HOME PROPERTIES INC
Form DEF 14A
March 29, 2012

SCHEDULE 14A
(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT
SCHEDULE 14A INFORMATION
Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934

Filed by the Registrant ý
Filed by a party other than the Registrant o
Check the appropriate box:

o Preliminary Proxy Statement
o Confidential, For Use of the Commission Only (as permitted by Rule 14a—6(e)(2))

ý Definitive Proxy Statement
o Definitive additional materials

¨ Soliciting material under Rule 14a-12

HOME PROPERTIES, INC.
(Name of Registrant as Specified in Its Charter)

____
(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

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(1) Amount previously paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

March 30, 2012

Dear Stockholder:

The Annual Meeting of Stockholders of Home Properties, Inc. will be held on Tuesday, May 1, 2012, at 9:00 a.m. at Clinton Square, 14th Floor, Rochester, New York. The agenda for the Annual Meeting is expected to consist solely of a brief report on the outcome of the stockholder vote on the various matters upon which the stockholders have been asked to vote and will not include a formal presentation by management.

A Notice of Annual Meeting and a Proxy Statement are attached. They describe the matters to be acted upon at the Annual Meeting.

Your vote on all the matters described in the Proxy Statement is very important. Please sign, date and return the enclosed proxy card in the envelope provided. Alternatively, you may choose to vote by telephone or Internet. Voting by any of these methods before the meeting will ensure that your shares are represented at the meeting.

Thank you for your continued confidence in Home Properties.

Sincerely,

HOME PROPERTIES, INC.

Edward J. Pettinella
President and Chief Executive Officer

HOME PROPERTIES, INC.
850 Clinton Square
Rochester, New York 14604

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD ON MAY 1, 2012

NOTICE IS HEREBY GIVEN that the 2012 Annual Meeting of Stockholders (the "Annual Meeting") of Home Properties, Inc. (the "Company") will be held on Tuesday, May 1, 2012 at 9:00 a.m. at Clinton Square, 14th Floor, Rochester, New York. Clinton Square is located at the northwest corner of Clinton Avenue and Broad Street in downtown, Rochester, New York. At the Annual Meeting, stockholders will be asked to:

1. Elect eight Directors of the Company to serve until the 2013 Annual Meeting of Stockholders and until their respective successors are elected;
2. Cast a non-binding advisory vote to approve the Company's executive compensation;
3. Ratify the appointment of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for 2012; and
4. Consider and act upon any other matters that are properly brought before the Annual Meeting and at any adjournments or postponements thereof.

The Board of Directors of the Company (the "Board" or the "Board of Directors") set the close of business on March 5, 2012 as the record date for the Annual Meeting. Only stockholders whose names appear on the stock register of the Company at the close of business on the record date will be entitled to notice of and to vote at the Annual Meeting and at any adjournments or postponements. (If you hold your stock in the name of a brokerage firm, bank or other nominee, only that entity can vote your shares. Please give instructions as to how you wish your shares to be voted to the person responsible for your account.)

There are four ways to vote. We encourage you to vote by Internet or telephone.
You can vote by:
- Internet at http://www.proxyvoting.com/hme;
- toll-free telephone at 1-866-540-5760;
- completing the enclosed proxy card and returning it in the enclosed postage prepaid envelope; or
- written ballot at the meeting.

If you vote by Internet or telephone, your vote must be received before 11:59 p.m. Eastern Time on April 30, 2012, the day before the Annual Meeting. You may change your vote or revoke your proxy at any time before the Annual Meeting:

- by entering a new vote by Internet or telephone;
- by returning a later dated proxy card;
- by sending written notice to Ann M. McCormick, Secretary of the Company, at 850 Clinton Square, Rochester, New York 14604; or
- by completing a written ballot at the Annual Meeting.

Rochester, New York By Order of the Board of Directors

March 30, 2012

Ann M. McCormick
Secretary

EVEN IF YOU PLAN TO ATTEND THE MEETING, PLEASE VOTE BY ONE OF THE ABOVE METHODS. IF YOU ATTEND THE ANNUAL MEETING, YOU MAY VOTE IN PERSON IF YOU WISH, EVEN IF YOU HAVE PREVIOUSLY VOTED.

Important Notice Regarding the Availability of Proxy Materials
for the Annual Stockholders Meeting to be Held on May 1, 2012:

This Proxy Statement and the 2011 Annual Report are available at
www.homeproperties.com/Investors

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HOME PROPERTIES, INC.
Suite 850
Clinton Square
Rochester, New York 14604

PROXY STATEMENT

FOR 2012 ANNUAL MEETING OF STOCKHOLDERS
to be held on May 1, 2012

March 30, 2012

GENERAL INFORMATION

This Proxy Statement is delivered to you in connection with the solicitation of proxies by the Board of Directors of Home Properties, Inc. (the "Company") for use at the 2012 Annual Meeting of Stockholders of the Company (the "Annual Meeting"). The Annual Meeting will be held on Tuesday, May 1, 2012 at 9:00 a.m. at Clinton Square, 14th Floor, Rochester, New York. The approximate date on which the enclosed form of proxy and this Proxy Statement are first being sent to stockholders is March 30, 2012. The principal executive offices of the Company are located at 850 Clinton Square, Rochester, New York 14604.

Who May Vote?

Stockholders of the Company as of the Company's record date, March 5, 2012, may vote. On March 5, 2012, there were 48,379,739 shares of the Company's Common Stock outstanding. Each share of Common Stock has one vote.

How Do I Vote?

There are four ways to vote:

1. by Internet at http://www.proxyvoting.com/hme;
2. by toll-free telephone at (866) 540-5760;
3. by completing the enclosed proxy card and returning it in the enclosed postage prepaid envelope; or
4. by written ballot at the Annual Meeting.

How Does a Proxy Work?

The Company's Board of Directors is asking for your proxy. By giving us your proxy, you authorize the proxy holders (Edward J. Pettinella, the Company's Chief Executive Officer, and David P. Gardner, the Company's Chief Financial Officer) to vote your shares at the Annual Meeting in the manner you direct.

If you vote by any of the above methods but do not specify how you wish to vote your shares, your shares will be voted in accordance with the recommendations of the Board of Directors. The proxy holders will also vote shares according to their discretion on any other matter properly brought before the meeting.

What if a Broker Holds my Shares?

If you hold shares through someone else, such as a stockbroker, you will get proxy material from them and a card requesting your instructions on how to vote your shares. If you want your vote to count with respect to Proposals 1 and 2 you must complete and return the card. If a broker holds your shares and you do not instruct your broker how to vote, no votes will be cast on your behalf. Your broker will, however, continue to have discretion to vote any uninstructed shares on the ratification of the appointment of the Company's independent registered public accounting firm (Proposal 3).

