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February 6, 2002

RECEIVED - FPSC
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COMMISSION
CLERK

Via Hand Delivery

Blanca S. Bayo, Director
Division of Commission Clerk and
Administrative Services
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

020102-WU

Re: Application for Transfer of Majority Organizational Control of CWS
Communities LP, Holder of Certificate No. 518-W in Lake County

Dear Ms. Bayo:

Enclosed for filing, on behalf of CWS Communities LP, are an original and twelve copies of an application for transfer of majority organizational control of CWS Communities LP, holder of Certificate No. 518-W in Lake County.

Please be aware that we have not included the check for the application fee as the check includes a filing fee of an application to be filed February 14, 2002, and will be submitted at that time.

Please open a docket to consider this matter.

Please contact me if you have any questions.

Sincerely,

RECEIVED & FILED

Muz
FPSC-BUREAU OF RECORDS

RUDEN, McCLOSKEY, SMITH,
SCHUSTER & RUSSELL, P.A.

Kathryn G.W. Cowdery
Kathryn G.W. Cowdery
Attorney

DOCUMENT NUMBER - DATE
01431 FEB-6 02
FPSC-COMMISSION CLERK

KGC/ldm
Enclosures

TAL:36175:1

FORT LAUDERDALE ■ MIAMI ■ NAPLES ■ PORT ST. LUCIE ■ SARASOTA ■ ST. PETERSBURG ■ TALLAHASSEE ■ TAMPA ■ WEST PALM BEACH

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for Transfer of)
Majority Organizational Control of)
CWS Communities LP, Holder of)
Certificate No. 518-W in Lake County)

Docket No. 020102-WU

APPLICATION FOR TRANSFER OF MAJORITY
ORGANIZATIONAL CONTROL OF CWS COMMUNITIES LP,
HOLDER OF CERTIFICATE NO. 518-W IN LAKE COUNTY

CWS Communities LP, by and through its undersigned attorneys, hereby files its Application for Transfer of Majority Organizational Control, and in support thereof states:

1. Prior to transfer, majority organizational control of the Utility was in:

CWS Communities Trust
7777 Market Center Ave.
El Paso, TX 79912

2. Majority organizational control of CWS Communities LP has been transferred to:

CP Limited Partnership
known in Florida as Chateau Communities Limited Partnership
6160 South Syracuse Way
Greenwood Village, CO 80111

3. The name and address of the authorized representative of Utility and the person to receive a copy of all papers, pleadings, and filings in this case is:

Kathryn G. W. Cowdery, Esq.
Ruden, McClosky, Smith, Schuster & Russell, P.A.
215 South Monroe Street, Suite 815
Tallahassee, Florida 32301
Telephone: (850) 681-9027
Facsimile: (850) 224-2032

4. The transfer of majority organizational control of CWS Communities LP was part of a larger merger/acquisition transaction effective August 3, 2001. The transfer of majority organizational control of the Utility occurred as a result of OP unit (operating partnership unit)/ stock transfer. The transfer was made contingent upon PSC approval, consistent with the

provisions of § 367.071(1), Fla. Stat. A copy of the Agreement as to Transfer of Florida Public Service Commission Certificated Utilities is attached hereto as Attachment “A.”

5. The Utility is still owned by CWS Communities LP. Following the merger transaction, CP Limited Partnership, the operating partnership, known in Florida as Chateau Communities Limited Partnership (“CCLP”), became the general partner of Utility. Chateau Communities, Inc. (“CCI”) is the general partner of CCLP. Information regarding CCLP, CCI, and CCI’s officers and directors is included in CCI’s 2000 Annual Report, a copy of which is attached hereto as Attachment “B.”

6. The transfer is in the public interest because the Haselton Mobile Home Park customers served by the Utility will continue to receive the same quality service to which they are accustomed. Regarding technical ability, the Utility is retaining the local management team that has operated the water and wastewater utility for the past ten years. At this time, the Utility provides safe and reliable water service to its customers. CWS Communities LP will continue to own and operates two other PSC regulated utilities in the State of Florida:

a. CWS Communities LP d/b/a Crystal Lake Club, holder of Certificate Nos. 525-W and 454-S in Highlands County (application for transfer of majority organizational control pending at the PSC).

b. CWS Communities LP, d/b/a Palm Valley holder of Certificate Nos. 277-W and 223-S in Seminole County (application for transfer of majority organizational control pending at the PSC).

Due to the merger transaction, the Utility now has the benefit through CCLP and CCI of Utilities Director Mr. Robert S. Munro. Mr. Munro has been and remains Utilities Director for the water and/or wastewater utilities owned by CCLP in Florida. (Attachment “C” hereto.) Each utility is

staffed with licensed and trained personnel. CCLP is committed to providing safe and reliable water and wastewater service to its residents and customers.

7. The Utility will continue to have financial ability to provide service. See Attachment "B" hereto, containing the consolidated financial statement of CCI, CCLP's general partner. CCLP will provide the financial stability required to maintain the utility system in accordance with Commission standards and environmental regulations. The Utility will continue to fulfill all of its commitments, obligations and representations with regard to utility matters. The books and records of the utility shall continue to be maintained in Florida, in compliance with Fla. Admin. Code R. 25-30.115(1).

8. After reasonable investigation, the water and wastewater systems appear to be in satisfactory condition and in compliance with all applicable standards set by the DEP.

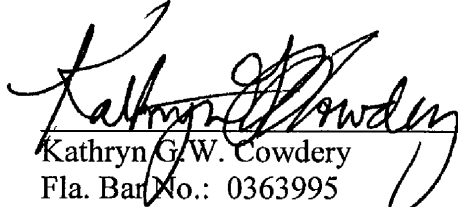
9. Since the ownership of the Utility has not changed, no changes need to be made to the Certificates or Tariff, and copies are therefore not attached hereto, except that the first page of the tariff has been submitted in order to correct the address of the Utility. Attachment "D" hereto. Likewise, no changes have been made to the ownership of the real property upon which the utility facilities are located, which property remains dedicated to public utility use.

10. The Utility has the capacity to serve fewer than 500 ERCs. An application fee in the amount of \$750 as provided by § 367.145, Fla. Stat., and Fla. Admin. Code R. 25-30.020(2)(c), will be furnished on February 14, 2002, as the check includes a filing fee of an application to be filed February 14, 2002.

11. The affidavit required by sections 367.0145(1)(e) and (2)(f), Fla. Stat., shall be filed no later than 15 days after the date of filing this application, as required by Fla. Admin. Code. R. § 25-30.030.

WHEREFORE, Applicant requests that this Commission approve the application for transfer of majority organizational control of CWS Communities LP, holder of Certificate No. 518-W in Lake County, as set forth in this application.

DATED this 6th day of February 2002.


Kathryn G.W. Cowdery
Fla. Bar No.: 0363995
Ruden, McClosky, Smith, Schuster
& Russell, P.A.
215 S. Monroe St., Suite 815
Tallahassee, Florida 32303
(850) 681-9027

Attorneys for CWS Communities LP

AGREEMENT AS TO TRANSFER OF
FLORIDA PUBLIC SERVICE COMMISSION CERTIFICATED UTILITIES

This AGREEMENT AS TO TRANSFER OF FLORIDA PUBLIC SERVICE COMMISSION CERTIFICATED UTILITIES (this "Agreement"), is dated as of August 2, 2001, by and among Chateau Communities, Inc., a Maryland corporation ("Chateau"), having an office at 6160 S. Syracuse Way, Greenwood Village, Colorado 80111, CP Limited Partnership, a Maryland limited partnership ("Chateau OP"), having an office at c/o Chateau Communities, Inc., 6160 S. Syracuse Way, Greenwood Village, Colorado 80111 and Security Capital Manufactured Housing Incorporated, a Delaware corporation ("Housing"), having an office at 125 Lincoln Avenue, Santa Fe, New Mexico 87501, whereby the parties agree as follows:

WITNESSETH:

- A. WHEREAS, Chateau, Chateau OP, Housing, CWS Communities Trust, CWS Communities LP ("CWS OP") and certain merger subsidiaries named therein are parties to that certain Agreement and Plan of Merger dated as of June 6, 2001 (together with related agreements, the "Merger Agreement"). Pursuant to the terms of the Merger Agreement, CWS OP will be acquired through merger by and become a wholly owned subsidiary of Chateau OP;
- B. WHEREAS, Section 367.071 (1), Fla. Stat. (2000), provides that no utility shall sell, assign, or transfer its certificate of authorization, facilities or any portion thereof, or majority organizational control (hereinafter referred to as "Transfer") without determination and approval of the Florida Public Service Commission ("FPSC") that said Transfer is in the public interest and that the buyer, assignee, or transferee will fulfill the commitments, obligations, and representations of the utility; but that a Transfer may occur prior to FPSC approval if said Transfer is made contingent upon FPSC approval;
- C. WHEREAS, CWS OP is the holder of the following FPSC certificates of authorization (each a "Certificated Utility" and collectively, the "Certificated Utilities"):
- a. Water certificate No. 518-W in Lake County, Florida, providing water service to the Haselton Village Mobile Home Park.
 - b. Water certificate No. 277-W and wastewater certificate No. 223-S in Seminole County, Florida, providing service as CWS Communities LP d/b/a Palm Valley to, inter alia, Palm Valley Mobile Home Park.
 - c. Water certificate No. 525-W and wastewater certificate 454-S in Highlands County, Florida, providing water and wastewater service as CWS Communities LP d/b/a Crystal Lake Club to Crystal Lake Mobile Home Park.
- D. WHEREAS, the majority organizational control of CWS OP will change on the date hereof in accordance with the terms of the Merger Agreement; and
- E. WHEREAS, the parties desire to Transfer the Certificated Utilities prior to FPSC approval consistent with the provisions of § 367.071(1), Fla. Stat. (2000).

NOW, THEREFORE, in consideration of the mutual covenants and undertakings contained herein, subject to and on the terms and conditions herein set forth, and in recognition of the requirements of § 367.071(1), Fla. Stat. (2000), and the authority of the FPSC, the parties hereto agree as follows:

1. The Transfer of CWS OP, holder of the Certificated Utilities, is made contingent upon FPSC approval.
2. This Agreement has no effect upon the consummation of the transactions contemplated by the Merger Agreement, except and solely as it pertains to the stock transfer related to the Certificated Utilities.
3. If one or more applications for Transfer are not approved by the FPSC, then (i) only the stock transfer relating directly to the particular Certificated Utility at issue shall be affected; and (ii) until such application or applications for Transfer are approved, Housing shall use commercially reasonable efforts to assist Chateau and/or Chateau OP in securing the approval of the FPSC to the Transfer.

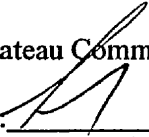
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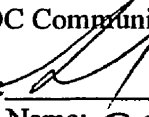
IN WITNESS WHEREOF, this Agreement has been signed by a duly authorized officer and on behalf of each of the parties hereto as of the date first written above.

CHATEAU COMMUNITIES, INC.,
a Maryland corporation


By: 
Name: Gary P. McDaniel
Title: ~~Authorized Person~~ Chief Executive Officer

CP LIMITED PARTNERSHIP,
a Maryland limited partnership

By: Chateau Communities, Inc., general partner
By: 
Name: Gary P. McDaniel
Title: ~~Authorized Person~~ Chief Executive Officer

By: ROC Communities, Inc., general partner
By: 
Name: Gary P. McDaniel
Title: ~~Authorized Person~~ Chief Executive Officer

SECURITY CAPITAL MANUFACTURED
HOUSING INCORPORATED,

a Delaware corporation
By: 
Name: Constance B. Moore
Title: President



CHATEAU COMMUNITIES

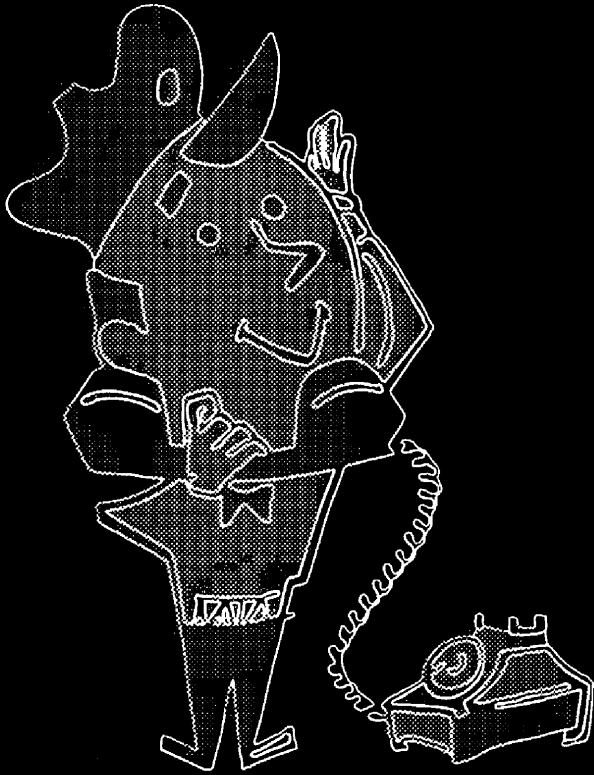


2000 ANNUAL REPORT

Attachment B

MISSION STATEMENT

Create valued resident relationships by providing a welcoming environment, quality products and resident services in attractive settings, in partnership with our residents, employees, and shareholders.



Communityplus

"Gus", the *Communityplus* mascot, embodies the Chateau Communities commitment to service and partnership.

CORPORATE PROFILE

Chateau Communities is one of the largest owner/operators of manufactured home communities in the U.S. Its portfolio consists of 166 communities, with an aggregate of approximately 52,300 residential homesites and 1,400 park model/RV sites. In addition, Chateau manages 44 manufactured home communities with approximately 9,200 residential homesites. The Company owns or has options on 12 greenfield development communities comprising approximately 800 finished sites and approximately 4,500 sites for future development. The Company serves approximately 130,000 residents in 34 states.

