

HOME PROPERTIES INC  
Form DEF 14A  
March 27, 2007

April 2, 2007

Dear Stockholder:

You are cordially invited to attend the Annual Meeting of Stockholders of Home Properties, Inc. The Annual Meeting will be held on Tuesday, May 1, 2007, at 2:30 p.m. at the Dryden Theatre of the International Museum of Photography at George Eastman House, 900 East Avenue, Rochester, New York 14607.

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

I hope that you will join us at the meeting. Whether you attend or not, your vote on all of 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 insure that your shares are represented at the meeting.

I look forward to seeing you at the meeting.

Sincerely,

HOME PROPERTIES, INC.

/s/ Edward J. Pettinella  
Edward J. Pettinella  
President and Chief Executive Officer

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

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NOTICE OF ANNUAL MEETING OF STOCKHOLDERS  
TO BE HELD ON MAY 1, 2007

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NOTICE IS HEREBY GIVEN that the 2007 Annual Meeting of Stockholders (the "Annual Meeting") of Home Properties, Inc. (the "Company") will be held on Tuesday, May 1, 2007 at 2:30 p.m. at the Dryden Theatre of the International Museum of Photography at George Eastman House, 900 East Avenue, Rochester, New York 14607 for the following purposes:

1. To elect eleven directors of the Company to serve until the 2008 Annual Meeting of Stockholders and until their respective successors are elected;
2. To ratify the appointment of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for 2007; and
3. To consider and act upon any other matters that are properly brought

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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 8, 2007 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 for your shares to be voted to the person responsible for your account.)

There are four ways to vote:

- by completing the enclosed proxy card and returning it in the enclosed postage prepaid envelope;
- by internet at <http://www.proxyvoting.com/hme>;
- by toll-free telephone at 1-866-540-5760; or
- by written ballot at the meeting.

If you vote by internet or telephone, your vote must be received before 11:59 p.m. Eastern Standard Time on April 30, 2007, the day before the Annual Meeting. You may change your vote or revoke your proxy at any time before the Annual Meeting:

- 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;
- by entering a new vote by internet or telephone; or
- by completing a written ballot at the Annual Meeting.

Rochester, New York  
April 2, 2007

By Order of the Board of Directors

/s/ Ann M. McCormick  
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.

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

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PROXY STATEMENT

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FOR 2007 ANNUAL MEETING OF STOCKHOLDERS

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To Be Held on May 1, 2007

April 2, 2007

## 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 2007 Annual Meeting of Stockholders of the Company (the "Annual Meeting"). The Annual Meeting will be held on Tuesday, May 1, 2007 at 2:30 p.m. at the Dryden Theatre of the International Museum of Photography at George Eastman House, 900 East Avenue, Rochester, New York 14607. The approximate date on which the enclosed form of proxy and this Proxy Statement are first being sent to stockholders is April 2, 2007. 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 8, 2007, may vote.

### Outstanding Shares

On March 8, 2007, there were 33,281,018 shares of the Company's Common Stock outstanding. Each share of Common Stock has one vote.

### How to Vote

There are four ways to vote:

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

### How Proxies Work

The Company's Board of Directors is asking for your proxy. By giving us your proxy, you authorize the proxy holder (Edward J. Pettinella, the Company's Chief Executive 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 "for" all the enumerated matters specified in the Notice of Meeting. The proxy holder will also vote shares according to his discretion on any other matter properly brought before the meeting.

You may receive more than one proxy card depending on how you hold your shares. For example, if you hold shares through someone else, such as a stockbroker, you may get proxy material from them. In order for you to vote those shares, you must provide instructions to the record holder as provided in their instructions to you. Even though you have not provided instructions to your record holder, they may vote your shares "for" the election of the nominees for director and "for" the ratification of the independent registered public accounting firm.

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### Quorum

In order to carry out the business of the Annual Meeting, we must have a quorum. This means that at least a majority of the outstanding shares eligible to vote must be represented at the meeting, either by proxy or in person. Votes withheld and abstentions are deemed "present" at the Annual Meeting and will be counted for quorum purposes.

### Votes Needed

The affirmative vote of a plurality of the votes cast at the Annual Meeting is required for the election of directors. The ratification of the appointment of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for 2007 and any other matter properly brought before the meeting requires the favorable vote of a majority of the votes cast. Under Maryland law, if a stockholder abstains on a vote, the abstention does not constitute a vote "for" or "against" a matter. Thus, abstentions are disregarded in determining the "votes cast." Broker non-votes, if any, while counted for general quorum purposes, are not deemed to be "present" with respect to any matter for which a broker does not have authority to vote.

### Changing Your Vote

You may revoke your proxy before it is voted at the 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, 850 Clinton Square, Rochester, New York 14604.

### PROPOSAL 1 ELECTION OF DIRECTORS

At the Annual Meeting, eleven individuals will be elected to serve as directors until the 2008 Annual Meeting and until their successors are elected.

The Board of Directors has nominated Josh E. Fidler, Alan L. Gosule, Leonard F. Helbig, III, Roger W. Kober, Nelson B. Leenhouts, Norman P. Leenhouts, Edward J. Pettinella, Clifford W. Smith, Jr., Paul L. Smith, Thomas S. Summer, 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.

If the Nominees are all elected, the size of the Board of Directors will decrease from twelve members to eleven members since William Balderston, III is retiring from the Board and will not stand for re-election pursuant to the Board of Directors' retirement policy. No successor is currently being nominated to replace Mr. Balderston.

The affirmative vote of a plurality of the votes cast at the Annual Meeting is required for the election of the Nominees as directors.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE NOMINEES.

### Information Regarding Nominees for Director

Brief biographical descriptions of the Nominees follow. The information was furnished to the Company by the Nominees. The information is up to date through

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March 8, 2007.

Josh E. Fidler, age 51, has been a director of the Company since August, 2004. Mr. Fidler is a Founding Partner of Boulder Ventures, Ltd., a manager of venture capital funds, which has been in operation since 1995. Since 1985, he also has been a principal in a diversified real estate development business known as The Macks Group. In 1999, the Company acquired 3,297 apartment units from affiliates of The Macks Group. Mr. Fidler was also a principal of the entity which owned a 240-unit apartment community which the Company purchased in 2004. He is a graduate of Brown University and received a law degree from New York University. Mr. Fidler is a member of the Maryland Region Advisory Board of SunTrust Bank, the Board of John Hopkins Medicine and President-elect of the Board of Trustees of The Park School.

Alan L. Gosule, age 66, has been a director of the Company since 1996. Mr. Gosule has been a partner in the New York Office of the law firm of Clifford Chance US LLP since August 1991 and prior to that time was a partner in the law firm of Gaston and Snow. Mr. Gosule is a graduate of Boston University and its Law School and received an LLM in Taxation from Georgetown University. Mr. Gosule also serves on the Board of Directors of MFA Mortgage Investments, Inc. and is a voting trustee of F.L. Putnam Investment Management Company.

Leonard F. Helbig, III, age 61, has been a director of the Company since 1994. Since September 2002 he has served as a Director of Integra Realty Advisors in Philadelphia. Between 1980 and 2002 he was employed with Cushman and Wakefield, Inc. From 1990 until 2002, Mr. Helbig served as President, Financial Services for Cushman and Wakefield, Inc. Prior to that and since 1984, Mr. Helbig was the Executive Managing Director of the Asset Services and Financial Services Groups. He was a member of that firm's Board of Directors and Executive Committee. Mr. Helbig is a member of the Urban Land Institute, the Pension Real Estate Association and the International Council of Shopping Centers. Mr. Helbig is a graduate of LaSalle University and holds the MAI designation of The Appraisal Institute.

Roger W. Kober, age 73, has been a director of the Company since 1994. He was employed by Rochester Gas and Electric Corporation from 1965 until his retirement on January 1, 1998. From March 1996 until January 1, 1998, Mr. Kober served as Chairman and Chief Executive Officer of Rochester Gas and Electric Corporation. He is a Trustee Emeritus of Rochester Institute of Technology. Mr. Kober is a graduate of Clarkson College and holds a Masters Degree in Engineering from Rochester Institute of Technology.

Nelson B. Leenhouts, age 71, has served as Board Co-Chair since his retirement as Co-Chief Executive Officer effective January 1, 2004. He had served as Co-Chief Executive Officer, President and a director of the Company since its inception in 1993. Since its formation, he has also served as a director of Home Properties Resident Services ("HPRS"), for which he also had served in various officer capacities prior to his retirement. Mr. Leenhouts also served as a Senior Advisor to the Company pursuant to an Employment Agreement with a term that expired on December 31, 2006. In addition, Nelson Leenhouts was employed by the Company to fulfill additional responsibilities with respect to the Company's development activities pursuant to a Development Agreement, the term of which also expired on December 31, 2006. Mr. Leenhouts subsequently entered into an Employment Agreement with a term that expires on December 31, 2007. Pursuant to the current Employment Agreement, Mr. Leenhouts will continue to lead the Company's development activities. Nelson Leenhouts is the founder, and a co-owner, together with Norman Leenhouts, of Home Leasing Corporation ("Home Leasing"), and has served as President of Home Leasing since 1967. He is a member of the Board of Directors of the Genesee Valley Trust Company. Nelson Leenhouts is a graduate of the University of Rochester. He is the twin brother of Norman Leenhouts and the uncle of Amy L. Tait.

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Norman P. Leenhouts, age 71, has served as Board Co-Chair since his retirement as Co-Chief Executive Officer effective January 1, 2004. He had served as Board Chair, Co-Chief Executive Officer and a director of the Company since its inception in 1993. Since its formation, he has also served as a director of HPRS. Mr. Leenhouts also served as a Senior Advisor to the Company pursuant to an Employment Agreement with a term that expired on December 31, 2006. Prior to January 1, 2006, Norman Leenhouts was a co-owner, together with Nelson Leenhouts, of Home Leasing, where he had served as Board Chair since 1971. He is currently the Chair of Broadstone Ventures, LLC and Broadstone Real Estate, LLC, formed to continue the commercial property management business of Home Leasing. He is a member of the Board of Trustees of the University of Rochester, Roberts Wesleyan College and The Charles E. Finney School, where he also serves as Board Chair. He is a graduate of the University of Rochester and is a certified public accountant. He is the twin brother of Nelson Leenhouts and the father of Amy L. Tait.

Edward J. Pettinella, age 55, has served as President and Chief Executive Officer of the Company since January 1, 2004. He is also a director. He joined the Company in 2001 as an Executive Vice President and director. He is also the President and Chief Executive Officer of HPRS. From 1997 until February 2001, Mr. Pettinella served as President, Charter One Bank (NY Division) 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 United Way of Greater Rochester, Rochester Business Alliance, The Lifetime Healthcare Companies, National Multi Housing Counsel, Syracuse University School of Business and the Geneseo Foundation Board. He is also on the Board of Governors of National Association of Real Estate Investment Trusts and is a member of Urban Land Institute. Mr. Pettinella is a graduate of the State University of New York at Geneseo and holds an MBA Degree in finance from Syracuse University.

Clifford W. Smith, Jr., age 60, 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 various journals. Mr. Smith is a graduate of Emory University and has a PhD from the University of North Carolina at Chapel Hill.

Paul L. Smith, age 71, has been a director of the Company since 1994. Mr. Smith was a director, Senior Vice President and the Chief Financial Officer of the Eastman Kodak Company from 1983 until he retired in 1993. He was a member of the Financial Accounting Standards Advisory Council. He is currently a director of Constellation Brands, Inc. He is also a member of the Board of Trustees of the George Eastman House and Ohio Wesleyan University. Mr. Smith is a graduate of Ohio Wesleyan University and holds an MBA Degree in finance from Northwestern University.

Thomas S. Summer, age 53, has been a director of the Company since August, 2004. Mr. Summer has been the Executive Vice President and Chief Financial Officer of Constellation Brands, Inc. since 1997. Mr. Summer and Constellation Brands have announced that Mr. Summer is retiring from that position on or about May 15, 2007. Pursuant to the Company's Corporate Governance Guidelines, Mr. Summer offered to resign as a Board member as a result of his anticipated change of employment. His offer to resign was not accepted by the Board. Prior to his employment by Constellation Brands, he held various positions in financial management with Cardinal Health, Inc., PepsiCo, Inc., and Inland Steel Industries. He is also a member of the Boards of Greatbatch, Inc. and AIDS Rochester, Inc. Mr. Summer is a graduate of Harvard University and holds an MBA

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degree in finance and accounting from the University of Chicago.

Amy L. Tait, age 48, has served as a director of the Company since its inception in 1993. Effective February 15, 2001, Mrs. Tait resigned her full-time position as Executive Vice President of the Company and as a director of HP Management. She continued as a consultant to the Company pursuant to a consulting agreement that terminated on February 15, 2002. She is currently the Chief Executive Officer and a director of Broadstone Ventures, LLC and Broadstone Real Estate, LLC, where she also serves as Secretary. Mrs. Tait joined Home Leasing in 1983 and held several positions with the Company, including Senior and Executive Vice President and Chief Operating Officer. She currently serves on the M and T Bank Regional Advisory Board and the boards of the United Way of Rochester, Princeton Club of Rochester, Al Sigl Center, Center for Governmental Research, Allendale Columbia School, Monroe County Center for Civic Entrepreneurship and the Simon School Executive Advisory Committee. Mrs. Tait is a graduate of Princeton University and holds an MBA 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.

### BOARD MATTERS

#### Board Composition

The Company is managed by its Board of Directors. If all of the Nominees are elected, the Board will have eleven members. With the retirement of William Balderston, III, the Board decided, at least for the current time, to reduce the size of the Board from twelve members to eleven. This decision was based on various considerations, including efficiency.

#### 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 2006, the Board of Directors met nine times, including regular and special meetings. Each director attended at least 75% of the Board's meetings, except for Josh Fidler, who attended 66 2/3% of the meetings. The three meetings that Mr. Fidler missed were special meetings, two of which were called with relatively short notice. Seven of the twelve directors attended all of the meetings. Four directors each missed one meeting.

