



B #:	1885-15
Date:	October 29, 2015
To:	All Participants
Category:	Dividends
From:	Tax Reporting Service
Attention:	Managing Partner/Officer, Cashier, Dividend Mgr., Tax Mgr.
Subject:	Important Tax Information Home Properties Inc. Merger CUSIP: 437306103 Payable Date: 10/08/15

The Depository Trust Company received the attached correspondence containing Tax Information. If applicable, please consult your tax advisor to ensure proper treatment of this event.

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850 Clinton Square
Rochester, New York 14604
(585) 546-4900 ▲ FAX (585) 546-5433
www.homeproperties.com

October 29, 2015

The Depository Trust & Clearing Corporation
55 Water Street
New York, NY 10041

Ladies and Gentlemen,

This letter is being delivered to you at your request to clarify and confirm certain withholding requirements under Section 1445(e) the Internal Revenue Code of 1986, as amended (the "Code") with respect to non-U.S. holders of shares of Home Properties, Inc. ("Home") common stock who receive merger consideration in connection with the REIT merger as discussed under the headings "*Material U.S. Federal Income Tax Consequences—Consequences of the REIT Merger to Non-U.S. Holders of Shares of Home REIT Common Stock—Distribution of Gain from the Disposition of U.S. Real Property Interests*" and "*Material U.S. Federal Income Tax Consequences—Consequences of the REIT Merger to Non-U.S. Holders of Shares of Home REIT Common Stock— Taxable Sale of Shares of Home REIT Common Stock*" included the Form DEFM14A filed by Home on August 27, 2015 (the "Proxy"). Defined terms not defined in this letter shall have the meanings ascribed to those terms in the Proxy.

As-Filed Proxy Discussion

The following discussion is included in the Proxy under the headings "*Material U.S. Federal Income Tax Consequences—Consequences of the REIT Merger to Non-U.S. Holders of Shares of Home REIT Common Stock— Distribution of Gain from the Disposition of U.S. Real Property Interests*" and "*Material U.S. Federal Income Tax Consequences—Consequences of the REIT Merger to Non-U.S. Holders of Shares of Home REIT Common Stock—Taxable Sale of Shares of Home REIT Common Stock.*"

Distribution of Gain from the Disposition of U.S. Real Property Interests. As noted above, we intend to take the position that the merger consideration received in exchange for shares of Home REIT common stock in the REIT merger will be subject to tax in accordance with Notice 2007-55. Assuming that the IRS position described in Notice 2007-55 is correct, the treatment under "*—Taxable Sale of Shares of Home REIT Common Stock*" below would not apply to the payment of the merger consideration to you and you would be taxed under FIRPTA, unless a special exception for small holders applies (the "5% Exception," discussed below).

As described in the following paragraph, if the tax treatment set forth in Notice 2007-55 applies to the REIT merger, a non-U.S. holder generally will be subject to U.S. federal income tax on a net basis (and to withholding) to the extent the deemed liquidating distribution received from us is attributable to gain from the sale of our United States real property interests. However, the 5% Exception would apply to a non-U.S. holder of shares of Home REIT common stock if the non-U.S. holder did not own more than 5% of the shares of Home REIT common stock at any time during the one-year period ending on the date of the REIT merger. **If the 5% Exception were to apply to a non-U.S. holder, the FIRPTA tax would not apply, but the portion of the merger consideration that otherwise would have been subject to tax under FIRPTA would instead be treated as an ordinary dividend distribution from us, in which case such amount would be subject to U.S. federal withholding tax at a 30% rate, subject to any applicable treaty rate reduction.** In view of the FIRPTA tax and withholding that will apply to a non-U.S. holder's receipt of the

merger consideration, non-U.S. holders are urged to consult with their tax advisors regarding the possible application of those provisions and the possibility of selling their shares prior to the REIT merger.

To the extent the tax treatment set forth in Notice 2007-55 applies, and to the extent the merger consideration received by non-U.S. holders in the REIT merger is attributable to gain from the deemed sale of our United States real property interests (which we expect to be a substantial portion of such merger consideration), then, subject to the 5% Exception described above, such amount will be treated as income effectively connected with a U.S. trade or business of the non-U.S. holder and generally will be subject to U.S. federal income tax on a net basis in the same manner as a U.S. holder. In that event, corporate non-U.S. holder will also be subject to an additional 30% branch profits tax (or such lower rate as may be specified by an applicable income tax treaty). In addition, 35% (or 20% to the extent provided in Treasury Regulations) of any such amounts paid to a non-U.S. holder will be withheld and remitted to the IRS.

If the tax treatment set forth in Notice 2007-55 were not to apply, the 35% withholding tax described above would not apply, and a non-U.S. holder would instead be subject to the rules described below under "—Taxable Sale of Shares of Home REIT Common Stock."

Taxable Sale of Shares of Home REIT Common Stock. The tax consequences described in this section titled "—Taxable Sale of Shares of Home REIT Common Stock" would apply to a sale of shares of common stock by a non-U.S. holder preceding the REIT merger and, if the tax treatment set forth in Notice 2007-55 were not to apply to the REIT merger, also to a non-U.S. holder's receipt of merger consideration in the REIT merger (which would be treated as a sale of its Home REIT shares). As stated above, we intend to take the position that Notice 2007-55 applies to the REIT merger. Accordingly, the tax treatment described in this section titled "—Taxable Sale of Shares of Home REIT Common Stock" is expected to apply only to a sale of shares of common stock by the non-U.S. holder preceding the REIT merger.