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What Constitutes a Quorum?

The presence, in person or by proxy, of holders of a majority of all of the shares of Common Stock entitled to vote is necessary to constitute a quorum for the transaction of business at the Annual Meeting. Votes withheld, abstentions and “broker non-votes” will be counted for purposes of determining whether a quorum is present. A “broker non-vote” refers to a share represented at the Annual Meeting which is held by a broker or other nominee who has not received instructions from the beneficial owner or person entitled to vote such share and with respect to which such broker or nominee does not have discretionary voting power to vote such share on one or more but not all proposals.

What Vote is Required to Approve Each Proposal?

Proposal 1: The affirmative vote of a plurality of the votes cast at the Annual Meeting is required for the election of a Director. For purposes of the election of Directors, abstentions and broker non-votes, if any, will not be counted as votes cast and will have no effect on the result of the vote.

Proposal 2: The affirmative vote of a majority of votes cast at the Annual Meeting is required to provide advisory approval of the Company’s executive compensation. Abstentions and broker non-votes are not considered votes cast and will have no effect on the result of the votes.

Proposal 3: The affirmative vote of a majority of all of the votes cast at the Annual Meeting is required for ratification of the appointment of PricewaterhouseCoopers LLP as the Company’s independent registered public accounting firm for 2012. For purposes of the vote on Proposal 3, abstentions will not be counted as votes cast and will have no effect on the result of the vote.

Can I Change My Vote?

You may revoke your proxy before it is voted at the Annual Meeting by entering a new vote by Internet or telephone, by submitting a new proxy with a later date, by voting in person at the Annual Meeting or by notifying the Company’s Secretary in writing prior to the Annual Meeting as follows: Ann M. McCormick, Home Properties, Inc., 850 Clinton Square, Rochester, New York 14604.

Can I Access the Notice of Annual Meeting, Proxy Statement, Annual Report on Form 10-K and the Annual Report on the Internet?

The Notice of Annual Meeting, this Proxy Statement, the Annual Report on Form 10-K for the fiscal year ended December 31, 2011 and the 2011 Annual Report to Stockholders are available on the Company’s website at www.homeproperties.com under the heading “Investors”.

PROPOSAL 1
ELECTION OF DIRECTORS

The Board of Directors has nominated Stephen R. Blank, Alan L. Gosule, Leonard F. Helbig, III, Charles J. Koch, Thomas P. Lydon, Jr., Edward J. Pettinella, Clifford W. Smith, Jr., and Amy L. Tait to serve as Directors (the "Nominees"). Each of the Nominees is currently serving as a Director of the Company. The Board of Directors anticipates that each of the Nominees will serve as a Director if elected.

Any individual elected at the Annual Meeting is elected to serve as a Director until the 2013 Annual Meeting of Stockholders and until a successor has been elected. The affirmative vote of a plurality of the votes cast at the Annual Meeting is required for the election of the Nominees as Directors.

Information Regarding Nominees for Director

The following paragraphs provide information as of the date of this Proxy Statement about each Nominee. The information presented includes information the Directors have given us about their age, all positions they hold, their principal occupation and business experience for the past five years, and the names of other publicly-held companies of which they currently serve as a Director or have served as a Director during the past five years. The ticker symbols for those other publicly-held companies traded on the New York Stock Exchange ("NYSE") and the American Stock Exchange ("AMEX") are included. In addition to the information presented below regarding the Nominees' specific experience, qualifications, attributes and skills that led our Board to the conclusion that they should serve as a Director, we also believe that all of our Nominees have a reputation for integrity, honesty and adherence to high ethical standards. They each have demonstrated business acumen and an ability to exercise sound judgment, as well as a commitment of service to the Company and our Board.

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Stephen R. Blank, age 66, has been a Director of the Company since 2009. Since 1998, Mr. Blank has been a Senior Resident Fellow, Finance, at the Urban Land Institute ("ULI"), a non-profit education and research institute which studies land use and real estate development policy. Prior to joining ULI, Mr. Blank served from 1993 to 1998 as Managing Director - Real Estate Investment Banking of CIBC Oppenheimer Corp. From 1989 to 1993, Mr. Blank was Managing Director of the Real Estate Corporate Finance Department of Cushman & Wakefield, Inc. From 1979 to 1989, Mr. Blank served as Managing Director - Real Estate Investment Banking of Kidder, Peabody & Co. From 1973 to 1979, Mr. Blank was employed by Bache & Co., Incorporated as Vice President, Direct Investment Group. Mr. Blank is Chairman of the Board of Trustees of Ramco-Gershenson Properties Trust (NYSE: RPT) and a Director of MFA Financial, Inc. (NYSE: MFA). For MFA, he serves as Chairman of the Audit Committee and as a member of the Compensation Committee. For RPT, he serves as Chairman of the Nominating and Governance Committee and as a member of the Compensation Committee. From May 1999 to February 2007, Mr. Blank was a member of the Board of Directors of BNP Residential Trust, Inc. Mr. Blank is a graduate of Syracuse University and received a Masters in Business Administration degree in Finance from Adelphi University.

Mr. Blank's knowledge of the real estate industry as evidenced by his position at ULI, his experience in the investment banking industry, including his expertise in public and private real estate finance, and his service on the boards and committees of other public and private companies led the Board to conclude that he should continue to serve as a Director.

Alan L. Gosule, age 71, has been a Director of the Company since 1996. Mr. Gosule is a partner in the law firm of Clifford Chance US LLP in New York, New York and has practiced law with that firm and its predecessor since 1991. From 2002 to August 2005, he served as the Regional Head of Clifford Chance's Real Estate Department for the Americas and, prior to 2002, was the Regional Head of the firm's Tax, Pension and Employment Department for the Americas. Prior to 1991, Mr. Gosule practiced law with the firm of Gaston & Snow, where he was a member of that firm's Management Committee and the Chairman of the Tax Department. Mr. Gosule currently serves on the Boards of MFA Financial, Inc. (NYSE: MFA), F.L. Putnam Investment Management Company and Pioneer Natural Resources, GP, LLC, the general partner of Pioneer Southwest Energy Partners, L.P. (NYSE: PSE). He also serves as a member of the Board of Trustees of the Ursuline Academy. Mr. Gosule is a graduate of Boston University and received a Juris Doctor degree from Boston University Law School and an LLM in Taxation from Georgetown Law School.