#### Board Independence

Ten of the Company's twelve Board members are not employed by the Company. The Board of Directors has determined that eight of the non-employee directors are "independent" within the meaning of the Securities and Exchange Commission ("SEC") and the New York Stock Exchange ("NYSE") current director independence standards. The independent directors are: William Balderston, Josh Fidler, Alan Gosule, Leonard Helbig, Roger Kober, Clifford Smith, Paul Smith and Thomas Summer. This represents more than a majority of the members of the Board of Directors. The directors determined by the Board not to be independent under the above standards were Nelson Leenhouts, Norman Leenhouts, Edward Pettinella and Amy Tait.

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

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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 ("UPREIT Units") in Home Properties, L.P. (the "Operating Partnership"), which are exchangeable on a one-for-one basis for Common Stock and have customarily received distributions equivalent to distributions on the Common Stock, does not bar the Board from determining that a director is independent. Messrs. Balderston, Gosule, Helbig, Kober, C. Smith, P. Smith and Summer 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.

In evaluating the independence of Mr. Fidler, the Corporate Governance/Nominating Committee and the full Board considered the additional relationships between Mr. Fidler and the Company and determined that none of them was material and that Mr. Fidler is independent. Specifically, Mr. Fidler is a principal in a diversified real estate development business known as The Macks Group. In 1999, the Company acquired 3,297 apartment units from affiliates of The Macks Group. As partial consideration for the purchase, Mr. Fidler and members of his family acquired approximately 800,000 UPREIT Units in Home Properties L.P. Pursuant to the purchase agreement, the Company agreed not to sell or refinance the apartments in a transaction which would require the sellers to recognize taxable income deferred in connection with the sale. In addition, the Company agreed to register with the SEC shares of its Common Stock for which the UPREIT Units could be exchanged, to pay dividends on the UPREIT Units comparable to those paid on the Company's Common Stock, and to provide the holders of the UPREIT Units certain rights to protect their tax and economic interests in the event of a "going private" transaction involving the Company. The Board determined that these rights are not material to the Company and do not impair Mr. Fidler's independence from management. In addition, in 2004, the Company acquired a 240-unit apartment community for \$29,496,000 in cash from an entity owned by Mr. Fidler and members of his family. Certain customary representations and warranties by both the Company and the sellers continue to survive, including related indemnity obligations for any breaches. The Board determined that since no breaches have occurred in the almost three years since the acquisition and since any breaches by either the Company or the sellers would not be material to the Company, the ongoing contractual provisions are not material to the Company and do not impair Mr. Fidler's independence from management.

Norman Leenhouts is not an independent director because he was employed by the Company until December 31, 2006 and his brother Nelson remains an employee. As she is Norman Leenhouts' daughter, Amy Tait is not an independent director. Nelson Leenhouts and Edward Pettinella are not independent as they are currently employed by the Company.

### Board Evaluation

In 2006, each Board member participated in a written self-evaluation of their 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 Board has established certain minimum qualifications for prospective Board members. These include a successful professional career as well as the potential to contribute to the effectiveness of the Board as a whole. Specific qualifications or skills that a prospective Board member must possess include candor, trustworthiness, high ethical standards, dedication and a desire to work hard. Specific expertise must include one of the following: successful financial, legal, academic, mergers and acquisitions, technology utilization or business operating experience.



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### 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 that meet the Board qualifications. Candidates may come to the attention of the Committee through current Board members, stockholders, management or other persons. 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 Co-Chairs of the Board and the Chief Executive Officer. Selected candidates would then be invited to interact 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 2008 Annual Meeting and inclusion in the Proxy Statement for the 2008 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 December 2, 2007.

### Director Communications

Stockholders and other interested parties may communicate with the Board of Directors by sending written materials to the Board or any of the directors 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 written communications to the Board of Directors or individual members designated by the stockholder or other interested party.

### Compensation Committee Interlock 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.

### 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](http://www.homeproperties.com) under the heading "Investors/Corporate Governance 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 currently consists of Alan Gosule, Leonard Helbig,

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Roger Kober, Paul Smith and Thomas Summer. Paul Smith chairs this Committee. Following the Annual Meeting and contingent upon their re-election to the Board, the Audit Committee will consist of Alan Gosule, Roger Kober, Paul Smith and Thomas Summer with Paul Smith 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 Company's independent registered public accounting firm.

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 of a "hot line" (1-877-888-0002) where such concerns and complaints can be anonymously reported.

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 one other public company. 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 each of Roger Kober, Paul Smith and Thomas Summer qualifies 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 five times in 2006. Each of the members of the Audit Committee attended all of the Committee's meetings. In 2006, the Audit Committee conducted a self-evaluation.

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](http://www.homeproperties.com) under the heading "Investors/Corporate Governance 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 currently consists of William Balderston, Roger Kober and Clifford Smith, each of whom has been determined by the Board to be an independent director. Clifford Smith chairs this Committee. Following the Annual Meeting, and contingent upon their re-election to the Board, the Compensation Committee will consist of Josh Fidler, Leonard Helbig, Roger Kober and Clifford Smith, with Mr. Helbig serving as Chair. Each of the new members also has been determined by the Board to be an independent director.

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.

The agenda for meetings of the Compensation Committee is determined by its Chair with the assistance of the Senior Vice President of Human Resources and

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the Company's General Counsel. Compensation Committee meetings are regularly attended by the Co-Chairs of the Board, the Chief Executive Officer, the Senior Vice President of Human Resources and the General Counsel. At each meeting, the Compensation Committee meets in executive session. 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 of Human Resources, may be delegated authority by the Compensation Committee to fulfill certain administrative duties regarding the compensation programs. The Compensation Committee has 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 to outside consultants by the Company to ensure that the consultants maintain their objectivity and independence when rendering advice to the Compensation Committee.

In 2006, the Compensation Committee retained the services of FPL Advisory Group and Mercer Human Resource Consulting. These consultants were engaged directly by the Compensation Committee. FPL Advisory Group is a human resources and management firm that specializes in the real estate and related financial services industries. In 2006, they were retained to provide information on current market trends and practices relating to Chair of the Board compensation practices, material provisions of Chief Executive Officer employment agreements, retirement and long-term incentive programs. In 2006, Mercer Human Resource Consulting was retained by the Compensation Committee to provide additional data and advice regarding Chair of the Board compensation, the prevalence of employment contracts for chief executive officers, the typical severance/change in control provisions in such contracts and the prevalence of long-term incentive programs. Mercer Human Resource Consulting was also retained by the Compensation Committee to assist management with the preparation of the Compensation Discussion and Analysis included in this Proxy Statement.

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

The Compensation Committee met five times in 2006. Each of the members of the Compensation Committee attended all of the Committee's meetings. In 2006, the Compensation Committee conducted a self-evaluation.

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](http://www.homeproperties.com) under the heading "Investors/Corporate Governance 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.

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 William Balderston, Clifford Smith and Paul Smith, each of whom has been determined by the Board to be an independent director. William Balderston chairs the Corporate Governance/Nominating Committee. Following the Annual Meeting, and contingent upon their re-election to the Board, the Corporate Governance/Nominating Committee will consist of Leonard Helbig, Alan Gosule, Clifford Smith and Paul

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Smith with Clifford Smith serving 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 and the Chief Executive Officer.

The Corporate Governance/Nominating Committee met four times in 2006. Each of the members of this Committee attended all of the Committee's meetings. In 2006, the Corporate Governance/Nominating Committee conducted a self-evaluation.

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](http://www.homeproperties.com) under the heading "Investors/Corporate Governance 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 consists of at least three directors, at least a majority of whom shall be non-employee directors.

Josh Fidler, Leonard Helbig, Nelson Leenhouts, Edward Pettinella and Amy Tait are the current members of the Real Estate Investment Committee. Amy Tait chairs this Committee. Following the Annual Meeting, and contingent upon his re-election to the Board, Thomas Summer will be added as a member of the Real Estate Investment Committee.

The purpose of the Real Estate Investment Committee is to review potential acquisitions and dispositions 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 seven times in 2006. Each of the members of this Committee attended all of the Committee's meetings. In 2006, the Real Estate Investment Committee conducted a self-evaluation.

### BOARD COMPENSATION

In 2006, the Company paid its non-employee directors an annual stipend of \$30,000. An additional annual stipend in the amount of \$10,000 was paid to the Chair of each of the Committees. Non-employee directors were also paid \$1,200 per day for attendance (in person or by telephone) at Board and Committee meetings provided the Committee meetings were held on a different day from the Board meetings. In addition, in 2006, each of the non-employee directors was issued 1,000 shares of restricted stock and 4,000 options pursuant to the Company's Amended and Restated 2003 Stock Benefit Plan (the "Stock Plan"). The options were issued at an exercise price of \$51.06 per share, which was the closing price of a share of the Company's Common Stock on the date of the 2006 Annual Meeting.

For 2007, the annual stipend will remain at \$30,000, the additional stipend paid to the Committee Chairs will remain at \$10,000 and the meeting fees will increase to \$1,400 per day. In addition, beginning in 2007, a meeting fee will be paid for each meeting attended regardless of the number of meetings held in a day. This change was made in recognition of the time and effort required to adequately prepare for each meeting. Norman Leenhouts will be paid an additional annual stipend of \$100,000 for his services as Co-Chair and for additional services to be rendered in connection with the Company's acquisition and disposition activities. The Stock Plan provides for the issuance of up to 1,000

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shares of restricted stock to each of the non-employee directors in 2007. The Board authorized a grant equal to the number of shares (not to exceed 1,000) equal to \$55,000 divided by the closing price of a share of the Company's Common Stock on the date of issuance, which was to be the first dividend payment date in 2007, February 28, 2007. The closing price that day was \$58.51 and, as a result, each of the non-employee directors, except for Mr. Balderston, was issued 940 shares of restricted stock. In recognition of his retirement following the Annual Meeting and the fact that, at retirement, he will have served as a director for half of the Board's quarterly meetings, Mr. Balderston was paid in cash the pro-rata share (one-half) of the value of the restricted stock or \$27,500 in lieu of being issued restricted stock. The Stock Plan also provides for the issuance of up to 4,000 options to each of the non-employee directors in 2007. The Board has approved the issuance of options for the number of shares equal to \$26,000 divided by 12.5% of the closing price of a share of the Company's Common Stock on the date of grant, which is to be the date of the Annual Meeting provided that the number of options to be issued is not to exceed 4,000. The Board determined the 2007 compensation level for non-employee directors based on an analysis of the amount and type of consideration paid to the boards of the Company's peer group.

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, which 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 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 as of the day when 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, 2006. There are no amounts to report in the Non-Equity Incentive Plan Compensation and the Change in Pension Value and Nonqualified Deferred Compensation Earnings columns so these have not been included on the table.

### 2006 DIRECTOR COMPENSATION TABLE

Fees Earned or Paid in Cash	Stock Awards	Option Awards	All Other Compensation
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Name (1) -----	(\$ ) (2) -----	(\$ ) (3) (4) -----	(\$ ) (5) -----	(\$ ) (6) -----
William Balderston III	65,200	55,880	35,309	6,104
Josh E. Fidler	49,200	49,360	28,228	4,179
Alan L. Gosule	52,800	49,360	35,309	7,892
Leonard F. Helbig III	57,600	55,120	35,309	8,620
Roger W. Kober	52,800	54,640	35,309	7,597
Clifford W. Smith Jr.	98,200	59,180	35,309	9,104
Paul L. Smith	64,000	49,360	35,309	6,551
Thomas S. Summer	52,800	49,360	28,228	4,179
Amy L. Tait	64,000	49,360	35,309	5,978

(1) Nelson Leenhouts and Norman Leenhouts are not listed on this table as they were employees of the Company until December 31, 2006 pursuant to Employment Agreements which are described in "Transactions with Related Persons, Promoters and Certain Control Persons" beginning on page 34. They did not receive any compensation for their services as directors in 2006.

(2) The amount in this column is inclusive of fees that were deferred pursuant to the Director Deferred Compensation Plan. Messrs. Balderston, Helbig, Kober and C. Smith deferred 100% of their 2006 cash compensation.

(3) Each of the listed directors was granted 1,000 shares of restricted stock in 2006. This column includes the grant date fair value of the restricted stock award, which was calculated using the closing price (\$49.36) of a share of the Company's Common Stock on the grant date (February 28, 2006). Messrs. Helbig, Kober and C. Smith deferred receipt of this restricted stock pursuant to the Director Deferred Compensation Plan.

(4) For those directors who deferred their cash compensation, this column also includes the value of the Company's 10% contribution made in 2006. Any amount in excess of \$49,360 is the grant date fair value of the 10% contribution.

(5) Each of the directors was granted options to purchase 4,000 shares of the Company's Common Stock in 2006. This column represents the dollar amount recognized for financial statement reporting purposes with respect to 2006 for the fair value of stock options granted to each of the directors in 2006 as well as prior years, in accordance with SFAS 123R except, pursuant to SEC rules, the amounts shown exclude the impact of estimated forfeitures related to service-based vesting conditions. The grant date fair value of these options was \$6.33 per share or \$25,320 in the aggregate per director. This value was calculated using the Black-Sholes formula. For additional information on the valuation assumptions with respect to the 2006 grants as well as the grants made prior to 2006, refer to note 9 of the Company's financial statements in the Form 10-K for the year ended December 31, 2006, as filed with the SEC.

(6) This column represents: (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 2006 on the Company 10% match shares in the listed director's deferred compensation account.

### CORPORATE GOVERNANCE

#### Code of Ethics

A very 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

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("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.

The Company has also adopted a Code of Ethics for Senior Financial Officers ("Senior Financial Officer Code of Ethics") that applies to the Chief Executive Officer, Chief Financial 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](http://www.homeproperties.com) under the heading "Investors/Corporate Governance 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 and any waivers granted thereunder will be posted on the Company's website under that heading. The Audit Committee of the Board of Directors monitors the implementation and enforcement of both Codes.

