$26.00 per share and MHC common shares at such ratio. While we are prepared to consummate an all-cash transaction with Chateau and its shareholders, we are flexible regarding the ultimate mix of consideration offered and will endeavor to deliver that form of consideration which is most preferable to each of Chateau's shareholders. We recognize that the proposed merger with ROC contemplates a tax-free, all stock transaction, and, if a majority of Chateau's shareholders so desire, we are willing to preserve the tax-efficient nature of that structure within the context of our proposal, subject to applicable tax law requirements. Chateau shareholders electing to receive MHC shares will participate in an exceptional opportunity for growth and increased value through their ongoing interest in what will be the preeminent owner/operator of manufactured home communities in the country. In the alternative, those Chateau shareholders desiring immediate liquidity will be able to elect to receive cash. You should also note that MHC is prepared to offer the same terms to holders of OP Units in CP Limited Partnership in connection with this transaction. We expect that a definitive merger agreement between MHC and Chateau will reflect OP Unit holders' election to receive cash or OP Units in MHC Operating Limited Partnership at a ratio of 1.15 OP Units in MHC Operating Limited Partnership for each OP Unit in CP Limited Partnership. OUR OFFER IS NOT SUBJECT TO ANY FINANCING CONTINGENCY.

#### SUPERIORITY OF MHC'S OFFER

MHC's proposal provides Chateau's shareholders with substantially greater value and benefits than the proposed transaction with ROC:

- MHC's cash offer of \$26.00 for each common share of Chateau, representing a 17% premium over Chateau's closing price of \$22.25 on July 17, 1996 (the day before the proposed merger with ROC was announced), is financially superior to the terms of the proposed ROC merger.

- MHC's stock-for-stock offer is also financially superior to the terms of the proposed ROC merger because the synergies generated from the combined Chateau/MHC entity result in increased Funds From Operations ("FFO") to Chateau shareholders on a per share equivalent basis.
- MHC's cash option represents an additional benefit to Chateau's shareholders compared to the stock for stock merger (with no cash option) proposed by ROC.
- The combination of MHC's and Chateau's UPREIT structures creates a more streamlined combined entity with greater operating efficiencies than the corporate structure that would result from the proposed ROC merger. In addition, the combination of MHC and Chateau allows the limited partners of CP Limited Partnership to participate in the rewards of the combination without the potential tax risk that exists in connection with the proposed merger with ROC.

#### STRATEGIC BENEFITS OF MHC/CHATEAU COMBINATION

The transaction we propose represents an unprecedented opportunity to build a combined enterprise uniquely positioned for leadership in the ownership and management of manufactured home communities in the United States. Both MHC and Chateau are well recognized in the industry for their portfolios of high quality assets. The combination of Chateau and MHC enhances the value of both portfolios, whereas we believe a Chateau/ROC combination would dilute the quality and value of Chateau's portfolio. Additionally, because we share similar management and business philosophies, a combination of MHC and Chateau will result in unparalleled management depth and resident value.

MHC's stature as the largest publicly traded manufactured housing community REIT (in terms of total market capitalization), together with its national presence and outstanding performance, provide unique opportunities and competitive advantages, including greater access to capital markets, increased liquidity for shareholders, and management and operational synergies created by geographic clusters of properties. These opportunities and advantages will be enhanced by MHC's combination with Chateau.

- The combination of MHC and Chateau will unite two geographically diverse and complementary property portfolios. Together, we can realize significant opportunities for expansion both within the existing portfolios and in new geographic areas while continuing to offer unparalleled asset quality. Furthermore, MHC has an existing sales and marketing affiliate poised to capitalize on these development opportunities, whereas neither Chateau nor ROC have similar in-house capabilities.
- The combination of MHC and Chateau will create the largest manufactured home community owner and operator in the United States, with superior financial strength and access to growth capital. Combined capitalization will exceed \$1.2 billion, and the liquidity of our combined stock will be significantly greater than that which would result from the proposed ROC merger. Total revenues will exceed \$175 million, with EBITDA approaching \$110 million.
- The combined entity will be positioned to take full advantage of growth opportunities as our fragmented industry continues to move toward consolidation.

#### COMPARISON OF MHC'S STOCK PERFORMANCE VERSUS ROC'S STOCK PERFORMANCE

As illustrated in the following chart, MHC's stock performance since its 1993 IPO far exceeds the performance of ROC's stock since its IPO. As of July 17, 1996 (the day before the proposed merger with ROC was announced), the compounded annual return on investment in MHC since its IPO is 10% compared with 3% for ROC. As of July 17, 1996, the year-to-date compounded annual return on investment in MHC is 7% compared to NEGATIVE 14% for ROC. MHC's total dividend growth since its IPO is 22% with compounded annual dividend growth of 7%, compared to total dividend growth

of 10% and compounded annual dividend growth of 3% for ROC. MHC's compounded annual FFO per share growth since 1994 is 16% compared to 7% for ROC.

#### Compounded Annual Returns (Since IPO)

	MHC -----	ROC -----
IPO Value.....	\$12.88	\$20.00
IPO Date.....	3/3/93	8/18/93
End Value.....	\$18.00	\$22.00
End Date.....	7/17/96	7/17/96
Compounded Annual Return.....	10%	3%

#### Compounded Annual Returns (Y-T-D 1996)

	MHC -----	ROC -----
Beginning Value.....	\$17.38	\$23.88
Beginning Date.....	1/1/96	1/1/96
End Value.....	\$18.00	\$22.00
End Date.....	7/17/96	7/17/96
Compounded Annual Return.....	7%	-14%

#### Compounded Annual Dividend Growth (Since IPO)

	MHC -----	ROC -----
Dividend At IPO.....	\$1.00	\$1.48
Current Dividend (Annualized).....	\$1.22	\$1.62
Compounded Annual Growth.....	7%	3%
Total Dividend Growth.....	22%	10%

#### Compounded Annual FFO Per Share Growth (Since 1994)

	MHC -----	ROC -----
Annual FFO Per Share After IPO (1994).....	\$1.17	\$1.75
Current FFO Per Share (First Call estimates).....	\$1.57	\$2.01
Compounded Annual Growth.....	16%	7%

#### PROCESS

MHC's Board of Directors strongly supports the proposed transaction with Chateau and has authorized management to pursue this proposal with you. Subject to our receipt and review of the agreement relating to your proposed transaction with ROC, we are prepared to move expeditiously to complete a definitive agreement to effect our proposal. On that basis, we expect that the definitive agreement will be substantially similar to the Chateau/ROC agreement (the "ROC Agreement"). For example, we expect that the representations, warranties and covenants in our definitive agreement will essentially mirror those that you have negotiated with ROC.

We have reviewed the publicly available information regarding Chateau's business, financial condition, results of operations and prospects. Based upon this information and our understanding of the industry in which we both operate, we are prepared to sign a definitive agreement prior to conducting any due diligence review.

Our proposal is subject to termination of the ROC Agreement in accordance with its existing terms, approval of a mutually satisfactory merger agreement by our respective Boards of Directors, and approval of the transaction by our companies' respective shareholders. We anticipate that, with Chateau's cooperation, our transaction will be consummated by year-end.

Along with our financial advisor, J.P. Morgan Securities Inc., and our legal advisor, Mayer, Brown & Platt, we look forward to meeting with you and your advisors to discuss our proposal, and to working together to consummate this transaction.

Based upon the publicly available information regarding the proposed transaction with ROC, we are convinced that Chateau and its shareholders will be better served under the terms of MHC's offer. We trust that Chateau's Board will fulfill its fiduciary duties and provide Chateau's shareholders the opportunity to consider our offer. We are determined to take every appropriate action to successfully consummate this transaction. In view of the importance of this matter, we request that no later than the close of business on Wednesday, August 21, 1996 you deliver to us a copy of your merger agreement with ROC and confirm that Chateau's Board has authorized you to enter into negotiations with MHC. Given the significance of this matter to our shareholders, we intend to publicly announce this offer prior to the open of trading on Monday, August 19, 1996.

Sincerely,

/s/ Samuel Zell

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Samuel Zell

Chairman of the Board

cc: Members of Chateau's Board of Directors

MHC publicly announced its proposal in a press release dated August 19, 1996. Also on August 19, 1996, the Company responded to MHC's proposal by issuing the following press release:

**CHATEAU PROPERTIES ANNOUNCES AN UNSOLICITED PROPOSAL  
FOR A TWO-TIER OFFER FROM MANUFACTURED HOME COMMUNITIES, INC.**

Chateau Properties, Inc. (NYSE: CPJ), a real estate investment trust operating in the manufactured housing community industry, announced today it had received an unsolicited proposal from Manufactured Home Communities, Inc. (NYSE: MHC) in which MHC indicated it was prepared to offer \$26.00 in an all cash transaction and/or 1.15 shares of MHC's common stock for each CPJ share outstanding, and was prepared to make the same offer to holders of limited partnership interests in Chateau's operating partnership, CP Limited Partnership. Based on the closing price of MHC common stock on August 16, 1996 of \$18- 1/8, the indicated value of the MHC shares offered for Chateau shares was \$20.84, compared to the closing price of Chateau stock of \$23- 1/4 on August 16, 1996.

Chateau Properties is a party to a definitive Agreement and Plan of Merger with ROC Communities, Inc. (NYSE: ROC) which provides for the strategic combination of Chateau and ROC Communities. John Boll, Chairman of Chateau Properties, Inc., reiterated that the motivation for the merger with ROC Communities was based on the unique and substantial opportunities presented by the combination of Chateau and ROC. Chateau further noted that its Articles of Incorporation prohibit a person from beneficially owning in excess of 7% of its outstanding shares of common stock without Board approval.

Chateau stated that the MHC proposal will be considered at its next regularly scheduled Board Meeting on August 22, 1996.

Chateau Properties, Inc. is a fully integrated real estate investment trust (REIT) engaged in the long-term ownership, management, development and acquisition of high quality manufactured housing communities. Its portfolio comprises 47 communities located in Michigan, Illinois, Florida, Minnesota and North Dakota and contains 20,003 sites.

On the same date, August 19, 1996, ROC issued the following press release:

**CHAIRMAN OF ROC COMMUNITIES, INC., MCDANIEL,  
RESPONDS TO INQUIRIES ABOUT MERGER WITH CHATEAU PROPERTIES**

In response to inquiries this morning regarding ROC Communities, Inc.'s (NYSE: RCI) pending merger with Chateau Properties, Inc. (NYSE: CPJ), Chairman and President of ROC Communities,

Gary P. McDaniel stated, "The pending transaction between Chateau Properties and ROC Communities is a merger of equals and a strategic business combination which will create the substantial long term benefits we have previously discussed. Neither company has been or is for sale. We remain fully committed to completing the merger, which we strongly believe is in the best interests of the shareholders of both companies."

ROC Communities, based in Englewood, Colorado, is one of the largest owner/operators of manufactured home communities in the country. It currently owns 71 manufactured home communities in 23 states with a total of 20,829 residential sites. In addition, it fee manages 36 manufactured home communities (7,276 homesites) owned by third parties.

On August 21, 1996, the Company issued a press release announcing an unsolicited stock for stock offer from Sun Communities, Inc. ("Sun"):

CHATEAU PROPERTIES ANNOUNCED AN UNSOLICITED PROPOSAL FOR STOCK FOR STOCK OFFER FROM SUN COMMUNITIES, INC.

Chateau Properties, Inc. (NYSE: CPJ), a real estate investment trust operating in the manufactured housing community industry, announced today it had received an unsolicited proposal from Sun Communities, Inc. (NYSE: SUI) in which SUN indicated it was prepared to offer .892 shares of SUN's common stock for each CPJ share outstanding, and was prepared to make the same offer to holders of limited partnership interests in Chateau's operating partnership, CP Limited Partnership.

Chateau Properties is a party to a definitive Agreement and Plan of Merger with ROC Communities, Inc. (NYSE: RCI) which provides for the strategic combination of Chateau and ROC Communities.

Chateau stated that the SUN proposal, as well as the unsolicited proposal previously received from Manufactured Home Communities, Inc., will begin to be reviewed at the regularly scheduled Board Meeting to be held August 22, 1996.

Chateau Properties, Inc. is a fully integrated real estate investment trust (REIT) engaged in the long-term ownership, management, development and acquisition of high quality manufactured housing communities. Its portfolio comprises 47 communities located in Michigan, Illinois, Florida, Minnesota and North Dakota and contains 20,003 sites.

After Sun's announcement, MHC reiterated its commitment to consummating a transaction with the Company through the issuance of the following press release on August 23, 1996:

MHC REITERATES INTEREST IN CHATEAU MERGER PREMIUM TO SHAREHOLDERS

Manufactured Home Communities, Inc. (NYSE: MHC) today announced that Samuel Zell, Chairman, sent the following letter to John Boll, Chairman of Chateau Properties, Inc. (NYSE: CPJ). The letter follows MHC's offer last week to merge Chateau with MHC to create the largest manufactured home community owner and operator in the United States.

In this letter, Mr. Zell re-emphasized the superior combination of an MHC and Chateau merger. A combined MHC-Chateau would dominate the manufactured home industry with superior financial strength and a portfolio of the highest quality assets.

Highlights of MHC's bid include:

- Premium to Chateau Shareholders
- Flexible terms
- Bid provides choice of \$26.00 in cash or 1.15 shares of the newly formed company for each Chateau common share, or combination of cash and common stock
- Immediately accretive to both companies

"We are determined to take every appropriate action to successfully consummate this transaction," said Mr. Zell.

MHC owns or has a controlling interest in 67 quality manufactured housing communities across the country. The portfolio consists of 26,820 sites in 19 states. Headquartered in Chicago, MHC is a self-administered and self-managed equity real estate investment trust (REIT).

The following letter was sent by Samuel Zell, Chairman of Manufactured Home Communities, Inc. to John Boll, Chairman of Chateau Properties, Inc.:

August 23, 1996

Dear Mr. Boll:

One week has passed since we met in Detroit to discuss the possible merger of Chateau Properties and Manufactured Home Communities. At that meeting we outlined the substantial benefits that a true 'merger of equals' will create, both immediately and in the long term, for the shareholders and OP unit holders of both companies. The superior quality of Chateau's and MHC's portfolios will result in the largest and best owner/operator of quality communities in the nation. For Chateau shareholders, MHC's irreplaceable assets, national scope and regional operating capability offer the perfect complement to your fine portfolio and quality management team. Moreover, the combination of MHC's expansion opportunities, the largest of any in the industry, coupled with the proven expertise of Chateau's management, offers unmatched potential to create additional shareholder value. In addition, MHC's and Chateau's focus on quality assets will insure a consistent corporate culture and provide shareholders with the unique stability and growth that quality properties provide.

It is clear that the market views MHC's offer as superior. MHC provides Chateau's shareholders and OP unit holders a choice of retaining their investment in what will be a core holding with immediate accretion and tremendous growth potential, or \$26.00 in cash, a 17% premium to the closing price prior to the announcement of the transaction. In either case, MHC's proposal represents a superior offer.

We anticipate working together to finalize a transaction that generates benefits for all parties involved. As we stated previously, we are flexible as to the ultimate mix of consideration offered, and will work with Chateau's board of directors to deliver the form of consideration which is most preferable, including the structuring of a tax-free transaction for all parties.

We continue to await your response and remain prepared to act immediately to consummate this transaction for the benefit of all shareholders and OP unit holders. Our offer is not subject to any financing contingency.

As we stated in our letter dated August 16th, we are determined to take every appropriate action to successfully consummate this transaction.

Sincerely,

/s/ Samuel Zell

Samuel Zell  
Chairman of the Board

cc: Members of Chateau's Board of Directors

Also on August 23, 1996, the Company announced that its Board of Directors, at a regularly scheduled meeting on August 22, 1996, "had begun to consider the unsolicited proposals recently received from Sun Communities, Inc. (NYSE: SUI) and Manufactured Home Communities, Inc. (NYSE: MHC) and will continue that review."

On August 27, 1996, John Boll sent the following letter to Samuel Zell regarding the Company's review of the MHC and Sun offers:

August 27, 1996

Mr. Samuel Zell  
 Chairman of the Board  
 Manufactured Home Communities, Inc.  
 Two North Riverside Plaza  
 Chicago, Illinois 60606

Dear Mr. Zell:

As you are aware, our Board of Directors met last Thursday to begin to consider the proposals from Manufactured Home Communities and Sun Communities, Inc. However, because both proposals were received within days of our Board meeting, our advisors have not had an opportunity to fully evaluate the proposals. Accordingly, our Board has not drawn any conclusions regarding either offer. The Board will meet in the coming days to complete its assessment of the proposals.

Again, as you know, Chateau remains a party to a definitive Agreement and Plan of Merger with ROC Communities, Inc. ("ROC") which provides for a strategic combination of Chateau and ROC.