Chateau has been an innovator in acquiring, developing, and managing manufactured home, landlease communities for more than thirty years. It has been frequently honored by its industry peers for leadership and quality. In 1999, the National Manufactured Housing Congress named the Company "National Manufactured Home Community Operator of the Year". This was the seventh consecutive year Chateau received this prestigious award, an unprecedented achievement.

The Company has implemented a strategic plan that focuses on the goal of 200,000 valued resident relationships by 2002.

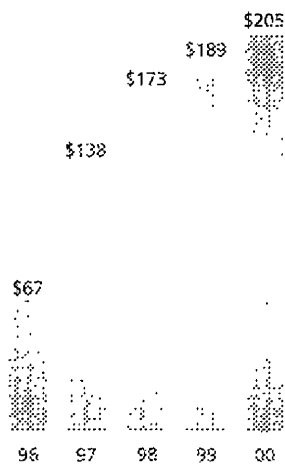
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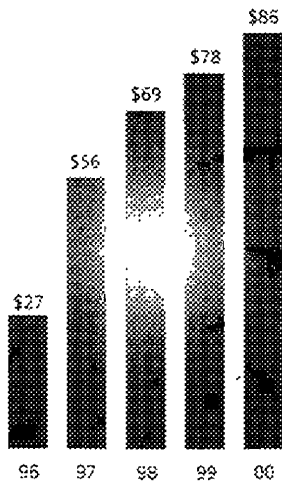
FINANCIAL HIGHLIGHTS

<i>Dollars in thousands except per share data</i>	2000	1999	1998	1997	1996
Revenues	\$ 204,765	\$ 189,363	\$ 173,130	\$ 138,169	\$ 67,384
Funds from operations	\$ 85,917	\$ 77,629	\$ 69,392	\$ 55,963	\$ 27,460
Income before minority interests	\$ 48,722	\$ 44,962	\$ 34,486	\$ 24,688	\$ 16,100
Net income	\$ 37,786	\$ 34,626	\$ 26,801	\$ 21,702	\$ 6,534
Per share information:					
Net income – basic	\$ 1.33	\$ 1.23	\$ 0.98	\$ 0.92	\$ 1.09
Net income – diluted	\$ 1.32	\$ 1.23	\$ 0.97	\$ 0.91	\$ 1.08
Funds from operations – diluted	\$ 2.67	\$ 2.45	\$ 2.23	\$ 2.06	\$ 1.84
Dividend/distribution per common share/OP Unit outstanding	\$ 2.06	\$ 1.94	\$ 1.82	\$ 1.72	\$ 1.62
Weighted average common shares outstanding	28,480	28,135	27,262	23,688	6,022
Weighted average common shares and OP Units outstanding	32,130	31,582	30,779	26,947	14,837
Rental property, before accumulated depreciation	\$ 1,091,451	\$ 1,055,450	\$ 1,026,509	\$ 836,175	\$ 300,631
Total assets	\$ 1,017,864	\$ 981,673	\$ 959,194	\$ 782,738	\$ 232,066
Total sites at year-end	52,347	51,659	51,101	43,800	20,279
Year-end occupied sites	47,678	47,383	47,192	40,286	19,148

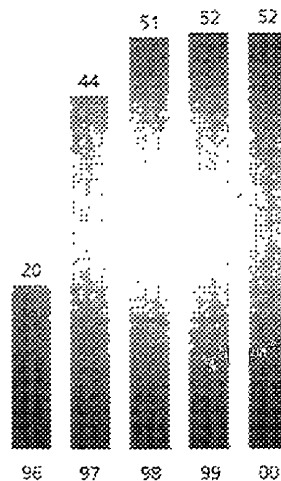
TC
REVENUES
(in millions)



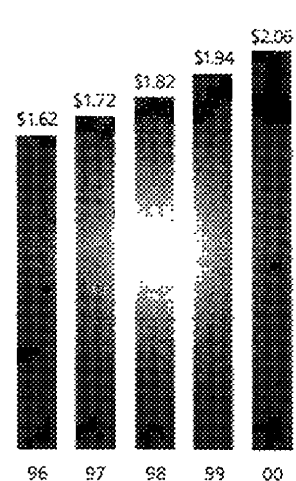
FUNDS FROM OPERATIONS
(in millions)



TOTAL SITES
(in thousands)



DIVIDEND GROWTH
(per share/op unit)



SHAREHOLDERS

Chateau Communities entered the millennium with a clear mission and a united vision. Well into a transition of our fundamental operating philosophy, we are approaching our business with a renewed, heightened sense of purpose. Chateau has broadened its role as industry leader and created value for shareholders in the process. In 2000, the Company:

*Increased funds from operations (FFO)
10.7% to \$85.9 million*

*Increased same-store net operating income
5.1% to \$119.9 million*

*Placed more than \$250 million of
long-term debt*

*Introduced Communityplus, the
national brand for our commitment to
service and partnership with residents*

The year was a difficult one for many in the manufactured housing industry. Manufacturers continued to feel the effects of oversupply, curtailing production in order to reduce excess inventory. Finance companies exited the business or tightened their requirements, reducing the availability of credit for potential residents. Nevertheless, Chateau has continued to meet financial expectations and demonstrate our ability to grow revenue, maintain occupancy, control expenses and increase net operating income.

We have maintained steady, predictable growth thanks to the hard work and dedication of our staff of professionals who are the best in the business. We have positioned Chateau for continued progress by looking toward the future.

In 1999, we determined that we could best meet our overall company goals by focusing on four long-term, strategic objectives. In 2000, Chateau made tremendous strides toward accomplishing each of them.

STRATEGIC OBJECTIVES

ATTRACT AND RETAIN LOYAL RESIDENTS

Chateau made industry history in 2000 with its introduction of a national customer service commitment. Like many of the most astute U.S. corporations, Chateau has long understood that our relationship with customers is one of the keys to continued growth and prosperity. This progressive point of view demands a broader perspective than the real estate industry's traditional concentration on property assets. Our partnership with residents is an increasingly valuable asset. At the same time, having a productive relationship means we must shift residents' definition of the Company from "landlord" to "partner."

Comprehensive customer surveys revealed that our greatest opportunity to affect resident perceptions lay in the area of responsiveness. In August, the Company introduced "4/24 Service," a national commitment to customer service. Under the policy, any concern or complaint from a resident is acknowledged and addressed within four hours. Within 24 hours, community management advises the resident of either the resolution or the plan of action being undertaken to resolve the issue. In addition, we have reviewed our availability to provide these needed services and have modified office hours across the Company so we can be available when our customer – the resident – needs us.

The 4/24 Service initiative has begun to make an impact in our communities, and is just the first of many steps we are taking to strengthen the relationship between our residents and community managers. Customer service training and more automated business processes are among the tools we have introduced to support the greater demands being placed on community staff. Chateau's investment in a mutually beneficial partnership with residents is the essence of the Company's future.

STRATEGIC OBJECTIVES

ATTRACT, HIRE AND RETAIN QUALITY EMPLOYEES

The Company exceeded its target reduction in employee turnover by 100 percent in 2000. Today's business environment demands new skills, greater professionalism and more flexibility from individual contributors than ever before. At Chateau, we know that our future rests in the capable hands of team members across the U.S. A carefully planned, disciplined approach is essential to finding – and keeping – the right people for the increasingly demanding positions our strategic plan requires.

Employee turnover is a costly problem not only in dollars, but also in the lack of continuity and potential disruption of service to our customers. We conducted our first survey of employee satisfaction in 1999 and were pleased to learn that team members enjoyed their jobs. The Company's success was important to them.

Based in part on these survey results, we worked in 2000 to address employee concerns about benefits, potential for advancement, and training. At the same time, we developed more rigorous recruitment and hiring practices and initiated company-wide training programs in customer

**In 2000, we launched Chateau's brand for our
commitment to service and partnership.**

Our 4/24 Service initiative was the first

step in introducing

management, effective communication, and conflict resolution. Our *Communityplus* 4/24 Service commitment extends to Chateau team members' support of each other. These efforts helped us reduce turnover by ten percent in 2000 – double the five percent improvement we set out to achieve.

Communityplus

STRATEGIC INITIATIVES

ENHANCE, EXPAND AND REDEFINE OUR CORE BUSINESS

The introduction of *Communityplus* added a high-potential revenue stream for Chateau. Although rental income will always represent the most significant portion of our revenues and earnings, it became increasingly evident that we must expand our direction and develop new ways to serve our customer base and create value. By leveraging our size and buying power to offer our residents services and products they already used or would need, we believed we could pass on much of our savings to residents and add value to their relationship with Chateau. In addition, we could package those same services to provide value for others in our industry through affiliate relationships. In our goal to achieve 200,000 valued resident relationships by the year 2002, we realized that growing through acquisition has become increasingly difficult. Building relationships with other community operators and their residents through access to our programs and services will provide ongoing earnings for Chateau. Ultimately, we believe these relationships will also give us the first opportunity to acquire the real estate itself.

In 2000, we launched Chateau's brand for our commitment to service and partnership. Our 4/24 Service initiative was the first step in introducing *Communityplus*, followed by the phased rollout of Buying Power, a menu of quality products and services available to residents. This year, we also offered the Buying Power program to other manufactured home community operators, a move that thus far has given Chateau marketing access to more than 6,000 affiliate homesites. You will learn more about *Communityplus* on the following pages.

STRATEGIC INITIATIVES

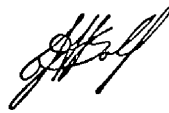
IMPROVE AND STREAMLINE WORK PROCESSES

Chateau enthusiastically embraced technology this year, moving toward greater efficiency at all levels of the organization. Individual community managers, region, division, and corporate staff are now connected electronically, allowing nearly instant communication. Thanks to a new enterprise-wide software system, our financial and operations management functions can be improved tremendously. Introduction of a centralized lockbox for receiving

and processing monthly resident payments will allow better controls as well as provide additional opportunities for our on-site team members to serve our customers better.

We are pleased to report our strategic plan has been instrumental in Chateau's continuing prosperity and significant growth. This new company direction will provide the long-term benefits that are essential to Chateau's future success. We also value our historic business philosophy, the consistency and quality of our cash flow, and the long-term predictability of both earnings and dividends. Our future vision ensures the continuation of our thirty-year history of success by enhancing proven successful practices, as well as executing new initiatives we believe will serve us well into the next several years.

By planning for the future, relying on our extraordinary colleagues, and creating new opportunities and new partnerships, Chateau Communities will continue to grow and lead.



JOHN A. BOLL

Chairman of the Board of Directors



GARY P. McDANIEL

Chief Executive Officer



C.G. "JEFF" KELLOGG

President



COMMUNITY
 NORTON SHORES
 MUSKEGON, MICHIGAN

RESIDENTS
 JOE & RITA HOLUB
 (above)

RESIDENTS
 SHIRLEY BAILEY
 (above center)
 GARTH & KIM GARCEAU
 (opposite page)

FROM THE DESK OF ANGELA GARCEAU

Dear Shirley Community,
 We want to thank you Community Managers for
 all the great things they do. We will never
 to respond to my letter they do. We will never
 my husband and I have lived here for
 almost 13 years and we don't have anything
 not find to say if the Hillside.

Angela Garceau
 Norton Shores

MANAGEMENT PLUS



Popular wisdom holds that “it takes a heap of living to make a house a home.” At Chateau, we know it takes a lot of work and collaboration to transform a property into a community. The Company has been a leader in community management since its inception, with Chateau executives in steady demand as expert speakers at industry seminars and conferences. In 2000, this leadership role reached a new level when CEO Gary McDaniel was named Chairman of the Manufactured Housing Institute (“MHI”), the industry’s national trade association. Mr. McDaniel’s appointment marks the first time a community operator has held the top position at MHI.

The basics of community management – resident relations, community appearance, budget control, marketing, and collections – are skillfully handled at Chateau communities. “Our community managers are exceptional,” says Chateau President Jeff Kellogg. “They’re the stewards of the company’s most valuable assets – property and relationships – and they take that responsibility to the highest level.” At Norton Shores, in Muskegon, Michigan, Community Managers Joe and Rita Holub have been serving their neighbors for 14 years. They keep the community in impeccable condition, maintaining roads, landscaping, tennis court, playground and picnic areas, and taking special pride in the newly remodeled community center with exercise room. They also offer a host of activities and special events for residents, celebrating every holiday from Valentine’s Day to Christmas with a party, as well as hosting health clinics, yard sales, and award programs to foster local pride.

Joe and Rita routinely go the extra mile for their community. In response to a devastating “straight line” windstorm in 1998, they created an emergency action vehicle, equipped with portable generator, first aid gear, communications equipment and other items that prove invaluable in crisis situations.

The quality of life, attention to detail, and spirit of partnership earned Norton Shores the Manufactured Housing Institute’s prized “First in Excellence” award. To qualify for the recognition, Joe completed an Accredited Community Manager program. The community underwent rigorous review by an MHI property inspection firm, and residents were surveyed by MHI to determine their level of satisfaction with community appearance, safety, facilities, services, and management.

Joe and Rita’s dedication makes Norton Shores a happy home for Kim and Garth Garceau. Mrs. Garceau and her son, Brian, have lived there since 1984; she and her husband met when he moved in across the street in 1993. Her parents also live in Norton Shores. The couple especially enjoys the monthly community potlucks and informational programs. “We have good, nice neighbors, and we like the quiet neighborhood,” says Mrs. Garceau.

Shirley Bailey, a Norton Shores resident for eight years, also values the Holubs’ efforts. Widowed, and an avid dancer, Shirley enjoys the variety of community activities. Most of all, she says, “this is a nice community I feel safe.”