Mr. Gosule's experience as a lawyer and partner of a major international law firm (including prior service as Chair of the Tax and Real Estate Departments), his knowledge of tax law and related matters, including real estate investment trusts, and his experience in advising and serving on the boards and committees of other public and private companies led the Board to conclude that he should continue to serve as a Director.

Leonard F. Helbig, III, age 66, has been a Director of the Company since 1994. Since September 2002 he has served as a Director of Integra Realty Resources in Philadelphia. He is also an active owner and manager of various self storage and manufactured housing communities throughout the northeast. Between 1980 and 2002 he was employed by Cushman & Wakefield, Inc. where he held various senior management positions. From 1980 through 1987, he founded and served as National Director of that firm's Valuation and Consulting Services. From 1987 until 2002, Mr. Helbig served as President of Financial Services. Between 1995 and 2000, he also served as Executive Managing Director of Asset and Property Management Services. He was a member of Cushman & Wakefield's Board of Directors and Executive and Management Committees. He maintains active memberships in various international industry associations such as the ULI, the International Council of Shopping Centers and the National Multi Housing Council. He also holds the MAI professional designation from the Appraisal Institute. Mr. Helbig is a graduate of LaSalle University in Philadelphia with a Bachelor of Science degree in Industrial Management.

Mr. Helbig’s corporate management experience and his experience in the acquisition, disposition, development, leasing, management and appraisal of commercial and multifamily real estate led the Board to conclude that he should continue to serve as a Director.

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Charles J. Koch, age 65, has been a Director of the Company since 2010. From 1973 to 2004, Mr. Koch was employed by Charter One Financial, Inc. and its wholly-owned subsidiary, Charter One Bank, N.A. He was elected President and Chief Operating Officer in 1980, President and Chief Executive Officer in 1988 and Chairman, President and Chief Executive Officer in 1995. He served in those capacities until the sale of Charter One Financial, Inc. to The Royal Bank of Scotland in 2004. He was a Director of The Royal Bank of Scotland from 2004 until 2009. He is currently a Director of Assurant, Inc. (NYSE: AIZ) where he also serves as a member of the Compensation Committee and as the Chair of the Finance and Investment Committee. In addition, he is a Director of Citizens Financial Group (an affiliate of The Royal Bank of Scotland) and The Federal Home Loan Bank of Cincinnati where he also serves as a member of the Personnel, Governance and Finance and Risk Management Committees. Mr. Koch is Chairman of the Board of Trustees of Case Western Reserve University and on the Board of Directors of John Carroll University. He is a graduate of Lehigh University and holds a Masters in Business Administration degree from Loyola College of Maryland.

Mr. Koch's experience as a Chief Executive Officer of a public company resulting in his broad understanding of the operational, financial and strategic issues facing a public company led the Board to conclude that he should continue to serve as a Director.

Thomas P. Lydon, Jr., age 63, became a Director of the Company in 2011. Since 2003, Mr. Lydon has been President of The City Investment Fund, L.P., a $770 million real estate opportunity fund. Prior to that, he served as President and Chief Executive Officer of SSR Realty Advisors Inc. He is a Director of Lowe Enterprises, where he serves as a member of the Audit and Compensation Committees. He was a member of the National Association of Real Estate Investment Managers from 1998 to 2004 and served as its Chair from 2000-2002. Mr. Lydon is a graduate of Syracuse University with a Bachelor in Business Administration degree with a major in Real Estate.

Mr. Lydon's prior experience as President and Chief Executive Officer of organizations focused on the acquisition, management and disposition of commercial and multifamily real estate led the Board to conclude that he should continue to serve as a Director.

Edward J. Pettinella, age 60, has served as President and Chief Executive Officer of the Company since 2004. He is also a Director. He joined the Company in 2001 as an Executive Vice President and Director. From 1997 until February 2001, Mr. Pettinella served as President, Charter One Bank of New York and Executive Vice President of Charter One Financial, Inc. From 1980 through 1997, Mr. Pettinella served in several managerial capacities for Rochester Community Savings Bank, Rochester, NY, including the positions of Chief Operating Officer and Chief Financial Officer. Mr. Pettinella serves on the Board of Directors of Manning & Napier, Inc. (NYSE:MN), where he serves as Chair of the Audit Committee and a member of the Compensation and Nominating and Corporate Governance Committees. He is also a Board member of Rochester Business Alliance, National Multi Housing Council and Syracuse University School of Business as well as a member of ULI and serves on the Board of Governors of the National Association of Real Estate Investment Trusts. Mr. Pettinella is a graduate of the State University of New York at Geneseo and holds a Masters in Business Administration degree in Finance from Syracuse University.

Mr. Pettinella's role as Chief Executive Officer responsible for the Company's day-to-day operations and strategic initiatives, as well as his experience in corporate finance and public company operations, led the Board to conclude that he should continue to serve as a Director.

Clifford W. Smith, Jr., age 65, has been a Director of the Company since 1994. Mr. Smith is the Epstein Professor of Finance of the William E. Simon Graduate School of Business Administration of the University of Rochester, where he has been on the faculty since 1974. He has written numerous books and articles on a variety of financial, capital markets and risk management topics and has held editorial positions for a variety of journals. Mr. Smith is a graduate of Emory University and has a PhD from the University of North Carolina at Chapel Hill.

Mr. Smith's expertise in corporate finance, strategic planning, executive compensation and corporate governance, about which he has taught and written for many years, led the Board to conclude that he should continue to serve as a Director.

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Amy L. Tait, age 53, has served as a Director of the Company since its inception in 1993. From 1983 until 2001, Mrs. Tait also held several positions with Home Properties and its predecessor, Home Leasing Corporation, including Senior and Executive Vice President and Chief Operating Officer. She resigned her full-time position as Executive Vice President in 2001 to spend more time with family. She founded Tait Realty Advisors, LLC in 2001, and is currently the Chief Executive Officer and a Director of Broadstone Real Estate, LLC, which she co-founded in 2006. She is also a principal in Broadstone Ventures, LLC, Broadstone Net Lease, Inc. and Broadstone Asset Management, LLC, all private commercial real estate management and investment companies. Mrs. Tait is a Director of IEC Electronics Corp. (AMEX: IEC), where she also serves on the Audit Committee. She is currently a member of the M&T Bank Rochester Regional Advisory Board and the Board of the Allendale Columbia School. She also serves on the Executive Advisory Board of the William E. Simon Graduate School of Business Administration of the University of Rochester. Mrs. Tait is a graduate of Princeton University and holds a Masters in Business Administration degree from the William E. Simon Graduate School of Business Administration of the University of Rochester. She is the daughter of Norman Leenhouts and the niece of Nelson Leenhouts, both former Directors, who retired from the Board of Directors on May 3, 2011.