Very truly yours,

/s/ John A. Boll

John A. Boll

On August 29, 1996, MHC's Board of Directors met and approved a cash tender offer by Purchaser for all of the Shares at a price of \$26.00 per Share. On September 4, 1996, MHC issued the following press release announcing its commencement of the Offer:

**MHC BEGINS CASH TENDER OFFER FOR ALL SHARES OF CHATEAU AT \$26 PER SHARE**

Manufactured Home Communities, Inc. (NYSE:MHC) today announced that it has commenced a cash tender offer for all outstanding shares of common stock of Chateau Properties, Inc. (NYSE:CPJ) at a price of \$26 per share. There are approximately 6.1 million shares outstanding.

The tender offer is not subject to any financing contingencies. The offer is subject to certain conditions, including the tender of at least two-thirds of the outstanding shares. The tender offer expires at midnight on Tuesday, October 1, 1996.

On August 16, 1996, MHC delivered to John A. Boll, Chairman of Chateau, a proposal to merge the two companies. The proposal offered shareholders \$26 per share in cash, or 1.15 MHC common shares for each Chateau common share, or a combination of both.

MHC believes that its proposal provides a substantially greater value to Chateau's shareholders than either the proposed transaction between Chateau and ROC Communities, Inc. (NYSE:RCI) or the proposal by Sun Communities, Inc. (NYSE:SUI) to acquire Chateau.

MHC reiterated the benefits of its offer in a letter dated August 23, 1996:

- MHC's offer is the only cash offer.
- MHC's cash offer of \$26 per share is a 17% premium over Chateau's closing price of \$22.25 on July 17, 1996.
- The combination is immediately accretive to both companies.

The Board of Directors of Chateau has not responded to MHC's proposal and, as a result, MHC believes that its financially superior offer should be presented directly to the Chateau shareholders in the form of a cash tender offer. Notwithstanding the tender offer, MHC stated that it remains willing to enter into negotiations with Chateau at any time regarding its proposal.

Samuel Zell, Chairman of the Board of MHC, stated that a combined MHC and Chateau "represents an unprecedented opportunity to build an enterprise uniquely positioned for leadership in the



ownership and management of high quality manufactured home communities." Mr. Zell added, "As we have stated since our initial proposal was made, we are determined to take every appropriate action to successfully consummate this transaction."

David A. Helfand, CEO and President of MHC, explained that "The combination of Chateau and MHC will unite the two highest quality portfolios in the industry. The new entity would have superior financial strength, significant liquidity and unparalleled access to capital."

The Information Agent for the tender offer is MacKenzie Partners, Inc. MHC is being advised by J.P. Morgan and Co.

MHC owns or has a controlling interest in 67 quality manufactured housing communities across the country. The portfolio consists of 26,820 sites in 19 states. Headquartered in Chicago, MHC is a self-administered and self-managed equity real estate investment trust (REIT).

Also on September 4, 1996, MHC sent the following letter to John Boll:

Mr. John A. Boll  
Chairman of the Board  
Chateau Properties, Inc.  
19500 Hall Road  
Clinton Township, Michigan 48038

Dear Mr. Boll:

MHC Operating Limited Partnership, the sole general partner of which is Manufactured Home Communities, Inc. ("MHC"), announced today that it intends to commence a tender offer to purchase, for cash, all outstanding shares of common stock of Chateau Properties, Inc. ("Chateau") at \$26 per share. The tender offer is not subject to any financing contingencies. In accordance with Rule 14d-3 under the Securities Exchange Act of 1934, as amended, a copy of MHC's Schedule 14D-1 is enclosed.

MHC remains willing to enter into negotiations with Chateau regarding our proposal to combine the two companies. We continue to believe that a combination of Chateau and MHC represents an unprecedented opportunity to build a joint enterprise uniquely positioned for leadership in the ownership and management of manufactured home communities in the United States. However, from your letter to me dated August 27, 1996 and your public statements, it is unclear when Chateau's Board of Directors intends to complete its assessment of our proposal. As a result, MHC has determined that its offer, which is financially and strategically superior to both the pending transaction with ROC Communities, Inc. ("ROC") and the proposal made by Sun Communities, Inc., should be presented directly to Chateau's shareholders.

We trust that Chateau's Board of Directors will fulfill its fiduciary duties and allow Chateau's shareholders the right to select the superior offer that MHC has made. We are confident that Chateau's Directors will respect the will of Chateau's shareholders and act to serve their best interests. Accordingly, we request that Chateau's Board take all necessary actions to facilitate a Chateau/MHC combination, including those matters discussed in the Offer to Purchase relating to MHC's tender offer.

MHC has been contacted by a number of Chateau's shareholders expressing their support for the proposed Chateau/MHC combination. These shareholders recognize that the combination of Chateau and MHC will unite two geographically diverse and complementary property portfolios, each known for its high quality assets, and that the combined entity will be the dominant owner of manufactured home communities in the country, with superior management depth, growth opportunities, financial strength and access to capital.

We remain prepared to act immediately to consummate a negotiated transaction with Chateau, and look forward to hearing from you.

Sincerely,

Samuel Zell  
Chairman of the Board

cc: Members of Chateau's Board of Directors

Charles W. Royer, Esq.  
Timmis & Inman, L.L.P.

On September 4, 1996, Purchaser commenced the Offer by publication of a summary advertisement in The Wall Street Journal. On that same date, MHC (1) filed a Schedule 14D-1 with the Commission and (2) requested the Company's stockholder list pursuant to federal securities laws.

10. PURPOSE OF THE OFFER. The purpose of the Offer and the Proposed Merger is to enable MHC to acquire control of, and the entire equity interest in, the Company. The Offer, as the first step in MHC's acquisition of the Company, is intended to facilitate the acquisition of all Shares. MHC currently intends, as soon as practicable after, and substantially concurrent with, completion of the Offer, to seek to consummate the Proposed Merger. The purpose of the Proposed Merger is to enable MHC to acquire all Shares not tendered and purchased pursuant to the Offer or otherwise. Pursuant to the Proposed Merger, each Share (other than Shares owned by Purchaser or MHC and Shares held by stockholders who perfect any available appraisal rights under the Maryland GCL) would be converted into the right to receive an amount in cash equal to the price per Share paid pursuant to the Offer. Although it is MHC's current intention to propose and seek to enter into a definitive merger agreement with the Company with respect to the Proposed Merger and to consummate the Proposed Merger as promptly as practicable, there can be no assurance that the Proposed Merger or similar business combination will be consummated or, if consummated, of the timing thereof. Consummation of the Proposed Merger would require the termination of the Company's agreement with ROC, the adoption of a resolution by the Company's Board of Directors that the Proposed Merger is advisable and the affirmative vote of the holders of two-thirds of the Shares. Alternatively, if Purchaser purchases 90% or more of the Shares and the Company's agreement with ROC is terminated, the Proposed Merger could be consummated without the approval of the stockholders through a Short-Form Merger (defined below under "Statutory Requirements"). Notwithstanding the foregoing, if Purchaser consummates the Offer and the Company's Board of Directors has not adopted a resolution approving or exempting from the Maryland Business Combination Law a business combination between the Company and Purchaser or any of its affiliates, Purchaser would not be able to consummate a business combination with the Company for a period of five years after consummation of the Offer.

MHC intends to continue to seek to negotiate with the Company with respect to the acquisition of the Company by MHC. If such negotiations result in a definitive merger agreement between the Company and MHC, the consideration to be received by holders of Shares could include or consist of MHC common stock, other securities, cash or any combination thereof. Accordingly, such negotiations could result in, among other things, termination of the Offer (see "Section 14 -- Certain Legal Matters; Regulatory Approval") and submission of a different acquisition proposal to the Company's stockholders for their approval. In the event that MHC is unable to negotiate a definitive merger agreement with the Company, Purchaser may choose, under certain circumstances described herein, to waive any conditions that have not been satisfied and purchase Shares pursuant to the Offer and/or seek to obtain maximum representation on the Company's Board through the solicitation of proxies. MHC may also seek through a proxy contest proxies in opposition to the proposed Company/ROC transaction. The terms of the Company's directors are staggered so that, at each annual meeting of the Company's stockholders, one class of directors is elected for a three-year term or until their respective successors are elected and qualify or until the resignation, removal or retirement, if earlier, of the directors of such class. The Company's Articles provide that a director may be removed only for cause and only by the affirmative vote of holders of not less than two-thirds of all the votes entitled to be cast for the

election of directors. As a result of the foregoing provisions, it is possible that Purchaser would not be able to replace a majority of the Company's directors prior to the second annual meeting of the Company's stockholders held after Purchaser acquired a majority of the Shares.

THE OFFER DOES NOT CONSTITUTE A SOLICITATION OF PROXIES FOR ANY MEETING OF THE COMPANY'S STOCKHOLDERS. ANY SUCH SOLICITATION WHICH PURCHASER OR MHC MIGHT SEEK WOULD BE MADE ONLY PURSUANT TO SEPARATE PROXY MATERIALS COMPLYING WITH THE REQUIREMENTS OF SECTION 14(A) OF THE EXCHANGE ACT.

#### PLANS FOR THE COMPANY

In connection with the Offer, MHC and Purchaser have reviewed, and will continue to review, on the basis of publicly available information, various possible business strategies that they might consider in the event that Purchaser acquires control of the Company, whether pursuant to the Proposed Merger or otherwise. In addition, if and to the extent that Purchaser acquires control of the Company or otherwise obtains access to the books and records of the Company, MHC and Purchaser intend to conduct a detailed review of the Company and its assets, corporate structure, dividend policy, capitalization, operations, properties, policies, management and personnel and consider and determine what, if any, changes would be desirable in light of the circumstances which then exist. Should the Proposed Merger be consummated, it is contemplated that the Company OP and Purchaser would merge or otherwise combine their assets so as to more efficiently operate their respective businesses and take advantage of economies of scale. MHC has indicated its willingness to discuss the continuing role of the Company's management following consummation of the Proposed Merger.

Except as described in this Offer to Purchase, MHC and Purchaser have no present plans or proposals that would result in an extraordinary corporate transaction, such as a merger, consolidation, reorganization, liquidation, sale or transfer of a material amount of assets involving the Company or any of its subsidiaries.

#### CERTAIN REQUIREMENTS WITH RESPECT TO STOCKHOLDER MEETINGS AND BOARD OF DIRECTORS

The Company's Articles and Bylaws contain provisions which could delay or prohibit Purchaser and MHC from obtaining control of the Company's Board of Directors. The Company's Articles and Bylaws provide that the Company's Board of Directors shall be divided into three substantially equal classes, with each class elected for a term of three years. The terms of the classes are staggered so that at each annual meeting of the Company's stockholders one class of directors is elected for a three-year term and until their successors are elected and qualify or until the resignation, removal or retirement, if earlier, of the directors of such class. The Company's Bylaws provide that when any director is elected by the Board of Directors to fill a vacancy, such director holds office for the unexpired term of the director he is replacing. The Articles provide that a director may be removed only for cause and only by the affirmative vote of holders of not less than two-thirds of all the votes entitled to be cast for the election of directors. Amendments to the Company's Articles, including to declassify the Company's Board of Directors, require the approval of the Company's Board of Directors and the affirmative vote of not less than two-thirds of all the votes entitled to be cast on the matter. As a result of the foregoing provisions, it is possible that Purchaser would not be able to replace a majority of the Company's directors prior to the second annual meeting of the Company's stockholders held after Purchaser acquired a majority of the Shares. In addition, the Company's Bylaws provide that action may be taken by the Company's stockholders without a meeting if a consent in writing is signed by each stockholder entitled to vote on the matter and any other stockholder entitled to notice of a meeting of stockholders (but not to vote thereat) has waived in writing any right to dissent from such action.

Neither Purchaser nor MHC is soliciting proxies by means of this Offer to Purchase with respect to the election of directors or any proposal to be considered by the Company's stockholders.

#### STATUTORY REQUIREMENTS

In general, under the Maryland GCL, a merger of two Maryland corporations requires the adoption of a resolution by the Board of Directors of each of the corporations that such merger is advisable and the approval by the stockholders of each corporation by the affirmative vote of two-thirds of all the votes entitled to be cast on such matter. Accordingly, assuming consummation of the Offer and assuming the Minimum Number of Shares Condition is satisfied, Purchaser would own sufficient Shares to enable it to satisfy the stockholder approval requirement to approve the Proposed Merger (subject to the requirements of the Maryland Business

Combination Law and the Maryland Control Share Act described below). In addition to the foregoing, the Maryland GCL provides that a 90 percent or more owned Maryland subsidiary may merge into its Maryland parent corporation upon a majority vote of each corporation's entire board of directors, without action or vote by the stockholders of either corporation (a "Short-Form Merger"). Notwithstanding the foregoing, if Purchaser consummates the Offer and the Company's Board of Directors has not adopted a resolution approving or exempting from the Maryland Business Combination Law a business combination between the Company and Purchaser or any of its affiliates, Purchaser would not be able to consummate a business combination for a period of five years after consummation of the Offer.

Maryland Business Combination Law. The Maryland Business Combination Law provides that a Maryland corporation such as the Company may not engage in any Business Combination (defined to include a variety of transactions, including mergers) with any Interested Stockholder (defined generally as any person that, directly or indirectly, beneficially owns 10% or more of the outstanding voting stock of the corporation), or any affiliate of an Interested Stockholder, for five years after the most recent date on which the Interested Stockholder became an Interested Stockholder. The five-year prohibition on Business Combinations with Interested Stockholders (the "Business Combination Prohibition") does not apply if certain conditions, described below, are satisfied. After the expiration of the Business Combination Prohibition period, a Business Combination with an Interested Stockholder requires the affirmative vote of at least 80% of the voting stock of the corporation and two-thirds of the voting stock not held by the Interested Stockholder or its affiliates or associates (the "Supermajority Vote"), except under certain conditions described below. The Maryland Business Combination Law provides that a "beneficial owner" of voting stock includes any person who, individually or together with any of its affiliates or associates, has (i) the right to acquire voting stock (whether such right is exercisable immediately or only after the passage of time) pursuant to any agreement, arrangement or understanding, or (ii) the right to vote voting stock pursuant to any agreement, arrangement or understanding. See "Section 14 -- Certain Legal Matters; Regulatory Approvals."

The Business Combination Prohibition does not apply to a particular Business Combination with a particular Interested Stockholder if (i) the board of directors of the corporation adopts a resolution approving, or exempting from the Maryland Business Combination Law the Business Combination (or a general category of Business Combinations that would include the particular Business Combination) with a particular Interested Stockholder or its present or future affiliates, provided that such resolution is adopted prior to the most recent date that the Interested Stockholder becomes such; or (ii) the corporation adopts an amendment to its charter, by an affirmative vote of at least 80% of the votes entitled to be cast by outstanding shares of voting stock and two-thirds of the votes entitled to be cast by persons other than the Interested Stockholder or affiliates and associates of the Interested Stockholder (the "Exemption Vote"), expressly electing not to be governed by the Maryland Business Combination Law (either with respect to the particular Business Combination or a general category of Business Combinations that includes the particular Business Combination), provided that the charter amendment may not be effective until 18 months after the vote of stockholders and may not apply to any Business Combination of the corporation with an Interested Stockholder (or any affiliate of the Interested Stockholder) who became an Interested Stockholder on or before the date of the vote. There are certain other exemptions to the Business Combination Prohibition which Purchaser does not believe are relevant with respect to the Company.

The Supermajority Vote (which becomes applicable after the five-year Business Combination Prohibition period has expired) does not apply to a Business Combination if any of the exceptions with respect to the Business Combination Prohibition referred to above are applicable. In addition, the Supermajority Vote does not apply to Business Combinations taking the form of a merger (such as the Proposed Merger), consolidation or share exchange after the end of the Business Combination Prohibition period if certain "fair price" provisions are met (the "Exemptive Conditions"), which provisions could result in a price higher than the Offer Price.

The foregoing summary of the Maryland Business Combination Law does not purport to be complete and is qualified in its entirety by reference to the provisions of the Maryland Business Combination Law.

If the Company's Board of Directors does not adopt such a resolution, Purchaser intends to take such action as it deems advisable to have such attempted impediment to the Offer and the Proposed Merger set aside.

Maryland Control Share Act. The Maryland Control Share Act provides that Control Shares (as defined below) of a Maryland corporation, such as the Company, which are acquired in a Control Share Acquisition (as defined below), have no voting rights except (i) to the extent approved by the stockholders of the corporation at a meeting held pursuant to certain provisions of the Maryland Control Share Act by the affirmative vote of two-thirds of all the votes entitled to be cast on the matter, excluding all Interested Shares (as defined below), or (ii) to the extent the acquisition of the shares specifically, generally or generally by types, as to specifically identified or unidentified existing or future stockholders or their affiliates or associates, has been approved or exempted by a provision contained in the charter or bylaws of the corporation and adopted at any time before the acquisition of the shares by an acquiring person. Based on publicly available information, Purchaser believes that the Company's Bylaws currently make the Maryland Control Share Act inapplicable to any acquisition by any person of stock of the Company but that the Company's Bylaws may be amended by a vote of a majority of the Company's Board of Directors.