COMMUNITYPLUS



The essence of Chateau's new business strategy is embodied in a helpful little cartoon character (pictured on inside front cover) who represents the Company's *Communityplus* brand. The *Communityplus* mascot, named "Gus" by a Chateau team member, appears prominently on promotional materials in all Chateau communities. The brand and the character stand for the Company's commitment to partnership with customers, team members, and affiliated companies.

Communityplus was introduced in the summer of 2000 with the announcement of Chateau's 4/24 Service guarantee. The program promises residents a response to their questions within four hours, and a solution or plan of action within 24 hours. Just months after inception, the commitment has already strengthened the relationship between community managers and residents, and between the Company and its stakeholders, including homeowner associations.

Next was the launch of *Communityplus* Buying Power, a suite of products and services from respected national vendors that provides added value for community residents. Response to initial offers has been impressive. Addressing residents interest in health, thrift, pride, convenience, and peace of mind, the Buying Power program gives Chateau residents the opportunity to purchase tailored services from Brinks Home Security, Orkin, InTouch companion monitoring, New Benefits health savings card, and Style Crest home improvement products, among others. As a broker of these products, the Company draws a portion of sales revenues.

"Access to Buying Power adds value for Chateau residents," says Senior VP of New Business John Fernie. "We have leveraged the Company's national presence for the benefit of our customers. That's good news for the resident, and good news for Chateau, since it gives us an additional revenue stream." The Company also draws revenue from national agreements for cable television service and trash collection, and is evaluating a variety of other national property-based services.

One of the most exciting *Communityplus* projects is underway in over-55 community Colony Cove, located in Ellenton, Florida. Construction of an assisted living center will begin in 2001. Chateau is leasing property to an experienced third-party developer/operator for the center, which already has a waiting list of Colony Cove residents who look forward to staying near their friends and familiar surroundings when they need more day-to-day help.

Following on the heels of 4/24 Service and Buying Power, Chateau introduced its *Communityplus* affiliate program to other companies in the manufactured housing industry in the fall. The partnership offer has been received enthusiastically by smaller community operators. By year-end 2000, the Company had added more than 12,000 new resident relationships through affiliate agreements, and had several more discussions underway.

"We see both short- and long-term benefits from the affiliate program" says Executive VP Rees Davis. "Obviously, there are immediate revenue opportunities. Over time, we believe the relationships we're building through *Communityplus* will provide great acquisition opportunities."



18 COMMUNITYPLUS

COLONY COVE
ELLENTON, FLORIDA



LEISUREWOODS AT TAUNTON
 TAUNTON, MASSACHUSETTS

NANCY FALLON
 (above right)

RESIDENTS
 JAN LABRECQUE
 (above left)
 CATHERINE TENIKOS
 (opposite page left)

Dear Nancy,

Just a note of thanks for your most helpful and generous suggestions for our new home. When the down payment was made and everything checked off, I really felt like a new beginning in my life. You was also very helpful with all the details.

Thank you again.

Theresa Zisch
 Theresa Zisch
 Resident at Leisurewoods at Taunton



COMMUNITY
 CHATEAU AT ONION CREEK
 AUSTIN, TEXAS

COMMUNITY
 ROB ROBERTSON (above standing)
 CAROLYN KEELING (above right)

RESIDENTS
 LARRY & SONIA NEWMAN (above left & center)
 QUENTIN JORDAN (opposite page top left)
 DARTENE BRYAND (opposite page top right)

Subject: Customer Relations
Date: Dec. 06, 2000
From: Dennis Schrader
Organization: Chateau Communities
To: Ron Morris

E-mail Folder: Chateau Comm.

Dear Ron,
 In meetings between the leadership of Florida Manufactured Housing Association ("FMHA") and Federation of Manufactured Homeowners, Inc. ("FMO") seeking improved relations, there has been a striking change. . . . Among other improvements, FMO representatives highly applauded Chateau's new approach in dealing promptly and fairly with Chateau's residents It is apparent that residents realize One FMO member stood up and held a copy of a brochure that Chateau has circulated to selected communities, assuring residents of getting prompt answers to questions that they raise Chateau is now focused even more on customer relations

Sincerely,
 Dennis Schrader, President
 FMHA

Jim Dale, Chairman
 Filled Communities

GROWTH PLUS



Chateau seizes every opportunity to advance its own reputation and the image of manufactured housing. The development of Chateau at Onion Creek, a year-old community in Austin, Texas is a case in point.

Austin's highly educated population and booming economy represented a high-potential market with unique challenges. The Onion Creek area was rich in the wooded, rolling terrain that appeals to potential homeowners. Working collaboratively with Austin municipal authorities and a local partner, Chateau designed a revolutionary community, preserving the natural beauty of the area and offering lifestyle amenities that draw residents seeking affordable, esthetically satisfying housing options in a hot market.

Larry and Soma Newman and their 10-year-old son, Hazael, were one of the first families to move in to Onion Creek in April 2000. When Mr. Newman's job as a purchaser with a business-to-business Internet company brought the family to Austin, they rented an apartment and began their house hunt. "We took our time searching, because we wanted a good home in a neighborhood with a good school," he says. Chateau at Onion Creek offered everything they were looking for, and more. In addition to the pool, playground, community park, and attractive surroundings, the secret ingredient in Onion Creek is community managers Rob Robertson and Carolyn Keeling. "Rob and Carolyn always respond to our needs," says Mr. Newman. "They're great managers. I've recommended Onion Creek to several people at work. It's hard to describe what a great community this is - I think people need to come here and see it for themselves."

Rob and Carolyn take tremendous pride in the community they oversee. "It's very exciting to see a community grow from the ground up," says Carolyn. "We're so excited to be working with Chateau. This company is dedicated to doing things right." The couple keeps an eagle eye on Onion Creek, touring the neighborhood regularly. They enforce the community covenants, and are deeply

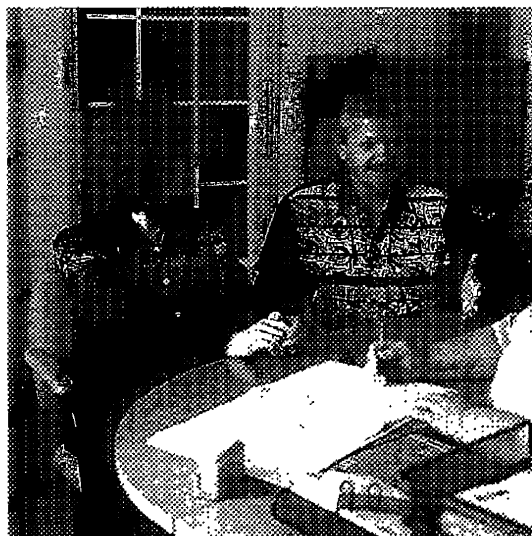
committed to preserving residents' quality of life. Carolyn even has contractors trained to remove their shoes before they enter residents' homes.

Publicist Darlene Bryand and office manager Quentin Jordan moved to Onion Creek in the fall of 2000. They, too, are impressed with their new community. "Housing costs are outrageous in Austin," says Mr. Jordan. "I looked at apartments, but knew I would be throwing my money away. I liked Onion Creek right away. I knew this was a good choice."

"I was a harder sell," says Ms. Bryand. "I was skeptical when Quentin first told me about Onion Creek, but after I came and looked around, I was pleasantly surprised. This community is beautiful. Meticulous landscaping, gates for security, and strict covenants that are enforced. The club house and gym were big for me - I work out regularly, so having the new gym on-site is very convenient."

Community Managers Rob and Carolyn are becoming accustomed to Onion Creek making a splash. In June, the local daily newspaper, the Austin American-Statesman, sent a reporter to live in the community for a week as part of the paper's Sunday "How We Live" series. A lengthy - and glowing - article was the result. Since then, Chateau at Onion Creek has been profiled in real estate industry publications and presentations.

Chateau President Jeff Kellogg is justifiably proud of the project. "In developing Onion Creek, we stuck to our policy of building a step above the market," he says. "We did our homework and used a lot of creativity. The result is a community that represents the future of manufactured housing."



NEIGHBORS PLUS

Nothing brings neighbors together more than taking action in the service of a worthy cause. Chateau's long-standing support of the March of Dimes unites employees and residents across the country to fight birth defects. It's a commitment that brings out the best in everyone involved.

The Company has supported March of Dimes since 1989, encouraging each office to develop its own fund raising programs. From the corporate office in Denver, where the staff members display their artistic side at a holiday craft fair and pay for the privilege of wearing blue jeans on Fridays, to divisional offices' award-winning annual participation in the March of Dimes national WalkAmerica event, to individual communities, where the variety of fund-raising events is as diverse as the communities themselves, everyone at Chateau gets into the neighborly spirit.

At Leisurewoods at Taunton, an over-55 community in Massachusetts, March of Dimes activities are a source of pride. Catherine Tenikos, a retired X-ray technician who has lived at Leisurewoods for twelve years, chairs the 14-member community March of Dimes committee. "Our most successful fundraiser is our "Chowder and Clam Bake" night - we raised over \$700 at our last dinner. Considering

this is a senior community, that's a lot of money to raise! It's a huge success - everyone works very hard. Residents here are of the age that they knew all about polio. We understand the effects and want to support the cause."

March of Dimes activities have also engaged Ted and Jan Labrecque, who moved to Leisurewoods in 1999 in pursuit of a simpler lifestyle. "With a big house, big yard and pool, we had no leisure time. All our free time was spent maintaining everything," says Mr. Labrecque. Now, he says, their time is spent on more rewarding pursuits. They read more, dine out, and attend community activities. Mrs. Labrecque is an active member of the March of Dimes committee. "We have made great friends here," she says.

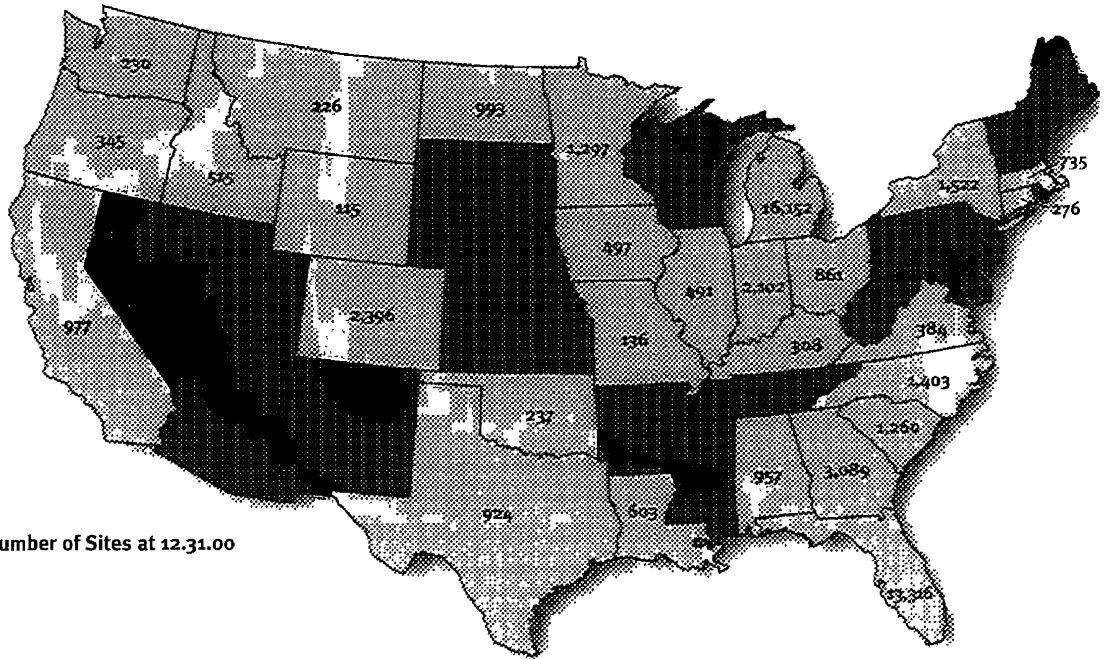
Community Manager Nancy Fallon provides support and guidance for resident fund-raising activities, and is a favorite among the neighbors. "Nancy is fair and square with everybody," says Ms. Tenikos. A high point for Nancy, and for Leisurewoods at Taunton, was being honored at March of Dimes' regional Volunteer Leadership Celebration in January 2001. The community received a gold medal from Olympic athlete Bruce Jenner in recognition of the thousands of dollars they have raised. "This community of retirees is dedicated and enthusiastic," Jenner noted.

Chateau Chief Financial Officer Tamara Fischer, Vice Chair of the March of Dimes Colorado Chapter Board of Directors believes the Company's support of the charity maximizes resources. "By focusing our charitable commitments instead of taking a less targeted approach, Chateau makes a big impact in the communities where we do business. Since 1989, the corporation, team members, residents and friends have contributed more than \$850,000 to March of Dimes. In fiscal year 2001 alone, we're aiming for \$225,000. That's a goal that brings us all together, an achievement everyone can be proud of."



Chateau March of Dimes supporters Tori Hill, Grady Hunt and Tamara Fischer, and March of Dimes Colorado Chapter Executive Director, Shelley Goodchild

DIVERSIFICATION PLUS



Number of Sites at 12.31.00

THE LAND-LEASE CONCEPT

CHATEAU COMMUNITIES OWNS



LAND

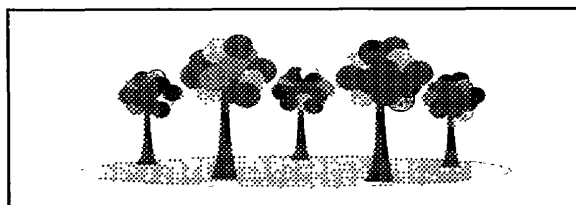
RESIDENTS OWN



HOME



CLUBHOUSE & RECREATION FACILITIES



LANDSCAPING

FACTS PLUS

AFFORDABILITY PLUS: MANUFACTURED HOME COMMUNITIES

As the popularity of manufactured housing continues to grow, the manufactured home community continues to provide an affordable, attractive alternative for homebuyers. In land-lease communities like those owned and managed by Chateau Communities, the homeowner purchases a home, places it in the community, and leases the land from the community. The infrastructure, including amenities, utility hookups, private yards, and parking, is already in place.