### Corporate Governance Guidelines

The Board of Directors has adopted a set of 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 was changed in February 2006 to 75. Previously, the retirement age of 75 was subject to exceptions if a determination was made by the other directors, after confidential discussion, that the over age 75 director was expected to make a significant contribution to the Company during the following year. As of the 2007 Annual Meeting, no exceptions will be permitted. As a result, William Balderston, III, is retiring from the Board of Directors and will not stand for re-election.

**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.** 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 directors attended the 2006 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 Chair of the Corporate

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Governance/ Nominating Committee presides at the executive sessions.

A copy of the Guidelines is available on the Company's website at [www.homeproperties.com](http://www.homeproperties.com) under the heading "Investors/Corporate Governance 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.

### Stock Option Restrictions

The Stock Plan approved by the Company's stockholders at the 2005 Annual Meeting includes some features that are designed to closely align the interests of management with those of the stockholders. Options may not be repriced. Options held by the Company's executive officers do not vest automatically upon retirement but continue to vest as scheduled. Directors and the executive officers of the Company must hold an equivalent number of shares as were issued on an option exercise for a one-year period.

## EXECUTIVE COMPENSATION

### COMPENSATION DISCUSSION AND ANALYSIS

The Company's mission is to maximize long-term stockholder value by acquiring, repositioning, developing, and managing market-rate apartment communities while enhancing the quality of life for its residents and providing employees with opportunities for growth and accomplishment. The Company's vision is to be a prominent owner and manager of market-rate apartment communities located in selected high barrier, high growth markets.

The Company's business strategies include: (i) aggressively managing and improving its communities to achieve increased net operating income; (ii) acquiring additional apartment communities with attractive returns at prices that provide a positive spread over the Company's cost of capital; (iii) developing new apartment communities on raw land, on land adjacent to existing owned communities and where there are density opportunities to replace existing garden apartments with mid- or high-rise structures; (iv) disposing of properties that have reached their potential; and (v) maintaining a strong and flexible capital structure with cost-effective access to the capital markets.

The Company's executive compensation philosophy is designed to support its mission of creating long-term value for stockholders and the successful execution of its vision and business strategies outlined above. The Company believes that its success in achieving these goals is, in large part, 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.

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:

- o Attraction and Retention: The Company seeks to attract and retain highly capable executives both from within and outside the multi-family REIT industry by offering a competitive total compensation package;
- o Motivation: The Company endeavors to motivate its executives to maximize the long-term value of the Company by achieving certain operational and financial goals; and



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- o Linkage: The Company's executive compensation program is tied directly to the operating, financial and stock performance of the Company. 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.

### Oversight of the Executive Compensation Program

The Compensation Committee (the "Committee") is responsible for, among other things, establishing, administering and reviewing compensation plans and policies for executive officers and ensuring that these executive officers are compensated in a manner consistent with the philosophy and objectives outlined above. The Committee also administers the Company's stock option plans (including reviewing and approving stock option grants and other awards to executive officers), reviews and approves the Company's goals and objectives relevant to compensation of the executive officers and considers the structure of the Company's compensation program as it applies to all employees. When appropriate, the Committee recommends to the full Board changes to the executive and the general compensation plans. In addition, on an annual basis, the Committee makes specific compensation recommendations to the Board relating to the Company's Chief Executive Officer and approves the compensation for the other executive officers.

For additional information on the members of the Committee and on the structure, scope of authority, and operation of the Committee, see "Compensation Committee" beginning on page 7.

### Setting Executive Compensation

#### Guiding Principles

It is the Committee's practice to provide a balanced mix of cash- and equity-based compensation that the Committee believes appropriate to align the short- and long-term interests of executives with that of stockholders and to encourage executives to act in the interest of stockholders. When the Committee considers any component of the Chief Executive Officer's and the other executive officers' compensation, the aggregate amounts and mix of all components, including salary, bonus, equity and the Company's 401(k) Savings Plan match, are taken into consideration. In addition, when reviewing the Chief Executive Officer's compensation, the Committee also takes into account his accumulated option and restricted stock gains. Although the Committee does not target a specific level of compensation relative to industry peers, it generally seeks to provide total target compensation (consisting of base salary, annual cash incentives and equity incentives) that approximates the market median if median levels of performance are achieved, greater compensation if above-median levels of performance are achieved and lesser compensation if performance levels are below expectations.

The Committee believes that appropriately balancing the total package and ensuring the viability of each component of the package is necessary to provide a market-competitive level of compensation and benefits, as well as to ensure the health of the Company, which benefits employees and stockholders alike. It is the Committee's practice to make the most significant compensation decisions in a multi-step process over more than one meeting, so that Committee members have the ability to consider and discuss alternative courses of action, to request additional information as necessary and to raise and discuss related questions.

As part of its annual review process, the Committee reviews a compensation tally sheet which details the Chief Executive Officer's total compensation (salary, bonus, equity and the Company's 401(k) Savings Plan match) for the

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current year and the prior year. The Committee also receives an overview of his equity ownership in addition to an overview of compensation that would be due to him under various termination scenarios. The Committee recommends to the full Board for approval the level of the Chief Executive Officer's total compensation. The full Board also considers written evaluations of the Chief Executive Officer's performance completed by each member of the Board in addition to each of his direct reports. The Board meets in executive session to approve each element of the compensation package for the Chief Executive Officer.

### Role and Responsibilities

The Committee has the authority to engage the services of outside advisors and experts for assistance in making compensation decisions. In 2006, the Committee hired FPL Advisory Group, a human resource and management consultancy specializing in the real estate and related financial services industries, to provide competitive market data and advice on various executive compensation issues, including the Chief Executive Officer's employment agreement.

The Committee also worked with Mercer Human Resource Consulting which served as a compensation consultant for the Committee to provide competitive market data and advice on various executive compensation issues, including the Chief Executive Officer's employment agreement and the Company's long-term incentive practices.

In addition to considering input provided by its outside advisors, the Committee also considers input from senior management in making determinations regarding the overall executive compensation program and the individual compensation of the executive officers. The Company's human resources team supports the Committee and its work and, in some cases, acts pursuant to delegated authority to fulfill various functions in administering the Company's compensation programs.

The Chief Executive Officer annually reviews the performance of each of the executive officers. The conclusions reached and recommendations based on these reviews for base salary levels and annual bonus target amounts are presented to the Committee. The Committee can exercise its discretion in modifying any recommended base salary levels or annual bonus target amounts.

### Competitive Benchmarking

As part of its consideration as to the appropriateness of the executive officers' compensation, the Committee reviews market data for executives in the residential sector classification of real estate companies and for executives in comparably sized companies in the services industry. The primary benchmark used by the Committee for the Chief Executive Officer's compensation, as well as the compensation of the other named executives, is the peer group in the multi-family REIT industry (the "Industry Peer Group"). This is the same peer group that is used to calculate the bonus payable pursuant to the Company's Incentive Compensation Plan. See "Annual Incentive Awards" beginning on page 15. The Industry Peer Group, which is periodically reviewed and updated by the Committee, consists of companies against which the Committee believes the Company competes for talent and for stockholder investment. The Committee recognizes that the members of the Industry Peer Group vary in terms of the size of their market capitalization and takes this variation into account in its use of related data. During 2006, the Industry Peer Group was comprised of the following companies:

- o Apartment Investment and Management Company
- o Archstone-Smith Trust

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- o AvalonBay Communities, Inc.
- o BRE Properties, Inc.
- o Camden Property Trust
- o Equity Residential
- o Essex Property Trust, Inc.
- o Mid-America Apartment Communities, Inc
- o Post Properties, Inc.
- o UDR, Inc.

Industry Peer Group compensation data is taken from their most recently available proxy statements and analyzed by the Company's human resources team under the direction of the Committee. This benchmarking is done with respect to the key elements of the executive compensation program, as well as the compensation levels of individual executives where job descriptions are sufficiently similar. Industry Peer Group compensation data is supplemented by survey data obtained from the National Association of Real Estate Investment Trusts (NAREIT), which is the trade association for REITs and publicly traded real estate companies with an interest in US property and investment markets, and from Watson Wyatt, a global human resource consulting firm. The compensation data from NAREIT reflects the residential property sector classification and the compensation data from Watson Wyatt reflects services industry companies with comparable revenue within the New York/Northeast and Mid-Atlantic regions.

### 2006 Executive Compensation Components

For 2006, the primary elements of compensation for the Named Executive Officers were:

- o base salary,
- o annual incentive awards,
- o long-term equity incentive awards,
- o deferred compensation, and
- o retirement and other benefits.

### Base Salary

The Company provides Named Executive Officers and other employees with base salary to compensate them for services rendered during the fiscal year. Base salaries for the executive officers, including the Named Executive Officers, generally are established based on the individual's job responsibilities, performance and experience, the Company's overall budget for merit increases and the competitive environment. On an annual basis, the Committee reviews and approves salary adjustments for the executive officers, other than the Chief Executive Officer, based on a review of competitive market data, an assessment of Company performance, as well as recommendations of the Chief Executive Officer. With respect to salary adjustments for the Chief Executive Officer, the Committee reviews competitive market data, assesses the annual performance reviews for the Chief Executive Officer completed by each member of the Board of Directors and his direct reports, assesses Company performance, and, after extensive discussion at a Committee executive session, makes a recommendation to the full Board for approval during a Board executive session. Annual adjustments

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are typically approved at the Committee and Board meetings held in February, are effective in mid-March and remain effective for twelve months. The Named Executive Officers' base salary included in the 2006 Summary Compensation Table on page 22, represents the base salary paid from January 1, 2006 to March 15, 2006 at the level approved in February 2005 and for the period from March 16, 2006 to December 31, 2006 at the level approved in February 2006. In February 2007, the Committee approved increases for the Named Executive Officers (other than the Chief Executive Officer) for the period from March 16, 2007 to March 15, 2008 as follows: David Gardner - \$320,000 (from \$300,000); Ann McCormick - \$272,000 (from \$260,400); Scott Doyle - \$250,000 (from \$240,000) and John Smith \$240,000 (from \$225,000). In addition, based on a recommendation by the Compensation Committee, the Board approved an increase in Edward Pettinella's base salary to \$550,000 (from \$525,000).

### Annual Incentive Awards

The Company's Amended and Restated Annual Incentive Plan (the "Bonus Plan") was approved by the Board in February of 2005 and is an annual cash incentive program designed to motivate executive officers and certain other full-time employees to maximize the Company's annual operating and financial performance and reward participants based on the Company's annual performance. The Committee annually reviews the Bonus Plan to ensure it continues to provide the appropriate level and type of motivation consistent with the Company's strategic, operational and financial objectives.

Currently under the Bonus Plan participants are eligible to earn a cash incentive award based upon two measures: (1) growth in the Company's funds from operations ("FFO") on a per share diluted basis from the previous year, and (2) growth in "same store" (for 2006, this was properties owned since January 1, 2005) net operating income ("NOI") from the previous year as compared to the Industry Peer Group. When evaluating the appropriate metrics to use in the Bonus Plan, the Committee considered the Company's strategic, operational and financial objectives, as well as industry-specific metrics typically used by peers, investors and analysts for measuring financial success. FFO is considered by the Committee to be an important indicator of the Company's overall financial performance and is therefore given a 75% weighting in determining incentive payments. When calculating FFO for the purposes of the Bonus Plan, the Committee may approve the exclusion of certain non-recurring items from published FFO results based on extraordinary events such as catastrophic natural disasters or other events outside of the control of management and the receipt of income representing a windfall not related to the operations of the Company's business. No such adjustment to published FFO occurred with respect to the 2006 bonus. Same store NOI relative to the Industry Peer Group, which is considered by the Committee to be an important driver of real estate property values and thus stockholder value, receives a 25% weighting. The Committee periodically reviews the annual incentive plan metrics and their respective weightings to ensure consistency with the Company's business objectives.

When designing the Bonus Plan, the Committee identified a range of financial performance for both FFO and NOI that reflected acquisition targets, expected revenue growth and economic conditions inherent in the Company's strategic plan. The Committee has discretion in determining the calculation of FFO for purposes of this plan. In consideration of the degree of difficulty associated with that range of expected Company financial performance, the Committee specified that 4.0-12.0 bonus units could be earned. The Committee also established a ceiling and a floor of expected financial performance for both the FFO and NOI metrics. In the event the Company experiences financial performance in either FFO or NOI below the floor or above the ceiling, the Committee has complete discretion in determining bonus unit award levels that it will recommend for the Board's approval. In such an event, the issues the Committee considers, among others, are economic conditions, the Company's performance relative to its industry peers and extraordinary events. The

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Committee did not need to exercise that discretion in 2005 or in 2006 since the Company achieved a bonus award payout in excess of the floor and below the ceiling.

At the beginning of each year, the Committee reviews the ceiling and the floor of the Bonus Plan. If industry conditions merit, the Committee recommends to the Board that the ceiling or floor be revised. The ceiling is intended to represent a difficult to achieve level of performance and the floor to represent a modest (but not poor) level of performance. Note, by basing the bonus on year-over-year change in FFO, rather than the more common approach of absolute FFO, the Company's bonus payments are more sensitive to performance and the Company's bonus payments are more variable from year to year.

The Committee also assigns at the beginning of each year a bonus factor to the Chief Executive Officer and, with input from the Chief Executive Officer, assigns a bonus factor to each of the other Named Executive Officers. It is the Committee's philosophy that the proportion of an individual's total compensation that varies with individual and Company performance should increase as the individual's business responsibilities increase. Bonus factors therefore range from 1% to 13%, depending on an individual's role and responsibility. The annual bonus earned is equal to a participant's salary times the participant's bonus factor times bonus units earned, plus or minus discretionary performance factors as described below. The Committee expects that, under normal economic conditions, the Named Executive Officers will earn bonus payments from 35% to 65% of their base salaries and the Chief Executive Officer will earn bonus payments from 65% to 100% of his base salary.

The bonus factor assigned to each of the Named Executive Officers for 2006 can be found on page 23 in footnote 4 to the 2006 Summary Compensation Table. In February 2007, the Committee considered the bonus factors assigned to each of the Named Executive Officers and decided not to change them for 2007.