"Control Shares" generally means shares of a corporation acquired by a person within any of the following ranges of voting power: (i) one-fifth or more, but less than one-third of all voting power; (ii) one-third or more, but less than a majority of all voting power; or (iii) a majority or more of all voting power. "Control Share Acquisition" generally means the acquisition of ownership of, or the right to direct the exercise of voting power with respect to, Control Shares, but does not include the acquisition of shares in a merger, consolidation or share exchange to which the corporation is a party.

"Interested Shares" generally means shares of a corporation in respect of which an acquiring person, an officer of the corporation or an employee of the corporation who is also a director of the corporation is entitled to exercise voting power.

Any person who proposes to make or has made a Control Share Acquisition may deliver an Acquiring Person Statement to the corporation at its principal office (an "Acquiring Person Statement"). An Acquiring Person Statement generally identifies the acquiring person, explains the terms of the Control Share Acquisition and includes certain representations of the acquiring person, including a representation that it has the financial capacity, through financing to be provided by the acquiring person and any additional specified sources of financing required, to consummate the Control Share Acquisition.

If the acquiring person so requests at the time of delivery of an Acquiring Person Statement, the Board of Directors of the corporation is required to call a special meeting of stockholders for the purpose of considering the voting rights to be accorded the shares acquired or to be acquired in the Control Share Acquisition. Such special meeting of stockholders must be called within 10 days after the corporation receives the request and must be held within 50 days after the request has been received. The person requesting the special meeting may request that the special meeting be held no earlier than 30 days after the date of the request. The corporation is not required to call such special meeting unless the acquiring person has delivered to the corporation a copy of the definitive agreement or agreements with respect to any amount of financing of the Control Share Acquisition that is not provided by the acquiring person.

The foregoing summary of the Maryland Control Share Act does not purport to be complete and is qualified in its entirety by reference to the provisions of the Maryland Control Share Act.

#### DISSENTERS' APPRAISAL RIGHTS

Each holder of Shares will have the right to receive fair value for his Shares if he objects to the Proposed Merger and otherwise properly exercises his appraisal rights under the Maryland GCL and the Proposed Merger is consummated (the "Proposed Merger Dissenter"), except that Proposed Merger Dissenters will not have the right to receive fair value for their Shares in connection with the Proposed Merger if, among other things, the Shares are listed on a national securities exchange or are designated as national market system securities on an interdealer quotation system by the National Association of Securities Dealers, Inc.: (i) with respect to a merger of a 90% or more owned subsidiary into its parent corporation, on the date notice of such merger is given or waived, or (ii) with respect to any other transaction, on the record date for determining

stockholders entitled to vote on the transaction objected to. See "Section 6 -- Price Range of the Shares; Dividends; Effect of the Offer on the Market for the Shares; Stock Exchange Listing; Exchange Act Registration; Margin Regulations." If the right to receive fair value is applicable and the statutory procedures for exercising or perfecting dissenters' appraisal rights are complied with in accordance with the Maryland GCL, then a judicial determination will be made of the fair value required to be paid in cash to the Proposed Merger Dissenters for their Shares. Any such judicial determination of the fair value of Shares could be based upon considerations other than or in addition to the price paid pursuant to the Offer or the market value of the Shares. Fair value may be less than the price paid pursuant to the Offer. If the Proposed Merger is subject to the Maryland Business Combination Law, then the fair value paid to the Proposed Merger Dissenters will be determined in accordance with the fair price requirements applicable to the Exemptive Conditions, which could result in a value higher than the price paid pursuant to the Offer.

An objecting stockholder shall cease to have any rights as a stockholder with respect to the Shares except the right to receive payment of the fair value thereof. The stockholder's rights may be restored only upon the withdrawal, with the consent of the Company, of the demand for payment, failure of either party to file a petition for appraisal within the time required, a determination of the court that the stockholder is not entitled to an appraisal, or the abandonment or rescission of the transaction objected to, such as the resolution to grant voting rights to the Shares acquired by Purchaser pursuant to the Offer, as described herein, or the Proposed Merger.

If the Maryland Control Share Act is applicable (see "Maryland Control Share Act" above) to the purchase of Shares pursuant to the Offer, certain additional appraisal rights will, under certain circumstances, be available.

The foregoing summary of the rights of objecting stockholders does not purport to be a complete statement of the procedures to be followed by stockholders desiring to exercise their dissenters' appraisal rights. The preservation and exercise of dissenters' rights are conditioned on strict adherence to the applicable provisions of the Maryland GCL.

#### "GOING PRIVATE" TRANSACTIONS

The Commission has adopted Rule 13e-3 under the Exchange Act which is applicable to certain "going private" transactions and which may under certain circumstances be applicable to the Proposed Merger. However, Rule 13e-3 would be inapplicable if (i) the Shares are deregistered under the Exchange Act prior to the Proposed Merger or other business combination or (ii) the Proposed Merger or other business combination is consummated within one year after the purchase of the Shares pursuant to the Offer and the amount paid per Share in the Proposed Merger or other business combination is at least equal to the amount paid per Share in the Offer. If applicable, Rule 13e-3 requires, among other things, that certain financial information concerning the fairness of the proposed transaction and the consideration offered to minority stockholders in such transaction be filed with the Commission and disclosed to stockholders prior to the consummation of the transaction.

#### EXCESS SHARE PROVISIONS UNDER THE COMPANY'S ARTICLES

For a company to qualify as a REIT under the Code, shares of the Company's stock must be beneficially owned by 100 or more persons during at least 335 days of a taxable year of 12 months (other than the first year of the company's existence) or during a proportionate part of a shorter taxable year (the "100 Stockholder Rule"). Also, the Concentrated Ownership Rule under the Code provides that not more than 50% of the value of the issued and outstanding shares of the company's stock may be owned, directly or indirectly, by five or fewer individuals (as defined in the Code) during the last half of a taxable year (other than the first year of the company's qualification as a REIT). The Company's Articles include a number of provisions in order to maintain its qualification as a REIT under the Code.

Section 2 of Article VI of the Company's Articles provides that no "Person" (which is defined to include individuals, corporations and partnerships) may Beneficially Own (as defined) Shares in excess of the Ownership Limit (7%). As defined in the Company's Articles, "Beneficial Ownership" means ownership of Shares by a Person who would be treated as an owner of such Shares under Section 542(a)(2) of the Code,

either directly or constructively through the application of Section 544 of the Code, as modified by Section 856(h)(1)(B) of the Code. If there is a purported transfer that would result in any Person Beneficially Owning Shares in excess of the Ownership Limit, then such Shares will constitute "Excess Stock" and be subject to the provisions of the Company's Articles applicable to Excess Stock.

Purchaser believes that the Ownership Limit and the Excess Stock provisions in the Company's Articles serve only to satisfy the Concentrated Ownership Rule. Under the identified sections of the Code, ownership by corporations and partnerships is "looked through" and thus, ownership of Shares by Purchaser, and indirectly by MHC, would be "looked through" to MHC's public stockholders. As a result, the purchase of Shares by Purchaser will neither jeopardize the REIT status of the Company under the Concentrated Ownership Rule nor violate the Ownership Limit. Therefore, none of the Shares to be purchased by Purchaser pursuant to the Offer should be deemed Excess Stock.

Under the Company's Articles, any transfer of Shares that, if effective, would result in any Person Beneficially Owning Shares in excess of the Ownership Limit will be void ab initio as to the transfer of such Shares that would otherwise be Beneficially Owned by such Person in excess of the Ownership Limit.

Upon any purported transfer of Shares that results in Excess Stock, such Excess Stock will be deemed to have been transferred to a trustee (the "Trustee") of a trust for the benefit of the United Foundation (the "Beneficiary"), a charitable organization. The intended transferee shall have no rights in such Excess Stock except as described below. While the Excess Stock is held in trust, the intended transferee will not be entitled to any dividends or other distributions (except upon liquidations) or voting rights with respect to such Excess Stock. Upon any voluntary or involuntary liquidation, dissolution or winding up of the Company, the holder of Excess Stock shall be entitled to the lesser of (i) the price per Share which such intended transferee paid for such Excess Stock and (ii) the amount per Share received by the Trustee in respect of the Excess Stock in such liquidation, dissolution or winding up. The Trustee may transfer Shares of Excess Stock if the shares of Excess Stock would not be Excess Stock in the hands of the transferee. If such a transfer is made, the proceeds of the sale shall be payable to the intended transferee and the Beneficiary; provided that the intended transferee shall receive the lesser of (i) the price per Share which such intended transferee paid for such Excess Stock and (ii) the amount per Share received by the Trustee from the sale of such Excess Stock. In addition, such Excess Stock is subject to purchase by the Company at a purchase price equal to the lesser of (i) the price paid for the Shares by the intended transferee and (ii) the last reported sales price reported on the NYSE on the trading day immediately preceding the date the Company agrees to purchase such Shares.

Pursuant to Section 4 of Article VI of the Company's Articles, if the Company's Board of Directors shall at any time determine in good faith that a transfer of Shares has taken place in violation of Section 2 of Article VI of the Company's Articles or that a Person intends to acquire or has attempted to acquire beneficial ownership (determined without reference to any rules of attribution) or Beneficial Ownership of any Shares in violation of Section 2 of Article VI of the Company's Articles, the Board shall take such action as it deems advisable to refuse to give effect to or prevent such transfer, including refusing to give effect to such transfer on the books of the Company.

The Company's Board of Directors, upon receipt of a ruling from the IRS and upon such other conditions as the Company's Board of Directors may determine, may exempt a proposed transferee from the Ownership Limit.

Significantly, in its 1995 Proxy Statement, the Company sought and obtained stockholder consent to amend Article VI of its Articles to comply with recent IRS ruling policies; in doing so, the Company explained that the Ownership Limit in Section 2 was included "in order to prevent a shareholder from acquiring a number of shares which would jeopardize the Company's status as a REIT" and that the transfer restrictions in Section 4 were included "in order to preserve REIT status." However, in its August 19, 1996 press release, the Company stated that its Articles prohibit a person from beneficially owning in excess of seven percent of its Shares without Board approval. Thus, it is possible that the Company could take the position, either before or after expiration of the Offer and the purchase by Purchaser of Shares in the Offer, that Purchaser would Beneficially Own Shares in excess of the Ownership Limit and that Shares in excess of such Ownership Limit would be Excess Stock. Purchaser has requested the Company's Board of Directors to adopt a resolution agreeing with Purchaser's and MHC's interpretation of the Articles.

Unless the Company's Board of Directors adopts such a resolution or there is a final and nonappealable judicial determination that Purchaser's and MHC's interpretation is correct, Purchaser and MHC will not be satisfied that after consummation of the Offer the Shares to be purchased by Purchaser pursuant to the Offer will not be deemed Excess Stock. Consummation of the Offer is conditioned upon Purchaser being satisfied, in its sole judgment, that after consummation of the Offer none of the Shares purchased by Purchaser shall be deemed "Excess Stock" as defined in Article VI of the Articles.

11. SOURCE AND AMOUNT OF FUNDS. The total amount of funds required by Purchaser and MHC to consummate the Offer and the Proposed Merger and to pay related fees and expenses is estimated to be approximately \$160,000,000. Purchaser and/or MHC plan to obtain all or a portion of the necessary funds pursuant to one or more loan facilities to be obtained from one or more commercial banks or other financial institutions on terms and conditions to be determined hereafter. Although MHC's financial advisor has confirmed, on the basis of discussions with a number of proposed lenders, to Purchaser its belief that Purchaser can conclude the establishment of this facility on a timely basis, MHC has not yet requested or received binding commitments from commercial banks to provide the required bank credit facility. Purchaser and MHC are currently in discussions with a small group of financial institutions regarding the establishment of a credit facility that would be used to pay all or a portion of the funds required pursuant to the Offer. Although no definitive plan or arrangement for repayment of borrowings under the credit facilities has been made, MHC anticipates such borrowings will be repaid with internally generated funds and from other sources which may include the proceeds of future equity or debt financings. No plans or arrangements have been made for any future financings. The Offer is not subject to a financing condition.

12. CERTAIN CONDITIONS OF THE OFFER. Notwithstanding any other provision of the Offer, Purchaser shall not be required to accept for payment or, subject to any applicable rules and regulations of the Commission, including Rule 14e-1(c) under the Exchange Act (relating to Purchaser's obligation to pay for or return tendered Shares promptly after termination or withdrawal of the Offer), to pay for any Shares tendered and may postpone the acceptance for payment or, subject to the restriction referred to above, payment for any Shares tendered, and may amend or terminate the Offer (whether or not any Shares have theretofore been purchased or paid for) if, in the sole judgment of Purchaser, (i) any of the conditions to consummation of the Offer set forth in the Introduction to this Offer to Purchase (consisting of the Minimum Number of Shares Condition, the Business Combination Condition and the Excess Share Condition) has not been satisfied or (ii) at any time on or after the date hereof and before acceptance for payment of, or payment for, such Shares any of the following events shall occur or shall be deemed by MHC or Purchaser to have occurred:

(a) there shall have been threatened, instituted or pending any action, proceeding, application or counterclaim by or before any court or governmental, regulatory or administrative agency, authority or tribunal, domestic, foreign or supranational (other than actions, proceedings, applications or counterclaims filed or initiated by MHC or Purchaser), which (i) seeks to challenge the acquisition by Purchaser of the Shares, restrain, prohibit or delay the making or consummation of the Offer or the Proposed Merger or any other merger or business combination involving Purchaser or any of its affiliates and the Company or any of its subsidiaries, prohibit the performance of any of the contracts or other agreements entered into by MHC or any of its affiliates in connection with the acquisition of the Company, or obtain any damages in connection with any of the foregoing, (ii) seeks to make the purchase of, or payment for, some or all of the Shares pursuant to the Offer, the Proposed Merger or otherwise illegal, (iii) seeks to impose limitations on the ability of Purchaser, MHC or the Company or any of their respective affiliates or subsidiaries effectively to acquire or hold, or requires Purchaser, MHC or the Company or any of their respective affiliates or subsidiaries to dispose of or hold separate, any portion of the assets or the business of Purchaser, MHC or their affiliates or the Company or its subsidiaries, or seeks to impose limitations on the ability of Purchaser, MHC or the Company or any of their respective affiliates or subsidiaries to continue to conduct, own or operate all or any portion of their businesses and assets as heretofore conducted, owned or operated, (iv) seeks to impose or may result in material limitations on the ability of Purchaser or MHC or their affiliates to exercise full rights of ownership of the Shares purchased by it, including, but not limited to, the right to vote the Shares purchased by it on all matters properly presented to the stockholders of the Company, or the right to vote



any shares of capital stock of any subsidiary directly or indirectly owned by the Company, (v) may result in a material diminution in the benefits expected to be derived by Purchaser and MHC as a result of the transactions contemplated by the Offer, (vi) seeks to impose voting, procedural, price or other requirements in addition to those under the Maryland GCL and federal securities laws (each as in effect on the date of this Offer to Purchase) or any material condition to the Offer that is unacceptable to Purchaser or MHC, or (vii) challenges or adversely affects the financing of the Offer or the Proposed Merger; or

(b) there shall have been proposed, sought, promulgated, enacted, entered, enforced or deemed applicable to the Offer or the Proposed Merger by any domestic, foreign or supranational government or any governmental or regulatory authority or by any court or tribunal, domestic, foreign or supranational, any statute, rule, regulation, judgment, decree, order or injunction that might, directly or indirectly, result in any of the consequences referred to in clauses (i) through (vii) of paragraph (a) above; or

(c) any change (or any condition, event or development involving a prospective change) shall have occurred or be threatened in the business, properties, assets, liabilities, capitalization, stockholders' equity, condition (financial or otherwise), operations, licenses or franchises, results of operations or prospects of the Company or any of its affiliates or subsidiaries, or in general economic or financial market conditions in the United States or abroad, which are or may be materially adverse to the Company or any of its subsidiaries, affiliates or its stockholders, or the market price of, or trading in, the Shares, or Purchaser shall have become aware of any facts which are or may be materially adverse with respect to the value of the Company or any of its affiliates or subsidiaries or the value of the Shares to Purchaser and MHC or any of their affiliates or subsidiaries (including but not limited to the determination by Purchaser or MHC that there will be any material diminution in the benefits expected to be derived by Purchaser and MHC pursuant to the Offer as a result of the termination of the proposed transaction between the Company and ROC); or

(d) there shall have occurred (i) any general suspension of trading in, or limitation on prices for, securities on any national securities exchange or in the over-the-counter market in the United States, (ii) the declaration of a banking moratorium or any suspension of payments in respect of banks in the United States, (iii) any material adverse change (or any existing or threatened condition, event or development involving a prospective material adverse change) in United States or any other currency exchange rates or a suspension of, or a limitation on, the markets therefor, (iv) the commencement or escalation of a war, armed hostilities or other international or national calamity directly or indirectly involving the United States, (v) the imposition of any limitations (whether or not mandatory) by any governmental authority on, or any event which might have material adverse significance with respect to, the nature or extension of credit or further extension of credit by banks or other lending institutions, (vi) any significant adverse change in securities or financial markets in the United States or abroad, including, without limitation, a decline of at least 15 percent in either the Dow Jones Average of Industrial Stocks or the Standard & Poor's 500 Index from that existing at the close of business on the date prior to the date hereof, or (vii) in the case of any of the foregoing, a material acceleration or worsening thereof; or