Mrs. Tait's experience in all aspects of the real estate industry and her corporate finance background led the Board to conclude that she should continue to serve as a Director.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" THE NOMINEES.

BOARD MATTERS

Board Composition

The Company is managed by its Board of Directors. If all of the Nominees are elected, the Board will have eight members.

Board Meetings

The Board holds regular meetings on a quarterly basis. Pursuant to the Company's By-Laws, the Board Chair, President or a majority of the Board of Directors may call for a special meeting of the Board. During 2011, the full Board of Directors met six times, including regular and special meetings. Each Director attended all of the meetings, except Mr. Koch who did not attend two special meetings, but attended all of the regular meetings.

Board Independence

Seven of the Company's eight Nominees are not employed by the Company. The Board of Directors has determined that six of the seven non-employee Directors are "independent" within the meaning of the Securities and Exchange Commission ("SEC") and the NYSE current Director independence standards. The independent Directors are: Stephen Blank, Alan Gosule, Leonard Helbig, Charles Koch, Thomas Lydon and Clifford Smith. This represents more than a majority of the members of the Board of Directors. The current Directors determined by the Board not to be independent under the above standards were Edward Pettinella and Amy Tait. The Board of Directors had previously determined that former Board members (each of whom served until May 3, 2011) Josh Fidler and Paul Smith were independent, but that former Directors Nelson Leenhouts and Norman Leenhouts were not independent.

In determining the independence of each Director, the Corporate Governance/Nominating Committee of the Board considered any relationships between the Company and the individual Director and the Director's immediate family members as required under the applicable standards. The Board, consistent with the view of the NYSE, determined that the ownership of even a significant amount of stock in the Company is not a bar to a finding of independence. Consistent with this view of the NYSE, the Board also has determined that ownership of limited partnership units in Home Properties, L.P. ("UPREIT Units") does not bar the Board from determining that a Director is independent. Current Board members and Nominees Blank, Gosule, Helbig, Koch, Lydon and C. Smith and former Board members Fidler and P. Smith have no relationship with the Company other than their compensation and benefits as members of the Board and its Committees and ownership of the Company's Common Stock and UPREIT Units (in the case of Mr. Fidler). Amy Tait and former Board member Norman Leenhouts are not considered to be independent because of their family's interests in and control over Clinton Square, the building in which the Company has its headquarters as disclosed in "Transactions with Related Persons, Promoters and Certain Control Persons." Edward Pettinella is not independent as he currently is employed by the Company. Former Director, Nelson Leenhouts, was not considered to be independent because he was employed by the Company until December 31, 2008.

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Board Evaluation

In 2011, each Board member participated in a written self-evaluation of his or her performance as a Board member as well as an evaluation of the Board as a whole. The Board and members of senior management also participated in a written evaluation of the Chief Executive Officer.

Director Qualifications

The minimum qualifications for prospective Board members are a successful career as well as the potential to contribute to the effectiveness of the Board. Beyond those minimum qualifications, the first priority in selecting members of the Board is to attract a group of individuals who will maximize stockholder value, which generally means attracting individuals of the highest capabilities. Another focus is on individuals who demonstrate the highest ethical standards. Critical Board functions involve setting the basic strategy of the Company, monitoring senior management and offering insight/expertise in the selection of tactics and operational policies, drawing on Directors' experiences outside the Company. In discharging its responsibilities, the Corporate Governance/Nominating Committee considers diversity of experience and perspectives to be valuable. In considering Board composition and nomination for new Board members, the Corporate Governance/Nominating Committee focuses on several aspects of prior experience including real estate (especially multifamily real estate) experience, experience as a chief executive officer of a public company, accounting/audit experience, legal experience and academic experience. Continuity also is viewed as a valuable Board asset, thus some diversity in ages among Board members is beneficial so that the Board does not face major turnover at any single date. The Corporate Governance/Nominating Committee considers all of the foregoing diversity characteristics in making its recommendations for nominees to the Board of Directors and evaluates the effectiveness of its diversity policy annually.

Process for Identifying and Evaluating Nominees for Directors

The Corporate Governance/Nominating Committee utilizes a variety of methods for identifying and evaluating nominees for Director. The Committee develops and updates a list of potential Board candidates who meet the Board qualifications as described above. Candidates may come to the attention of the Committee through current Board members, stockholders, management or other individuals. To date, the Committee has not utilized the services of a professional service firm to identify potential candidates, but it may do so in the future. If a vacancy on the Board occurs or is anticipated, the Committee selects candidates to have personal meetings with members of the Committee, the Chair of the Board and the Chief Executive Officer. Selected candidates would then be invited to meet with other Board members and management. A candidate, if acceptable, would then be elected by the Board (in the event of a mid-term vacancy) or be nominated to stand for election at the next annual stockholders' meeting.

Stockholder Nominees

The Corporate Governance/Nominating Committee will consider Director candidates proposed by stockholders on the same basis as it considers other potential candidates for Board membership. Stockholders may submit nominations, which should include the name and address of the proposed candidate as well as biographical information evidencing that the proposed candidate meets the minimum qualifications and possesses the skills and expertise as required by the Board and as described above under "Director Qualifications." The submission must also include the candidate's written consent to the nomination and to serve if elected. To be considered for nomination for election at the 2013 Annual Meeting and inclusion in the Proxy Statement for the 2013 Annual Meeting of the Stockholders, stockholder submissions for nomination must be received at the office of the Company in care of Secretary, Home Properties, Inc., 850 Clinton Square, Rochester, New York 14604, on or prior to November 30, 2012.

Director Communications

Stockholders and other interested parties may communicate with the Board of Directors by sending written materials addressed to the Board or any of the Directors, including the non-employee or independent Directors as a group and the Chair of the Corporate Governance/Nominating Committee, in care of Secretary, Home Properties, Inc., 850 Clinton Square, Rochester, New York 14604. They may also communicate confidentially or anonymously through use of the Company's hotline at 1-877-888-0002. The Company's Secretary will relay all relevant written communications to the Board of Directors or individual members designated by the stockholder or other interested party.

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Compensation Committee Interlocks and Insider Participation

None of the members of the Compensation Committee is or has been an officer or employee of the Company or had any relationship that is required to be disclosed as a transaction with a related party.