APPEAL FOR HOMEOWNERS

Homeowners are attracted to the amenities included with their homesite lease. Clubhouses, swimming pools, tennis courts, golf courses, marinas, and daycare facilities are some of the options available to residents of manufactured home communities. The community-oriented lifestyle includes planned activities, social gatherings, and sporting events. Homeowners of all ages and income levels find these communities provide an affordable, attractive, comfortable environment.

APPEAL FOR INVESTORS

Manufactured home communities offer investors stable income and long-term growth potential. Barriers to entry make it unlikely that markets will be overbuilt by competitors. Chateau anticipates 8-10 percent growth in FFO per share per year, while generating stable, increasing dividends to its shareholders and partners.

USEFUL INFORMATION

ABOUT MANUFACTURED HOUSING

- 1. More than 19 million people live full-time in manufactured housing.¹
- 2. The average head of household in a manufactured home is 53 years old. The majority are employed full-time.²
- 3. Average household size in manufactured housing is 2.4 persons.²
- 4. 22% of manufactured housing residents live in their homes for at least twenty years.
- 5. All manufactured homes are built to federal HUD Code, with each home undergoing a rigorous inspection process before being certified and sold.
- 6. In 2000, the Manufactured Housing Improvement Act was passed into law. The new law will benefit homeowners by providing a more timely method to update HUD standards.
- 7. The majority of manufactured homes are never moved after they have been installed.³
- 8. In 2000, one out of six new, single-family housing starts were manufactured homes.⁴
- 9. Sales of multisection homes continue to outpace single-section sales. In 2000, 70.1 percent of total manufactured housing shipments were multisection.⁴
- 10. The average sale price of a manufactured home was \$43,600. The average cost of a site-built home, excluding land, is \$153,425.³

¹ Dr. Carol Meeks, *Manufactured Home Life study*, 1998

² 1999 *Foremost Study*

³ *The Manufactured Housing Institute*, 2000

⁴ *National Conference of States Building Codes and Standards*

REIT FINANCIAL ANALYSTS

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EXECUTIVE OFFICERS

John A. Boll, 71, has been Chairman of the Board of Directors of the Company since its inception in 1993. Prior to the formation of the Company, Mr. Boll was the co-founder, partner and Chief Executive Officer of Chateau Estates, which was formed in 1966. He was inducted into the Manufactured Housing/Recreational Vehicle Hall of Fame in 1992 for his outstanding contributions to the manufactured housing industry. Mr. Boll was appointed by the Governor of the State of Michigan to become the first Chairman of the Michigan Mobile Home Commission, which is the principal Michigan authority regulating manufactured housing, a position he held for six years.

JOHN A. BOLL



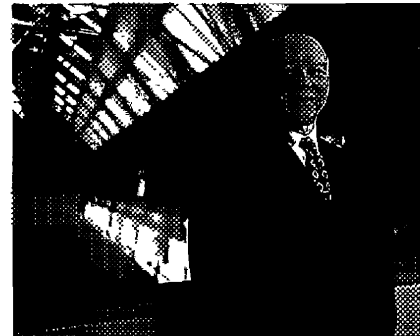
Gary P. McDaniel, 55, has been Chief Executive Officer and a director of the Company since February 1997. He served as the Chairman of the Board, President and Chief Executive Officer of ROC Communities, Inc. since 1993 and had been a principal of ROC's predecessors since 1979. He has been active in the manufactured home industry since 1972. He is a Trustee of N'Tandem Trust. Mr. McDaniel has been active in several state and national manufactured home associations, including associations in Florida and Colorado. In 1996, he was named "Industry Person of the Year" by the National Manufactured Housing Industry Association. Mr. McDaniel is the Chairman of the Board of Directors of the Manufactured Housing Institute. He is a graduate of the University of Wyoming and served as a Captain in the United States Air Force.

GARY P. MCDANIEL



C.G. ("Jeff") Kellogg, 57, has been President and a director of the Company since its inception, and was Chief Executive Officer of the Company from its inception to February 1997. For the five years preceding the formation of the Company, Mr. Kellogg was President and Chief Operating Officer of Chateau Estates. He is active in local and national industry associations, often in leadership positions. Mr. Kellogg is a past President of the Michigan Manufactured Housing Association and is an active member of the Manufactured Housing Institute's National Communities Council. He is a graduate of Michigan Technological University with a B.S. in Civil Engineering.

C.G. ("JEFF") KELLOGG



Tamara D. Fischer, 45, is Executive Vice President and Chief Financial Officer, having served in these roles since the Company's formation. Prior to joining the Company, Ms. Fischer was employed by Coopers & Lybrand for eleven years. Ms. Fischer is Vice Chairman of the Board of the Colorado Chapter of the March of Dimes. She was appointed to the Board in April 1999. Ms. Fischer is a CPA and a graduate of Case Western Reserve University.

TAMARA D. FISCHER



Rees F. Davis, Jr., 42, is Executive Vice President of Acquisitions, having served in such capacity since February 1997. He served as Executive Vice President of Acquisitions and Sales for ROC from 1993 to February 1997. Prior to that, Mr. Davis served as Vice President of Acquisitions and Sales and as director for ROC's predecessors since 1986. Mr. Davis is a two-term past officer of the Colorado Manufactured Housing Association. He is also an active member of The Manufactured Housing Institute. Mr. Davis is a graduate of Colorado State University.

REES F. DAVIS, JR.



FINANCIAL REVIEW

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Financial Review: SELECTED FINANCIAL DATA

The following table sets forth summary financial information of the Company for the periods and dates indicated.

For the Year Ended December 31,					
<i>In thousands, except per share data</i>	2000	1999	1998	1997 ⁽¹⁾	1996
OPERATING DATA:					
Revenues					
Rental income	\$ 186,963	\$ 177,789	\$ 167,206	\$ 134,801	\$ 67,233
Management fee, interest and other income	17,802	11,574	5,924	3,368	151
Total revenues	204,765	189,363	173,130	138,169	67,384
Expenses					
Property operating and administrative	75,723	73,062	67,699	56,053	26,870
Depreciation and amortization	43,920	41,826	39,658	31,510	11,452
Interest and related amortization	36,400	32,318	31,287	25,918	12,962
Total expenses	156,043	147,206	138,644	113,481	51,284
Income before net gain on sales of properties and minority interests	48,722	42,157	34,486	24,688	16,100
Net gain on sales of properties	—	2,805	—	—	—
Income before minority interests	48,722	44,962	34,486	24,688	16,100
Less income allocated to minority interests					
Preferred OP Units	6,094	6,094	4,249	—	—
Common OP Units	4,842	4,242	3,436	2,986	9,566
Net income available to common shareholders	\$ 37,786	\$ 34,626	\$ 26,801	\$ 21,702	\$ 6,534
Weighted average common shares outstanding					
Weighted average common shares and - OP Units outstanding	32,130	31,582	30,779	26,947	14,837
EARNINGS PER COMMON SHARE/OP UNIT DATA:					
Net income -- basic	\$ 1.33	\$ 1.23	\$ 0.98	\$ 0.92	\$ 1.09
Net income -- diluted	\$ 1.32	\$ 1.23	\$ 0.97	\$ 0.91	\$ 1.08
Dividends/distributions declared	\$ 2.06	\$ 1.94	\$ 1.82	\$ 1.72	\$ 1.62
Tax status of dividends, return of capital portion	\$ 0.64	\$ 0.60	\$ 0.69	\$ 0.62	\$ 0.65
CASH FLOW DATA:					
Net cash provided by operating activities	\$ 84,961	\$ 77,464	\$ 72,560	\$ 54,545	\$ 29,755
Net cash used in investing activities	\$ (73,123)	\$ (56,777)	\$ (167,089)	\$ (61,309)	\$ (29,518)
Net cash provided by (used in) financing activities	\$ (12,087)	\$ (20,789)	\$ 80,069	\$ 21,088	\$ (595)

(1) In February 1997, the Company completed the Merger with ROK.

Financial Review: SELECTED FINANCIAL DATA

For the Year Ended December 31.

In thousands, except per share data	2000	1999	1998	1997 ⁽¹⁾	1996
BALANCE SHEET DATA:					
Rental property, before accumulated depreciation	\$ 1,091,451	\$ 1,055,450	\$ 1,026,509	\$ 836,175	\$ 300,631
Rental property, net of accumulated depreciation	\$ 855,798	\$ 863,435	\$ 875,249	\$ 723,861	\$ 219,338
Total assets	\$ 1,017,864	\$ 981,673	\$ 959,194	\$ 782,738	\$ 232,066
Total debt	\$ 535,470	\$ 452,556	\$ 427,778	\$ 387,015	\$ 168,315
Minority interests in Operating Partnership	\$ 116,863	\$ 121,142	\$ 120,475	\$ 35,272	\$ 26,552
Shareholders' equity	\$ 335,911	\$ 361,820	\$ 367,935	\$ 322,966	\$ 16,191

Dollars in thousands

	2000	1999	1998	1997	1996
Total properties (at end of period)	166	165	165	131	47
Total sites (at end of period) ⁽²⁾	52,347	51,659	51,101	43,800	20,279
Weighted average occupied sites	47,466	47,181	45,882	38,053	18,889
Funds from operations ⁽³⁾	\$ 85,917	\$ 77,629	\$ 69,392	\$ 55,962	\$ 27,460

(1) In February 1997, the Company completed the Merger with ROA.

(2) Does not include 1,330 park model/RRV sites, purchased in 1995.

(3) Funds from operations ("FFO"), as defined by the National Association of Real Estate Investment Trusts ("NAREIT"), is defined as net income of the Company without giving effect to gains (or losses) from debt restructuring and sales of property and rental property depreciation and amortization. Management believes that FFO is an important and widely used measure of the operating performance of REITs which provides a relevant basis for comparison among REITs. FFO (a) does not represent cash flow from operations as defined by generally accepted accounting principles; (b) should not be considered as an alternative to net income as a measure of operating performance or to cash flows from operating, investing and financing activities; and (c) is not an alternative to cash flows as a measure of liquidity. FFO is calculated as follows:

For the Year Ended December 31.

In thousands	2000	1999	1998	1997	1996
Income before minority interests	\$ 48,722	\$ 44,962	\$ 34,486	\$ 24,688	\$ 16,100
Less:					
Income allocated to preferred OP Units	6,094	6,094	4,249	—	—
Plus:					
Depreciation of rental property	45,289	41,161	38,962	30,867	11,360
Amortization of intangibles	—	405	446	407	—
Gain on sales of properties	—	(2,805)	(253)	—	—
Funds from operations	\$ 85,917	\$ 77,629	\$ 69,392	\$ 55,962	\$ 27,460

NAREIT has revised its definition of FFO. The company adopted the new definition effective January 1, 2000. The new definition of FFO substantially eliminates the add-back of non-recurring items in the calculation of FFO. The application of this new definition decreased FFO in 1998 by \$375,000, and had no effect on any other years reported.

**Financial Review: MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

The following discussion should be read in conjunction with the consolidated financial statements and Notes thereto included elsewhere in this Annual Report. Certain statements in this discussion constitute "forward-looking statements" within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended. Such forward-looking statements may involve the Company's plans, objectives and expectations, which are dependent upon a number of factors, including site expansions, acquisitions, development and other new business initiatives which are all subject to a number of contingency factors such as the effects of national and local economic conditions, changes in interest rates, supply and demand for affordable housing and the condition of the capital markets that may prevent the Company from achieving its objectives.

OVERVIEW

The Company is one of the largest owner/managers of manufactured home communities in the United States. The Company added 8,500 manufactured home sites to its portfolio over the three-year period ended December 31, 2000. At the end of this period, the Company's portfolio comprised 166 manufactured home communities containing 52,347 manufactured homesites and 1,359 park model/RV sites, located in 28 states.

The Company provides property management services to N'Tandem Trust ("N'Tandem") and other manufactured home community owners, with an aggregate of 9,200 homesites. In addition, the Company owns approximately ten percent of N'Tandem's outstanding equity, has made loans to N'Tandem, and provides advisory services to N'Tandem.

Company growth since the beginning of 1998 can be attributed to community acquisitions, increased operating performance at existing communities, community expansions, and new community development. During 1998, the Company acquired 34 communities in four separate portfolio acquisitions, containing an aggregate of 7,045 manufactured homesites and 1,359 park model/RV sites. During 1999 and 2000, the Company acquired two communities each year, containing a total of 1,034 sites (624 sites in 1999 and 410 sites in 2000).

Since its organization, the Company has elected to qualify as a REIT under the Internal Revenue Code and thus does not generally pay Federal corporate income taxes on its earnings to the extent that such earnings are distributed to shareholders.

The Company conducts substantially all of its activities through CP Limited Partnership (the "Operating Partnership") in which it owned a combined 89 percent general partner interest as of December 31, 2000.

HISTORICAL RESULTS OF OPERATIONS

Comparison of the year ended December 31, 2000 to the year ended December 31, 1999

The following table summarizes certain information relative to the Company's properties, as of and for the years ended December 31, 2000 and 1999. The Company considers all communities owned by the Company as of January 1, 1999 as the "Core 1999 Portfolio".