(e) the Company or any of its affiliates or subsidiaries shall have (i) issued, distributed, pledged or sold, or authorized, proposed or announced the issuance, distribution, pledge or sale of (A) any shares of stock of any class (including, without limitation, the Shares), or securities convertible into or exchangeable for any such shares, or any rights (including any rights issued pursuant to a "stockholder rights" or similar plan), warrants, or options to acquire any such shares or convertible or exchangeable securities, other than (I) the issuance of Shares reserved for issuance on December 31, 1995 pursuant to the exercise of then outstanding stock options or the employee stock purchase plan of the Company (in each case in accordance with the publicly disclosed terms thereof on such date), (II) the issuance of OP Units in the ordinary course of the Company's business and in connection with acquisition of properties acceptable to Purchaser, in its sole judgment, (III) the issuance of Shares pursuant to the Company Option Agreement and (IV) the issuance of Shares in exchange for OP Units outstanding on the date prior to the date hereof or issued in compliance with (III) above, or (B) any other securities in respect of, in lieu of, or in substitution for, Shares outstanding on the date prior to the date hereof, (ii) purchased

or otherwise acquired or caused a reduction in, or proposed or offered to purchase or otherwise acquire, any Shares or other securities of the Company, (iii) declared or paid any dividend or distribution on any shares of stock (other than regular cash quarterly dividends not in excess of \$.405 per Share, having customary and usual record and payment dates), or issued, or authorized, recommended or proposed the issuance of, any other distribution in respect of, any share of stock, whether payable in cash, securities or other property, or altered or proposed to alter any material term of any outstanding security, (iv) issued, distributed or sold, or authorized or proposed the issuance, distribution or sale of any debt securities or any securities convertible into or exchangeable for debt securities or any rights, warrants or options entitling the holder thereof to purchase or otherwise acquire any debt securities, or incurred, or authorized or proposed the incurrence of, any debt other than in the ordinary course of business and consistent with past practice, or any debt containing burdensome covenants, (v) authorized, recommended, proposed or publicly announced its intention to enter into or cause (A) any merger (other than the Proposed Merger), consolidation, liquidation, dissolution, business combination, joint venture, acquisition of assets or securities or disposition of assets or securities other than in the ordinary course of business, (B) any material change in its capitalization, (C) any release or relinquishment of any material contract rights or (D) any comparable event not in the ordinary course of business, (vi) taken any material action to implement any such transaction previously authorized, recommended, proposed or publicly announced, (vii) authorized, recommended or proposed or announced its intention to authorize, recommend or propose any transaction which could adversely affect the value of the Shares, (viii) proposed, adopted or authorized any amendment to its Articles or Bylaws or similar organization documents or (ix) agreed in writing or otherwise to take any of the foregoing actions, or Purchaser or MHC shall have learned about any such action which shall not have been previously publicly disclosed by the Company; or

(f) a tender or exchange offer for some portion or all of any outstanding securities of the Company or any of its affiliates or subsidiaries (including the Shares) shall have been publicly proposed to be made or shall have been made by another person (including the Company or any of its subsidiaries or affiliates), or it shall have been publicly disclosed or Purchaser or MHC shall have learned that (i) any person, entity or "group" (as defined in Section 13(d)(3) of the Exchange Act) shall have acquired or proposed to acquire more than 5 percent of any class or series of stock of the Company (including the Shares) or its affiliates or subsidiaries or shall have been granted any option or right to acquire more than 5 percent of any class or series of stock of the Company (including the Shares) or its affiliates or subsidiaries, other than acquisitions of Shares for bona fide arbitrage positions, or (ii) any such person, entity or group which has publicly disclosed any such ownership of more than 5 percent of any class or series of stock of the Company (including the Shares) or its affiliates or subsidiaries prior to the date hereof shall have acquired or proposed to acquire additional shares of any class or series of stock of the Company (including the Shares) or its affiliates or subsidiaries constituting more than 1 percent of such class or series or shall have been granted any option or right to acquire more than 1 percent of such class or series or shall have been granted any option or right to acquire more than 1 percent of such class or series of stock of the Company (including the Shares) or its affiliates or subsidiaries, (iii) any group shall have been formed which beneficially owns more than 5 percent of any class or series of stock of the Company (including the Shares) or its affiliates or subsidiaries, (iv) any person, entity or group shall have entered into a definitive agreement or an agreement in principle or made a proposal with respect to a tender offer or exchange offer for the Shares or a merger, consolidation or other business combination with or involving the Company or its affiliates or subsidiaries, or (v) any person, entity or group shall have made a public announcement reflecting an intent to, or shall have outstanding an offer to, acquire the Company or assets or securities of the Company or its affiliates or subsidiaries; or

(g) (i) the Company, Purchaser and MHC shall have reached an agreement or understanding that the Offer be terminated or amended or the payment for Shares be postponed pursuant thereto, or (ii) Purchaser, MHC or any of its affiliates shall have entered into a definitive agreement or announced an agreement in principle with respect to the Proposed Merger or any other business combination with the Company or any of its affiliates or the purchase of any material portion of the securities or assets of the Company or any of its affiliates or subsidiaries; or

(h) the Company or any of its affiliates or subsidiaries shall have entered into any employment, severance or similar agreement, arrangement or plan with or for the benefit of any of its employees or entered into or amended any agreements, arrangements or plans so as to provide for increased or accelerated payment or funding of the benefits to any such employees as a result of or in connection with the transactions contemplated by the Offer or otherwise amended any such agreement, arrangement or plan to make the same more favorable to any such employee, or Purchaser or MHC shall have learned about any such action which shall not have been previously publicly disclosed by the Company; or

(i) the Company's Board of Directors shall have amended the Company's Bylaws to make applicable to the acquisition of Shares by Purchaser or any of its associates pursuant to the Offer the provisions of the Maryland Control Share Act or, if the Company's Bylaws are so amended, full voting rights for all Shares acquired by Purchaser or any of its associates pursuant to the Offer (which would otherwise be denied voting rights under the Maryland Control Share Act) shall not have been approved at a special meeting of the Company's stockholders or Purchaser is not otherwise satisfied in its sole judgment that the Maryland Control Share Act is inapplicable to Purchaser or any of its associates or the acquisition of Shares by any of them; or

(j) Purchaser or MHC shall become aware (i) that any material contractual right of the Company or any of its affiliates or subsidiaries shall be impaired or otherwise adversely affected or that any material amount of indebtedness of the Company or any of its affiliates or subsidiaries shall become accelerated or otherwise become due or become subject to acceleration prior to its stated due date, in any case with or without notice or the lapse of time or both as a result of or in connection with the transactions contemplated by the Offer or the Proposed Merger or (ii) of any covenant, term or condition in any of the Company's or any of its affiliates' or subsidiaries' instruments or agreements that has or may have (whether considered alone or in the aggregate with other covenants, terms or conditions) a material adverse effect on (x) the business, properties, assets, liabilities, capitalization, stockholders' equity, condition (financial or otherwise), operations, licenses or franchises, results of operations or prospects of the Company or any of its affiliates or subsidiaries (including, but not limited to, any event of default that may ensue as a result of the consummation of the Offer or the acquisition of control of the Company or any of its affiliates or subsidiaries) or (y) the value of the Shares in the hands of MHC, Purchaser or any other affiliate of MHC or (z) the consummation by Purchaser or any of its affiliates of the Proposed Merger or any other business combination involving the Company; or

(k) except as may be required by law, the Company or any of its affiliates or subsidiaries shall have taken any action to terminate or amend any employee benefit plan (as defined in Section 3(2) of the Employment Retirement Income Security Act of 1974, as amended) of the Company or any of its affiliates or subsidiaries, or Purchaser shall have learned of any such action or possible action which shall not have been previously publicly disclosed by the Company; or

(l) any approval, permit, authorization, consent or other action of any domestic (federal or state), foreign or supranational governmental, administrative or regulatory agency, authority or tribunal shall not have been obtained on terms satisfactory to Purchaser in its sole discretion; or

(m) Purchaser or MHC shall have become aware of any facts or circumstances that lead either of them to believe, in their sole judgment, that the Company does not, or upon consummation of the Offer or the Proposed Merger would not, qualify as a REIT under the Code.

The foregoing conditions are for the sole benefit of Purchaser, MHC, their affiliates and assignees and may be asserted by Purchaser, MHC, their affiliates or assigns regardless of the circumstances (including, without limitation, any action or inaction by Purchaser or MHC or their affiliates) giving rise to any such condition or may be waived by Purchaser or MHC in whole or in part from time to time in their sole judgment. The failure by Purchaser or MHC at any time to exercise any of the foregoing rights shall not be deemed a waiver of any such right and each such right shall be deemed an ongoing right and may be asserted at any time and from time to time. Any determination by Purchaser or MHC concerning any of the events described in this Section 12 shall be final and binding.

13. DIVIDENDS AND DISTRIBUTIONS. If, on or after the date hereof, the Company should (a) split, combine or otherwise change the Shares or its capitalization, (b) acquire Shares or otherwise cause a reduction in the number of Shares, or (c) issue or sell additional Shares other than (i) the issuance of Shares reserved for issuance on December 31, 1995 pursuant to the exercise of then outstanding stock options or the employee stock purchase plan of the Company (in each case in accordance with the publicly disclosed terms thereof on such date), (ii) the issuance of OP Units in the ordinary course of the Company's business and in connection with acquisition of properties acceptable to Purchaser, in its sole judgment, (iii) the issuance of Shares pursuant to the Company Option Agreement and (iv) the issuance of Shares in exchange for OP Units outstanding on the date hereof or issued in compliance with (iii) above, or any shares of any other class of stock, other voting securities or any securities convertible into or exchangeable for, or rights, warrants or options, conditional or otherwise, to acquire, any of the foregoing, or (d) shall disclose that it has taken such action, then, without prejudice to Purchaser's rights under "Section 12 -- Certain Conditions of the Offer," Purchaser, in its sole judgment, may make such adjustments in the purchase price and other terms of the Offer and the Proposed Merger as it deems appropriate to reflect such split, combination or other change, including, without limitation, altering the number or type of securities offered to be purchased.

If Shares are purchased pursuant to the Offer, and on or after the date hereof, the Company should declare or pay any dividend on the Shares (other than regular quarterly cash dividends, not in excess of \$.405 per Share, having a customary and usual record date) or any distribution (including, without limitation, the issuance of additional Shares pursuant to a stock dividend or stock split, the issuance of other securities or the issuance of rights for the purchase of any securities) with respect to the Shares that is payable or distributable to stockholders of record on a date prior to the transfer into the name of Purchaser or its nominees or transferees on the Company's stock transfer records of the Shares and rights purchased pursuant to the Offer, then, without prejudice to Purchaser's rights under "Section 12 -- Certain Conditions of the Offer," (a) the purchase price per Share payable by Purchaser pursuant to the Offer shall be reduced by the amount of any such cash dividend or cash distributions, and (b) any such noncash dividend, distribution, issuance, proceeds or right to be received by the tendering stockholders shall (i) be received and held by the tendering stockholders for the account of Purchaser and will be required to be promptly remitted and transferred by each tendering stockholder to the Depository for the account of Purchaser, accompanied by appropriate documentation of transfer, or (ii) at the direction of Purchaser, be exercised for the benefit of Purchaser, in which case the proceeds of such exercise will promptly be remitted to Purchaser. Pending such remittance and subject to applicable law, Purchaser will be entitled to all rights and privileges as owner of any such noncash dividend, distribution, issuance, proceeds or right and may withhold the entire purchase price or deduct from the purchase price the amount or value thereof, as determined by Purchaser in its sole judgment.

14. CERTAIN LEGAL MATTERS; REGULATORY APPROVALS. Except as described in this Offer to Purchase, based upon a review of publicly available filings by the Company with the Commission and other publicly available information regarding the Company, Purchaser and MHC are not aware of any governmental licenses or regulatory permits that appear to be material to the business of the Company and its affiliates and subsidiaries, taken as a whole, that might be adversely affected by Purchaser's acquisition of Shares as contemplated herein or of any filings, approvals or other actions by any governmental, administrative or regulatory authority or agency, domestic or foreign, that would be required for the acquisition or ownership of Shares by Purchaser as contemplated herein. Should any such approval or other action be required, Purchaser and MHC currently contemplate that such approval or other action will be sought. Except as otherwise expressly described in this Section 14, Purchaser does not presently intend to delay the acceptance for payment of or payment for Shares tendered pursuant to the Offer pending the outcome of any such matter. Purchaser is unable to predict whether it may determine that it is required to delay the acceptance for payment of or payment for Shares tendered pursuant to the Offer pending the outcome of any such matter. There can be no assurance that any such approval or other action, if needed, would be obtained or would be obtained without substantial conditions or that the failure to obtain any such approval or other action might not result in consequences adverse to the Company's business or that certain parts of the Company's business might not have to be disposed of, any of which could cause Purchaser to decline to accept for payment or pay for any Shares tendered. See "Section 12 -- Certain Conditions of the Offer" above for certain conditions to the Offer.

State Takeover Laws. A number of states (including Maryland, where the Company is incorporated) have adopted takeover laws and regulations which purport, to varying degrees, to be applicable to attempts to acquire securities of corporations which are incorporated in such states or which have substantial assets, security holders, principal executive offices or principal places of business therein. To the extent that certain provisions of certain of these state takeover statutes purport to apply to the Offer, Purchaser believes that such laws conflict with federal law and constitute an unconstitutional burden on interstate commerce. In 1982, the Supreme Court of the United States, in *Edgar v. Mite Corp.*, invalidated on constitutional grounds the Illinois Business Takeovers Statute, which as a matter of state securities law, made takeovers of corporations meeting certain requirements more difficult, and the reasoning in such decision is likely to apply to certain other state takeover statutes. In 1987, however, in *CTS Corp. v. Dynamics Corp of America*, the Supreme Court of the United States held that the State of Indiana could, as a matter of corporate law and, in particular, those aspects of corporate law concerning corporate governance, constitutionally disqualify a potential acquiror from voting on the affairs of a target corporation without the prior approval of the remaining stockholders, provided that such laws were applicable only under certain conditions. Subsequently, in *TLX Acquisition Corp. v. Telex Corp.*, a Federal district court in Oklahoma ruled that the Oklahoma statutes were unconstitutional insofar as they apply to corporations incorporated outside Oklahoma in that they would subject such corporations to inconsistent regulations. Similarly, in *Tyson Foods, Inc. v. McReynolds*, a Federal district court in Tennessee ruled that four Tennessee takeover statutes are unconstitutional as applied to corporations incorporated outside Tennessee. This decision was affirmed by the United States Court of Appeals for the Sixth Circuit. In December, 1988, a Federal district court in Florida held in *Grand Metropolitan PLC v. Butterworth* that the provisions of the Florida Affiliated Transactions Act and the Florida Control Share Acquisition Act were unconstitutional as applied to corporations incorporated outside of Florida. The reasoning of these cases may indicate that application of the takeover statutes of states other than Maryland to the Offer could be unconstitutional.

Except as described herein, Purchaser has not attempted to comply with any state takeover statutes in connection with the Offer. Purchaser reserves the right to challenge the validity or applicability of any state law allegedly applicable to the Offer and nothing in this Offer to Purchase nor any action taken in connection herewith is intended as a waiver of that right. In the event that any state takeover statute is found applicable to the Offer, Purchaser might be unable to accept for payment or pay for Shares tendered pursuant to the Offer or be delayed in continuing or consummating the Offer. In such case, Purchaser may not be obligated to accept for payment or pay for any Shares tendered. See "Section 12 -- Certain Conditions of the Offer."

#### Federal Antitrust Laws

The acquisition of Shares and the Proposed Merger are exempt from the premerger notification and reporting obligations under the Hart-Scott-Rodino Antitrust Improvements Act, though the Offer and the Proposed Merger are subject to substantive Federal antitrust laws. Based upon information filed by the Company with the Commission, neither Purchaser nor MHC believe that the Offer or the Proposed Merger would be anti-competitive or otherwise contrary to substantive Federal antitrust laws.

15. FEES AND EXPENSES. J.P. Morgan Securities Inc. ("J.P. Morgan") is acting as Dealer Manager in connection with the Offer and serving as financial advisor to Purchaser and MHC in connection with the proposed acquisition of the Company. In connection with its serving as financial advisor to Purchaser and MHC, J.P. Morgan has received an engagement fee of \$100,000 and is entitled to a success fee of \$2,000,000 upon consummation of a business combination with the Company. In consideration of J.P. Morgan acting as the Dealer Manager in connection with the Offer, Purchaser and MHC have agreed to reimburse J.P. Morgan for all reasonable out-of-pocket expenses incurred, including reasonable fees of its outside counsel, and to indemnify J.P.Morgan against certain liabilities and expenses in connection with the Offer, including certain liabilities under the federal securities laws. J.P. Morgan has from time to time, and continues to, render various investment banking services to MHC and its affiliates, for which they are paid customary fees.