The Committee has discretion for determining and recommending to the Board what portion (up to 100%) of the annual incentive otherwise earned should be paid to the Chief Executive Officer. In making its determination as to what portion of the 2006 annual incentive (payable in 2007) should be paid to the Chief Executive Officer, the Committee considered a variety of factors including leadership and managerial competencies, execution of the Company's business plan and overall business strategy, the Company's absolute and relative financial performance as well as results from the performance appraisal completed by directors and the Chief Executive Officer's direct reports. In addition, the Committee considered progress on several initiatives led by Mr. Pettinella. Based on the Committee's consideration of all of these factors, in February 2007, the Committee recommended and the Board approved payment to the Chief Executive Officer of 100% of his 2006 annual incentive.

With respect to determination of final annual incentive awards to other executive officers, including the Named Executive Officers other than the Chief Executive Officer, up to 50% of the award payment is discretionary. The Chief Executive Officer determines what portion of the annual incentive otherwise earned should be paid to the executive officers through the evaluation of three performance criteria: (1) results of the participant's department, (2) the participant's performance, and (3) the participant's relative influence on the Company's performance. Based on the Chief Executive Officer's consideration of all of these criteria, each of the other Named Executive Officers received 100% of their 2006 annual incentive.

Awards made to the Named Executive Officers under the Bonus Plan in 2007 for performance in 2006 are reflected in the 2006 Summary Compensation Table on page 22.

Long-Term Equity Incentive Awards

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Equity incentive awards are provided to the Company's Named Executive Officers, as well as other key employees, in order to enlarge their personal stake in the Company's success and motivate them to enhance the long-term value of the Company. Although the Committee does not target a specific mix of equity versus cash compensation when setting awards each year, it does strive to deliver a relatively large portion of the Named Executive Officers' overall targeted compensation in the form of equity.

Equity incentives for the Named Executive Officers consist of stock option and restricted stock awards granted under the Company's Amended and Restated 2003 Stock Benefit Plan (the "Stock Plan"). By using a mix of stock options and restricted stock, the Company is able to encourage employees to seek long-term appreciation in the value of the Company's Common Stock and retain key employees.

The Committee believes it is important that executive officers have a minimum level of personal financial risk if they are expected to promote the Company's long-term value and thereby advance the interests of the Company's stockholders. To that end, executive officers must hold an equivalent number of shares as were issued on an option exercise for at least one year.

Prior to the exercise of an option, the holder has no rights as a stockholder with respect to the shares subject to such option, including voting rights and the right to receive dividends or dividend equivalents. Individuals receiving restricted stock awards have voting rights and are entitled to receive dividends or dividend equivalents prior to vesting.

To further enforce the Company's focus on long-term stock appreciation and support retention of key executive talent, stock options generally vest 20% per year over the first five years of the ten-year option term and restricted stock grants generally vest 25% per year over a four-year period. However, in the event of termination of employment due to total disability, death, or retirement, stock options vest immediately and are exercisable for the lesser of one year or the remaining option term, except that for executive officers, stock options do not vest automatically upon retirement but continue to vest as scheduled. Additionally, in the event the Company terminates the employment of an option holder for any reason except "good cause," stock options held for more than six months prior to the termination date vest immediately and are exercisable for the lesser of one year or the remaining option term. Restricted stock vests upon termination of employment due to total disability or death. In the event of retirement, restricted stock awards continue to vest as scheduled. Upon a change in control, stock options and restricted stock outstanding as of the change in control date vest immediately. The Committee believes that these vesting provisions enforce the Company's compensation objectives and guiding principles as outlined above while protecting the key executives from adverse effects of a change in control. Further detail with respect to treatment of equity upon certain employment termination events can be found under "Potential Payments upon Termination of Employment or Change in Control" beginning on page 27.

Stock option grants are made with an exercise price equal to the closing price of the Company's Common Stock on the date of grant. Under the Stock Plan, the Committee may grant options to an executive at an exercise price in excess of the closing price of the Company's Common Stock on the grant date. The Company's policy is to never grant stock options with an exercise price that is less than the closing price of the Company's Common Stock on the grant date, and never to grant options which are priced on a date other than the grant date. Also, pursuant to the Stock Plan, stock options may not be repriced.

On an annual basis, the Committee reviews and approves the equity incentives to be issued to each of the Named Executive Officers for that year.

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At the same time, it makes a recommendation relating to the Chief Executive Officer to the full Board for approval at an executive session. Prior to 2006, restricted stock grants were made in February of each year and option grants were made in August of each year. In 2006, grants of restricted stock and options were made on the date of the May Board meeting. Future grants will similarly be made on the date of the May Board meeting each year. Changing the timing of these awards enabled the Committee to review more recent Industry Peer Group data when making its recommendations because the Industry Peer Group proxy statements reflecting compensation data for the prior year are available. It also enables the Committee to consider both of these components of equity compensation at the same time. Additionally, timing these awards with the May Board meeting each year ensures that the grants are made shortly after earnings announcements for the year end and the first quarter of the current year so that the market has fully adjusted for the results before the grants are made.

In determining equity incentive awards for 2006, the Committee reviewed stock compensation of the Chief Executive Officer and the other executive officers in light of the other elements of their compensation, their overall equity interest in the Company and the comparison to the Industry Peer Group. Stock awards were generally determined based on a fixed number of shares granted annually. The number of shares was adjusted up or down depending on various factors including the competitiveness of the executive's overall total compensation, the executive's performance, and the Company's stock price. Commencing in 2007, it is expected that the level of shares to be granted will be based upon the value of the grant rather than a fixed number of shares.

Equity incentive awards made to the Named Executive Officers in 2006 are described in the 2006 Grants of Plan Based Awards Table on page 23.

### Deferred Compensation

Prior to the 2006 bonus, under the Bonus Plan, participants, including the Named Executive Officers, who were eligible for a bonus factor of 3% or higher were required to defer their annual incentive award when the combined bonus units earned based on the pre-established financial targets were in excess of eight units. The bonus deferral amount plus interest at 6% were paid out in the following year provided that the Company paid a bonus in that year. This mandatory deferral provision was terminated in 2007, effective for the 2006 bonus in order to fully reward employees for exceptional performance in closer proximity to the year in which the performance occurred.

The Company also has a Deferred Bonus Plan which permits certain employees, including the Named Executive Officers, to defer up to 100% of their annual cash bonus awarded under the Bonus Plan for three, five or ten years. As additional incentive for deferring the receipt of annual cash bonuses, the Company matches 10% of the amount deferred. The Company match vests after three years. The purpose of the Deferred Bonus Plan is to assist key employees with their individual tax and financial planning and to permit the Company to remain competitive in attracting, retaining, motivating and rewarding key employees who can directly influence the Company's operating results. Participant amounts and Company contributions are deferred into a "phantom" stock account which is credited based on the Company's Common Stock price, further aligning participants with the interests of the Company's stockholders.

Further details with respect to the Deferred Bonus Plan and voluntary deferrals under that Plan are provided in the "Introduction to 2006 Summary Compensation" beginning on page 21 and in the 2006 Nonqualified Deferred Compensation Table on page 27.

### Retirement and Other Benefits

All employees of the Company are eligible to participate in the Company's

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401(k) Savings Plan and the Company's disability plan. In addition, the Named Executive Officers, and certain other employees, are eligible to participate in the Company's Supplemental Income Protection Plan.

### 401(k) Savings Plan

Under the 401(k) Savings Plan, all Company employees, including the Named Executive Officers, earn the right to receive certain benefits upon retirement. The Company matches employee contributions into the 401(k) Savings Plan seventy-five cents for every dollar up to 3% of gross wages.

The Company believes that it has an appropriately competitive 401(k) Savings Plan for all of its employees and therefore does not provide any additional retirement benefits to executives.

### Supplemental Income Protection Plan

The Supplemental Income Protection Plan is a long-term disability plan that provides, among other things, 75% income replacement for total disability and return-to-work benefits such as rehabilitation services and recovery benefits to employees who earn over \$60,000, and who have been assigned a bonus factor under the Bonus Plan of 3% or higher. The Company affords this benefit to its key employees, including the Named Executive Officers, in order to provide competitive employee benefit programs and to help mitigate any loss of income by a key employee due to a long-term disability.

### Perquisites and Other Personal Benefits

The Committee has adopted and the Board has approved a policy of not providing perquisites to its executives unless they are also available to all other full-time employees of the Company. For example, the Company does not provide payment or reimbursement for costs associated with the use of Company vehicles, aircraft, country club memberships, tax preparation and financial consulting fees or similar benefits frequently provided by other companies. The Company believes that other elements of its compensation program sufficiently attract and retain superior employees for key positions and there is no present need to provide perquisites and other personal benefits frequently provided by other companies.

### Employment Agreements

In general, it is the Company's policy not to enter into employment agreements with, or provide executive severance benefits (other than change in control arrangements described below) to, its executive officers. As a result the Named Executive Officers serve at the will of the Board of Directors. The only exception to this policy is the individual employment agreement with Edward J. Pettinella, which was originally entered into on May 17, 2004 and which was amended and restated effective January 1, 2007. The Amended and Restated Agreement provides that Mr. Pettinella will continue to serve as President and Chief Executive Officer of the Company until December 31, 2008. This agreement automatically renews, unless terminated by either party, for an additional one-year term not to extend beyond December 31, 2009. While Mr. Pettinella participates in the Company's salary, annual and long-term incentive compensation programs under the Agreement, the level of compensation, including stock option grants and restricted stock awards, are at the discretion of the Compensation Committee of the Board of Directors.

Mr. Pettinella is, therefore, not guaranteed any specific level of compensation during the term of the Agreement. He is, however, assured of the payment of a multiple of his salary and bonus in the event that the Agreement is terminated by the Company without cause or by Mr. Pettinella with good reason. He also is to receive additional benefits under the Company's Executive



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Retention Plan (described below) in the event his employment is terminated following a change in control. The Committee and the full Board believe that the Agreement is in the best interest of the Company and its stockholders in order to provide stability to the Company and that it is an appropriate expression of their confidence in Mr. Pettinella and represents a level of commitment to Mr. Pettinella that is necessary in order to retain the services of a talented executive in a competitive market. Mr. Pettinella's Agreement also includes non-compete and confidentiality provisions, and the Committee and the full Board also believe that these commitments are of significant value to the Company and its stockholders.

### Change in Control Arrangements

In 1999, the Committee and the full Board determined that it was in the best interest of the Company and its stockholders to assure that the Company will have the continued dedication of our key executives and employees in the event of a threat or occurrence of a change in control. They continue to believe that it is in the best interests of the stockholders to diminish the inevitable distraction of these individuals because of personal uncertainties and risks created by the ongoing consolidation in the REIT industry and to encourage the executives' full attention and dedication to the Company's business currently and in the event of any threatened or pending change in control. As a result, the Company adopted an Executive Retention Plan that provides for severance benefits to the Company's officers, including the Named Executive Officers, and certain employees, upon a change in control. This Plan provides the executives and other employees with compensation and benefits arrangements upon a change in control that are designed to assure that such attention and dedication are likely. Severance benefits for the Named Executive Officers under the Executive Retention Plan provide that if within two years following a change in control, an executive's employment is terminated by the employer other than for cause, or by the executive with good reason, or by the executive for any reason during a 30-day window following the one-year anniversary of the change in control, the executive is eligible to receive: (1) two times base salary and two times last paid bonus, (2) payment of accrued/deferred bonus amounts, and (3) a gross-up payment should the executive be subject to the excise tax imposed by Section 4999 of the Internal Revenue Code. In addition, all stock options and restricted stock outstanding become fully vested. The Committee and the full Board believe that the triggering events stipulated in the Executive Retention Plan for equity acceleration are appropriate so that senior managers remain with the organization despite the climate of industry consolidation. The Committee and the full Board have also reviewed the change in control plans of the Industry Peer Group described above and determined that the arrangements under the Executive Retention Plan are competitive with those of other companies in the REIT industry.

Pursuant to his employment agreement, the benefits to be paid to the Chief Executive Officer under the Executive Retention Plan are the same as those provided in the Executive Retention Plan to other Named Executive Officers, except that the Chief Executive Officer is paid three times his base salary and three times his last bonus. The Committee believes that this level of change in control severance benefit is appropriate to ensure Mr. Pettinella's full attention to the Company's business and the stockholders' best interests in light of the active consolidation environment in the REIT industry and in order to be competitive with the benefits provided by other companies in the REIT industry.

The amount of estimated payments and benefits payable to the Named Executive Officers upon various termination scenarios and a change in control are disclosed under "Potential Payments upon Termination or Change in Control" beginning on page 27.

### Bonus Repayment Agreement

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The Company has entered into a Bonus Repayment Agreement with each of the Named Executive Officers, and all other executive officers, which states that the Company may recover cash incentive compensation in the event of a restatement of financial results. Under the Agreement, each executive would be required to return to the Company so much of the incentive compensation paid to them for services rendered during the period for which the restatement is required that would not have been paid if the restated financial results had been originally stated correctly.

### Tax and Accounting Implications

#### Deductibility of Executive Compensation

Section 162(m) of the Internal Revenue Code of 1986, as amended, limits the deductibility on the Company's tax return of compensation over \$1 million to any of the Named Executive Officers of the Company unless, in general, the compensation is paid pursuant to a plan which is performance-related, non-discretionary and has been approved by the Company's stockholders. The Company believes that, because it qualifies as a REIT under the Code and pays dividends sufficient to minimize federal income taxes, the payment of compensation that does not satisfy the requirements of Section 162(m) will generally not affect the Company's net income. The Compensation Committee's compensation policy and practices therefore are not directly guided by considerations relating to Section 162(m).

#### Accounting for Stock-Based Compensation

Beginning on January 1, 2006, the Company began accounting for stock-based payments including awards granted under its 2003 Stock Benefit Plan in accordance with the requirements of SFAS Statement 123R.

### COMPENSATION COMMITTEE REPORT

The Compensation Committee of the Company has reviewed and discussed the above Compensation Discussion and Analysis with management and based on such review and discussions, the Compensation Committee recommended to the Board that the Compensation Discussion and Analysis be included in this Proxy Statement.