Risk Oversight

The Board is actively involved in oversight of risks that could affect the Company. This oversight is conducted primarily through some of the Committees of the Board, as disclosed in the descriptions of those Committees and their charters. The full Board has retained overall responsibility for the general oversight of risks. The Board satisfies this responsibility through full reports by each Committee chair regarding the Committee's considerations and actions, as well as through regular reports directly from officers responsible for oversight of particular risks within the Company.

Board Leadership Structure

The roles of Chief Executive Officer and Chair of the Board are separated in recognition of the differences between the two roles. The Chief Executive Officer is responsible for setting the strategic direction for the Company and the day-to-day leadership and performance of the Company, while the Chair of the Board provides guidance to the Chief Executive Officer and presides over meetings of the full Board. Nelson and Norman Leenhouts, our former Co-Chairs, were not independent so the Board had appointed the Chair of the Corporate Governance/Nominating Committee, Clifford Smith, as lead Director to preside at all executive sessions of non-management Directors. With the retirement of Nelson and Norman Leenhouts from the Board of Directors and as Co-Chairs in May 2011, the Board carefully considered the optimal leadership structure and determined that the separation of the roles of Chair of the Board and Chief Executive Officer continues to be the optimal structure. Clifford Smith currently serves as Chair of the Board. The Chair attends all of the Committee meetings as a non-voting member.

BOARD COMMITTEES

Audit Committee

The Company has a separately designated standing Audit Committee. The Audit Committee operates under a written charter approved by the Committee and the Board. A copy of the charter is available on the Company's website at www.homeproperties.com under the heading "Investors/Governance Documents Highlights." In addition, the Company will provide a copy of the charter to anyone, without charge, upon written request addressed to the Corporate Secretary at Home Properties, 850 Clinton Square, Rochester, New York 14604. The Audit Committee charter is reviewed by the Audit Committee on an annual basis. The charter was most recently amended in February 2012 to change the word "ask" to "discuss" in the first bullet under the Risk Oversight heading.

The Audit Committee currently consists of Stephen Blank, Alan Gosule and Charles Koch, each of whom has been determined by the Board to be an independent Director. At the February 2011 Audit Committee meeting, Stephen Blank became Chair. The prior Chair, Paul Smith continued to serve on the Audit Committee until his retirement from the Board in May 2011. Following the 2012 Annual Meeting, and contingent upon their re-election to the Board, the Audit Committee will continue to consist of Stephen Blank, Alan Gosule and Charles Koch, with Stephen Blank continuing as Chair.

The Audit Committee assists the Board in fulfilling its responsibility for general oversight of the integrity of the Company's financial statements, the Company's compliance with applicable laws and regulations including the Company's own Code of Business Conduct and Ethics, and the Company's internal and disclosure controls and procedures. The Audit Committee also selects and oversees the appointment, performance and compensation of the Company's independent registered public accounting firm.

In addition, the Audit Committee oversees the operation of the Company's risk management and risk assessment programs, including the identification of the primary risks to the Company's business and interim updates of those risks. The Company's Vice President-Internal Audit, who functionally reports directly to the Audit Committee, assists in identifying, evaluating and implementing risk management controls and methodologies to address identified risks. In connection with its risk management role, at each of its meetings the Audit Committee receives a written report from the Company's Vice President-Risk Management and meets separately with each of the representatives from the Company's independent registered public accounting firm, the Company's Vice President–Internal Audit and the Company's senior financial executives and General Counsel. The Audit Committee provides thorough reports to the Board that describe these activities.

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The Chair of the Audit Committee also regularly attends the Compensation Committee meetings with a particular focus on financial targets and goals being set in connection with the Company's incentive plans to assure that these do not encourage excessive risk taking.

The Audit Committee has adopted procedures for the receipt, retention and treatment of concerns and complaints about accounting, internal controls and auditing matters. The Audit Committee oversees the existence and administration of a hot line (1-877-888-0002) where such concerns and complaints can be reported anonymously.

The Board of Directors has reviewed the qualifications of each member of the Audit Committee and has determined that each member is independent as required by applicable securities laws and by the listing standards of the NYSE. No Audit Committee member serves on the audit committee of more than two other public companies. In the exercise of its business judgment, the Board of Directors has also determined that each member of the Audit Committee is financially literate. Finally, the Board has determined that Stephen Blank and Charles Koch qualify as an "audit committee financial expert" as defined by applicable SEC rules.

The Audit Committee works closely with management and the Company's independent registered public accounting firm. It meets quarterly to review the Company's financial statements, and on other occasions, on an as-needed basis. The Audit Committee met four times in 2011. Each of the members attended all of the Committee's meetings. The Audit Committee conducted a self-evaluation for 2011.

Compensation Committee

The Company has a separately designated Compensation Committee. The Compensation Committee operates under a written charter approved by the Committee and the Board. A copy of the charter is available on the Company's website at www.homeproperties.com under the heading "Investors/Governance Documents Highlights." In addition, the Company will provide a copy of the charter to anyone, without charge, upon written request addressed to the Corporate Secretary at Home Properties, 850 Clinton Square, Rochester, New York 14604. The Compensation Committee charter is reviewed by the Compensation Committee on an annual basis. The Compensation Committee charter was most recently amended in November 2011 to reflect that the Committee's review of the executive compensation plans will be reviewed on "at least" an annual basis.

The Compensation Committee currently consists of Leonard Helbig, Charles Koch and Thomas Lydon, each of whom has been determined by the Board to be an independent Director. Leonard Helbig chairs this Committee. Clifford Smith and former Director Josh Fidler served on the Compensation Committee prior to the 2011 Annual Meeting of Stockholders. Following the 2012 Annual Meeting, and contingent upon their re-election to the Board, the Compensation Committee will continue to consist of Leonard Helbig, Charles Koch and Thomas Lydon, with Leonard Helbig continuing as Chair.

The Compensation Committee reviews and approves, at least annually, the Company's goals and objectives relevant to compensation of the Company's executive officers, including the Chief Executive Officer, reviews on an annual basis the performance of the Chief Executive Officer in light of those goals and objectives, recommends to the other Directors for approval the Chief Executive Officer's annual compensation, approves the compensation levels of the other executive officers, reviews significant employee benefit programs, and establishes and administers executive compensation programs.

As part of its oversight of the Company's executive compensation program, the Compensation Committee considers the impact of the Company's executive compensation program, and the incentives created by the compensation awards that it administers, on the Company's risk profile. In addition, the Committee reviews all of its compensation policies and procedures, including the incentives that they create and factors that may reduce the likelihood of excessive risk taking, to determine whether they present a significant risk to the Company. The Chair of the Audit Committee regularly attends the Compensation Committee meetings in part to focus on how compensation decisions might impact the Company's risk profile.