Purchaser has retained MacKenzie Partners, Inc. to act as the Information Agent, and ChaseMellon Shareholder Services, L.L.C. to act as the Depositary, in connection with the Offer. The Information Agent

may contact holders of Shares by mail, telephone, telex, telegraph and personal interview and may request brokers, dealers and other nominee stockholders to forward the Offer materials to beneficial owners. Each of the Information Agent and the Depositary will receive reasonable and customary compensation for its respective services, will be reimbursed for certain reasonable out-of-pocket expenses and will be indemnified against certain liabilities and expenses in connection with the Offer, including certain liabilities under the federal securities laws.

Except as set forth above, Purchaser will not pay any fees or commissions to any broker or dealer or other person for soliciting tenders of Shares pursuant to the Offer. Brokers, dealers, commercial banks and trust companies will, upon request, be reimbursed by Purchaser for customary mailing and handling expenses incurred by them in forwarding the Offer materials to their customers.

16. MISCELLANEOUS. The Offer is being made solely pursuant to this Offer to Purchase and the related Letter of Transmittal and is being made to all holders of Shares. The Offer is not being made to, nor will tenders be accepted from or on behalf of, holders of Shares residing in any jurisdiction in which the making of the Offer or the acceptance thereof would not be in compliance with the securities, blue sky or other laws of such jurisdiction. However, Purchaser may, in its sole judgment, take such action as it may deem necessary to make the Offer in any jurisdiction and extend the Offer to holders of Shares in such jurisdiction. In any jurisdiction where the securities, blue sky or other laws require the Offer to be made by a licensed broker or dealer, the Offer will be deemed to be made on behalf of Purchaser by the Dealer Manager or one or more registered brokers or dealers that are licensed under the laws of such jurisdiction.

MHC and Purchaser have filed with the Commission the Schedule 14D-1 pursuant to Rule 14d-3 under the Exchange Act containing certain additional information with respect to the Offer. Such Schedule and any amendments thereto, including exhibits, may be examined and copies may be obtained from the principal office of the Commission in the manner set forth in "Section 8 -- Certain Information Concerning Purchaser and MHC" above (except that they will not be available at the regional offices of the Commission).

NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR MAKE ANY REPRESENTATION ON BEHALF OF PURCHASER OR MHC NOT CONTAINED IN THIS OFFER TO PURCHASE OR IN THE LETTER OF TRANSMITTAL AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED.

MHC OPERATING LIMITED PARTNERSHIP

September 4, 1996

## SCHEDULE I

## DIRECTORS AND EXECUTIVE OFFICERS OF MHC

The following table sets forth the name, present principal occupation or employment and material occupation, positions, offices or employment for the past five years of each director and executive officer of MHC. Unless otherwise indicated below, the address of each director and officer is Two North Riverside Plaza, Chicago, Illinois, 60606 and each such person is a citizen of the United States.

NAME AND BUSINESS ADDRESS	PRESENT PRINCIPAL OCCUPATION OR EMPLOYMENT AND FIVE-YEAR EMPLOYMENT HISTORY
Samuel Zell.....	<p>Chairman of the Board of MHC since March 31, 1995. Mr. Zell had been Co-Chairman of the Board of MHC from its formation until March 31, 1995 and Chief Executive Officer from March 1995 until August 1996. Mr. Zell was a director of Mobile Home Communities, Inc. ("MH Inc."), the former manager of MHC's manufactured home communities, from 1983 until its dissolution in 1993. Mr. Zell is chairman of the board of directors of Equity Group Investments, Inc. ("EGI"), Equity Financial and Management Company ("EF&amp;M"), both are real estate investment companies, American Classic Voyages Co. ("American Classic"), a provider of overnight cruises in the United States, and Anixter International Inc. ("Anixter"), a distributor of electrical and cable products. Mr. Zell is chairman of the board of directors and chief executive officer of Capsure Holding Corp. ("Capsure"), a specialty property and casualty insurance company. He is co-chairman of the board of directors of Revco D.S., Inc. ("Revco"), an owner of retail drug stores, and chairman of the board of trustees of Equity Residential Properties Trust ("Equity Residential"), an equity REIT focused solely on multifamily residential properties. He is a director of Sealy Corporation ("Sealy"), a manufacturer of mattresses, Quality Food Centers, Inc. ("Quality Foods"), an owner and operator of grocery stores, TeleTech Holdings, Inc., a provider of customer care solutions, and Ramco Energy plc, a U.K. petroleum services company. Mr. Zell was president of Madison Management Group, Inc., a Delaware corporation ("Madison"), prior to October 4, 1991. Madison filed for a petition under the Federal bankruptcy laws on November 8, 1991. Mr. Zell is 54 years old.</p>
David A. Helfand.....	<p>Director of MHC since May 1995, President of MHC since January 1995 and Chief Executive Officer of MHC as of August 1996. Mr. Helfand is also a member of MHC's management committee which was created in 1995 and is comprised of MHC's senior executives. He had been Chief Financial Officer of MHC from December 1992 until February 1995 and Senior Vice President from March 1994 until January 1995. Mr. Helfand had been Vice President of MHC from December 1992 until March 1994. Mr. Helfand had been employed by EGI, or its subsidiaries from June 1989 until December 1992, most recently as assistant vice president of Equity Asset Management, Inc. ("EAM"), a real estate services company. Mr. Helfand is 32 years old.</p>

PRESENT PRINCIPAL OCCUPATION OR  
EMPLOYMENT AND FIVE-YEAR EMPLOYMENT HISTORY

NAME AND BUSINESS ADDRESS	PRESENT PRINCIPAL OCCUPATION OR EMPLOYMENT AND FIVE-YEAR EMPLOYMENT HISTORY
Timothy H. Callahan.....	Director of MHC since May 1995. Chief Executive Officer of Equity Office Holdings, L.L.C., an owner and manager of office properties, since August 1996. Mr. Callahan has been an executive vice president since January 1994 and had been chief financial officer of EGI from November 1994 until August 1996. Mr. Callahan has been an executive vice president finance of EAM, since January 1994. He had been senior vice president -- finance of EAM from July 1992 until January 1994. Mr. Callahan had been employed by The Edward J. DeBartolo Corporation, a real estate investment company, from July 1988 until July 1992, most recently serving as vice president -- finance. Mr. Callahan is 46 years old.
Donald S. Chisholm..... Ann Arbor Associates 315 East Eisenhower, #220 Ann Arbor, Michigan 48108	Director of MHC since March 1993. Mr. Chisholm is president of Vernon Development Co., the developer of a 650-acre golf course community, and of Ann Arbor Associates, Inc., a real estate development and management company. Mr. Chisholm is 62 years old.
Thomas E. Dobrowski..... General Motors Investment Mgmt. Corp. 767 Fifth Avenue, 16th Floor New York, New York 10153	Director of MHC since March 1993. Mr. Dobrowski is the managing director of real estate and alternative investments of General Motors Investment Management Corporation. Mr. Dobrowski is a director of Red Roof Inns, Inc., an owner and operator of hotels. Mr. Dobrowski serves on the partnership committee of Taubman Realty Group Limited Partnership, the operating partnership of Taubman Centers, Inc., an equity REIT focused on regional shopping centers. Mr. Dobrowski is 53 years old.
Louis H. Masotti, Ph.D..... UCI Graduate School of Management 4199 Campus #350 Irvine, California 92715	Director of MHC since March 1993. Dr. Masotti is professor of management and urban development and director of the program in real estate management for the Graduate School of Management of the University of California at Irvine. He is a professor emeritus of Northwestern University's Kellogg Graduate School of Management. Dr. Masotti is 62 years old.
John F. Podjasek, Jr..... c/o The McCommon Company 1699 East Woodfield Road Suite 502 Schaumburg, Illinois 60173	Director of MHC since March 1994. Mr. Podjasek is retired. Mr. Podjasek had been employed by Allstate Insurance Company from 1966 until November 1995, most recently serving as vice president venture capital and real estate. Mr. Podjasek is 55 years old.



PRESENT PRINCIPAL OCCUPATION OR  
EMPLOYMENT AND FIVE-YEAR EMPLOYMENT HISTORY

NAME AND BUSINESS ADDRESS	PRESENT PRINCIPAL OCCUPATION OR EMPLOYMENT AND FIVE-YEAR EMPLOYMENT HISTORY
Sheli Z. Rosenberg.....	Director of MHC since August 1996. Ms. Rosenberg has been president and chief executive officer of EGI and EF&M since 1994 and a director for more than five years. Ms. Rosenberg has been a principal of Rosenberg & Liebenritt, P.C., a law firm, since 1980. Ms. Rosenberg is Board Chair of Jacor Communications, Inc., an owner and operator of radio stations. Ms. Rosenberg is a director of American Classic, Anixter, Capsure, Falcon Building Products, Inc., a manufacturer and supplier serving the residential and commercial construction and home improvement markets, Revco, Sealy, Quality Foods and a trustee of Equity Residential. Ms. Rosenberg was a vice president of Madison prior to October 4, 1991. Madison filed a petition under the Federal bankruptcy laws in November 1991. Ms. Rosenberg was a vice president of First Capital Benefits Administrators, Inc. from July 1987 until November 1995, which filed a petition under the Federal bankruptcy laws in January 1995, resulting in its liquidation in November 1995. Ms. Rosenberg is 54 years old.
Michael A. Torres..... AMB Rosen Real Estate Securities, L.L.C. 1950 Addison Street, Suite 103 Berkley, California 94704	Director of MHC since March 1993. Mr. Torres has been a principal of AMB Rosen Real Estate Securities, L.L.C., a real estate investment company, since February 1995. Mr. Torres had been employed by Wilshire Associates, a real estate investment company, from June 1990 until February 1995, most recently serving as a vice president directing real estate consulting services for its institutional investors. Mr. Torres is 36 years old.
Gary L. Waterman..... Waterman Limited 1191 Second Avenue Suite 2100 Seattle, Washington 98101	Director of MHC since March 1993. Since 1989, Mr. Waterman has been president of Waterman Limited, a real estate service and investment company that he founded. Mr. Waterman is 54 years old.
Thomas P. Heneghan.....	Vice President, Chief Financial Officer and Treasurer of MHC since February 1995. Mr. Heneghan is also a member of MHC's management committee. Mr. Heneghan had been a member of the accounting firm of Greenberg & Pociask, Ltd., from January 1994 until February 1995. Mr. Heneghan had been vice president of Capsure from May 1983 until June 1994 and controller of Capsure from January 1993 until November 1993. Mr. Heneghan had been vice president and controller of Great American Management and Investment, Inc. ("GAMI") from December 1993 until December 1994, controller of GAMI from January 1993 until November 1993 and director of accounting of GAMI from August 1990 until December 1992. Mr. Heneghan is 33 years old.

## NAME AND BUSINESS ADDRESS

PRESENT PRINCIPAL OCCUPATION OR  
EMPLOYMENT AND FIVE-YEAR EMPLOYMENT HISTORY

NAME AND BUSINESS ADDRESS	PRESENT PRINCIPAL OCCUPATION OR EMPLOYMENT AND FIVE-YEAR EMPLOYMENT HISTORY
Ellen Kelleher.....	Senior Vice President and General Counsel of MHC since March 1994. Ms. Kelleher is also a member of MHC's management committee. Ms. Kelleher had been a vice president of Rosenberg & Liebenritt, P.C. from January 1993 until December 1995 and is currently Of Counsel to the firm. Ms. Kelleher had been an associate of Rosenberg & Liebenritt, P.C., from October 1990 until January 1993. Ms. Kelleher is 35 years old.
Gary W. Powell.....	Executive Vice President -- Operations of MHC since May 1995. Mr. Powell is also a member of MHC's management committee. Mr. Powell had been President -- Northern Division of MHC from August 1994 until May 1995. Mr. Powell had been President and Chief Operating Officer of MHC from its formation until August 1994. Mr. Powell had been with MH Inc. or its predecessors from 1971, serving as president from 1984. Mr. Powell was a director of MHC from its formation until May 1994. Mr. Powell is 55 years old.
Howard Walker.....	President of Realty Systems, Inc. since March 30, 1995. Realty Systems, Inc. is an affiliate of MHC. Mr. Walker is also a member of MHC's management committee. Mr. Walker had been a Vice President of MHC from January 16, 1995 until March 30, 1995. From August 1994 until January 1995, Mr. Walker had been the principal of Walker Realty Co., a full-service real estate company. From January 1989 until July 1994, Mr. Walker had been a principal and partner in The Markin Group, a full-service real estate company. Mr. Walker is 57 years old.

Facsimile copies of the Letter of Transmittal, properly completed and duly signed, will be accepted. The Letter of Transmittal, certificates for Shares and any other required documents should be sent or delivered by each stockholder of the Company or such stockholder's broker, dealer, commercial bank, trust company or other nominee to the Depositary, at one of the addresses set forth below:

DEPOSITARY FOR THE OFFER IS:

CHASEMELLON SHAREHOLDER SERVICES, L.L.C.

By Mail:	By Facsimile:	By Hand or Overnight Courier:
Reorganization Dept. P.O. Box 76 8 Midtown Station New York, New York 10018	For Eligible Institutions Only: (201) 329-8936  Confirm Facsimile by Telephone: (201) 296-4209	Reorganization Dept. 120 Broadway 13th Floor New York, New York 10271

Questions and requests for assistance may be directed to the Information Agent or the Dealer Manager at their respective addresses and telephone numbers listed below. Additional copies of this Offer to Purchase, the Letter of Transmittal and other tender offer materials may be obtained from the Information Agent as set forth below and will be furnished promptly at Purchaser's expense. You may also contact the Dealer Manager or your broker, dealer, commercial bank, trust company or other nominee for assistance concerning the Offer.

The Information Agent for the Offer is:

Mackenzie Logo  
156 Fifth Avenue  
New York, New York 10010  
(800) 322-2885 (TOLL FREE)  
(212) 929-5500 (CALL COLLECT)

THE DEALER MANAGER FOR THE OFFER IS:

J.P. MORGAN SECURITIES INC.  
60 Wall Street  
New York, New York 10260  
(888) 445-1926 (toll free)

## LETTER OF TRANSMITTAL

to Tender Shares of Common Stock  
of

CHATEAU PROPERTIES, INC.  
Pursuant to the Offer to Purchase  
dated September 4, 1996  
of

MHC OPERATING LIMITED PARTNERSHIP,  
the Sole General Partner of which  
is

MANUFACTURED HOME COMMUNITIES, INC.

THE OFFER AND WITHDRAWAL RIGHTS EXPIRE AT 12:00 MIDNIGHT, NEW YORK  
CITY TIME, ON TUESDAY, OCTOBER 1, 1996, UNLESS THE OFFER IS EXTENDED.

To: ChaseMellon Shareholder Services, L.L.C., Depository

By Mail:  
Reorganization Dept.  
P.O. Box 768  
Midtown Station  
New York, New York 10018

By facsimile transmission:  
(201) 329-8936  
(for Eligible Institutions only)  
  
(201) 296-4209  
(to confirm facsimile  
transmissions)

By hand or overnight courier:  
Reorganization Dept.  
120 Broadway  
13th Floor  
New York, New York 10271

DELIVERY OF THIS LETTER OF TRANSMITTAL TO AN ADDRESS OTHER THAN AS SET  
FORTH ABOVE OR TRANSMISSION OF INSTRUCTIONS VIA A FACSIMILE TRANSMISSION TO A  
NUMBER OTHER THAN AS SET FORTH ABOVE WILL NOT CONSTITUTE A VALID DELIVERY.

THE INSTRUCTIONS ACCOMPANYING THIS LETTER OF TRANSMITTAL SHOULD BE READ  
CAREFULLY BEFORE THIS LETTER OF TRANSMITTAL IS COMPLETED.

This Letter of Transmittal is to be used by stockholders if certificates  
for Shares (as defined below) are to be forwarded herewith or, unless an Agent's  
Message (as defined in the Offer to Purchase) is utilized, if delivery of Shares  
is to be made by book-entry transfer to the Depository's account at The  
Depository Trust Company or Philadelphia Depository Trust Company (hereinafter  
collectively referred to as the "Book-Entry Transfer Facilities") pursuant to  
the procedures set forth under "The Tender Offer--3. Procedure for Tendering  
Shares" in the Offer to Purchase dated September 4, 1996. Stockholders who  
tender Shares by book-entry transfer are referred to herein as "Book-Entry  
Stockholders."

Stockholders who cannot deliver their Shares and all other documents required hereby to the Depositary on or prior to the Expiration Date (as defined in the Offer to Purchase), or who cannot complete the procedures for book-entry transfer on a timely basis, must tender their Shares pursuant to the guaranteed delivery procedure set forth under "The Tender Offer--3. Procedure for Tendering Shares" in the Offer to Purchase. See Instruction 2. Delivery of documents to one of the Book-Entry Transfer Facilities does not constitute delivery to the Depositary.