<i>Dollars in thousands, except per site</i>	Core 1999 Portfolio		Total	
	2000	1999	2000	1999
AS OF DECEMBER 31,				
Number of communities	161	161	166	165
Total manufactured homesites	51,325	51,042	52,347	51,659
Occupied sites	46,912	46,847	47,678	47,383
Occupancy %	91.4%	91.8%	91.1%	91.7%
FOR THE YEAR ENDED DECEMBER 31,				
Rental income	\$ 184,438	\$ 176,872	\$ 186,963	\$ 177,789
Property operating expenses	\$ 64,557	\$ 62,770	\$ 65,275	\$ 63,181
Net operating income	\$ 119,881	\$ 114,102	\$ 121,688	\$ 114,608
Weighted average monthly rent per site	\$ 310	\$ 302	\$ 316	\$ 302

**Financial Review: MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

For the year ended December 31, 2000, income before minority interests was \$48,722,000, an increase of \$3,760,000 from the year ended December 31, 1999. The increase was due primarily to increased net operating income from the Core 1999 Portfolio and acquisitions. The increase in net operating income from the Company's Core 1999 Portfolio was due to increased occupancy and rental increases partially offset by general operating expense increases. Rental revenue for the year ended December 31, 2000 was \$186,963,000, an increase of \$9,174,000 from 1999. Approximately 17 percent of the increase was due to acquisitions, net of dispositions, and 83 percent was due to rental increases and occupancy gains in the Company's Core 1999 Portfolio.

Weighted average occupancy for the year ended December 31, 2000 was 47,466 sites compared with 47,181 sites for the same period in 1999. The occupancy rate for the total portfolio was 91.1 percent on 52,347 sites as of December 31, 2000, compared to 91.7 percent on 51,659 sites as of December 31, 1999. The occupancy rate on the stabilized portfolio (communities where the Company does not have or has not recently had, expansion of the community) was 92.5 percent as of December 31, 2000. The Company also added 275 available sites to its portfolio through expansion of its communities. On a per-site basis, weighted monthly rental revenue for the year ended December 31, 2000 was \$316 compared with \$302 for the same period in 1999.

Interest income primarily includes interest on notes receivable and advances to affiliates. The increase of \$3,998,000 for the year ended December 31, 2000 from the same period in 1999 is due primarily to increased interest income from Company-funded development projects, increased lending activity, as well as an increase in interest rates.

Management fee and other income primarily includes management fee and transaction fee income for the management of 44 manufactured home communities and equity earnings from CSI. Included in this amount is approximately \$3.2 million of acquisition and transaction fees due to N'Tandem's acquisitions activity in 2000. Also included in management fee and other income is approximately \$2.1

million of management and advisory fees from the N'Tandem properties. The Company expects to continue to earn management, advisory and other fees from N'Tandem in 2001, and estimates the recurring component of revenues from N'Tandem and its properties to stabilize.

Property operating and maintenance expense for the year ended December 31, 2000 increased by \$1,343,000 or 2.7 percent from the prior year. The majority of the increase was due to operating expense increases in the Company's Core 1999 Portfolio, and to a lesser extent, acquisitions. On a per site basis, monthly weighted average property operating and maintenance expense increased to \$91.03 per site, or 2.0 percent.

Real estate taxes for the year ended December 31, 2000 increased by \$751,000 or 5.9 percent from the year ended December 31, 1999. The increase is due primarily to acquisitions, expansions of communities, and increases in property tax rates. On a per site basis, monthly weighted average real estate taxes were \$23.57 in 2000 compared to \$22.39 in 1999, an increase of 5.3 percent. Real estate taxes may increase or decrease due to inflation, expansions and improvements of communities, as well as changes in taxation in the tax jurisdictions in which the Company operates.

Administrative expense in 2000 was 5.1 percent of total revenues as compared to 5.2 percent in 1999.

Interest and related amortization costs increased for the year ended December 31, 2000 by \$4,082,000, as compared with the year ended December 31, 1999. The increase is attributed primarily to the indebtedness incurred to finance acquisitions, development, and lending activities. Interest expense as a percentage of average debt outstanding decreased to approximately 7.3 percent in 2000 from 7.4 percent in 1999.

Depreciation expense for the year ended December 31, 2000 increased \$2,094,000 from the same period a year ago. The increase is directly attributed to acquisitions, expansions, and additions. Depreciation expense as a percentage of average depreciable rental property in 2000 remained relatively unchanged from 1999.

**Financial Review: MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

Comparison of the year ended December 31, 1999 to the year ended December 31, 1998

The following table summarizes certain information relative to the Company's properties, as of and for the years ended December 31, 1999 and 1998. The Company considers all communities owned by the Company as of January 1, 1998 as the "Core 1998 Portfolio."

<i>Dollars in thousands, except per site</i>	Core 1998 Portfolio		Total	
	1999	1998	1999	1998
AS OF DECEMBER 31,				
Number of communities	145	145	165	165
Total manufactured homesites	46,235	45,836	51,659	51,101
Occupied sites	42,418	42,374	47,383	47,192
Occupancy %	91.7%	92.4%	91.7%	92.4%
FOR THE YEAR ENDED DECEMBER 31,				
Rental income	\$ 162,115	\$ 154,712	\$ 177,789	\$ 167,206
Property operating expenses	\$ 57,971	\$ 55,122	\$ 63,181	\$ 59,345
Net operating income	\$ 104,144	\$ 99,590	\$ 114,608	\$ 107,861
Weighted average monthly rent per site	\$ 307	\$ 295	\$ 302	\$ 292

For the year ended December 31, 1999, income before minority interests was \$44,962,000, an increase of \$10,476,000 from the year ended December 31, 1998. The increase was due primarily to acquisitions and increased net operating income from the Core 1998 Portfolio. The increase in net operating income from the Company's Core 1998 Portfolio was due to increased occupancy and rental increases partially offset by general operating expense increases. Rental revenue for the year ended December 31, 1999 was \$177,789,000, an increase of \$10,583,300 from 1998. Approximately 30 percent of the increase was due to acquisitions, net of dispositions, and 70 percent was due to rental increases and occupancy gains in the Company's Core 1998 Portfolio.

Weighted average occupancy for the year ended December 31, 1999 was 47.181 sites compared with 45.882 sites for the same period in 1998. The Company also added 525 available sites to its portfolio through the expansion of its communities. The occupancy rate for the total portfolio was 91.7 percent on 51,659 sites as of December 31, 1999, compared to 92.4 percent on 51,101 sites as of December 31, 1998. The occupancy rate on the stabilized portfolio was 93.2 percent as of December 31, 1999. On a per site basis, weighted average monthly rental revenue for the year ended December 31, 1999 was \$302 compared with \$292 for the same period in 1998. For the Company's Core 1998 Portfolio, on a per site basis, weighted average monthly rental revenue for the year ended December 31, 1999 was \$307 compared with \$295 for the same period in 1998, an increase of 4.0 percent.

Interest income primarily includes interest on notes receivable and advances to joint ventures affiliates. The increase of \$3,113,000 for the year ended December 31, 1999 from the same period in 1998

is due primarily to increased interest income from Company-funded development projects, as well as increases in interest rates.

Management fee and other income primarily include management fee and transaction fee income for the management of 44 manufactured home communities, and equity earnings from CSI. The increase in 1999 from 1998 is due primarily to increased development activities in which the Company funds the development costs and recognizes interest income and expenses and increased equity earnings from CSI.

Property operating and maintenance expense for the year ended December 31, 1999 increased by \$3,412,000 or 7.3 percent from the same period a year ago. The majority of the increase was due to increases in the Company's Core 1998 Portfolio, and to a lesser extent, acquisitions. On a per site basis, monthly weighted average property operating and maintenance expense increased to \$89.21 per site, or 4.3 percent.

Real estate taxes for the year ended December 31, 1999 increased by \$424,000 or 3.5 percent from the year ended December 31, 1998. The increase is due primarily to acquisitions and expansions of communities and general increases. On a site basis, monthly weighted average real estate taxes were \$22.39 in 1999 compared to \$22.25 in 1998, an increase of .63 percent. Real estate taxes may increase or decrease due to inflation, expansions and improvements of communities, as well as changes in tax rates in the tax jurisdictions in which the Company operates.

Administrative expense in 1999 was 5.2 percent of total revenues as compared to 4.8 percent in 1998.

Interest and related amortization costs for the year ended December 31, 1999 increased by \$1,031,000, as compared with the year ended December 31, 1998. The increase is attributed

**Financial Review: MANAGEMENT'S DISCUSSION AND ANALYSIS OF
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primarily to the indebtedness incurred to finance acquisitions and development. Interest expense as a percentage of average debt outstanding decreased to approximately 7.4 percent for 1999 from 7.7 percent in 1998.

Depreciation expense for the year ended December 31, 1999, increased \$2,158,000 from the same period a year ago. The increase is directly attributed to acquisitions and expansions. Depreciation expense as a percentage of average depreciable rental property in 1999 remained relatively unchanged from 1998.

LIQUIDITY AND CAPITAL RESOURCES

Net cash provided by operating activities was \$84,961,000 for the year ended December 31, 2000, compared to \$77,464,000 for the same period in 1999. The increase in cash provided by operating activities was due primarily to the increase in net operating income.

Net cash used in investing activities for the year ended December 31, 2000 was \$73,123,000. This amount represents acquisitions, joint venture investments and advances, lending activity, capital expenditures and development costs. During 2000, the Company acquired two communities with a total of 410 sites and purchased development properties in Michigan and Iowa. These acquisitions were financed primarily by borrowings under the Company's lines of credit.

Net cash used in financing activities for the year ended December 31, 2000 was \$12,087,000. This consisted primarily of \$81,534,000 in dividends and distributions paid to shareholders and OP Unitholders, \$214,997,000 in payment of debt, and repurchasing approximately \$11.3 million of common shares, offset partially by proceeds from debt issuances of \$295,295,000.

During 2000, the Company invested approximately \$10,100,000 in the expansion of its existing communities, resulting in the addition of 275 available sites to its portfolio. In addition, during 2000, the Company invested or advanced \$22,000,000 to certain affiliates of the Company. This consisted primarily of approximately \$5,500,000 to joint ventures, through which the Company, or its joint venture partner is developing manufactured home communities, and \$13,800,000 to N Tandem, which owes the Company \$38,466,000 as of December 31, 2000. For the year ended December 31, 2000, recurring property capital expenditures, other than development costs, were approximately \$7,400,000. Capital expenditures have historically been financed out of operating cash flow and it is the Company's intention that such future expenditures will also be financed out of operating cash flow.

At December 31, 2000, the Company had a \$100 million line of credit arrangement with BankOne, NA acting as lead agent for a bank group to provide financing for future construction, acquisitions and general business obligations (the "BankOne Credit Facility"). The line of credit is unsecured, bears interest at the prime rate of interest or, at the Company's option, LIBOR plus 80 basis points. The line was scheduled to mature in 2001. In February 2001, the Company renegotiated the BankOne Credit Facility and increased it from \$100 million to \$125 million. The term of the new facility is three years and bears interest at LIBOR plus 90 basis points. In addition, the Company has a \$7.5 million unsecured line of credit from US Bank, which bears interest at a rate of LIBOR plus 125 basis points and matures in October 2001 (the "US Bank Facility" and, together with the BankOne Credit Facility the "Credit Facilities"). As of December 31, 2000, approximately \$74.7 million was outstanding under the Company's Credit Facilities and the Company had \$32.8 million available in additional borrowing capacity, which was increased to approximately \$57.8 million in available capacity with the February 2001 expansion of the BankOne Credit Facility.

As of December 31, 2000, the Company had outstanding, in addition to the Credit Facilities, \$320 million of unsecured senior debt with a weighted average interest rate and remaining maturity of 7.5 percent and 3.7 years, respectively, and \$136.9 million of secured mortgage debt with a weighted average interest rate and remaining maturity of 7.8 percent and 8.9 years, respectively. As of December 31, 2000, the Company had approximately \$535 million of total debt outstanding, representing approximately 34 percent of the Company's total market capitalization. All of the debt is fixed rate debt, other than the Company's Credit Facilities, and has a weighted average interest rate of 7.6 percent.

In June 2000, the Company issued \$110 million of 7.8% fixed rate mortgage debt, maturing in 2010 and collateralized by seven properties. Also in 2000, the Company issued a total of \$150 million of Unsecured Senior Notes, \$100 million at 8.3% maturing March 1, 2005 and \$50 million at 8% maturing August 1, 2003, resulting in net proceeds of \$149 million. During 2000, the Company issued and repaid a \$30 million unsecured short-term loan.

On February 29, 2000, the Company announced the establishment of a share repurchase program pursuant to which it may repurchase up to 1,000,000 shares of common stock from time to time. As of December 31, 2000, the Company repurchased 453,900 shares for approximately \$11.3 million.

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In addition to repayment of long-term borrowings and amounts outstanding under the Credit Facilities, future acquisitions of communities and land for development and new community development activities represent the principal long-term liquidity needs of the Company. The Company does not expect to generate sufficient funds from operations to finance these long-term liquidity needs and instead intends to meet its long-term liquidity requirements through additional borrowing under the Credit Facilities or other lines of credit, the assumption of existing secured or unsecured indebtedness and, depending on market conditions and capital availability factors, the issuance of additional equity or debt securities.

The Company expects to meet its short-term liquidity requirements, including expansion activities and capital expenditure requirements, through cash flow from operations and, if necessary, borrowings under the Credit Facilities and other lines of credit.

INFLATION

All of the leases or terms of tenants' occupancies at the communities allow for at least annual rental adjustments. In addition, all leases are short-term (generally one year or less) and enable the Company to seek market rentals upon reletting the sites. Such leases generally minimize the risk to the Company of any adverse effect of inflation.

RECENTLY ISSUED ACCOUNTING STANDARDS

In June 1998, the Financial Accounting Standards Board ("FASB") issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities,"

which establishes accounting and reporting standards for derivative instruments and for hedging activities. This new standard requires that all companies record derivatives on the balance sheet as assets or liabilities, measured at fair value. Gains or losses resulting from changes in the values of these derivatives would be accounted for depending on the use of the derivative and whether it qualifies for hedge accounting. In June 1999, FASB issued SFAS No. 137, "Accounting for Derivative Instruments and Hedging Activities - Deferral of the Effective Date of SFAS No. 133 - an amendment of SFAS No. 133." SFAS No. 137 defers the effective date of SFAS No. 133 to fiscal years beginning after June 15, 2000.