Subject to the discussion of backup withholding below on a taxable sale of shares of Home REIT common stock, a non-U.S. holder should not be subject to U.S. federal income taxation on any gain recognized unless: (1) the gain is effectively connected with the non-U.S. holder's conduct of a trade or business in the United States, or, if an applicable income tax treaty applies, the gain is attributable to a permanent establishment maintained by the non-U.S. holder in the United States; (2) the non-U.S. holder is an individual present in the United States for 183 days or more in the taxable year of the REIT merger and certain other requirements are met; or (3) the non-U.S. holder's shares of common stock constitute United States real property interests under FIRPTA.

A non-U.S. holder whose gain is effectively connected with the conduct of a trade or business in the United States will generally be subject to U.S. federal income tax on such gain on a net basis in the same manner as a U.S. holder. In addition, a non-U.S. holder that is a corporation may be subject to the 30% branch profits tax on such effectively connected gain described in clause (1) of the previous paragraph.

A non-U.S. holder who is an individual present in the United States for 183 days or more in the taxable year of the sale and who meets certain other requirements will be subject to a flat 30% tax on the gain recognized on the sale, which may be offset by U.S. source capital losses. In addition, the non-U.S. holder may be subject to applicable alternative minimum taxes.

If a non-U.S. holder's common stock constitutes a United States real property interest under FIRPTA, any gain recognized by such holder on a sale of such stock will be treated as income effectively connected with a U.S. trade or business of the non-U.S. holder and generally will be subject to U.S. federal income tax on a net basis in the same manner as a U.S. holder. A non-U.S. holder's shares of common stock generally will not constitute a United States real property interest if either (1) we are a "domestically controlled qualified investment entity" at the time of the sale, or (2) both (a) shares of Home REIT common stock are regularly traded on an established securities market at the date of the sale and (b) the non-U.S. holder holds 5% or less of the total fair market value of shares of Home REIT common stock at all times during the shorter of (x) the five-year period ending with the date of the sale and (y) the non-U.S. holder's holding period for the common stock. We believe that Home REIT common stock is regularly traded on an established securities market as of the date of this Proxy Statement. A "qualified investment entity" includes a REIT. Assuming we qualify as a REIT, we will be a "domestically controlled qualified investment entity" at the time of the sale if non-U.S. holders held directly or indirectly less than 50% in value of shares of Home REIT common stock at all times during the five-year period ending with the sale. While we believe that we currently are a domestically controlled REIT, no assurances can be given that the actual ownership of our stock has been or will be sufficient for us to qualify as a "domestically controlled qualified investment entity" at the time of any sale.

Revised Proxy Discussion

The highlighted texts included in the Proxy and copied above should be disregarded and replaced in their entirety with the following:

Distribution of Gain from the Disposition of U.S. Real Property Interests—

- *Notwithstanding the foregoing, in connection with the REIT merger, to the extent (A) the tax treatment set forth in Notice 2007-55 does not apply, or if (B)(i) the 5% Exception were to apply to a non-U.S. holder, and (ii) our common stock is "regularly traded," as defined by applicable Treasury Regulations, on an established securities market located in the United States, the 35% withholding tax described above would not apply, and such non-U.S. holder would instead be subject to the rules described below under "—Taxable Sale of Shares of Home REIT Common Stock." Based on internal IRS advisory memorandum AM 2008-003, the portion of the merger consideration that otherwise would have been subject to tax under FIRPTA would not, in the context of the merger, be treated as an ordinary dividend distribution from us that would be subject to U.S. federal withholding tax at a 30% rate.*

Taxable Sale of Shares of Home REIT Common Stock—

- *The tax consequences described in this section titled "—Taxable Sale of Shares of Home REIT Common Stock" would apply to (A) a sale of shares of common stock by a non-U.S. holder preceding the REIT merger, (B) if the tax treatment set forth in Notice 2007-55 were not to apply to the REIT merger, also to a non-U.S. holder's receipt of merger consideration in the REIT merger (which would be treated as a sale of its Home REIT shares), and (C) if our common stock is "regularly traded," as defined by applicable Treasury Regulations, on an established securities market located in the United States, to those non-U.S. holders to whom the 5% Exception applies, even though the tax treatment set forth in Notice 2007-55 would apply to the REIT merger. As stated above, we intend to take the position that Notice 2007-55 applies to the REIT merger. As noted below, we believe that Home REIT common stock is "regularly traded" as of the date of this Proxy Statement. Accordingly, the tax treatment described in this section titled "—Taxable Sale of Shares of Home REIT Common Stock" is expected to apply only to (A) a sale of shares of common stock by a non-U.S. holder preceding the REIT merger, and (B) to those non-U.S. holders to whom the 5% Exception applies.*

Accordingly, with respect to withholding under FIRPTA under Code Sections 1445(e) and 1441, the following operative rules apply:

- Greater than 5% non-U.S. holders are subject to withholding under FIRPTA at a rate of 35% (or to the extent provided in regulations, 20%); and
- Non-U.S. holders who have held 5% or less of the Home common stock throughout during the one-year period ending on the date of the REIT merger are not subject to withholding under FIRPTA, nor, based on IRS advisory memorandum AM 2008-003, should they be subject to dividend withholding tax under Code Section 1441 on the merger consideration.

The disclosure in the Proxy should be regarded as clarified to this extent.

Please feel free to contact Kimberly Pepe at (585) 262-9303 to discuss or with any questions.

Regards,



Home Properties, Inc.

By: Robert J Luken – Senior Vice President