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 DESCRIPTION OF SHARES TENDERED  
 -----

Name(s) and Address(es) of Registered Holder(s)  
 (Please fill in, if blank, exactly as  
 name(s) appear(s) on Share certificate(s))

Shares Tendered  
 (Attach additional list if necessary)

Certificate Numbers*	Total Number of Shares Represented by Certificates*	Number of Shares Tendered**
-----	-----	-----
-----	-----	-----
-----	-----	-----
-----	-----	-----
-----	-----	-----
-----	-----	-----
Total number of shares.....		

-----  
 \* Need not be completed by stockholders tendering by book-entry transfer.  
 \*\* Unless otherwise indicated, it will be assumed that all Shares represented by any certificates delivered to the Depositary are being tendered. See Instruction 4.  
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## INSTRUCTIONS

## FORMING PART OF THE TERMS AND CONDITIONS OF THE OFFER

1. GUARANTEE OF SIGNATURES. Except as otherwise provided below, all signatures on this Letter of Transmittal must be guaranteed by a financial institution (including most banks, savings and loan associations and brokerage houses) which is a participant in the Securities Transfer Agents Medallion Program, the New York Stock Exchange Medallion Signature Program or the Stock Exchange Medallion Program (an "Eligible Institution"). Signatures on this Letter of Transmittal need not be guaranteed (a) if this Letter of Transmittal is signed by the registered holder(s) of the Shares (which term, for purposes of this document, shall include any participant in one of the Book-Entry Transfer Facilities whose name appears on a security position listing as the owner of Shares) tendered herewith and such holder(s) have not completed the instruction entitled "Special Delivery Instruments" or "Special Payment Instructions" on this Letter of Transmittal or (b) if such Shares are tendered for the account of an Eligible Institution. See Instruction 5.

2. DELIVERY OF LETTER OF TRANSMITTAL AND SHARES. This Letter of Transmittal is to be used if certificates for Shares are to be forwarded herewith pursuant to the procedures set forth in "The Tender Offer-- 3. Procedure for Tendering Shares" of the Offer to Purchase. Certificates for all physically delivered Shares, or a confirmation of a book-entry transfer into the Depository's account at one of the Book-Entry Transfer Facilities of all Shares delivered electronically, as well as a properly completed and duly executed Letter of Transmittal (or facsimile thereof) (or, in the case of a book-entry delivery, an Agent's Message) and any other documents required by this Letter of Transmittal, must be received by the Depository at one of its addresses set forth on the front page of this Letter of Transmittal by the Expiration Date. Stockholders desiring to tender Shares who cannot deliver their Shares and all other required documents to the Depository by the Expiration Date must tender their Shares pursuant to the guaranteed delivery procedure set forth in "The Tender Offer--3. Procedure for Tendering Shares" of the Offer to Purchase. Pursuant to such procedure: (a) such tender must be made by or through an Eligible Institution, (b) a properly completed and duly executed Notice of Guaranteed Delivery substantially in the form provided by Purchaser must be received by the Depository by the Expiration Date and (c) the certificates for all physically delivered Shares, or a confirmation of a book-entry transfer into the Depository's account at one of the Book-Entry Transfer Facilities of all Shares delivered electronically, as well as a properly completed and duly executed Letter of Transmittal (or facsimile thereof) (or, in the case of a book-entry delivery, an Agent's Message) and any other documents required by this Letter of Transmittal, must be received by the Depository within three New York Stock Exchange trading days after the date of execution of such Notice of Guaranteed Delivery, all as provided in "The Tender Offer--3. Procedure for Tendering Shares." If Shares are forwarded separately to the Depository, each must be accompanied by a duly executed Letter of Transmittal (or facsimile thereof).

The method of delivering Shares, the Letter of Transmittal and all other required documents including delivery through Book-Entry Transfer Facilities, is at the option and sole risk of the tendering stockholder and the delivery will be deemed made only when actually received by the Depository. If delivery is by mail, registered mail with return receipt requested, properly insured, is recommended. In all cases, sufficient time should be allowed to ensure timely delivery.

No alternative, conditional or contingent tenders will be accepted. By executing this Letter of Transmittal (or facsimile thereof), the tendering stockholder waives any right to receive any notice of the acceptance for payment of the Shares.

3. INADEQUATE SPACE. If the space provided herein is inadequate, the certificate numbers and/or the number of Shares should be listed on a separate schedule attached hereto and separately signed on each page thereof in the same manner as this Letter of Transmittal is signed.

4. PARTIAL TENDERS (NOT APPLICABLE TO STOCKHOLDERS WHO TENDER BY BOOK-ENTRY TRANSFER). If fewer than all the Shares represented by any certificate delivered to the Depository are to be tendered, fill in the number of Shares which are to be tendered in the box entitled "Number of Shares Tendered." In such case, if such tendered Shares are purchased pursuant to the Offer, a new certificate for the remainder of the Shares represented by the old certificate will be sent to the person(s) signing this Letter of Transmittal, unless otherwise provided in the appropriate box on this Letter of Transmittal, as promptly as practicable following the expiration or termination of the Offer. All Shares represented by certificates delivered to the Depository will be deemed to have been tendered unless otherwise indicated.

5. SIGNATURES ON LETTER OF TRANSMITTAL; STOCK POWERS AND ENDORSEMENTS. If this Letter of Transmittal is signed by the registered holder(s) of the Shares tendered hereby, the signature(s) must correspond with the name(s) as written on the face of the certificates for such Shares without alteration, enlargement or any change whatsoever.

If any of the Shares tendered hereby are held of record by two or more persons, all such persons must sign this Letter of Transmittal.

If any of the Shares tendered hereby are registered in different names on different certificates, it will be necessary to complete, sign and submit as many separate Letters of Transmittal as there are different registrations of certificates.

If this Letter of Transmittal is signed by the registered holder(s) of the Shares tendered hereby, no endorsements of certificates or separate stock powers are required unless payment of the purchase price is to be made, or Shares not tendered or not purchased are to be returned, in the name of any person other than the registered holder(s). Signatures on any such certificates or stock powers must be guaranteed by an Eligible Institution.

If this Letter of Transmittal is signed by a person other than the registered holder(s) of the Shares tendered hereby, certificates for such Shares must be endorsed or accompanied by appropriate stock powers, in either case, signed exactly as the name(s) of the registered holder(s) appear(s) on the certificates for such Shares. Signatures(s) on any such certificates or stock powers must be guaranteed by an Eligible Institution.

If this Letter of Transmittal or any certificate or stock power is signed by a trustee, executor, administrator, guardian, attorney-in-fact, officer of a corporation or other person acting in a fiduciary or representative capacity, such person must so indicate when signing, and proper evidence satisfactory to Purchaser of the authority of such person so to act must be submitted.

6. STOCK TRANSFER TAXES. Purchaser will pay any stock transfer taxes with respect to the sale and transfer of any Shares to it or its order pursuant to the Offer. If, however, payment of the purchase price is to be made to, or Shares not tendered or not purchased are to be returned in the name of, any person other than the registered holder(s), or if a transfer tax is imposed for any reason other than the sale or transfer of Shares to Purchaser pursuant to the Offer, then the amount of any stock transfer taxes (whether imposed on the registered holder(s), such other person or otherwise) will be deducted from the purchase price unless satisfactory evidence of the payment of such taxes, or of exemption therefrom, is submitted herewith.

EXCEPT AS PROVIDED IN THIS INSTRUCTION 6, IT WILL NOT BE NECESSARY FOR TRANSFER TAX STAMPS TO BE AFFIXED TO THE CERTIFICATES LISTED IN THIS LETTER OF TRANSMITTAL.

7. SPECIAL PAYMENT AND DELIVERY INSTRUCTIONS. If the check for the purchase price of any Shares purchased pursuant to the Offer is to be issued, or any certificates for Shares not tendered or not purchased are to be returned, in the name of a person other than the person(s) signing this Letter of Transmittal or if the check or any certificates for Shares not tendered or not purchased are to be mailed to someone other than the person(s) signing this Letter of Transmittal or to the person(s) signing this Letter of Transmittal at an address other than that shown above, the appropriate boxes on this Letter of Transmittal must be completed. Stockholders tendering Shares by book-entry transfer may request that Shares not purchased be credited to such account at any of the Book-Entry Transfer Facilities as such stockholder may designate under "Special Payment Instructions." If no such instructions are given, any such Shares not purchased will be returned by crediting the account at the Book-Entry Transfer Facilities designated above.

8. SUBSTITUTE FORM W-9. Under the federal income tax laws, the Depository will be required to backup withhold 31% of the amount of any payments made to certain stockholders pursuant to the Offer. In order to avoid such backup withholding, each tendering stockholder, and, if applicable, each other payee, must provide the Depository with such stockholder's or payee's correct taxpayer identification number and certify that such stockholder or payee is not subject to such backup withholding by completing the Substitute Form W-9 attached hereto. In general, if a stockholder or payee is an individual, the taxpayer identification number is the Social Security number of such individual. If the Depository is not provided with the correct taxpayer identification number, the stockholder or payee may be subject to a \$50 penalty imposed by the Internal Revenue Service ("IRS"). Certain stockholders or payees (including, among others, all corporations and certain foreign individuals) are not subject to these backup withholding and reporting requirements. In order to satisfy the Depository that a foreign individual qualifies as an exempt recipient, such stockholder or payee must submit a statement, signed under penalties of perjury, attesting to that individual's exempt status. Such statements can be obtained from the Depository. For further information concerning backup withholding and instructions for completing the

Substitute Form W-9 (including how to obtain a taxpayer identification number if you do not have one and how to complete the Substitute Form W-9 if tendered Shares are held in more than one name), consult the enclosed GUIDELINES FOR CERTIFICATION OF TAXPAYER IDENTIFICATION NUMBER ON SUBSTITUTE FORM W-9.

Failure to complete the Substitute Form W-9 will not, by itself, cause Shares to be deemed invalidly tendered, but may require the Depositary to withhold 31% of the amount of any payments made to the tendering stockholder pursuant to the Offer. Backup withholding is not an additional federal income tax. Rather, the federal income tax liability of a person subject to backup withholding will be reduced by the amount of tax withheld. If withholding results in an overpayment of taxes, a refund may be obtained provided that the required information is furnished to the IRS.

NOTE: FAILURE TO COMPLETE AND RETURN THE SUBSTITUTE FORM W-9 MAY RESULT IN BACKUP WITHHOLDING OF 31% OF ANY PAYMENTS MADE TO YOU PURSUANT TO THE OFFER. PLEASE REVIEW THE ENCLOSED GUIDELINES FOR CERTIFICATION OF TAXPAYER IDENTIFICATION NUMBER ON SUBSTITUTE FORM W-9 FOR ADDITIONAL DETAILS.

9. REQUESTS FOR ASSISTANCE OR ADDITIONAL COPIES. Requests for assistance or additional copies of the Offer to Purchase and this Letter of Transmittal may be obtained from the Information Agent or the Dealer Manager at their respective addresses or telephone numbers set forth below.

10. LOST, DESTROYED OR STOLEN CERTIFICATES. If any certificate(s) representing Shares has been lost, destroyed or stolen, the stockholder should promptly notify the Depositary. Instructions will then be given to what steps must be taken to obtain a replacement certificate(s). The Letter of Transmittal and related documents cannot be processed until the procedures for replacing such missing certificate(s) have been followed.



NOTE: SIGNATURES MUST BE PROVIDED BELOW  
PLEASE READ ACCOMPANYING INSTRUCTIONS CAREFULLY

// CHECK HERE IF TENDERED SHARES ARE BEING DELIVERED BY BOOK-ENTRY TRANSFER TO  
THE DEPOSITARY'S ACCOUNT AT ONE OF THE BOOK-ENTRY TRANSFER FACILITIES AND  
COMPLETE THE FOLLOWING:

Name of Tendering Institution

Account No.

// The Depository Trust Company ("DTC")

// Philadelphia Depository Trust Company ("PHILADEP")

Transaction Code No.

// CHECK HERE IF TENDERED SHARES ARE BEING DELIVERED PURSUANT TO A NOTICE OF  
GUARANTEED DELIVERY PREVIOUSLY SENT TO THE DEPOSITARY AND COMPLETE THE  
FOLLOWING:

Name(s) of Registered Stockholder(s)

Window Ticket Number (if any)

Date of Execution of Notice of Guaranteed Delivery

Name of Institution which Guaranteed Delivery

If delivery is by book entry transfer:

Name of Tendering Institution

// DTC // PHILADEP (check one) Account No.

Transaction Code No.

Ladies and Gentlemen:

The undersigned hereby tenders to MHC Operating Limited Partnership, a limited partnership organized under the laws of the State of Illinois ("Purchaser"), the sole general partner of which is Manufactured Home Communities, Inc., a corporation organized under the laws of Maryland ("MHC"), the above-described shares of common stock, \$.01 par value per share (the "Shares") of Chateau Properties, Inc., a Maryland corporation (the "Company"), pursuant to Purchaser's offer to purchase all of the outstanding Shares at a price of \$26.00 per Share, net to the seller in cash, without interest thereon, upon the terms and subject to the conditions set forth in the Offer to Purchase dated September 4, 1996, receipt of which is hereby acknowledged, and in this Letter of Transmittal (which, together with any amendments and supplements thereto, constitute the "Offer").

Subject to, and effective upon, acceptance for payment of the Shares tendered herewith in accordance with the terms of the Offer, including, if the Offer is extended or amended, the terms and conditions of any such extension or amendment, the undersigned hereby sells, assigns and transfers to or upon the order of Purchaser all right, title and interest in and to all the Shares that are being tendered hereby or orders the registration of such Shares delivered by book-entry transfer (and any and all other Shares or other securities issued or issuable in respect thereof on or after September 4, 1996 and any or all dividends thereon or distributions with respect thereto (collectively, "Distributions")) and irrevocably appoints the Depositary the true and lawful agent and attorney-in-fact of the undersigned with respect to such Shares (and all Distributions), with full power of substitution (such power of attorney being deemed to be an irrevocable power coupled with an interest), to (a) deliver certificates for such Shares (and all such other shares or securities), or transfer ownership of such Shares (and all Distributions) on the account books maintained by any of the Book-Entry Transfer Facilities, together, in any such case, with all accompanying evidences of transfer and authenticity, to or upon the order of Purchaser upon receipt by the Depositary, as the undersigned's agent, of the purchase price, (b) present such Shares (and all Distributions) for transfer on the books of the Company and (c) receive all benefits and otherwise exercise all rights of beneficial ownership of such Shares (and all Distributions), all in accordance with the terms of the Offer.

The undersigned hereby irrevocably appoints David A. Helfand and Ellen Kelleher and each of them, the attorneys-in-fact and proxies of the undersigned, each with full power of substitution, to exercise all voting and other rights of the undersigned in such manner as each such attorney-in-fact and proxy or his or her substitute shall in his or her sole discretion deem proper, with respect to all of the Shares tendered hereby which have been accepted for payment by Purchaser prior to the time of any vote or other action at any meeting of stockholders of the Company (whether annual or special and whether or not an adjourned meeting), by written consent or otherwise. This power of attorney and proxy is coupled with an interest and is irrevocable and is granted in consideration of, and is effective upon, the acceptance for payment of such Shares by Purchaser in accordance with the terms of the Offer. Such acceptance for payment shall revoke, without any further action, any other power of attorney or proxy granted by the undersigned at any time with respect to such Shares, and no subsequent power of attorney or proxies will be given or will be executed by the undersigned (and if given or executed, will not be deemed to be effective). The undersigned understands that Purchaser reserves the right to require that, in order for such Shares to be deemed validly tendered, immediately upon Purchaser's acceptance for payment of such Shares, Purchaser is able to exercise full voting rights with respect to such Shares, including voting at any meeting of stockholders.

The undersigned hereby represents and warrants that the undersigned has full power and authority to tender, sell, assign and transfer the Shares and all Distributions tendered hereby and that when the same are accepted for payment by Purchaser, Purchaser will acquire good and marketable title and unencumbered ownership thereto, free and clear of all liens, restrictions, charges, security interests, and encumbrances and not subject to any adverse claims. The undersigned will, upon request, execute and deliver any additional documents deemed by the Depositary or Purchaser to be necessary or desirable to complete the sale, assignment and transfer of the Shares and all Distributions tendered hereby. In addition, the undersigned will promptly remit and transfer to the Depositary for the account of Purchaser any and all Distributions in respect of the Shares tendered hereby, accompanied by appropriate documentation of transfer and, pending such remittance or appropriate assurance thereof, Purchaser shall be entitled to all rights and privileges as owner of any such Distributions, and may withhold the entire purchase price or deduct from the purchase price of Shares tendered hereby, the amount or value thereof, as determined by Purchaser in its sole judgment.

All authority herein conferred or agreed to be conferred shall survive the death or incapacity of the undersigned, and any obligation of the undersigned hereunder shall be binding upon the heirs, personal representatives, successors and assigns of the undersigned. Except as stated in the Offer, this tender is irrevocable.

The undersigned understands that tenders of Shares pursuant to any one of the procedures described under "The Tender Offer - 3. Procedure for Tendering Shares" in the Offer to Purchase and in the instructions hereto will constitute a binding agreement between the undersigned and Purchaser upon the terms and subject to the conditions of the Offer.