Submitted by the Compensation Committee,

Clifford W. Smith, Jr., Chair  
William Balderston, III  
Roger W. Kober

### 2006 SUMMARY COMPENSATION

#### Introduction

As described in the Compensation Discussion and Analysis, the Named Executive Officers are compensated with a combination of salary, bonus, stock, non-equity incentive compensation and certain other benefits. Perquisites are not provided to executives unless they are also available to all other full-time employees of the Company.

Of the Named Executive Officers, only Edward Pettinella has an Employment Agreement. The level of salary, incentive compensation and equity grants are, pursuant to the terms of his Employment Agreement, to be determined by the

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Compensation Committee and approved by the Board. There are no minimum or maximum levels provided in the Agreement.

The Compensation Committee (and in the case of the Chief Executive Officer, the Board of Directors) approves salary adjustments at their February meetings. The adjustments are effective in mid-March of each year. The salaries listed therefore reflect the salary level approved in February 2005 for the period from January 1, 2006 to March 15, 2006 and the salary level approved in February 2006 for the period from March 16, 2006 to December 31, 2006.

The amounts listed in the table as the value of the stock awards and option awards reflect the Company's expense recognized for financial statement reporting purposes as described in footnotes (2) and (3) to the table.

Amounts listed in the table under Non-Equity Incentive Plan Compensation represent payments received by the Named Executive Officers under the Bonus Plan for services rendered in 2006. Payment of these amounts was approved by the Compensation Committee (and, in the case of the Chief Executive Officer, the Board of Directors) at their February 2007 meetings and payment was made on February 22, 2007.

Pursuant to the Deferred Bonus Plan, eligible employees, including the Named Executive Officers, can elect to defer up to 100% of their bonus under the Bonus Plan for three, five or ten years. The Company matches 10% of the amount deferred (referred to as the "10% Company Match"), which amount vests after three years. A "phantom" stock account is established for both amounts. Each deferral and 10% Company Match is reflected by crediting those accounts with 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 as of the day when the bonus would otherwise have been paid. The equivalent of dividends on those shares is also credited to the accounts at the time dividends are paid on the Company's Common Stock. Shares that could be purchased with the hypothetical dividends are credited to accounts at the same price that shares are purchased for participants under the dividend reinvestment feature of the Company's DRIP. Payments out of 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 amount of cash compensation in the form of salary and bonus in proportion to total compensation for the Named Executive Officers ranges from 63% to 71% in rank order, with the most highly compensated receiving 63% of total compensation in the form of cash and the least highly compensated receiving 71% of their total compensation in the form of cash. Similarly, the most highly compensated individual received a higher percentage of his cash compensation in the form of bonus rather than salary. This is consistent with the Compensation Committee's philosophy that the proportion of an individual's total compensation that varies with Company performance should increase as the individual's total compensation and business responsibilities increase.

The following table sets forth the compensation paid to or earned by the Named Executive Officers during 2006. There are no amounts to report in the Bonus and Change in Pension Value and Nonqualified Deferred Compensation Earnings columns so they have not been included.

2006 SUMMARY COMPENSATION TABLE

Name and Principal	Salary	Stock Awards	Option Awards	Non-Equity Incentive Plan Compensation	All Other Compensation

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Position -----	Year ----	(\$)(1) -----	(\$)(2) -----	(\$)(3) -----	(\$)(4) -----	(\$)(5) -----
Edward J. Pettinella, President and Chief Executive Officer	2006	519,792	426,535	187,650	680,459	102,61
David P. Gardner, Executive Vice President and Chief Financial Officer	2006	292,292	197,487	63,712	264,904	47,65
Ann M. McCormick, Executive Vice President, General Counsel and Secretary	2006	257,817	164,859	55,768	233,659	41,20
Scott A. Doyle, Senior Vice President	2006	238,542	101,017	41,491	168,148	27,09
John E. Smith, Senior Vice President	2006	220,833	80,638	44,076	155,665	23,89

(1) Each of the Named Executive Officers contributed a portion of their salary to the Company's 401(k) Savings Plan.

(2) This column represents the dollar amount recognized for financial statement reporting purposes with respect to 2006 for the fair value of restricted stock granted in 2006 as well as prior years, in accordance with SFAS 123R except, pursuant to SEC rules, the amounts shown exclude the impact of estimated forfeitures related to service-based vesting conditions. Fair value for restricted stock is calculated using the closing price of the Company's Common Stock on the date of grant. For additional information, refer to note 9 of the Company's financial statements in the Form 10-K for the year ended December 31, 2006, as filed with the SEC. See the 2006 Grants of Plan-Based Awards Table on page 23 for information on restricted stock awards made in 2006. To the extent that a Named Executive Officer has elected to participate in the Deferred Bonus Plan, this column also includes the value of the 10% Company Match as recorded on the Company's financial statement for 2006. Of the amounts listed in this column, the following amounts represents that value: David P. Gardner \$2,928; Ann M. McCormick \$2,413 and Scott A. Doyle \$2,172.

(3) This column represents the dollar amount recognized for financial statement reporting purposes with respect to 2006 for the fair value of stock options granted to each of the Named Executive Officers in 2006 as well as prior years, in accordance with SFAS 123R except, pursuant to SEC rules, the amounts shown exclude the impact of estimated forfeitures related to service-based vesting conditions. For additional information on the valuation assumptions with respect to the 2006 grants as well as the grants made prior to 2006, refer to note 9 of the Company's financial statements in the Form 10-K for the year ended December 31, 2006, as filed with the SEC. See the Grants of Plan-Based Awards Table for information on options granted in 2006.

(4) This column represents the payments received by the Named Executive Officers for services rendered in calendar year 2006 pursuant to the Company's Bonus Plan. The bonus factor assigned to the Named Executive Officers for 2006 was as follows: Edward J. Pettinella - 13%; David P. Gardner - 9%; Ann M. McCormick - 9%; Scott A. Doyle - 7% and John E. Smith - 7%. The following Named Executive Officers deferred a portion of this payment pursuant to the Company's Deferred Bonus Plan as follows: Ann M. McCormick \$46,732 and Scott A. Doyle \$67,259. The gross payment (before deferral) is listed in this column.

(5) This column represents (a) \$6,660 for each of the Named Executive

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Officers as the Company's contribution under the Company's 401(k) Savings Plan plus (b) dividends paid in 2006 on all shares of restricted stock held by each of the Named Executive Officers as follows: Edward J. Pettinella \$96,017; David P. Gardner \$40,171; Ann M. McCormick \$33,744; Scott A. Doyle \$20,054; and John E. Smith \$17,292 plus (c) the value of all hypothetical dividends paid in 2006 on the 10% Company Match shares in the accounts of the following Named Executive Officers pursuant to the Company's Deferred Bonus Plan: David P. Gardner \$880; Ann M. McCormick \$864; and Scott A. Doyle \$444.

2006 GRANTS OF PLAN-BASED AWARDS

Introduction

The following table provides information about plan-based awards granted to the Named Executive Officers in 2006. These awards consist of stock options and restricted stock, cash paid pursuant to the Bonus Plan and, if applicable, the value of the 10% Company Match made pursuant to the Deferred Bonus Plan. There are no amounts to be reported in the Estimated Future Payouts Under Equity Incentive Plan Awards column so it has not been included.

All stock options and restricted stock were issued pursuant to the Company's Stock Plan.

The stock options granted to the Named Executive Officers have the same term (ten years) and vesting (20% per year) as the options granted to other employees in 2006. The only criteria to vesting is employment, with some limited exceptions for termination due to disability, death, retirement or change in control. Options issued to executive officers of the Company, including the Named Executive Officers, do not vest upon retirement but continue to vest on their original terms.

Restricted shares granted to the Named Executive Officers vest on the same terms as the restricted shares granted to other employees in 2006 (25% per year). The only criteria to vesting is continued employment, with some limited exceptions for termination due to disability, death and change in control. Restricted stock allows the recipient to vote and receive dividends prior to vesting.

The phantom shares issued in connection with the Company's 10% Match vest after three years. The only criteria for vesting is continued employment with no exceptions.

2006 GRANTS OF PLAN-BASED AWARDS TABLE

Name	Plan Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards(2)			All Other Stock Awards:	All Other Option Awards:	Number of Securities Underlying Options	Number of Shares of Restricted Stock
			Threshold (\$)	Target (\$)	Maximum (\$)	Number of Shares or Units (#) (3)	Number of Securities Underlying Options (#) (4)		
Edward J. Pettinella	Bonus Plan Stock Plan DBP (1)	5/4/2006	270,292	540,583	810,875	11,000	65,000		

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David P. Gardner	Bonus Plan	105,225	210,450	315,675		
	Stock Plan	5/4/2006			6,000	25,000
	DBP (1)					
Ann M. McCormick	Bonus Plan	92,814	185,628	278,442		
	Stock Plan	5/4/2006			5,000	20,000
	DBP (1)	2/22/2007			75	
Scott A. Doyle	Bonus Plan	66,792	133,583	200,375		
	Stock Plan	5/4/2006			3,000	15,000
	DBP (1)	2/22/2007			108	
John E. Smith	Bonus Plan	61,833	123,667	185,500		
	Stock Plan	5/4/2006			3,500	15,000
	DBP (1)					

(1) "DBP" refers to the Deferred Bonus Plan.

(2) These columns represent amounts that could have been paid to the Named Executive Officers under the Company's Bonus Plan for services rendered in 2006. That Plan is described in more detail in the "Compensation Discussion and Analysis" beginning on page 12 of this Proxy Statement. The Bonus Plan does not provide for a "target" payout. The median between the threshold and maximum is therefore included as the target. The actual amounts paid in February 2007 for services rendered in 2006 are listed in the 2006 Summary Compensation Table on page 22.

(3) This column represents restricted stock awarded to each of the Named Executive Officers in 2006 and shares credited to the deferred bonus accounts of Mrs. McCormick and Mr. Doyle in connection with the 2006 10% Company Match under the Deferred Bonus Plan. While the shares were credited in 2007 when the bonus relating to 2006 service was paid, they are included in this table since they relate to 2006 compensation.

(4) This column represents options granted to the Named Executive Officers in 2006.

(5) The exercise price is the closing price (\$51.06) on the grant date (May 4, 2006) as provided in the Stock Plan.

(6) For stock options, grant date fair value is calculated using the Black-Sholes formula. For additional information on the valuation assumptions, refer to note 9 of the Company's financial statements in the Form 10-K for the year ended December 31, 2006. For restricted stock, the grant date fair value is calculated using the closing price (\$51.06) of a share of the Company's Common Stock on the award date (May 4, 2006). The grant date fair value for both the option grants and restricted stock awards are computed in accordance with SFAS 123R. The value of the phantom shares is equal to the actual amount of the 10% Company Match.

OUTSTANDING EQUITY AWARDS AT DECEMBER 31, 2006

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The following table provides information about unexercised options and restricted stock that has not vested, both of which were issued under the Stock Plan or previous stock benefit plans. It also includes all phantom shares in the Named Executive Officers' accounts under the Deferred Bonus Plan that were credited to the accounts as a result of the 10% Company Match but only to the extent that the phantom shares have not vested. There are no unearned options or shares under the Company's equity incentive plans so related columns are not included.

Name	Option Awards(1)				Number of Shares or Units of Stock That Have Not Vested (#)
	Number of Securities Underlying Unexercised Options (Exercisable) (#)	Number of Securities Underlying Unexercised Options (Unexercisable) (#)	Option Exercise Price (\$)	Option Expiration Date	
Edward J. Pettinella	100,000	-	27.010	02/07/11	40,100
	50,000	-	30.150	07/31/11	
	50,000	-	34.650	08/05/12	
	30,000	20,000	36.850	08/05/13	
	22,000	33,000	38.830	08/03/14	
	13,000	52,000	41.950	05/06/15	
	-	65,000	51.060	05/04/16	
David P. Gardner	960	-	27.125	08/03/09	17,370
	15,000	-	31.375	08/01/10	
	15,000	-	30.150	07/31/11	
	12,000	3,000	34.650	08/05/12	
	9,000	6,000	36.850	08/05/13	
	6,000	9,000	38.830	08/03/14	
	5,000	20,000	41.950	05/06/15	
	-	25,000	51.060	05/04/16	
Ann M. McCormick	12,599	-	31.375	08/01/10	14,562
	15,000	-	30.150	07/31/11	
	12,000	3,000	34.650	08/05/12	
	9,000	6,000	36.850	08/05/13	
	6,000	9,000	38.830	08/03/14	
	4,000	16,000	41.950	05/06/15	
	-	20,000	51.060	05/04/16	
Scott A. Doyle	10,000	-	31.375	08/01/10	8,727
	10,000	-	30.150	07/31/11	
	8,000	2,000	34.650	08/05/12	
	6,000	4,000	36.850	08/05/13	
	5,000	7,500	38.830	08/03/14	
	3,000	12,000	41.950	05/06/15	
	-	15,000	51.060	05/04/16	
John E. Smith	5,000	-	31.375	08/01/10	7,600
	2,240	2,000	34.650	08/05/12	
	6,000	4,000	36.850	08/05/13	
	4,000	6,000	38.830	08/03/14	
	3,000	12,000	41.950	05/06/15	
	-	15,000	51.060	05/04/16	

(1) All option grants have a ten-year term. With the exception of Edward

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Pettinella's grant issued on 2/7/01, which vested immediately, all option grants vest pro rata at the rate of 20% per year beginning on the first anniversary of grant date. The vesting dates for each of the option awards in this table can be calculated accordingly.

(2) Mr. Pettinella's restricted stock will vest as follows: 2,000 shares on 2/4/2007; 3,300 shares on each of 2/5/2007 and 2/5/2008; 2,500 shares on each of 2/16/2007, 2/16/2008 and 2/16/2009; 2,750 shares on each of 5/4/2007, 5/4/2008, 5/4/2009 and 5/4/2010; and 13,000 shares on 2/27/2008.