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The agenda for meetings of the Compensation Committee is determined by its Chair with the assistance of the Senior Vice President-Human Resources and the Company's General Counsel. Compensation Committee meetings are regularly attended by the Chair of the Board, the Chief Executive Officer, the Senior Vice President-Human Resources, the Chief Financial Officer and the General Counsel so that those officers can provide information and answer questions about the Company's compensation packages, employee, Company and business function performance and competitive factors. At each meeting, the Compensation Committee meets in executive session outside the presence of the Company's officers and employees to make its determinations with respect to compensation matters. The Compensation Committee's Chair reports the Committee's recommendation on executive compensation to the Board.

Independent advisors and the Company's Human Resources Department support the Compensation Committee in its duties and, along with the Chief Executive Officer and Senior Vice President-Human Resources, may be delegated authority by the Compensation Committee to fulfill certain administrative duties regarding the compensation programs. The Compensation Committee has sole authority under its charter to retain, approve fees for and terminate advisors, consultants and agents as it deems necessary to assist in the fulfillment of its responsibilities. It reviews the total fees paid by the Company to outside consultants engaged by the Compensation Committee to ensure that the consultants maintain their objectivity and independence when rendering advice to the Compensation Committee.

In 2011, the Compensation Committee retained FPL Associates, L.P. ("FPL") to review and provide guidance and recommendations on alternatives or modifications to the Company's annual cash incentive and long-term equity incentive programs as well as to provide ongoing support to the Compensation Committee, including assistance with benchmarking for Director and executive compensation. FPL did not provide any other services to the Company in 2011.

The Compensation Committee also consults with senior management and, in particular, the Chief Executive Officer and Senior Vice President-Human Resources in making determinations about the executive compensation program and the compensation of individual executive officers.

The Compensation Committee met six times in 2011. Each of the members of the Compensation Committee attended all of the Committee's meetings that occurred while he was a member of the Compensation Committee. The Compensation Committee conducted a self-evaluation for 2011.

Corporate Governance/Nominating Committee

The Company has a separately designated Corporate Governance/Nominating Committee. The Corporate Governance/Nominating Committee operates under a written charter approved by the Committee and the Board. A copy of the charter is available on the Company's website at www.homeproperties.com under the heading "Investors/Governance Documents Highlights." In addition, the Company will provide a copy of the charter to anyone, without charge, upon written request addressed to the Corporate Secretary at Home Properties, 850 Clinton Square, Rochester, New York 14604. The Corporate Governance/Nominating Committee charter is reviewed by the Committee on an annual basis, including in 2011 when no amendments were made.

Pursuant to its charter, the Corporate Governance/Nominating Committee at all times consists of at least three Directors, all of whom are independent Directors and two of whom are the Chairs of the Audit and Compensation Committees. This Committee currently consists of Stephen Blank, Alan Gosule and Leonard Helbig, each of whom has been determined by the Board to be an independent Director. Alan Gosule currently chairs the Corporate Governance/Nominating Committee. Clifford Smith served and was Chair of the Corporate Governance/Nominating Committee prior to the 2011 Annual Meeting of Stockholders. Following the 2012 Annual Meeting, and contingent upon their re-election to the Board, the Corporate Governance/Nominating Committee will continue to consist of Stephen Blank, Alan Gosule and Leonard Helbig with Mr. Gosule continuing as Chair.

The Corporate Governance/Nominating Committee identifies individuals qualified to become Board members consistent with criteria approved by the Board, evaluates the size, composition and organization of the Board, monitors implementation of specific corporate governance initiatives, reviews any stockholder proposals submitted to the Company and oversees the evaluation of the Board. A description of the qualifications considered by the Corporate Governance/Nominating Committee for Board nominees and the procedure for stockholder nominations are described earlier in this Proxy Statement.

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The Corporate Governance/Nominating Committee met four times in 2011. Each of the members of this Committee attended all of the Committee's meetings. The Corporate Governance/Nominating Committee conducted a self-evaluation for 2011.

Real Estate Investment Committee

The Company has a separately designated Real Estate Investment Committee. The Real Estate Investment Committee operates under a written charter approved by the Committee and the Board. A copy of the charter is available on the Company's website at www.homeproperties.com under the heading "Investors/Governance Documents Highlights." In addition, the Company will provide a copy of the charter to anyone, without charge, upon written request addressed to the Corporate Secretary at Home Properties, 850 Clinton Square, Rochester, New York 14604. The charter for the Real Estate Investment Committee requires that it consist of at least three Directors, at least a majority of whom shall be non-employee Directors.

Stephen Blank, Leonard Helbig, Thomas Lydon, Edward Pettinella and Amy Tait are the current members of the Real Estate Investment Committee. Amy Tait chairs this Committee. Nelson Leenhouts served on the Real Estate Investment Committee prior to the 2011 Annual Meeting of Stockholders. Following the 2012 Annual Meeting, and contingent upon their re-election to the Board, the Real Estate Investment Committee will continue to consist of Stephen Blank, Leonard Helbig, Thomas Lydon, Edward Pettinella and Amy Tait, with Amy Tait continuing as Chair.

The purpose of the Real Estate Investment Committee is to review potential acquisitions, dispositions and developments and to approve, or to recommend to the full Board for approval, acceptable transactions pursuant to the authorization parameters established by the Board.

The Real Estate Investment Committee met six times in 2011. Each of the members of this Committee attended all of the Committee's meetings. The Real Estate Investment Committee conducted a self-evaluation for 2011.

BOARD COMPENSATION

The Company changed the compensation arrangements for its non-employee Directors effective July 1, 2011. From January 1, 2011 to June 30, 2011, the Company paid its non-employee Directors an annual stipend at the rate of $30,000. An additional annual stipend in the amount of $10,000 was paid to the Chair of each of the Committees. Nelson and Norman Leenhouts were each paid an additional stipend at the annual rate of $100,000 for their services as Co-Chairs and for additional services to be rendered in connection with the Company's development, acquisition and disposition activities as well as an additional allowance in the annual amount of $30,000 to reimburse them for costs associated with offices and administrative support that were previously provided by the Company. Nelson and Norman retired from the Board effective May 3, 2011 so they received a pro-rata share of all of these fees. Clifford Smith became Board Chair effective May 3, 2011 and was paid an additional stipend at the annual rate of $50,000 pro-rated for 2011. Prior to July 1, 2011, non-employee Directors were paid $1,400 for attendance (in person or by telephone) at each Board and Committee meeting. All of the amounts were paid quarterly. In addition, in 2011, each of the seven non-employee Directors who stood for re-election at the 2011 Annual Meeting of Stockholders was issued 1,352 shares of restricted stock under the Company's 2011 Stock Benefit Plan. The shares had a value of approximately $84,000 on the grant date.