The undersigned recognizes that, under certain circumstances set forth in the Offer to Purchase, Purchaser may terminate or amend the Offer or may not be required to accept for payment any of the Shares tendered herewith.

Unless otherwise indicated under "Special Payment Instructions," please issue the check for the purchase price and/or return any certificates for Shares not tendered or accepted for payment in the name(s) of the undersigned. Similarly, unless otherwise indicated under "Special Delivery Instructions," please mail the check for the purchase price and/or return any certificates for Shares not tendered or accepted for payment (and accompanying documents, as appropriate) to the undersigned at the address shown below the undersigned's signature(s). In the event that both "Special Payment Instructions" and "Special Delivery Instructions" are completed, please issue the check for the purchase price and/or return any certificates for Shares not tendered or accepted for payment in the name(s) of, and deliver said check and/or return said certificates to, the person or persons so indicated. Stockholders tendering Shares by book-entry transfer may request that any Shares not accepted for payment be returned by crediting such account maintained at such Book-Entry Transfer Facility as such stockholder may designate by making an appropriate entry under "Special Payment Instructions." The undersigned recognizes that Purchaser has no obligation pursuant to the "Special Payment Instructions" to transfer any Shares from the name of the registered holder thereof if Purchaser does not accept for payment any of such Shares.

SPECIAL PAYMENT INSTRUCTIONS  
(SEE INSTRUCTIONS 1, 5, 6 AND 7)

To be completed ONLY if the check for the purchase price of Shares purchased or stock certificates for Shares not tendered or not purchased are to be issued in the name of someone other than the undersigned.  
Issue check and/or certificates to:

Name  
(PLEASE PRINT)

Address  
(ZIP CODE)  
(TAXPAYER IDENTIFICATION NO. OR SOCIAL SECURITY NO.)  
(COMPLETE SUBSTITUTE FORM W-9)

SPECIAL DELIVERY INSTRUCTIONS  
(SEE INSTRUCTIONS 1, 5, 6 AND 7)

To be completed ONLY if the check for the purchase price of Shares purchased or stock certificates for Shares not tendered or not purchased are to be mailed to someone other than the undersigned or to the undersigned at an address other than that shown below the undersigned's signature(s).

Mail check and/or certificates to:

Name  
(PLEASE PRINT)

Address  
(ZIP CODE)

SIGN HERE  
(Please complete Substitute Form W-9 below)

X \_\_\_\_\_ SIGN HERE  
Signature(s) of Owner(s)

X  
Dated \_\_\_\_\_, 1996

Name(s)  
\_\_\_\_\_  
(Please Print)

Capacity (full title)  
Address  
\_\_\_\_\_  
(Include Zip Code)

Area Code and Telephone No.

Tax Identification or Social Security No.  
(Complete Substitute W-9 on Reverse Side)

(Must be signed by registered holder(s) exactly as name(s) appear(s) on stock certificate(s) or on a security position listing or by person(s) authorized to become registered holder(s) by certificates and documents transmitted herewith. If signature is by a trustee, executor, administrator, guardian, attorney-in-fact, officer of a corporation or other person acting in a fiduciary or representative capacity, please set forth full title and see Instruction 5.)

GUARANTEE OF SIGNATURE(S)  
(SEE INSTRUCTIONS 1 AND 5)

Name of Firm

Authorized Signature

Name

Address

Area Code and Telephone Number

Dated , 1996

TO BE COMPLETED BY ALL TENDERING STOCKHOLDERS  
(SEE INSTRUCTION 8)

PAYER'S NAME: CHASEMELLON SHAREHOLDER SERVICES, L.L.C.

SUBSTITUTE  
FORM W-9

PART 1--PLEASE PROVIDE YOUR TIN IN THE BOX AT THE RIGHT AND  
CERTIFY BY SIGNING AND DATING BELOW.

Social Security Number

OR  
Employer Identification Number

DEPARTMENT OF THE TREASURY  
INTERNAL REVENUE SERVICE

CERTIFICATION -- Under penalties of perjury, I certify that:

- (1) The number shown on this form is my correct taxpayer identification number (or I am waiting for a number to be issued to me);
- (2) I am not subject to backup withholding because (a) I am exempt from backup withholding, or (b) I have not been notified by the Internal Revenue Service ("IRS") that I am subject to backup withholding as a result of a failure to report all interest or dividends, or (c) the IRS has notified me that I am no longer subject to backup withholding.

PAYER'S REQUEST FOR  
TAXPAYER IDENTIFICATION  
NUMBER (TIN)

CERTIFICATION INSTRUCTIONS -- You must cross out item (2) above if you have been notified by the IRS that you are currently subject to backup withholding because of under reporting interest or dividends on your tax return. However, if after being notified by the IRS that you were subject to backup withholding, you received another notification from the IRS that you are no longer subject to backup withholding, do not cross out item (2).  
SIGNATURE    DATE    , 1996

NOTE: FAILURE TO COMPLETE AND RETURN THIS FORM MAY RESULT IN BACKUP WITHHOLDING OF 31% OF ANY PAYMENTS MADE TO YOU PURSUANT TO THE OFFER. PLEASE REVIEW THE ENCLOSED GUIDELINES FOR CERTIFICATION OF TAXPAYER IDENTIFICATION NUMBER ON SUBSTITUTE FORM W-9 FOR ADDITIONAL DETAILS.

YOU MUST COMPLETE THE FOLLOWING CERTIFICATE IF YOU ARE AWAITING A TAX IDENTIFICATION NUMBER.

CERTIFICATE OF AWAITING TAXPAYER IDENTIFICATION NUMBER

I certify under penalties of perjury that a taxpayer identification number has not been issued to me, and either (1) I have mailed or delivered an application to receive a taxpayer identification number to the appropriate Internal Revenue Service Center or Social Security Administration Office or (2) I intend to mail or deliver an application in the near future. I understand that if I do not provide a taxpayer identification number by the time of payment, 31% of all reportable payments made to me will be withheld, but that such amounts will be refunded to me if I then provide a Taxpayer Identification Number within sixty (60) days.

SIGNATURE    DATE \_\_\_\_\_

Facsimile copies of the Letter of Transmittal, properly completed and duly executed, will be accepted. The Letter of Transmittal, certificates of Shares and any other required documents should be sent or delivered by each stockholder of the Company or his broker, dealer, commercial bank, trust company or other nominee to the Depository at one of its addresses set forth below:

## DEPOSITARY FOR THE OFFER IS:

CHASEMELLON SHAREHOLDER SERVICES, L.L.C.

## By Mail:

Reorganization Dept.  
P.O. Box 768  
Midtown Station  
New York, New York 10018

## By Facsimile Transmission:

(201) 329-8936  
(for Eligible Institutions only)

(201) 296-4209  
(to confirm facsimile  
transmissions)

## By Hand or Overnight Courier:

Reorganization Dept.  
120 Broadway  
13th Floor  
New York, New York 10271

Questions and requests for assistance may be directed to the Information Agents or the Dealer Manager at their respective addresses and telephone numbers listed below. Additional copies of this Offer to Purchase, the Letter of Transmittal and other tender offer materials may be obtained from the Information Agent as set forth below, and will be furnished promptly at Purchaser's expense. You may also contact your broker, dealer, commercial bank, trust company or other nominee for assistance concerning this Offer.

## THE INFORMATION AGENT FOR THE OFFER IS:

[MACKENZIE LOGO]  
156 Fifth Avenue  
New York, New York 10010  
800-322-2885 (toll free)  
212-929-5500 (call collect)

## THE DEALER MANAGER FOR THE OFFER IS:

J.P. MORGAN SECURITIES INC.  
60 Wall Street  
New York, New York 10260  
888-445-1926 (toll free)

## OFFER TO PURCHASE FOR CASH

All Outstanding Shares of Common Stock  
of  
CHATEAU PROPERTIES, INC.  
at  
\$26.00 NET PER SHARE  
by  
MHC OPERATING LIMITED PARTNERSHIP,  
the Sole General Partner of which  
is  
MANUFACTURED HOME COMMUNITIES, INC.

THE OFFER AND WITHDRAWAL RIGHTS EXPIRE AT 12:00 MIDNIGHT, NEW YORK CITY  
TIME, ON TUESDAY, OCTOBER 1, 1996, UNLESS THE OFFER IS EXTENDED.

September 4, 1996

To Our Clients:

Enclosed for your consideration are the Offer to Purchase dated September 4, 1996 (the "Offer to Purchase") and the related Letter of Transmittal (which, together with any amendments or supplements thereto, constitute the "Offer") in connection with the offer by MHC Operating Limited Partnership, a limited partnership organized under the laws of the State of Illinois (the "Purchaser"), the sole general partner of which is Manufactured Home Communities, Inc., a Maryland corporation, to purchase all of the outstanding shares of common stock, \$.01 par value per share (the "Shares"), of Chateau Properties, Inc., a Maryland corporation (the "Company"), at a price of \$26.00 per Share, net to the seller in cash, without interest thereon, upon the terms and conditions set forth in the Offer. We are (or our nominee is) the holder of record of the Shares held for your account. A tender of such Shares can be made only by us as the holder of record and pursuant to your instructions. THE LETTER OF TRANSMITTAL IS FURNISHED TO YOU FOR YOUR INFORMATION ONLY AND CANNOT BE USED BY YOU TO TENDER SHARES HELD BY US FOR YOUR ACCOUNT.

We request instructions as to whether you wish us to tender any or all of the Shares held by us for your account, upon the terms and subject to the conditions set forth in the Offer.

Please note carefully the following:

1. The tender price is \$26.00 per Share, net to the seller in cash, without interest thereon, upon the terms and subject to the conditions set forth in the Offer.

2. The Offer and withdrawal rights expire at 12:00 Midnight, New York City time, on Tuesday, October 1, 1996, unless the Offer is extended (the "Expiration Date").

3. The Offer is being made for all of the Shares.

4. The Offer is conditioned upon, among other things, (1) there being validly tendered and not withdrawn prior to the Expiration Date that number of Shares which, together with Shares owned by Purchaser and its affiliates, constitutes at least two-thirds of the Shares outstanding on the Expiration Date, (2) Purchaser being satisfied, in its sole judgment, that after consummation of the Offer the restrictions contained in the Maryland Business Combination Law will not apply to the Proposed Merger, and (3) Purchaser being satisfied, in its sole judgment, that after consummation of the Offer, none of the Shares acquired by Purchaser shall be deemed "Excess Stock" as defined in the Company's Articles of Amendment and Restatement. See "The Tender Offer--Introduction" and "--12. Certain Conditions of the Offer" in the Offer to Purchase.

5. Any brokerage fees, commissions or stock transfer taxes applicable to the sale of the Shares to Purchaser pursuant to the Offer will be paid by Purchaser, except as otherwise provided in Instruction 6 of the Letter of Transmittal.



If you wish to have us tender any or all of your Shares, please so instruct us by completing, executing, detaching and returning to us the instruction form set forth below. An envelope to return your instructions to us is enclosed. If you authorize tender of your Shares, all such Shares will be tendered unless otherwise specified on the instruction form set forth below.

YOUR INSTRUCTIONS SHOULD BE FORWARDED TO US IN AMPLE TIME TO PERMIT US TO SUBMIT A TENDER ON YOUR BEHALF BY THE EXPIRATION OF THE OFFER. THE OFFER AND WITHDRAWAL RIGHTS EXPIRE AT 12:00 MIDNIGHT, NEW YORK CITY TIME, ON TUESDAY, OCTOBER 1, 1996, UNLESS PURCHASER EXTENDS THE OFFER.

The Offer is not being made to, nor will tenders be accepted from or on behalf of, holders of Shares in any jurisdiction in which the making of the Offer or acceptance thereof would not be in compliance with the laws of such jurisdiction. In those jurisdictions the laws of which require that the Offer be made by a licensed broker or dealer, the Offer shall be deemed to be made on behalf of Purchaser by J.P. Morgan Securities Inc. or one or more registered brokers or dealers licensed under the laws of such jurisdiction.

INSTRUCTIONS WITH RESPECT TO THE  
OFFER TO PURCHASE FOR CASH  
ALL OUTSTANDING SHARES  
OF COMMON STOCK  
OF  
CHATEAU PROPERTIES, INC.

The undersigned acknowledge(s) receipt of your letter and the enclosed Offer to Purchase dated September 4, 1996 and the related Letter of Transmittal (which, together with any amendments or supplements thereto, constitute the "Offer") in connection with the offer by MHC Operating Limited Partnership, a limited partnership organized under the laws of the State of Illinois (the "Purchaser"), the sole general partner of which is Manufactured Home Communities, Inc., a Maryland corporation, to purchase all of the outstanding shares of common stock, par value \$.01 per share (the "Shares"), of Chateau Properties, Inc., a Maryland corporation.

This will instruct you to tender the number of Shares indicated below held by you for the account of the undersigned, upon the terms and subject to the conditions set forth in the Offer to Purchase and the related Letter of Transmittal.

Number\* of Shares to be Tendered: \_\_\_\_\_ Shares of Common Stock

Account Number:

Dated: \_\_\_\_\_, 1996

SIGN HERE

Signature(s):

Print Name(s):

Print Address(es):

Area Code and Telephone No.:

Taxpayer ID No. or Social Security No.:

- - - - -  
\* Unless otherwise indicated, it will be assumed that all Shares held by us for your account are to be tendered.

J.P. Morgan Securities Inc.  
60 Wall Street  
New York, New York 10260

OFFER TO PURCHASE FOR CASH  
All Outstanding Shares of Common Stock  
of  
CHATEAU PROPERTIES, INC.  
at  
\$26.00 NET PER SHARE  
by  
MHC OPERATING LIMITED PARTNERSHIP,  
the Sole General Partner of which  
is  
MANUFACTURED HOME COMMUNITIES, INC.

THE OFFER AND WITHDRAWAL RIGHTS EXPIRE AT 12:00 MIDNIGHT, NEW YORK CITY TIME, ON  
TUESDAY, OCTOBER 1, 1996, UNLESS THE OFFER IS EXTENDED.

September 4, 1996

To Brokers, Dealers, Commercial  
Banks, Trust Companies and Other Nominees:

We have been appointed by MHC Operating Limited Partnership, a limited partnership organized under the laws of the State of Illinois ("Purchaser"), the sole general partner of which is Manufactured Home Communities, Inc., a Maryland corporation ("MHC"), to act as Dealer Manager in connection with Purchaser's offer to purchase all of the outstanding shares of common stock, \$.01 par value per share (the "Shares"), of Chateau Properties, Inc., a Maryland corporation (the "Company"), at \$26.00 per Share, net to the seller in cash, without interest thereon, upon the terms and subject to the conditions set forth in Purchaser's Offer to Purchase, dated September 4, 1996 (the "Offer to Purchase") and the related Letter of Transmittal (which, together with any amendments or supplements thereto, constitute the "Offer").

THE OFFER IS CONDITIONED UPON, AMONG OTHER THINGS, (1) THERE BEING VALIDLY TENDERED AND NOT WITHDRAWN PRIOR TO THE EXPIRATION DATE THAT NUMBER OF SHARES WHICH, TOGETHER WITH SHARES OWNED BY PURCHASER AND ITS AFFILIATES, CONSTITUTES AT LEAST TWO-THIRDS OF THE SHARES OUTSTANDING ON THE EXPIRATION DATE, (2) PURCHASER BEING SATISFIED, IN ITS SOLE JUDGMENT, THAT AFTER CONSUMMATION OF THE OFFER THE RESTRICTIONS CONTAINED IN THE MARYLAND BUSINESS COMBINATION LAW WILL NOT APPLY TO THE PROPOSED MERGER, AND (3) PURCHASER BEING SATISFIED, IN ITS SOLE JUDGMENT, THAT AFTER CONSUMMATION OF THE OFFER, NONE OF THE SHARES ACQUIRED BY PURCHASER SHALL BE DEEMED "EXCESS STOCK" AS DEFINED IN THE COMPANY'S ARTICLES OF AMENDMENT AND RESTATEMENT. SEE THE INTRODUCTION AND SECTIONS 1 AND 12 IN THE OFFER TO PURCHASE.

For your information and for forwarding to your clients for whom you hold Shares registered in your name or in the name of your nominee, we are enclosing the following documents:

1. Offer to Purchase, dated September 4, 1996.
2. Letter of Transmittal to tender Shares for your use and for the information of your clients, together with Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9

providing information relating to backup federal income tax withholding (facsimile copies of the Letter of Transmittal may be used to tender Shares);

3. Notice of Guaranteed Delivery for Shares to be used to accept the Offer if the certificates for the Shares being tendered and all other required documents are not immediately available or cannot be delivered to ChaseMellon Shareholder Services, L.L.C., as depository (the "Depository"), by the Expiration Date (as defined below) or if procedures for book-entry transfer cannot be completed by the Expiration Date; and

4. A printed form of letter which may be sent to your clients for whose accounts you hold Shares registered in your name or in the name of your nominee, with space provided for obtaining such clients' instructions with regard to the Offer.