In June 2000, the FASB issued SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities-an amendment of FASB Statement No. 133." This statement amends certain requirements of SFAS 133. The Company will prospectively adopt SFAS No. 138 on January 1, 2001, the required date of adoption. The adoption of SFAS No. 138 will not have a material impact on the financial statements of the Company, but will result in the reclassification of certain deferred gains and losses to accumulated other comprehensive income.

In 2000, the Company adopted Staff Accounting Bulletin ("SAB") 101 released by the Securities and Exchange Commission, entitled "Revenue Recognition in Financial Statements." SAB 101 establishes guidelines in applying generally accepted accounting principles to the recognition of revenue in financial statements based on specific criteria. The adoption of SAB 101 had no material effect on the Company's financial position or results of operations.

**Financial Review: MANAGEMENT'S DISCUSSION AND ANALYSIS OF
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OTHER

Funds from operations ("FFO") is defined by the National Association of Real Estate Investment Trusts ("NAREIT") as consolidated net income of the Company without giving effect to gains (or losses) from debt restructuring and sales of property and rental property depreciation and amortization. Management believes that FFO is an important and widely used measure of the operating performance of REITs, which provides a relevant basis for comparison among REITs. FFO (i) does not represent cash flow from operations as defined by generally accepted accounting principles; (ii) should not be considered as an alternative to net income as a measure of operating performance or to cash flows from operating, investing and financing activities; and (iii) is not an alternative to cash flows as a measure of liquidity. FFO is calculated as follows:

For the Year Ended December 31,					
In thousands	2000	1999	1998	1997	1996
Income before minority interests	\$ 48,732	\$ 44,962	\$ 34,486	\$ 24,688	\$ 16,100
Less:					
Income allocated to Preferred OP Units	6,094	6,094	4,249	—	—
Plus:					
Depreciation of rental property	43,289	41,161	38,962	30,867	11,360
Amortization of intangibles	—	405	446	407	—
Gain on sales of properties	—	(2,805)	(253)	—	—
Funds from operations	\$ 85,917	\$ 77,629	\$ 69,392	\$ 55,962	\$ 27,460

NAREIT has revised its definition of FFO. The Company adopted the new definition effective January 1, 2000. The new definition of FFO substantially eliminates the add-back of the non-recurring items in the calculation of FFO. The application of this new definition decreased FFO in 1998 by \$375,000, and had no effect on any other years reported.

Financial Review: REPORT OF INDEPENDENT ACCOUNTANTS

To the Shareholders and Board of Directors of Chateau Communities, Inc.:

In our opinion, the consolidated balance sheets and the related consolidated statements of income, shareholders' equity and cash flows present fairly, in all material respects, the financial position of Chateau Communities, Inc. (the "Company") at December 31, 2000 and 1999, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Denver, Colorado
February 14, 2001

Financial Review: CONSOLIDATED STATEMENTS OF INCOME

For the Year Ended December 31,

in thousands, except per share data

	2000	1999	1998
REVENUES			
Rental income	\$ 196,963	\$ 177,789	\$ 167,206
Interest income	10,794	6,796	3,681
Management fee and other income	7,008	4,778	2,243
	204,765	189,363	173,130
EXPENSES			
Property operating and maintenance	51,849	50,506	47,094
Real estate taxes	13,426	12,675	12,251
Depreciation and amortization	43,920	41,826	39,658
Administrative	10,448	9,881	8,354
Interest and related amortization	36,400	32,318	31,287
	156,043	147,206	138,644
Income before net gain on sales of properties	48,722	42,157	34,486
Net gain on sales of properties	—	2,805	—
Income before minority interests	48,722	44,962	34,486
Less income allocated to minority interests:			
Preferred OP Units	6,094	6,094	4,249
Common OP Units	4,811	4,242	3,436
Net income available to common shareholders	\$ 37,786	\$ 34,626	\$ 26,801
PER SHARE/OP UNIT INFORMATION			
Basic earnings per common share	\$ 1.33	\$ 1.23	\$ 0.98
Diluted earnings per common share	\$ 1.32	\$ 1.23	\$ 0.97

The accompanying notes are an integral part of the financial statements.

Financial Review: CONSOLIDATED BALANCE SHEETS

December 31,		
<i>in thousands</i>	2000	1999
ASSETS		
Rental property:		
Land	\$ 139,417	\$ 135,811
Land and improvements for expansion sites	26,145	23,320
Manufactured home community improvements	836,228	816,278
Community buildings	56,403	55,978
Furniture and other equipment	33,258	24,063
Total rental property	1,091,451	1,055,450
Less accumulated depreciation	235,653	192,015
Net rental property	855,798	863,435
Cash and cash equivalents	99	348
Rents and other receivables, net	7,107	3,257
Notes receivable	24,539	8,485
Investments in and advances to affiliates	119,727	97,761
Prepaid expenses and other assets	10,594	8,387
Total assets	\$ 1,017,864	\$ 981,673
LIABILITIES		
Debt	\$ 535,470	\$ 452,556
Accrued interest payable	6,953	5,284
Accounts payable and accrued expenses	14,085	17,688
Rents received in advance and security deposits	7,816	7,044
Dividends and distributions payable	765	16,139
Total liabilities	565,089	498,711
Minority interests in Operating Partnership	116,863	121,142
Commitments and contingencies (Notes 11 & 12)	—	—
SHAREHOLDERS' EQUITY		
Preferred stock, \$01 par value, 2 million shares authorized: no shares issued or outstanding	—	—
Common stock, \$01 par value, 90 million shares authorized: 28,531,675 and 28,424,900 shares issued and outstanding at December 31, 2000 and 1999, respectively	285	284
Additional paid-in capital	445,905	446,231
Dividends in excess of accumulated earnings	(97,605)	(76,647)
Notes receivable from officers, 577,432 and 371,698 shares outstanding at December 31, 2000 and 1999, respectively	(12,673)	(8,048)
Total shareholders' equity	335,912	361,820
Total liabilities and shareholders' equity	\$ 1,017,864	\$ 981,673

The accompanying notes are an integral part of the financial statements.

Financial Review: CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

For the Year Ended December 31.

In thousands, except per share data

	2000	1999	1998
COMMON STOCK:			
Balance at beginning of period	\$ 284	\$ 279	\$ 255
Common stock issued, net of issuance costs	—	—	19
Issuance of shares from awards, exercise of options and sales to key employees	4	1	4
Issuance of shares in exchange for OP Units	1	4	2
Repurchase and retirement of shares	(4)	—	(1)
Balance at end of period	\$ 285	\$ 284	\$ 279
ADDITIONAL PAID-CAPITAL:			
Balance at beginning of period	\$ 446,231	\$ 432,711	\$ 356,780
Common stock issued, net of issuance costs	—	—	53,659
Issuance of shares from awards, exercise of options and sales to key employees	8,607	3,394	9,115
Issuance of shares in exchange for OP Units	3,700	9,212	6,553
Repurchase and retirement of shares	(11,319)	(61)	(931)
Transfer (to) from minority interests ownership in Operating Partnership	(1,314)	975	7,535
Balance at end of period	\$ 445,905	\$ 446,231	\$ 432,711
DIVIDENDS IN EXCESS OF ACCUMULATED EARNINGS:			
Balance at beginning of period	\$ (76,647)	\$ (56,637)	\$ (33,174)
Net income	37,786	34,626	26,801
Dividends declared \$2.06, \$1.94 and \$1.82 per share	(58,744)	(54,636)	(50,264)
Balance at end of period	\$ (97,605)	\$ (76,647)	\$ (56,637)
NOTES RECEIVABLE, OFFICERS:			
Balance at beginning of period	\$ (8,048)	\$ (8,418)	\$ (895)
Issuance of 205,734 and 357,062 shares in 2000 and 1998, respectively, through sales to key employees	(4,670)	—	(7,557)
Payments received	45	370	34
Balance at end of period	\$ (12,673)	\$ (8,048)	\$ (8,418)
Total shareholders' equity, end of period	\$ 335,912	\$ 361,820	\$ 367,935

The accompanying notes are an integral part of the financial statements.

Financial Review: CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Year Ended December 31,

in thousands

	2000	1999	1998
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	\$ 37,786	\$ 34,626	\$ 26,801
Adjustments to reconcile net income to net cash provided by operating activities:			
Income attributed to minority interests	4,842	4,242	3,436
Net gain on sale of properties	—	(2,805)	—
Depreciation and amortization	43,920	41,826	39,658
Amortization of debt issuance costs	605	730	764
Increase in operating assets	(1,299)	(3,243)	(690)
Increase (decrease) in operating liabilities	(893)	2,088	2,591
Net cash provided by operating activities	84,961	77,464	72,560
CASH FLOWS FROM INVESTING ACTIVITIES:			
Acquisitions of rental properties and land to be developed	(5,725)	(13,259)	(116,605)
Dispositions of rental properties	—	13,108	3,329
Additions to rental properties and equipment	(29,378)	(24,606)	(14,958)
Investments in and advances to affiliates	(21,966)	(27,682)	(38,855)
Advances on notes receivables, net	(16,054)	(4,338)	—
Net cash used in investing activities	(73,123)	(56,777)	(167,089)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Borrowings on lines of credit	305,599	119,130	120,935
Payments on lines of credit	(328,186)	(58,549)	(109,200)
Principal payments on debt	(1,572)	(1,176)	(1,828)
Proceeds from the issuance of debt	295,295	—	—
Payoff of debt	(190,838)	(23,598)	(3,315)
Payment of debt issuance costs	(617)	—	(237)
Distributions to shareholders/OP Unitholders	(81,534)	(60,244)	(53,629)
Common shares/OP Units repurchased and retired	(11,323)	(76)	(932)
Net proceeds from the issuance of common shares	—	—	53,678
Net proceeds from the issuance of Preferred OP Units	—	—	73,002
Exercise of common stock options and other	1,089	3,724	1,595
Net cash provided by (used in) financing activities	(12,087)	(20,789)	80,069
Decrease in cash and cash equivalents	(249)	(102)	(14,460)
Cash and cash equivalents, beginning of period	348	450	14,910
Cash and cash equivalents, end of period	\$ 99	\$ 348	\$ 450
SUPPLEMENTAL INFORMATION:			
Cash paid for interest, net of amounts capitalized	\$ 34,126	\$ 30,626	\$ 30,110
Fair market value of OP Units/shares issued for acquisitions/development	\$ 754	\$ 13,341	\$ 29,150
Debt assumed in connection with acquisitions and development	\$ 1,835	\$ 650	\$ 34,171

The notes on page 10 are an integral part of the financial statements.

NOTE 1 ORGANIZATION AND FORMATION OF COMPANY

Chateau Communities, Inc. (the "Company"), a real estate investment trust was formed in November 1993 as Chateau Properties, Inc. In 1997, the Company merged with ROC Communities, Inc. ("ROC").

The Company considers itself to be engaged in only one industry segment. The Company is engaged in the business of owning and operating manufactured housing community properties primarily through CP Limited Partnership (the "Operating Partnership"). As of December 31, 2000, the Company owned 166 properties containing an aggregate of 52,347 homesites and 1,359 park model/RV sites, located in 28 states. Approximately 31 percent of these homesites were in Michigan and 25 percent were in Florida. The Company also fee managed 44 properties containing an aggregate of 9,200 homesites. A manufactured housing community is real estate designed and improved with sites for placement of manufactured homes. The owner of the home leases the site from the Company, generally for a term of one year or less.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying consolidated financial statements include all accounts of the Company, its wholly owned qualified REIT subsidiaries and its Operating Partnership. The Company and ROC are general partners of the Operating Partnership. All significant inter-entity balances and transactions have been eliminated in consolidation.

The Company conducts manufactured home sales and brokerage activities through its taxable subsidiary Community Sales, Inc. ("CSI"). The Company owns 100% of the preferred stock of CSI and is entitled to 100% of its cash flow. The Company accounts for its investment in CSI utilizing the equity method of accounting, since the Company does not own any of the voting common stock of this entity.

Revenue Recognition

Rental income is recognized when earned and due from residents. The leases entered into by residents for the rental of a site are generally for terms not longer than one year and are renewable upon the consent of both parties or, in some instances, as provided by statute. Rent received in advance is deferred and recognized in income when earned.

Income Taxes

The Company has elected to be taxed as a real estate investment trust (REIT) under Section 856(c) of the Internal Revenue Code of 1986, as amended. The Company generally will not be subject to Federal income tax to the extent it distributes at least 95% of its REIT taxable income to its shareholders. REITs are

subject to a number of organizational and operational requirements. If the Company fails to qualify as a REIT in any taxable year, the Company will be subject to Federal income tax (including any applicable alternative minimum tax) on its taxable income at regular corporate rates. The Company remains subject to certain state and local taxes on its income and property as well as Federal income and excise taxes on its undistributed income.

Earnings Per Share

Basic earnings per share are computed based upon the weighted average number of common shares outstanding during the period. The conversion of an OP Unit to common stock has no effect on earnings per common share since the earnings of an OP Unit are equivalent to the earnings of a share of common stock. Diluted earnings per common share are computed assuming the exercise of all outstanding stock options that would have a dilutive effect.

Rental Property

Rental property is carried at cost less accumulated depreciation. Management evaluates the recoverability of its investment in rental property whenever events or changes in circumstances indicate that full asset recoverability is questionable. Management's assessment of the recoverability of its rental property includes, but is not limited to, recent operating results, expected net operating cash flow and management's plans for future operations. If a rental property is determined to be significantly impaired, the asset is written down to its estimated fair value. For the years ended December 31, 2000 and 1999 there were no impairment conditions at any of the Company's properties.