Commencing on July 1, 2011 meeting fees payable to the non-employee Directors were eliminated. Instead, non-employee Directors were paid an additional annual stipend of $20,000 (in addition to the prior annual stipend of $30,000) pro-rated for 2011 to $10,000. In addition, also commencing on July 1, 2011, non-employee Directors who serve on three or more Committees were paid an additional annual retainer of $5,000, pro-rated to $2,500 for 2011. The Chair of each Committee continues to be paid an additional annual stipend of $10,000. All fees continue to be paid on a quarterly basis.

It is expected that the Board will consider whether to make any changes to Board compensation at its May 2012 meeting. At that time, it will also evaluate and approve any additional equity awards for the non-employee Directors.

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Under the Second Amended and Restated Director Deferred Compensation Plan (the "Director Deferred Compensation Plan") approved by the stockholders at the 2005 Annual Meeting, the non-employee Directors can defer up to 100% of their total annual cash compensation (including meeting fees) for three, five or ten years and their compensation in the form of restricted stock for five or ten years. The Company matches 10% of the deferred cash amount. The matching amount vests after three years. A "phantom" stock account is established for each of the Director and the Company contribution amounts. Each deferral and the Company contribution is reflected by crediting those accounts either: with the phantom equivalent of the number of shares of the Company's Common Stock that could be purchased with the amounts deferred and contributed at the Common Stock's fair market value (composite closing price on the New York Stock Exchange) as of the day before the compensation would otherwise have been paid; or with the number of shares of restricted stock deferred. Participants' accounts are also credited with the number of shares of the Company's Common Stock that could be purchased with hypothetical dividends that would be paid with respect to shares previously allocated to the accounts on the same date and at the same price that shares are purchased for participants in the dividend reinvestment feature of the Company's Dividend Reinvestment and Direct Stock Purchase Plan (the "DRIP"). Payments out of the deferred accounts, upon vesting or otherwise, are made by issuance of Common Stock, except in the event of payment by reason of a change in control in which event payment may be made in cash or by issuance of Common Stock at the election of the Compensation Committee. The Director Deferred Compensation Plan is designed to provide substantially the same benefits to the non-employee Directors as are provided to eligible employees under the Company's Deferred Bonus Plan (the "Deferred Bonus Plan").

Directors of the Company who are employees of the Company do not receive any compensation for their services as Directors. All Directors are reimbursed for their expenses incurred in attending Directors' meetings.

The following table summarizes the compensation paid by the Company to non-employee Directors for the year ended December 31, 2011. There are no amounts to report in the Option Awards, Non-Equity Incentive Plan Compensation and the Change in Pension Value and Nonqualified Deferred Compensation Earnings columns so these have not been included in the table.

2011 DIRECTOR COMPENSATION TABLE

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($)(2)	All Other Compensation ($)(3)	Total ($)
Stephen R. Blank	70,700	83,946	9,749	164,395
Josh E. Fidler(1)	18,537	0	12,288	30,825
Alan L. Gosule	56,376	83,946	14,911	155,233
Leonard F. Helbig, III	70,700	91,016	26,848	188,564
Charles J. Koch	49,800	83,946	5,679	139,425
Nelson B. Leenhouts(1)(4)	63,866	0	7,234	71,100
Norman P. Leenhouts(1)	63,866	4,560	14,631	83,057
Thomas P. Lydon, Jr.	49,800	88,926	2,615	141,341
Clifford W. Smith, Jr.	96,282	93,574	30,392	220,248
Paul L. Smith(1)	21,037	0	12,288	33,325
Amy L. Tait	57,000	83,946	14,803	155,749

(1) The service of each of Josh E. Fidler, Nelson B. Leenhouts, Norman P. Leenhouts and Paul L. Smith terminated on May 3, 2011.

(2) Each of the listed Directors, except for Josh E. Fidler, Nelson B. Leenhouts, Norman P. Leenhouts and Paul L. Smith, was granted 1,352 shares of restricted stock on May 10, 2011. This column represents the grant date fair value on the date of issue in accordance with Accounting Standards Codification Topic 718 ("ASC Topic 718"). For additional information, refer to Note 11 of the Company's financial statements in the Form 10-K for the year ended December 31, 2011, as filed with the SEC ("2011 Form 10-K"). The 2011 Form 10-K also is included within the Annual Report delivered to stockholders with this Proxy Statement. To the extent that a Director has elected to participate in the Director Deferred Compensation Plan, this column also includes the value of the 10% Company match. Of the amounts listed in this column, the following amounts represent the value of the Company match: Leonard Helbig $7,070; Norman Leenhouts $4,560: Thomas Lydon, Jr. $4,980; Clifford Smith $9,628.

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(3) This column includes: (a) dividends paid on all shares of restricted stock held by each of the listed Directors whether receipt of the restricted stock was deferred or not; plus (b) value of all hypothetical dividends paid in 2011 on the 10% Company match shares in the listed Director's deferred compensation account.

(4) In addition to the above amounts, prior to his retirement from the Board of Directors on May 3, 2011, Nelson Leenhouts received $850 in dividends paid in 2011 on shares of restricted stock issued to him when he was still an employee of the Company.

The following table shows the aggregate number of outstanding shares of restricted stock and options held by each non-employee Director at December 31, 2011:

Name	Restricted Shares(1)	Unvested Options	Vested Options
Stephen R. Blank	4,269	7,479	3,370
Alan L. Gosule	6,307	9,810	30,743
Leonard F. Helbig III	8,365	9,810	10,343
Charles J. Koch	2,628	3,879	970
Thomas P. Lydon, Jr.	1,352	0	0
Clifford W. Smith Jr.	8,882	9,810	22,543
Amy L. Tait	6,307	9,810	10,343

(1) Some of the Directors deferred receipt of their restricted stock pursuant to the Director Deferred Compensation Plan. This column includes those shares as follows: Mr. Helbig - 7,425 shares; Mr. Lydon - 1,352 shares; and Mr. Smith - 7,942 shares.