(3) Mr. Gardner's restricted stock will vest as follows: 1,000 shares on 2/4/2007; 1,500 shares on each of 2/5/2007 and 2/5/2008; 1,375 shares on each of 2/16/2007, 2/16/2008 and 2/16/2009; 1,500 shares on each of 5/4/2007, 5/4/2008, 5/4/2009 and 5/4/2010; and 3,000 shares on 2/27/2008. Shares in Mr. Gardner's deferred bonus account represent the 10% Company Match shares and hypothetical dividends on those shares. Both will vest as follows: 81 shares on 2/20/2007; and 164 shares on 3/5/2008.

(4) Mrs. McCormick's restricted stock will vest as follows: 1,000 shares on 2/4/2007; 1,250 shares on each of 2/5/2007 and 2/5/2008; 1,125 shares on each of 2/16/2007, 2/16/2008 and 2/16/2009; 1,250 shares on each of 5/4/2007, 5/4/2008, 5/4/2009 and 5/4/2010; and 2,500 shares on 2/27/2008. Shares in Mrs. McCormick's deferred bonus account represent the 10% Company Match shares and hypothetical dividends on those shares. Both will vest as follows: 52 shares on 2/20/07; 90 shares on 3/5/2008; 45 shares on 2/22/2009; and 75 shares on 2/22/2010.

(5) Mr. Doyle's restricted stock will vest as follows: 800 shares on 2/4/2007; 750 shares on each of 2/5/2007, 2/16/2007, 5/4/2007, 2/5/2008, 2/16/2008, 5/4/2008, 2/16/2009, 5/4/2009 and 5/4/2010; and 1,000 shares on 2/27/2008. Shares in Mr. Doyle's deferred bonus account represent the 10% Company Match shares and hypothetical dividends on those shares. Both will vest as follows: 177 shares on 3/5/2008; and 108 shares on 2/22/2010.

(6) Mr. Smith's restricted stock will vest as follows: 800 shares on 2/4/2007; 400 shares on each of 2/5/2007 and 2/5/2008; 500 shares on each of 2/16/2007, 2/16/2008 and 2/16/2009; 875 shares on each of 5/4/2007, 5/4/2008, 5/4/2009 and 5/4/2010; and 1,000 shares on 2/27/2008.

### OPTION EXERCISES AND STOCK VESTED IN 2006 TABLE

The following table provides information for each of the Named Executive Officers concerning the following events that occurred during 2006: exercises of stock options, vesting of restricted stock and vesting of the phantom shares deposited in certain of the Named Executive Officer's deferred bonus accounts as the 10% Company Match and dividends on the 10% Company Match. The table reports the number of securities for which the options were exercised, the aggregate dollar value realized upon exercise of options, the number of shares of stock (including phantom shares) that have vested and the aggregate dollar value realized upon vesting of stock (including phantom shares).

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$)(1)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$)
Edward J. Pettinella	-	-	7,800	373,
David P. Gardner	-	-	3,978	190,
Ann M. McCormick	15,001	347,530	3,426	164,



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Scott A. Doyle	8,500	198,882	2,300	110,
John E. Smith	15,760	399,711	1,700	81,

(1) The dollar amount realized upon exercise was computed by multiplying the number of shares times the difference between the market price of the underlying securities at exercise and the exercise price of the options.

(2) The aggregate dollar amount realized upon vesting was computed by multiplying the number of shares of stock by the market value of the underlying shares on the vesting date.

### PENSION BENEFITS

The Company does not maintain a defined benefit pension plan or supplemental pension plan.

### 2006 NONQUALIFIED DEFERRED COMPENSATION TABLE

A description of the Company's Deferred Bonus Plan is included in the "Introduction to 2006 Summary Compensation" beginning on page 21. There were no withdrawals or distributions to report in 2006 so the related column has not been included.

Name	Executive Contributions in 2006 (\$) (1)	Registrant Contributions in 2006 (\$) (2)	Aggregate Earnings in 2006 (\$) (3)	Aggr 12/
----	-----	-----	-----	-----
Edward J. Pettinella	-	-	-	
David P. Gardner	-	880	8,796	
Ann M. McCormick	46,732	5,537	8,639	
Scott A. Doyle	67,259	7,170	4,442	
John E. Smith	-	-	-	

(1) This column represents deferral of a portion of the bonus paid under the Bonus Plan in February 2007 for services rendered in 2006. The amounts deferred were also reported in the Summary Compensation Table as a portion of the amount in the "Non-Equity Incentive Plan Compensation" column.

(2) This column represents the amount of the 10% Company Match made in February 2007 relating to the amounts deferred as described in footnote (1) above and the value of all hypothetical dividends paid in 2006 on all shares in the Named Executive Officer's deferred bonus account as a result of a 10% Company Match. Of the amounts listed above, the following amounts were also reported in the Summary Compensation Table: Mr. Gardner \$880; Mrs. McCormick \$864; and Mr. Doyle \$444.

(3) This column represents the value of all hypothetical dividends on all shares in the Named Executive Officer's deferred bonus accounts except for the shares related to the 10% Company Match which are already included as described in footnote (2) above.

(4) The total includes the following amounts also reported on the Summary Compensation Table for 2006: Mr. Gardner \$3,808; Mrs. McCormick \$50,009; and Mr. Doyle \$69,875. It also includes the following amounts that were listed as "bonus" in prior years' proxy statements: David Gardner \$114,641; Ann McCormick \$106,834; and Scott Doyle \$65,175.

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### POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE IN CONTROL

Other than Edward Pettinella, none of the Named Executive Officers have employment agreements which provide for any cash payment or other benefits in the event of the termination of employment. Any rights that any of the Named Executive Officers have to such payments and benefits are the result of provisions in the various compensation plans that, to varying degrees, are available to other salaried employees of the Company. Those compensation plans and the Named Executive Officers' rights thereunder are described below.

In addition to the rights available under those plans, Mr. Pettinella has contractual rights pursuant to the terms of his employment agreement. Mr. Pettinella's employment agreement provides that, if his employment is terminated by the Company without cause or by Mr. Pettinella for good reason, he is entitled to receive a lump sum amount equal to 2.9 times his base salary and incentive compensation for the year preceding the termination plus, in the year following termination, the amount of incentive compensation that he would have earned if he had been an employee on December 31 of the year of termination. In addition, all options become exercisable and remain so for one year and all restricted shares held by Mr. Pettinella vest. He also is entitled to the continuation of his fringe benefits until the earlier of: (1) December 31, 2010, or (2) he receives equivalent benefits from a new employer. In the event of a change in control, Mr. Pettinella is entitled to receive the benefits provided under the Executive Retention Plan (described below), except he would receive three times his base salary and bonus instead of two times as provided to certain other beneficiaries of that plan. In the case of disability, death or retirement, Mr. Pettinella is only entitled to benefits generally provided to other salaried employees as described below.

#### Change in Control

The Company's Executive Retention Plan provides for severance benefits and other compensation to virtually all of the corporate staff of the Company in the event of a change in control of the Company and a subsequent termination of their employment, either by the Company without cause or by the employee with good reason. Certain officers of the Company, including the Named Executive Officers, have the right to receive benefits under the Executive Retention Plan if they elect to terminate their employment for any reason during a 30-day window following the one-year anniversary of the change in control.

The level of benefits to be received under the Executive Retention Plan varies depending on the bonus factor applied to the individual pursuant to the Company's Bonus Plan. In all cases, regardless of bonus factor, upon a change in control with termination of employment, either by the Company with cause or by the employee with good reason, all stock options and restricted stock vest. In addition, in all cases, regardless of bonus factor, employees are entitled to receive in a lump sum their base salary through the termination date and to be paid in a lump sum all other amounts earned, accrued or deferred under the Bonus Plan and other compensation plans.

In addition to the above, upon a termination following a change in control, employees are entitled to receive in a lump sum a multiple of their current cash compensation ranging from a minimum of one month's salary for every year employed (with a minimum of two months and a maximum of 24 months) up to a maximum of two times their current annual salary and two times the amount of the last paid bonus under the Bonus Plan. The Named Executive Officers, along with 30 other employees, are entitled to the maximum benefits. Mr. Pettinella is entitled to three times salary and bonus pursuant to his employment agreement as described above. In addition, the Named Executive Officers and other members of senior management are entitled to a "gross-up" amount necessary to pay any excise tax due on the severance payment.

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### Stock Benefit Plans

Under the terms of the Stock Plan, in the event of the termination of employment by the Company without good cause, any options held for more than six months become fully exercisable and remain so for one year. Upon disability, death or retirement, all options become fully exercisable and remain so for one year, except that options held by the executive officers, including the Named Executive Officers, do not vest upon retirement but continue to vest on their original terms. Restricted shares, including those held by the Named Executive Officers, vest upon disability or death but remain in place on their original terms upon retirement.

No additional grants are being made under the Company's prior two stock benefit plans, but there are awards still outstanding under both. Under those plans, options held for more than six months by an individual who had been an officer of the Company for more than five years become fully exercisable and remain so for three months following a termination by the Company without good cause. Upon death, disability or retirement, all options become fully exercisable and remain so for a period of one year in the case of disability and death and three months in the case of retirement.

### Miscellaneous Benefits

The termination of employment for any reason also triggers certain events under the Company's Deferred Bonus Plan and 401(k) Savings Plan. In addition, the termination of employment, by reason of disability or death, trigger benefits under disability and life insurance plans provided by the Company. The benefits payable to the Named Executive Officers under those plans are the same as those available to other salaried employees, so no amount in respect to those plans is reported on the table below.

The following table provides information about the estimated amounts to be paid to the Named Executive Officers upon termination or change in control. The Named Executive Officers would not receive any payment in the event of a voluntary termination on their part or a termination for cause by the Company.

Name/Type of Benefit -----	Involuntary Not for Cause Termination (\$) -----	Involuntary or Good Reason Termination (Change in Control) (\$) -----	Retirement (\$) -----
Edward J. Pettinella			
Severance	2,530,009(1)	2,617,251	-
Accelerated Vesting of Long-Term Incentives (2)	2,557,210	4,933,937	1,724,757
Other Benefits and Tax Gross-Up	56,937(3)	770,310	-
David P. Gardner			
Severance	-	812,868	-
Accelerated Vesting of Long-Term Incentives (2)	943,990	1,958,989	733,239
Other Benefits and Tax Gross-Up	-	221,127	-
Ann M. McCormick			
Severance	-	730,898	-
Accelerated Vesting of Long-Term Incentives (2)	833,660	1,685,666	629,516
Other Benefits and Tax Gross-Up	-	-	-

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Scott A. Doyle			
Severance	-	654,048	-
Accelerated Vesting of Long-Term Incentives (2)	623,210	1,129,969	378,189
Other Benefits and Tax Gross-Up	-	-	-
John E. Smith			
Severance	-	597,364	-
Accelerated Vesting of Long-Term Incentives (2)	592,550	1,043,002	292,247
Other Benefits and Tax Gross-Up	-	-	-

(1) This payment would be made pursuant to Mr. Pettinella's employment agreement and is based on his 2006 salary and 2005 bonus paid in 2006.

(2) The vesting of options and restricted stock upon the occurrence of certain termination triggers is made in accordance with the terms of the Stock Plan, the Company's prior stock benefit plan, or the Executive Retention Plan, as applicable. For options, the amount listed represents the gain realized for unvested stock option grants as of December 31, 2006, using a year-end closing stock price of \$59.27. For restricted stock, the amount listed represents the number of unvested restricted shares as of December 31, 2006 multiplied by \$59.27.

(3) Under his employment agreement, Mr. Pettinella is entitled to a continuation of his fringe benefits until the earlier of: (a) December 31, 2010; or (b) he receives equivalent benefits from a new employer. This amount represents the estimated cost to the Company for continuing health, dental, executive long-term disability, standard long-term disability, life insurance and accidental death and dismemberment coverage for Mr. Pettinella from December 31, 2006 until December 31, 2010.

### SECURITIES OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

#### Securities Ownership of Management

The following table sets forth information as of March 8, 2007 regarding the beneficial ownership of shares of Common Stock by: (i) Nominees and Named Executives of the Company; and (ii) Nominees and executive officers of the Company as a group. The table also includes information relating to the number and percentage of shares of Common Stock and UPREIT Units beneficially owned by the persons included in (i) and (ii) above (such UPREIT Units are exchangeable into shares of Common Stock or cash at the election of the Company). In preparing this table, the Company has relied on information supplied by its officers and directors and upon information contained in filings with the SEC.

Name of Owner -----	# of Shares Beneficially Owned (1) -----	% of Shares Outstanding (1) -----	#of Shares/ UPREIT Units Owned (2) -----	%
Edward J. Pettinella (3)	465,204	1.39%	465,204	
William Balderston, III (4)	28,697	*	28,697	
Josh E. Fidler (5)	5,215	*	522,322	
Alan L. Gosule (6)	29,100	*	29,100	
Leonard F. Helbig, III (7)	60,641	*	60,641	
Roger W. Kober (8)	22,461	*	22,461	

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Nelson B. Leenhouts (9)	75,897	*	280,121
Norman P. Leenhouts (10)	52,597	*	257,069
Clifford W. Smith, Jr. (11)	49,701	*	49,701
Paul L. Smith (12)	13,337	*	13,337
Thomas S. Summer (13)	6,215	*	6,215
Amy L. Tait (14)	64,695	*	78,508
David P. Gardner (15)	135,557	*	139,063
Ann M. McCormick (16)	125,112	*	127,414
Scott A. Doyle (17)	64,018	*	64,018
John H. Smith (18)	47,484	*	47,484
	-----		-----

All executive officers and directors as a group (19 persons) 1,395,496 (19) 4.10% (20) 2,340,920

\*Less than 1%

(1) Assumes that all currently exercisable options or options exercisable within 60 days ("Currently Exercisable Options") issued to the person have been exercised and all shares of restricted stock issued to the person have vested. The total number of shares outstanding used in calculating the percentage assumes that none of the options held by any other person have been exercised and that all of the shares of restricted stock issued to any other person have vested. Does not include unvested shares in certain of the listed individuals' accounts pursuant to the Company's Deferred Bonus Plan and the Director Deferred Compensation Plan. Shares of Common Stock are issued on a one-for-one basis upon the expiration of the deferral periods. None of the deferral periods expire within 60 days.