Depreciation

Depreciation on manufactured home communities is computed primarily on the straight-line method over the estimated useful lives of the assets. The estimated useful lives of the various classes of rental property assets are primarily as follows:

Class of Asset	Estimated Useful Lives (Years)
Manufactured home community improvements	20 to 30
Community buildings	25 to 30
Furniture and other equipment	3 to 10

Maintenance, repairs, and minor improvements to rental properties are expensed when incurred. Major improvements and renewals are capitalized. When rental property assets are sold or otherwise retired, the cost of such assets, net of accumulated depreciation, compared to the sales proceeds, are recognized in income as gains or losses on disposition.

Financial Review: NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Capitalized Interest

Interest is capitalized on development projects during periods of construction through the substantial completion of the site. Interest capitalized by the Company for the years ended December 31, 2000, 1999, 1998, was \$1,646,000, \$1,249,000, and \$379,000 respectively.

Cash Equivalents

All highly liquid investments with an initial maturity of three months or less are considered to be cash equivalents.

Debt Issuance Costs

Costs incurred to obtain financing and costs of interest rate protection are deferred and amortized on a straight-line basis, which approximates the effective interest method, over the term of the related loans or agreements. These costs, net of accumulated amortization, are included in prepaid expenses and other assets in the accompanying consolidated balance sheets.

Fair Value of Financial Instruments

The fair value of the Company's financial instruments other than debt approximate their carrying values at December 31, 2000 and 1999. The fair value of the Company's debt at December 31, 2000 and 1999 was estimated to be \$533 million and \$447 million, respectively, based on current interest rates for comparable loans.

Minority Interests

Minority interests include common operating partnership units ("OP Units") that are convertible into an equivalent number of shares of the Company's common stock. Issuance of additional shares of common stock or OP Units changes the percentage ownership of both the minority interests and the Company. Since an OP Unit is equivalent to a common share (due to, among other things, its exchangeability for a common stock share), such transactions are treated as capital transactions and result in an equity transfer adjustment among shareholders' equity and minority interests in the Company's consolidated balance sheet to account for the change in the respective ownership in the underlying equity of the Operating Partnership.

Income before minority interests is ascribed to the holders of common OP Units based on their respective weighted average ownership percentage of the Operating Partnership. The ownership percentage is determined by dividing the number of common OP Units held by the limited partners by the total common OP Units outstanding, including the OP Units held by the Company.

Also included in minority interests is approximately \$73 million, which represents 1.5 million \$.125% Series A Cumulative Redeemable Preferred Units ("Preferred Units"). The Preferred Units are

exchangeable on or after April 20, 2008 for authorized but unissued shares of \$.125% Series A Cumulative Redeemable Preferred Stock of the Company.

Use of Estimates

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

Reclassifications

Certain reclassifications have been made to the prior year information to conform to the current year presentation. These reclassifications have no impact on net operating results previously reported.

Recently Issued Accounting Standards

In June 1998, the Financial Accounting Standards Board ("FASB") issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," which establishes accounting and reporting standards for derivative instruments and for hedging activities. This new standard requires that all companies record derivatives on the balance sheet as assets or liabilities, measured at fair value. Gains or losses resulting from changes in the values of those derivatives would be accounted for depending on the use of the derivative and whether it qualifies for hedge accounting. In June 1999, FASB issued SFAS No. 137, "Accounting for Derivative Instruments and Hedging Activities - Deferral of the Effective Date of SFAS No. 133 - an amendment of SFAS No. 133." SFAS No. 137 defers the effective date of SFAS No. 133 to fiscal years beginning after June 15, 2000.

In June 2000, the FASB issued SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities-an amendment of FASB Statement No. 133." This statement amends certain requirements of SFAS 133. The Company will prospectively adopt SFAS No. 138 on January 1, 2001, the required date of adoption. The adoption of SFAS No. 138 will not have a material impact on the financial statements of the Company, but will result in the reclassification of certain deferred gains and losses to accumulated other comprehensive income.

In 2000, the Company adopted Staff Accounting Bulletin ("SAB") 101 released by the Securities and Exchange Commission, entitled "Revenue Recognition in Financial Statements." SAB 101 establishes guidelines in applying generally accepted accounting principles to the recognition of revenue in financial statements based on specific criteria. The adoption of SAB 101 had no material effect on the Company's financial position or results of operations.

Financial Review: NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4. ACQUISITIONS AND DISPOSITIONS OF RENTAL PROPERTY

The following table summarizes acquisitions made by the Company as follows:

Dollars in thousands

Acquisition Date	Number of Communities	Number of Sites	State	Amount Allocated to Assets Acquired	Fair Market Value of OP Units/ Shares Issued	Debt Assumed	Cash (1)
December 2000	1	295	GA	\$ 2,550	\$ 17	\$ 1,835	\$ 698
February 2000	1	115	AL	\$ 1,600	\$ —	\$ —	\$ 1,600
October 1999	1	315	AL	\$ 8,712	\$ —	\$ 650	\$ 8,062
April 1999	1	309	AL	\$ 4,013	\$ —	\$ —	\$ 4,013
April 1998	10	2,587	MI	\$ 78,100	\$ —	\$ 12,401	\$ 65,699
	2	607	NC				
March 1998	5	839	IN	\$ 37,600	\$ —	\$ —	\$ 37,600
	1	662	MI				
January 1998	2	961	SC	\$ 15,900	\$ 9,620	\$ —	\$ 6,280
January 1998	10	1,093 ⁽²⁾	FL	\$ 38,700	\$ 18,307	\$ 19,335 ⁽³⁾	\$ 1,058
	4	276	CT				

(1) The cash used to finance the Company's acquisitions was provided by borrowings on the line of credit, the issuance of 155 million common shares in February 1998 (see Note 3) and the issuance of \$75 million of Preferred Units in 1998.

(2) Does not include park model RV sites.

(3) Includes \$12 million pre-acquisition lease liability, which was converted to OP Units in 1999.

The following unaudited pro forma income statement information has been prepared as if the significant acquisitions made in 1998 had occurred on January 1, 1998. No pro forma adjustments were made for the 2000 and 1999 acquisitions, as the effects on reported results were not material. The pro forma income statement information is not necessarily indicative of the results, which actually would have occurred if these acquisitions had been consummated on January 1, 1998.

<i>In thousands, except per share data</i>	1998
Revenues	\$176,154
Total expenses	\$141,125
Net income*	\$ 29,872
Per common share*	\$ 0.93

*After allocation to Preferred OP Units. Assumes all common OP Units are exchanged for common stock.

In 2000, the Company also acquired land to be used for future development for a total of \$3,427,000.

During the year 1999, the Company disposed of two properties in Florida, with a total of 509 sites for a combined price of \$11,700,000. These dispositions resulted in a net gain of \$2,805,000.

NOTE 5. NOTES RECEIVABLE

Included in notes receivable is \$20.4 million of notes receivable from entities that are not affiliated with the Company. These entities all own, or are developing, manufactured home communities. These notes are collateralized by manufactured home communities or by partnership interest in partnerships that own manufactured home communities. These notes have a weighted average interest rate of 12.2% and mature between 2002 and 2009. Management has evaluated the collectibility of these receivables and has determined that no valuation allowance is necessary.

NOTE 6. INVESTMENTS IN AND ADVANCES TO AFFILIATES

Investments in and advances to affiliates as of December 31, consisted of the following:

	2000	1999
Community Sales, Inc. ("CSI")	\$ 25,242	\$ 22,538
Development joint ventures	56,019	50,567
N-Tandem Trust ("N-Tandem")	38,466	24,656
	\$119,727	\$97,761

CSI

Advances to CSI are primarily used to finance inventory purchases. These advances have an interest rate of prime plus 1% (10.5 percent as of December 31, 2000). The Company accounts for its investment in CSI using the equity method of accounting.

Development Joint Ventures

The Company is currently involved in seven joint ventures to construct ground-up "greenfield communities." In the majority of the arrangements, the Company acts as the developer or co-developer, performing all accounting and property management functions, and the Company acts as a lender to finance the development costs. As such, the Company advances amounts to the joint ventures to fund construction and recognizes the related interest income as earned. The Company primarily borrows on its line of credit to fund the advances and, accordingly, includes the related borrowing costs in interest expense and related debt in its balance sheet. In the majority of the arrangements, the Company has the option to purchase the completed community when it reaches a pre-determined occupancy rate. The Company is also involved in two joint ventures in which its joint venture partner is constructing the communities. The Company has similar arrangements to lend these joint ventures funds to finance development. The Company

accounts for its joint ventures which it does not control utilizing the equity method of accounting.

N'Tandem

In March 1998, the Company entered into an investment agreement ("Agreement") with N'Tandem. Pursuant to the Agreement, the Company purchased 19,139 common equity shares of N'Tandem. The Company owns approximately 10 percent of N'Tandem's outstanding stock and accounts for its investment utilizing the equity method of accounting. The Company also recognizes income from a property management agreement, an advisory agreement and interest income on advances as earned.

During 2000, 1999, and 1998, N'Tandem borrowed \$13.8 million, \$23.6 million and \$10.7 million from the Company in order to fund acquisitions. In 1999 N'Tandem obtained a line of credit that was used to repay some of the borrowings in 1999 and 2000. These notes were due December 31, 2000. During 2000, the Company extended the maturity to December 2001. As of December 31, 2000, all amounts owed the Company were unsecured borrowings bearing interest at the prime rate of interest plus one percent per annum.

As of December 31, 2000 N'Tandem owned 36 communities with 7,835 homesites.

NOTE 7. FINANCING

The following table sets forth certain information regarding debt at December 31:

	Weighted Average Interest Rate	Maturity Date	Principal Balance (in thousands)	
			2000	1999
Fixed rate mortgage notes	7.82%	2002-2010	\$ 136,899	\$ 105,803
Unsecured Senior Notes	7.50%	2003-2005	320,000	245,000
Unsecured lines of credit	7.46%	2001	74,730	97,317
Other notes payable			3,841	4,437
			\$ 535,470	\$ 452,556

At December 31, 2000, the Company had a \$100 million line of credit arrangement with BankOne, NA acting as lead agent for a bank group to provide financing for future construction, acquisitions and general business obligations. The line of credit is unsecured, bears interest at the prime rate of interest or, at the Company's option, LIBOR plus 80 basis points (7.32 percent at December 31, 2000). The line was scheduled to mature in 2001. In February 2001, the Company renegotiated this facility and increased it from \$100 million to \$125 million. The term of the new facility is three years and bears interest at LIBOR plus 90 basis points. In addition, the Company has a \$7.5 million unsecured line of credit from US Bank, which bears interest at a rate of LIBOR plus 125 basis points (7.77 percent at December 31, 2000). As of

December 31, 2000, approximately \$74.7 million was outstanding under the Company's lines of credit and the Company had available \$32.8 million in additional borrowing capacity.

During 2000, the Company had approximately \$86.2 million of mortgage debt and \$75 million of unsecured Senior Notes mature. The Company repaid this debt using the proceeds from the issuance of new debt in 2000.

In June 2000, the Company issued \$116 million of 7.8% fixed rate mortgage debt, maturing in 2010, and collateralized by seven properties. Also in 2000, the Company issued a total of \$150 million of Unsecured Senior Notes, \$100 million at 8.3% maturing March 1, 2005 and \$50 million at 8% maturing August 1, 2003, resulting in net proceeds

Financial Review: NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

of \$149 million. During 2000, the Company issued and repaid a \$30 million unsecured short-term loan.

The Company has \$100 million 6.92% Mandatory Par Put Remarketed SecuritiesSM ("MOPPRSSM") due December 10, 2014. The remarketing dealer paid the Company \$2 million for the right to remarket the securities in 2004. The remarketing fee is being amortized over the life of the related debt. Upon the remarketing dealer's election to remarket the MOPPRSSM, the interest rate to the December 10, 2014 maturity date of the MOPPRSSM will be adjusted to equal the sum of 5.75% plus the Applicable Spread (as defined in the remarketing agreement). In the event the remarketing dealer does not elect to remarket the MOPPRSSM, the MOPPRSSM will mature in 2004.

As of December 31, 2000 the Company has a total of 15 collateralized properties.

The financing arrangements contain customary covenants, including a debt service coverage ratio and a restriction on the incurrence of additional collateralized indebtedness without a corresponding increase in rental property.

The aggregate amount of principal maturities for the fixed rate debt subsequent to December 31, 2000 (in thousands) is as follows:

2001	\$ 1,320
2002	1,842
2003	121,483
2004	103,338
2005	107,947
Thereafter	120,969
	<u>\$ 456,899</u>

NOTE 8 MINORITY INTERESTS IN OPERATING PARTNERSHIP

Minority interests in the accompanying consolidated balance sheets represent both the common and preferred ownership interest in the Operating Partnership held by third parties. The common minority interest represents common OP Units, which are convertible into an equivalent number of shares of the Company's common stock. As of December 31, 2000 and 1999, common minority interest was approximately 11 and 12 percent, respectively.

Certain OP Unitholders convert their common OP Units into shares of common stock of the Company at a one for one exchange ratio. These transactions result in an increase of outstanding common shares, and a corresponding decrease of outstanding OP Units, classified as minority interests in the consolidated balance sheet.

Financial Review: NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The following is a summary of activity of the common minority interest in the Operating Partnership, including the transfer adjustment among the common minority interest and shareholders' equity in the consolidated balance sheets to account for the change in the respective ownership in the underlying equity of the Operating Partnership.