CORPORATE GOVERNANCE

Code of Ethics

A significant part of the Company's culture is the focus on "doing the right thing." The Company has adopted a Code of Business Conduct and Ethics ("Code of Ethics") to embody the Company's commitment to continue to conduct business in accordance with the highest ethical standards. The Code of Ethics applies to all employees and Directors of the Company. The Code of Ethics covers such topics as conflicts of interest, proper use of Company property, complete and accurate reporting and disclosure of its business and financial results and compliance with laws. Each employee and each member of the Board of Directors is required on an annual basis to acknowledge that they have received a copy of and reviewed the Code of Ethics and to disclose any situation that may conflict with the provisions of the Code of Ethics. Training on the Code of Ethics and ethical behavior is periodically required for all employees.

The Company has also adopted a Code of Ethics for Senior Financial Officers with Certification ("Senior Financial Officer Code of Ethics") that applies to the Chief Executive Officer, Chief Financial Officer, Chief Accounting Officer/Treasurer and Controller. These individuals also are required to comply with the Code of Ethics.

The Code of Ethics and Senior Financial Officer Code of Ethics meet the definition of "Code of Ethics" under the rules and regulations of the SEC and the listing standards of the NYSE. Both Codes are available on the Company's website at www.homeproperties.com under the heading "Investors/Governance Documents Highlights." In addition, the Company will provide a copy of the Codes to anyone without charge, upon written request addressed to the Corporate

Secretary at Home Properties, Inc., 850 Clinton Square, Rochester, NY 14604. Amendments to the Code of Ethics and Senior Financial Officer Code of Ethics that apply to the executive officers and Directors of the Company and any waivers granted thereunder to those individuals will be posted on the Company's website at www.homeproperties.com under the heading "Investors/Governance Documents Highlights." The Audit Committee of the Board of Directors monitors the implementation and enforcement of both Codes.

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Corporate Governance Guidelines

The Board of Directors has adopted corporate governance guidelines (the “Guidelines”) which meet the requirements of the listing standards of the NYSE and cover such topics as Director qualifications and responsibilities, Director access to management, and Director orientation and continuing education. Some specific policies included in the Guidelines follow.

Retirement Age. The retirement age for Directors is 75.

Change of Employment. Any Director who changes jobs or employers or otherwise experiences a significant change in job responsibilities is to submit a letter to the Board offering to resign as a Board member.

Other Boards. Without the approval of the Corporate Governance/Nominating Committee, Directors may not serve on the Boards of more than two additional public companies.

Stock Ownership. Within five years of becoming a Director of the Company, Directors are required to have equity in the Company having a then current value of not less than $100,000.

Meeting Attendance. Directors are expected to attend each annual stockholders’ meeting, all Board meetings and meetings of the Committees on which they serve. All of the then current Directors attended the 2011 Annual Meeting of Stockholders.

Executive Sessions. The non-management Directors are to meet at least quarterly in executive sessions and, at least once per year, without any Directors who are not independent Directors. The independent Chair presides at the executive sessions.

A copy of the Guidelines is available on the Company’s website at www.homeproperties.com under the heading “Investors/Governance Documents Highlights.” In addition, the Company will provide a copy of the Guidelines to anyone without charge, upon written request addressed to the Corporate Secretary at Home Properties, Inc., 850 Clinton Square, Rochester, NY 14604.

Executive Stock Ownership Guidelines

In keeping with its belief that aligning the financial interests of senior officers of the Company with those of the stockholders will result in enhanced stockholder value, in 2011 the Board established ownership guidelines for those senior officers. These guidelines provide that, prior to February 2014 or within three years of joining the Company or a promotion, whichever is later, the following officers should own shares equal to the following respective multiple of their annual base salary: Chief Executive Officer-5 times; Executive Vice Presidents-3 times; and Senior Vice Presidents-2 times. As of December 31, 2011, all executive officers were in compliance with the guidelines.

A copy of the Executive Stock Ownership Guidelines is available on the Company’s website at www.homeproperties.com under the heading “Investors/Governance Documents Highlights.” In addition, the Company will provide a copy of the Executive Stock Ownership Guidelines to anyone without charge, upon written request addressed to the Corporate Secretary at Home Properties, Inc., 850 Clinton Square, Rochester, NY 14604.

EXECUTIVE COMPENSATION

COMPENSATION DISCUSSION AND ANALYSIS

EXECUTIVE SUMMARY

The Company's executive compensation philosophy supports its mission of maximizing long-term value for stockholders by rewarding successful execution of its vision and short and long-term strategic and operational goals, which are designed to achieve that mission. The Company believes that its success, in large part, is attributable to the performance and dedication of its employees and, in particular, to the leadership efforts of its executive officers. It is therefore important that the interests of executives be aligned closely with the interests of stockholders.

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The Company's executive compensation program for its Chief Executive Officer, Chief Financial Officer and the three other most highly compensated executive officers (our "Named Executive Officers") has the following key objectives:

- Attraction and Retention: The Company seeks to attract and retain highly capable executives both from within and outside the multifamily REIT industry by offering competitive total compensation.
- Motivation: The Company endeavors to motivate its executives to maximize the long-term value of the Company by achieving certain operational and financial goals, while at the same time not encouraging unnecessary or excessive risk taking.
- Linkage: The Company's executive compensation program is tied directly to the operating, financial and stock performance of the Company since the payout under the bonus plan and the value of equity awards are directly impacted by that performance. By ensuring that executives are rewarded in step with the Company's performance, their interests are aligned with the interests of the Company's stockholders.

2011 Financial Performance

In evaluating the Company's executive compensation programs and setting compensation for 2011, the Compensation Committee reviewed the Company's 2011 financial performance. The Company performed well in 2011 in a weak but recovering economic environment.

- Growth in Operating Funds From Operations ("OFFO") of 14% was the second highest in the Company's history. (A description of the Company's calculation of FFO is contained in the 2011 Form 10-K on page 32. Operating FFO ("OFFO") is FFO net of certain non-recurring items such as prepayment penalties incurred on the sale of property and costs associated with the acquisition of real estate.)

- Growth in the Company's net operating income ("NOI") was also strong, increasing 7.6% in 2011, well above the average increase of 6.4% for the other 11 companies in the public apartment REIT sector. This growth comes on top of 2010's superior NOI performance when the Company led the sector in NOI growth and was one of only three public apartment REITs to report a positive increase in NOI. (A description of the Company's calculation of NOI is contained in the 2011 Form 10-K, on page 36.)

- The Company’s five-year total return was higher than the US REIT Index, the S&P 500 and the Company’s Multifamily Peer Group (listed and defined on page 18).

- As of December 31, 2011, the Company’s dividend yield also exceeded the average of a similar comparison group as in the previous chart.

- In 2011, the Company also closed on a record amount of acquisitions.