YOUR PROMPT ACTION IS REQUESTED. WE URGE YOU TO CONTACT YOUR CLIENTS AS PROMPTLY AS POSSIBLE. PLEASE NOTE THAT THE OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE AT 12:00 MIDNIGHT, NEW YORK CITY TIME, ON TUESDAY, OCTOBER 1, 1996, UNLESS THE OFFER IS EXTENDED (THE "EXPIRATION DATE").

Upon the terms and subject to the conditions of the Offer (including, if the Offer is extended or amended, the terms and conditions of any such extension or amendment), Purchaser will accept for payment and pay for the Shares which are validly tendered prior to the Expiration Date and not theretofore properly withdrawn when, as and if Purchaser gives oral or written notice to the Depository of Purchaser's acceptance of such Shares for payment pursuant to the Offer. Payment for the Shares purchased pursuant to the Offer will in all cases be made only after timely receipt by the Depository of certificates for the Shares or timely confirmation of a book-entry transfer of such Shares into the Depository's account at The Depository Trust Company or the Philadelphia Depository Trust Company, pursuant to the procedures described in "The Tender Offer-- 3. Procedure for Tendering Shares" of the Offer to Purchase, a properly completed and duly executed Letter of Transmittal (or manually signed facsimile thereof) or an Agent's Message in connection with a book-entry transfer, and all other documents required by the Letter of Transmittal.

If holders of Shares wish to tender their Shares, but it is impracticable for them to forward their Share certificates or other required documents to the Depository on or prior to the Expiration Date or to comply with the book-entry transfer procedure on a timely basis, a tender may be effected by following the guaranteed delivery procedures specified in "The Tender Offer--3. Procedure for Tendering Shares" in the Offer to Purchase.

Purchaser will not pay any fees or commissions to any broker or dealer or other person (other than to the Dealer Manager as described in the Offer to Purchase) for soliciting tenders of the Shares pursuant to the Offer. Purchaser will, however, upon request, reimburse you for reasonable and necessary costs and expenses incurred by you in forwarding materials to your customers. Purchaser will pay or cause to be paid all stock transfer taxes applicable to its purchase of Shares pursuant to the Offer, subject to Instruction 6 of the Letter of Transmittal.

Any inquiries you may have with respect to the Offer should be addressed to, and additional copies of the enclosed materials may be obtained from, the Information Agent or the undersigned at the addresses and telephone numbers set forth on the back cover of the Offer to Purchase and the Letter of Transmittal.

Very truly yours,

J.P. Morgan Securities Inc.

NOTHING CONTAINED HEREIN OR IN THE ENCLOSED DOCUMENTS SHALL CONSTITUTE YOU OR ANY PERSON AS AN AGENT OF PURCHASER, MHC, ANY AFFILIATE OF PURCHASER OR ANY OF THEIR ASSIGNS, THE DEALER MANAGER, THE INFORMATION AGENT OR THE DEPOSITARY, OR AUTHORIZE YOU OR ANY OTHER PERSON TO USE ANY DOCUMENT OR MAKE ANY STATEMENT ON BEHALF OF ANY OF THEM IN CONNECTION WITH THE OFFER OTHER THAN THE DOCUMENTS ENCLOSED HERewith AND THE STATEMENTS CONTAINED THEREIN.

NOTICE OF GUARANTEED DELIVERY  
(NOT TO BE USED FOR SIGNATURE GUARANTEE)

to  
TENDER SHARES OF COMMON STOCK  
of  
CHATEAU PROPERTIES, INC.  
PURSUANT TO THE OFFER TO PURCHASE DATED SEPTEMBER 4, 1996  
of  
MHC OPERATING LIMITED PARTNERSHIP,  
THE SOLE GENERAL PARTNER OF WHICH  
is  
MANUFACTURED HOME COMMUNITIES, INC.

This Notice of Guaranteed Delivery, or one substantially equivalent to the attached form, must be used to accept the Offer (as defined below) if (i) certificates for shares of common stock, par value \$.01 per share (the "Shares"), of Chateau Properties, Inc., a Maryland corporation, and all other documents required by the Letter of Transmittal cannot be delivered to ChaseMellon Shareholder Services, L.L.C., as depositary (the "Depositary"), by the expiration of the Offer or (ii) the procedures for delivery of book-entry transfer cannot be completed on a timely basis. This Notice of Guaranteed Delivery may be delivered by hand or sent by facsimile transmission or mail to the Depositary. See "The Tender Offer--3. Procedure for Tendering Shares" in the Offer to Purchase.

The Depositary For The Offer is:

CHASEMELLON SHAREHOLDER SERVICES, L.L.C.

By Mail:

Reorganization Dept.  
P.O. Box 768  
Midtown Station  
New York, New York 10018

By Facsimile Transmission:

(201) 329-8936  
(for Eligible Institutions only)

(201) 296-4209  
(to confirm facsimile  
transmissions)

By Hand or Overnight Courier:

Reorganization Dept.  
120 Broadway  
13th Floor  
New York, New York 10271

DELIVERY OF THIS NOTICE OF GUARANTEED DELIVERY TO AN ADDRESS OTHER THAN AS SET FORTH ABOVE OR TRANSMISSION OF INSTRUCTIONS VIA A FACSIMILE TRANSMISSION TO A NUMBER OTHER THAN AS SET FORTH ABOVE DOES NOT CONSTITUTE A VALID DELIVERY.

This Notice of Guaranteed Delivery is not to be used to guarantee signatures. If a signature of a Letter of Transmittal is required to be guaranteed by an "Eligible Institution" under the instructions thereto, such signature guarantee must appear in the applicable space provided in the signature box on the Letter of Transmittal.

Ladies and Gentlemen:

The undersigned hereby tenders to MHC Operating Limited Partnership, a limited partnership organized under the laws of the State of Illinois or its assigns ("Purchaser"), the sole general partner of which is Manufactured Home Communities, Inc., upon the terms and subject to the conditions set forth in the Offer to Purchase dated September 4, 1996 and the related Letter of Transmittal (which, together with any amendments and supplements thereto, constitute the Offer), receipt of which is hereby acknowledged, the number (indicated below) of Shares pursuant to the guaranteed delivery procedure set forth in "The Tender Offer--3. Procedure for Tendering Shares" of the Offer to Purchase.

Number of Shares being tendered hereby: ----- Shares of Common  
 Certificate No(s). (if available): Stock  
 - - - - - SIGN HERE: - - - - -  
 -----  
 If Shares will be tendered by book-entry (Signature(s))  
 transfer: -----  
 Name of Tendering Institution (Name(s) of Record Holders)  
 ----- (Please Print)  
 Account No. -----  
 - - - - - at -----  
 / / The Depository Trust Company (Address)  
 / / Philadelphia Depository Trust Company -----  
 ----- (Zip Code)  
 ----- (Area Code and Telephone No.)

GUARANTEE  
 (NOT TO BE USED FOR SIGNATURE GUARANTEE)

The undersigned, a firm which is a member of a registered national securities exchange or the National Association of Securities Dealers, Inc., or a commercial bank or trust company having an office, branch or agency in the United States, hereby (a) represents that the above named person(s) "own(s)" the Shares tendered hereby within the meaning of Rule 14e-4 under the Securities Exchange Act of 1934, as amended, (b) represents that such tender complies with Rule 14e-4 and (c) guarantees to deliver to the Depository the Shares tendered hereby, together with a properly completed and duly executed Letter(s) of Transmittal (or facsimile(s) thereof) or an Agent's Message as defined in the Offer to Purchase in the case of a book-entry delivery, and any other required documents, all within three New York Stock Exchange trading days of the date hereof.

----- (Name of Firm) -----	----- (Authorized Signature) -----
----- (Address) -----	----- (Name) -----
----- (Zip Code) -----	----- (Title) -----
----- (Area Code and Telephone No.) Dated: ----- , 1996.	

DO NOT SEND STOCK CERTIFICATES WITH THIS FORM.  
 YOUR STOCK CERTIFICATES MUST BE SENT WITH THE LETTER OF TRANSMITTAL.

GUIDELINES FOR CERTIFICATION OF TAXPAYER IDENTIFICATION  
NUMBER ON SUBSTITUTE FORM W-9

GUIDELINES FOR DETERMINING THE PROPER IDENTIFICATION NUMBER TO GIVE THE PAYER--Social Security numbers have nine digits separated by two hyphens: i.e. 000-00-0000. Employer identification numbers have nine digits separated by only one hyphen: i.e. 00-0000000. The table below will help determine the number to give the payer.

FOR THIS TYPE OF ACCOUNT:	GIVE THE SOCIAL SECURITY NUMBER OF--
1. An individual's account	The individual
2. Two or more individuals(joint account)	The actual owner of the account or, if combined funds, the first individual on the account(1)
3. Husband and wife(joint account)	The actual owner of the account or, if joint funds, the first individual on the account(1)
4. Custodian account of a minor (Uniform Gift to Minors Act)	The minor(2)
5. Adult and minor(joint account)	The adult or, if the minor is the only contributor, the minor(1)
6. Account in the name of guardian or committee for a designated ward, minor or incompetent person	The ward, minor or incompetent person(3)
7. a. The usual revocable savings trust account (grantor is also trustee)	The grantor-trustee(1)
b. So-called trust account that is not a legal or valid trust under State law	The actual owner(2)

FOR THIS TYPE OF ACCOUNT:	GIVE THE EMPLOYER IDENTIFICATION NUMBER OF--
8. Sole proprietorship account	The owner(4)
9. A valid trust, estate or pension trust	Legal entity (Do not furnish the identifying number of the personal representative or trustee unless the legal entity itself is not designated in the account title.)(5)
10. Corporate account	The corporation
11. Association, club, religious, charitable, educational or other tax-exempt organization account	The organization
12. Partnership account	The partnership
13. A broker or registered nominee	The broker or nominee
14. Account with the Department of Agriculture in the name of a public entity (such as a State or local government, school district, or prison) that receives agricultural program payments	The public entity

- 
- (1) List first and circle the name of the person whose number you furnish.
  - (2) Circle the minor's name and furnish the minor's social security number.
  - (3) Circle the ward's, minor's or incompetent person's name and furnish such person's social security number.
  - (4) You must show your individual name, but you may also enter your business or "doing business as" name. You may use either your social security number or employer identification number.
  - (5) List first and circle the name of the legal trust, estate, or pension trust.

NOTE: If no name is circled when there is more than one name, the number will be considered to be that of the first name listed.

## HOW TO OBTAIN A TIN

If you don't have a taxpayer identification number or you don't know your number, obtain Form SS-5, Application for a Social Security Number Card, or Form SS-4, Application for Employer Identification Number, at the local office of the Social Security Administration or the Internal Revenue Service and apply for a number.

## PAYEES EXEMPT FROM BACKUP WITHHOLDING

Payees specifically exempted from backup withholding on ALL payments by the Payer include the following:

- - A corporation.
- - A financial institution.
- - An organization exempt from tax under section 501(a), or an individual retirement plan, or a custodial account under section 403(b)(7).
- - The United States or any agency or instrumentality thereof.
- - A State, the District of Columbia, a possession of the United States or any subdivision or instrumentality thereof.
- - A foreign government, a political subdivision of a foreign government, or any agency or instrumentality thereof.
- - An international organization or any agency or instrumentality thereof.
- - A registered dealer in securities or commodities registered in the U.S. or a possession of the U.S.
- - A real estate investment trust.
- - A common trust fund operated by a bank under section 584(a).
- - An exempt charitable remainder trust, or a non-exempt trust described in section 4947(a)(1).
- - An entity registered at all times under the Investment Company Act of 1940.
- - A foreign central bank of issue.

Payments of dividends and patronage dividends not generally subject to backup withholding include the following:

- - Payments to nonresident aliens subject to withholding under section 1441.
- - Payments to partnerships not engaged in a trade or business in the U.S. and which have at least one nonresident partner.
- - Payments of patronage dividends where the amount received is not paid in money.
- - Payments made by certain foreign organizations.
- - Payments made to a nominee.

Payments of interest not generally subject to backup withholding include the following:

- - Payments of interest on obligations issued by individuals.

NOTE: You may be subject to backup withholding if this interest is \$600 or more and is paid in the course of the payer's trade of business and you have not provided your correct taxpayer identification number to the payer.

- - Payments of tax-exempt interest (including exempt-interest dividends under section 852).
- - Payments described in section 6049(b)(5) to nonresident aliens.
- - Payments on tax-free covenant bonds under section 1451.
- - Payments made by certain foreign organizations.
- - Payments made to a nominee.

Exempt payees described above should file Substitute Form W-9 to avoid possible erroneous backup withholding. FURNISH YOUR TAXPAYER IDENTIFICATION NUMBER, WRITE "EXEMPT" ON THE FACE OF THE FORM IN PART II, SIGN AND DATE THE FORM, AND RETURN IT TO THE PAYER.

Certain payments, other than interest, dividends and patronage dividends that are not subject to information reporting are also not subject to backup withholding. For details, see the regulations under sections 6041, 6041A(a), 6045 and 6050A.

PRIVACY ACT NOTICE.--Section 6019 requires most recipients of dividend, interest or other payments to give their correct taxpayer identification numbers to payers who must report the payments to IRS. IRS uses the numbers for



identification purposes and to help verify the accuracy of tax returns. Payers must be given the numbers whether or not recipients are required to file tax returns. Payers must generally withhold 31% of taxable interest, dividend and certain other payments to a payee who does not furnish a taxpayer identification number to a payer. Certain penalties may also apply.

#### PENALTIES

(1) Penalty for Failure to Furnish Taxpayer Identification Number.--If you fail to furnish your taxpayer identification number to a payer, you are subject to a penalty of \$50 for each such failure unless your failure is due to reasonable cause and not to willful neglect.

(2) Civil Penalty for False Information With Respect to Withholding.--If you make a false statement with no reasonable basis which results in no imposition of backup withholding, you are subject to a penalty of \$500.

(3) Criminal Penalty for Falsifying Information.-- Willfully falsifying certifications or affirmations may subject you to criminal penalties including fines and/or imprisonment.

FOR ADDITIONAL INFORMATION CONTACT YOUR TAX CONSULTANT OR THE INTERNAL REVENUE SERVICE.

CONTACT: Cindy McHugh  
(312) 466-3779  
CHATEAU SHAREHOLDERS  
CONTACT: Jeanne Carr  
MacKenzie Partners, Inc.  
(212) 929-5916

FOR IMMEDIATE RELEASE  
SEPTEMBER 4, 1996

MHC BEGINS CASH TENDER OFFER FOR ALL SHARES OF CHATEAU AT \$26 PER SHARE

CHICAGO, IL SEPTEMBER 4, 1996--Manufactured Home Communities, Inc. (NYSE:MHC) today announced that it has commenced a cash tender offer for all outstanding shares of common stock of Chateau Properties, Inc. (NYSE:CPJ) at a price of \$26 per share. There are approximately 6.1 million shares outstanding.

The tender offer is not subject to any financing contingencies. The offer is subject to certain conditions, including the tender of at least two-thirds of the outstanding shares. The tender offer expires at midnight on Tuesday, October 1, 1996.

On August 16, 1996, MHC delivered to John A. Boll, Chairman of Chateau, a proposal to merge the two companies. The proposal offered shareholders \$26 per share in cash, or 1.15 MHC common shares for each Chateau common share, or a combination of both.

MHC believes that its proposal provides a substantially greater value to Chateau's shareholders than either the proposed transaction between Chateau and ROC Communities, Inc. (NYSE:RCI) or the proposal by Sun Communities, Inc. (NYSE:SUI) to acquire Chateau.

MHC reiterated the benefits of its offer in a letter dated August 23, 1996:

- MHC's offer is the only cash offer.
- MHC's cash offer of \$26 per share is a 17% premium over Chateau's closing price of \$22.25 on July 17, 1996.
- The combination is immediately accretive to both companies.

The Board of Directors of Chateau has not responded to MHC's proposal and, as a result, MHC believes that its financially superior offer should be presented directly to the Chateau shareholders in the form of a cash tender offer. Notwithstanding the tender offer, MHC stated that it remains willing to enter into negotiations with Chateau at any time regarding its proposal.

Samuel Zell, Chairman of the Board of MHC, stated that a combined MHC and Chateau "represents an unprecedented opportunity to build an enterprise uniquely positioned for leadership in the ownership and management of high quality manufactured home communities." Mr. Zell added, "As we have stated since our initial proposal was made, we are determined to take every appropriate action to successfully consummate this transaction."

David A. Helfand, CEO and President of MHC, explained that "The combination of Chateau and MHC will unite the two highest quality portfolios in the industry. The new entity would have superior financial strength, significant liquidity and unparalleled access to capital."

The Information Agent for the tender offer is MacKenzie Partners, Inc. MHC is being advised by J.P. Morgan and Co.

MHC owns or has a controlling interest in 67 quality manufactured housing communities across the country. The portfolio consists of 26,820 sites in 19 states. Headquartered in Chicago, MHC is a self-administered and self-managed equity real estate investment trust (REIT).