(2) Same assumptions as footnote (1) plus assumes that UPREIT Units issued to the person have been exchanged for shares of Common Stock (on a one-for-one basis) and that for purposes of calculating the percentage the total number of shares assumes that all of the UPREIT Units issued to any other person have been exchanged for shares of Common Stock.

(3) Includes 291,000 shares which may be acquired upon the exercise of Currently Exercisable Options and 32,300 shares of restricted stock. Of the shares owned by Mr. Pettinella, 98,004 have been pledged as collateral.

(4) Mr. Balderston is not standing for re-election to the Board of Directors. Includes 12,200 shares which may be acquired upon the exercise of Currently Exercisable Options and 2,575 shares of restricted stock. There are 1,383 additional shares in Mr. Balderston's account pursuant to the Director Deferred Compensation Plan.

(5) Includes 1,600 shares which may be acquired upon the exercise of Currently Exercisable Options and 2,815 shares of restricted stock. The Shares/UPREIT Units owned include 101,126 UPREIT Units held by Mr. Fidler's wife as to which he disclaims beneficial ownership and 343,442 UPREIT Units owned by Morton J. Macks Family Limited Partnership (the "FLP"). Mr. Fidler is the

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president of the corporate general partner of the FLP and has the authority in this capacity to buy and sell securities on behalf of the FLP. Mr. Fidler's proportionate interest in the FLP is 687 UPREIT Units. He disclaims beneficial ownership of the balance of the UPREIT Units owed by FLP.

(6) Includes 19,200 shares which may be acquired upon the exercise of Currently Exercisable Options and 2,240 shares of restricted stock. There are 7,135 additional shares in Mr. Gosule's account pursuant to the Director Deferred Compensation Plan.

(7) Includes 8,000 shares which may be acquired upon the exercise of Currently Exercisable Options and 940 shares of restricted stock. Mr. Helbig is also the holder of 1,850 shares of the Company's Series F Cumulative Redeemable Preferred Stock. There are 10,277 additional shares in Mr. Helbig's account pursuant to the Director Deferred Compensation Plan. Of the shares owned by Mr. Helbig, 18,000 have been pledged as collateral.

(8) Includes 12,200 shares which may be acquired upon the exercise of Currently Exercisable Options and 940 shares of restricted stock. There are 8,125 additional shares in Mr. Kober's account pursuant to the Director Deferred Compensation Plan.

(9) Includes 19,836 shares which may be acquired upon the exercise of Currently Exercisable Options and 50,348 shares of restricted stock. There are 11,554 additional shares in Mr. Nelson Leenhouts' account pursuant to the Deferred Bonus Plan. The fourth column also includes 150,000 UPREIT Units owned by Home Leasing. Nelson Leenhouts is a director, officer and sole stockholder of Home Leasing. Of the UPREIT Units owned by Home Leasing, 63,000 have been pledged as collateral. The fourth column also includes 50,000 UPREIT Units owned by Nelson Leenhouts' spouse as to which he disclaims beneficial ownership.

(10) Includes 18,333 shares which may be acquired upon the exercise of Currently Exercisable Options, 700 shares in custodial accounts for the benefit of Mr. Norman Leenhouts' grandchildren (as to which he disclaims beneficial ownership) and 30,247 shares of restricted stock. There are 20,944 additional shares in Mr. Leenhouts' account pursuant to the Deferred Bonus Plan. The fourth column also includes 150,000 UPREIT Units owned by Knollwood Ventures, Inc. Norman Leenhouts is a director, officer and sole stockholder of Knollwood Ventures, Inc. Of the UPREIT Units owned by Knollwood Ventures, Inc., 130,000 have been pledged as collateral. The fourth column also includes 50,000 UPREIT Units owned by Norman Leenhouts' spouse as to which he disclaims beneficial ownership.

(11) Includes 12,200 shares which may be acquired upon the exercise of Currently Exercisable Options and 940 shares of restricted stock. Also includes 1,400 shares owned by Mr. Clifford Smith's spouse as custodian for their minor children and 700 shares held in a trust for the benefit of one of Mr. Smith's minor children as to which he disclaims beneficial ownership. There are 15,814 additional shares in Mr. Smith's account pursuant to the Director Deferred Compensation Plan.

(12) Includes 5,200 shares which may be acquired upon the exercise of Currently Exercisable Options and 3,515 shares of restricted stock. There are 1,766 additional shares in Mr. Paul Smith's account pursuant to the Director Deferred Compensation Plan.

(13) Includes 2,400 shares which may be acquired upon the exercise of Currently Exercisable Options of 2,815 shares of restricted stock.

(14) Includes 12,200 shares which may be acquired by Mrs. Tait upon the exercise of Currently Exercisable Options and 3,515 shares of restricted stock. Also includes 5,036 shares held in a custodial account for Mrs. Tait's minor

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children and 2,115 shares owned by Mrs. Tait's spouse as to which she disclaims beneficial ownership. Mrs. Tait shares voting and dispositive power with respect to 15,000 shares with her spouse. The fourth column also includes 11,195 UPREIT Units that Mrs. Tait owns individually, 2,548 UPREIT Units with respect to which she shares voting and dispositive power with her spouse and 70 UPREIT Units that her spouse owns and as to which Mrs. Tait disclaims beneficial ownership. All of the jointly held shares and UPREIT Units have been pledged as collateral, as have 1,400 shares owned by Mrs. Tait's spouse and 26,821 shares and 11,195 UPREIT Units that Mrs. Tait owns individually.

(15) Includes 72,960 shares which may be acquired upon the exercise of Currently Exercisable Options and 13,250 shares of restricted stock. Mr. Gardner shares voting and dispositive power with his spouse with respect to 10,240 shares. The fourth column also includes 3,506 UPREIT Units owned by Mr. Gardner. All of the UPREIT Units owned by Mr. Gardner and all of the shares owned jointly with his spouse have been pledged as collateral as have 23,814 shares that Mr. Gardner owns individually. There are 3,014 additional shares in Mr. Gardner's account pursuant to the Deferred Bonus Plan.

(16) Includes 66,599 shares which may be acquired upon the exercise of Currently Exercisable Options and 11,000 shares of restricted stock. Mrs. McCormick shares voting and dispositive power with respect to 7,650 shares with her spouse. The fourth column also includes 565 UPREIT Units that Mrs. McCormick owns individually and 1,737 UPREIT Units with respect to which she shares voting and dispositive power with her spouse. All of the jointly owned shares and UPREIT Units have been pledged as collateral as have 23,536 shares that Mrs. McCormick owns individually. There are 4,546 additional shares in Mrs. McCormick's account pursuant to the Deferred Bonus Plan.

(17) Includes 48,000 shares which may be acquired upon exercise of Currently Exercisable Options, 6,250 shares of restricted stock and 210 shares held in Mr. Doyle's account under the Company's 401(k) Savings Plan. Of the shares owned by Mr. Doyle, 6,181 have been pledged as collateral. There are 3,177 additional shares in Mr. Doyle's account pursuant to the Deferred Bonus Plan.

(18) Includes 26,240 shares which may be acquired upon exercise of Currently Exercisable Options, 5,900 shares of restricted stock and 514 shares held in Mr. John Smith's account under the Company's 401(k) Savings Plan. Of the shares owned by Mr. Smith, 3,484 have been pledged as collateral.

(19) Includes 721,288 shares which may be acquired upon the exercise of Currently Exercisable Options and 180,090 shares of restricted stock. In addition to the shares pledged as collateral as indicated in the footnotes above, 23,908 shares have been pledged as collateral by other executive officers of the Company.

(20) Assumes that all Currently Exercisable Options issued to all listed persons have been exercised and all shares of restricted stock issued to such persons have vested.

(21) Same assumptions as footnote (20) plus assumes that all UPREIT Units issued to all listed persons have been exchanged for shares of Common Stock.

Security Ownership by Beneficial Owners of More than 5% of The Company's Common Stock

The following table sets forth information regarding the beneficial ownership of Common Stock by each person known by the Company to be the beneficial owner of more than 5% of the outstanding Common Stock as of December 31, 2006. In preparing this table, the Company has relied on information

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contained in filings with the Securities and Exchange Commission.

Name and Address of Beneficial Owner -----	Amount and Nature of Beneficial Ownership -----	Percentage of Outstanding Common Stock (1) -----
Cohen and Steers, Inc. 280 Park Avenue, 10th Floor New York, NY 10017	4,115,248 (2)	12.43%
ING Groep N.V. Amstelveenseweg 500 1081 KL Amsterdam The Netherlands	2,628,030 (3)	7.94%
The Vanguard Group, Inc. 100 Vanguard Blvd. Malvern, PA 19355	2,120,412 (4)	6.41%

(1) Percentage is based on actual number of shares outstanding as of December 31, 2006 and may be different than the percentage referenced in the reports described below.

(2) Based on a report on Schedule 13G (Amendment No. 3) filed jointly by Cohen and Steers, Inc., Cohen and Steers Capital Management, Inc. and Houlihan Rovers SA on February 13, 2007, reflecting that: (a) Cohen and Steers, Inc. and Cohen and Steers Management, Inc. each beneficially owns 4,115,248 shares, has sole voting power with respect to 4,013,583 shares, and has sole dispositive power with respect to 4,115,248 shares, and (b) Houlihan Rovers SA beneficially owns 4,558 shares and has sole voting and dispositive power with respect to 4,558 shares. Cohen and Steers, Inc. holds a 100% interest in Cohen and Steers Capital Management, Inc. and a 50% interest in Houlihan Rovers SA.

(3) Based on a report on Schedule 13G filed by ING Groep N.V. on February 14, 2007, reflecting that the ING Groep N.V. beneficially owns 2,628,030 shares, has sole voting power and has sole dispositive power with respect to 2,628,030 shares. Of those shares, 1,059,330 shares are held by indirect subsidiaries of ING Groep N.V. in their role as a discretionary manager of client portfolios and 5,700 shares are held by indirect subsidiaries of ING Groep N.V. in their role as trustee. In addition to the 2,628,030 shares beneficially owned, ING Groep N.V. also holds 2,300 custodian shares.

(4) Based on a report on Schedule 13G (Amendment No. 1) filed by The Vanguard Group, Inc. on February 14, 2007, reflecting that The Vanguard Group, Inc. beneficially owns 2,120,412 shares, has sole voting power with respect to 33,338 shares and has sole dispositive power with respect to 2,120,412 shares.

### Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires the Company's executive officers and directors, and persons who own more than 10% of a registered class of the Company's equity securities, to file reports of ownership and changes in ownership with the SEC and the NYSE. Officers, directors and greater than 10% stockholders are required to furnish the Company with copies of all Section 16(a) forms they file.

To the Company's knowledge, based solely on review of the copies of such reports furnished to the Company and written representations that no other reports were required during the fiscal year ended December 31, 2006, all Section 16(a) filing requirements applicable to its executive officers, directors and greater than 10% beneficial owners were satisfied, except that



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each of the following directors inadvertently failed to report on a timely basis one transaction involving the sale of common shares as follows: William Balderston - sale of 666 shares of Common Stock; Norman Leenhouts - sale of 752 shares; and Amy L. Tait - sale of 4,759 shares. The three sales were subsequently reported on a Form 4.

### TRANSACTIONS WITH RELATED PERSONS, PROMOTERS AND CERTAIN CONTROL PERSONS

The Company's corporate headquarters are located in a building that is owned by an entity in which Norman and Nelson Leenhouts indirectly have a 75% interest. The Operating Partnership and the building owner have entered into various leases for approximately 75,000 square feet. The base rent payable by the Operating Partnership under the leases for 2006 was approximately \$895,000, which remains unchanged for 2007. The lease also requires the Operating Partnership to pay its pro-rata portion of property improvements, real estate taxes and common area maintenance.

On a month-to-month basis, the Operating Partnership subleases 3,379 square feet of its corporate headquarters to Home Leasing, LLC and Broadstone Real Estate, LLC, companies currently owned, in part, by Nelson Leenhouts and Norman Leenhouts, respectively. For 2007, the gross monthly rental payment is \$6,164.

In October 2003, Nelson and Norman Leenhouts entered into employment agreements with the Company providing for a three-year term expiring on December 31, 2006. Under the employment agreements, the Leenhouts agreed to serve as Senior Advisors as well as Co-Chairs of the Board. Their obligations to act as Senior Advisors to the Company were gradually reduced with the portion of their business time to be spent on those obligations reducing from a maximum of two-thirds in 2004, to one-half in 2005, to one-third in 2006. Their base salary was also proportionately reduced under the employment agreements from \$300,000 in 2004, to \$225,000 in 2005 to \$150,000 in 2006. They were entitled to receive incentive compensation at their pre-retirement bonus level factor of 12% but since the Bonus Plan provides that the bonus paid is calculated based on base salary, if the total bonus payout remained the same, the bonus to be paid to the Leenhouts was proportionately reduced as well. The bonus paid to each of Nelson and Norman Leenhouts for services rendered in 2004, 2005 and 2006 was \$273,960, \$146,475 and \$200,141, respectively.

Pursuant to their employment agreements, each of the Leenhouts was also granted 64,935 shares of restricted stock in October 2003 in consideration for both past and future services to the Company. These shares vest in equal amounts over the five years following the execution of the employment agreements. In addition, pursuant to their employment agreements, each of Nelson and Norman Leenhouts was issued options to purchase 33,330, 25,000 and 16,665 shares of Common Stock in 2004, 2005 and 2006, respectively. They were also granted 10,166, 5,000 and 3,333 shares of restricted stock in 2004, 2005 and 2006, respectively.