<i>In thousands</i>	Operating Partnership Units	Minority Interest
Minority interest in Operating Partnership at January 1, 1998	2,775	\$ 35,272
Minority interest in income	—	3,436
Distributions declared, \$1.82 per unit	—	(6,295)
Issuance of OP Units at fair value in connection with acquisitions and development	995	29,150
Exchange of OP Units for shares of common stock	(246)	(6,555)
Transfer to shareholders' equity	—	(7,335)
Minority interest in Operating Partnership at December 31, 1998	3,524	\$ 47,473
Minority interest in income	—	+242
Distributions declared, \$1.94 per unit	—	(6,680)
Issuance of OP Units at fair value in connection with acquisitions and development	531	13,341
Exchange of OP Units for shares of common stock	(349)	(9,216)
Transfer to shareholders' equity	—	(975)
Minority interest in Operating Partnership at December 31, 1999	3,706	\$ 48,185
Minority interest in income	—	4,842
Distributions declared, \$2.06 per unit	—	(7,488)
Issuance of OP Units at fair value in connection with acquisitions and development	28	754
Exchange of OP Units for shares of common stock	(141)	(3,701)
Transfer from shareholders' equity	—	1,314
Minority interest in Operating Partnership at December 31, 2000	3,593	\$ 43,906

Also included in minority interests on the accompanying consolidated balance sheets are 1.5 million Preferred OP Units issued in April 1998. The balance at both December 31, 2000 and 1999 was approximately \$73 million.

Financial Review: NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 9. STOCK OPTION PLANS

The Company measures compensation cost using the intrinsic value method, in accordance with Accounting Principles Board Opinion No. 25 ("APB 25"), "Accounting for Stock Issued to Employees."

The Company's 1999 and 1997 Equity Compensation Plans and 1993 Long Term Incentive Stock Plan (collectively, the "Plans") provide for up to 3.1 million shares of common stock that may be granted to directors, executive officers and other key employees. The Plans provide for the grant of options, restricted stock awards and stock appreciation rights. The compensation committee of the Board of Directors determines the vesting schedule of each option and the term, which term shall not exceed ten years from the date of grant

Information concerning stock options is as follows:

Shares subject to option:	2000		1999		1998	
	Shares	Weighted-Average Price	Shares	Weighted-Average Price	Shares	Weighted-Average Price
Outstanding at beginning of year	1,417,218	\$ 25.66	1,236,893	\$ 24.79	1,197,406	\$ 21.66
Granted ⁽¹⁾	547,000	24.19	384,160	27.73	447,500	30.12
Exercised	(367,486)	21.79	(137,480)	21.30	(406,838)	19.30
Forfeited	(59,398)	27.46	(66,353)	28.97	(1,175)	19.10
Outstanding at end of year ⁽²⁾	1,540,334	\$ 26.01	1,417,218	\$ 25.66	1,236,893	\$ 24.79
Options exercisable at year-end	634,442		803,696		823,257	
Options available for grant at year-end	458,268		945,870		363,675	

⁽¹⁾ The options granted do not include the grant of 50,000 shares of restricted stock in 2000 to executive officers of the Company.

⁽²⁾ For the year ended December 31, 2000, 721,000 options are considered anti-dilutive.

For all options granted during 2000, 1999, and 1998, the weighted average market price of the Company's common stock on the grant date was approximately equal to the weighted average exercise price.

The following table summarizes information concerning outstanding and exercisable options at December 31, 2000.

Range of Exercise Prices	Options Outstanding			Options Exercisable	
	Number Outstanding	Average Remaining Contract Life	Weighted-Average Exercise Price	Number Exercisable	Weighted-Average Exercise Price
\$18.26 - \$26.00	822,334	7.6 years	\$23.36	345,442	\$22.18
\$27.44 - \$30.13	718,000	7.6 years	\$29.04	289,000	\$29.43

The fair value of each option was estimated as of date of grant using an option-pricing model with the following assumptions used:

	2000	1999	1998
Estimated fair value per option granted	\$ 2.44	\$ 2.22	\$ 3.56
Assumptions:			
Annualized dividend yield	7.70%	6.90%	6.25%
Common stock price volatility	20.5%	17.3%	22.6%
Risk-free rate of return	6.38%	5.29%	5.63%
Expected option term (in years)	9	10	10

Financial Review: NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

If compensation cost for stock option grants had been recognized based on the fair value at the grant dates for 2000, 1999 and 1998 consistent with the method allowed by SFAS No. 123 "Accounting for Stock-Based Compensation," net income and net income per common share would have been:

	2000	1999	1998
Net income, as reported	\$ 37,786,000	\$ 34,626,000	\$ 26,801,000
Net income, pro forma	\$ 36,756,000	\$ 34,347,000	\$ 26,490,000
Basic earnings per common share, as reported	\$ 1.33	\$ 1.23	\$ 0.98
Basic earnings per common share, pro forma	\$ 1.29	\$ 1.22	\$ 0.97
Diluted earnings per common share, as reported	\$ 1.32	\$ 1.23	\$ 0.97
Diluted earnings per common share, pro forma	\$ 1.29	\$ 1.22	\$ 0.96

NOTE 10 SAVINGS PLAN

The Company has a qualified retirement plan designed to qualify under Section 401 of the Internal Revenue Code (the "savings Plan"). The Savings Plan allows employees of the Company and its subsidiaries to defer a portion of their compensation on a pre-tax basis subject to certain maximum amounts. Contributions by the Company are discretionary and determined by the Company's management. Company contributions are allocated to each participant based on the relative compensation of the participant to the compensation of all participants. The Company contributed approximately \$500,000, \$560,000, and \$550,000 for the Plan years ended December 31, 2000, 1999 and 1998 respectively.

NOTE 11 RELATED PARTY TRANSACTIONS:

Rental expense of approximately \$130,000 annually has been incurred for leased space in an office building owned by certain officers and equity owners. The office lease expires November 2001.

The Company, through CSI, purchases manufactured home inventory for resale from Clayton Homes, Inc. ("Clayton Homes"), which is affiliated with one of the Company's directors. During 1998 and 1999, CSI purchased 22 homes and one home respectively for a cost of approximately \$540,000 and \$32,000 from Clayton Homes.

In addition, when CSI sells homes, the purchaser may obtain financing from Vanderbilt Mortgage and Finance, Inc. ("Vanderbilt"), which is also affiliated with the same director. In certain cases, for homes

sold before June 1998, Vanderbilt has recourse to the Company if the loans are not repaid. As of December 31, 2000 there is a total of approximately \$13.2 million of such amounts that are recourse to the Company.

Included in management and other income is \$4,549,000, \$1,610,000 and \$582,000 of management and other fee income received from N Tandem for the years ended December 31, 2000, 1999, and 1998 respectively. Included in this amount is approximately \$3.2 million of acquisition and transaction fees and \$1.3 million of management and advisory fees.

In December 2000, the Company purchased a manufactured home community from a partnership owned by two officers of the Company for \$2,550,000. This community contains 295 developed homesites (See Note 4.)

NOTE 12 CONTINGENCIES

Several claims and legal actions arising from the normal course of business have been asserted against the Company, and are pending final resolution. In the opinion of management none of these matters will have a material adverse effect upon the results of operations, financial condition or cash flows of the Company.

The Company through its joint venture and affiliate arrangements, has guaranteed approximately \$47.8 million of debt, \$20 million of which is to N Tandem.

Financial Review: NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 13. QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

The following is quarterly financial information for the years ended December 31, 2000 and 1999 (amounts in thousands, except per share data).

	First Quarter March 31,	Second Quarter June 30,	Third Quarter September 30,	Fourth Quarter December 31,
2000				
Total revenues	\$ 48,849	\$ 50,774	\$ 51,270	\$ 53,872
Operating income ^(a)	\$ 30,593	\$ 31,976	\$ 32,233	\$ 34,238
Income before minority interests	\$ 11,307	\$ 12,607	\$ 11,759	\$ 13,049
Less income allocated to minority interests				
Preferred OP Units	1,523	1,524	1,523	1,524
Common OP Units	1,125	1,256	1,160	1,301
Net income available to common shareholders	\$ 8,659	\$ 9,827	\$ 9,076	\$ 10,224
Net income per share – basic ^(b)	\$ 0.30	\$ 0.35	\$ 0.32	\$ 0.36
Net income per share – diluted ^(b)	\$ 0.30	\$ 0.34	\$ 0.32	\$ 0.36
1999				
Total revenues	\$ 45,608	\$ 46,837	\$ 48,106	\$ 48,812
Operating income ^(a)	\$ 28,238	\$ 28,953	\$ 28,910	\$ 30,200
Income before minority interests	\$ 9,617	\$ 13,641	\$ 10,909	\$ 10,795
Less income allocated to minority interests				
Preferred OP Units	1,523	1,524	1,523	1,524
Common OP Units	910	1,346	1,037	949
Net income available to common shareholders	\$ 7,184	\$ 10,771	\$ 8,349	\$ 8,322
Net income per share – basic ^(b)	\$ 0.26	\$ 0.38	\$ 0.30	\$ 0.29
Net income per share – diluted ^(b)	\$ 0.26	\$ 0.38	\$ 0.30	\$ 0.29

^(a) Operating income represents total revenues less property operating and maintenance expense, real estate taxes and administrative expense. Operating income is a measure of the performance of the properties before the effects of depreciation and interest and related amortization costs.

^(b) Quarterly earnings per common share amounts may not total to the annual amounts due to rounding and to the change in the number of common shares outstanding.

SHAREHOLDER INFORMATION

CHATEAU'S REAL ESTATE INVESTMENT TRUST STATUS

The Company operates as a real estate investment trust ("REIT") for taxation purposes, and as such must distribute at least 95 percent of its REIT taxable income, and is generally exempt from federal income taxes. This treatment by the Internal Revenue Code substantially eliminates the "double taxation" at the corporate and shareholder levels.

ANNUAL MEETING OF SHAREHOLDERS

Chateau's annual meeting of shareholders will be held at 9:00 a.m. on May 17, 2001 at the Company's headquarters, 6160 South Syracuse Way, Greenwood Village, Colorado.

CORPORATE HEADQUARTERS

Chateau Communities, Inc.
6160 South Syracuse Way
Greenwood Village, Colorado 80111
Tel: 303.741.3707
Fax: 303.741.3715
Web: www.chateaucomm.com

COUNSEL

Clifford Chance Rogers & Wells LLP
New York, New York
Trinnis & Inman
Detroit, Michigan

DIVIDEND REINVESTMENT PLAN

Chateau offers a dividend reinvestment plan, which permits participating shareholders of record to reinvest dividends in Chateau's common stock. Participating shareholders also may invest up to \$1,000 in additional funds each quarter for the purchase of additional shares. A brochure describing the plan in detail and an authorization form may be obtained from the transfer agent.

INDEPENDENT ACCOUNTANTS

PricewaterhouseCoopers LLP
Denver, Colorado

SEC FORM 10-K

Copies of Chateau's Annual Report on Form 10-K filed with the Securities and Exchange Commission will be furnished without charge upon written request to the Company's Investor Relations Department.

SHAREHOLDER SERVICES

Please direct shareholder questions or requests for information to:

Marti Dowling
Chateau Communities, Inc.
6160 South Syracuse Way
Greenwood Village, CO 80111
Tel: 303.874.3388
E-mail: CPJIR@chateaucomm.com

TRANSFER AGENT AND REGISTRAR

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Hearing impaired: TDD: 201.222.4955
Web: www.equiserve.com
E-mail: tcfc@cm.fcnbdl.com

WEBSITE

www.chateaucomm.com

We encourage you to visit our web site. The site includes current stock trading information, a complete overview of the Company, all SEC filings, recent press releases, information on each community in the portfolio, and more.

COMMON STOCK

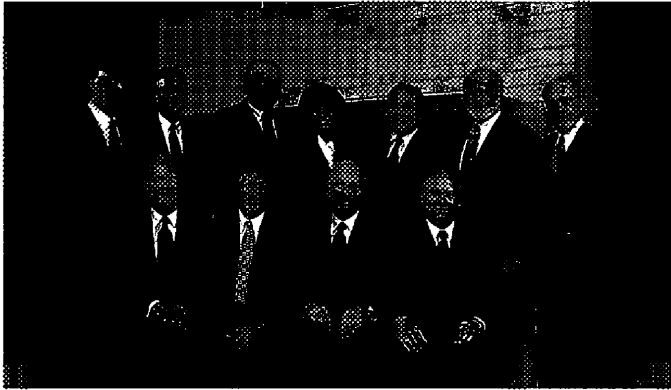
Common stock listed and traded on The New York Stock Exchange. Symbol: CPI

As of March 8, 2001, Chateau had approximately 28,598,673 common shares and 3,589,659 operating partnership units ("OP Units") outstanding. Also as of March 8, 2001, the Company's directors and executive officers owned a total of 4.8 million shares of common stock and 686,000 OP Units, representing inside ownership of 19 percent.

At March 8, 2001 there were approximately 600 holders of record and approximately 14,000 beneficial owners of Chateau's common stock.

Closing price on March 8, 2001 - \$30.50
Annual Dividend at March 30, 2001 - \$2.18

BOARD OF DIRECTORS OF CHATEAU COMMUNITIES, INC.



Back row from left to right: Steven G. Davis, James M. Hankins, Donald E. Miller, Rhonda Hogan, Edward R. Allen, Gebran S. Anton, Jr., James L. Clayton

Front row from left to right: James M. Lane, Gary P. McDaniel, John A. Boll, C.G. (Jeff) Kellogg

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Director – Founder and President of East Silent Advisors

JAMES M. HANKINS

Director – Managing General Partner of Hankins Enterprises

DONALD E. MILLER

Director – Former Vice Chairman of The Board of Directors of The Gates Corporation

RHONDA HOGAN

Director – Partner, Tishman Speyer Properties

EDWARD R. ALLEN

Director – Former President and CEO of InterCoastal Communities, Inc.

GEBRAN S. ANTON, JR.

Director – Owner of Gebran Anton Development Co. & Anton, Zorn & Associates, Inc.

JAMES L. CLAYTON

Director – Founder and former Chairman of Clayton Homes, Inc.

JAMES M. LANE

Director – Former Senior Vice President in Charge of NBD Bank's Trust Investment Division

GARY P. McDANIEL

Director and Chief Executive Officer

JOHN A. BOLL

Chairman of The Board of Directors – Former Chief Executive Officer, Co-Founder and Partner of Chateau Estates

C.G. (JEFF) KELLOGG

Director and President

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