In March 2006, Nelson Leenhouts entered into a Development Agreement with the Company, which was retroactive to January 1, 2006. This was in addition to his Employment Agreement described above. Pursuant to the Development Agreement, Nelson Leenhouts agreed to assume a leadership role in connection with the development activities of the Company as more specifically outlined in a development plan approved by the Board of Directors of the Company. In consideration for his services, Mr. Leenhouts was paid a base annual salary of \$250,000 in monthly installments. In addition, pursuant to the Agreement, he was entitled to earn a bonus of \$150,000 upon the achievement of certain specified objectives. At the recommendation of the Chief Executive Officer, the Compensation Committee determined that Mr. Leenhouts should be paid the full amount of his bonus and made that recommendation to the full Board, which approved the payment of a \$150,000 bonus under the Development Agreement.

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The Development Agreement, by its terms, expired on December 31, 2006, as did Mr. Leenhouts' Employment Agreement. Management determined that it would like Nelson Leenhouts to remain an employee of the Company for an additional year in order to continue to lead the Company's development activities. The Board of Directors, in February 2007, therefore approved the terms of an Employment Agreement with Mr. Leenhouts and authorized Mr. Pettinella, as Chief Executive Officer, and Clifford Smith, as Chair of the Compensation Committee to execute an Employment Agreement with Mr. Leenhouts. The Employment Agreement is retroactive to January 1, 2007 as Mr. Leenhouts has been performing the duties specified in the agreement since that date. The base salary to be paid to Mr. Leenhouts for the period from January 1, 2007 to December 31, 2007 is \$300,000. In addition, Mr. Leenhouts is to be paid a bonus of up to \$350,000 upon the achievement of certain specified objectives.

### POLICIES AND PROCEDURES FOR APPROVAL OF RELATED PARTY TRANSACTIONS

On an annual basis, each employee of the Company and each of the directors is required to provide a written acknowledgement that they have reviewed the Company's Code of Business Conduct and Ethics. If an employee or director, or members of their immediate family, is involved in any transaction or arrangement in which the Company is a participant, that individual is to provide a written disclosure of that transaction or arrangement. Any such disclosure provided by an executive officer or director is reviewed by the Corporate Governance/Nominating Committee of the Board and approved or disapproved. In determining whether to approve such a transaction, the Committee takes into account, among other factors, whether the transaction was on terms no less favorable to the Company than terms generally available to third parties and the extent of the executive officer's or director's involvement.

The current policy was finalized and adopted in February 2007. All related party transactions since January 1, 2006 which were required to be reported in this Proxy Statement were approved by either the Corporate Governance/Nominating Committee or the full Board of Directors.

### PROPOSAL 2 RATIFICATION OF APPOINTMENT OF THE COMPANY'S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR 2007

The Audit Committee has appointed and the Board of Directors has ratified the appointment of the accounting firm of PricewaterhouseCoopers LLP to serve as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2007. PricewaterhouseCoopers LLP (and its predecessor, Coopers and Lybrand, L.L.P.) has served as the Company's independent registered public accounting firm since commencement of the Company's operations and is considered by the Audit Committee, the Board of Directors and management of the Company to be well qualified. A representative of PricewaterhouseCoopers LLP will be present at the Annual Meeting, will be given the opportunity to make a statement if he or she so desires and will be available to respond to appropriate questions.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE PROPOSAL TO RATIFY THE APPOINTMENT OF PRICEWATERHOUSECOOPERS LLP AS INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM OF THE COMPANY FOR THE 2007 FISCAL YEAR.

### REPORT OF THE AUDIT COMMITTEE

The Audit Committee of the Board of Directors of the Company is composed entirely of independent directors as required by applicable securities laws and

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the current listing standards of the NYSE. Its members are identified at the end of this report. The Audit Committee operates under a written charter adopted by the Committee and the Board.

As described more fully in its Charter, the Audit Committee assists the Board in fulfilling its responsibility for oversight of the quality and integrity of the accounting, auditing and financial reporting practices of the Company. Among other matters, the Audit Committee is responsible for the selection and oversight of the Company's independent registered public accounting firm.

The management of the Company is responsible for the preparation and integrity of the financial reporting information and related systems of internal controls. The independent registered public accounting firm is responsible for performing an integrated audit on the Company's consolidated financial statements as well as on Management's Report on Internal Control over Financial Reporting in accordance with generally accepted auditing standards and for issuing a report thereon. The Committee, in carrying out its role, relies on the Company's senior management and its independent public accountants.

During 2006, the Committee met five times. The Committee's meetings include, no less frequently than quarterly, executive sessions with the Company's independent registered public accounting firm without the presence of the Company's management and executive sessions with the Company's management without the presence of the Company's independent registered public accounting firm. The Committee also meets with the Company's Vice President, Internal Audit without the presence of the Company's management.

As part of its oversight responsibility, the Audit Committee reviewed and discussed with both management and the Company's independent registered public accounting firm, all annual and quarterly financial statements prior to their issuance. Management advised the Committee that each set of the Company's financial statements was prepared in accordance with generally accepted accounting principles and significant accounting and disclosure issues were reviewed with the Committee. In addition, the Committee continued to monitor the scope and adequacy of the Company's internal audit program.

The Committee also discussed with the Company's independent registered public accounting firm the matters required to be discussed by Statement on Auditing Standards No. 61, as amended (Communication With Audit Committees). In addition, the Company's independent registered public accounting firm provided to the Committee the written disclosures and the letter required by Independence Standards Board Standard No. 1 (Independence Discussion With Audit Committees). The Committee discussed with the independent registered public accounting firm their independence from management and the Company.

All audit and non-audit services provided by PricewaterhouseCoopers LLP and the fees paid by the Company with respect to such services have been reviewed and pre-approved by the Audit Committee, which has also considered whether the provision of any non-audit services is compatible with maintaining the independent registered public accounting firm's independence.

In reliance on the reviews and discussions referred to above, the Committee recommended to the Board of Directors, and the Board has approved, that the Company's audited financial statements be included in the Company's Annual Report on Form 10-K for the year ended December 31, 2006, for filing with the Securities and Exchange Commission.

Submitted by the Audit Committee,

Paul L. Smith, Chair  
Alan L. Gosule

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Leonard F. Helbig, III  
Roger W. Kober  
Thomas S. Summer

### Principal Accounting Fees and Services

The Audit Committee's policy is to pre-approve all audit and permissible non-audit services provided by the Company's independent registered public accounting firm. The Committee pre-approves on an annual basis the provision of certain audit, audit-related and tax services specifically described to the Committee. Any additional engagements require separate pre-approval. As permitted by the SEC's rules, the Audit Committee has authorized its Chair, Paul Smith, to approve any additional non-audit services to be provided by the independent registered public accounting firm, provided that such service is permitted under applicable regulations and reported to the full Audit Committee at its next meeting.

All of the services described below for 2006 were pre-approved by the Audit Committee. The Audit Committee considered whether the provision of non-audit services by PricewaterhouseCoopers LLP was compatible with maintenance of the firm's independence in the conduct of its audit function and determined that such services were compatible with the maintenance of independence.

Aggregate fees for professional services rendered to the Company by PricewaterhouseCoopers LLP as of or for the years ended December 31, 2006 and 2005, were:

	2006	2005
	----	----
Audit fees (1)	\$ 871,000	\$1,642,000
Audit-related fees (2)	257,000	37,000
Tax fees (3)	154,500	136,000
All other fees (4)	59,500	51,000
	-----	-----
Total fees	\$1,342,000	\$1,866,000

(1) Audit fees consisted of professional services rendered for the audits of the consolidated financial statements of the Company and the audit of Management's Report on Internal Controls over Financial Reporting.

(2) Audit-related fees consisted of assurance and related services related to SEC Regulation S-X Rule 3-14 audits performed in connection with property acquisitions, issuance of comfort letters, consents and assistance with review of documents filed with the SEC.

(3) Tax fees consisted of services related to preparation of tax returns and claims for refunds (\$91,500 for 2006 and \$89,000 for 2005) and tax planning and tax advice (\$63,000 for 2006 and \$47,000 for 2005).

(4) All other fees consisted of license fees for software developed by PricewaterhouseCoopers LLP that assisted with partner allocations for the Operating Partnership.

### ADDITIONAL INFORMATION

#### Solicitation of Proxies

The cost of solicitation of proxies in the form enclosed herewith will be

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paid by the Company. In addition to the solicitation of proxies by mail, the directors, officers and employees of the Company may also solicit proxies personally or by telephone without additional compensation for such activities. The Company will also request persons, firms and corporations holding shares in their names or in the names of their nominees, which are beneficially owned by others, to send proxy materials to and obtain proxies from such beneficial owners. The Company will reimburse such holders for their reasonable expenses.

**Stockholder Proposals**

A stockholder proposal submitted pursuant to Rule 14a-8 under the Exchange Act for inclusion in the Company's Proxy Statement and form of proxy for the 2008 Annual Meeting of stockholders must be received by the Company by the close of business on December 2, 2007. Any proposal received after February 15, 2008 will not, under the rules of the SEC, be considered timely for presentation at the 2008 Annual Meeting. A proposal must comply with the requirements as to form and substance established by the SEC for such a proposal to be included in the Proxy Statement and form of proxy, and the proponent or a representative of the proponent must attend the annual meeting to present the proposal.

**Form 10-K**

Copies of the Form 10-K may be obtained without charge from Shareholder Services, Home Properties, Inc., 850 Clinton Square, Rochester, New York 14604. A copy of the Form 10-K is also available through the Company's Web site at www.homeproperties.com or from the SEC at its Web site at www.sec.gov.

**Other Matters**

The Board of Directors does not know of any matters other than those described in this Proxy Statement which will be presented for action at the Annual Meeting. If other matters are presented, proxies will be voted in accordance with the best judgment of the proxy holders.

REGARDLESS OF THE NUMBER OF SHARES YOU OWN, YOUR VOTE IS IMPORTANT TO THE COMPANY. PLEASE VOTE BY INTERNET, TELEPHONE OR COMPLETE, SIGN, DATE AND PROMPTLY RETURN THE ENCLOSED PROXY CARD TODAY.

**Proxy Card -- Home Properties Inc.**

THIS PROXY, WHEN PROPERLY EXECUTED, WILL BE VOTED IN THE MANNER DIRECTED THEREON. IF NO DIRECTION IS MADE, IT WILL BE VOTED FOR PROPOSALS 1 AND 2. IN HIS DISCRETION, THE PROXY IS AUTHORIZED TO VOTE UPON SUCH OTHER BUSINESS AS MAY PROPERLY COME BEFORE THE MEETING OR ANY ADJOURNMENT THEREOF.

Please Mark Here for Address Change or Comments **O**  
**SEE REVERSE SIDE**

	<b>FOR</b> all nominees listed (except as marked to the contrary)	<b>WITHHOLD AUTHORITY</b> to vote for the nominees listed		<b>FOR</b>	<b>AGAINST</b>	<b>ABSTAIN</b>
<b>PROPOSAL ONE -</b> To elect the following persons as directors to serve until the next annual meeting of stockholders and until their successors have been elected and have qualified.	<b>O</b>	<b>O</b>	<b>PROPOSAL TWO -</b> To ratify the appointment of PricewaterhouseCoopers LLP as independent registered public accounting firm for	<b>O</b>	<b>O</b>	<b>O</b>

2007.

**Nominees**

01 Josh E. Fidler	05 Norman P. Leenhouts	
02 Alan L. Gosule	06 Nelson B. Leenhouts	09 Paul L. Smith
03 Leonard F. Helbig, III	07 Edward J. Pettinella	10 Thomas S. Summer
04 Roger W. Kober	08 Clifford W. Smith, Jr.	11 Amy L. Tait

(Instruction: To withhold authority to vote for any individual nominee, write that nominee's name in the space provided below.)

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Please mark, sign, date and return this proxy card using the enclosed envelope.

Signature \_\_\_\_\_ Signature \_\_\_\_\_ Date \_\_\_\_\_

NOTE: (Please sign above exactly as name appears hereon. Joint owners should each sign. When signing as attorney, executor, administrator, trustee or guardian, please give full title as such.)

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Ù FOLD AND DETACH HERE Ù  
**WE ENCOURAGE YOU TO TAKE ADVANTAGE OF INTERNET OR TELEPHONE VOTING,  
BOTH ARE AVAILABLE 24 HOURS A DAY, 7 DAYS A WEEK.**

**Internet and telephone voting is available through 11:59 PM Eastern Time  
the day prior to annual meeting day.**

Your Internet or telephone vote authorizes the named proxies to vote your shares in the same manner as if you marked, signed and returned your proxy card.

<b>INTERNET</b> <a href="http://www.proxyvoting.com/hme">http://www.proxyvoting.com/hme</a> Use the internet to vote your proxy. Have your proxy card in hand when you access the web site.	<b>OR</b>	<b>TELEPHONE</b> <b>1-866-540-5760</b> Use any touch-tone telephone to vote your proxy. Have your proxy card in hand when you call.
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If you vote your proxy by Internet or by telephone, you do NOT need to mail back your proxy card. To vote by mail, mark, sign and date your proxy card and return it in the enclosed postage-paid envelope.

Choose **MLink<sup>SM</sup>** for fast, easy and secure 24/7 online access to your future proxy materials, investment plan statements, tax documents and more. Simply log on to **Investor ServiceDirect<sup>®</sup>** at [www.melloninvestor.com/isd](http://www.melloninvestor.com/isd) where step-by-step instructions will prompt you through enrollment.

## HOME PROPERTIES, INC.

### REVOCABLE PROXY SOLICITED BY THE BOARD OF DIRECTORS ANNUAL MEETING OF STOCKHOLDERS MAY 1, 2007

The undersigned hereby appoints Edward J. Pettinella as Proxy with full power of substitution to represent the undersigned and to vote all Common Stock of Home Properties, Inc. which the undersigned would be entitled to vote at the 2007 Annual Meeting of Stockholders of the Company to be held on May 1, 2007 and any adjournment thereof.

**CONTINUED AND TO BE SIGNED ON REVERSE SIDE**

<b>Address Change/Comments (Mark the corresponding box on the reverse side)</b>

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Ù FOLD AND DETACH HERE Ù